CHALLENGES AND PROSPECTS OF GLOBALISATION IN NIGERIA

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Abstract

Globalization is a very topical issue of discussion in the context of developed and developing countries. In the case of developed countries, the discussion is rather pragmatic, but with respect to the developing countries it is often related to differences in political and social views. Currently, most developing counties such as Nigeria want to profit from globalisation in the form of increased foreign trade, foreign direct investment (FD1), foreign aid, debt relief and international borrowing. Thus, the need for globalization in Nigeria cannot be over emphasized. Recently liberal economic thinking has won more ground in Nigeria. Privatization, deregulation, liberalization and N25 billion bank recapitalization policies by the federal government are evidence of this. On the other hand, globalisation also raises problems. These problems are often related to the consequent fast structural changes. In this write-up, we analyze economic globalisation from the view point of Nigeria. First, we try to present overview of its history and later define the concept of globalisation from different viewpoints. Also, we try to assess the economic impact of globalisation in Nigeria. Finally, profiting from globalisation requires among other things, solving various development problems and executing economic reforms.

Introduction

Until the 1980s, the world economy did not really exist. The People Republic of China. former USSR and its East European satellites opted out because of communism. India closed its doors to international trade on a large scale. The same was true of many other smaller countries. Altogether, more than half of the world's population was outside the market economy. Today these countries (totaling 3 billion people) have returned or are returning to the international /global economy. They are doing so at different speeds, are faced by different problems and have different chances of success. The potential gains from the process are enormous. Trade and investment have the ability to revitalize the world economy in an extended period of growth (Needham and Dransficld. 2004).

In the last 20 years of the twentieth century we saw the dynamic growth of the Asia-pacific-Japan region, Hong Kong, Singapore and Taiwan, which became prosperous through their trading with America and Europe. In the twenty-first century we have seen the development of open market economies, in India and cities and coastal areas of China. These are huge markets that, because of their close proximity to the Asian 'Tigers', the west coast of America and Australia has the potential to create a new dynamic economic growth area.

The closing years of the twentieth century also saw the creation of major trade blocks groupings of countries for trade purposes, such as NAFTA (the North America Free Trade Area), the EU (European Union), and recently AU (African Union). It became increasingly important to develop strategic alliances between groups of countries for trading purposes. Typically the bulk of trade has been focused on three main areas of the globe, known as the Triad, They are namely North America, Japan and the Tiger economies and lastly the European Union, This is where the question lies, How can Africa in general and Nigeria in particular benefit from this enormous opportunity for economic growth and development?

What Do We Mean By Globalization

Globalization has many meanings depending on the context and on the person who is discussing it. Generally, it means something that exceeds national boundaries. It can be interpreted as a phenomenon that existed already before the birth of nation states. Usually, however, globalization is regarded as a phenomenon that emerges whenever a modern nation state stops providing sufficient environments for the desired level of economic, social, political, cultural, and other activities. When using this definition, the birth of globalization can be traced back to the second half of the 19lh century, although, even as this lime, it affected just a small part of the populations of the countries involved. The current "modern" form of globalization concerns a much wider part of the population. Also" the forms of globalization have evolved over time (kotilainem and kaitila, 2002).

Sanjay (2004), defined globalization as a set of policy changes that has reduced barriers to the integration of national economies, and (hereby, induced such integration. He further described globalization as a "worldwide wave" of market oriented reforms featuring policy modification and sweeping across developing countries.

Globalization could also mean a set of processes which (a) increase the number and heighten the intensity of contacts, relations, exchange and dependence and interdependence relationships among the various pails of the world: (b) transform the importance of space' and 'time' with respect (o those relations and relationships: (c) increase and spread awareness among the planet's inhabitants, as well as their personal lives, {Caselli 2002:15-39).

Thus, from the above one can see that globalization means different things to different people. For a Peruvian farmer, unable to compete with low prices of imported foodstuffs, it means losing his income. For a Czech car worker, earning enough to buy his home, it means prosperity. For a poor ; Ugandan woman, tilling her family plot, it means nothing (Ngongi, 2001).

But, for the purpose of this paper we would like to define the term 'globalisation[1] as recent changes in the world economy that reflects reduced trade barriers, more global capital flows, declining transportation costs, the portability of new technologies and more integrated financial markets.

Globalization: Opportunity or Threat?

Globalization is a highly asymmetrical process characterized by marked imbalance and irregularities. It is an effectively global phenomenon, given that it concerns all regions and inhabitants of the planet. Globalization is undoubtedly a process that has its winners and losers. The later however, as John Tomlisen (1999; 130-137), points out, are not because they are disadvantaged internally to it. In the words of Giaccardi and magetti (2001:28), "you cannot be outside globalization [...] but there are various modes of existing within it".

