Introduction: Globalization–Poverty Channels and Case Studies from Sub-Saharan Africa

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In 2004 the United Nations University World Institute for Development Economics Research (UNU-WIDER) embarked on a large-scale research project on the 'Impact of Globalization on the World's Poor' co-directed by Machiko Nissanke and Erik Thorbecke. The first conference was essentially conceptual in nature, meant to understand better the various mechanisms and channels through which globalization affects the poor either directly or indirectly. The other three conferences focused on each of the major regions of the developing world: Asia, Africa and Latin America.

The objectives of this introduction are threefold: first, to review briefly how the forces of globalization influence poverty in general; second, to describe and discuss the main transmission channels and mechanisms; and third to analyze the impact of globalization on Africa and present an overview of the six Africa case studies included in this issue.

1. The Impact of Globalization on the World's Poor

Globalization provides a strong potential for a major reduction in poverty in the developing world because it creates an environment conducive to faster economic growth and transmission of knowledge.[1] However, structural factors and policies within the world economy and national economies have impeded the full transmission of the benefits of the various channels of globalization for poverty reduction. In particular sub-Saharan Africa (SSA) has been relatively less affected by the forces of globalization than other parts of the world.

World income distribution continues to be very unequal and many poor countries particularly in Africa are stagnating. Moreover, there is much empirical evidence that openness contributes to more within-country

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inequality. China is a good example with coastal provinces as opposed to inland provinces reaping the major benefits of globalization.

Progress on poverty reduction has also been uneven. Although the share of the population of developing countries living below US$1 per day declined from 40 per cent to 21 per cent between 1981 and 2001, this was mainly achieved by the substantial reduction of the poor in Asia, in particular in China. Notwithstanding the drop in relative poverty, the total number of people living under US$2 per day actually increased worldwide. In particular, poverty has increased significantly in Africa in both absolute and relative terms.

The risks and costs brought about by globalization can be significant for fragile developing economies and the world's poor. The downside of globalization is most vividly epitomized at times of global financial and economic crises. The costs of the repeated crises associated with economic and financial globalization appear to have been borne overwhelmingly by the developing world, and often disproportionately so by the poor who are the most vulnerable. On the other hand, benefits from globalization in booming times are not necessarily shared widely and equally in the global community.

Though any trend in poverty and income inequality observed so far cannot be exclusively or even mainly attributed to globalization without rigorous analyses, even the most optimistic estimates cannot dismiss concerns that the globalization process, as it has proceeded to date, may have had some adverse effects on poverty and income distribution. These concerns have generated a passionate debate worldwide as well as a powerful anti-globalization movement.

2. Channels Linking Globalization to Poverty

What are the transmission mechanisms through which the process of globalization affects poverty directly and indirectly? The first and most important of these mechanisms is the growth–inequality–poverty channel. Other channels operate, respectively, through changes in relative prices of factors of production (labour and capital) and commodities, movements of capital and labour migration across borders and within countries, the nature of technological change and technological diffusion, the impact of globalization on volatility and vulnerability, the worldwide flow of information, global disinflation, and institutions.

2.1 The Globalization–Growth–Inequality–Poverty Causal Chain

To analyze and understand the impact of openness on poverty, the *globalization–openness–growth–inequality–poverty* causal chain has to be

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scrutinized link by link. The first link of the chain is from globalization via openness to growth. The main manifestation of openness is through trade and capital movement liberalization, affecting growth directly through increased exports, imports, and capital inflows. Trade liberalization policies encourage exports, which benefit export industries and contribute directly to GDP growth while switching from import substitution to opening up the domestic economy to imports leads over time to a more efficient resource allocation and a higher growth path. In turn, foreign direct investment (FDI) raises the productive capacity of the receiving countries, and is often the conveyer belt for transferring technology and know-how.

The second link in the causal chain from openness to poverty is the interrelationship between growth and inequality. While it is most likely that the poor will benefit from growth, the ultimate poverty-reduction effects will depend on how the growth pattern affects income distribution. If growth leads to an increase in income inequality, the poor may benefit only slightly or, in some instances, actually be hurt by the globalization process. Indeed, the growth–inequality link is much more complicated than what the classical approach postulated with its emphasis on the growth-enhancing effects of inequality (the rich save a larger proportion of their incomes than the poor so that the impoverishment of the masses is a precondition to higher investment and growth).

There are many consequences of, and phenomena linked to, inequality that at least potentially, could reduce future growth and hence future poverty alleviation such as the diffusion of social and political instability and conflict which could dampen investment because of greater uncertainty.

