AFRICA’S NATURAL WEALTH – FORCE BEHIND GLOBALIZATION (SELECTED ISSUES)

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Introduction

Globalizing tendencies have always had a large influence on the world economy. This manuscript deals with some of the tendencies from the historical and the present perspectives. The current globalization is marked by certain characteristics, which are unlike the historical globalizing waves on the qualitatively different level. Nevertheless, this wave of globalization is of pretty much the same character as the previous waves.

Three major waves of globalization were spread in the recent centuries. All three are significantly linked to Africa. The last wave of globalization is also associated with the enlargement of the European Union and with the new but significant relationship between the European Union as a modern globalizing element, and the African Union, which is a relatively young international organization.

Outside these relations at the level of international organizations of both unions, individual states of the European Union have made or are still developing parallel relations with individual states of the African Union. As the two continents continue their good relations in this game of economics, other major geo-political players are getting involved as well and these may rely on the new but expanding economies such as China and the other world powerful economies.

Due to the global economic situation, interest in the not so explored Africa has and keeps on increasing. This is because of the natural resources which may be of economic importance to the rest of the world. With fears that production may end in years to come, crude oil is currently the most vital of all natural resources (Bazlis, Smith, 2006).

1. History of Globalization Against the Background of Africa

Globalization is a historic process that has accompanied mankind during the whole period of his existence. This process has many links to the changing society on the basis of specific conditions. The most important influence on the emergence of significant waves of globalization is a growing economic pressure (Mokyr, 2003).

The waves of globalization have been given names according to their geographical structure, certain specific calculations, characteristics, and occurrence in the history of man kind. Emergence of globalization waves were explained by different authors though the contents of their writings are very much the same. This is because the process under discussion happened in historical circumstances that can never be changed and most importantly the economic conditions accompanying the said time frame are undeniable (Bazlis, Smith, 2006).

We are going to look at the last three globalization waves. We are going to concentrate on a practical aspect of globalization and the general economy of the African continent. The waves are as follows:

1. The first one is the globalization wave of overseas discoveries which falls under the discovery and colonization of the Americas; followed by a significant discovery trip to India around the coast of Africa (the time roughly after the year 1500); the relevance of this period is its consideration as the beginning of modern times; this kind of global impact was at the time the largest in history;

2. The second wave of globalization was marked by colonization and the subsequent division of Africa; the time frame falls in the period from 2nd half of the 19th century to the end of World War I in 1914 and probably to the beginning of the great depression in 1929; globalization in terms of economics hit mainly the African continent;

3. The wave of globalization, which is after the end of the cold war and thus the disintegration of the Soviet Empire has unprecedented the emergence of modern terrorism, migration, and significant onset of new world economic centers; from bipolarity to multipolarity (Held, 2004).

We are able to determine using various sources which parts of the human history are so significant to be marked as part of the globalization waves or stages. Most authors, however, agree that after the end of the cold war the new wave of globalization commenced. This period of the current globalization is so different from the previous one, that is the cold war. On the one hand it is built on the new technological era of information technology, and on the other hand it also includes other new aspects. These aspects mentioned above do have other negative characteristics such as a new type of terrorism,
called the global migration, which has reached such proportions only in the global disasters, etc.

Besides different economic pressures, an integral part of all geopolitical waves is associated with search of new markets, finding new sources and a permanent interest in the new territories, which would be convenient for further economic development. At the same time globalization is spurred by trade liberalization and migration waves.

All the three waves of globalization discussed above are linked to the socio-economic requirements of the world at large. These waves are driven by some people’s special interest in Africa’s natural resources, even if at that time the conditions that existed only made hunger for wealth a secondary goal. This is true, for example, in the first wave of globalization during the search of routes or journeys to India, African coasts were just used as places for temporary ports for berths but not as the basis for further expansion into the interior of the not yet explored continent by the then overseas powers and the later colonists.

It was different however at the end of the 19th century when the invasion into the African continent had reached an unbelievable rate that the European powers realized that they had but little time to prevent their breakthrough in Africa. Although these two continents are next to each other, it took centuries before already expanding European states decided to further expand and increase their influence in Africa. This was as a result of them losing influence on other territories which they were controlling and their realization of the possible economic benefits they would gain in their neighboring continent. Within a few years the whole of Africa was divided and colonized by the then eight European powers and this led to the second wave of globalization (Held, 2004).

