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REVIEW ARTICLE

GLOBALIZATION AND THE CHALLENGES TO DEVELOPING AFRICAN ECONOMIES

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ABSTRACT

This article examines the challenges of globalization to developing African economies. It argues that although globalization has spurred competition among nations and enterprises, the greatest beneficiaries of the global agenda are the industrialised countries due to their advanced technologies which make their products more competitive in the international markets. The differences in technological developments and innovations between developing African economies and industrialized countries have favoured the global expansion of industries and enterprises of the developed economies, most often to the detriment of those of less developed countries. African countries greatly depend on taxes from international trade; therefore eliminating tariffs as compelled by WTO trade liberalization agenda deprives them of significant revenue for development. The question is whether African economies which are net importers could become richer by forgoing tax revenue when their enterprises are less competitive in the international market place. According to this paper, African economies should protect their domestic industries and invest on technological development and innovations so as to make their enterprises more competitive in the international market place".

INTRODUCTION

Globalization means different things to different people across the globe due to its economic, social, cultural, and political dynamics. In the contemporary world, it is probably among the most debated concepts due to its diverse approaches in different countries, communities and the world at large. The concept of globalization views the global economy as one, which works as a unit on real time on a planetary scale; meaning that, capital flows, labor and commodity markets, management and organization are internationalized with fully interdependent markets, information, raw materials throughout the planet (Woods,1988; Tayor, 2000). Additionally, globalization is considered as an attempt to contract space and time through the development of new means of communication and information technologies across the planet; meaning that information flow has encouraged communication between regions, continents and markets in the global economic setting dictated by the global agenda (Hammonda, 2000). Also, globalization is regarded as the process of intensification of economic, political, social and cultural relations across international boundaries (Akindele, 1990). Moreover, it is seen as an evolution which is systematically restructuring interactive phases among nations by breaking down barriers in the area of culture, commerce, communication, and other fields of endeavor (Otokhine, 2000). Furthermore, Asaju (2002) perceives globalization as trade without socio-political barriers and constraints in which goods and services, ideas and information flow across international boundaries without restrictions or barriers. This has been enhanced by the rapid inventions and innovations in technological breakthroughs orchestrated by information and Communication Technologies (ICTs) which have greatly helped the spread of the new doctrine. But Tunde (1998) views the concept as a reinvention of the British colonial system due to its contradiction and unrealistic assumptions especially when it concerns economies of the less developed countries like those of developing African. According to this writer, though globalization increases the spread of technology, its doctrine of eliminating trade barriers is counterproductive to most developing countries that depend on tariffs for economic survival. Thus, though globalization has been seen to encourage the spread of technology, it brings unemployment and political upheavals due to its impact on agriculture on which less developed countries mostly depend for revenue, trade and economic development.

Trade without or with limited barriers implies that enterprises of various sizes in different countries and continents compete with one another on the international market, meaning that the giant multinational corporations that enjoy economies of scale as a result of technological advancements compete with Small and Medium Sized Enterprises (SME) with relatively higher cost of production resulting from low technology as the case of less developed African economies. In the real world situation, it is unlikely that enterprises could compete

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favorably at global scale because of differences in technology and factor endowment (Tunde, 1998). Most less Developed Countries (LDC) are technologically backward and place more reliance on labor intensive production systems with increasing production costs which makes their industrial products uncompetitive in international markets due to low quality and relatively higher cost.

The dominance of unprocessed products principally agricultural raw materials and mineral resources weakens their bargaining strength in most international trade negotiations where African countries are price takers since raw material prices are determined by consumer nations and not producers themselves. The dominance of unprocessed raw material exports therefore weakens their leverage in international trade negotiations with economic groupings like the E.U, the Asian tigers, American Free Trade Association among others (Krugman and Verables, 1995).

Under the agenda of trade liberalization as required by the globalizing world economy, most of the uncompetitive industries, especially local agriculture have been collapsing bringing along political upheavals as witnessed in the African continent over the years. The collapse of local agriculture and craft industries have created unemployment and destroyed the basis of sustainability which, Liberalization was premised to protect; though the reverse has been counterproductive. LDCs like Cameroon are basically producers of raw (unprocessed) materials exports which are dominantly uncompetitive. Therefore, in terms of trade, most African economies are not competitive as they are still producers of primary products and consumers of processed imports from the industrializing and the industrialized world. The irony is that African countries in particular cannot benefit from the demands of trade globalization due to their economic and technological backwardness which perpetually reduces them to price takers in the international markets (Biesteker, 1998 and Banjo, 2000).

