

## **The impact of globalisation on developing countries.**

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### **1. Introduction**

Globalisation can be seen as one of the most important force impacting on the economy. According to Brittan (1998:2) globalisation is viewed “as a whirlwind of relentless and disruptive change which leaves governments helpless and leaves a trail of economic, social cultural and environmental problems in its wake.”

Globalisation is a term used as buzzword without showing the implication of globalisation. Walker en Fox (1999:2) states that the global integration of the financial markets can be seen as an example globalisation. Walker en Fox argues than the process of financial globalisation is the most important part of the process of globalisation. It is possible to gain insight into the general process of globalisation by studying the process of financial globalisation. It is accepted that the world economy has become more integrated due to the process of globalisation (Neuland en Hough, 1999:1). Despite the fact that globalisation is not a new phenomenon, the intensity of the process of globalisation has increased in die 1990’s. The increasing intensity in the process of globalisation is evident in the increase in financial transactions in the world markets.

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Hak-Min (1999:1) indicated that the threefold increase in private capital transactions between 1980 and 1990 could be ascribed to the process of globalisation in the international financial markets.

Some of the issues that will be dealt with in the paper are the definition of globalization, the impact of globalisation on unemployment, the distribution of income and the sovereignty of developing countries. Before the impact of globalisation can be discussed it is also crucial to give a brief overview on the current situation of economic development in Africa. The impact of globalisation on economic policy in developing economies will also be covered. The paper will conclude with a few remarks on the impact of globalisation on the NEPAD initiative.

The process of globalisation is a reality. The increasingly integrated global economy provides an unprecedented opportunity for growth and higher living standards throughout the world, if the risk associated with the process of globalisation (IMF, 2000:1). It is important for Africa's development and growth that policy makers in Africa understand the process of globalisation and know how to deal with the impact of globalisation.

## **2. Definition of globalisation.**

Globalisation is a term that has become very popular and used in many different contexts in the literature. Before the impact of globalisation on Africa can be evaluated it is

crucial that the meaning of globalisation should be clarified. The definition of globalisation should also be distinguished from terms like internationalization, regionalization and liberalization.

In most of the definition of globalisation that is found in the literature the process of globalisation is seen as the breakdown of borders between countries, governments, the economy and communities. In the financial markets it is also the blurring of borders between different markets.

O' Brien (1992:5) also links the definition of globalisation to geographical borders. O'Brien distinguishes between national, international, offshore and global. National transactions take place between businesses in the same country.

International activities are activities that take place between different countries. It is inter-national. International also means trade that does not take place in a national country. Multinational describes activities that take place in more than one country.

Global combines elements of international and multinational as a more advanced stage of integration between countries. A truly global activity does not know any internal borders. It also gives limited recognition because of the fact that the country is irrelevant when it comes to global activities.

Redding (1999:19) defines globalisation as the increasing integration between the markets for goods, services and capital. Redding's definition also links globalisation to the breakdown of borders.

### **2.1 Globalisation vs. regionalisation.**

Hettne, Inotai and Sunekal (1999:9) is of the opinion that is also important to distinguish between the definitions of globalisation and regionalisation. The difference between the concepts is linked to the debate between people that see regionalisation as building block for the process of globalisation versus people feeling that regionalisation is a barrier in the process of globalisation.

According to Hettne, Inotai and Sunekal the process of globalisation leads to a diminishing in the role of regionalization, because globalisation is frequently linked to the end of geography

Regionalisation can be linked to the increased integration of economies of countries in a region (Matthews, 1987:60). There are five steps in the process of regional integration namely free trade areas, customs unions, common markets, economic unions and a monetary union. Economic integration is seen as a synonym for regionalisation.

Calitz (2000:568) indicated that this process of integration ends with political unity.

Regionalisation is compatible with globalisation as it provides enough protection until economies of scale improves the efficiency of regional companies to enable them to compete internationally. Before this stage of universal economic integration is reached,

the exclusivity of the regional grouping can be detrimental for the process of globalisation. Quattara (1997:178) agree with Calitz by indicating that regional cooperation between small African countries can improve their chances to take effectively part in international trade. The process of regionalization can also pave the way for multilateral trade liberalization. From the literature is known that trade liberalization is an important step in the process of globalisation.

