The Wealth of Some and the Poverty of Sub Saharan Africa

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The economic growth performance of Sub Saharan Africa (SSA) over the past few decades has confounded economists. The poverty of SSA has many dimensions and causes, both internal and external. Certainly part of its underdevelopment is attributable to bad luck, initial conditions, and an unfavourable international economic environment. However, the region has to accept much of the responsibility for its plight because its present state is also largely an outcome of poor policy choice and bad governance. Thus whilst we cannot account for every facet of the question of 'why some nations are rich and others poor' we are nonetheless left with some very real certainties. The paper examines the nature and causes of the region's marginalisation and argues that SSA must look within for the source of its underdevelopment.
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1 Introduction

The economic growth performance of Sub Saharan Africa (SSA) over the past few decades has confounded economists. Real growth per capita for SSA has hovered just under 1% for the period 1965-1998. This has led to a number of recent articles by eminent economists who have attempted to explain this phenomenon. The titles of these papers reveal the conundrum: Easterly and Levine (1997) Africa's growth tragedy, Englebert (2000) Solving the mystery of the AFRICA dummy, Collier and Gunning (1999) Explaining African economic performance, and Sachs and Warner (1997) Sources of slow growth in African economies. The common feature of these papers is that they focus on the internal features of the African countries: ethno-linguistic fractionation, state structures, demography, geography, economic policy, poor human capital, and so forth. This research will focus on the area of Africa's marginalisation within the global system and will examine how these internal features affect Africa's opportunities to participate meaningfully in the global economy.

Whilst Sender (1999) takes issue with the 'jaundiced' view that economists take when dealing with African development and argues that there has been major progress in SSA, he fails to address the relative position of Africa within the world system. This paper will demonstrate that Africa is facing marginalisation on almost every front and that there is the danger that if it is not addressed soon that it may prove to be irreversible. Areas of marginalisation include: technologically, economically, socially, politically, and even intellectually. The aim here is to document all these facets and to examine prospects for their reversal. Not only is Africa being marginalised within the world system, it is also facing marginalisation within the third world. Whilst a few decades ago the issues facing Africa and other developing countries were similar, the paper will demonstrate that this is rapidly no longer true. The paper focuses on the areas of African marginalisation in the globalisation era and points to both the external and the internal causes of this phenomenon. It concludes by providing recommendations as to how this process can be reversed and Africa can be reincorporated into the global system.

2 Economic marginalisation

Post-war growth theory, in focusing on the character of the technology of production and the 'knife-edge' problem, emphasised the link between the growth of output and growth in factor inputs. It was believed that by mobilising the right quantity of savings and investment, an increase in the rate of aggregate growth would be generated, leading to a higher equilibrium growth path, in which a higher level of per capita GDP and capital stock would be maintained. The net result was that the theory predicted that 'conditional convergence' would occur between low and high-income countries. This has not been borne out conclusively over the past few decades (see below).

New growth theory has provided some of the answers as to why SSA has not experienced convergence with the industrialised world; a topic we will return to later in the paper. The focus here will be on the impact of globalisation on Africa's economic development (not only directly but also indirectly by affecting factors relevant to growth such as its institutions and human capital) - its ability to participate in and affect the very process of globalisation.

We begin by examining Africa's participation in world trade since the 1950s. Given that trade is a fundamental component of globalisation, it gives us an idea of Africa's participation in this process. Figure 1 presents comparative statistics on the average annual growth rates of exports between 1950 and 1999. SSA performs consistently below the world average and that of developed countries, and since 1970 has languished behind that of developing countries too.

The relatively slow growth in exports in SSA means that its share of world exports has also been on the decline. Figure 2 demonstrates this falling trend. Whilst SSA's share of world exports was only 3% in 1950, this fell to only 0.85% by 1999, whilst that for developing countries as a whole initially fell from 30% but recovered by the 1990s, and that of developed countries rose from 61% to 67% over this period.

One of the reasons for this marginalisation is the rapid deterioration in the terms of trade for SSA. This represents an important external dimension where the continent has been a victim of circumstances outside its direct control. Africa enjoyed an improvement in its terms of trade during the commodity price booms of the 1970s, but this was reversed from the 1980s. Whilst the terms of trade index for developed market economies rose from 90 in 1980 to 103 in 1997 (1990=100), it fell from 141 to 93 for SSA as is

Figure 1: Annual average growth rates of exports, 1950-1999 -*Source: UNCTAD, 2000; 1983*