It is unlikely that enterprises in LDCs can increase their market shares alongside those of the industrialized countries who frequently undergo innovations, new inventions and cost reducing technologies which enhance international competition. In the wake of globalization and competitiveness, third world, specifically enterprises of Sub Saharan Africa are unlikely to wave off foreign competition like those of the U.S.A and the industrialized world (Henri, 2011). It is in this vain that advanced countries notably the U.S.A and its institutions will ever remain the greatest beneficiaries of globalization. African countries as earlier mentioned cannot reap any significant benefits from globalization as they remain primary producers of raw material that are vulnerable to the vagaries of international competition. Thus, every enterprise (be it a multinational corporation or SME) that aims at either preserving or increasing market shares in the international market must be capable of carrying out innovations and new inventions that reduce production cost. Most African enterprises are unable to carryout innovations that reduce production cost and improve competitiveness in both domestic and international markets (Austin, 2009). This partly explains why most African consumers lay emphasis on the consumption of foreign goods even when most of the imports are produced by their domestic industries. Thus, goods can be uncompetitive in the international markets but competitive in domestic markets if markets are protected as there is adequate consumer demand. That is why Africans industries must be protected to wave domestic competition with foreign manufactures until they can acquire competiveness.

In the United States of America (U.S.A) for example, interest in technological development and industrial innovation increased as concern mounted over the economic strength of the nation and over competition from abroad in the globalizing world economy. For the U.S. economy to be competitive and wave off competition, its enterprises have developed technologies and innovations that have enabled them to be able to engage in trade, retain market shares, and offer high quality products, processes, and services while the nation continues to maintain an appreciable level of economic growth and a high standard of living which cannot be compared with any African or third world nation (Mayer, 2000).

The emerging evidence from the ongoing discussions is enough to show that globalization was created to serve the specific interests of social forces dominating the world today under the guise of ‘international community’. Globalization has been coined and driven by the interest and needs of the developed countries to the detriment of technologically backward nations (MacEwan, 1990 and Madunagu, 1990). In Africa, globalization has the effect of a double edged sword, which opens the continents’ markets and destroys local industries through unfair competition from the heavily subsidized industries of the developed countries; the major advocates of global free trade. At the same time under Structural Adjustment Programs (SAP), its advocates preach reduction in government spending to countries that need government effort, human and financial resources in their quest for development (Osagie, 1986). On the other hand, developed countries, notably the U.S.A hardly reduce expenditure on certain strategic sectors like agriculture which African countries have strictly adhered to by eliminating government expenditure through withdrawal of subsidies to crucial sectors such as education, health, and agriculture For example, under the regime of economic liberalization LDCs were asked to remove subsidies on productive resources and reduce tariffs while at the same time industrialized countries like the U.S.A maintained both tariffs and subsidies to make their goods cheaper in foreign markets to the detriment of the less industrialised countries. Evidence to this could be demonstrated by huge subsidies granted to producers through farm bills and customs duty on imported goods and services and 30% duty enforced on imported steel by the Bush administration (U.S.A), on February-March 2002 (Fergusson, 2007; Elimma, 2010). It is therefore ironical that a country like the U.S.A which developed its economic might through trade restrictions is now advocating global free trade to economically backward countries of Africa and the third world.

From the standpoint of interest of the poor nations, the case against globalization revolves around the argument that world interest has benefited mostly the rich countries at the detriment of the poor. It is partly accountable for poverty, increased unemployment, falling State spending on crucial sectors particularly agriculture, education and health, erosion of human rights and child exploitation in Africa and the third world (Fafowora, 1998; Ernest, 2001). Globalization has also eroded the power of African governments and subjugates third world nations under the whims of western-dominated global organizations such as the IMF, World Bank and the World Trade Organisation - WTO (Tunde, 1998). Under guise of trade liberalization, Africa's external trade dependence has increased, domestic industries shattered and de-industrialization increased; leading to the deterioration of Africa's terms of trade (see table 1). In Zimbabwe, the clothing sector was hardest hit with the closure of the local Cone Textiles, which retrenched hundreds of workers; while in Mali foreign investors took over major revenue enterprises like tobacco and textile industries, and in Cameroon, Banks, agricultural ventures and airlines were taken over by foreign investors (Muyale-Manenji and Fridah, 1998). The African market has become the dumping ground for all kinds of goods from developed countries and from the east, all in the name of free trade.

