GLOBALIZATION: IMPACT AND PROSPECT FOR NIGERIA

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Abstract

The existing wide disparities between the developed and the underdeveloped economies makes globalization a tool for exacerbating inequality between the world's regions and poverty in the developing world. Developed nations are the beneficiaries of globalization as their share of world trade and finance has been expanded at the expense of developing countries. Nigeria has not benefited from globalization due to her monocultural export, inability to attract increased foreign investments and huge indebtedness. This paper is an attempt to examine issues concerning the process of globalization in Nigeria and also to specify pre-conditions for beneficial globalization process to take root in Nigeria.

The World economy in the past two decades has witnessed a continuous expansion of world output and many countries are benefiting from increased cross border trade and investments. Many others suffer because economic regimes are inefficiently managed thereby weakening their capacity to successfully compete globally. Advance in information and communication technology has greatly enhanced international mobility of capital and liberalization of financial markets has intensified. Furthermore, deregulation of domestic markets and privatization of government concerns are also major features of the current global order.

Globalization, entailing the increased internationalization and integration of markets for goods, services and capital, has brought noticeable changes to the world economy which has frequently been described as gravitating towards a global village. These changes are observable in the magnitude and structure of trade in goods and services, capital movements, gains in productivity and efficiency that are driving gravity and creating jobs in industrial countries, opening doors to export-led industrialization in middle-income and developing countries, and attempting to raise living standards in low income countries. (Onwioduokit, 2001). However, the process of globalization encourages rising inequality among nations as there continues to exist, a wide disparity between the developed and the underdeveloped economies.

In this paper, an attempt is made to explore the concept of globalization and its implications for the growth and development of Nigeria. The paper is separated into a number of sections. Apart from the introduction, section II provides an overview of the concept and instruments of Globalization. Section III addresses the impact of globalization on Nigeria's development and the pre-conditions for a more beneficial globalization process in Nigeria. Section IV contains the concluding remarks

Concept and Instruments of Globalization

Concept and Instruments

According to Africa Development Report (2003), there are several definitions of globalization in the literature. Dollar (2001) defined globalization as the growing integration of economies and societies around the world as a result of flows of goods and services capital, people and ideas. According to him, integration accelerates development, it reduces productivity gaps between workers in developing and advanced countries through trade in goods, foreign investment, international telecommunications and migration. For Ajayi

(2001), globalization may be defined as the increasing interaction among, and integration of the activities, especially economic activities, of human societies around the world. It refers to the expansion of international flows of trade, finance, and information into an integrated global market.

According to Daouas (2001), globalization is characterized by the intensification of cross-border trade and increased financial and foreign direct investment flows, which itself derives from rapid liberalization and advances in information technologies. Schmukler and Zoido-Lobaton (2001) defined globalization as the integration of a country's local financial system with international financial markets and institutions. For Oyejide (1998), globalization refers to the increased integration across countries of markets for goods and services and capital while according to O' Rourke (2001), it is a phenomenon encompassing declining barriers to trade, migration and capital flows, foreign direct investment and technological transfers. Milanovic (2002) gave the World Bank's definition of globalization as the "freedom and ability of individuals and firms to initiate voluntary economic transactions with residents of other countries". Onwioduokit (2002) defined globalization as a process of increased integration of national economies with the rest of the world to create a more coherent global economy.

Globalization is a process of integrating economic decision making such as the consumption, investment and saving process all across the world. It is a process of creating a global market place in which free markets, investment flows, trade and information are integrated. It is a process of heightening the level of interconnections between nation states. Globalization can also be defined as the process of shifting autonomous economies into the global market-the systematic integration of autonomous economies into a global system of production and distribution. Key elements of this process include among others, the interconnections of sovereign nations through trade and capital flows, harmonization of the economic rules that govern relationship between these sovereign nations, creating structure to support and facilitate dependence and interconnection and creation of a global market place. In a broad sense, Globalization is a process that promotes the integration of a whole system of interrelationships across sovereign states. At the core of this process is technological advancement in communication whose immediate and concrete impact has been the creation of a global society at the centre of which is the global market place. Countries operating a separate sovereign autonomous environment take decisions which have bearing on others and are themselves influenced by decisions taken by others. Therefore, the major instruments that facilitate the process of globalization are:

i) Development and growth in information and communication technologies
ii) Capital mobility and investment flows, especially foreign direct investment across economic borders.

Impact of Globalization on Nigeria's Development

Globalization is a very uneven process with unequal distribution of its benefits and loses. This imbalance leads to polarization between the developed countries that gain, and the developing countries that loose out (Obadan,2001). In this regard, the place of Nigeria in the globalization agenda requires some in-depth study. To begin with, Nigeria is economically weak due to inadequate domestic economic capacity and social infrastructure needed to boost the country's productivity, growth and competitiveness.

