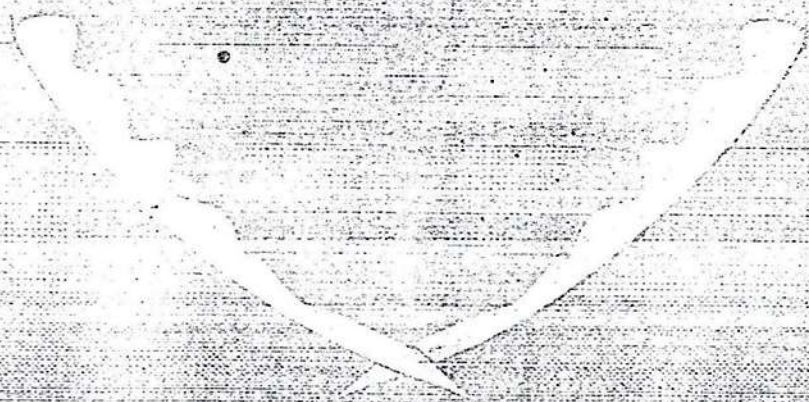


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**GLOBALIZATION OF ECONOMIES:  
IMPEDIMENTS TO NIGERIA INTEGRATION**

**BY**

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**ABSTRACT**

Globalization of economies is making waves since the past two decades. Globalisation is not a new economic phenomenon, but the world is witnessing ever-stronger links within the global market as a result of a combination of powerful, cost-reducing, technological change, induced policy change, and political development. This development will motivate the industrial countries of Europe, America and South East Asia to spill over to other countries and establish businesses. But before this is done, all earlier laws and conventions restricting private business enterprises in international trade relations be removed.

All nations, be they poor or rich become integrated and benefit from this process. Our worry is that Nigeria is a poor country, operating a mono-cultural export economy, lacking appropriate technology of this age;

possessing no capital, and depending on developed economy for her project aids. She also lack purchasing power inspite of her thick population because of poverty, politically unstable, suffer from malnutrition and sickness, recording unfavourable balance of trade and educationally weak. Given this index of weak economic base, it is doubtful whether Nigeria can really integrate with the new world economic order.

Suggestions are made that may enable Nigeria to remove the barriers if she really wants to be integrated. But globalization like the end of cold war may bring death and destruction in a bid to integrate.

## **INTRODUCTION**

One of the most controversial issues in international political economy is "globalization and liberalization." Different regions of the world give various interpretations to this euphemism. Because of these various meanings which globalization conveys, it is being abused and bastardized in international economic relations.

The primary objective of this paper is to identify and explain those factors that are impediments to Nigeria integration into new world economy.

This would then be used as the basis to advise if Nigeria really wants to join the globalization "train". In doing this, the study will rely on information in the literature on the subject matter through primary and secondary sources.

## SOME DEFINITIONS OF GLOBALIZATION

Economic Globalization connotes rapid integration of productive and investment decisions across the world by economic agents who desire taking advantages of the environments where their competitive edge can manifest in high returns. Globalization is focused on integrating developing countries into the world economy or is used to describe the worldwide spread of capitalism while liberalization implies greater openness of economies, domestic and external liberalization.<sup>1</sup> In this connection,

“Globalization refers to the multiplicity of linkages and interconnections between the states and societies which make up the present world system. It describes the process by which events, decisions, and activities in one part of the world come to have significant consequences for individuals and communities in quite distant parts of the globe... Globalization defines a set of process which embraces most of the globe or which operate worldwide... it also implies as intensification on the levels of interaction, interconnectedness or interdependence between the states and societies which constitute the world community.”<sup>2</sup>

In another perspective, the term globalization may be explained as

“The unfettered expansion of transnational Corporations (TNCS) into the world economy, particularly into the economies of the developing countries”<sup>3</sup>

Liberalization implies,

“Opening up new markets in developing countries for Western capital and goods”<sup>4</sup>