Enterprises from African countries mostly export unprocessed agricultural products and other raw materials which are vulnerable to vagaries of international market prices. Africa is the only continent which exports largely unprocessed goods as compared to other regions of the world that produce and export processed goods. Also, the continent has never emerged with any economic groups capable of challenging other groups during international trade negotiations (Tunde, 1998). The continent's exports have been incapable of overcoming the vagaries of international market fluctuations which characterize notably agricultural and other raw material exports which constitute her major export earnings. The economies lack alternative revenue sources to cushion the effects of falling earnings in the wake of international market fluctuations (Rodrick, 1994; Krugman and Verables, 1995).

Consequently, the continent benefits less from trade as its market shares continue to plummet as a result of uncompetitive exports that dominate their economies. Moreover, African industries as earlier mentioned hardly undergo technological innovations to enhance competiveness in international market place. This has limited LDCs economies, particularly in Africa to the production of primary goods. Consequently, African countries remain price takers and therefore vulnerable to the vagaries of international trade competition due to price fluctuations especially as there are limited domestic mechanism to constantly absorb shock generating from market fluctuations. As such, the percentage contribution of raw materials in total exports of goods in developing countries increased from 59 % in the period 2000-2002 to 77 % in the period 2005-2006 (Henri, 2011). This means that as other economies are industrializing African economies continue to remain backward through exportation of unprocessed goods.

From this analysis it is evident that the industrial sector of most African countries is not producing large volumes of goods and services to satisfy domestic demand; a reason for high demand for imports. For example, in 2005, manufactured exports constituted less than 10 percent of total exports of Cameroon (UNIDO, 2005). Also, foreign trade in Cameroon registered a permanent increase of imports, especially of manufactured food products and quasi stable exports for a few number of primary products. This evolution led to a deficit of 268.2 billion FCFA in 2008, which indicates an increase of 199.2 billion FCFA as compared to 2007 (Henri, 2011). Cameroon food imports from 1995 to 2011 are shown by the following table.

Table 1 Cameroon food imports (as percentage of merchandise imports) from 1995 to 2011

Year	Percentage imports	Year	Percentage imports
1995	17.44	2004	18.32
1996	13.73	2005	18.01
1997	15.68	2006	17.98
1998	15.54	2007	14.87
1999	18.93	2008	23.78
2000	18.61	2009	29.23
2001	-	2010	17.71
2002	-	2011	25.10
2003	-		

Source: Extracted from African Trade Statistics, 2012

This shows that Cameroonian enterprises face tough competition from abroad in the present context of globalization as more goods especially food items are imported than exported. Further analysis of the country's food imports explain its weak economic base as she imports even products like rice and chicken which the country has potential to produce (Bopda and Njong, 2004). From this analysis, the costs incurred from globalization greatly outweigh the benefits. The few benefits reaped by Cameroon from globalization include the inflow of Foreign Direct Investments (FDI) and capital for structuring projects (such as Kribi deep sea port and Lum Pangar dam) which are largely financed by China, France, the African Development Bank, etc. These inflows from FDI could compensate for the country's weak saving capacity through a multiplier effect to generate revenue and incomes if revenue is directed into productive activities or ventures to create the desired multiplier effect (Ngoe, 2013).

Globalization And Challenges In African Development Experience

Despite the large-scale usage of the term globalization, there have been no universally acceptable definition of the term; the main reason why authors from different schools of thought define it differently. However, by broad consensus, the process of globalization has led to an increase in world volume of goods and services and was deemed to yield benefits to all nations provided there is commitment and general will at global level (Demba, 2009). Due to the absence of commitment and good will, globalization has not been beneficial to technologically backward countries; especially in Africa. While globalization offers unprecedented opportunities for growth, it is associated with costs which are challenging to poor countries that lack the structural policy foundation in place to take advantage of more open trade, investment and financial flows. These countries located mostly in Africa, also usually have inadequate capacity to manage the process which makes them more vulnerable to inherent potential forces of economic and political destabilisation.

Despite the well known benefits of globalization to other nations, the trade and development experience of many developing countries particularly in Africa have been on the contrary. While it is undoubtful that the process has intensified global interdependence of economies, the nature of interdependence has been worrisome to African countries.