Globalisation is an extension of the process of regionalisation because of the fact that it leads to the diminishing of borders between countries and regional blocks.

As will be discussed in the article the process of globalisation has received a lot of critique that can cause leaders of countries to try and reverse the process of globalisation. Keet (1998:69) is of the opinion that globalisation is not a completed process. According to Keet globalisation can be opposed by returning to regionalism and regional integration. It is thus clear that a no clear relationship exists between regionalism and globalisation.

Hettne, Inotai and Sunekal (1999:11) agree with Keet by indicating that the process of regionalisation is not necessarily a building block for globalisation. The two processes are developing at the same stage and are not necessarily in a linear relationship. Due to the advantages and disadvantages it is even possible that some regions in the world might see globalisation and then, due to the disadvantages, move back to a process of regionalisation.

### **3. The impact of globalisation on world trade.**

Opponents to the process of globalisation indicated that the impact of globalisation on developing and developed countries differed.

Brittan (1998:8) indicated that globalisation led to an increase in the wealth of developed countries and also not to bigger poverty in the developing countries. As an example of the improvement in the developing countries Brittan referred to the improvement in the economic situation in the Asian countries. The improvement in economic growth in the Asian countries led to a reduction in the skewed distribution of income between developed and developing countries. Despite these rather positive developments in some developing countries many countries are still in poverty and risks marginalisation if they does not very soon become part of the international trade system.

Hak-Min (1999:2) differs from the view of Brittan that the distribution of income between developed and developing countries has become less skewed by indicating that globalisation in the integrated world economy has lead to industrial growth in a limited number of developed countries.

A big number of countries developed serious financial problems, which led to an increase in the income gap between developed, and developing nations. Between 1980-1990 more than 90% of all financial transactions of the world were executed in 25 of 121 countries world wide (Hak-Min, 1999:2). Die low-income countries share in the globalised capital flows were less than 1% of the total worldwide transactions. These developments is seen by Gill en Law (1988:127) as the transnational stage in the development of capitalism.

Ohmae (1985:2) indicated that the global economy is dominated by three regional blocks namely America, Europe and Japanese dominated Asian block. These three regional blocks were responsible for 43% of all global capital transactions and for 56 % of all portfolio transactions between 1980 en 1990 (Hak-Min, 1999:4).

Despite the process of globalisation was 77.29% of Germany's exports and 77.81 % of imports were still to Western industrialized countries between 1980 en 1990. South Africa's most important export partners is also the European Union, America and Asia. The conclusion can be made that the developing countries did not get the advantage of the process of globalisation.

In table 1 the relative share of South Africa's trading partners is indicated

Table 1 The relative distribution of the South African exports

Totals in millions		
Export	Percentage of total	Worldsones
R 17,035.70	12.82%	Africa
R 38,853.00	29.24%	Europe
R 14,341.20	10.79%	America
R 25,170.40	18.94%	Asia
R 2,185.70	1.64%	Oceania
R 35,227.40	26.51%	Other Unclassified
R 58.60	0.04%	Ships
R 132,872.00	100.00%	
Imports	Percentage of total	Worldsones

R 3,053.20	2.60%	Africa
R 52,404.00	44.54%	Europe
R 17,288.80	14.70%	America
R 41,388.50	35.18%	Asia
R 3,221.90	2.74%	Oceania
R 286.80	0.24%	Other Unclassified
R 117,643.20	100.00%	Ships

Source: SARS. 2000. *Preliminary Statement of Trade Statistics for the Republic of South Africa as released by the Commissioner for the South African Revenue*

*Service.* [http://www.sars.gov.za/ce/tradestats/t...statistics\\_prelim\\_rsa\\_jan\\_aug\\_2000.htm](http://www.sars.gov.za/ce/tradestats/t...statistics_prelim_rsa_jan_aug_2000.htm)

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In table 1 it is indicated that 59% of South African exports is to the three most important trading blocks namely Europe, America and Asia. The figure is distorted by the rather large figure for unclassified items. It is also indicated in table 1 that 94.42% of South African import is also from the same three regions. Despite the initiative to improve the level of trade with countries in Africa, only 2.60% of goods and services were imported from the rest of Africa. The figures are an indication that the globalisation has not increased the participation of Africa in world trade. Hopefully the implementation of NEPAD will improve the situation.