Indeed, globalisation in the economic angle is about economic and economic related structures knit together across the world. The term integration means the outcome of several elements of politics, economics, industrial processes and the way modern society is being run, within countries and across countries and relationships. Advances in the technology of transport, communication, information technology as well as the transportation of ideas across the globe facilitate sharp reductions in transactional costs, shorten economic distances for trade and manufacturing. The major corporations of the world – mostly those centered in North America, Western Europe, East and South East Asia – in pursuit of their profit maximization and accommodation of capital objectives, have put pressure and influence on their governments to facilitate this type of integration, through globalization. Hence the transnationalisation of the world economy.<sup>5</sup>

The transnationalisation of the world economy is highly facilitated by the use of modern information technology. Modern information technology combines progress in electronics, computing, and telecommunications to evolve a highly dynamic process of storing, processing, transmitting and presenting information.

### **THE EXPECTED BENEFITS OF GLOBALIZATION**

Globalization is capitalist orientation in which one of the acronym is the survival of the fittest. Any nation that is prepared to be carried along must possess certain economic characteristics that will be enduring enough for the new world order.

Therefore, under globalization, capital is moved and employed in countries with higher productive investment opportunities. With the integration of national economies, the

economic prospects of nations are becoming increasingly controlled by factors beyond the scope of domestic economic decisions.

For Nigeria to be able to attract investment capital from abroad to finance the shortfall in domestic savings the domestic economy must be competitive. Under the new global setting, the new business index demands that consumers buy more foreign goods, firms operate across national borders and savers invest more abroad. This will increase the potential to boost productivity and living standards in these countries. Indeed, modern technology has added a fresh dimension to the concept of globalization of trade and investment as it has greatly enhanced the linkages among economies and trading entities, through the use of telephones, computers, etc. in international trade.<sup>6</sup>

#### **IMPEDIMENTS TO NIGERIA INTEGRATION**

Power and adequate generation, be it thermal, hydro-electric, nuclear etc. is an essential ingredient to nations' industrialization. Therefore, the power supply capacity of a nation usually reflects the degree of the nations economic development.<sup>7</sup>

Nigeria's power supply to the public for business and other uses nearly, entirely depends on hydro-electric power, controlled by the National Electric Power Authority (NEPA). Virtually every Nigerian has one form of problem or another with National Electric Power Authority. These problems are connected with the frequent outages of electric power supply in areas where NEPA is operative. In other words not every part of the country is connected to NEPA. And areas that are accessible to NEPA, do suffer from power outages and this affects business a great deal. The obvious consequence of lack of power in some areas is non-industrialization. Moreover, basic electric supply equipment such as fuses, cables and transformers have to be imported. Indeed, the time lag between placement of an order and commissioning of large power installation equipment, including some transformers usually take a long period.

In this age of economic globalization adequate power supply is necessary for the working of information devices for messages across borders such as internet, E – mail, telephones, computers and other information hard and software gadgets. Power is a prime factor for industrial establishment and its functioning, and a nation without adequate power for her industries is bound to suffocate under the pressure of poverty and lack of growth. Without improvement in our power supply to the industrial cum economic sectors Nigeria may not be able to integrate well in the new global economic system.

Education is an instrument of technological progress and industrial development. Investment in education is seen and regarded as “investment in human resources, a factor for economic growth and development in many developed and developing countries”. Education is a unique factor in promoting economic growth.<sup>8</sup> This is done if the citizens are given the type of education needed for the development of man (self) and the society.

However, the public sector funding of education has been so poor right from Independence whereas good education is the anchor to technological and industrial development.

Table 1 below shows at a glance the Federal government funding of education from 1960 and 1995. It is indicated that Recurrent education expenditure rose absolutely from N3.2 million in 1970 to N2426.4 million in 1995. Also observed is the fact that the government had been spending a smaller proportion on capital expenditure than on education. Our institutions and facilities at all levels are in a state of dilapidation and utter neglect. Another area of note from the table is the fact that Nigeria spends almost insignificant proportion of her financial resources on education. It was a mere 0.55 per cent of total expenditure in 1970, with the highest proportion being 10.29 per cent in 1995. There was a fall in 1992 to 0.87 per cent and an increase in 1995 to 4.75 per cent.<sup>9</sup>

It is difficult to explain that the nation has not been at war, yet at least 10 per cent of her budgets is usually spent on defence.