On trade

- Africa's share of global exports of goods and services declined trend wise from 4.2% in 1985 to merely 1.8% in 1999 and less than 3% in 2010 ;
- The free trade era championed by WTO has not been respected by the industrialized countries. The industrialized countries have protected themselves against the most dynamic exports of African countries, including textiles and clothing, agriculture and processed raw materials; to the detriment of Africa (Ngoe, 2013) ;
- Huge surpluses of products like sugar, dairy and beef accumulated under high tariffs walls in the industrialized countries are often disposed of by resorting to subsidized exports to the disadvantage of African producers and they displace developing countries products in third country (exports) markets and domestic markets of developing countries themselves ;
- Trade restrictions, including anti-dumping regulations and technical barriers to trade in industrialized countries cost Sub-Saharan countries alone US $20 billion annually lost in exports more than total Official Development Assistance (ODA) flows ;
- While the WTO environment was expected to increase world income by 1% over the decade, it is projected in loss of income of one-tenth of one percent for Africa due to loss of preferences when the agreements were fully implemented in 2005 ;
- Despite an increase in volume of goods and services among nations, international trade continues to be largely concentrated among developed countries.

On financial flows and investment

- Despite an increase in global direct foreign investment (FDI), direct foreign investment in Africa has only a moderate increase in recent years. The ratio of FDI to GDP has declined and in half of the African countries, inspite of the fact that the rate of returns to investment is higher than in other developing regions, and extensive macroeconomic policy reforms undertaken in the last decade. FDI flows to Africa amounting to US $4.76 billions in 1997 rose to US$31 billion in 2008, representing a miniscule of 3% and 3.8% respectively of global FDI flows (U.N, 1995). The region still remains at the bottom of investment preferences with little prospects for improvement. The flows are concentrated towards a few countries. Only about 20 countries are beneficiaries of FDI, with Nigeria, Egypt, Morocco, Tunisia and Algeria together counting for two-thirds of the flows (U.N, 1995) ;
- Foreign Direct Investment (FDI) is not flowing to the sectors with the greatest opportunities for technological transfers, diversification of production and employment to sustain development process- industry or service. The flows are concentrated to few sectors and activities; 50% went to support the oil and petroleum industry, and the rest went to extractive, mainly mining activities (U.N, 1995) ;
- Import-substituting industries dominate the manufacturing sector. The sector remains weak because import-liberalization in the context of globalization has adversely affected local firm's share of the domestic market. Moreover, large currency devaluation has undermined their investment rates of returns in foreign currency terms(Tunde, 1998)

Africa's experience with globalization as highlighted confirms the view that the process benefits mostly countries of the developed North, and widens the existing north-south inequalities and further marginalized developing countries, especially those of Africa.

Imf/World Bank And African Economies In Cost Leadership And Product Differentiation Criteria

Despite Africa's experience with globalization, it is rather surprising that most African countries still believe that their countries could grow into developed economies and compete in world trade through directives from the IMF/World Bank. Sentiments and baseless arguments could be avoided by reviewing IMF/World Bank policies in Africa over the last two decades from a management perspective based on a principle propounded by Porter (1976, 1986 and 1990) and have been found valid by management practitioners' worldwide. A business unit can obtain competitive advantage over its rivals in two basic ways; that is, through cost leadership and by differentiation.

1. Cost leadership means that a business unit has a significant cost advantage over its competitors ;
2. "Differentiation" means that the business unit offers a product or service perceived by customers as having values more important than a lower price.

With the emerging trend of "globalization and private sector led integration of world economies, there is only a little difference between a business unit and a nation's economy. The difference between the strong economies of the West and the weak economies of Africa is mainly due to continuous cost leadership and product differentiation through technological innovations which are not taking place in most developing countries; and Cameroon in particular. There are virtually limited industries in developing economies capable of withstanding competition through the cost leadership and product differentiation criteria. Industries that scarcely undergo innovations like those of Cameroon cannot rise up to these criteria. The economy is largely agrarian and industrialization is slow due to several economic and social problems affecting production and productivity. Secondly, the Cameroon economy has been import dependent and exporter of basically unprocessed mineral and agricultural products which are less competitive in the international markets. Also, prices of her exports are determined by consumer nations, most of them advocates of globalization who dominate WTO debates; the industrialised nations of Western Europe and North America.

