IMPORTATION AND ECONOMIC DEVELOPMENT IN NIGERIA: AN ANALYTICAL APPROACH

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Abstract

The study was on Importation and Economic Development: An analytical Approach. It examined the negative effects of importation on the economic stability of Nigeria. Related literature on Importation and Economic Development were reviewed and the need for self reliant emphasized. Therefore, this paper will provide an insight into what an import trade is, the need for protection of local industries and trade restrictions. It will also throw some light on the conceptual discourse of economic development and finally relate Schumpeterian theory to economic development. The findings revealed insufficient funding of entrepreneurial ventures, lack of inventions and innovations by Nigerian entrepreneurs. Finally, the need for improved export trade and patronage of Nigerian made goods was suggested.

Introduction

For Nigeria to attain economic development, she has to be self reliant and free herself from the pangs of economic colonialism by the developed countries. The discourse on whether mass importation can have an adverse effect on the economic development of developed countries have always been an interesting one. Nevertheless, the rest of the developed world have been heavily criticized for their unfairness in their dealings with the economically – challenged group of nations (Mbeki 2005). This led to the agitation for a New World Economic Order (NWEO), a concerned call for the formation of strong economic cartels or block among Third World Nations producing selected raw materials. Nwodu (2004) posited thus: “with the attainment of political independence by over eighty nations at the second half of the twentieth century, it was expected that the global socio-political and economic equation was going to change or better still, expand to accommodate the yearnings of the newly born nation states. Contrary to expectations, these new nations had hardly savoured the euphoria of the political independence so gained, when the reality of economic dependency dawned on their feet. Apart from the newly born nation states, other underdeveloped countries face this trade imbalance and dependency. Mbeki (2005) reasoned this way when referring to the World Trade Ministers meeting held in Hong Kong December, 2005 he remarked, this/that “Hong Kong stands the danger of communicating the message that the rich are unwilling to open the space for the poor of the world to develop themselves and thus work to extricate themselves from dire poverty”. If this happens, the perspective will be confirmed that, abandoned, the poor of the world are correct to feel that because nobody cares about them, they would be justifies to lay themselves down and die.

This point however, is that rather than lay-down and die, these billions would rebel in response to what they would consider to be legitimate dream of the poor that had been unjustly deferred by the rich.

In the Nigerian context as in most developing economies of the world, policies have been mapped out by government to discourage importation which is not favourable to balance of payments and encourage exportation. There policies seem not to be achieving the desired ends. The World Trade Organization (WTO) and the World Bank, advised Nigeria to buy and not produce positing that banning of imports is against the spirit of globalization, but a situation whereby tooth-picks are even imported into the country does not hold any future for Nigeria.

The United Nations definition of underdeveloped countries embraces all countries and territories in Africa (West Africa inclusive) except South Africa, all the countries of America except U.S.A and Canada; all countries of Asia except Japan and Turkey; all the countries of Oceanic except Australia and New Zealand (Ojo, 2002). Nigeria is therefore underdeveloped by world standards. However, the developed countries of the world initiated new policies to curtail some trade imbalances between them and the poor nations. This is to serve their face from the criticism leveled against them by the developing countries. One of such services is the United States African Growth and Opportunity Act (AGOA) which allows 1,835 African products duty – free access into the world's largest market and came into effect on October, 2000. (Mutallab, 2001).

Furthermore, the first World Petroleum Congress was held on the African Continent in Johannesburg in the year 2005. By this, an important contribution of Africa's sustained effort to break out of the terrible grip of global marginalization and the wide spread Afro-pessimism that once caused a leading international magazine to describe Africa as "the hopeless continent" was made (Mbeki, 2005). Additionally, the July, 2005 G8 Gleneagles meeting to forgive the debt of 18 least developed countries, Nigeria inclusive, yielded positive dividends to help jump-start these economies. However, African countries have not been exploiting these opportunities to the maximum as a result of some internal problems in these developing economies. Nevertheless, this paper looks into how healthy policies can be employed to achieve economic development in Nigeria.