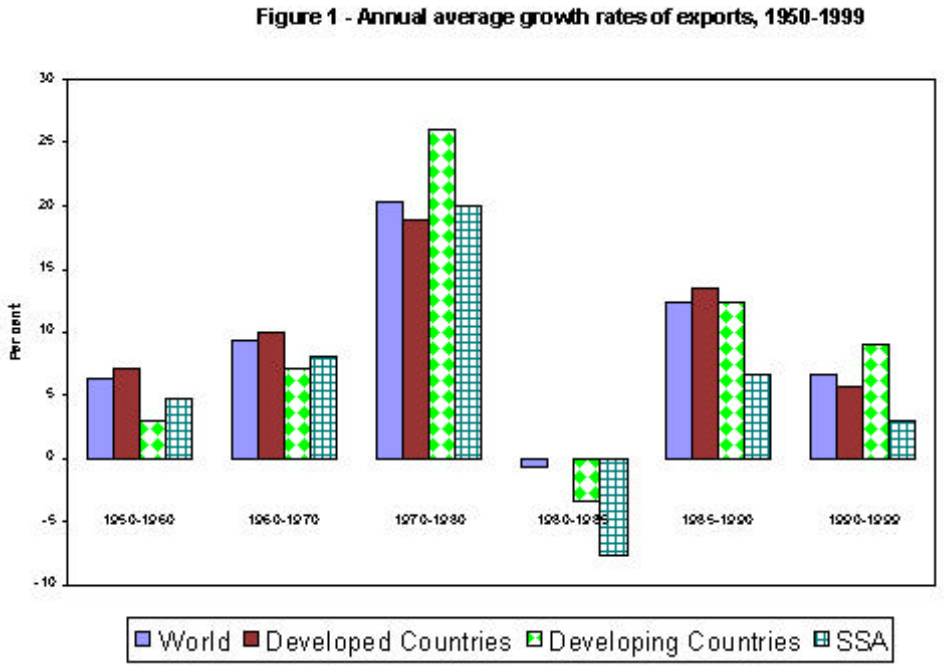


Figure 2: Share of world exports, 1950-1999: *Source: UNCTAD, 2000;1983*

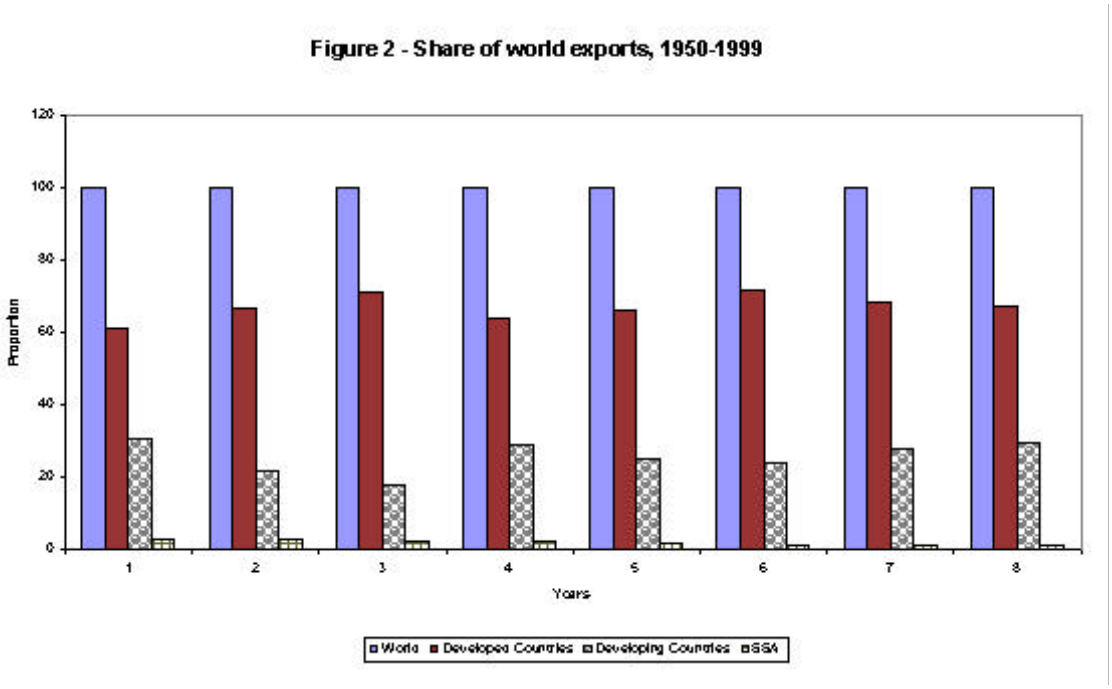
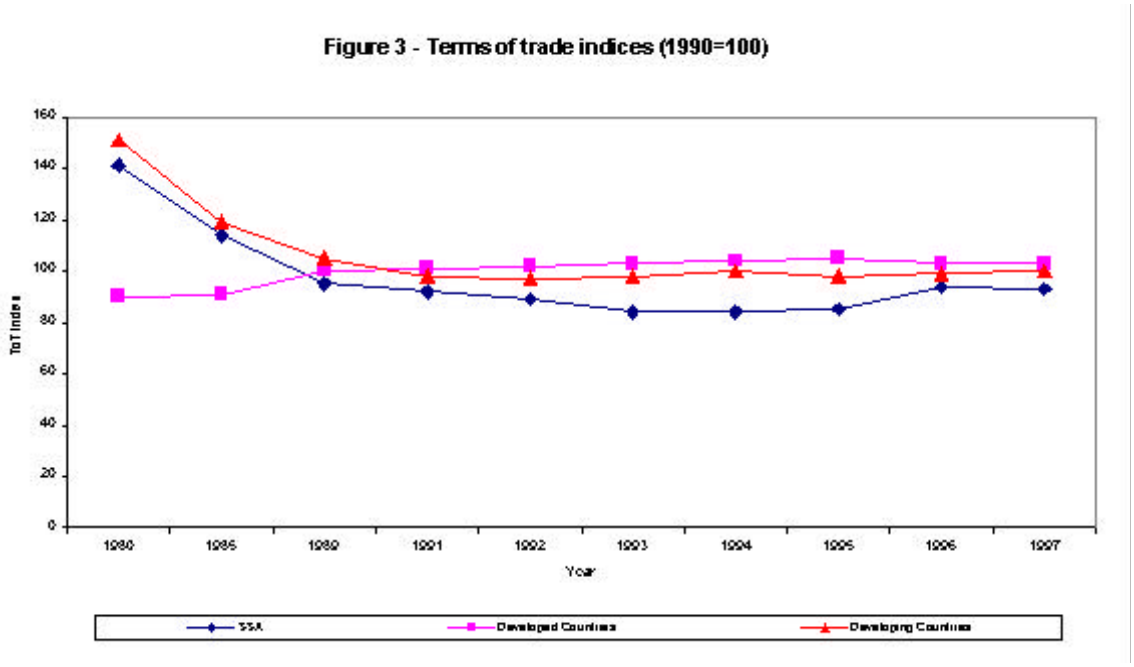


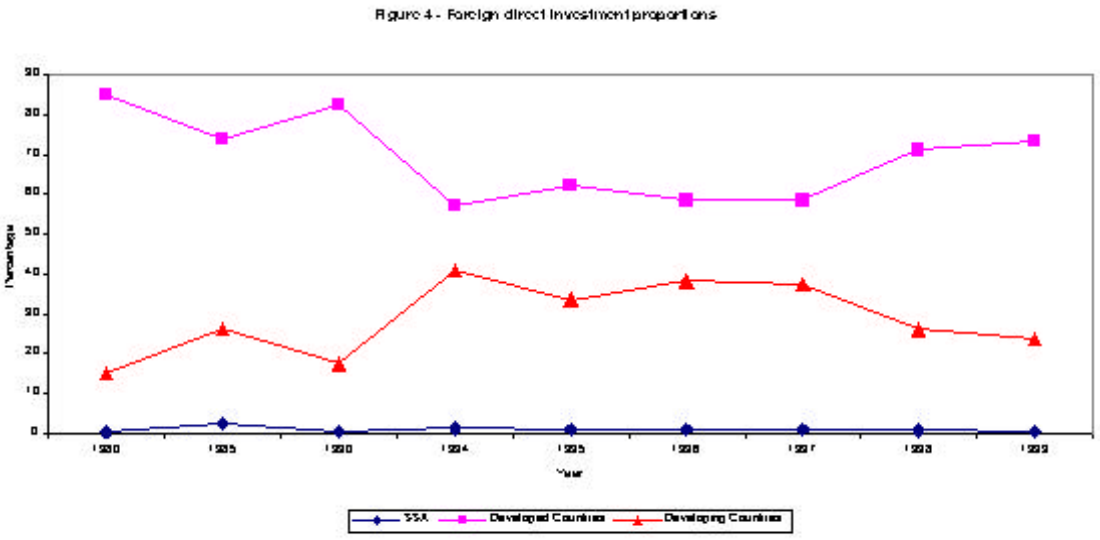
Figure 3: Terms of trade indices (1990=100)



illustrated in Figure 3. This deterioration was also accompanied by extreme volatility, in fact four times the volatility that the industrial countries experienced (UNCTAD, 2001a: 38). An UNCTAD report (2001a: 35-36) estimates that if the terms of trade for SSA had stayed at the level of 1980, its share of world exports today would be almost twice as high. Furthermore, it cites a World Bank study that has calculated the cumulative terms of trade losses for non-oil-exporting countries in SSA at 119% of the regional GDP in 1997. Finally it estimates that for each dollar of net capital inflow to SSA from the rest of the world, some 25 cents went back as net interest payments and profit remittances abroad, more than 30 cents leaked into capital outflows and reserve build-up, while 51 cents made up for terms of trade losses. This implies a net transfer of real resources from SSA to the rest of the world.