2. Historical Conditions for the Last Wave of Globalization

Due to the new “current” geo-political division of Africa, it is necessary to look back into the past, which was immediately preceded by the last wave of globalization. The second half of the 20th century significantly marked changes in Africa which laid the foundation for a further expansion of other continents’ lasting interests in the yet to be explored continent.

Europeans have always been in Africa mainly because of economic reasons. This is clearly observed since the first discoveries in Africa led by the overseas powers which were exclusively European through to trade with the African slaves which led the Europeans to other parts of the world, and the colonization by the European powers in the late 19th century. The scramble for Africa was one among other reasons for World War I (Mokyr, 2003).

Enumeration of the European powers which for decades shared Africa between themselves is not difficult to point out. The outline of events is as follows: the first colonizers happened to be the Portuguese followed by the Dutch and Spaniards. Others who participated are the Belgians, Italians and Germans, but the largest share of the division of the African continent was led by the French who had the largest land mass and the British who had the largest number of inhabitants in its territories.

Of all the period of the 20th century which was significant for Africa, the time frame most noted for its development and struggle for freedom was in the 50s and 60s when most African States gained independence. In the time between the end of World War II and the disintegration of the Eastern bloc when the cold war was taking place, without any precise time determined, outside their formal autonomy each individual state went back into the hands of their former colonizers, and moreover under one of the two superpowers, that is USA and the USSR (Zeleza, 2005).

3. Current Geopolitical Situation in a Time of Globalization

The end of the cold war marked the beginning of a new era that we call geopolitical division of Africa which is not exclusively for Europeans alone but for other players as well. USA and USSR immensely increased their activities in Africa during the cold war. These two superpowers tried to capture the emergence of the newly emerging independent states in Africa and the two powers were keen on the superiority of their influence in the various countries. Their influence in many countries remained even though on the side of Russia, as the mediator of the former Soviet Union, the influence in Africa logically in many ways weakened after the collapse of the Soviet Union.

The same situation occurred to the other players, Britain and France in particular. These two then rivals had seemingly lost interest in Africa; they had lost interest in their former colonies during the course of the 90s. Just like during colonization their interest this time around diverted to other things.

While the approach of Great Britain through the Commonwealth was based on the neo-liberal approach to democracy, peace and prosperity, it focused particularly on the economic side. It concentrated, for example, on Nigeria, which is Britain’s second-largest trading partner in Africa and in the
foreground its major interest was and has been oil. France couldn’t break off its non-partnership approach from its former colonies and had problems defining its position in the 90s.

The current influence and approach of the European Union as one entity and as individual states towards Africa as a whole or individual countries respectively depends on what these two continents can economically share. Besides these facts Britain and France are still the most important players with the largest influence in this yet to be explored continent.

In the past twenty years, when globalization is in its highest stage, confirmation of the expanding globalization tendencies, other non-European states are interested in Africa. This is true for the largest economies in Asia (China, India, and Iran). Brazil is one of the significant growing economies though. The largest competitor on the African continent is all interested China, which immediately sensed the hesitation of the European States in the 90s, and the weakened the position of Russia, as a successor of the Soviet Union and in line with its strategy of non-violent expansion gained her one position after another. The importance of China, however, rising in line with globalization around the world and on the African continent is particularly visible. The share of other Asian powers on the global economy is not significant, but less than such amount as the Chinese (Bazlis, Smith, 2006).

4. Mineral Wealth in Africa as a Major Factor of Globalization

Important natural wealth in Africa has been a major cause why different countries from other continents have been and are still trying to have good relationships with it. Oil, gold, diamonds and other raw materials are the driving force behind the ever developing relations on the continent with the other world (Mokyr, 2003).

Probably the most important of all raw materials today is oil. From the economic point of view, an analysis of which country has largest stocks of crude oil should be conducted. The link between the quantity of oil in the individual deposits, its extraction, and the governments in African countries and transnational companies, which are interested in extracting oil, is one important thing – the political situation in a given country with sufficient supplies. Unfortunately, a country rich in minerals tend to be subject to negative phenomena in which corruption, black market, illegal mining, the emergence of armed conflicts, which is primarily economic interests and those of the leaders of African countries who are trying to profit and control the exploitation of the mineral wealth for their own benefit more than for his country.