Secondly, the economy is made weaker by monocultural dependency and unfavourable terms of trade in its export trade as well as excruciating debt and debt service burdens. And thirdly, before 1986, economic regimes were regulated and the country pursued expansionary fiscal and monetary policies in its development efforts (Obadan,1998). These problems were exacerbated by political instability and corruption. As a result, investment choices were distorted, which eroded the confidence especially of foreign investors. Following the globalization trend, Nigeria has been liberalizing its economy. But the real sectors have had to function under conditions of unstable macroeconomic management, inadequate technology and credit facilities. These have proved to be an obstacle to strengthening the productive base, especially of agriculture and industry, in order to make them export-oriented. Thus, in spite of the openness of the economy, external trade performance has not been encouraging as table 1 bears witness.

A study of table 1 shows that oil exports dominate Nigeria's foreign trade, accounting for more than 80 percent of exports during the years under consideration. Food, agriculture, raw materials and manufacturing accounted for only 1 percent of total export in 1990, but this fell to 0 percent in 2000. In between that period, the country never exported ores and metals. (World Bank,2002). As a monocultural exporter, over 80 percent of Nigeria's exports are made up of crude petroleum. But instability in the world oil market sometimes negatively affects oil exports, leading in such circumstances to declines in foreign exchange as is shown in table 1. This partly explains the country's recourse to external funding in order to meet its development challenges. But external borrowing exposes Nigeria to indebtedness, which reached 29.8 million dollars in 2002. The servicing of this debt depleted the national treasury by 1.2 billion dollars out of 10.7 billion dollars foreign exchange earned that year (Central Bank of Nigeria, 2002). Even more worrisome is the ratio of this debt to gross domestic product (GDP) and export earnings. In 1985, the total debt stock was 719 billion naira, which corresponded to 1 percent and 6 percent GDP and export earnings respectively. In 2001, the country's external debt had risen to 3.2 trillion naira, which was 56 percent of GDP and 63 percent of export earnings (see Table 2).

Financial market liberalization also exposes the country to volatility and shocks. Yet, access to credits is granted to the country under strict conditionalities. Moreover, the shortfalls in servicing Nigeria's debt have led Export Credit Guarantee Agencies (ECGA) to suspend insurance cover for export of goods, services and investment to the country. Nigerian importers are also required to provide 100 percent cover for all their order. As such, they are placed at competitive disadvantage with those who have access to ECGA covers and import credit facilities (Debt Management Office,2001). This situation exacerbates the pains of the external debt and hampers the inflow of foreign resources needed for the stimulation of investment and growth.

Table 1 Foreign Trade of Nigeria 1985-2001 (Billion Naira)

	Imports		Exports		Total Trade		Balance of Trade	
Year	**Oil**	**Non oil**	**Oil**	**Non Oil**	**Oil**	**Non Oil**	**Oil**	**Non Oil**
1985	51.3	7,030.80	11223.70	497.1	11,2275.50	7,507.90	11,171.80	6,513.70
1986	913.9	0,069.70	8, 368.50	552.1	9,182.40	5621.8	7,454.60	4,517.60
1987	3,170.10	14,691.6	28.208.60	2152	31,378.70	16,843.60	25,038.50	12,539.60
1988	3,803.10	17,642.6	28435.40	2757.4	32,238.90	20,400.00	24,632.30	14,885.20
1989	4,671.60	26,188.60	55,016.80	2954.4	49,688.40	29,143.00	50345.20	23,234.20
1990	60,713	39,644.80	106,616.50	3258.6	112,699.60	42,904.40	100,553.40	36,385.20
1991	7,595.30	70,424.80	116,858.10	4677.3	124,453.40	84,102.10	109,262.80	74,747.60
1992	19,937.20	125974.20	203,20292.70	3973.3	233,229.90	129,947.50	163,355.50	122,000.00
1993	41,329.30	124,771.10	213,778.80	4891.3	255,103.1	129,763.40	172,449.50	119,779.80
1994	42,349.60	120,439.20	200,710.20	5349	243059.8	125,788.10	156,360.60	115,090.20
1995	155, 825.90	583,301.80	927,565.30	23,096.10	1,033,391.20	622,397.00	771,739.40	576,205.70
1996	162,178.70	400,447.90	3,288,215.80	23,327.50	1,448,394.60	423,775.40	1,124,037.20	377,120.40
1997	166,902.50	678,814.10	3,212,499.40	28.163.30	1,379,401.90	707,977.40	1,045,596.00	649,650.80
1998	175,854.20	661,504.50	717786.50	34,070.20	893,640.70	5695,634.70	541,932.30	627,494.30
1999	211,671.30	650,336.00	1,169,508.50	19,498.00	1,381,179.00	670,334.00	597,837.20	631,338.88
2000	51,317.40	121,740.80	565,652.70	6197.4	676,070.00	127938.3	5.4,3345.30	115,543.40

2001	61,258.10	248,802.20	495,021.10	6602.5	556,280.30	255,404.70	433,764.10	242,199.70