The final link in the globalization–poverty nexus captures the combined net effect of growth and a change in income inequality on poverty. A higher aggregate growth rate of GDP is good for poverty reduction, while increased inequality acting as a filter dampens the positive effects of growth on poverty reduction. Consequently, policymakers should focus on the pattern (structure) of growth and development rather than the rate of growth *per se.* In short, poverty reduction requires a combination of higher growth and a more pro-poor distribution of the gains from growth.

2.2 The Globalization–Capital and Labour Mobility–Poverty Channel

According to economic theory, the impact of globalization on developing countries well endowed with unskilled labour should lead to a decline in income inequality through an increased demand for unskilled labour, while unskilled labour in developed countries would lose out with an adverse effect on equity. However, the empirical evidence reveals that wage gaps between

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skilled and unskilled labour have been increasing in many developing countries, particularly in Latin America and Africa.

Several specific features associated with the current phase of globalization explain why the theoretical prediction does not hold. For example, the nature of technical progress and new technology is heavily biased in favour of skilled and educated labour, as technical change emanates from R&D activities in the developed (industrialized) countries in response to local conditions. Hence, technical change tends to be labour-saving and skill-biased, and new technology is complementary to capital and skilled labour, while it is a substitute for unskilled labour and tends to increase inequalities in both developed and developing countries. Furthermore, technological diffusion and access to new technology is not universal and spontaneous, while intensified privatization of research (e.g. in bio-technology) may have adverse effects on access to new technology by developing countries and the poor. The resulting widened productivity differences explain cross-country wage/income inequality.

'Perverse' factor movements could provide another explanation. Capital and skilled labour do not migrate to poor countries as much as among developed countries. Rather, there is a tendency for skilled labour to migrate from developing countries to developed countries, as the massive migration of African nurses and medical doctors to the US and Europe testifies, while unskilled labour migration tends to be strictly controlled. With capital market liberalization, there is a propensity for capital flight from developing to developed countries, particularly during periods of instability and crisis.

Income convergence among the globalizing countries during the first wave of modern globalization was driven primarily by migration. Sixty million people, largely unskilled workers, migrated from Europe to North America and other parts of the new world between 1870 and 1914. In contrast, the extent of cross-border mobility differs significantly between skilled and unskilled labour in the current phase of globalization. Unskilled workers from developing countries face increasing obstacles in their attempts to migrate to developed countries. In consequence, wage equalization does not take place through labour migration, as was the case in the previous globalization era.

2.3 The Globalization–Technology–Poverty Channel

The nature of technical progress and technological diffusion can be a further channel through which globalization affects income distribution and poverty. As indicated, technological change tends to be highly capital- and skill-intensive and unskilled labour-saving, as befits the resource endowment of the rich industrialized countries where most innovations originate.

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Even though much of the new technology does not conform to the resource endowment of poor countries, the potential exists for globalization to confer significantly higher food productivity and rural incomes on developing countries via the mechanism of North–South technology transfer. For example, to realize the potential positive effects of biotechnology on poverty reduction, the public and private sectors must:

- establish institutions with local capacity for technology innovation and adaptation;
- reduce transaction costs in the process of international transfer of technology;
- provide standardization, transparency, and access to information for property rights over technologies.

In addition to significant investment in higher education and research capacity in low-income countries, a new type of institution (namely the Intellectual Property Rights Clearinghouse) might be capable of overcoming the lack of access to intellectual property rights and the burden of high royalty payments for small and poor farmers in the developing world.

Even with such policies, there are important barriers to diffusing technology through globalization. Even if a new technology can potentially increase the income level of small farmers, its diffusion may be slow due to sunk costs of adoption and uncertainties about net payoffs of the technology in question. The lack of capital, credit, and risk-sharing possibilities as well as limited access to information about new technologies hinders technology adoption and diffusion. Adoption of new technologies can be slowed by uncertainties about their efficiency. For example, without independent external information sources, farmers in developing countries have to rely heavily on their neighbours ('leaders' who have already adopted the technologies) to obtain vital information about new methods.

2.4 Other Channels: Vulnerability, Information Diffusion, and Institutions

Beyond increasing aggregate income, globalization increases uncertainty via greater variation in income and expenditure caused by global shocks, such as the various financial crises that have hit Latin America and Asia in the last two decades. It was found that the extremely high volatility of consumption observed in Central and East Europe since the early 1990s is strongly related to trade shocks encouraged by trade liberalization. Consequently trade liberalization, as implemented in the 1990s, may have actually worsened growth and welfare performance in Eastern Europe.