Import

Ahukannah, Ndinaechi and Arukwe (2007) reported that import trade involves buying goods and services from other countries. Nigeria buys (or imports) from other countries goods and services which she needs but cannot produce by herself, or goods and services which, for economic reasons, she feels should be imported to supplement local production. Imports can be visible or invisible. Visible imports consist of material goods which one can see, feel or touch. Nigeria visible import consist of machinery and industrial equipment, manufactured or partly manufactured goods, foods and beverages etc. Invisible imports consists of services that are of invisible nature such as shipping, air transportation, banking, tourism, insurance and numerous technical services rendered by foreign countries with which the country has bilateral relations. Many Nigerian students are studying in America, England, Eastern Europe, etc. and their fees have to be paid. These educational services are also invisible import. Besides, many foreigners have investments and other interests in many business establishments in the country. The foreigners are paid dividends and interests. Also, Nigeria has borrowed money from other countries and the interest on such loans has to be paid. These payments are also invisible imports. Longe (2008) also defined import trade as the act of buying goods and services from other countries. It is sometimes restricted to control a country's balance of payment deficit. Lawal and Lobey (1982) reported that you can learn a good deal about a country's economy by looking at the nature and quantities of goods that it imports. Like those of most West African countries that are aiming at the industrialization of the economy, Nigeria's imports are dominated by capital goods: machinery for new factories, bulldozers, cranes and other construction equipment for building of roads, schools, hospital and housing, and lorries and vans for the road transportation services needed by the commercial sector. The rapidly expanding manufacturing industry must also import many of the raw materials that it needs. Manufactured goods like refrigerators, television sets and sewing machines are imported in considerable numbers to meet the strong demand from consumers. Imports of foodstuffs and beverages for a growing population are also substantial and are important reasons why the Nigerian Government is seeking to develop the production of food crops by the country's farmers.

Imports which enter in response to direct orders will have been sent in response to precise instructions forwarded to the exported abroad by a correspondent in the importing country. Such instructions will specify clearly the type of goods required, their quality and price, the mode of packaging and shipping, the approximate time for shipment and the port to which they are to be consigned. Thomas (1989) reported that goods imported on consignment are goods sent by an individual or firm in one country to an agent in another country with the intention that the latter shall sell them and remit the proceeds less costs and commission to the sender. The goods do not become the property of the agent, his only interest in them is that he is employed to arrange for the sale and to account for it to the owner.

Protection of Local Industries and Trade Restrictions

To discourage importation, various trade restrictions are used. While discussing the International Trade System as part of the international environment, Anekeoku (2007) pointed out that the various trade restrictions include tariff system of the foreign market, quota system, embargo, exchange control and product standards. These protection devices can be used to protect infant industries, check excessive leakage of foreign exchange through massive importation, correct adverse balance of payments situations, prevent dumping and diversify production (Ojo, 2002).

Nevertheless, these objectives have not been achieved in developing countries like Nigeria. For instance, in the area of infant industry protection, the rate of business mortality is high in Nigeria. For Nigeria to industrialize, she may have to protect home industries until industries are able to compete favourably with similar industries in advanced countries. The story is not different even in advance countries. Statistics show that of the approximate 600,000 new businesses started in the United States each year, approximately 40 percent fail within the first year, 60 percent fail by the end of the second year, and a staggering 90 percent fail within 10 years (Ezeh, 2001).

Economic Development: A Conceptual Discourse

Ojo (2002) posited that the United Nations definition of underdeveloped countries embraces all countries and territories in Africa (West Africa inclusive) except South Africa, all countries of America and Canada, all countries of Asia except Japan and Turkey, all countries of Oceania except Australia and New Zealand. West African countries are therefore under developed countries by world standard.

One derivative of development is economic development. We cannot understand economic development without first of all understanding the concept or meaning of development. Informed discussions on development among academics, policy makers and indeed the rest of the stakeholders development have varying definitions depending on the constituency or orientation of the author. Nwosu and Nkamnebe (2006) aptly captured the eclectic nature of development in the following words:

"Development is so many things to so many people. This is because it is a multi-dimensional phenomenon. It is a process – based as well as a behavioural phenomenon. It is multidisciplinary, dialectical and co-relational. It is at the same time consumatory or utilitarian as well as philosophically didactic, emotional, sentimental and value loaded. Development is at the same time economic, social, cultural, political… That is why for example, we can talk about human development, infrastructural development, economic development", …

Ugonwenyi (1995) defined development as "the improvement of the quality of life of any group of people". It seems development as "a widely participatory process that involves directed economic, social and political technological and other positive changes in any community or society. Mbeki (2005) posited that development is intended to bring about such valued results as human advancement, aspirations, achievement, equality, freedom, healthy environment, choices, opportunities, justice, employment and life that is worth living".

Nevertheless, our focus is on economic derivative of development. According to Meier and Baldwin in Nkamnebe (2003), economic development is the process whereby the real per capita income of a country increases over long period of time. Anaekoku (2007) reported that economic development is developing the real income potentials of the underdeveloped areas by using investment to effect those changes and to augment those productive resources which promise to raise real income per person. Seers in Yusuf (2008) quoted thus "what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all threes of these have become less severe, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems has been growing worse, especially if all three have, it would be strange to call the result "development, even if per capita income has soared". Economic development must be environmentally friendly to achieve sustainable development. Sustainable development is the development strategy that meets the needs of the present without compromising the ability of future generations to meet their own needs (WCED in Nwosu and Uffoh, 2005). Judging from the economic indicators in our integrative definitions, Nigeria is in terrible need of economic development. With the ban on some previously imported goods and services into the country, Nigeria may be on her path to economic development and self-reliance.