Figure 4 examines the proportion of foreign direct investment which flowed into SSA since the 1980s. Worldwide FDI inflows rose dramatically from around $55 billion in 1980 to over $860 billion in 1999. However, SSA's

Figure 4: Foreign direct investment proportions: Source: UNCTAD, 2000:246



share of these international inflows on average remained well below 1% and in fact four countries within this group accounted for almost half of these inflows. The developed world accounted for 85% of these flows in 1980 and 73% in 1999, whilst that for the developing world rose from 15% to 24% over the same period and in fact reached a high of 41% in 1994 (this is largely accounted for by East Asia). The result is that real per capita inflows into SSA in 2000 were less than a third of the level reached two decades earlier. This further demonstrates the marginalisation of SSA non only within the global system but within the developing world too. However, the lack of FDI has both an external and internal dimension. Part of the reason why investment is not forthcoming is that the risk of doing business on the continent is seen as too high because of the high levels of political and policy instability. (These issues are pursued below.)

In order for SSA to achieve sustainable economic growth rates of 6% per annum (the minimum needed to make inroads on poverty levels) it is necessary that investment levels rise sharply. The elimination of the current

debt overhang can make a significant contribution in freeing up resources for additional investment. External debt in SSA stood at $206 billion in 2000 (UNCTAD, 2001a: 23). This is almost 90% of the region's GNP, compared to an average of 30% for other developing countries. Meeting these debt servicing obligations is a major problem for SSA with the proportion of arrears in total debt in SSA rising from 15% in 1990 to 28% in 1998 (UNCTAD, 2001a: 25). The conversion of these arrears into debt stock accounts for a large portion of the rising debt stock of SSA. Current initiatives, within the Paris Club and the HIPC programme, regarding debt forgiveness have a large role to play in this regard but have thus far not had major success.

Another measure of SSA's lack of success in becoming a meaningful partner in the process of globalisation is to be seen at the corporate level. TNCs play an important role in applying advanced technology and managerial practices around the world as well as an important role in stimulating international trade and capital flows. However, of the eighty largest TNCs not one came from a developing country. Furthermore, of the fifty largest TNCs from the developing world, only four came from Africa (35 were Asian) and all of these were from South Africa (UNCTAD, 2001b: Chapter 3). Even within South Africa there has been a gradual exodus of its largest conglomerates to offshore locations, primarily the London Stock Exchange.

The economic reality for SSA is that it is a tiny player on the world stage. One that is easily ignored and one that is increasingly facing marginalisation. The global players have ignored this region and its pressing needs but there are positive signs that this may be changing with world leaders, such as Tony Blair, speaking out on the necessity of making SSA part of the new world order. These themes will be revisited in the final section.

3 Socio-political and institutional marginalisation

Modernisation theory posited a relationship whereby 'all good things go together'. Economic growth goes hand in hand with improved living standards, better human capital, positive structural changes, and political freedoms. In SSA, however, it would appear that 'all bad things go together'. Its economic marginalisation has been accompanied by a widening gap on the social front too. Once again, whilst Sender (1999) is correct in pointing out that living standards in SSA have by and large improved, it has not kept pace with improvements elsewhere and the result is that it is falling relatively further

behind in the quality of life dimension.

Income levels across countries have been both diverging and converging: in 1960 there was a number of regions (East and South Asia, the Pacific and SSA) with per capita incomes around a ninth to a tenth of that in high income OECD countries. Latin America and the Caribbean fared better with a third to a half of the per capita income of these OECD countries. By 1998 all these regions had experienced improvements in these ratios relative to the OECD (or at least remained the same). The only exception is SSA where it worsened dramatically with the per capita income ratio falling from a ninth of that in OECD countries in 1960 to an eighteenth by 1998 (UNDP, 2001: 16). SSA is thus increasingly being marginalised even within the group of developing countries.

In 1998, 56% of world households consumed less than $2.15 per person per day and using this definition poverty rose during the 1990s. Whilst 71% of the poor live in South and East Asia (as one would expect given the sheer size of the population), SSA has the second largest share with 17% but more worryingly it has increased more rapidly in the latter region, namely by 22% (Chen and Ravallion, 2000; Lorentzen, 2002). Also just over 48% of the population in SSA live on less than $1 a day, more than double that for the developing world as a whole. Comparative statistics for East Asia are 14.7%, Latin America 12.1%, Eastern Europe and Central Asia 3.7%, and 40% in South Asia.

These poverty and inequality measures translate into relatively poor human development indicators as reflected in Figure 5. The most telling reality is that related to life expectancy. The average life expectancy of 49 in SSA is around 28 years lower than that in the OECD and 16 years less that that for developing countries. No other region has a life expectancy below 62. SSA scores the worst in educational enrolment, GDP per capita and the overall human development index. Further evidence is provided by a range of health indicators where once again SSA fairs dismally. Over a third of the population in SSA is undernourished compared to the average in developing countries where it is 18%. Under five mortality rates (per 1000 live births) in SSA is 172 which is almost double that for developing countries. The incidence of tuberculosis in SSA is 70% higher than that of developing countries. We are therefore not just talking about numbers (which are easy dismiss) but rather the very nature and quality of human life. Being born an African translates into a shorter life, a life of poverty, ignorance, disease, displacement and worse, little hope.

Figure 5: Selected social indicators for world regions: 1999; *Source: UNDP, 2001: 144; 165-169*

Region	Life expec-tancy at birth	Enrolment ratio %	GDP per capita (PPP US$)	Under-nourished People (% of total population)	Under 5 mortality rates (per 1,000 live births)	Human Develop-ment Index
Developing Countries	64.5	61	3,530	18	89	0.647
Arab States	66.4	63	4,550		59	0.648
East Asia	69.2	71	3,950	12	44	0.719
Latin American & Caribbean	69.6	74	6,880	12	39	0.76
South Asia	62.5	53	2,280	22	97	0.564
SSA	**48.8**	**42**	**1,640**	**34**	**172**	**0.467**
Eastern Europe	68.5	77	6,290	8	31	0.777
OECD	76.6	87	22,020		15	0.900

Statistics on HIV/AIDS are notoriously poor but there is no doubt that it is ravaging SSA. The UNDP estimates that about 9% of the adult population (aged 15-49) are infected with HIV/AIDS in SSA, almost seven times the average for developing countries. In no other region is this proportion above 1.3%. By the end of 2000, 70% of the people living with HIV/AIDS and 80% of the children were in SSA. Three-quarters of the more than 20 million people worldwide who have died of AIDS since the start of the epidemic lived in Africa. The HIV/AIDS infection rates amongst adults (15-45 years) include a number of countries where it lies above 20%: 20% in South Africa and Zambia, 25% in Swaziland and Zimbabwe, and 36% in Botswana (African Development Bank, 2001: 37). The implications of this disease on this continent are hard to contemplate. SSA already suffers from acute shortages of skilled people and this disease is further eroding the formation of human capital as it decimates the working age populace. Life expectancy is falling rapidly and the African Development Bank (2001) estimates that in the most seriously affected countries it will have halved to thirty years by 2010. AIDS orphans have become a serious problem in many countries with the associated problems of street children, begging, delinquency, and child prostitution.