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Furthermore, the analysis indicates that the per capita income of the poorest population quintile is most vulnerable to these trade shocks. These results point to the need for emerging and transition economies to adopt forward-looking national policies to support trade liberalization, that is, policies to mitigate the impact of trade shocks, and enhance coping mechanisms. A new 'culture of prevention' with mechanisms for limiting the size and frequency of shocks at the international level might also be called for.

It can be argued that while globalization is a major engine for growth in aggregate, globalization either introduces or exacerbates other trends that affect people's well-being as much if not more than income, for example, through the increasing flow of information about the living standards of others, both within and beyond country borders. This flow of information can result in changing reference norms and increased frustration with relative income differences, even among respondents whose own income is rising. For example, individuals in a given location or socio-economic group in a developing country compare their incomes increasingly with those of relatively similar individuals in other locations in more developed regions or countries and might become frustrated by the rising differences in their standard of living vis-à-vis that of other groups.

Many social and collective measures should be in place for globalization to have positive effects on poverty. These include measures such as: public investments in health; institutions that can ensure adherence to basic norms of equity and fairness; and collective investments in social insurance to protect workers from the volatility that often accompany integration into global markets. In the absence of these measures, the process of globalization may only create opportunities for those that are best positioned to take advantage of them, leaving behind large sections of poor and vulnerable individuals.

Institutions mediate the various channels and mechanisms through which the globalization process affects poverty. Institutions act as a filter intensifying or hindering the positive and negative pass-through between globalization and poverty and can help explain the diversity, heterogeneity, and non-linearity of outcomes. Thus, on the one hand, the impact of globalization on the poor is mediated by domestic political economy structures and institutions such as social polarization, oligarchic structures, and predatory regimes, which may bias, confiscate or nullify the gains from globalization for particular groups of poor. On the other hand, the positive effects of globalization on growth and poverty can be found when institutional conditions are characterized by such features as political participation, social cohesion and management of social conflict arising directly from globalization effects. Consequently, safety nets and appropriate social protection schemes that shelter the assets of poor households (and particularly the erosion of their human capital) during crises triggered by globalization should be given high priority. Simple institutions such as rural banks (or branches) can play an

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important financial intermediation role of, among others, transferring the rising flow of migrants' remittances to their rural families and channelling savings and current account deposits to urban areas. Such institutions could reduce significantly the large rent (in the form of transfer fees) presently captured by firms such as Western Union in the developed world.

3. Globalization and Poverty in Sub-Saharan Africa

3.1 Main Characteristics in the Globalization–Poverty nexus in Sub-Saharan Africa

Following largely an inward-oriented development strategy in the early decades of the post-independence period, the majority of SSA countries failed to take advantage of the opportunities provided by dynamic growth impetus associated with globalization in the 1970s and 1980s. Instead of becoming more integrated into the world economy, they were largely marginalized and experienced slow growth and stagnation. With growing recognition of their disadvantageous positions, most of the SSA countries have increasingly searched for ways to accelerate their participation in the global economy over the past two decades. Indeed, most economies in SSA significantly liberalized their trade and investment policy regimes as part of Structural Adjustment Programme since the mid 1980s.

In examining the aggregate economic 'openness' indicators and their trends over time, it is worth making a few general points at the onset. First, as documented in detail by Round (2007) and reproduced here in Table 1, SSA is not behind other developing regions in terms of trade openness, as conventionally measured in terms of a trade intensity index (imports and exports relative to GDP in current US$). Further, as expected, average trade intensity has increased in SSA in line with the overall global increase, but not as rapidly as almost all other low and middle income regions (this trend is observed irrespective of whether the intensity index is calculated with or without country GDP weights). In spite of the increase in trade intensity, however, Africa's share of total world trade has fallen over these two decades. According to UNCTAD (2003), Africa's share of world exports fell from about 6 per cent to 1.5 per cent, and imports from 5 per cent to 1.5 per cent (merchandise trade) over the period from 1980 to 2002.

Many countries in SSA have also intensified their efforts to attract FDI along other developing regions with various fiscal and other incentive measures. Table 2, reproduced here from Round (2007), shows estimates of FDI flows (inflows and outflows combined) expressed relative to GDP and (net inflows) as shares of the total net FDI received by developing countries, in both cases shown at the regional level. SSA shows a marked increase in

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Table 1: Global comparisons of trade openness and growth

