GLOBALIZATION AND THE CHALLENGE FOR THE NIGERIAN ECONOMY

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Abstract

Globalization seeks to bring all the countries of the world into one economic unit, possibly without governments or borders, thus transforming the world into a 'global village'. Globalization is expected to enhance growth potentials and economic development through export expansion, increased private investment, more capital inflows and more rapid technological transfer. However, globalization has turned Nigeria to a dustbin for second hand and inferior goods, fake drugs and toxic wastes, which have given rise to a resurgence of diseases. It has also increased the external debt and aggravated the incidence of poverty in the country. Nigeria has lagged behind in reaping the benefits of globalization due to the implementation of inappropriate policies and poor quality of governance, existing side by side with a high level of corruption, weak infrastructure, deteriorating terms of trade, high external debt and political instability. In the economic sphere, the big challenge is poverty and the surest route to sustained poverty reduction is economic growth. Therefore, (he major challenge facing Nigeria is to embark on the design and implementation of the right macroeconomic policies that will promote rapid and sustainable economic growth. To achieve this, it would be necessary to promote trade liberalization, increase manufacturing output, improve governance, and strengthen the financial system to attract substantial capital inflows.

Introduction

As the world passed an important milestone and moved into the third millennium, the pace of globalization continued to accelerate. There are many alternative or competing definitions of globalization. Collier (1997) defines globalization as "falling trade barriers, integrating financial markets and transnational corporations". Court and Yamagihara (1998) also make a contribution in this area. According to them:

> ....Globalization summarizes a number of international features of the world economy; rapid advances in communication and transportation technology, expanding geographical scope for business activities of private corporations and financial institutions, the integration of markets across national borders, and higher degree of uniformity in policy and institutional environments that set the rules of the game for economic actions and interactions on the part of private agents based in various countries.

From the point of view of International Monetary Fund, IMF (1997) ... .globalization refers to the growing economic interdependence of countries worldwide through the increasing volume and variety of cross-border transactions in goods and services and of international capital flows and also through the more widespread diffusion of technology.

In terms of people's daily lives, globalization means that the residents of one country are more likely now than they were fifty years ago to consume the products of another country, to invest in another country, to earn income from other countries, to know that they are being affected by economic developments in other countries, and to know about developments in other countries. Globalization seeks to encompass all the countries of the world into one economic unit, possibly, without governments or without borders, thus transforming the world into a "global village". Although the political, cultural, social and environmental aspects of globalization are no doubt important, the economic aspect is perceived to be at the heart of the globalization process.

Economic globalization refers to the process of change towards closer international economic integration through trade, financial flows, exchange of technology and information, and freer movement of people. Openness and markets constitute the platform of globalization while trade, finance, investment, and entrepreneurs are the heart. However, globalization is much more than an economic phenomenon. It also includes political, technology and cultural dimensions.

Globalization, which has economic liberalization (especially in the areas of external trade and finance) as its centerpiece, is strongly and aggressively canvassed by the World Bank and IM-Liberalization of trade and capital flows normally increases the openness of an economy. Increased openness of an economy facilitates its integration into the global economy. Many economists have suggested that integration and globalization are beneficial to developing countries and that they would promote growth through the channels of better resource allocation, greater competition, more rapid innovation, larger transfer of technology, and freer access to foreign savings.

Other analysts, including Rodrik (1997); Ajayi (2000); and lyoha (2003), have been keen emphasize that globalization is driven by powerful forces that cannot be halted or ignored. 1changes and developments brought about by globalization are inexorable and largely irreversible Increasingly, under globalization, there is only limited scope for government policy to make I difference, since the old distinction between international and national (domestic) policies become irrelevant. Consequently, nearly all countries at all levels of development have taken steps to remove encumbrances that limit cross-border transactions. They have also given market mechanisms a free hand internally and restructured institutional frameworks, including labour, financial markets and task systems, to enable market forces play a leading role.

The increased interdependence and integration of national economies necessitates the need a study and understand international economic relations since action taken by one country or a group countries now tend to have important consequences for other countries. The rest of the paper *A* structured as follows: following the introduction is section II which deals with the driving forces J globalization. Section III contains a discussion of the benefits and risks of embracing globalization! while section IV focuses on globalization and the Nigerian experience. Section V discusses the challenges and policy issues, and in section VI, some concluding remarks are made.