The African Development Bank (2001: 40) calculates that it costs between $300 and $500 a year to keep a child in an orphanage in Ethiopia, more than three times the present national per capita income. The direct impact of this disease on health budgets is staggering and it already accounts for between 20 and 90% of health budgets in most African countries.[1] Even the economic powerhouse of Africa is finding it hard to fund the impact of this epidemic. The South African government has for a number of years refused to provide antiretroviral drugs even to just pregnant women because of the cost attached to it.[2] This is despite the fact that pharmaceutical companies have offered to supply these drugs free of charge but even so they claim that it remains unaffordable because of the related expenses. Then there is the losses from absenteeism, in labour productivity and income which then affects savings, slows down investment rates and lowers economic growth. In South Africa this impact has been calculated at 0.3 to 0.4 percentage points per annum, meaning that by 2010 real GDP will be 17% below what it would have been in the absence of AIDS. For some other African countries it has been estimated as high as 25% (African Development Bank, 2001: 40-41). SSA cannot afford the impact of this epidemic and this could very well be the factor which finally unravels any development progress which has taken place.

A large part of the blame regarding Africa's marginalisation is as a result of poor governance. African countries have been plagued by political instability and kleptocratic dictatorships which have led to economic mismanagement. Luiz (1997) highlights archetypical predatory states in Africa where 'governance' is based on a system of patronage and personal accumulation with devastating economic consequences. Luiz (2000) furthermore argues that differences in economic growth rates can often be traced back to the capacity of the state and its ability to provide a political environment conducive to the growth process. New growth theory has emphasised the importance of political stability and good institutions that protect property rights, enforce contracts and provide transparent, accountable government. These conditions have by and large not been met in SSA.

[1] The cost of treating all infected people with antiretroviral drugs at global market prices (about $12,000 a person a year) would amount to 238% of GDP in Kenya and 336% of GDP in Zambia (UNDP, 2001: 106).

[2] The South African government has raised all sorts of bizarre arguments as to why it does not provide these drugs but most commentators believe that it is simply a matter of economics - it cannot afford to do so.

Figure 6: How leaders leave office in Africa, 1960-1999: *Source: Development Bank, 2001:111*

	1960-69	1970-79	1980-89	1990-99	Total	Mean time in office (years)
Overthrown in coup, war or invasion	27	30	22	22	101	5.7
Die of natural or accidental causes	2	3	4	3	12	11.7
Assassination	1	0	1	3	5	7.8
Retire	1	2	5	9	17	11.7
Lose election	0	0	1	12	13	14.8
Other (interim or caretaker regime, impeachment)	6	8	4	14	32	1.2
All regime transitions	37	43	37	63	180	7.2

Figure 6 documents the means by which African leaders have left office between 1960 and 1999. Almost 60% have left office by being overthrown in a coup, invasion, war or by assassination. Only 7% were removed from office by election. Furthermore, African leaders are notorious for their long tenure. The mean tenure for all African leaders is 7.2 years compared to the European average of 3.2 years over the past four decades. In fact in 2000, fourteen present national heads in Africa had been in office for between 10 and 20 years and 9 had served more than 20 years. The African Development Bank (2001: 112) points out that a correlation exists between the hazards of leadership and the degree of economic freedom. Low political risk (mostly free countries) and economic reform seem to go together in Africa: 'An insecure power base is likely to encourage either reckless gambling for immediate returns or highly cautious strategies to preserve political capital; it is unlikely to promote measured actions to obtain long-range returns.' In other words, democracy leads to legitimacy and hence a more secure power base which in turns promotes sound economic policy. Whilst we cannot go as far as to claim that good governance is the godsend for African development, it is surely an important element of an overall strategy.

A related matter is that of the prevalence of civil war and conflict in many African countries. Easterly and Levine (1997: 1205), in an influential article, drew attention to the potentially important role of ethnic diversity in influencing economic growth. They argue that cross-country differences in

ethnic diversity explain a substantial part of the cross country differences in public policies, political instability, and other factors associated with long-run growth. They further assert that not only does ethnic diversity have economic importance, but that it 'that it helps account for Africa's growth tragedy'. Central to Easterly and Levine's perspective is the issue that the level of ethnic fractionalization bears on the potential for distributional conflict. According to the Organization of African Unity, 26 African conflicts took place between 1963 and 1998 affecting some 474 million Africans or 61% of the total population of the continent. Of these 26 conflicts, seven were classified as inter-state, and 19 as occurring within countries (African Development Bank, 2001: 114). The reasons for these conflicts relate to problems of ethnicity, power-sharing, factional rivalries, destabilization by mercenaries, human rights violations and, geopolitics. The costs associated with this violence is impossible to fully calculate but Collier (1999) identified five effects: the destruction of physical and human capital, reduction of savings, diversion of portfolios from domestic investment to capital flight, disruption of economic transactions, and distortion of government expenditure from the provision of public services to military expenditure. Ali (2001) estimates the cost of civil conflicts by analysing the economic performance of 15 African countries a- icted by war and finds that they always under-perform relative to the rest of the continent. The result is that by the end of 1999 there were 9 countries out of the sample of 15 countries in conflict with real per capita incomes less than that in 1973 (African Development Bank, 2001: 115-116). Figure 7 below provides an indication of the real cost of conflict in Africa and demonstrates the continent's own complicity in its underdevelopment.

Corruption has become rife in SSA and it undermines development. It raises transaction costs, increases insecurity and uncertainty, and undermines government actions. Whilst corruption exists in all countries, it is more problematic in developing countries because its cost will be relatively higher, it will often be borne disproportionately by the poor who have to pay bribes to get services due to them and suffer most when the economy declines as a result, it often results in capital outflows as these moneys are siphoned off into foreign bank accounts, and is more generally the rule rather than the exception. For example, the Corruption Index of Transparency International (CITI) measures the perception of corruption as seen by business people, risk analysts and the general public. The CITI scores countries between ten (highly clean) and zero (highly corrupt). Africa scored an average of 3.4, the same as Eastern Europe and below that of Latin America 3.9, Asia 4.5, West-

Figure 7: The Real Cost of Conflict in Africa ($1985 PPP): *Source: Ali (2001)*

Country	1973 Per Capita GDP	Actual 1999 Per Capita GDP	No Civil War 1999 Per Capita GDP	Per Capita Cost of Conflict
Angola	1203	472	963	491
Benin	1142	1077	1271	194
Burundi	447	412	489	77
Chad	717	381	545	164
Comoros	747	439	572	133
Congo, D.R	688	171	343	172
Congo, Rep.	1715	2001	2233	231
Guinea	574	792	814	22
G. Bissau	857	818	836	18
Lesotho	643	1156	1180	24
Liberia	NA	NA	NA	NA
Mozambique	1681	837	1619	782
Rwanda	621	1093	1133	40
S. T&P	NA	NA	NA	NA
S. Leone	1182	479	676	197
Somalia	778	862	1045	183
Sudan	763	831	1409	578
Uganda	634	723	1368	645
Average	900	784	1031	247

ern Europe 7.8, and North America 8.5. Developing countries clearly score worse and Africa ranks at the bottom of the list. Whether this is real or perceived is to some extent irrelevant because the perception is enough to yield negative consequences. The cost of corruption in SSA has been substantial and has raised the cost of doing business on the continent and has acted as a disincentive to foreign investment. The costs manifest in other ways too: it increases the price tag of development programmes, it undermines revenue collection and contributes to macroeconomic imbalance, it leads to a diversion of resources from their intended purposes and distorts public policy, it encourages public officials to spawn projects of little economic merit, and subverts essential public regulatory frameworks (African Development Bank, 2001: 125). The result is that corruption has undermined development in SSA and has made Africans cynical about politics and public policy. It has also made the rest of the world cynical about the continent's leaders and their commitment to the development agenda. This is not an environment conducive to kick-starting the development process.