	1980–84	1985–89	1990–94	1995–99	2000–04
Trade openness[a]: $(X + M)/GDP$					
Sub-Saharan Africa	55.4	53.0	54.8	60.1	65.3
Latin America and the Caribbean	27.3	29.2	32.0	39.3	43.4
South Asia	19.2	17.8	22.4	27.5	32.6
East Asia	29.2	36.6	50.7	59.8	73.9
Eastern Europe and Central Asia	–	–	59.1	67.3	73.9
Middle East and North Africa	57.6	41.5	59.7	54.0	56.9
World total	37.9	36.6	38.8	43.9	48.5
Sub-Saharan Africa (with country weights)[b]	69.3	65.3	68.6	70.4	75.7
Growth of GDP per capita (average annual)[c]					
Sub-Saharan Africa	−1.2	−0.2	−2.0	0.8	1.5
Latin America and the Caribbean	−0.8	0.3	1.7	0.9	0.8
South Asia	3.2	3.6	2.8	4.0	3.7
East Asia	5.7	6.2	7.7	5.4	6.5
Eastern Europe and Central Asia	–	–	−5.4	1.6	5.3
Middle East and North Africa	0.7	−1.2	1.8	1.7	2.5
World total	0.5	2.0	0.8	1.7	1.6

[a] World Bank, *World Development Indicators* 2005 (calculated from current US$ estimates).
[b] World Bank, *World Development Indicators* 2005 (calculations by Round, 2007).
[c] World Bank, *World Development Indicators* 2005 (average annual per cent).
Source: Round (2007, Table 1).

FDI relative to GDP from 0.30 in the first period to 2.74 per cent in the final five-year period. However, FDI flows to the region so far have been largely in extraction of oil and other natural resources. Further, again, in terms of the regional shares of FDI, the estimates are far less favourable to SSA, attracting only around 6 per cent of total net FDI inflows to developing countries throughout this period. It is worth noting that in the 1990s, when there was a marked increase in the share of developing countries as a whole in world total FDI, Africa's share fell to 4 per cent.

These aggregate measures such as the trade intensity index are the outcome of many factors and conditions that could affect these ratios, including low levels of per capita income, geographical location and the trade composition, and as such cannot be used as an indicator of the outcome of liberalization policies (Round, 2007). As Pritchett (1996) argues, for the latter, a 'structure-adjusted' trade intensity index should be used, which takes into account a host of structural characteristics such as size of GDP per capita, resource endowments, location factors. Hence, it is necessary to apply due caution in assessing the results of the policy regime shift by using these aggregate measures alone.

Nevertheless, SSA presents a clear case to support the arguments that the shift to the open policy regime alone cannot bring about economic growth

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Table 2: Global comparisons of FDI

	1980–84	1985–89	1990–94	1995–99	2000–04
Foreign direct investment: FDI(I + O)/GDP (%)[a,b]					
Sub-Saharan Africa	0.30	0.50	0.72	2.04	2.74
Latin America and the Caribbean	0.83	0.75	1.17	3.26	3.16
South Asia	0.07	0.10	0.23	0.68	0.67
East Asia	0.57	0.90	2.99	3.98	3.13
Eastern Europe and Central Asia	0.06	0.07	0.47	2.22	2.81
Middle East and North Africa	0.46	0.47	0.91	0.76	1.08
World total	0.54	0.77	0.84	2.00	2.64
Sub-Saharan Africa (with country weights)[c]	0.84	0.94	1.31	4.53	4.56
Foreign direct investment: FDI[a,c,d] (regional shares of total[e])					
Sub-Saharan Africa	0.06	0.09	0.04	0.04	0.06
Latin America and the Caribbean	0.47	0.42	0.31	0.40	0.34
South Asia	0.01	0.02	0.02	0.02	0.03
East Asia	0.31	0.35	0.51	0.37	0.33
Eastern Europe and Central Asia	0.01	0.02	0.10	0.15	0.21
Middle East and North Africa	0.13	0.10	0.04	0.02	0.03
Developing countries as a share of world total	0.21	0.12	0.26	0.26	0.18

[a] World Bank, *World Development Indicators* 2005 (average annual ratios).
[b] I (inflows) and O (outflows).
[c] World Bank, *World Development Indicators* 2005 (calculation by Round, 2007).
[d] Net inflows only: net inflows dominate net outflows in these regions.
[e] Regional shares of total net inflows across the six regions. (These may include flows between regions.)
Source: Round (2007, Table 2).

and anticipated positive impacts from globalization on poverty reduction. As shown in the lower part of Table 1, the growth performance in SSA has been poor throughout the 1980s and 1990s. After the two decades' reforms dominated by liberalization, privatization and deregulation, the economies in SSA have not yet come out from the 'growth tragedy' syndrome — the term popularly used in characterizing the region's economic performance in the comparative growth literature.