Schumpeterian Theory and Entrepreneurial Development

Schumpeterian theory of entrepreneurial development states that, year by year, the circular flow repeats itself in the same manner just like the circulation of blood in human beings and other animal organisms. According to Schumpeter, the same products are produced in the circular flow, and every supply has a corresponding demand and vice-versa. Schumpeter considered economic development as a discrete dynamic change brought by the entrepreneur, by instituting new combinations of production i.e. innovations. The introduction of new combination of factors of production may occur in any of the following five forms:

1. The introduction of a new product in the market;
2. The institution of a new production technology;
3. The opening of a new market into which the specific product has not previously entered;
4. The discovery of a new source of raw material;
5. The carrying out of the new form of organization of any industry by creating a monopoly position or the breaking of it.

In this regard, Schumpeter also made a distinction between an inventor and an innovator. An inventor is one who discovers new methods and new materials, while an innovator utilizes inventions and discoveries in order to make new combinations. Schumpeter believed that only certain extra-ordinary people have the ability to be entrepreneurs. Schumpeter predicts the demise of the function of the entrepreneur because large monopolistic firms have advantage over small firms in the technological process.

The Schumpeterian theory remains one of the most remarkable theories of economic development. Other theories of economic development include Adam Smith's Theory, Malthusian Theory, Nurkse's Theory and the "Big Push' Theory. Joseph Alois Schumpeter came up with this theory of economic development in 1934 in his Magnum Opus "Theory of Economic Development (Fasua, 2006). In the present context, the Schumpeterian theory is adopted to explain how the economies of developing countries particularly Nigeria can be jump-started via the discouragement of importation thereby producing goods and services for domestic consumption and exportation. Such explanation is crucial in understanding how developing countries can become self reliant and free themselves from the pangs of economic colonialism by the developed countries and claim the 21^{st} century.

In essence, the Schumpeterian theory is predicated on certain assumptions that the economy was perfectly competitive and is in stationary equilibrium. In such condition, there is no profit, no interest rates, no savings, no investment and no involuntary unemployment (Ugonwenyi, 1995). Equilibrium in this context is called the circular flow.

Following this, the importance of entrepreneurs in any economy cannot be overlooked. Entrepreneurs set up micro enterprises, popularly small and medium scale enterprises (SMEs). These SMEs have become the luch-pad, nucleus and backbone of the economies of many industrialized and industrializing nations (Odigbo, 2004). Affirming to this, Okongwu in Odigbo (2004) asserts that small and medium scale industries constitutes the foundation and mainstay of the economic miracles of the Asian Tiger Nations. It is from this perspective that it becomes imperative that entrepreneurial ventures in the form of small and medium scale enterprises (SMEs) be set up in Nigeria to ginger economic development. This is in line with what Joseph Schumpeter proposed over seventy years ago.

Conclusion

For Nigeria to attain economic development, she has to be self reliant. To achieve this will entail individuals setting up entrepreneurial ventures. The entrepreneurial venture will become the lunch-pad, nucleus and backbone of the Nigerian economy. It is the overwhelming pool of the activities of these SMEs that will shoot Nigeria into the league of economic giants of the world. The secrets of industrial development today, therefore lie more in well organized micro-industrial enterprises than in the giant industrial complexes.

Recommendations

1. Nigerian government should set up vibrant government agencies and financial institutions to support and boost small and medium scale enterprises in the country. The financial institutions should be made to set aside a reasonable chunk of loanable fund for the promotion of small scale industries, through equity participation, outright financing and professional advisory services. Besides, micro credit schemes of international organizations like the United Nations Industrial Development Organization (UNIDO), and the World Bank aimed at

offering soft and favourable lending platforms should be exploited by small and medium scale enterprises in Nigeria.

2. On the other hand, Nigeria entrepreneurs should come up with inventions and innovations. These will be in form of new product introductions, new product technology, opening new markets, discovery of new sources of raw materials and carrying out new forms or organization of any industry.
3. Nigerians should be encouraged to patronize locally made goods and the nations export trade should be encouraged. This will help to increase Nigerian foreign exchange and make it a self reliant nation.
4. Furthermore, government policies should be geared towards protecting the economy. This can be achieved by levying taxes on some goods coming into the country and placing outright ban on some goods.
5. Additionally, the economic benefits of transacting among Nigeria's currency and foreign currencies need be considered as well as ensuring that products coming into Nigeria meet the required standard. Only when these are done can Nigeria vision of becoming one of the twenty top economies of the world by year 2020 be realized.

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