Driving Forces of Globalization

Globalization, which involves the closer integration of national economies especially in the areas of trade and finance, has been pushed by many factors including especially the spectacular spread of trans-national corporations. Other factors that have driven globalization include the paradigm shift from government regulation to liberalization in national economic policy making, the rapid advances in information and computer technologies such as the internet, mobile phone, are personal digital assistant, the development of rapid means of transportation and communications especially telecommunications, the proliferation of mass media, competition among providers of internet services, and the growing tastes of individuals and societies which have generally favored taking advantage of the opportunities provided by declining costs of communication throng-increasing economic integration.

Thus, the channels of global interactions include: (i) International Trade: This provides a medium through which countries participate in the global economy.

(ii) Capital Flows: The African continent was the first to become highly "integrated" into the world economy, through capital flight (Collier, 1997).

(iii) Migration of Labour: This has both positive and negative effects. The advantages include: emigrants remitting foreign exchange back home, acquisition of better skills and exposure to the use of the latest technology, so that when they return to their countries, it will amount to technology transfer, and providing a good channel for international relationships in terms of important linkages between potential foreign investors and domestic businessmen.

(iv) Improvements in Telecommunication and Transportation: This increases the ease of communications and transportation and reduces the costs of communication.

Benefits and Risk of Embracing Globalization

Generally, integration with the rest of the world enhances growth potentials and economic development. One main reason for this is that the resource gap problem, especially for developing economies, would be obviated by employing the resources of other parts of the world to finance the investment gap that may exist. Thus, the frontiers for growth and development may be enhanced with globalization via export expansion, increased investment, more capital inflows, and more efficient use of resources to facilitate technological transfer.

Therefore, the hallmark of globalization is the promotion of free trade, individual initiative, private enterprise, ruthless competition and capitalism. The emphasis on competition and the free market goes hand in hand with emphasis on the economic role of privatization, deregulation and liberalization. Hence, in Nigeria, the government is currently engaged in the wholesale privatization of state-owned and controlled parastatals, companies and other institutions, including educational institutions. This is designed to achieve a diminished role of the State in the economy so as to achieve greater economic efficiency through increased private participation. Privatization would also raise revenue, which could be used to reduce the country's external and internal debts.

Other potential gains from globalization include good governance, transparency, incorruptibility, sustenance of democracy and Human Rights, and the elimination of extreme poverty-provided the rich countries increase debt relief, market access and technology transfer to Nigeria. The importance of good governance cannot be over emphasized. The quality of public governance can aid or deter economic development of a country. Corruption can militate against a country's ability to attract foreign direct investment (FDI) through which new technology and new managerial acumen can be brought into the country. Poor quality of governance can lead to a weak domestic banking system with the attendant consequence of bank crisis. Finally, corruption and poor governance discourage trade and investment.

There has been much debate on the relevance of globalization to the Third World economies. Indeed many analysts contend that globalization might be harmful to the economies of the developing countries. Some of the questions posed include:

(i) Will poverty and inequality increase or decrease with globalization?
(ii) Is the international financial system prone to crisis?
(iii) Does globalization result in unfair labour practices in developing countries?
(iv) Have multinational corporations become too powerful to the detriment of the citizens and governments of the developing countries?
(v) Is integration into the global economy good for growth?
(vi) Does globalization damage the environment?

In truth, globalization is a two-edged sword. It has brought benefits to some, but it has also brought misery and hardship to an increasing number of others. It has enriched a few individuals and impoverished the majority of the many people in the countries of Africa. This is because the industrialized countries are in the fast lane of the global economy and the other countries, notably the developing countries in Africa, are in the slow lane, with the gap between the two groups of countries increasing.

Globalization has transferred economic decisions from governments, which represent the interests of citizens, to the "market" which is dominated, directed and controlled by foreign bodies and their multinational corporations. The receding influence and the reduced social commitment of the government tend to increase unemployment and reduce the standard of living of the lower levels of the population, thus aggravating poverty levels.

Globalization has reduced the economic competitiveness of an increasing number of countries, because they are finding it increasingly difficult to be fully integrated into the global economy. Infact, many of the weaker countries are being, once again, recolonized economically and politically. Africa's technological and organizational inferiority has inhibited innovations, accelerated the disintegration of their traditional lifestyles . and increased social, political and economic retrogression and instability. In almost all the African countries, the "economic reforms" imposed on them by globalization, namely, deregulation, privatization and minimal governmental intervention in their economies, have given rise to a resurgence of diseases like tuberculosis, typhoid, malaria, cholera and AIDS. Yet some of these diseases were almost totally eradicated from the continent in the late 1970s. Today, as a result of poverty, the emergence of AIDS has made Africans to be the highest victims.