#### **4 The impact of globalisation on the international distribution of income**

There are two issues in the evaluation of the impact of globalisation on the distribution of income. In the first part of the discussion an overview will be provided on the impact of globalisation on the distribution of income. In second part of the discussion the issue of whether the distribution of income is a good measure of economic development will be discussed.

Die IMF ((c)2000:1) investigated 42 countries housing 90% of the world's population to determine the progress in eliminating the income gap between countries. The study came to the conclusion that the per capita level of production increased dramatically since the start of the twentieth century. The problem is that the distribution in countries is more skewed than at the beginning of the twentieth century.

The United Nations development Report of 1992 quotes Mander en Goldsmith (1996:24) which indicated that the worldwide distribution of income is still very skewed. It is also argued that the income gap has increased between countries since 1960. This view is supported by Todaro (1985:29) who indicated that developing countries only experienced GDP growth of 1,1% per annum between 1960 and 1982. At the same stage the developing countries experienced an average GDP growth of 3,1 per annum. The IMF (2000(b): 3) showed that the richest part of the world population's income has improved six times between 1900 and 2000. The income of the poorest part of the world population only improved by 3% during the same time.

Masson (2001:6) indicated the issue is much more complicated than merely comparing the relative levels in the distribution of income. Masson compared the level of economic growth in countries that are actively involved in globalisation versus countries that are not actively taking part in the process of globalisation. Masson concluded that the thirty developed nations that actively took part in the process of globalisation grew by 3,5% in the eighties and 5 % in the nineties. The countries that did not actively take part in the process of globalisation did not realize any or just marginal growth rates after 1980. The countries that opened their economies grew at a faster rate than the developing countries (Masson, 2001:7). It is thus wrong to argue that globalisation caused that low and unequal distribution of income in developing countries.

The IMF (2000:2) also indicated that globalisation led to unequal economic growth during the twentieth century. The global GDP per capita almost increased five times during the twentieth century. This growth also did not happen in a stable manner. The biggest improvement in growth happened in the second half of the century due to the increase in trade and the process of financial liberalization. As it will be shown in this article a backlash against globalisation occurred in the interwar years with countries adopting a more inward-looking policy stance by increasing tariffs. The economic growth in the period 1913 –1950 was on average less than 1%

Although globalisation has contributed to a significant increase in average economic growth it has already been indicated that this was not spread evenly between countries.

The richest quarter of the world population's income grew six times, whilst the poorest quarter income only grew three times.

The conclusion can thus be made, that despite globalisation contribution to the increased levels of economic growth it did not contribute to the improvement in the skewed distribution of income between developed and developing countries. The problem is the skewed distribution of income can mainly be attributed to the limited participations of the developing countries in the process of globalisation.

The second issue is to decide whether economic growth is a good indicator of economic development. Mander en Goldsmith (1996:26) indicated that GDP per capita is not a very good indicator to measure economic development. If wider measure of economic development, like the social conditions in countries is compared, the situation regarding economic development is better than only comparing the relative level of income.

According to the IMF (2000:5) several low income countries like Sri Lanka has impressive social development indicators, despite not sharing in the increased economic growth due to globalisation. The fact that the skew in the distribution did not improved in favour of the developing countries did not necessarily hamper the economic development in these countries.

Another indicator for economic development is the Human development indicators. The development situation is also more positive if measured by the United Nations Human development Indicators. (Crafts, 2000: 6). The indicators are based on the education

level and life expectancy to determine the level of development. One of Crafts most important contribution to the debate was to indicate the major differences in the levels of the Human development indicators and the income gap. The income levels of the poorest members of the world populations in real terms is still lower than the income levels in the developing countries in the 1870's. Despite these low-income levels these countries have improved HDI's due to the improvements in medical technology and the resultant improved living standards. These increased living standards in turn lead to a better life expectation.

Despite the fact that globalisation lead to an more skewed distribution of income between developing and developed countries it also lead to increased world production and an increase in the levels of trade. The move to integrated world markets provided big potential for economic growth and can be seen as an uneven opportunity for developing countries to improve their standard of living Quattara (1997:177).