Good governance is a necessary but not sufficient condition for economic development. Whilst academics can debate the merits of democracy and its impact on economic growth, the reality is that government accountability (in whatever form) is a condition of good governance. Democracy provides one such avenue of accountability but there are others. However, many of these other avenues are spin-offs from democracy and it would be foolish to underestimate the importance of democracy. But democracy needs to be much more than regular elections to be meaningful. It must include: checks and balances on government power, freedom of the press, freedom of association and expression, the rule of law and the respect of the constitution, access to information, and other such criteria which give democracy life. Democracy is not a luxury, which is an attitude that many seem to have; it is an essential component of development. It not only makes governments accountable but also is itself a fundamental component of what development is about - freedom. Freedom of choice, freedom from servitude and freedom from need.

4 Technological marginalisation

From Smith through to Marx and Schumpeter and beyond, economists have recognised technological advance as a key driving force in the economic

growth process. By all accounts the contribution of technological advance to economic growth has been significant (see Baumol, 2002; Fagerberg, 1994; Maddison, 1987; Romer, 1986). For example, Fagerberg (1994) finds that when comparing the relative contributions by factors of production and technological progress to growth in real per capita GDP in industrialised economies that three-quarters of it was as a result of technology. Lim (1994) finds similarly for developed countries between 1960 and 1985, whilst for developing countries the contribution of technical progress is a mere 14% and for Africa it is a startling 0%. This may very well be the most telling reality of Africa's marginalisation as it finds itself increasingly unable to participate in this new economy and with future prospects looking grim. Coyle (2001) is adamant that there is a new industrial revolution underway and that countries that fail to catch it are at risk but believes that technology holds the key to future growth. Technology can therefore be an instrument of either greater prosperity or greater inequality and how countries prepare for this will determine the outcome.

It would be foolish to lambaste technology as a source of deprivation because the reality is that technology has on average improved everybody's quality of life. For example, technical progress accounted for 40-50% of mortality reductions between 1960 and 1990, the green revolution of the 1960s increased food production and reduced food prices, the cost of transmitting information has been slashed, and biotechnology holds the promise of enormous benefits to human development. The problem rather is not one of absolutes but of relativities. Whilst we have all gained from technology, some have gained a whole lot more than others and this gap is widening all the time.

In 2000 Wired magazine set out to find the locations which mattered the most in the new digital geography. They were rated in four areas: the ability of area universities and research facilities to train skilled workers or develop new technologies, the presence of established companies and MNCs to provide expertise and economic stability, the population's entrepreneurial drive to start new ventures and the availability of venture capital to ensure that the ideas make it to market. Forty-six locations were identified as technology hubs, none of them in SSA (excluding South Africa) (cited in UNDP, 2001: 45). The UNDP (2001) introduced a technology achievement index (TAI) which aimed to capture how well a country is creating and diffusing technology and building a human skill base to participate in technological innovations. No SSA country made it onto the list of leaders nor potential

Figure 8: Technology achievement index for selected countries: *Source: UNDP, 2001: 48-50*

Country	TAI	Patents granted to residents (per million) 1998	Receipts of royalties and license fees (US$ per 1,000 people) 1999	High and medium technology exports (as % of total goods exports) 1999	Electricity consumption (kilowatt-hours per capita) 1998
Finland	0.744	187	125.6	50.7	14,129
USA	0.733	289	130.0	66.2	11,832
Korea	0.666	779	9.8	66.7	4,497
Slovenia	0.458	105	4.0	49.5	5,096
Mexico	0.389	1	0.4	66.3	1,513
Zimbabwe	0.220	0		12.0	896
Ghana	0.139	0		4.1	289
Sudan	0.071		0	0.4	47

leaders (which does include other developing countries such as Chile, Romania and Costa Rica). One makes it onto the list of dynamic adopters (excluding South Africa) and the rest all fall into the marginalised camp. Figure 8 illustrates the schisms that exist between rich and poor countries in terms of technology. Whilst high and medium technology exports make up well over half of total goods exports in industrialised countries, this lies well below 10% in SSA. SSA does not feature at all when it comes to patents granted to residents per million, as opposed to the 779 in South Korea. Even when it comes down to something as basic as per capita electricity consumption, SSA consumes about a tenth of that in industrialised countries.[3]

The achievements listed in the table above are as a result of investments (or the lack thereof) made in technology creation which is presented in Figure 9. Technological outcomes are the result of long-term investments made in the area of human capital creation and research development. The mean

[3]The scale of SSA's marginalisation is apparent even when it comes to basic technological inputs into agriculture where fertiliser consumption in 1998 was 13.8 kilograms per hectare of cropped land whilst for developing countries as a whole it was 100.7. Likewise with tractor use where there were 1.5 tractors per hectare of cropped land in SSA whilst in the OECD it was approximately 40 (UNDP, 2001: 59).

Figure 9: Investment in technology creation for selected countries: *Source: UNDP, 2001-55*

Country	Mean years of schooling (2000)	R&D expenditures as % of GNP	Scientist and engineers in R&D (per 100,000 people)	Gross tertiary science enrolment ratio (%)
USA	12.0	2.6	3,376	13.9
Sweden	11.4	3.8	3,826	15.3
Korea	10.8	2.8	2,193	23.2
Poland	9.8	0.8	1,358	6.6
Brazil	4.9	0.8	168	3.4
South Africa	6.1	0.7	1,031	3.4
Nigeria		0.1	15	1.8
Burkina Faso		0.2	17	0.2
Senegal	2.6	0.0	3	0.5

years of schooling for the OECD countries is ten, whilst for SSA it is less than half that. R&D expenditure as a proportion of GNP is 2.4% in the OECD, whilst for SSA it is well below 1%. Scientist and engineers in R&D (per 100,000 people) in the OECD is approximately 3000, whilst for SSA it is below 100. SSA will not become part of this new economy unless it corrects for these investment deficiencies which prevent it from participating in the fruits of technology.

Information and communication technology has become the mainstay of the new economy. For example, it has been estimated that two-thirds of the United States acceleration in productivity growth in the late 1990s came from this sector (cited in Coyle, 2001: 27). The benefits of information and communication technology are immense and it has already changed the process of manufacturing. For instance, links to suppliers and customers mean that companies have shrunk their inventories because they have a much better idea of what they will need and when. This has reduced costs, improved customer service and has made the business cycle in industrialised countries less volatile (see Coyle, 2001: 47). Information and communication technology is therefore an important indicator of a country's ability to participate in this new economy. Once again the contrasts between the developed world and SSA are revealing as illustrated in the table below. Whilst high in-

Figure 10: Information and communication technology: *Source: UNDP, 2001: 60-63,a:1990*

Country/Region	Telephone mainlines (per 1000 people)	Cellular mobile subscribers (per 1000 people)	Internet hosts (per 1000 people)
High income countries	591	373	95.2
Slovakia	308	171	10.2
Chile	207	151	6.2
Mexico	112	79	9.2
Malaysia	203	137	2.4
Gambia	23	4	0.0
Malawi	4	2	0.0

come countries in 1999 had 591 telephone mainlines (per 1000 people), it was below 20 for SSA, and the figures for cellular phones were 373 in high income economies whilst for most of SSA it was below 20. Internet hosts per 1000 people was 95.2 in high income countries and only 0.6 in SSA. Furthermore, weak infrastructure and little competition means five hours on the internet costs on average $60 in Africa, compared with $29 in the United States. Telecommunications is the fastest growing sector in the world but Africa accounts for less than 1% of this burgeoning market worth $2 trillion in 1999.

