Integrated Yet Marginalized: Implications of Globalization for African Development

Léonce Ndikumana

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Abstract: This article discusses Africa's deepening marginalization in the globalization of production, finance, and labor. It underscores critical development issues that result from, and are exacerbated by, globalization in the context of unequal global distribution of economic and political power: illicit financial flows and tax evasion, the brain drain, an increasing incidence of noncommunicable diseases, and the disproportionate burden of environmental degradation that is shouldered by the African continent. It also offers some policy suggestions to address these issues at national and regional levels.

Résumé: Cet article traite de la marginalisation croissante de l'Afrique face à la mondialisation de la production, des finances et du monde du travail. Il met en évidence des questions critiques de développement qui non seulement résultent de la mondialisation mais sont aussi exacerbés par elle notamment dans le contexte de répartition mondiale inégale du pouvoir économique et politique: les flux financiers illicites et l'évasion fiscale, la fuite des cerveaux, une incidence croissante des maladies non transmissibles et la charge disproportionnée de la dégradation de

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l'environnement qui est assumée par le continent africain. Il propose également quelques suggestions de programmes politiques pour traiter ces questions aux niveaux national et régional.

Keywords: Africa; globalization; economic integration; trade; capital flight; illicit financial flows; epidemiological transition

Introduction

In 2009 the *World Development Report* identified three key impediments to African development (World Bank 2009:283): "the triple disadvantages of low density, long distance, and deep division." According to the report, "these spatial dimensions reduce proximity between economic agents within Sub-Saharan Africa, and between Africa and the rest of the world," and "cumulative causation" among these forces catches many countries in what the report calls a "proximity trap." The point is that Africa has been bypassed by globalization, and that it needs to become further integrated into the global economy in order to see accelerated economic development.

The debates on globalization and its implications for Africa's economic development have been reinvigorated by the recent global recession, which has brought to the fore the fact that while globalization may have important advantages, it also carries serious adverse effects. The economic literature contains various views on these matters, ranging from the belief that Africa is indeed unintegrated in terms of the global economy, to views that integration is impossible, to arguments that the continent is a captive in a globalization process that has reinforced exploitative relationships with the rest of the world. This article argues a somewhat different point: that a close look at the history of the continent demonstrates not only that Africa is indeed integrated into the global economy, but also that this integration is not new, and its main features have not changed significantly. Rather, they have become more complex and more damaging.

Africa's integration into the global economy began with the conquest of the continent by Europeans seeking to expand their empires and secure resources to feed the industrialization process in the West. King Leopold's conquest of the Congo is the most popularized and blatant illustration of what I will call "exploitative integration" or "extractive integration" of Africa in the global economy. In addition to being plundered of its physical capital and natural resources, Africa was integrated into the rest of the world through the plundering of its human resources—the slave trade that sustained agriculture in the New World. Later the exploitative integration of the continent in the world economy was formalized with the so-called colonial pact, and integration meant political, economic, and ideological domination of the continent by the West. Thus the continent became the official source of the resources that fed Western capitalism and a terrain for the testing and contesting of Western ideologies (liberalism vs. Marxism) and moral orientations (modern religions vs. indigenous religions, Christianity vs. Islam, etc.).

The modern form of globalization is therefore only an expanded, more complex, form of Africa's integration in the world economy, which in fact began with the first "discovery" of the continent by the European "explorers." Modern-day globalization is characterized by rapid expansion of trade, finance, technology, migration, and associated financial flows (remittances), as well as by what Joseph Stiglitz (2014) calls "malign influences" such as imported environment problems and diseases. Moreover, globalization is accompanied by a shrinking of the role of the state as a result of market fundamentalism and the rising dominance of transnational corporations. As globalization has become more complex, the flaws of global governance have become more evident and their consequences more damaging. Africa has been at the receiving end of the damages of globalization, and it has become further marginalized with regard to its benefits. Alleviating the damages of globalization on African economies and increasing associated benefits for the continent will therefore require fixing global governance to make it more participatory and transparent and providing more policy space to enable African countries to design and implement their own national development agendas. This article discusses the key features of Africa's integration into the global economy and highlights the persistent, if not deepening, marginalization of the continent in terms of the gains from globalization, the challenges related to the globalization of labor, and the associated unequal exchange of human capital.

Globalization of Production and Trade and Africa's Failed Integration

Over the past two decades Africa has experienced a much welcome growth resurgence, which has been attributed, in major part, to trade-led integration in the global economy (Brückner & Lederman 2012). Indeed, exports and imports by African countries have increased dramatically since the turn of the century (see figure 1). From 1999 to 2013 Africa's total trade with the rest of the world nearly quintupled, from U.S.$207.7 billion to U.S.$1.0 trillion, representing an average annual growth rate of 11 percent. Most of the increase in exports is attributable to the primary commodity boom, especially in oil and minerals, in the period leading up to the global economic crisis.

At the same time, despite the remarkable increase in trade, the continent's share in global trade remains very small. By 2013 Africa's share in world trade was only 2.8 percent, a decline from 6 percent in 1950 and 4.8 percent in 1980. Thus, considering trade in goods and services as a measure of globalization, we would have to conclude that Africa today is half as integrated in the world economy as it was in 1950. In that respect, Africa remains marginalized in global trade, despite the recent rise in the