It is also accepted that countries with an export driving economy have a better change for economic growth and development than an inward looking economy (Todaro, 1985:123). It can thus be argued that globalisation can provide the solution to the growth problems in developing countries and regions like Africa.

## **5 Die impact of globalisation on labour.**

One of the most important impacts of the process of globalisation is on labour in the different countries. This discussion will focus on two issues namely the impact of globalisation on unemployment and the impact on wage and labour standards

### **5.1 The impact of globalisation on unemployment**

Some of the opponents of globalisation are arguing that the process of globalisation will lead to higher level of unemployment in developing countries.

Other economists are of the opinion that the competition of low wage countries will rather lead to unemployment in developing countries. The developed countries will thus be exporting jobs to the developed countries. Brittan (1998:8) states that it is an oversimplification to argue that the high levels of unemployment in developing countries are caused by globalisation.

Brittan is of the opinion the demand for low skilled workers have declined due to technological developments (Brittan,1998:8). The international demand for workers with specialized skills has increased. The reason for this is that the specialized skilled worker is needed to compliment the advancement in technology

Nader (1993:334) and Brecher en Costello (1994) (in Scholte, 1997:334) differs from the view of Brittan by stating that globalisation has lead to reduction in the bargaining power

of the worker in relation to the van global company. This is true because of the fact that the border between countries is still real to workers. There exist limitations in the labour mobility of workers. According to Scholte (1997:335) it is not certain whether cross border production will lead to the loss of job security and lower wages. Globalisation is thus not necessarily disadvantaging the workers.

The Kommission fur Zukunftssfragen (1997:111) quoted in Beck (2000:120) agrees with Beck that it is mainly the labour intensive and lowly skills workers that are lower in demand due to the competition in the world economy. According to the IMF (2000:8) these workers would have been under pressure to keep their jobs even without globalisation due to the fact that the economies of the developed countries have become more service orientated and that the demand for lower skilled workers has diminished.

## **5.2 The impact of globalisation on wages and labour standards.**

The second labour related issue with regards to the impact of globalisation on labour is the impact of service conditions. It is feared that the process of globalisation will lead to a race to the bottom. This will be resulted because countries will try and improve their competitiveness by lowering wages, taxes and regulations.

Brittan (1998:9) agree that it will be necessary to protect some of the workers right as countries become more interdependent.

Developing countries does have to improve their competitive wages as this will lead to debate on labour standards that can lead the way to the reduction of the participation of developing countries in the world economy.

Litan en Herring (1995:5) indicated that there is a limit in the way that countries can compete in a competition in laxity. The customers of financial services companies still prefer to trade with countries were the financial services are regulated properly. This is one of the reasons why most of the American firms did not move to the Cayman Islands.

Countries will thus not be in a position to ignore workers right to become international competitive.

If developing countries is paying to much attention and start of over regulate it labour markets it can also impact negatively on their international competitiveness. The EIU (2002) had indicated that the over regulated the South African labour market is a negative factor for the international competitiveness of the country. It acts as a prohibiting factor for foreign investors wanting to invest in South Africa.

## **6. A comparison between the current at the earlier process of globalisation**

In view of the successful reversal of the process of globalisation in the interwar years the critics of globalisation asks the question of whether it be possible to reverse the current process of globalisation. The following reasons can however be offered to indicate why it would not be possible to reverse the current process of globalisation. The current

process of globalisation differs from the process of globalisation at the end of the 19th century for the following reasons:

The first process of globalisation was the result of the pre 1914 liberal economic system. The two episodes of globalisation share the increasing openness in international trade and the increases in foreign direct investments and capital flows. The relative level of capital flows of 1914 was only again reached in 1970.

The two major differences in the processes is firstly the previously unknown level of capital flows in the international financial markets. This was evident in the Asian crises when capital was withdrawn from the region. Bordo, Eichengreen and Kim (1998:26) also indicated that although the net capital flows in the two periods might correlate, that the level of capital market integration is much deeper than previously. The main reason for the integration is the developments in technology, which makes it possible to trade in more instruments and on a global scale.