A large number of studies have emerged that have sought to explain the differences in economic performances across developing countries through theoretical modelling and cross-country regression analyses in a framework of endogenous growth theory. These have further extended the list of factors giving rise to weaker growth performances of the African economies to an array of variables such as natural and institutional endowments, the quality of institutions and governance and geography (Acemoglu *et al*., 2001a, 2001b; Rodrik *et al*., 2002; Sacks and Warner, 1995, 1997, 2001 among others).

Referring to these studies and based on their analyses carried out within the AERC Growth project, O'Connell and Ndulu (2000) and Ndulu (2006) provide further explanations for the slow growth of the SSA economies in

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terms of sovereign fragmentation, ethno-linguistic fractionalization and more generally geographical disadvantages. These conditions are seen to result in uncharacteristically high costs of development in the region and could explain in a large part the lower rates of economic growth, investment and very low productivity of investment in SSA compared with other developing countries. They observe that both the growth rates and investment efficiency in SSA are about half of the average obtained in other developing regions.

It should be worth noting that the recent upturn in economic growth recorded in many natural resource-rich economies in SSA is closely associated with the price hike of oil and mineral commodities in the world markets. The growth rate of real GDP for oil-producing countries and resource-intensive countries in SSA during the period of 2002–5 was 6.2 per cent and 7.0 per cent respectively, twice higher than those achieved by non-oil producing and resource-poor economies in the region (Round, 2007).[2] The sustainability of such a high growth rate is very much dependent on exogenous factors unless windfalls of commodity booms are used purposely for diversification and transformation of economic and trade structures. Highly competent macroeconomic management over the commodity price cycle is required to avoid the 'Dutch disease' associated with the commodity boom (Nissanke, 1993). Otherwise, the foundation for long-term economic development of these natural resource-rich economies would remain fragile.

Indeed, today, several decades after gaining political independence, the high primary commodity-dependence remains one of the most conspicuous characteristics of the trade linkage of countries in SSA with the rest of the world. The failure of these economies to diversify and undergo structural transformation, and hence, to benefit from the technology-driven, highly dynamic aspects of on-going globalization has entailed a high cost to the region not only in low economic growth but also in persistent poverty. The incidence and depth of poverty has deepened in the region. According to the estimates provided by Chen and Ravallion (2004), reported in Round (2007), the number of poor, measured in income poverty based on the US$1 a day international poverty line, increased in SSA, almost doubling from about 164 million in 1981 to 313 million in 2001 (Table 3). As the total number of poor in the world fell on account of the sharp reduction in China and other countries in Asia for this period, the proportion of the world's poor in Africa rose from about 11 per cent to approximately 29 per cent during this period. In terms of the headcount ratio, the poverty incidence in SSA is 46 per cent in 2001 — the highest in the world. Ali and Thorbecke (2000) argue that poverty in SSA is both most prevalent and severe in rural areas.

Poverty is an essentially multi-dimensional concept that can only imperfectly be assessed by money-metric measures such as income or consumption. Sahn and Younger (2007) explore how globalization affected non-income measures of well-being — health and education — in Africa over the past

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Table 3: Global comparisons of poverty trends

	1981	1987	1993	1996	2001
Income poverty[a] (headcount ratios)					
Sub-Saharan Africa	41.6	46.8	44.1	45.6	46.4
Latin America and the Caribbean	9.7	10.9	11.3	10.7	9.5
South Asia	51.5	45.0	40.1	36.6	31.3
East Asia	57.7	28.0	24.9	16.6	14.9
Eastern Europe and Central Asia	0.7	0.4	3.7	4.3	3.6
Middle East and North Africa	5.1	3.2	1.6	2.0	3.4
World total	40.4	28.4	26.3	22.8	21.1
Ratio: SSA/World	1.03	1.65	61.68	2.00	2.20
Income poverty[b] (numbers million)					
Sub-Saharan Africa	163.6	218.6	242.3	271.4	312.7
Latin America and the Caribbean	35.6	45.1	52.0	52.2	49.8
South Asia	474.8	473.3	476.2	461.3	431.1
East Asia	795.6	425.6	415.4	286.7	271.3
Eastern Europe and Central Asia	3.1	1.7	17.5	20.1	17.0
Middle East and North Africa	9.1	6.7	4.1	5.5	7.1
World total	1481.8	1171.2	1207.5	1097.2	1089.0
Ratio: SSA/World	0.11	0.19	0.20	0.25	0.29

[a] Chen and Ravallion (2004, Table 3) based on international poverty line (US$1.08 1993 PPP).
[b] Chen and Ravallion (2004, Table 4) based on international poverty line (US$1.08 1993 PPP).
Source: Round (2007, Table 3).