Using the cost leadership and product differentiation principle of Porter, consumers including Africans will normally buy a product for two main reasons; the product is cheap enough to satisfy a need without drying up his pocket or the product offers the buyer a value or quality considered more important than price. If these are the main factors that influence buying behaviour then we must expect every African to buy products that meet the above criteria irrespective of where they are produced. Technologically advanced industries are competitive in the international markets because they meet the cost leadership and product differentiation criteria. African products are yet to meet these criteria and therefore, less competitive in the international markets (Ernest, 2001). The continent is therefore unlikely to benefit from world trade when her domestic industries do not meet the above criteria; since they are unprotected from foreign competition. The continent can benefit from world trade by not strictly adhering to the globalization rules like the western countries. African countries cannot develop without manufacturing industries that meet the cost leadership and product differentiation criteria; nor can the continent develop out of the importation syndrome when its industries are not adequately protected (UNIDO, 2005; Ngoe, 2013).

The IMF/World Bank supervised budgeting in Africa for more than two decades was suppose to implement policies that would enable African economies reach competitiveness through cost leadership and product differentiation criteria. Inability to manufacture goods that meet these criteria renders African economies uncompetitive and therefore, unlikely to benefit from global competitiveness (Wheeler, 1984; Demba, 2009). Africans can never rise above poverty until they begin to export goods that meet up with cost leadership and product differentiation criteria.

With the continuous collapse in the international prices of commodities and the subtle control of the price of crude oil and other mineral resources from Africa by the industrialized countries, the future prosperity of African economies remains bleak. These countries control the prices of African raw materials whereas Africans have no control whatsoever on the price of goods produced by the industrialized countries. Moreover, Africa contributes less than 3% of global trade and can easily be ignored in any international trade negotiation with the rest of the world. Most of the big multinationals operating in Africa are merely assemblies of semi-finished goods from the industrialized nations. The prices of these semi-finished intermediate products are also determined by parent companies abroad. Also, profits made by these multinational corporations are repatriated to the developed world and are not reinvested to create wealth and employment in the African continent. Multinational corporations do hardly encourage research activities in areas beneficial to the host third world countries (Daniel, 1980). This helps to explain why Direct Foreign Investment (DFI), as already mentioned, is not directed to areas with opportunities for transfer of technology. Besides technological backwardness, there are other reasons why African made products may not be able to obtain competitive advantages in the world market.

The first reason is that long-term interest rates in most advanced economies could be as low as 4-5 per cent. In most African economies, except perhaps South Africa, short-term interest rates could be as high as 30-40 per cent, while Long term funds are hardly available (Tussie, 1994). Yet a large majority of these banks are appendages of parent banks in Western Europe or North America. It is difficult to understand why these banks operate at different interest rates in the industrialized countries and Africa. Given these high interest rates, African goods cannot meet the cost leadership production criteria. It is also evident that even if African countries acquire relevant technology to produce goods that meet the cost leadership and product differentiation criteria, short-term high interest rates could affect price attractiveness and international competitiveness (Porter, 1986).

Given these problems, it is virtually impossible for African countries to compete with the industrialized countries on the international market place without securing compensations from loss of revenue from tariffs caused by strict adherence to WTO globalization regulations. Moreover, the advanced countries whose products meet the criteria of price leadership and product differentiations have ignored globalization regulations by maintaining tariffs and subsidies to their imports and exports respectively. Secondly, when the national currencies are undergoing devaluation, the replacement cost of capital investment continues to increase and goods produced under such conditions are uncompetitive. In Cameroon for instance there are other unfavourable factors that increase production costs such as lack of basic infrastructure, social, political and economic instability, lack of technology and human capital, and the inability to effectively utilise human capital. Therefore, the tendency to impose import tariffs to protect slumbering local industries should be re-examined. Also, the problems hampering the growth of local industries also go beyond stiff competition from cheaper foreign imports. Mismanagement, inefficient use of resources, high energy costs, lack of investment, crumbling infrastructure services and shoddy output are often as important causes of de-industrialization as competition from foreign imports (Adebo and Akindele, 1990; Banjo, 2000). As such, the increasing import duties do not necessarily result in higher production. The real challenge is to improve local conditions to enable domestic producers lower their production costs and become more competitive on a global standard.