A second difference between the two periods of globalisation is the fact that no international financial institutions like the IMF was available during the first period of globalisation to stabilize the world economy during times of international financial turmoil. The World Trade Organization was also not available to provide global rules for international trade in goods and services.

Thirdly, there are more countries taking part in the global economy than in the global pre 1914 economy.

Fourthly, the current process of globalisation is driven by the developments in computer and communication technology. These improvements in technology provide better means to internationally coordinate economic activity. This development in technology makes it virtually impossible for governments to place barriers on the capital and trade flows. The lowering of transport cost mainly drove the first process of globalisation

Redding (1999:16) is of the opinion is that it is not a valid argument to compare the two periods in terms of the relationship between trade and GDP. The reason is that the composition of GDP has changed since the first process of globalisation. Services now comprise a bigger percentage of GDP than in the late 19<sup>th</sup> century. Many of these services are not internationally tradable. Reddy suggest that it would be more relevant to compare the value of trade to the value added to determine the increase in the intensity in the process of globalisation.

In table 2 the relationship between trade and GDP for the respective countries and periods is shown. From the figures it seems that a good correlation exists between the two periods of globalisation. The relationship between trade and GDP for America was 5.6% in 1890 and almost equal at 8.0 % in 1990. If the relationship between trade and value added is compared the relationship in 1990 is almost double that of 1890 (35.8 % versus 14,3%)

The impact of the period of protectionism between 1913 and 1960 can also be deduced from the figures. For most of the regions the level of trade to GDP was lower after the Second World War than before the First World War. The value of the ratio then increased to 1990 indicating the increase in world trade. The process of globalisation showed the highest intensity in the nineties.

Table 3.2 the relationship between trade and GDP for the G5-countries

Country	1890	1913	1960	1970	1980	1990
France	14.2	15.5	9.9	11.9	16.7	17.1
Germany	15.9	19.9	14.5	16.5	21.6	24
Japan	5.1	12.5	8.8	8.3	11.8	8.4
United Kingdom	27.3	29.8	15.3	16.5	20.3	20.6
America	5.6	6.1	3.4	4.1	8.8	8.0

Source Redding, S 1999 Globalisation. *Economic Review* (17) 1 Sept pp16-19

Country	1890	1913	1960	1970	1980	1990
France	18.5	23.3	16.8	25.7	44	53.5
Germany	22.7	29.2	24.6	31.3	48.5	57.8
Japan	10.2	23.9	15.3	15.7	25.8	18.9
United Kingdom	61.5	76.3	33.8	40.7	52.6	62.8

America	14.3	13.2	9.6	13.7	30.9	35.8
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Source: Redding, S Globalisation. *Economic Review*. Volume 17 no 1 Sept pp16-19

From the discussion it the conclusion can be made that the current process of globalisation is markedly different from the first period of globalisation. It is also clear that it will not be possible to retract the current process of globalisation.

This is also true for the countries in Africa. It is not a case of whether the countries want to part of the process of globalisation, but how they would like to be part of the process of globalisation. As was already indicated the process of globalisation has some distinct advantages and disadvantages for developing countries that should be managed.

### **7. Policy implications of the process of globalisation for Africa.**

From the discussion of the advantages and disadvantages of globalisation, it is clear that countries and regions taking actively part in the process of globalisation are in a more advantageous than countries trying to resist the process of globalisation.

It is also true that no quick fixes exist for the development problems of Africa.

Moore (2002:2) indicates that 1.2 billion people in the world are living on less than a dollar a day. Another 1.6 billion, or a third of the world population is living on between one and two dollar per day.

According to Mostert et al (2002:313) Africa is lacking in terms of economic development against the rest of the world. Some of the countries in the world with the highest Gini coefficient are in Africa. Despite of the fact that world growth has increased in the decades up to the end of the previous century, people are living longer. Fig 2 indicates that it is not true about Africa.

Fig .2 indicates the pace of progress in terms of development in the different regions of the world.

Fig 2 The pace of development in different regions of the world.

Source Mostert et al 2002 *Macroeconomics: A Southern African Perspective*. P319

From the statistics it is clear that Africa is clearly lacking in terms of economic development.

In the following discussion it will be indicated that the correct policy measures for governments in Africa in a globalised world can contribute to the development of Africa.