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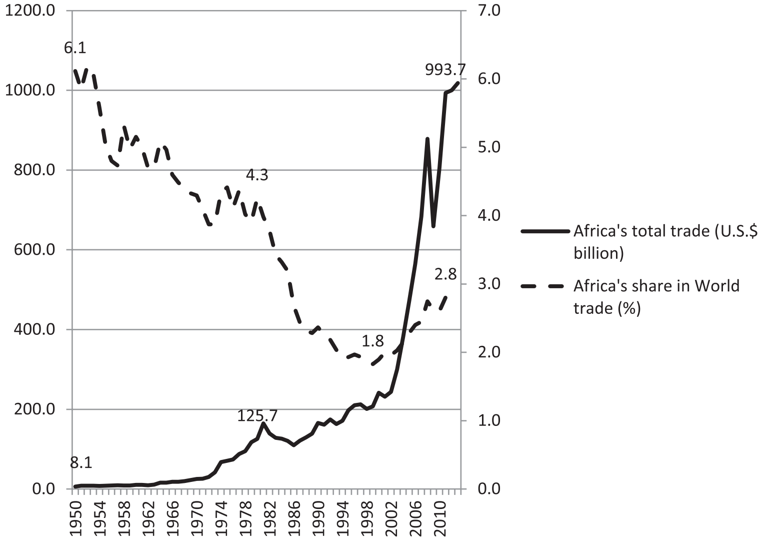
Figure 1. Africa's Share of the World's Trade



volume of trade and the recovery in the continent's share in global trade since the turn of the century (from the all-time low of 1.8% in 1999). The question is why.

Many structural, institutional, and policy-based explanations for Africa's marginalization in global markets have been proposed in the scholarly literature, especially Africa's failure to break away from its dependence on primary commodity exports. There are four dominant arguments. The first holds that Africa's market share in global trade is in fact as high as it can ever be; as Dani Rodrik puts it, "the [African] region participates in international trade as much as can be expected according to international benchmarks relating volume to income levels, country size and geography" (1998:37). In other words, African economies are too small from a global perspective to significantly expand their contribution to global trade. The implications are dramatic. According to this perspective, sustained trade-led growth is not possible for Africa, and efforts to adopt measures to liberalize trade would not meaningfully increase Africa's share in world trade or help the continent reach and sustain higher long-run growth rates.

The second argument, which is proposed by Adrian Wood and colleagues, is based on the conventional comparative advantage view, suggesting that because of the combination of abundant natural resources and low human capital, Africa's fate is to specialize in primary commodities (Wood & Berge 1997; Wood & Mayer 2001; Owens & Wood 1997). Compared to other developing regions such as East Asia, Africa has a distinctive export structure dominated by primary commodities. While many have argued that Africa's failure to match East Asia's success in exporting manufactured

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products is based on Africa's lack of an open trade policy, these scholars contend that the difference between these two regions is based in Africa's unique endowments in human and natural resources. Therefore, "the structure of Africa's exports may . . . just reflect the region's comparative advantage, which is likely to change only slowly over the next decades, whatever policies are pursued" (Wood & Mayer 2001:369). The implications are somber: Africa has little chance of breaking into the manufactures export markets and dire prospects of gainful integration into the global economy.

The third argument, put forward by Paul Collier (1998), is a slight variation from the previous one, although it presents a similarly pessimistic analysis of the prospects of economic transformation in African countries. According to this analysis, policies and institutions in African economies create a high-cost and low-returns environment; this situation explains the specialization in primary commodity exports and would not be changed by trade liberalization policy. Collier puts it as follows:

> Given Africa's present pattern of exports, international trade liberalization is of little consequence since Africa does not face important barriers for its present exports. The reduction in trade barriers is only of significance if Africa changes its comparative advantage. I argue that its present comparative advantage is determined mainly by its policy environment rather than its factor and natural resource endowments. (1998:147)

According to Wood's argument, Africa's human and natural resources endowment fatally predisposes the continent to commodity dependence. According to Collier's argument, the problem is that Africa's policy and institutional environment is "hostile to transactions"; it discourages industrialization because manufacturing is "transaction-intensive" (1998:162). The price of risk is much higher in Africa than in other regions, and therefore the returns to investment in manufacturing are relatively lower. Implied in this analysis is a specific recommendation: that African countries adopt and strengthen policies that reduce transaction costs in order to encourage private investment and facilitate international trade. But even then, policy reforms would only make natural resource–based exports more productive; they would not stimulate and support industrialization and economic transformation or remedy the problem of Africa's marginalization in global trade.

The fourth argument is that globalization has made it impossible for Africa to industrialize because economic liberalization and the opening up of local markets to highly capitalized and technologically advanced foreign producers have compromised the development of local industry. A dramatic case is what Padraig Carmody (2010) called the "textile tsunami": the collapse of the textile industry in Lesotho due to a combination of Chinese textile imports and the phasing out of the "Agreement on Textiles and Clothing," the successor of the "Multi-Fibre Arrangement."[1] In the case of the textile industry, African countries find it difficult to compete against

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China, which often uses Africa as an intermediary route for exports destined for the U.S. in order to circumvent U.S. restrictions on Chinese textile imports. Thus, instead of shipping textiles to directly to the U.S., China ships its capital (and labor) to Africa, where it produces textiles that enter the U.S. market as African exports, taking advantage of preferential trade arrangements such as the African Growth and Opportunity Act (AGOA). This kind of destruction of local industry through globalization is observed in other industries as well. In South Africa, for example, local firms in the automobile components sector are being squeezed out of the industry by falling trade barriers (Barnes & Kaplinsky 2000).

To these four conventional explanations for Africa's failure to industrialize and become integrated in the global economy one other important, and conspicuously missing, factor needs to be added: the role of global governance in holding back industrialization and the development of manufacturing in Africa. One of the damaging features of global governance of production and trade is the asymmetric application of rules in favor of advanced economies, to the detriment of weaker ones. A blatant example is the enforcement of rules against agricultural subsidies in Africa while the agriculture sector in advanced countries is heavily subsidized. Thus African cotton-producing countries, for example, lose out due to unfair competition. It is clear, therefore, that efforts by African countries to reap the benefits of globalization by building an industrial base will achieve only limited success due to biased application of global rules on trade and a generally unfair governance of the global economic system.