On the concrete of the largest current reserves of oil in Africa, Angola, Nigeria and Sudan deal with the next part of this contribution.

4.1. Nigeria

Nigeria is the highest oil producing country in Africa. Its natural resource is found in Port Harcourt, Nigeria’s oil hub, capital of Rivers state. The oil reserves are bigger than the United States’ and Mexico’s combined. Oil from Nigeria’s soil was first produced in 1956. The world market confirmed that this delta crude is a “sweet,” low-sulfur liquid called Bonny Light that can be easily refined into gasoline and diesel.

Nigeria later joined the OPEC (Organization of Petroleum Exporting Countries) in the mid-1970s and that helped add revenue to the government’s budget. Unfortunately for oil-rich Nigeria, corruption, poor macroeconomic management, inadequate infrastructure, and political instability have been the order of the day. Although in 2008 they began pursuing some economic reforms. Nigeria’s previous governments have not been able to diversify the economy away from its overdependence on the capital-intensive oil sector, which provides 95% of foreign exchange earnings and about 80% of budgetary revenues.

In its quest to improve its economy, Nigeria signed an IMF stand-by agreement in August 2000. This made it possible for this oil country to receive a debt-restructuring deal from the Paris Club and a $1 billion credit from the IMF, both contingents were meant to embark economic reform programmes.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per cent</th>
<th>Barrels per day</th>
<th>Country exported to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nigeria</td>
<td>80 %</td>
<td>2,2 million</td>
<td>USA, Great Britain</td>
</tr>
<tr>
<td>South Sudan</td>
<td>75 %</td>
<td>350 thousand</td>
<td>China, Japan, South Korea, India</td>
</tr>
<tr>
<td>Angola</td>
<td>40 %</td>
<td>1,65 thousand</td>
<td>China, USA</td>
</tr>
</tbody>
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Source: Own editing by CIA figures
But in April 2002 Nigeria pulled out of its IMF program. This was because it failed to meet spending and exchange rate targets, making it ineligible for additional debt forgiveness from the Paris Club. Five years later, Abuja won Paris Club approval for a debt-relief deal. The deal made it possible for Nigeria to have $18 billion of debt eliminated. This was done in exchange for $12 billion in payments - a total package worth $30 billion of Nigeria’s total $37 billion external debt.

The IMF proposed reforms such as resolving disputes related to distribution of wealth realized from the oil production industry, and improving the banking system. The Nigerian government has been working on that since 2008. Due to high crude oil prices all over the world and growth in other sectors the country’s GDP has risen simultaneously (Central Intelligence Agency: The World Factbook, 2012).

4.2. Sudan

Sudan was one country before seceding in July 2011 with now south Sudan. It has been a poor country though graced with natural resources such as oil. The country has experienced social conflicts, and a civil war. The region of South Sudan has been responsible for about 75% of the former Sudan’s total oil production. The oil sector was the driving force behind Sudan’s GDP growth since it began exporting oil in 1999.

For almost ten years, the economy prospered as a result of increase in oil production, high oil prices, and meaningful inflows of foreign direct investment. As a result of South Sudan’s secession, Sudan has been struggling to maintain economic stability, since oil earnings do not provide enough to meet the country’s need for hard currency and for budget revenues. Nevertheless, Sudan is trying to come up with new sources of revenues, such as from gold mining, while simultaneously working out on a program to reduce its expenditures.

The country’s economy has been constantly boosted by services and utilities. 80% of the country’s work force is continuously being employed in the agricultural production and this contributes to a quarter of GDP.

Sudan introduced a new currency, still called the Sudanese pound, following South Sudan’s secession, but the value of the currency has fallen since its introduction and shortages of foreign exchange continue. Sudan also faces rising inflation, which has led to a number of small scale protests in Khartoum in recent months. Ongoing conflicts in Southern Kordofan, Darfur, and the Blue Nile states, lack of basic infrastructure in large areas, and reliance by much of the population on subsistence agriculture ensure that much of the population will remain at or below the poverty line for years to come (Central Intelligence Agency: The World Factbook, 2012).

4.3. Angola

Angola is Africa’s third largest oil producer behind Nigeria and Libya and, in January 2007, became the 12th member of the Organization of Petroleum Exporting Countries (OPEC). Since then it has been assigned to produce quota of 1.65 million barrels a day (bbl/day). 80% of GDP is as a result of oil production and its supporting activities. Diamond exports only contribute an additional 15%.