15–20 years. They expected to find, as they had previously in Latin America, that progress in the provision of public services and the focus of public spending in the social sector would contribute to declining poverty and inequality in health and education, even in an environment of stagnant or worsening income poverty. Unfortunately, their results indicate that in the area of health, little progress is being made in terms of reducing pre-school age-stunting, a clear and robust manifestation of poor overall health. Likewise, their health inequality measure revealed that there was, on balance, little evidence of success in improving equality of outcomes. Similar results were obtained in their examination of underweight women as an indicator of general current health of adults. While the story is somewhat more positive with regard to education, the overall picture gives little cause for optimism that Africa has, or will soon reap the benefits of the process of globalization, unless it scales up efforts in a number of the fronts including the provision of public services in the social sector.

Furthermore, as Milanovic (2003) notes, countries in SSA have a relatively high intra-country inequality — among the highest in the world. This can be seen as a puzzle: Africa should be a low-inequality continent according to the Kuznets hypothesis because ‘African countries are poor and agriculture-based, and also because the main productive asset — agricultural land — is relatively evenly distributed in most of SSA (except the region of Southern

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Africa) in part thanks to the tradition of communal-land holding' (Milanovic, 2003, p. 2). Round (2007) also notes that the degree of income inequality in Africa has increased sharply between the 1980s and the 1990s.

There is no doubt that sustained poverty reduction requires economic growth. However, as we note elsewhere (Nissanke and Thorbecke, 2006), the *pattern* of growth does significantly affect the rate of poverty reduction. In this context, it can be argued that Africa's growth has been distinctly against the poor not only in terms of its ability to deliver the required growth rate to ensure that the poor could benefit from economic growth, but also in terms of its pattern. Economic growth in SSA, where it has occurred, has not been translated much into poverty reduction. Critically, the nature and pattern of integration into the global economy in SSA as well as domestic conditions have not been conducive to generating *virtuous* cycles of globalization-induced growth as generally observed in Asia (Nissanke, 2007).

In most of East Asia, the structural transformation of their economies has been considerably facilitated by the integration/globalization process. As we suggest in Nissanke and Thorbecke (2008), the growth — accompanied by a substantial reduction of abject poverty — in East Asia can be explained in terms of the region-wide *comparative advantage recycling* in production and export of labour-intensive goods. The process involves a strong demand for unskilled and semi-skilled labour, driven by exporting labour intensive goods and pro-trade FDI through effective technology and knowledge skill transfer.[3] Most of the East and South-East Asian economies have successfully gone through the structural transformation of their production and trade structures with continuous upgrading of their human skill endowments and technology/knowledge base. By relying on their dynamic comparative advantages these countries were able to maximize the benefits from dynamic externalities. Specialization in sectors with large spillovers and dynamic externalities is more apt to engender a pattern of equalizing growth.

Moreover, in most of East Asia, the pro-poor pattern of public expenditure in favour of rural poor at early stages of development produced and sustained the 'shared' growth for some time. There were concerted efforts on the part of governments to facilitate building primary assets of the poor through such measures as an equitable distribution of land (through appropriate land reforms); extensive public provision of free and universal primary education; promotion of small-scale enterprises and development of rural infrastructure — roads, irrigation, schools, agricultural support outposts, health stations, and irrigation systems.

In contrast, the high susceptibility and vulnerability to exogenous shocks through its fragile trade linkage may have left SSA behind and suffering from *vicious* cycles of globalization-induced decline (Nissanke, 2007; Nissanke and Thorbecke, 2006). Many parts of SSA remain isolated from global markets and the global community as the region's access to information

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and technology is limited. There is some evidence to suggest that in SSA 'globalization may be associated with increasing inequality and (hence) with an increase in poverty' (Round, 2007).

3.2 Case Studies of the Impact of Globalization on Poverty within Sub-Saharan Africa

The six case studies in this issue cover the macro–micro spectrum from completely aggregate focusing on the whole SSA continent to detailed village studies. They also rely on a variety of techniques such as computable general equilibrium modelling, reduced form regression equations, benefit incidence analysis, and qualitative and quantitative surveys of rural households. Likewise, these studies employ a wide range of data sets ranging from cross-sectional data covering all SSA countries to very detailed micro surveys of villages to explore how different manifestations of globalization such as trade liberalization, FDI, migration within and between rural and urban areas, rural commercialization and institutional changes in land tenure systems affected the structure of growth and poverty.[4]