The Paradox of Globalization of Capital

Besides Africa's increasing marginalization in production and trade due to bottom-of-the-ladder specialization by African economies, the continent is marginalized by the increasing globalization of capital and the associated problems of illicit financial flows and tax evasion by multinational corporations. There are two views about Africa's integration in global finance. According to the first view, Africa is not integrated, in the sense that it remains a marginal actor and beneficiary of the explosion of global capital flows. Thus, although the volume of private capital flows into the continent has increased substantially over the past two decades, the continent's share in global financial flows remains small. Indeed, from 1999 to 2013 annual foreign direct investment (FDI) to Africa grew from U.S.$12 billion to U.S.$57 billion—nearly quintupling, just like trade, an equivalent of 10 percent annual growth (see figure 2). However, while the continent's share in global FDI increased during this period, it remains less than half of the share reached in 1970 (3.8% in 2013 compared to 9.5% in 1970). Moreover, private foreign capital inflows are concentrated in the natural resource sector and in the few emerging markets in the continent. Natural resource–rich countries received between 38 and 68 percent of annual FDI inflows into the continent between 2000 and 2013, with an average share of

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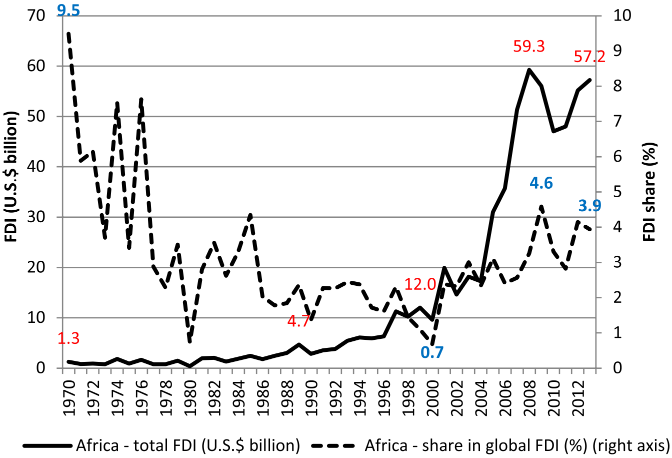
Figure 2. Africa's Share of FDI



56 percent over the same period.[2] This predominance of resource-seeking FDI minimizes the gains from foreign capital in terms of employment creation, given the capital intensive nature of the activities (especially oil) and the fact that there is little value added domestically in natural resource exploitation.

The second view about Africa's integration in global finance is directly contrary to the first one. According to this perspective, Africa is in fact heavily integrated in global finance and has been so for a long time. The problem is that capital, paradoxically—and contrary to predictions from conventional finance and economics theories—is flowing in the wrong direction. Indeed, Africa has been suffering sustained financial hemorrhage through capital flight and other forms of illicit financial flows.[3] It is estimated that over the past four decades the continent lost over U.S.$1.3 trillion through capital flight and that the capital stashed abroad reached U.S.$1.7 trillion by 2010 (Ndikumana et al. 2015).

The mainstream explanation of this paradox is the conventional portfolio choice theory offered by Collier and others, which suggests that wealthy Africans seek higher returns abroad or flee economic and political risk at home by shifting assets abroad (Collier 1998; Collier et al. 2001, 2004; Khan & Haque 1985). According to this explanation, the bad investment climate in Africa, again partly due to bad policy, is the main reason for capital flight. Thus, for example, low domestic public investment in Africa creates a disincentive for private capital due to high costs and low risk-adjusted returns, inducing capital owners to invest abroad rather than at home.

Two conclusions follow from this view. One is that "Africa has little further capital to lose from globalization" given its low initial base (Collier 1998:161)—which implies a prediction that capital flight should be less of a problem in the future. The second conclusion makes use of the so-called

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Pareto principle of economic efficiency.[4] According to this point of view, capital flight does in fact represent an optimal allocation of resources, even in a poor policy environment, because "the gainers (owners of African capital) [can] compensate the losers (owners of African labor)" (Collier 1998:154). In other words, everyone is better off than they would be if capital were "trapped" in low-returns African economies. Both of these conclusions, however, are questionable. The problem with the first one is that in reality, capital flight from Africa has accelerated rather than abated since Collier made this prediction more than a decade and a half ago. The problem with the second conclusion is that no feasible mechanisms of compensation exist, because the loser, African labor, has little power to negotiate compensation from the gainers: African capitalists, global capitalists, and labor in destination countries (notably offshore financial centers and associated economies where African capital is stashed). This skewed distribution of gains is a key reason that it has been so difficult to build a viable global coalition against capital flight and illicit financial flows. Thus, while the allocation of resources associated with capital flight is not, as Collier claims, "Pareto-optimal," it is, alas, stable.

In addition, what is missing once again in the story of the paradox of globalization of capital is the role of global governance. Certainly important factors that are inherent to African economies do "push" private capital out of the continent. But this portfolio choice explanation primarily concerns honestly acquired capital and asset holders who seek higher and safer returns abroad while abiding by the rules and regulations governing international financial transactions. This explanation cannot apply to corrupt capital outflows orchestrated by political leaders and their associates in the private sector or illicit financial flows orchestrated or facilitated by multinational corporations through unethical practices such as trade misinvoicing, transfer pricing, and bribery. The portfolio choice theory of capital flight also falls flat in light of the explosion of capital flight over the past two decades, when African countries witnessed remarkable growth and improvement in the macroeconomic environment. These factors would logically imply a reduction in investment risk, an increase in returns to domestic investment, a reduction in capital flight, and an increase in foreign capital inflows. But such expected results have not materialized. Instead, capital continues to leak out of the continent at an increasing rate.

