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Globalization, Africa and the International Economic Order

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ABSTRACT

Since the 1970's, with the breakdown of the Bretton woods agreements, the International Economic system has continued to metamorphorsize over the years and has advanced as a core issue in international relations. Globalization and its effects have taken the forefront in defining the features of international relationships, both political and economic. Furthermore, the end of the cold war ended a lot of aspirations and intentions the west had concerning the economic order during the period. Explosions of tribal religious, and ethnic conflicts in Asia, Europe and Africa have forced scholars to take a closer look at the linkages between poverty, stagnation, dependency and indebtedness of countries on the international economic scale. Thus, this paper intends to examine the role and effects of the existing international economic order and their impacts on countries in Africa.

Keywords: Africa, International Economic Order, Globalization

1. INTRODUCTION

The devastation the world faced during and after the World War II led countries to develop a system which would control conflicts as well as harness the common interests of states. This system was referred to as the Bretton woods system. it operated for nearly two decades and had three main guidelines: a recognition of common interests shared by countries of the world, a fore leading state willing and able to take a leadership role in the international system, and the control of the international system concentrated in the hands of a few states.(Spero, 1985). This system of management was controlled by countries in North America and Western Europe. The countries in Eastern Europe and Asia did not pose any threats to the world economy because of the isolated economic system, which they practiced at the time. Less developed countries, despite their integration in the world economy at the period by virtue of trade with the developed states, and their political and economic weakness, also did not pose any threats. in fact, most of the advanced industries in these less developed countries were predominantly owned by European or American corporations.

The developed economies also patterned the nature of the management system to take the form of a liberal system, one which will entail the reduction of trade barriers and capital flow. They believed that with these barriers removed, the international environment will be favorable for national growth and development. Lastly, the need of a state with stable government as well as leadership capabilities was essential. Of course, the united states as nominated for this position. The economy of the united states was undamaged by the world war. its large markets, great productive capability , financial facilities and strong currency was quite eminent in world economy. Furthermore, its economic strength was paralleled by its military strength (spero 1985).

America emerged as the dominant world power because of various factors. Firstly, after the world war I, and the failure of the United States in its leadership role, the united states retreated into isolationism. However, after the world war II, the United States could not remain isolated from the rest of the world as it emerged the strongest power in the post war era. The United States was left with no option but to assume the responsibility of restoring political as well as economic stability in the international system. Another perspective to the assumption of the United States leadership is that, after the World War II, the near demise of the capitalist system, and the outbreak of the cold war, Europeans and Japanese needed the United States to preserve the ideology of the capitalist system, else the communist nations would have enjoyed a political victory over capitalism. Moreover, Europeans and Japanese were economically exhausted by the war, thus they willingly accepted this leadership.

2. DISCOURSES

In 1944, representatives of forty-four nations met in New Hampshire, an estate in Bretton woods, to create an international monetary order capable of reorganizing the international economic system. The order was to correct the existing economic problems, as well as prevent future economic and political collapse or military conflict. The international order was to be managed by two distinguished institutions namely: the International Monetary Fund (IMF), and the International Bank for Reconstruction and Development (IBRD).

These two institutions were to perform central bank functions for the international system (Spero, 1985). Because of the disastrous experiences of several nations with the floating exchange rates in the 1930's, one of the major articles agreed upon by the Bretton woods states was to establish fixed exchange system. They felt that this would make trade much more stable and conducive. All the countries decided to value their currency in terms of gold which was to serve as the common means of foreign exchange. The rules of the institutions further encouraged nations to convert their currencies into other currencies to encourage free trade.

The IMF was to be the main instrument to be used in public monetary management. The United States won leadership over other nations in the Bretton woods agreement by its preponderance through weighted voting. The IMF was to be funded by contributions made by member nations either by gold or by their respective currencies. By the creation of the IMF, it was to serve as a monetary reserve to help solve national monetary problems, such as temporary balance of payment disequilibria. However, it was recognized in 1944, that without a full recovery of the international system from the World War II, the IMF could not function to maximum capacity.