Table 2: Selected Economic Indicators of Nigeria 1985-2001

Year	GDP Million ₦ At current	GDP Growth Rate (N%)	Total Export (₦) Million	Growth Rate of Export	External Debt (₦) Million	External Debt Growth Rate (%)	External Debt GDP Ratio (%)
1985	72355.4	15.3	710.7	1	11,720.80	29	6.1
1986	73061.9	1	-	-	8,920.60	-23.9	-
1987	18885.1	49	5912.3	3.6	40,360.00	240.3	12.0
1988	145243.3	33.4	3815.8	2.7	31,182.90	2.7	12.6
1989	224798.9	54.8	8820	3.9	57,971.20	85.8	15.2
1990	269636.7	15.9	1176	4.5	109,886.10	89.5	10.7
1991	324030	24.3	-	-	121,535.40	10.6	-
1992	549608.6	69.7	-	-	207,266.00	70.5	-
1993	697090	26.8	40500	5.8	213,770.10	5.6	18.5
1994	914,940.00	31.3	39600	4.3	206.059.20	5.8	19.2
1995	1,977,740.00	116.2	44000	2.2	950,661,40	361.4	4.6
1996	2823900	42.8	44000	1.6	1,309,543.40	37.7	3.4
1997	2,939,650.00	4.1	44000	1.5	1,241,662.70	-5.2	3.5
1998	2,881,310.00	-2	633017	22.0	751,856.70	-39.4	84.2
1999	3352650	16.4	2,577,383.40	76.9	189,006.50	58.1	26.8
2000	4980943	48.6	3,097,383.80	62.2	571,850.10	-51.9	450.7
2001	5639865	13.2	3,176291.00	50.3	501,624.70	-12.2	633.2

Source: Central Bank of Nigeria statistical Bulletin (Various Issues), Abuja: Central Bank of Nigeria; Central Bank of Nigeria Annual Report and Statement of Accounts (Various Issues), Abuja: Central Bank of Nigeria.

In discussing globalization Vis-à-vis Nigeria's development, it is pertinent to note that, Globalization by a general consensus is intended to generate and yield substantial benefits to all nations of the world as long as those involved show some high level of commitments and strong will. (Igudia,2003). In line with this view, Nigeria signed a treaty to become a global player and an entrepreneur of the World Trade Organization (WTO) in 1983 with the intent to become a competitor in the global market. In 1986, it embarked on the restructuring of the economy, through the Structural Adjustment Programme (SAP). Perhaps to firmly and safely secure an enviable place in its new search for global economic integration (Igudia,2003). Studies show that rather than salvage the appalling situation of the Nigerian State, some items of SAP helped to worsen it.

Thus, the impact of globalization on Nigeria's development has not really been beneficial: Nigeria is still dependent on mono-cultural product, the real sector still experiences supply and demand bottlenecks, non-diversified outputs, low quality outputs, insufficient inflows of foreign direct investments (FDI), high debt profile, to mention but a few. This is largely due to the international economic conspiracy by the developed countries to perpetually marginalize the less developed countries and the internal structural defects coupled with inadequate and inconsistent government policies and lack of the political will to fully implement policies. But Nigeria can benefit from globalization if specific efforts are geared towards diversifying its economy, tackling the unusually high debt profile of the country and encouraging increased inflows of foreign investments into the country.

Pre-Conditions for a More Beneficial Globalization Process in Nigeria

Globalization can be of immense benefit to Nigeria and so could help the country's development. But certain general pre-conditions or measures have to be employed to ensure that Nigeria benefits more from globalization. These pre-conditions are, but not limited to, the following:

1) The existence of a virile banking system that ensures an effective financial intermediation in the economy;
2) Existence of high premium on knowledge, performance and merits;
3) A liberal system, openness, and democratic practices;
4) A virile private sector motivated by moderate profits;
5) A vigilant citizenry that keeps the government on its toes;
6) A growing economy
7) Enthronement of Specific policy measures that will ensure macroeconomic stability and that will minimize the harmful effects of globalization.
8) The application of fiscal incentives and provision of infrastructural facilities to increase the output and productivity of the real sectors of the economy.
9) Gradual opening up of the capital market to international competition and adequate supervision of the financial system.
10) Good governance, rule of law, transparency and accountability should prevail in public administration.
11) Convergence of domestic polices with trends in the world economy.
12) Nigeria should forge stronger economic ties with her immediate neighbours.

With these and more in place, Nigeria is sure to benefit to a large extent from globalization in terms of: Increased specialization and efficiency; better quality products at reduced prices; improved economies of scale in production; enhanced competitiveness and increased output; technological improvement and improved managerial capabilities, just to mention but a few.

Conclusion

Although globalization is not a new phenomenon, the speed with which the process is unfolding is simply amazing. It has been argued that this process would eventually result in a borderless world. The world of separate nation state is said to be ending if the process of globalization is allowed to run its logical cause. However, the fact remains that globalization is a very uneven process with unequal distribution of its benefits and losses. But Nigeria stands a good chance of benefiting immensely form globalization if the Government, at all levels are willing to address the aforementioned issues bothering on pre-conditions for a more beneficial globalization process in Nigeria.

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