A key factor that facilitates and perpetuates capital flight and illicit financial flows from Africa is the failure of global governance. Two flaws are especially critical. The first is the failure of governance of the global financial system, especially the practice of banking secrecy and lack of transparency, which are the key factors behind the explosion of illicit financial flows to offshore financial centers. The second concerns governance of corporate behavior, especially the failure to discipline multinational corporations that engage in trade misinvoicing, transfer pricing, and tax evasion in Africa. Thus, while it is important to implement reforms in Africa to keep wealth onshore, fixing the domestic side is only part of the solution to the problem of capital flight. Curbing the continent's financial hemorrhage requires also fixing governance of global finance and multinational enterprises (see Boyce & Ndikumana 2015).[5]

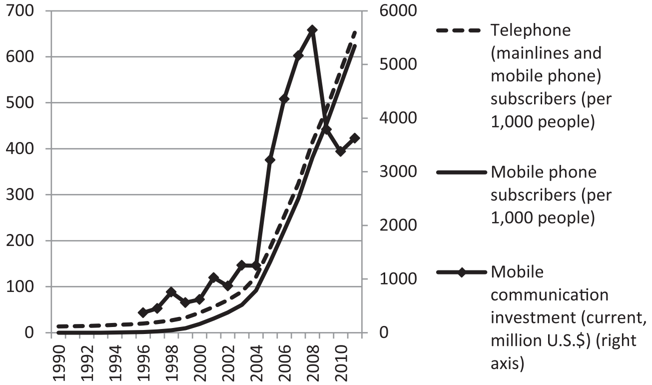
Reform and improvement of global governance are also indispensable for success in tracking and recovering the stolen assets that result from capital flight. Some important global conventions have been established to support stolen asset recovery, including the Stolen Asset Recovery (StAR) initiative sponsored by the World Bank and the United Nations. However, progress in the implementation of these global conventions is slow, mainly because the losers from capital flight have little power to significantly influence the global agenda, while the winners benefit from the status quo. An illustration of the role of power in the fight against capital flight and asset recovery is the success of the United States in challenging banking secrecy and tax evasion. The U.S. has the capacity to exercise its political and economic power to put pressure on Swiss banks and other offshore financial centers to open up their books and reveal the identities of American taxpayers who may be using banking secrecy to avoid taxation. African countries do not have such capacity. Ultimately, real change will require a global pact against capital flight, tax evasion, and banking secrecy. Such an agreement will facilitate the establishment of a more transparent global financial system, which is in the interest of developed and developing countries.

Technology and "Thin Integration"

Another factor that has to be considered in the economic marginalization of Africa is the growth and increasing importance of information and communication technology (ICT) since the past century. In many ways the situation seems to provide cause for optimism. As "bit driven growth" becomes the key feature of the global economy (Carmody 2010:111), Africa is also emerging as a major and indeed perhaps the fastest-growing ICT market, taking the world by surprise by leapfrogging past fixed telephone technology into mobile communication and accelerated Internet penetration. This is changing the face of the continent not only in the way people communicate, but also in the way farmers, businesses, banks, medical practitioners, and governments conduct their daily operations. From 2002 to 2011 the number of mobile phone subscribers in Africa grew astronomically, from 44 to 623 per 1000 persons, representing an impressive 30 percent annual growth (see figure 3). During this same period, investments in the sector grew rapidly, from U.S.$870 million to U.S.$3.6 billion, a 15 percent annual growth rate.

The rapid expansion of access to modern information and communication technology has a huge potential to spur private sector development in Africa by addressing major structural constraints that have traditionally hindered private enterprise. Just as the mobile phone has made the fixed phone redundant for the majority of African people, it is also enabling the rural African to access finance and organize payments and credit systems without mortar-and-brick banking. Thus ICT holds substantial potential

Figure 3. ICT Growth in Africa



as a driver of private sector development and economic transformation in African countries.

Beyond this optimistic picture, however, lies a new form of extractive integration that victimizes Africa, whereby Africa is incorporated into the global information and communication technology industry at the lower end of the value chain (Carmody 2010). The bulk of the technology used in mobile phones and other ICT products consumed in Africa is the product of U.S. and European science and engineering. The actual devices are assembled in China—which, according to one estimate (Carmody 2010), accounted for at least 40 percent of global production in 2006 thanks to its low manufacturing costs and protectionist industrial policies. Africa, for its part, contributes and exports the raw materials used to make the components of the ICT products. For example, it is estimated that the Democratic Republic of Congo is home to 80 percent of the world's coltan reserves (Carmody 2010), excavated from largely unregulated, small-scale "artisanal" mines where workers endure harsh working conditions and low pay while investors and middlemen capture massive rents. Exploitation of coltan and other coveted minerals has also been associated with environmental destruction and conflicts, hence the label of "conflict minerals." Here is yet another adverse effect of globalization that typically escapes the public's attention. The process of extractive integration perpetuates unequal trade and Africa's dependence on natural resources, in a sense bringing us back to the colonial era when Africa's natural resources fueled Europe's industrialization while leaving behind holes in the African landscape. Today the process of integration leaves not only holes, but also poverty, environmental degradation, and resource-fueled conflicts.