## **8. Proposed policy measures for African governments to cope with globalisation**

### **8.1 Trade Policy**

Despite the protest against globalisation at the World Trade Organization meetings Moore (2000:2) is quoting a study of Sachs and Warner of Harvard University that indicated the advantages of trade liberalization. The study by Sachs and Warner finds that developing countries with open economies grew by 4.5% a year in the 1970's and 1980's, while those with closed economies by only 0.7% per year.

Moore (2000(b): 3) also states that since GATT was set up in 1948, world trade has soared fifteen fold to more than \$7000 billion per year. This has helped to boost world output by seven times. This growth has also benefited the persons in die developing countries. GDP per capita has trebled in developed countries since 1950, life expectancy has risen by over 20 years and adult literacy rates have increased by over 30 percentage points.

It is also indicated that a few developing countries in other part of the world have used trade liberalization and the opening up of their economies (Moore, 2002:2). South Korea thirty years ago was as rich as Ghana, now it is a rich as Portugal. In China more than 100 million people has escaped extreme poverty in the last decade.

The liberalization of trade will not only have positive impacts on the economy of developing nations in Africa. As trade barriers fall, foreign competition will force local companies to produce goods in which they have the advantage against foreign companies. This might cause unskilled workers to lose their jobs. These workers can be retrained to be employed in other jobs in the economy (Moore, 2002:3)

Some of the developing countries also argue that the developed world are expecting them to open their economies but are still providing \$350 billion agricultural subsidies to exporters (Hawke, 2003:1).

### **Stable macroeconomic policy**

One of the most important issues in the international economy is the impact of the international financial markets on the capacity of governments to determine national macroeconomic policy. The increasing volume and volatility of capital flows has diminished the effectivity of monetary policy (Spero, 1997:120). One of the reasons for the diminished efficiency of monetary policy is the impact of the increase in capital flows on the balance of payments of countries.

It can be argued that globalisation will not necessarily hamper governments in the execution of fiscal policy (IMF, 2000(a):8). According to the IMF the goal of fiscal and monetary policy is sustainable growth, low inflation and social development. If the record of the past fifty years is evaluated the possibility exists that globalisation has contributed to these goals in the longer term

Macroeconomic stability has been threatened in the short term by the increased short term volatility of the capital flows. The short term capital flows complicates the execution of monetary policy, due to the negative impact of short term capital outflows on the capital account of the balance of payments. The sterilization of the capital inflows can also impact negatively on the interest rate policy of the central bank. The outflow of capital also diminishes the money supply, which could lead to increasing interest rates.

This is exactly what happened in South Africa after 1994. The inflow of capital is mainly short term capital. Any confidence shock in the South African economy lead to the withdrawal of investments. The result of globalisation on macroeconomic policy is that is hamper the financial stability in nations.

The same is also true of the private sector. The private sector cannot increase wages and prices, without considering the impact on its international competitiveness.

The IMF (2000:8) argues that globalisation does not impact negatively on the sovereignty of nations in terms of economic policy, but acts as discipline for the monetary and fiscal authorities in countries. Despite this view of the IMF, it is still true that excessive short term capital flows can be disruptive to the economy of a country.

The increased mobility in capital also tends to increase the volatility in exchange rates. (Henning en Destler, 1989:4) Due to the interconnectedness of the world economy a need has been identified to coordinate the macroeconomic policy between the major

developed countries. America, Japan and Europe has for instance coordinated their economic policies in the eighties to try and influence the value of the dollar (Henning en Destler, 1989:54).

According to Van Tonder (2003:1) SADC also agreed to set some economic criteria before the official integration of the economies of the 14 member countries can take place. Between 2004 and 2008, the countries will strive to attain single digit inflation rates, to limit the government debt to 60% of GDP and to have a budget deficit of less than 5% of GDP. The governments will also limit the deficit on their respective balance of payments to sustainable levels.

## **8.2 Bridging the digital divide**

One of the policy measure needed to take advantage of globalisation is to try and bridge the digital divide.

The Pan Commonwealth of learning conducted a virtual conference discussing the issue of the digital divide (Higgins, 2003:1). According to the conference the following issues is of importance in looking at the digital divide:

- Access to infrastructure
- Communication
- Knowledge and culture

### **8.2.1 The challenge.**

The Internet is seen is by some as the tool to the greatest period of wealth creation in history (Black, 1999:1). The Internet has changed the way business is conducted, education is delivered and information is shared.