Technology can either cause SSA to leapfrog development stages and catch up or it can be the cause of its ultimate marginalisation. There are some real advantages to not being the front-runner, as followers do not face the same risks, can avoid mistakes, and can adapt technologies appropriately. New technologies destroy old technologies and since SSA has little existing technology this could be a boon. Easterly (2001: 191) believes that it is possible for developing countries to jump right to the technology frontier because of the decentralised nature of the electronic revolution and the falling price of communications and transport means that they can borrow knowledge and technology from rich countries. He says that the new economy is a two-edged sword: 'it could leave behind Third World places that are too unskilled, too backward technologically, or too hostile to enterprise, but it could mean the decentralization of production to other Third World centers leapfrogging to the frontier'. But SSA is not even in the position to be a follower at the

moment because it is not in the game. To be a player it is going to have to address the underlying conditions which will allow its people to participate and this begins with education, education, and education.[4]

There is now abundant evidence that human capital positively affects long run economic growth (see Barro, 1991) although we do not yet fully comprehend the relationships through which this takes place. Human capital is likely to affect long run growth through various 'webs of association'. Hanushek and Kim (1995) go a step further and control for both the quality and quantity dimensions of human capital and establish that improvements in maths and science attainments translate into far stronger impacts on growth than the average years of schooling. It is therefore not just a matter of increasing human capital but also ensuring that it is of the 'right' type. The fact is that the new economy makes enormous demands on a country's stock of human capital and effective participation in this economy requires highly skilled individuals. Unfortunately for SSA it has a dearth of high quality human capital and indeed human capital may be subject to increasing returns which makes this obstacle all the more difficult to clear.[5]

5 Intellectual marginalisation

The final form of marginalisation that we will examine relates to where SSA features in the global intellectual arena. In other words, what priority is attached to SSA's predicament by the major international actors? Africa has been fighting hard to get permanent representation on the Security Council of the United Nations but with little evidence that this is about to change. The World Bank and IMF are dominated by the major economic powerhouses.[6]

[4]This does not negate the importance of various institutional factors and the myriad of other factors likely to affect participation in technological progress but this lies outside the ambit of this paper (see Easterly, 2001; and Landes, 1998).

[5]Fedderke (2001: 124-126) states that it implies that if you are behind in the human capital stakes, you are likely to remain behind forever. Countries ahead of you in the growth race will steadily out-accelerate you. Investing in human capital may lead to emigration to greener pastures as people seek the higher returns where human capital is already more abundant. Significant indivisibilities attach to the impact of human capital on long run growth and therefore developing countries that follow a partial approach to a human capital creation strategy will see considerably less dramatic pay-offs than if a more holistic, big push approach is adopted.

[6]The World Bank has 182 member states. At the Executive Board which governs it, the United States has 15% of votes, Japan 11%, Germany 7%, Great Britain 5% and France

These two bodies have had a profound effect on Africa's development path through their policies of conditionality and their structural adjustment programmes. This is not the forum to debate the wisdom and success of these programmes but rather to question the lack of African participation in the planning of these programmes. The plans are designed in Washington by people in the industrialised world and imposed on the people of the Third World. Whilst the WTO offers a better forum for African countries to make their voices heard given its 'egalitarian' structure of 'one country, one vote', as we all know not all votes are equal. Industrialised countries are able to dictate the agenda and the outcomes because they are better organised and have more resources which gives them more voice. Africa is thus further marginalised by the very institutions which it has to resort to for assistance.

In the discipline of economics, Africa features less and less and has become a footnote on academic pages. Mainstream journals and conferences in economics seldom feature papers on African issues. Departments of African Studies at First World universities are also facing increasing marginalisation and cutbacks. Even within the sub discipline of development economics, which has poverty and inequality as its focus, SSA is facing marginalisation. Increasingly development economists are focusing their attention on Latin America, Eastern Europe and East Asia where the focus is on catching up whilst SSA is still trying to get into the game. The schisms between first and third world is being mirrored within the developing world - there are those developing countries which are being courted by the industrialised world and those that are being dammed by them.

The reality is that real resources will only flow Africa's way if it is on the intellectual agenda and at the moment Africa does not feature. It is merely being humoured by the big actors with platitudes. We have yet to see a systematic attempt to deal with the crisis of African underdevelopment. Ajula (2001: 30) states that 'Africa is not in the mainstream of decision-making in the world bodies that matter. Africa not only suffers from economic relegation; it is further marginalised from institutions of global governance.' The current concern over the crisis in Africa has led African countries to focus on a determination to be a global partner. In other words, African countries recognise that the only way in which their underdevelopment will not be further entrenched is if they become meaningful participants in the globalisation

4%. These countries also have individual Executive Directors on the Board. The 47 SSA countries have a combined total of just 7% of votes and two Executive Directors.

process. But this requires that the issues facing the African continent are put on the global agenda and that it receives both the economic and intellectual support it deserves.

6 What is to be done? Dealing with Africa's marginalisation

As we have discussed above, SSA's weaknesses stem from several factors. As a result of the colonial experience these countries were economically fragile to begin with and had weak social infrastructure. This was exacerbated by declines in the terms of trade and the debt crisis. Given the unequal capacities of North and South, the development of technology (especially information and communication technologies) further widened the gap. In addition, many countries in SSA have been characterised by dictatorships, abuse of power and economic mismanagement which have further entrenched the marginalisation. All these factors mean that the continent was not in a position to take on the challenges of globalisation (Khor, 2000: 13).

The picture presented thus far is a dismal one. Unlike Sender (1999) who examined Africa's progress in absolute terms and concludes that major forward strides have occurred in the past four decades, this article argues that the relative gap between SSA and the rest of the world is becoming larger and more and more irreversible. A window of opportunity still exists in which SSA and the world can address this pressing issue. The first matter that needs recognition is that this is not only a Sub Saharan African problem but indeed a global one. A world with such extremes of wealth and poverty cannot exist in mutual peace. Surely at least part of what underlies the September 11, 2001 attacks on the USA is this inequality? Poverty provides fertile ground for all forms of extremism. There is a strange contradiction in the thinking of many third world youths who on the one hand yearn for a life of opportunity in the USA and adopt many of its customs whilst on the other hand condemning the American 'cultural and economic imperialism' and developing obsessive hate relationships with that country. Barber (1996) refers to this development as 'Jihad versus McWorld'. The point being made is that this marginalisation of humanity has dire implications not only for the marginalised but also for the apparent 'victors'. The global village means that borders have become porous not only to the flow of goods and services but also to people and their issues. Disease can move freely. Migrants and

refugees can move freely despite the best efforts by industrialised countries to keep them out - witness the situation in Australia at the end of 2001. Terror can no longer be contained either as the USA bore testimony to. The only way to address these issues is to be pragmatically proactive and not reactionary. More border patrols and hunts for terrorists are futile because there are an endless stream of similar people living in similar circumstances. The only way to deal with it is to eradicate the breeding ground for these actions - to deal with the conditions of deprivation and marginalisation. Huntington (1996) spoke of the 'clash of civilisations' based upon issues of culture and religion but the clash is more likely to be one of economics between the have and the have-nots. With this said we can move onto address possible solutions to the issue of marginalisation, recognising both its internal and external dimensions.