Globalization of Labor and Asymmetric Gains from Integration

Globalization is typically characterized by asymmetric movement of labor and capital, whereby the latter is more mobile than the former. As a result,

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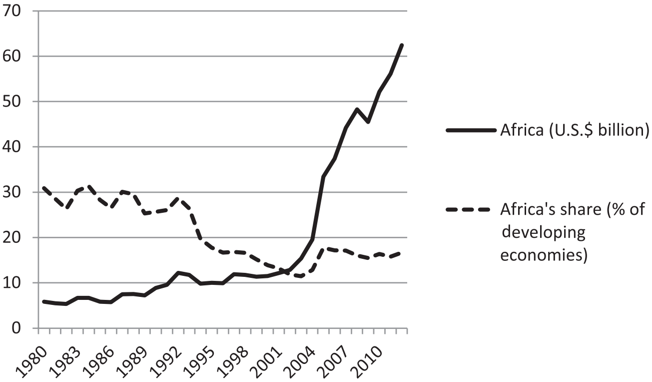
the returns to globalization accrue more to capital than labor, as capital is able to move across borders to escape taxation and capture higher returns while labor bears a disproportionate burden of taxation (see Ndikumana 2014). In the case of Africa, however, labor has been mobile for a long time, starting from the era of slavery. More recently, globalization has been characterized by rising African migration and a corresponding increase of migrant remittance flows. The increased migration has been driven by political instability as well as economic factors inducing Africans to look for greener pastures abroad.

Over the past decade, the flow of remittances to Africa has more than quintupled, increasing from U.S.$11 billion in 2000 to U.S.$62 billion in 2012. The increase has been even more spectacular for sub-Saharan Africa in particular: from U.S.$4.0 billion in 2000 to U.S.$30.8 billion in 2012.[6] Remittance flows have surpassed official development assistance as a source of external development financing. They have also proved to be more resilient to global economic shocks than other flows experienced during the recent global recession (see World Bank/African Development Bank 2011). In fact, while total remittances to Africa declined slightly from U.S.$48 billion in 2008 to U.S.$45 billion in 2009, remittances to sub-Saharan Africa remained virtually unchanged at U.S.$28 billion in 2008–9. Migrant transfers therefore constitute an important source of financing that can help reduce overall volatility in external inflows into the continent.

Migrant remittances to Africa could reach even higher levels if appropriate measures were taken to reduce transfer costs. It is estimated that sub-Saharan migrants incur the highest cost for transferring money home, about 12.4 percent, compared to 8.9 percent globally and 6.5 percent for Asia (World Bank 2013). In addition, African countries could mobilize more remittances by creating an environment that is conducive to the allocation of remittances into productive investment instruments that are attractive for the diaspora. Beyond the real estate sector, which tends to be the primary focus, there are vehicles that hold even higher potential in terms of impact on employment, private sector development, growth, and poverty reduction. These include vehicles targeted to financing small and medium enterprises, microfinance, and infrastructure bonds.

It is worth noting, however, that despite this impressive increase in the volume of remittance flows over the past two decades, the continent remains a minor player in the global remittances market. Migrant remittance flows to Africa in 2012 represented 16 percent of remittances to all developing countries, which was half the peak reached in mid-1980s (31% in 1984) (see figure 4). This trend is consistent with the trend of other private flows as discussed earlier. Moreover, globalization of labor has been characterized by asymmetric transfer to the detriment of Africa. While remittance inflows constitute a welcome counterpart of migration, they do not fully compensate for the substantial losses associated with "brain drain," especially given that the pool of African migrants include a substantial and increasing proportion of skilled labor (World Bank/African Development

Figure 4. Migrant Remittances to Africa



Bank 2011). This means that migration constitutes a loss to African countries in terms of the public resources that have been invested in training the migrants.

The increasing migration of health care professionals from Africa to the developed world is a particularly glaring illustration of the asymmetric impact of globalization of labor. While migration of health care workers is not new, it is distinct today in two important ways: it is more permanent, and it involves a disproportionate movement from developing countries that need these workers the most to developed countries that are more equipped to invest in training doctors and nurses themselves (Eastwood et al. 2005; Martineau et al. 2004). In the past, migration of doctors was temporary, and nearly all of them returned to home countries with more skills and better equipped to contribute to the advancement of medicine. Thus a "medical carousel" ensued, whereby "doctors rotate[d] to countries offering better standards of training, more attractive salaries and working conditions, and a higher standard of living" and then returned home. Today the problem is that migrants increasingly leave with no intention of returning; "the medical carousel . . . does not turn full circle, . . . so the poorest nations experience all drain but no gain" (Eastwood et al. 2005:1893). This situation is likely to get worse before it gets better. For example, it has been estimated that 60 percent of the doctors trained in Ghana in the 1980s left the country, with two hundred doctors leaving in 2002 alone (Eastwood et al. 2005:1893). The number of nurses and midwives from Africa registering in the U.K. health system has increased every year over the past decades; in 2001–2002, 2114 nurses and midwives from South Africa alone did so, up from 599 in 1998–99 (Martineau et al. 2004). Similar trends are observed in other countries where migration constitutes a major constraint to the development of national health systems.

This asymmetric globalization of labor means that the receiving countries enjoy substantial savings in training costs, in a sense enjoying a "free ride" on the investments made by African countries in these

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health professionals. The medical sector in advanced countries also benefits from a more flexible labor force that is willing to work in less desirable areas (e.g., nursing homes) and regions (e.g., rural areas), and under more difficult conditions (e.g., least desirable shifts). At the same time, the access to migrant health care workers may result in suboptimal investments in domestic health education systems in advanced countries, thus perpetuating the brain drain from Africa (Martineau et al. 2004).

Strategies to stem the problem of brain drain in the health sector are not readily apparent. The causes of migration are complex, comprising more than just the search for better wages abroad (see Vujicic et al. 2004; Nguyen et al. 2008).[7] Strategies to fix the problem would need to encompass improvements in a large range of factors including compensation, working conditions, access to modern technology, and professional development opportunities, to list only a few. The challenge is that African countries do not have the capacity to compete globally along these dimensions. This suggests that the one-way movement of medical professionals from Africa is likely to remain a key feature of Africa's integration in the global economy for the foreseeable future.