The external debt of Nigeria has increased astronomically between 1978 and 2002. Althouc[1] about $38 billion has been repaid to the external creditors within this period, Nigeria still owed $2; billion at the end of 2002 (Aluko, 2003). Globalization has also made African countries in general an Nigeria in particular, a dumping ground for second hand and inferior goods, fake drugs and toxic wastes.

Globalization and the Nigerian Economy

Nigeria, like other African countries, has lagged behind in the globalization race. Factor responsible for the slow integration of Nigeria into the global economy include: (i) The unfavourable structure of production and export; (ii) Poor policy and institutional environment;

(iii) Weak initial conditions reflecting lack of domestic economic capacity; (iv) Weak infrastructure reflected in poor roads, epileptic power supply, poor telecommunication system and inadequate water supply; (v) Low export prices and deteriorating terms of trade;

(vi) High external debt and servicing burden; (vii)Dictatorial regimes and poor governance characterized by abuse of power, economic mismanagement, and high level of corruption; and

(viii)Unpredictable policies and political instability.

Challenges and Policy Issues

If Nigeria is to participate effectively as a member of the "global village", a combination of domestic reforms (political and economic), and outside assistance is needed to enable the country reap the benefits of globalization and minimize the associated dangers and risk of marginalization. Th*en* and only then can globalization promote rapid economic growth and a substantial reduction in poverty and inequality. The major challenge facing Nigeria is not whether it should integrate into the global economy or not, but rather, the form and manner in which it should do so. For best results, Nigeria should focus on the fundamentals of economic growth, such as, increased investment, policies than promote macroeconomic stability, improved capacity building and good governance. To this en. economic policies that would make the economy less vulnerable to external shocks should implemented. These include:

(i) Outward-oriented policies that will promote the liberalization of trade (e.g. removal of trade barriers and adopting appropriate exchange rates). (ii) Diversifying exports and promoting manufacturing production. Proper incentives should be given to exporters, and regional integration should be promoted, especially for manufacturing enterprises that are oriented towards the local market. Regional integration will enable **the** country to gain experience necessary for competition in the international market, (iii) Greater attention should be given to developing the institutions of effective governance including efficient judiciary systems, civil service, tax administration, and other elements that will provide the enabling environment for private sector activity. This will reduce or eliminated transaction costs, which can militate against the development of the manufacturing sector. (iv)More attention should be given to making the economy less crisis prone, especially by strengthening the financial system and implementing macroeconomic policies that would! maximize the benefits of financial globalization and minimize the associated risks and| dangers. Therefore, to attract substantial capital inflows, sound policies such as liberalizing investment laws and offering fiscal incentives should be put in place. (v) Government role in economic activities should be de-emphasized and limited to the provision of the necessary macroeconomic environment, such as, increasing the quality and quantity of infrastructure. This will stimulate private investment and growth. Furthermore, the attraction of the inflow of foreign capital and technology necessary for the country's competitiveness in the global economy can be achieved through privatization, (vi) There should be increased investment in human capital to make diffusion of new technology) arising from globalization easier.

(vii)The quality of governance must be improved since corruption and lack of transparency hinder private sector activity. Therefore, government should provide an enabling environment in order to encourage investment and promote a politically stable environment for sustainable economic growth.

Conclusion

In this paper, an attempt has been made to analyze the consequences of globalization on the Nigerian economy. Much as globalization will lead to a rise in trade, increase in living standards, investment and more capital inflows, facilitate transfer of technology, and enhance economic growth. it has been argued that it can increase inequality and poverty levels. It can also damage the environment.

The debate on globalization is mainly a matter of temperament ...between those who see the glass as half full versus those who see it as half empty. Nevertheless, the debate and its outcome will affect economic policies in all the countries of the world, and hence the future of mankind.

The overall challenge to economic globalization is to make the global system deliver economic growth consistently and more equitably, as the best way to further reduce global poverty and inequality. Hence, for Nigeria to benefit from the global economy, it must adopt a stable, transparent, predictable and growth-promoting macroeconomic policy framework as a conducive environment aimed at sustaining economic growth.

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