Education and development of indigenous manpower is a panacea to economic globalization of this age.

### FEDERAL FUNDING OF EDUCATION FROM 1960 – 1995

Year	Recurrent Expenditure		Capital Expenditure		Total Education Expenditure	Total Federal Expenditure	Education Expenditure as % of Total Government Expenditure
	Amount	% of Total	Amount	% of Total			
1960					246.9		
1965					404.2		
1970	3.2	51.61	3.0	48.39	6.2	1130.1	0.55
1975	218.9	25.75	631.1	74.25	850.0	8258.3	10.29
1980	509.1	41.11	729.4	58.89	1238.5	23695.7	5.22
1985	697.2	84.67	126.2	15.33	823.4	12680.0	6.49
1990	2402.8	85.23	416.3	14.79	2819.1	60268.2	4.68
1991	1256.3	80.88	297.0	19.12	1553.3	66584.4	2.33
1992	297.0	36.63	507.2	63.07	804.2	92797.4	0.87
1993	5336.4	84.28	995.1	15.72	6331.5	233806.5	2.71
1994	7382.8	78.25	2051.9	21.75	9434.7	202513.0	4.66
1995	9746.4	80.07	2426.4	19.93	12172.8	256520.7	4.75

SOURCE: Computed from CBN, Annual Report and Statement of Accounts various years, statistical bulletin, June, 1995.

Nigeria is a poor country, and is one of the indebted nations in the world. The concept of rich and poor nations should be made clear when dealing with international economic relations. A country is either rich or poor in relative terms. Analysis show that no country in the world has all it takes to stay in isolation from other economic actors in the world community. Every State therefore has comparative advantage either in natural resources, human resources or economic and technological advancement etc.<sup>10</sup>



The point of departure is that the rich countries possess what it takes to conquer the 'poor' countries and the so called poor countries existence is near or total dependent on the rich countries. For example countries such as USA, Japan, Italy, Germany, Netherlands etc. are said to be rich because they are advanced in modern technology which they use in developing and use of modern computers, information technology, good communication networks, good and adequate infrastructural facilities, fine and adequate energy, availability of enough manpower etc. The poor countries do not possess the characteristics of these rich countries.

According to Onyemelukwe quoted by Aja, "what makes a country rich is her ability to possess the domestic capacity and initiative to control, explore and exploit, manage and reproduce natural, economic and human resources". This does not rule out the interdependence of economies in the world system. Some countries can be rich in natural resources but lack the exploitative capacity thus giving room for endowed nation with exploitative ability(technology) to exploit them. This is the phenomenon of dependence in what should be interdependent world system.

For analysis, North Sea is a continental water owned by Britain. Fortunately Crude oil was discovered in this Sea and is popularly known and referred to as the North Sea Oil. British multinational companies were the first to explore and exploit both oil and gas, and development of this oil resources began. It was later that other companies from the USA, France etc. were involved. What is important is that the British had the domestic Capacity and initiative to control, explore, exploit before other counties of like capacity went in. The picture is different in the case of Nigeria, Gabon, Kuwait, Iran, Iraq etc. These countries possess enormous or substantial oil and gas resources, but they do not possess the expertise and/or means to exploit them.<sup>11</sup> Arising from their economic and technological backwardness, poor countries have no choice, but to turn to, and depend more on economically and technologically structured advanced countries for assistance and

development. The expected result is far from mutual in benefit. In international exchange relations it is asymmetrical.