Moreover, the business environment of most African countries cannot enhance competition through domestic innovations even when these countries meet the cost leadership and product differentiation criteria for foreign and domestic competition because most innovations are poorly protected and also heavy taxation on domestic enterprises. Most African economies depend on taxes (tariffs) on both import and domestic industries. The extremely high taxation regimes existing in most countries like Cameroon and its CEMAC counterparts increase production costs which are manifested in high prices of most domestic goods. This explains consumer preference for industrial products from abroad to the detriment of domestic manufacturers; thus ensuing unhealthy competition between domestic enterprises with foreign ones. In Cameroon, this unhealthy competition led to the collapse of 945 farms in the poultry sub-sector with 10000 jobs; and 11 billion Francs CFA lost in this sector alone (Bopda, 2004 and Njong, 2004). If other sectors like rice and fisheries where the Cameroon economy still largely depends on imports would have been included then one could imagine the colossal sums of revenue lost as a result of unhealthy competition with the industrialized world.

Globalization notably via trade openness and liberalization has led to an overall increase in technological integration of the developing countries, even though disparities between the various countries are still wide (Mayer, 2000). Therefore, the technology of the developed countries is mainly imported by developing countries through trade and FDI which are greatly favored by the globalization agenda (Acemoglu, 2003; Piva, 2003; Keller, 2004). Developing countries can only benefit from technology imports if in the long run the technologies could be domesticated to suit the socioeconomic and cultural settings of these countries. This paper argues that undomesticated technology cannot create the social and economic benefits which a country needs to develop because to sustain the imported technology, spare parts of machinery and other accessories have to be imported from the country of origin of the technology; most often under harsh conditionalities (Demba, 2009). Also, most agreements between the importing countries and the exporters are tied to the purchase of spare parts and other requirements from the exporters; which make it virtually impossible for the importing country to make similar agreement with other countries possessing the same technology at moderate conditions (Banjo, 2000).

World Trade Organisation And African Economies

One of the major developments that have influenced the course of trade and international competitiveness is the Uruguay Round (UR) negotiation which produced the 1994 General Agreement on Tariffs and Trade (GATT) and the subsequent emergence of World Trade Organisation (WTO) which replaced GATT. The WTO was established in 1995 following the Uruguay Round of GATT negotiation. It transformed GATT which primarily focused on tariffs and quotas, into a new global commerce agency with the same status as the United Nations (Roderick, 1994). The WTO is empowered to enforce global commerce rules with the imposition of economic sanctions. Its rules cover food and environmental standards, regulation of services such as insurance and transport, how government can use tax dollars, copyright and patent laws, farm policy, etc. African countries were not represented as an economic grouping like other trading blocs during the UR negotiations. African countries were represented as individual nations due to their fragile or weak economic groupings and their dependent nature on industrialized countries notably Western Union, U.S.A, Canada and Japan who are major advocates of the WTO agenda through organization like IMF/World Bank and the European Monetary Union (EMU). Another salient reason for African disunity in the UR has been that agreements individual African countries sign over trade and commerce with industrialised countries conflict with WTO regulations. (Wood, 1998; Ngoe, 2013)

Close to the turn of last century African countries; except South Africa remained the only group of countries whose exports were predominantly primary products, complemented by trade in manufactured imports. In virtually every other region of the world this trade pattern has been complemented and changed to a more competitive one (U;N, 1995). This lack of competitiveness in African economies reduces them to ‘price takers’ in virtually every sphere of international trade negotiations (Porter, 1990). Most other nations have moved progressively away from primary products to manufactured exports of the capital-intensive type and subsequently to more resource intensive manufactures. Trade in manufactured goods with industrialized countries have progressively witnessed a reduction while her trade with raw materials have progressively increased (Henri, 2011). For example, between 1990 and 2000 the percentage of manufactured products Africa exported to the EU fell from 1% in 1990 to 0.5% in 2000 as a result of lack of competitiveness in the continents manufactures. Transformation of raw material into manufactures constitutes a single major development that has reshaped the terrain for global trade and has influenced the course of trade and international competitiveness. This means that for any economy to move to international competitiveness, it must be able to undergo the transition from primary production to the manufacture of industrial goods with more capital intensive methods of production (Banjo, 2000 and Henri, 2011). This is lacking in most of Africa. Consequently, it is difficult for African economies to compete favourably in the international market place as required by WTO trade regulations.