6.1 Internal Issues

Africa has to accept much of the blame for its economic marginalisation. At the time that the rest of the world opened up their economies and adopted more market oriented policies, Africa turned inward and isolationist. This also led to some dubious policy decisions and together with a lack of institutional capacity created an unattractive business environment. Africa was seen as a high risk investment and as a result the average expected rate of return was higher than anywhere else (Kearney, 2000: 5). Investors expected a much higher return to compensate them for the higher risk and this was not forthcoming.[7] Although there has been much improvement in the easing of economic restrictions in Africa during the past decade, Africa still scores lowly in this regard. The 2001 Index of Economic Freedom which measures 50 economic variables (including corruption in the judiciary and civil service, non-tariff trade barriers, the government's fiscal burden, the rule of law, regulatory burdens on business, and intellectual property rights) still ranks Africa poorly. No African country is rated as economically free and only seven rate as mostly free. The top rated country from SSA is Benin which ranks only 63rd in the world (African Development Bank, 2001: 145).

[7]Note that the return on FDI in Africa during 1990-94 was around 60% higher than that in other developing regions yet these high returns have been insufficient to offset the high risks (Collier and Gunning, 1999: 103).

Investors do therefore not see Africa as an attractive investment destination.[8] Whilst some have referred to this phenomenon as Afro-pessimism implying that this is based more upon false perceptions that reality, one cannot ignore the unconducive environment that SSA presents.[9] Kleptocratic dictatorships which have littered the African landscape make businesses nervous because the rules of the game are unclear and far too fluid.

Africa's response to its marginalisation has generally been poor and reactionary. A coherent strategy would require that it addresses both its own internal conditions as well as those which are dependent upon international cooperation. New growth theory has expanded our knowledge base of the growth process and African countries need to grapple with the implications of endogenous growth theory - the importance of human capital, sound institutions, good economic policies, technological advancement, appropriate incentive structures and political stability. Olson (1996: 20) states that 'poor countries on average have poorer economic policies and institutions than rich countries. But any poorer countries that adopt relatively good economic policies and institutions enjoy rapid catch-up growth....The best thing a society can do to increase its prosperity is to wise up.' In other words, there is no real mystery as to why some countries are rich and others poor, rather it is a result of the policies they chose and the institutions that were put in place. Although this may be somewhat simplistic as it ignores initial conditions, issues of international dependency and so forth, it is nonetheless a truism which developing countries ignore at their peril. Developing countries need to adopt a programme of action which addresses both the domestic and international features of their underdevelopment - The New Partnership for Africa's Development (NEPAD) has been Africa's response.

The idea of developing a new agenda for African recovery dates back to 1999 when the Millennium Partnership for the African Recovery Programme

[8] The cost of doing business on the African continent is also too high: 'Africa is dear because it is poor. And it remains poor because it is dear' (Financial Mail, 3 May 2002: 34). African currencies are often not tradeable which means the US dollar has become the de-facto African currency. This drives up costs. Steep costs are further fuelled by a lack of infrastructure: it is four times more expensive to fly into and around Africa than Asia; rail freight costs are double those of Asia; lack of decent roads make it necessary to use charter planes, and ports are amongst the most expensive in the world.

[9] An example of this was when the South African currency was hit hard at the end of 2001, the captains of South African industry asked the government to ring-fence SA Incorporated from the rest of Africa to differentiate this country from the pessimism associated with the rest of the continent.

(MAP) was borne out of the OAU Summit held in Libya during September 1999. Since then a number of plans were developed by various African leaders and these were finally consolidated into the new initiative called NEPAD in October 2001.

NEPAD begins with a pledge by African leaders to eradicate poverty in Africa and to place African countries both individually and collectively on a path to sustainable growth and development to thus halt the marginalisation of Africa in the globalisation process (NEPAD, 2001: 1). It aims to achieve this through the following (NEPAD, 2001: 11-12):

- Strengthening the mechanisms for conflict prevention, management and resolution in the region;
- Promoting and protecting democracy and human rights by developing standards of accountability and transparency in their respective countries and regions;
- Restoring and maintaining macroeconomic stability;
- Instituting transparent legal and regulatory frameworks for financial markets and auditing of private firms and the public sector;
- Revitalising and extending the provision of education and health services;
- Building state capacity to enforce the legal framework and maintain law and order;
- Promote the development of infrastructure.

NEPAD recognises the key areas that the countries of Africa need to address to position themselves as participants in the process of economic development. It deals with issues of political governance, democracy and security, economic and corporate governance, and regional approaches to development.

The problem with NEPAD as it stands is that it is remarkably short on details and delivery mechanisms but one expects that these will be teased out in the coming months (see Luiz, 2002 for a more detailed discussion of NEPAD). Some have questioned whether it is appropriate or indeed possible

to address the issues of underdevelopment on a continent-wide basis. However, NEPAD does lay the onus on each country to give effect to the NEPAD vision. In other words, it is not the case that NEPAD makes a domestic strategy redundant rather it gives impetus to the need for a domestic development plan which feeds into NEPAD. Also there is a clear need for a continent-wide approach to the marginalisation because the world sees the problem of one African country as the problem of the whole. For example, the risk associated with investing in South Africa is linked to its location in Africa. When the South African Rand depreciated by 45% during 2001, despite enormously positive macroeconomic fundamentals, this was linked to the crisis in Zimbabwe. An important point in NEPAD which still needs clarification is that of enforcement mechanisms. Dealing with the issue of underdevelopment as a collective means that the plan's success will be measured by the compliance of each member country. This is especially so when it comes to concerns over democracy and stability on the continent, an area in which Africa has a poor track record. The way in which Africa responded (or failed to respond) to the Zimbabwe elections in 2002 highlights the weakness of this document. One renegade country brought the entire continent into disrepute and put the plan in jeopardy. The industrialised countries responded by questioning the very basis of NEPAD and Africa's commitment to it. It will be essential to marginalize non-compliers within NEPAD and the African Union and to deny them access in terms of membership and benefits (see Luiz, 2002).

Fundamentally, NEPAD is primarily concerned with the reduction of risk attached to doing business on the continent - political, economic and social risk. Whilst NEPAD leaves many questions unanswered, especially as regards implementation[10] and timeframes, and does not present tangible business plans attached to priority areas, it is nonetheless an important first step in the revitalisation of the continent. It recognises the failures of the past and places the emphasis on institutional and governance issues.

[10]For example, it does not deal with the issues of micro versus macro management of the programme. How are countries going to feed into the broader programme? In other words, what is going to be dealt with at country level and what will be dealt with at overall programme level and how will this occur? Nor does it adequately address the role of the African business sector and what will be expected from them? Will implementation occur through public-private partnerships?