Fosu and Mold analyze the gains from trade liberalization for SSA estimated by previous studies on multilateral liberalization, focusing on findings from a number of computable general equilibrium models. They conclude that studies on the global implications for poverty reduction from trade liberalization are constrained by data limitations but that, in any case, the impact is likely to be very modest with one recent estimate of only 20 million fewer poor for the whole SSA region. On the basis of simulation exercises run on the standard GTAP model the authors calculate that the welfare gains from further trade liberalization would be minuscule — of the order of one-fourth of one per cent of SSA's GDP (excluding South Africa, the welfare result is a loss for SSA). Fosu and Mold suggest that African countries reconsider the emphasis of their policies towards trade, for example by pushing more aggressively the agenda on regional trade liberalization and the much higher potential pay-off of policies facilitating international migration. Finally, the authors warn that without sufficient reforms that render labour demand more elastic, the marginal expected gains from trade for SSA are most unlikely to create significantly more employment and could possibly even result in adverse effects on poverty reduction.

Asiedu and Gyimah-Brempong explore the effect of capital liberalization (as a manifestation of globalization) on employment and the flow of FDI in Africa. Two empirical equations are estimated on the basis of data for 33 African countries over the period 1984–2003. The first equation regresses FDI in country i at time t on FDI policy in the same country and time-span; while the second equation regresses employment on FDI

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policy. Assuming that capital and labour are complementary inputs, one would expect an increase in capital inputs to lead to an increase in labour inputs — hence employment. However, two qualifications need to be made: first, multinational firms investing in Africa are likely to adopt relatively modern technologies that are capital- and skill-intensive using relatively little unskilled workers and possibly shedding some; and second, when the motivation for FDI is tariff-jumping to serve protected markets the outcome is unclear; liberalization policies could lead to increased or decreased employment. Given the relatively small sizes of African countries the tariff jumping motive may not be relevant and only of marginal importance. Based on their econometric work, the authors found strong evidence that the liberalization of investment policies is positively associated with FDI flows to Africa. In turn, capital liberalization by encouraging investment, indirectly stimulates employment by multinational firms. Noting that FDI tends to employ skilled labour, Asiedu and Gyimah-Brempong recommend that to ensure that some of the benefits of FDI go to the poor, countries might consider implementing policies that encourage multinational companies to utilize more unskilled labour through such incentives as tax breaks.

Daniels examines how trade liberalization through price transmission affects the welfare of female-headed households as opposed to male-headed households. By focusing on three years, i.e. 1995, 2000, and 2004, Daniels is able to evaluate the impact of tariff reductions on gender in two periods, 1995–2000 and 2000–2004. The study reveals that the consumption pattern of female-headed households is different from that of male-headed households *ceteris paribus*: women tend to allocate a larger proportion of the budget to food, child and health care than men and vice versa for alcohol and tobacco products. Hence female-headed households benefited relatively more from tariff reductions on imported food, while men benefited relatively more from tariff reductions on alcoholic beverages and tobacco products. Another interesting finding is that the impact of the first period round of tariff reductions was strongly in favour of the wealthy and the very poor in contrast with the tariff reductions in the second period which favoured the lower part of the income distribution.

Most economies in SSA significantly liberalized their trade and investment regimes as part of Structural Adjustment Programmes since the mid 1980s. Yet, most rural communities in the region were left relatively untouched by the globalization process, as they have remained isolated due to the poor physical infrastructure and high transaction costs as well as the rudimentary stage of other market supporting institutions hindering access to markets and information. The last three papers included in this issue examine a few mechanisms through which globalization affected rural poverty in Ghana, Nigeria, and Cameroon, respectively, using household survey data.

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Oduro and Osei-Akoto investigate the factors that influence market participation and poverty profiles by conducting a comparative analysis of four villages in Ghana. The starting point of their empirical investigation is that globalization is predicated not only on the liberalization of the external trade regime, but also on the existence of the supportive infrastructure and institutions needed to facilitate the flow of goods, services and information. The authors chose four different rural communities for their case studies: the first is located on the coast, close to Accra, the capital city, engaging in producing and exporting a non-traditional commodity (pineapples); the second is located in the forest zone, consisting predominantly of cocoa farmers; the third, located on the border of the forest and savannah zone produces domestic food crops such as cereals and root crops for the domestic market; and the fourth is situated in the savannah zone to the north of the country, with few links to the domestic and international markets.

They calculate the pattern of output commercialization ratios by crop and location and try to explain the variation of these ratios in terms of resource endowments of individual farmers and their households as well as institutional variables such as credit, membership of cooperatives, land tenure system, access to market information and marketing arrangements. On the basis of their empirical results, they suggest that the rural economy in Ghana is not adequately endowed with social and economic infrastructure and market supporting institutions to participate effectively in the globalization process. Their findings also confirm that access to information and institutions that are conducive to participation in domestic and global markets is very unevenly distributed within rural economies and the very poor are particularly disadvantaged in this regard.