It was forecasted that in about five years, the international system should have fully recovered and the new monetary system could enter into operation. Thus, to speed up the post war recovery, the planners of the Bretton woods system reconvened to create another institution, which was to provide loans, underwrite private loans and issue securities to speed up the post war recovery. This institution was the International Bank for Reconstruction and Development (IBRD), as earlier mentioned.

From 1945 to 1947, the United States actively pressed for the adoption of the Bretton woods system, arguing that it would effectively manage the international monetary system. They also granted resources to the IMF and IBRD, and encouraged other member nations to do likewise. For instance, the United States provided $3 billion of financial assistance in relief funds to Great Britain to facilitate a speedy post war recovery and by extension, an early adoption of the Bretton woods agreement. However, by 1967, the United States recognized that the Bretton woods agreement was not working and worst still, the western system was on the verge of collapse.

Western Europe was faced with large import needs not only for post war recovery, but also for its survival. The Bretton woods institutions were unable to cope with this problem. The IMF's limited resources were unable to deal with these large monetary deficits. The IBRD, whose only available market was the bonds from the Wall Street banking market, also adopted conservative lending policies, wishing to lend to only those whose repayment was assured. Thus, by 1947, the two Bretton woods institutions, the IMF and the IBRD, were admitting that they could not contain the international system's economic problems.

3. HYPOTHESIS

The international economic system has been one, seen to support the western countries much more than the south. African countries cannot hitherto distinguish or identify their relevance in the international economic system, and in its governance and management, they are not represented. Several hypothesis have been promulgated in trying to explain the relevance of Africa economically in the international system, and ways through which their presence can be more distinguished. Firstly, in terms of natural resources like oil, gas, and so on, can we say that an improvement or revival in the world economic system would automatically translate to African development?

The international economic system at the moment is stagnant. The system that has been in place in terms of economic relationship between the West and Africa has been largely one of domination. According the Marxist school of thought, southern countries or less developed countries are largely poor and exploited (Spero, 1985). They have always been subordinate elements to the West, as far back as history goes. Therefore, if and when a revival in world economy occurs, the economic system presently operated, which is one of Western domination of the South remains stagnant. However, a lot of change may take place if technology and industrialization is encouraged and embarked upon in less developed countries. These changes in industrialization may help to narrow the gap in development.

However, if the world suffers a stagnation economically, this will affect even African countries. The world recession of 2008, which started largely from the Western powers, particularly the United States, affected a lot of African countries, and the fallouts of that recession may live with some African countries for a very long time. For instance, according to the communiqué of the development committee (Istanbul, 2009), the recession increased the poverty and dependency rate in some African countries. As a matter of fact, by the end of 2010, over 90 million people were forced into extreme poverty all over Africa, and even a lot more since 2015. Even plans toward the achievement of the millennium development goals have been endangered and are presently subject to the full recovery of the international system from the recession. Therefore, any general stagnation or recession economically in the world economy will have grave effects on African nations.

Conclusively, a global economy is emerging and it is said to mimic a world in which multinational trade, production, investment, and financing moves in and out of a country with ease. However, as a result of this, it has been observed that states and governments are gradually loosing their capacity to control economic transactions especially less developed countries in Africa whom are technologically backward. This has led to difficulty to regulate and monitor trade and transactions by these governments which in turn has led to an increase in crime.

Furthermore, constraints are being put on developing economies to liberalize trade to foster corporate profitability and flexibility. Thus African governments are under the pressure to reduce taxes and tariffs on expenditure and imports which further impoverish the state. With these actions, the power of these states are drastically reduced. Therefore, the present international economic order is one which manages globalization in the interest of the dominant and powerful states and until this order is reset, through the formation of new institutions that reflect the identities and interests of states and groups which are forged through interactions, rather that an existing power sharing formula, Africa and African nations will continue to take a back seat in international economic affairs.

4. CONCLUDING REMARKS

The end of the cold war ended a lot of aspirations and intentions the west had concerning the economic order during the period. Explosions of tribal religious, and ethnic conflicts in Asia, Europe and Africa have forced scholars to take a closer look at the linkages between poverty, stagnation, dependency and indebtedness of countries on the international economic scale. In this discourse, we examined the role and effects of the existing international economic order and their impacts on countries in Africa.

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