There is a tendency to interpret the impact of globalization on the less developed countries by emphasizing sole!}[1] its negative aspects (although these are sometimes undeniable) and frequently using even apocalyptic language to do so: exploitation, pillage, cultural-imperialism, neocolonialism, and so on .Not by chance , some of those who take up this position argue—like some theorist of dependence before them—that the less developed countries must disengage themselves from current globalization process (Carmody,2002); although this is an option, as we shall show later , which we believe to be entirely impracticable.

This was the same phobia expressed during the era of computerization. Developing countries thought that computer would steal jobs. But time has proved them wrong as computer or information technology has created wealth and enormous employment opportunities.

Another easily cited case is that of Togo who opened its borders to foreign competitors in the petroleum sector. The two refineries in Togo have since been closed down because it couldn't compete with foreign rivals.

In the face of this threat of survival to local firms, what should be our response to globalisation in Nigeria? Considering the fact that the trend of globalisation is irreversible, the temptation is to seek to recoil by imposing protectionist measures in efforts towards off inflow of competitive goods and services. Since our capacity for non-tariff barriers are limited, the option, which have traditionally been available to us, are tariff barriers and quantitative import prohibition measures.

Experience has shown that these measures do not work or at best have limited benefits. To the contrary, the long effects are inimical to the economy. These protectionist measures instead of encouraging domestic production have suppressed productivity. In so far as **these** measures instead of encouraging domestic production have spun lucrative illegal importation, i.e. smuggling. They intact substantially undermine the good of protection of domestic industry. Protection of domestic industry through high tariffs and import prohibition has thus generated a paradox — they have encouraged imports because the smugglers know that because of high demand for their goods , they can bring them in with paying only a fraction of the real duty. The risk/return relationship is too low for them to risk the consequences of the illegal importation.

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Effect of Globalization in Nigeria

Globalization is a phenomenon that has affected all facet of Nigerian economy. These areas are foreign trade ,foreign direct investment, migration, politics, labour market, foreign aid, foreign borrowing and lending, social, infrastructure and macro-economic integration.

Foreign Borrowing

Developing countries have usually borrowed too much from abroad and Nigerians case has not been different. Currently, Nigeria is asking for debt forgiveness/relief. From the point of view of Nigeria and the financing institutions, there are three main obstacles discouraging debt relief: (1) the immediate economic loss (2) the risk of moral hazard in borrowing over the longer term and (3) internal problem in Nigeria (political instability, corruption, inequalities, e.t.c)

Foreign trade

According to economic theory, foreign trade is ,in principle, beneficial to any country . The international division of labour makes the allocation of resources more efficient and this increases the economic welfare of all countries, at least in the long run (kotilainem and kaitila 2002). Unarguably, Nigeria wants to increase its exports. In case of shortage of some strategic goods and foodstuffs, temporarily export restriction can, however, sometimes be motivated. E.g. recent restriction of exportation of palm oil by the federal government .

In the case of imports, the-counter-arguments for liberalization are more frequent. But it is not simply so that exports are good and imports are bad. Imports are important channel for raw materials, intermediate goods and technology transfer. Nigeria should specialize in the production of some goods and import others, 'which-help' to lower costs.

Foreign Direct investment (FDI)

Foreign direct investment is currently almost always welcome, **as it** provides external resources'(capital and technology) that support the economic development of Nigeria, e.g. MTN. It improves employment of -people directly and indirectly. Hi increases exports and thereby, improves the current account and contributes to the repayment of foreign debt. Foreign direct investment is usually criticized for being too small rather than too large. Okonjo-Iweala (2005), said, Nigeria has received about $3billion since 200, which is marginal. Foreign investment can, for political reasons, however, be criticized for leading to much foreign control. A good example is Shell Petroleum Development Company (SPDC). This kind of criticism has diminished recently, along with the international convergence of economic systems on the basis of market economy ideals.

The actions of foreign firm do not differ essentially from those of domestic private firms, although they might be somewhat more footloose due to their faster reaction to changes in the factors of competitiveness. The main economic criticism of FDI is that it does not have enough linkages to the rest of the economy.

International Migration

The developed and developing countries view international migration differently. In the developing countries, population growth is fast and unemployment (open or hidden) is high. People cannot easily find jobs, leading to favour a more liberal migration policy. In many countries, for example in Nigeria, labour income sent home by migrant workers is an important source of foreign exchange for the country. The professional experience received abroad raises know-how and thus, supports the argument for a more liberal migration policy, assuming that the emigration is temporary. Permanent emigration of well-educated people (so-called brain-drain) is a problem for Nigeria.