6.2 External Issues

Thus far we have only been dealing with Africa's responsibility in promoting its own development but we now turn to the international dimension. Not all countries have successfully integrated into the global economy and SSA, in particular, is being left behind. To participate more in the global economy and thereby reap the rewards of globalisation, SSA must be partnered by the industrialised world but this has not been forthcoming. Lorentzen (2002: 84) discusses 'the inconsistency with which rich countries promote globalization, and how they attempt to appropriate the resulting gains while pushing the necessary costs onto poor countries, breaking their own rules along the way. [R]ich countries have managed to have their cake and eat it, exacerbating poverty in the world.' Whilst the rich countries in their rhetoric emphasise their commitment to global poverty reduction and economic upliftment, the reality portrays a very different scenario. These rich countries control the international institutions which push developing countries to liberalise every facet of their economies and yet these same countries then impose barriers to fair trade on the developing world. When developing countries export to industrialised countries they face tariff barriers that are four times higher than those encountered by rich countries. These barriers cost them $100 billion a year or twice as much as they receive in aid (Oxfam, 2002). The rich countries are thus giving with the one hand and taking with the other. By practically any indicator the developed countries have resisted opening up their markets to competition from the developing world. Whilst the developing countries were given a commitment from the developed world during the Uruguay Round to open up market access to those products in which they were competitive (among industrial products this means primarily textiles, clothing and leather products) this has not been realised. Figure 11 demonstrates. The average share of duty-free tariff lines is extremely low for textiles, clothing and leather products and the overall level of protection still remains high for these categories. Lorentzen (2002: 94) cites an example where in Japan the MFN rates for a pair of leather shoes valued at $25 is 160%.

Between 1987 and 1999 the developed countries directed 50% of all their anti-dumping investigations against the developing countries with textiles and leather products featuring prominently. Furthermore, 30-45% of all anti-dumping investigations between 1987 and 1999 occurred after 1995 following the conclusion of the Uruguay Round (Lorentzen, 2002: 95). The rich coun-

Figure 11: Rich Country market access for industrial products from developing countries: *Source: Lorentzen,2002, WTO, 2001*

Countries	Textiles & clothing	Leather products	All goods
Share of duty-free tariff lines in bound tariffs			
Canada	6.5	22.5	34.5
US	11.3	28.1	39.4
EU	2.1	22.8	26.9
Australia	7.3	9.2	17.7
Japan	2.8	32.0	47.4
Simple averages of bound tariffs			
Canada	12.4	7.6	5.2
US	8.9	8.4	3.9
EU	7.9	4.8	4.1
Australia	28.8	17.5	14.2
Japan	6.8	15.7	3.5

tries may have stuck to the letter of the agreement but have certainly violated its spirit.

A second area where developing countries have a comparative advantage is agriculture but here again a fair trading system does not exist despite the fact that the preamble to the Uruguay Round promises the establishment of a fair, market-oriented agricultural system. The agreement targeted market access, domestic support and export subsidies. But rich economies remain difficult to penetrate. For example, for poultry and cheese the share of imports in total consumption is as low as 5% and applied tariffs continue to be high, on average four to five times as high as industrial products. Tariff escalation makes it difficult for developing country exporters to gain a foothold in food processing industries (Lorentzen, 2002: 96). The EU use of export subsidies for a number of agricultural commodities means an uneven playing field. In 1998, subsidised exports as a percent of total exports were 95% for beef, 110% for butter, 115% for coarse grains, 111% for skim milk, and 114% for wheat [11](Lorentzen, 2002: 98). Subsidies paid by rich countries to their farmers amounted to about 37% of farm receipts in 1998. Global subsidy payments to farmers are worth at least $327 billion each year, which exceeds the value of foreign aid six fold. The World Bank estimates that full trade liberalisation could bring between $200 and $500 billion in additional income to developing

[11]Subsidised exports may exceed 100% because of the use of previous-year allowances.

countries.[12] However, the developed world have taken full advantage of the market openings they have thrust upon developing countries while failing to open their own markets. The priority of the rich world has instead focused on an intellectual property system that will transfer an annual $20 billion from the poor to holders of patents in rich countries (Akande, 2002).

The poor countries of the world face an uneven playing field. Therefore although SSA can and should address the domestic environment which hinders development, there remains the vast international economic system over which it has no control and in which it is being penalised. This is where SSA's fate becomes a dual process and where the rich countries must address their bad practices. Giving aid and then shutting off markets is hypocrisy and if the developed world is serious about underdevelopment then they need to act decisively:

- Rich countries must open their markets to exports from developing countries and slash their enormous agricultural subsidies which currently exceed $350 billion.[13]
- Wealthy countries should increase their foreign aid. The OECD's target for development assistance is 0.7% of GDP but this fell from 0.33 to 0.22% between 1987 and 2000 - its smallest proportion since it was institutionalised with the Marshall Plan in 1947.
- They should support debt relief for reformers which will allow SSA to participate more in the process of globalisation.
- They need to promote fairer patent rules that ensure that poor countries can afford new technologies and basic medicines.

The reincorporation of SSA cannot occur without the meaningful cooperation of the rich countries. Thus far the high income countries have chosen to ignore the crisis in SSA and have, in fact, contributed to it. Their trade, labour market, and environmental practices have directly added to the deficiency in SSA. Unfortunately SSA is not a priority on the world agenda

[12] Ianchovichina et al (2001) finds that unrestricted access to the EU, USA, Canada and Japan would produce substantial gains for SSA, leading to a 14% increase in non-oil exports and boosting real incomes in SSA by about 1% whilst the costs on these developed regions would be negligible.

[13] This will not only benefit the poor people in developing countries but will result in lower taxes and prices in rich countries.

which is being monopolised by geopolitical tensions, the war on terrorism and fragile oil markets. However, it would be a mistake for the developed countries to ignore the plight of the developing world because globalisation also means that in time as the plight of the third world worsens so the ability to contain this a- iction is reduced and the negative externality becomes a reality. The development of a fairer international trading system may entail some short run costs to the industrialised world but in the long run will benefit all through an expanded global economy.

At the moment globalisation is seen by many as a zero sum game - countries gain at others expense. If this perception continues then the very phenomenon of globalisation will be threatened because such a situation is unsustainable. However, it is not the phenomenon of globalisation which is at fault but rather its current practice. There is a very real danger that poor countries in desperation will resort to primitive methods of 'deglobalisation' (e.g. more exchange controls, higher tariffs and quotas, and debt repudiation). The result of this will be further marginalisation and poverty.

7 Conclusion

The poverty of SSA has many dimensions and causes, both internal and external. Certainly part of its underdevelopment is attributable to bad luck, initial conditions, and an unfavourable international economic environment. However, the region has to accept much of the responsibility for its plight because its present state is also largely an outcome of poor policy choice and bad governance. These in turn have meant that the main profit opportunity in many of these countries is circumventing government rules and Easterly (2001: 221) warns that when this is the case that 'not much good is going to happen in the real economy.' He warns that there are no magical elixirs in the quest for growth: Prosperity occurs when the right incentives are in place.

> It happens when government incentives induce technological adaptation, high-quality investment in machines, and high-quality schooling. It happens when politics is not polarized between antagonistic interest groups, but there is a common consensus to invest in the future. Broad and deep development happens when a government is held accountable for its actions energetically takes up the

> task of investing in collective goods like health, education, and the rule of law (Easterly, 2001: 289).

Thus whilst we cannot account for every facet of the question of 'why some nations are rich and others poor' we are nonetheless left with some very real certainties. Addressing the poverty of SSA must take cognisance of all these dimensions. However, not all of these falls under their direct control and the industrialised countries have a definite role to play in improving the global economy which the marginalised face. Finally, the most important lesson is that the principal therapy for poverty comes from within by addressing the internal obstacles to growth. SSA must therefore look within for the source of its underdevelopment and once this is achieved then the development process can begin in earnest.

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