One other feature of globalization of labor that needs to be mentioned is that it has been characterized by asymmetric transfer of values from the West to Africa with regard to labor market regulations. While advanced countries have established strong rules and regulations that protect and advance the interests of workers in terms of compensation and working conditions, little progress has been made in the area of worker protection in Africa. On the contrary, sectors that are dominated by Western enterprises such as minerals and oil exploitation are characterized by poor working conditions and exploitative relationships between the workers and the firms. Wages and other working conditions are set in a context in which workers have very little bargaining power due to lack of viable outside options and adequate worker protection. Thus, once again, Africa finds itself on the short end of the bargain in terms of the outcomes of globalization.

Global Public "Bads" and "Malign Influences"

While attention is typically focused on the implications of globalization for trade, factor mobility (finance and labor), and technology, the effects of globalization also include other less immediate aspects, which may be indirect but equally important for Africa's economic development and its place in the global economy. These effects may easily go unnoticed, although crises often bring them to the fore. This is the case with the Ebola crisis that erupted in West Africa in 2014. As of March 2015, a total of about 24,202 Ebola infection cases had been reported in the three most affected countries of Guinea (3,273), Liberia (9,343), and Sierra Leone (11,586), resulting in an estimated 9,936 deaths (CDC 2015). In the beginning of the epidemic it was viewed as an internal crisis in each of these countries, exhibiting the consequences of the destitute state of their health care systems.

At the same time, the crisis brought to light a salient side of globalization that is often overlooked: the fact that today very few things are contained within national borders. As Joseph Stiglitz (2014) put it, “the Ebola crisis reminds us, once again, of the downside of globalization. Not only good things—like principles of social justice and gender equality—cross borders more easily than ever before; so do malign influences like environmental problems and disease.” Obviously the transmission of health hazards goes both ways. Thus globalization is also changing the health landscape in Africa, bringing or exacerbating new and nontraditional diseases associated with changes in economic activity and life style. In the process, the continent is undergoing an epidemiological transition that the health systems on the ground seem to be ill-prepared to handle.

Globalization and Epidemiological Transition

The most pressing health problems and leading causes of death in African countries are infectious diseases, such as malaria, tuberculosis, and HIV/AIDS. Infectious diseases are responsible for up to 69 percent of deaths in Africa (Young et al. 2009), with malaria accounting for the lion’s share. Sub-Saharan Africa has experienced the largest share of casualties from HIV/AIDS infections. In 2006 the subregion counted 24.7 million cases, or 63 percent of all cases in the world, and up to 2.8 million deaths were recorded, representing 72 percent of worldwide deaths. Co-morbidity between infectious diseases, especially between HIV and tuberculosis, is another major health challenge facing the African continent. It is estimated that about 34 percent of new tuberculosis patients are also infected with HIV (Kengne et al. 2005). The high mortality rates from infectious diseases are ultimately a manifestation of the underdevelopment of health systems in Africa. In most African countries, health systems are poorly funded, and infrastructure and human resources are stretched beyond capacity. It is not surprising, therefore, that when outbreaks of infectious diseases such as Ebola strike, health care providers find themselves relatively helpless. Indeed, underdevelopment explains why the death rates from Ebola have been so high in Africa while virtually all cases in advanced countries have been treated successfully.

Although infectious diseases remain, overall, a major challenge faced by health systems in Africa, over the past decades African countries—like those in other developing regions—have also witnessed a rapid increase in noncommunicable diseases, notably cardiovascular diseases, diabetes, cancer (of the breast, prostate, and cervix), chronic kidney diseases, and chronic pulmonary diseases (see Boutayeb 2006). In addition, as with communicable diseases, co-morbidity factors are affecting death rates; on average, two out of three diabetic patients die from cardiovascular complications (Kengne et al. 2005). Thus the continent is experiencing an epidemiological transition in which noncommunicable diseases are exacerbating the impact of infectious diseases and other health hazards, increasing the burden on the populations and on health care systems. This transition is attributable to a number of factors inherent to endogenous trends and shifts in the domestic economies and societies, as well as external factors, some of which are related to globalization.

On the domestic front, health care systems in most African countries are ill-equipped to handle a rising demand for services associated with emerging noncommunicable diseases. This challenge therefore poses a threat to the gains made in terms of African life expectancy due to improvements in sanitary conditions and education, especially in urban settings. On the external front, globalization is contributing to the epidemiological transition. One transmission mechanism is the importation of consumption patterns and habits that have negative implications for health. As African economies are becoming more integrated in global markets, manufactured foods are making up an increasing share of the consumption basket of African households, especially in cities. Increased access to and consumption of processed foods, including oils, fats, and sugars, is associated with increased incidence of obesity and related noncommunicable diseases such as diabetes. Obesity accounts for over 90 percent of diabetes cases worldwide and it shows a rapidly increasing trend in Africa. In 2006 there were an estimated 10.8 million diabetes cases in sub-Saharan Africa. It is projected that by 2025 this figure could rise to 18.7 million, representing an 80 percent increase (Young et al. 2009).