The overall impact of UR trade liberalization in African countries is yet to have a significant impact on African economies because many of the provisions of the resulting WTO treaty did not cover the bulk of African trade, especially with respect to exports. However, there is hardly any doubt that the GATT 1994/WTO treaty and its provisions defined the stage for global competition in production and trade in the 21st century. If African countries are not to be marginalized in the scheme of things over the medium to longer term, they will be of necessity to respond; if not to the immediate effects of the treaty on trade and competitiveness, at least to its longer term ramifications (Daniel and Kristin, 1999). The resulting pattern of trade and competitiveness since the GATT

1994/WTO treaty has far-reaching consequences on the prospects for evolving a viable strategy for sustainable growth and development in these countries; a fact supported by economic stagnation and poverty in most developing countries in Africa. Africa's benefits from international trade are predominantly derived from taxes of imports and exports. Exports are principally made of uncompetitive manufacturers which fall short of the cost leadership and product differentiation criteria, and raw materials whose prices are determined by the industrialised countries (Fafowowa, 1998). With a few exceptions, government revenues are derived exclusively from imports and there are few domestic sources of finance to cushion the adverse effects of dwindling revenue from international trade. Moreover, the continent is heavily indebted and marginalized in virtually all international trade negotiations with the industrializing countries. The Structural Adjustment programme (SAP) failed to bring economic sustainability. African economies rather soared into economic difficulties ranging from unemployment to mounting trade deficits. Currency devaluations also worsened the plight of African economies as they are net importers of both consumer and capital goods. Increased importation with currency devaluation raised both production costs and prices of imports; thus worsened trade deficits (Banjo, 2000; Demba, 2003).

African countries lost huge sums of money from tax revenue without compensation, and WTO failed to consider the impact of these losses to the African economies. With mounting debts, growing international trade deficits, uncompetitive products and heavy reliance on tax revenue from international trade, the continent has been unable to cope with the demands from WTO globalization rules over the years (Demba, 2009). Policy makers in Africa must protect their economic interests by violating some of the WTO trading regulations as most industrialized countries have done over the years (Elimma, 2010)

Challenges to African Trade Relations And Investment Measures

The results of the Uruguay Round (UR) reflected and confirmed the weak negotiating position of African countries and the structural weakness of their economies. Africa participated in the negotiations from a position of conspicuous weakness. The continent (including South Africa) contributes no more than 3 per cent to globally traded goods, which is too small to have an impact on world trade (U.N., 2009). Secondly, the African contracting parties were negotiating individually rather than as an economic block with a common position, unlike other groupings notably European Union (EU) and most of Asia and Latin America who were represented as economic blocks rather than individual countries. Failure of African countries to coordinate their position as an economic grouping eroded whatever influence they could have had on the outcome of the negotiations. Thirdly, their negotiating leverage had been weakened by the trade liberalization program already adopted under the World Bank/IMF-inspired SAPs (Ferguson, 2008 and Demba, 2009) Africa would have accepted the Uruguay Round in principle, and explore all the provisions for exemption from full compliance and delayed implementation until it has been able to rehabilitate its economies and improve its competitive position. WTO would have delayed full implementation of its regulation because African economies are uncompetitive and unlikely to benefit as other continental blocks already (Daniel and Kriskins, 1999; Asaju, 2002). If the African countries were represented as economic groupings, it is imperative that they would have sought special compensation from Europe to be devoted exclusively to economic restructuring, in order to make up for the expected losses arising from the Agreement. This task was beyond the reach of individual countries represented in the WTO negotiations.

Africa should have also availed itself of the provision for amending the Lomé IV Convention in the event of multilateral trade negotiations within WTO or other measures relating to general trade liberalization which led to the loss of competitiveness in the export of African Caribbean's and Pacific (ACP) countries' agricultural products to the single European market. It should also join other developing countries in preparing the ground for future negotiations within WTO on issues of importance to them which were not completely settled during the Uruguay Round negotiations.
The main issues are:

First, the need for special balance-of-payments assistance to meet the difficulties that have been encountered during the transition to the new system as the countries are net importers of both consumer and capital goods; and

Second, the need to ensure that cooperation between WTO, the World Bank and the International Monetary Fund (IMF), for which the agreement provides, is used to maintain the consistency of international policies in the areas of trade, money and finance, rather than as a new source of pressure to constrain the freedom of African countries in policy formulation and implementation.

Examining these difficulties in the long term, it is prerogative for Africa to undertake reforms to improve its competitive position in many spheres and also to accelerate measures to diversify its economies from primary commodities to manufactured goods as in other economic groupings. These measures will be difficult to realise in the absence of technological, scientific and administrative innovations which are the foundations of economic and social change (Elimma, 2010; Ngoe, 2013). In most African countries technology could be acquired including scientific innovations; but administrative and political problems including corruption in high places could hinder the full implementation of scientific and technological changes which could lead to the desired economic and social transformations (Henri, 2010; Ngoe, 2013).