Foreign Aid

Foreign aid has declined recently both in relative and, at times, in absolute terms. Aid is an important source of resources for Nigeria, commanding a high share of Nigeria's developmental expenditure. Foreign aid helps immediately in human and natural catastrophe but it is also an important way of capacity building for the development process of the countries.

The future of foreign aid depends on the economic growth and on the priorities of Nigeria. Altruistic motives, motives for promoting long-term economic growth in the world as well as the prevention of international conflicts, must be measured against the immediate cost of the aid. In addition to the amount of aid, also its distribution inside Nigeria and its efficiency must be emphasized more, in the donor country and Nigeria. Some achievements have already been made in this respect. (

Macro-economic Integration

International institutions, like the IMF and the World Bank, are often criticized for limiting the sovereignty of policy makers in Nigeria and other developing countries. The loss of independence in macroeconomic policies is however, a more general characteristic of a globalised world. Developed countries have partly lost their national sovereignty too, as a consequence of greater capital mobility. A floating exchange rate gives somewhat more independence in monetary policy in the short term. In the long term, a sustainable macroeconomic policy has no alternatives. Nigeria must, however, liberalize its macroeconomic instability. In the meantime, public supervision of national financial sector must be sustained and developed.

The more indebted a country is, the more dependent it is on the lending institutions and on the international financial markets. The lending institutions monitor the macroeconomics of the debtor nations because the outcome affects their ability to service the debt. The lending institutions should, however, be careful not to intervene in the priority setting of domestic policy makers. As long as policies are economically sustainable and do not violate certain base values such as human rights, it should be up to domestic politicians to set their priorities.

Labour Market

The labour market is affected by globalization because it increases competition and firm turnover. In the beginning of the globalization process many domestic firms leave the market, because they are not competitive in the face of imports. Also, latter firm turnover is faster than without globalization. In addition to the number of exits of firms, the. number of firm entries also increases. This creates adjustment needs for wage earners. In the long run, however, there are clearly more entries that exits. This offers more employment opportunities and increases the wage level.

Social Infrastructure

It is clear that globalization has some effects on the social structures of the developing countries. This effect, however, coexists with the effects of the general liberalization process. Globalization accelerates and modifies this effect. The non-monetary sector tends to diminish, as globalisation tends to favour large units and agglomerations of manufacturing and services. Some production sites become non-competitive, and people start moving towards competitive production sites.

'Challenges and Strategy

Obasanjo (2005) while addressing members of African parliament slated that, it was impossible to roll back globalization; rather, globalization could be used as a tool for Africa's development. Globalization by linking up national economies throws up tremendous opportunities and threat for business. By linking business to markets, which were hitherto unknown to them, it provides access to more competitive sourcing of inputs, improves availability of information, and creates opportunities for beneficial business partnerships with foreign business.

Despite the opportunities, there is no doubt that globalization has presented tremendous challenges to local manufacturers. The virtual elimination of the protection offered in national market has increased competition from foreign products. Domestic customer have also become more sensitive after been exposed to quality products that offer value, they are not prepared to settle for less. The diminishing effective market has posed a threat of survival for domestic manufacturers.

The proper reaction in response to the challenges of globalization is to seek and devise strategies to improve the competitiveness of domestic industries in order to cope with increased competition; and to take advantages of the increased access to world markets. Nigeria must of necessity reposition its industrial sector towards an external orientation and adopt an export-oriented industrialization strategy. In repositioning globalization in Nigeria to enable her meet Millennium Development Goals (MDGs), the Federal Government has embarked on fundamental economic reforms aimed at attaining these goals. The measures/reforms are: improving macro-economic management, Trade reforms, Banking/Capital market reforms, NEPAD, provision of social infrastructures such as good road network, ICT, etc among others. However, these reforms need time to bear fruits.

Trade Reforms

The recent export of cassava to china by the Federal Ministry of Commerce is a welcome development It goes a long way to show that the Federal Government appreciates the enormous opportunity export oriented trade provides. It has also been supposed that trade liberalization in developing countries would be likely to reduce poverty and inequality. A variety of reasons have been adduced for this conclusion. One reason is the belief derived from the Stolper-Samuelson theorem of Hecksher-Ohlin. trade theory in which trade liberalization is likely to raise the real rate of return to the factor of production that is relatively abundant in poor countries-Labour. And also lower the real rate of return of the factor of production that is relatively scarce in poor countries-capital. In so far, as the primary asset of the wealthy is capital, trade liberalization is also likely to lower extremely inequality (Sanjay, 2004). This conclusion has been extremely influential in the literature on international trade and development, notwithstanding the fact that it is dependent on a number of premises of questionable empirical validity (as noted for instance by Bhagwati and Dehejia (1994). For example, it has provided the basis of the belief advocated by Krueger (1991), that trade liberalization in poor countries possessing a significant agricultural sector would be likely to benefit the .mass of small farmers and landless labourer as trade barriers suppressed the prices of the agricultural goods that they produced and raised the prices of the non-agricultural goods that they consumed.