According to the 2011 BP Statistical Energy Survey, Angola had proved oil reserves of 13.5 billion barrels at the end of 2010, equivalent to 19.9 years of current production and 0.97% of the world’s reserves. Angola produced an average of 1851 thousand barrels of crude oil per day in 2010, 2.31% of the world and a change of 3.7% compared to 2009.

Angola exports more than 90% of its crude oil primarily to China and the US. Angola’s oil, and oil derivatives industry accounts for 91.92% of total exports. Petroleum and petroleum products generated nearly $9.7 billion in state revenues in 2004. Angola is a key player in Africa’s oil industry as both a major producer and exporter. Offshore Angola is recognised as a world-class area for oil exploration and production. Angola produces crude oils that have an API gravity ranging from 32 degrees to 39.5 degrees and a sulphur content of 1.12% to 0.14%. Angola currently flares the majority of its natural gas but plans are underway to convert natural gas into liquefied natural gas (LNG).

Angola’s economy is highly dependent on the oil sector, which accounts for 40% of GDP and 80% of government revenues. Sonangol was established in 1976 and manages all fuel production and distribution in Angola.

The majority of the country’s crude oil is produced offshore in Block Zero, located in the northern Cabinda province. Crude reserves also are located onshore around the city of Soyo, offshore in the Kwanza Basin north of Luanda, and offshore of the northern coast.

Significant discoveries have been made in Blocks 14, 15, 17 and 18 since the mid 1990’s. Companies are focussing on ways to reduce the costs and improve the cost-efficiency of producing from the high risk deep-water areas.

The top foreign oil companies operating in Angola are US-based ChevronTexaco and ExxonMobil, France’s Total, UK’s BP, UK/Dutch Shell, and Italian Agip/Eni Oil Company (MBendi Information Services, 2011).
Conclusion

Mankind has since time immemorial wanted to fend for himself somehow. There is no other way but to find whatever he needs for his survival. Long time ago when there were no planes, no maps designating boundaries of places man travelled around the world using a ship. He later discovered the importance of acquiring resources that he never had. In this piece of work we have looked at the historical and present time in relation to economics and globalization. We have seen that globalization is encouraged for economic reasons.

We have shown that there have been many waves of globalization to reach where we are today. The term “globalization” is not something new but it has just been used so many times in the past 20 years. We have shown how it has expanded to Africa because of Africa’s rich natural resources. Since no nation can survive on its own, we think that globalization is a good approach to better lives of all people on earth.

References


Figure 1: Graph showing GDP per cent from oil production of chosen countries

Source: Own editing by CIA figures
Summary

Since man first realized that he has to fend for himself if he has to survive, he has been trying all things possible to make this a reality. As we are aware today like our ancestors then that some of the things man requires for survival are found in different places around the world. Man started searching for these things. This gave birth to voyage discoveries which lead to what we call today globalization.

Some of the places visited by the explorers were India, the Americas and many others. Africa then was not important to them because they had no idea of what was on that continent. They just used its sea coasts as lodging places for them and their ships. This was because they needed to rest after their long travels.

But in the late 17th century they slowly started discovering what Africa had in stock. The most important part of history though is the second half of the 19th century when different countries from Europe and other parts of the world started colonizing Africa. By this time they had realized that they could economically benefit by sharing Africa among themselves. They believed that they could acquire more natural wealth by having more land as individual countries. They were interested in gold, copper, diamond, oil and other natural resources.

This and other reasons led to war. This dividing of Africa by these various countries is called the scramble for Africa. The First is World War is one such example.

Today’s modern colonization of Africa is what we think can be called globalization in relation to Africa and other parts of the world. Oil has of late become one of the most important resources man desperately needs. We can observe this from the current economic situation, the relationships the west is trying hard to maintain with Africa, and China’s recent huge investments in Africa. The countries that have oil in Africa are Nigeria, Angola, Sudan, and North Africa. Though North Africa is nearest to Europe, at the moment it is not the west’s favorite probably it is because of the ongoing conflicts.

Our work is going to show using history and the present time that globalization is driven by the economic situation in the world in general.

Keywords: globalization, Africa, the Cold War, oil, colonization.