Onyeiwu, Polimeni, and Polimeni examine the distributional and poverty impact of globalization-induced migration on a rural community in Nigeria. Using micro-level survey data from over 300 poor households in a small village of south-east Nigeria (about 30 miles from the regional capital), the paper investigates whether individuals who migrate from the village to take advantage of the urban-biased globalization process do better than non-migrant villagers. According to the authors, this village is representative of a rural Nigerian village, isolated and very poorly endowed with physical infrastructure such as transport and power/water supply. Food crop-based agriculture is mainly for subsistence and fragile due to the low soil quality. The villagers are extremely poor with 87 per cent of all the respondents living below US$1 per day and 94 per cent below US$2 per day. When Port Harcourt, a big oil city, started experiencing a huge increase of FDI flow under globalization in the 1980s, about 20 per cent of villagers began to move to a regional capital not far from Port Harcourt to take advantage of the job opportunities opened up by the FDI-induced globalization process and diversify risks facing them as farmers. However, the change in relative prices

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against urban poor and migrant workers, resulting from the implementation of the Structural Adjustment Programmes, reduced the real incomes of migrant workers. The paper concludes that, while the migrant villagers tend to earn slightly higher incomes than the non-migrant villagers, the poverty profiles of both categories of households remain essentially the same. Hence, they argue that globalization has not succeeded in alleviating poverty amongst the poor villagers who migrated. In addition, there has been an increasing feminization of poverty because of the rising number of female-headed households left behind by migrating males.

Baye illustrates how the evolving land-tenure arrangements under globalization are prone to generate conflict situations over land rights in Cameroon, and then examines the implications of such conflicts on security in accessing primary assets for the poor in two villages located in different ecological zones — one in the north-west highland and the other in the south-west lowland provinces in Anglophone Cameroon. The author argues that the land laws in Cameroon are an outcome of its colonial heritage and exist alongside the communal tenure system, creating formal and informal institutions governing access to the prime productive asset of the poor. The ambiguity and inconsistency surrounding these arrangements generates and exacerbates conflict situations, which create insecurity and restrict productivity-enhancing investments on land.

The first village, situated in a savannah grassland region with poor infrastructure, is a more homogenous community in terms of ethnicity and tradition. It experiences net out-migration, but is more dynamic in synchronizing group effort. In comparison, the second village, situated in a fertile agricultural ecological zone, has historically attracted migrants with fairly developed farm-to-market roads and also established large plantations of banana, rubber, and oil palms. Commercialization of agricultural produce is much more advanced and land markets are more buoyant in the second village. As the issue of land awareness comes to the fore, engendered by population pressure, relative price changes and the commoditization of land, conflicts have developed — farmer–grazer conflicts in the first village, and farmer–farmer, and indigenous people–state conflicts in the second village. The rent-seeking attitude of administrative and judicial authorities, who exploit inconsistencies in the dual tenure system, tends to reduce the possibility of negotiating lasting solutions to land-related conflicts in the surveyed villages. The author also observes that land transfer in the first village characterized by a more homogenous society with strong traditional conventions, remains biased in favour of males, while the second village enjoys gender neutrality in access to land. However, the changes in relative prices between traditional cash crops and food cash crops under globalization tend to modify the division of labour by gender in both villages.

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In summary, while globalization has made some contribution to economic growth in SSA, it has not yet facilitated the process of structural transformation required for countries in SSA to reach the take-off stage and accelerate economic development and poverty reduction. Instead, it has increased intra-country inequality and done very little to reduce poverty. The case studies have illustrated clearly that the impact of globalization on poverty are extremely context-specific. In general, however, the limited scope of globalization in SSA appears to be the result of a combination of poor initial conditions, such as fundamental disadvantages of location (disease-prone tropical countries with a harsh environment); inadequate political institutions; extremely under-developed physical infrastructure, and a related high risk investment climate.[5] Progress on all these fronts will be necessary if Africa is to enjoy the potential benefits of globalization.

Notes

1. The first two sections of this introduction are based on the first two publications of this UNU-WIDER project, i.e. Nissanke and Thorbecke (2006 and 2007).
2. The data are from the IMF Regional Economic Outlook: Sub-Saharan Africa, September 2005. The growth rate of real GDP *per capita* is of course much more modest, as the population growth rates are high in most countries in SSA.
3. Also see Ozawa (2006).
4. The six case studies in this issue were presented at the UNU-WIDER conference on ‘The Impact of Globalization on the Poor in Africa’, held in Johannesburg in December 2005.
5. See Dercon (2007) for a more thorough discussion of these issues.

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