Banking/Capital Market Reforms

The N25 billion bank recapitalisation policy by the Central bank of Nigeria has been the most • profound reform in the banking sector. Soludo (2004), stated that the policy will not also act as a form of insurance but will also enable domestic financial institutions participate in emerging market. That. also he foresees Trans border mergers. He also stated that with a large capital base, the banks would • be able to finance large projects like refineries.

As it is evident from the foregoing, the transformation of our economy to meet the challenges of globalisation requires substantial investment capital. Our tendency is to put capital first. It is our firm belief that there is enough capital in Nigeria economy to fund profitable projects. Recent IPOS **at;** the stock exchange is an attestation to this fact. Our inability to industrialize is not as a result of lack' of capital. The burden of financing the rebuilding and modernizing our factories will be borne mainly by Nigerian private investors and financial institutions; although there is room for Foreign Direct Investment (FD1) in selected sectors.

Social Infrastructure Reform

Besides investment in production capacity, investment in the basic infrastructures such as power, transport, and 1CT sector is required for industrial development. The recent World Investment Report (2004). of the United Nations Conference on Trade and Development (UNCTAD), analyzed the emerging shift in world investment flow to services. The liberalization and privatization of the utilities sector of the Nigerian economy provides opportunities for substantial FD1 inflows to develop these sectors of the economy. The privatization of the power monopoly, NEPA should proceed, while private sector investments in other services sub sector should be encouraged through appropriate incentives. FDI investment in natural resources processing and down-stream manufacturing activities will bring not only capital in form of plants, machinery and equipment, but also soft technology and knowledge based intangible assets that are critical for successful industrial enterprise operation.

New **Partnership For African Development (NEPAD)**

NEPAD is a homegrown response to many challenges of globalisation. For the first time, **African** countries **and their** leaders recognize that the future is in their own hands and what we need to do for the African continent and all its many countries is to recognize that there are challenges, there are things we need to do as African. NEPAD recognizes this and its responses range from the very fundamental need for peace and stability, to issues of economic governance, of access and what Africa needs to do in order to get market access, to the strengthening of parliamentary process and the development of regional bodies.

Globalization And ICT

Perhaps the most important catalyst for globalisation is the spread of Information and Communication Technology (ICT). Through the magic of ICT, it is now possible to instantly access useful information through the Internet and the latest computer technology. Information and entertainment from all over the world is brought to one's living room through cable television. Person-to-person communication, meanwhile, has made easy and conveniently, through cellular phones with amazing capabilities ICT is also increasingly harnessed in empowering communities and individuals, such as .through distance education and e-learning programs.

The Internet is a powerful tool for development. As a global network of computers, it makes available to users virtually unlimited data and information. In addition to its usefulness in academic research and distance learning, it provides global opportunities through e-business and e-banking for profitable business transactions at minimized costs (Osagie, 2005).

Despite all these advantages and opportunities, which ICT present, in Nigeria it is nothing to write home about. The availability of phones to population in an average developed country is 99:] 00, while in Nigeria its 6:100 persons. Our Internet access charge is still the most expensive (about a dollar for an hour). The recent launch of Nigeria SAT 1 and award of contract for Nigeria SAT 2 are welcome developments.

Conclusion

Currently, globalization is a fact of life in the world economy. Most developing countries have liberalized their domestic economies and want to profit from more foreign trade, foreign investment, and other forms of co-operation between firms, foreign aid and international borrowing and debt relief. The recent debt relief of 60% (or $18 billion) by the Paris Club is a welcome development and is as a result of globalisation. In an international world economy, this kind of globalisation is a precondition for economic growth and prosperity. Globalisation raises, however, adjustment costs in the short and medium run. These problems must be tackled with proper policy actions. Profiting from globalisation requires, in addition to liberalizing the economy to attract investors, finding solutions to many development problems, decreasing poverty, increasing the level of education, improving the administrative practices, and reducing corruption as panacea for domestic as .well as foreign investment. The Federal Government reforms programme should be embraced by all to meet with the challenges and prospects of globalization in the economic, political and social life of the citizenry.

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