

Chapter 3

Africa in the Global Economy

ABSTRACT

This chapter describes concepts and perspectives of globalization generally and explains Africa's current and anticipated position in the global economy. The chapter further enumerates and fully explains the economic and business strategies that are necessary to increase the competitiveness of African economies in the global markets. By increasing Africa's competitiveness, the continent will become an attractive business region for the urgently needed foreign direct investments.

1. GLOBALIZATION: CONCEPTS AND PROCESS

The world is flat and more highly interconnected today than ever before (Friedman, 2005, 2011). This means that more people are suddenly competing, connecting, and collaborating with more other people from more different places around the world with less cost than ever before in the history of mankind. The flattening of the world is affecting businesses, armies, governments, and most importantly individual workers across the globe. Globalization is greatly influenced by the increasing information technology revolution (Friedman et al., 2011).

Friedman et al., 2011 assert further that globalization and Information Technology are totally intertwined, each being spurred by the other. New technologies become enablers of more globalization, erase boundaries, break down walls, and connect the previously disconnected world. Then those connected people and firms

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and governments build up webs of trade, commerce, investment, innovation, and collaboration that create markets for, and demand for, more technologies to connect more people at even lower costs and greater speed.

Therefore, the world economy is increasingly becoming a single connected economy in which companies conduct business globally and compete anywhere and with anyone in the world. And countries trade with whatever countries they wish, most likely following rules set by the World Trade Organization (WTO). The WTO rules are bilaterally and/or multilaterally agreed on (Cullen et al., 2008). While future trends in developing countries are likely to be considerably affected by the forces of globalization, indeed the overall thesis holds high for much of Africa (Juma, 2011).

Today, globalization is a daily experience among all countries and people of the world. Individuals and companies increasingly see the entire world as a source of business opportunities. Still, globalization is a situation whereby social, commercial, political, and economic systems of the people of the world have become increasingly interdependent. It is a condition whereby decisions made in one country are, more often than not, becoming dependent on decisions made abroad or in other countries related or unrelated. In competitive business, globalization is a situation whereby large and small firms alike relocate or outsource production and services to distant, cost-effective locations like China and India to enhance their competitive advantage mostly through a low cost leadership competitive strategy (Copeland et al., 2006).

Giddens (2001) looks at globalization from the point of view of social relations where the local situation is dissolved and re-organized by global events and over time and space. He defines globalization as the intensification of worldwide social relations that connect distance locations in such a way that local relations and occurrences are shaped by events taking place in faraway lands.

Stiglitz (2003) has described globalization as fundamentally the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of the cost of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge, and people across borders. Globalization has been accompanied by the creation of new institutions—such as the WTO—that have joined with existing ones to work across borders. In the arena of international civil society, new groups, like the Jubilee movement pushing for debt and poverty reduction in the poorest countries, have joined with established organizations like the International Red Cross to try and deal with poverty in many nations around the world. Globalization is mostly driven by international corporations, which move, not only capital and goods across borders, but technology and people too. Globalization has led to renewed interest and keener attention to long-established intergovernmental institutions such as the UN, the WHO, and the ILO.

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