This transition has greatly hindered the continents' products from international competitiveness. It must also create dynamic linkages within and among the various sectors of the domestic economies of individual countries. These linkages between sectors have been generally absent due to the inadequate infrastructure for industrial development in most African countries. The dynamics of an increasing participation in world trade and technological transformation are clearly to be found above all in the manufacturing sector which has been lagging over time. Such dynamic linkages would be difficult if Africa does not coordinate activities through greater Regional Co-operation (Elimma, 2010). Unfortunately, African economies are not integrated and the level of trade between them is low to create any regional impact.

In the new competitive atmosphere created by the WTO agreement, a quick turn-around to sustainable growth will be difficult to achieve without the active support of the international community, in the form of trade concessions and increased resource flows. The relevant international agencies, including WTO, and the region's trading and development partners should strive to assist African countries in the mobilization and effective utilization of external resources for rapid economic transformation (Fergusson, 2008; Henri, 2011). Helpful supportive measures by WTO would facilitate investment and greater lending for structural adjustment. They would assist African countries in dealing with balance-of-payments pressures and transitional strains consequent on policy reforms, and thereby to benefit from the implementation of the Final Act of the Uruguay Round. In the new circumstances which they face, African countries also need increased capital flows and an accelerated approach to debt relief. WTO could assist them to benefit from, rather than fall victims to, strengthened international rules and institutions, thus promoting trade and investment. WTO could also assist African countries to secure greater access to business technology, distribution channels and information networks, which would enable them to develop their capacity to participate effectively in the expanding trade in services.

CONCLUSION

This paper examines the effects of globalization from the standpoint of developing African economies with respect to trade competitiveness, financial flows and investment. Given the technological backwardness and structural rigidities of African economies, it is evident that the continents economies have been unable to meet up with WTO trading regulations which advocates trade liberalization as cornerstone to development; given its backwardness in technology, structural problems and lopsided economic policies. These problems remain the greatest hindrance at reaching the cost leadership and product differentiation criteria which can spur Africa to global competitiveness in trade as required by the IMF/World bank and WTO. Given that African countries lost revenue from tariffs, and Western countries inspite their technological superiority still grant subsidies on exports to developing countries, African countries ought to be given reciprocal compensation from revenue loss resulting from strict adherence to globalization policies. Moreover, the global financial crises which have affected the continent remain a crucial lesson Africa should learn from its adherence to liberal doctrines. The idea that International Monetary Fund (IMF) and the World Bank have acknowledged the failure of SAPs in Africa and the third world gives an opportunity for African countries to decline from failed neoliberal doctrines promoted by the Britton wood institutions and other international finance organizations. *The continent's* contraction in international trade clearly shows that trade was one of the casualties of the global financial crisis. Middle-income countries, such as South Africa, Algeria and Morocco, were most affected, mainly due to the decline in exports in manufacturing goods and minerals. However, low-income countries, such as Burundi, which are exporters of agricultural products, were less affected by the crisis. Without a doubt, the global agenda for recovery from the global contraction will involve strong commitments on the international trade front. This must include making investments in infrastructure, improvement in trade policies and regulations as well as productive capacity. The success of each will entail strong political leadership at country level which is essential for the support of regional and national priorities.

Globalization is at critical cross roads because though it has provided immerse benefits, the systematic risks and rising inequalities it causes requires urgent action. The failure to arrest these developments is likely to lead to growing protectionism, nationalist policies and xenophobia, which will slow the global recovery and be particularly harmful for poor people of Africa and the third world (Banjo, 2000; Demba, 2009). The scope and scale of the required reforms are vast and complex. Urgent action is needed for globalization to realize the positive potential that increased connectedness and interdependency can offer. Action is also needed to address systemic risks such as pandemics, climate change, cyber security and financial crises. Weak and ineffective policies taken at the local, national and global level have frustrated the potential benefits of globalization to reach the world's poorest people and dramatically exacerbated the associated risks. But when we consider crucial areas of trade, finance, migration, aid and innovation, there are accessible policies within reach that could ensure globalization reaches its potential and that the risks are mitigated (Tandon, 1998; Tussie, 1994). In trade, this would include substantially increasing market access for goods and services from developing countries, while also confronting issues of arms trading and forced labor.

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