Diabetes in Africa is primarily an urban phenomenon; it is estimated that the prevalence of diabetes is between two and five times higher in urban than rural areas (Young et al. 2009). Therefore, the rise in diabetes and other related diseases is closely associated with the rapid urbanization rate, which itself is related to globalization. While globalization has opened opportunities for international trade, it has also been accompanied by a deterioration of the terms of trade to the disadvantage of rural activities in general and agriculture in particular. This has contributed to the steady rural exodus, along with increasing stress on an ill-prepared urban infrastructure. According to the latest UN-Habitat report (2014), Africa today accounts for more than a quarter of the one hundred fastest growing cities in the world. In 2011 the continent had fifty-two cities with more than one million inhabitants. It is estimated that by 2050, 1.3 billion Africans will be urban dwellers, up from 400 million in 2010. By then, Africa-wide urbanization level is likely to reach almost 58 percent. While it may be argued that rapid urbanization can be an asset—that it represents expanding domestic demand and therefore functions as an engine of growth—urbanization also brings the shifts in consumption patterns indicated above. Moreover, rapid urbanization may lead to social instability if it is accompanied by rising inequality. As the UN-Habitat report states, "the prevailing worldwide view that cities are engines of growth and human development may very well be challenged by the unfolding realities in Africa, unless this urban economic and general developmental progress is translated into more broadly shared well-being among nations' socio-economic strata" (2014:16).

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Another important aspect of the epidemiological transition in Africa is the rapid increase in cardiovascular disease. This is partly due to changes in nutritional habits and in lifestyle as well as changes in working conditions as an increasing share of the labor force is employed in the industrial sector. Work-related stress and exposure to industrial and environmental health hazards are at the root of the observed increase in pulmonary and cardiovascular health problems, and the health systems, as in the case of diabetes, are ill-prepared to handle these new diseases. On the one hand, the majority of African people do not have regular health consultations due to lack of access, inability to pay, or lack of awareness of the need for such consultations. On the other hand, and in particular for low-income countries in Africa, the medical system is ill-equipped to diagnose and treat these diseases. Some sectors are more exposed to these problems than others due to the inherent nature of the working environment and the quality of labor regulations. The mining and oil sectors are especially notorious for exposing African workers to harmful working conditions. The negative consequences on the workers' health are difficult to track, as some of the effects may materialize after the workers have separated from the mining companies. This is especially the case for migrant workers who form a substantial share of the labor force in the mining sector in South Africa. Once again, regulation of the working conditions in the natural resource sector has lagged behind global norms to the benefit of the multinational corporations that are able to extract abnormal profits by containing labor costs but compromising the workers' health.

Globalization, the Environment, and Africa

Globalization, finally, has brought a new dimension to the interplay between economic activity and the environment. Economic activity may generate harmful effects on the environment, and those effects in turn can have a negative impact on the well-being of the population. In most cases the harmful effects of economic activity are specific to localities where the activities take place. But if the environmental effects of economic activity can be shifted across space, the harm can be deposited elsewhere—and this is a maneuver that globalization has abetted in two important ways.

First, globalization increases the possibilities of shifting these costs through increased mobility of capital as well as deregulation of cross-border activity and markets. Second, globalization increases the geographical and social distance between beneficiaries of cost shifting (who are able to externalize the negative effects) and those who bear the costs. For example, the environmental damages caused by multinational corporations in the exploitation of oil and minerals in Africa are borne by African populations, while the benefits accrue to Western societies where these corporations are based. Thus the environmental damages caused by Shell and other oil corporations in the Delta region in Nigeria are borne only by the Nigerian people. The same is true for mining operations in Ghana, where the damages fall on the shoulders of the Ghanaian rural populations who have to live in an environment with contaminated water, polluted air, and degraded soil (Sanderson 2009).

Globalization, therefore, brings a new dimension to the challenge of achieving sustainable development, defined, according to the manifesto of the World Commission on Environment and Development, as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" ("Our Common Future," quoted in Boyce 2013:8). Achieving sustainable development requires reaching an optimal tradeoff between economic gains from the utilization of natural resources and negative effects on the environment and the people. The feasibility of such a tradeoff depends on the distribution of power—both economic power and political power. In a society where the distribution of power is unequal, the optimal solution is not feasible. To understand why this is so, we need to examine three fundamental questions posed by James Boyce (2013): (1) Who benefits from the economic activities that cause the harm? (2) Who suffers environmental harm? and (3) Why is the first group able to impose environmental harm on the second? That is, what allows some people to benefit at the expense of others? The third question is the most relevant for the foregoing discussion. Specifically, why are some groups or countries (the winners) able to shift the costs of environmentally harmful activities on others (the losers), and why are the losers not able to make the winners either refrain from harming the environment or pay the cost of their harmful activities. The answer lies in the unequal distribution of political and economic power at the national and global level.

From an economic perspective, the key issue is the unequal distribution of purchasing power. Good quality environment is desirable by both the wealthy and the poor, and by both developed and developing countries. The difference is that only the most fortunate countries have the capacity to pay for the "rights" to engage in environmentally harmful activities without harming themselves, while the less fortunate are unable to pay for clean environment. Thus, while rural populations in mining regions in natural resource–rich countries in Africa desire clean water and air, they cannot compete against the payment capacity of international mining corporations that seek to get the resources out of the ground. As James Boyce puts it, the mining companies are in effect telling Africans that "if my willingness to pay for gold mined near your community is high, and your community's ability (and hence willingness) to pay to protect its air and water from pollution by mining operations is low, then by the logic of the cost–benefit analyst I should get the gold and you should get the pollution" (2013:12).

In addition, because inequality of economic power is typically correlated with inequality of political power, the connection between economic benefits and environmental protection, as well as the persistence of unequal distribution of the burden of environmental degradation, is perpetuated. On the political front, the key is the unequal distribution of

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power, especially what Boyce calls “agenda-setting power”—the capacity to “keep questions off (or on) the table of the decision makers”—and “value power”—the power to “shape others’ preferences to coincide with one’s own” (2013:13). Thus politically powerful groups and countries have the capacity to block decisions aimed at reducing environmental harm that either affect their economic bottom line or change the distribution of the burden to their disadvantage. They also have the power to steer the discourse (including through the control of research, media, and political campaign financing) to advance views that are pro-industry and typically against the clean environment agenda. At the global level, the unequal distribution of power explains the slow progress in ratification and implementation of key international protocols on environmental protection due to overt or explicit opposition by industrial interest groups.

