Globalisation, Growth and Sustainability in Sub-Saharan Africa

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Abstract : Sub-Saharan Africa in addition to being resource rich is increasingly being seen as having a huge growth potential and as a result, is increasingly attracting MNEs on its soil. To empirically assess the effectiveness of GDP in tracking sustainable resource use and the role played by MNEs in Sub-Saharan Africa, a panel data analysis has been undertaken for 32 countries over thirty-five years. The time horizon spans the period 1980-2014 to reflect the evolution from before the publication of the pioneering Brundtland report on sustainable development to date. Multinationals' presence is proxied by the level of FDI stocks. The empirical investigation first focuses on the impact of trade openness and MNE presence on the traditional measure of economic growth namely the GDP growth rate, and then on the genuine savings (GS) rate, a measure of weak sustainability developed by the World Bank, which assumes the substitutability between different forms of capital and finally, the impact on the adjusted Net National Income (aNNI), a measure of green growth which caters for the depletion of natural resources is examined. For countries with significant exhaustible natural resources and important foreign investor presence, the adjusted net national income (aNNI) can be a better indicator of economic performance than GDP growth (World Bank, 2010). The issue of potential endogeneity and reverse causality is also addressed in addition to robustness tests. The findings indicate that FDI and openness contribute significantly and positively to the GDP growth of the countries in the sample; however there is a threshold level of institutional quality below which FDI has a negative impact on growth. When the GDP growth rate is substituted for the GS rate, a natural resource curse becomes evident. The rents being generated from the exploitation of natural resources are not being re-invested into other forms of capital namely human and physical capital. FDI and trade patterns may be setting the economies in the sample on a unsustainable path of resource depletion. The resource curse is confirmed when utilising the aNNI as well, thus implying that GDP growth measure may not be a reliable to capture sustainable development.

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