The problem is that 80% of the world population has not even have access to telephones. Black quotes Irvan, US assistant secretary of commerce, who stated that only 2% of the world population has access to the Internet.

According to the UN Human development report indicated that 15% of the world population is home to 88% of all Internet users. The situation is even worse in Africa (Black, 2003:2). With a total population of 739 million people, there were only 14 million telephone lines in 1999. Eighty percent of those lines were in only six countries. There were only one million Internet users on the continent to an estimated 10.5 million in the UK.

Although the term divides suggest geography the digital divide also covers issues like language. Eighty percent of information, for those with access to the Internet, is in English (Black, 2003:2). The illiteracy rate and lack of basic computers skills adds to the problem. Only 10% of the person in the world understands English.

There also exists a resistance to technology in the developing world. Many of the communities in Africa is still struggling with hygiene, sanitation and safe drinking water and does not care about the technological revolution. The developed world is already in

the information age, while Africa is struggling to come to grips with the industrial economy.

Participants in the conference indicated that communication and not connectivity is the way to bridge the digital divide (Higgins, 2003:2). Communication implies that the persons communicating have a common understanding, even if not communicating in the same language. Service, cost, accessibility and sustainability then become relevant factors helping to bridge the divide.

Higgins (2003:3) quotes Virkus who highlighted the issue of information literacy. Information literacy is the ability to locate, evaluate and efficiently be able to use information. We all need skills to judge the relevance, veracity and recency of any particular piece of information.

Within international economic frameworks it seems probable that the information literate will be adding value to the way in which knowledge is created and applied.

The question can then be raised about the availability of the Internet, the cost of bandwidth and the information literacy of the population in Africa. In America all local call is free. In South Africa the cost of Internet access at Telkom is R20-00 per hour. This places Internet access out of reach of the majority of the population.

Mostert (2001:1) did a study to determine the availability of Internet access to learner of Technikon Southern Africa. Only 20 percent of the learner had access to Internet in their private capacity. More than 80% of the learner had access to Internet at work. From practical experience the information literacy of the learner is very low. It is however possible to train the learners in information literacy in a relative short time.

### **9 Is Nepad the answer to the development problems in Africa?**

America has promulgated the Africa Growth and Development Opportunity Act during (AGOA) the Clinton era. According to this act import tariffs and quotas on good that is produced in Africa was removed. In the middle of 2003, 38 of the 48 countries in Sub Saharan Africa were qualifying in terms of good governance and democracy to qualify for the AGOA preferential treatment in exporting to America (Von Keyserlingk, 2003:1)

The peer review mechanism of NEPAD shares the same values as expected in AGOA and can help to promote trade with America.

The only concern is that the implementation of the peer review mechanism is currently experiencing drastic problems. This is evident in the handling of the situation in Zimbabwe.

From the discussion it is clear that NEPAD is based on sound principles. The main question lies in the implementation of the NEPAD proposals.

### **10. Conclusion.**

It was indicated in the paper that it is important to differentiate the concept of globalisation from internationalization and regionalisation.

It was also indicated that globalisation had some specific effects on the economies of the developing countries of Africa. It was indicated that under certain circumstances globalisation can lead to higher unemployment and an increasing skewness in the distribution of income between developed and developing nations.

Globalisation can play a very important role in solving the development problems of Africa. If countries in Africa are prepared to allow for trade liberalization and follow stable macro economic policy it will contribute to the development of the respective countries.

The role of NEPAD as the solution to the development problems of Africa has also been evaluated. It was indicated that the developed countries are in favour of the NEPAD initiative, if the African countries can adhere to the principles embedded in the NEPAD documents.

A concern can be raised about the fact that international trade is only favoring a few nations in Africa. Future research will have to investigate ways to promote the economic development in all the African countries.

To quote Kofi Annan, the Secretary General of the United Nations “Whatever cause you champion, the cure does not lie in protesting against globalization itself. I believe the

poor are poor not because of too much globalization, but because of too little” (Moore, 2002:3).

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