The foregoing discussion has important implications for Africa’s economic development. First, Africa faces a “double exposure” to the adverse impacts of globalization and harmful environmental consequences of economic activity. At the same time, Africa’s marginalization in terms of the global distribution of both economic and political power means that African countries have little influence on policies that have the potential to improve the environment and minimize the harmful effects of environmental degradation. This unequal distribution of power implies further that globalization may result not in progress toward better environmental policies, but rather in entrenchment of bad practices. Indeed, globalization may lead to “environmental polarization” and an increase in environmental degradation worldwide (Boyce 2004). Disciplining global economic activity to minimize environmental consequences will require a rebalancing of economic and political power in favor of weaker countries, but until that happens, Africa will continue to be deprived of most of the benefits of globalization and to incur a disproportionate burden of man-made environmental degradation.

Conclusion

This article has examined the key features of Africa’s integration in the global economy and the implications for economic development. While Africa is becoming more integrated along a number of important dimensions, the gains remain disproportionately limited compared to the direct and indirect adverse consequences of globalization on African economies and people. African economies continue to be trapped at the lower end of the value chain, a process characterized as extractive integration. On the trade side, globalization has consolidated the continent’s dependence on the exportation of primary commodities, perpetuating unfavorable terms of trade for African economies. With regard to finance, globalization has been accompanied by systemic leakage of Africa’s capital through various forms of illicit financial flows that are facilitated, in large part, by tax havens and banking secrecy jurisdictions. As for globalization of labor, Africa emerges as a net loser from the increasing one-way mobility of labor out of the continent. In addition, globalization carries other indirect and less visible effects on African economies that tend to be overlooked in the academic literature and in policy debates. These include malign influences such as the increasing prevalence of noncommunicable diseases and the burden of environmental degradation from industrial activity.

The problems described in this article have roots both in the domestic African economies and the global economy. Therefore, addressing them will require a combination of domestic and global solutions. A number of important global rules, conventions, and agreements have been designed to achieve more transparent, balanced, and environment-friendly production, trading, and financial systems, with the ultimate goal of achieving sustainable development and social justice. But the implementation and effectiveness of global progressive policies are constrained by the misalignment of incentives between potential losers and potential winners from reforms. Mobilizing support for such policies is handicapped by the unequal distribution of political and economic power and the increasing dominance of the global governance system by elite multilateralism organized around exclusive groups such as the G7 and G20. Since Africa does not have a seat at the table, it is difficult to mobilize support for policies that advocate for a rebalancing of the global economic system for increased equity and fairness.

Given these structural features of the global economy, African countries need to refocus their attention on domestic solutions to Africa's problems. At the national level, a key part of the solution to Africa's marginalization in the global economy is successful industrial policy aimed at capitalizing on natural resources as a basis for industrialization and economic transformation. In this regard, Africa must challenge the view that it cannot industrialize and that natural resources are a "curse." Specifically, this requires natural resource–rich African countries to design a strategy for leveraging natural resources to spur industrialization, employment creation, growth, and economic transformation. Key features of such a strategy are: (1) prioritizing public investment over consumption in the allocation of revenues from natural resources; (2) increasing the share of resource rents accruing to the national economy through building capacity for negotiating better deals in resource exploitation and by increasing domestic shareholding in resource exploitation companies; and (3) adopting rules that explicitly mandate domestic transformation of natural resources to gradually move up the global value chain. The industrialization strategy also needs to be geared toward increasing productivity and competitiveness in agriculture through a scaling up of investment in infrastructure and modern technology. Such a strategy will not only ensure food security, but it will also fully leverage the potential of agriculture as a major driver of growth, economic resilience, employment creation, and poverty reduction.

In addition to action at the national level, improving Africa's relative position in the global economy will require stronger regional integration in the promotion of industrialization to alleviate constraints associated with small domestic markets and to increase the continent's bargaining power in the global governance system. The fifty-four African countries are individually too small to compete globally and be relevant in the global governance system. Thus, successful regionalism is indispensable for Africa to achieve gainful integration in the global economy.

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Notes

1. “The Arrangement Regarding International Trade in Textiles,” or the “Multi-Fibre Arrangement” (MFA), was established in January 1974 as a framework for managing the textile and clothing trade, with quotas negotiated bilaterally. In 1995 the MFA was replaced by the “Agreement on Textiles and Clothing” (ATC), providing for a transitional process toward the ultimate removal of quotas, which was set for 2005. Detailed description of these agreements is available at the World Trade Organization’s website: https://www.wto.org/english/tratop_e/texti_e/texintro_e.htm.
2. These shares are calculated using data from UNCTAD’s online database (UNCTAD 2015). The group of natural resource–rich countries considered in this calculation comprises Algeria, Angola, Botswana, Cameroon, Central African Republic, Chad, Côte d’Ivoire, Democratic Republic of the Congo, Egypt, Equatorial Guinea, Gabon, Ghana, Libya, Nigeria, Sudan, and Zambia.
3. See Boyce and Ndikumana (2015) and Ndikumana et al. (2015) for an explanation of the distinction between “capital flight” and “illicit financial flows,” two expressions often inappropriately used interchangeably in the literature.
4. “Pareto efficiency” is realized when there is no waste of resources and it is not possible to make someone better off without making someone else worse off.
5. The volume by Ajayi and Ndikumana (2015) contains extensive discussions on the nature, scope, and drivers of capital flight and suggestions for strategies to address the problem.
6. These figures are from UNCTAD’s UNCTADstat online database: http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=86.
7. Also see Connell et al. (2007); McCoy et al. (2008); Mills et al. (2008).