Having analyzed what poor and rich nations meant in international economic relations, it is confirmed that Nigeria is a poor nation and heavily indebted both internally and externally. Debt hangover has an excruciating effect on the balance of trade and balance of payments. As at January, 2000 Nigeria's internal and external debt stood at N514 billion and \$30 billion dollars respectively.<sup>12</sup>

The effect is that non-payment of debts to banks and the various government suppliers and contractors has resulted in general liquidity and denial of credit to the productive sector of the economy. This has further slowed down economic activity and resulted in cutbacks in employment generally, bankruptcies and retrenchments. Unemployment has a negative effect on economic growth, because the purchasing power of individuals will be limited, reduced or non-existent and hence frustrate domestic stimulation of the economy. On the other hand, rapidly increasing debt service obligations constitute an impediment to the implementation of new development oriented projects since a proportion of revenue for this purpose is set aside for servicing previous debts. The money used for debt servicing could otherwise have been used to embark on projects that could have improved the welfare of people and stimulate internal economic growth.<sup>13</sup>

External debt crisis for Nigeria has resulted in repudiation risk because she is unable to obtain new loans due to little confidence laced on our ability to repay. Besides, the international trade partners become unwilling to sell to the country on credit. The prospects are therefore dim of the immediate resumption of net resource transfer from international means. The International Monetary Fund (IMF) severe 'Conditionality' for Nigeria in 1980s is a case in point. Therefore, a severe reduction in capital inflows and imposition of net capital outflow over an extended period, has

profound consequences for the economic development prospects in this era of globalisation.<sup>14</sup>

Before 1970, Nigeria's main exports included primary Products – Palm Oil and kernel, cocoa, groundnut, rubber, beniseed and foreign exchange for Nigeria were from these sources. Today, Nigeria is a mono – cultural economy, depending on only crude oil exports and other non tangible products for her foreign exchange earnings. Both before 1970 and now the prices of these goods and services are determined by the market forces in the international market. They (buyers) fixed the prices of these export commodities. Crude oil now is the commanding height of the economy, and national budgets depend on proceeds from the international market. Any slight fall in the price of Crude oil affects the country adversely. This condition dictates the pace of economic development and the exchange relations.<sup>o</sup> With Nigerians weak economic base, the idea of integration with especially developed economies is too distant because our ability to survive should depend on the export of not only primary but also manufactured products.

Indeed, market and its size is an important factor in the new world trade. In international economic relations, what really constitute market for exchange relations is population. Nigeria is one of the largest markets in Africa. Before a market is said to be viable it must have a large and healthy population, gainfully employed in different sectors of the economy. This stimulates the domestic economy through the power valency of purchase, and consumption. In this connection, Nigeria by 1991 National Census has a population of 88.6 million people, the largest in Africa and indeed the largest black nation in the world.<sup>15</sup>

However, medical assessments indicate that the health of Nigerians is poor and that health services are not easily accessible to people especially the poor. Invariably the poor constitutes the largest percentage of the population in Nigeria, and are mainly found in the rural areas where the roads to their environments are inaccessible. The most common killer diseases which depletes health

include diarrhoea respiratory infections, malaria and malnutrition. The HIV Pandemic is now on the increase but people's awareness about it is still low as the period of full manifestation is still a few years away.<sup>16</sup>

Corruption may be an impediment to proper economic integration of the new world order. Corruption in historical context, as a concept wear many faces – fraud, bribery, advanced fee fraud sometimes called 419, bureaucratic looting etc. It is a condition that have lived with us for very many years. According to Professor Sam Aluko:

“Looting is a Nigerian Phenomenon because we do not mind where a man gets his money. We worship looters by asking them to come and launch this or that. (Nigerian) Society, worships money. If someone does not have money, we do not respect him.”<sup>18</sup>

Corruption with whatever name has become a serious problem of corporate governance in Nigeria and is now public knowledge. According to the Prof. Tayo Fashoyin Report:

“The ring of conspiracy and corruption involved the lowly and the mighty whom the contractors had to see to get contracts. Often, some of the items said to have been bought and paid for were never supplied. But even when supplied, they were usually at unreasonable prices. For example in 1982, Contractor Omogbai, Supplied four (4) Mita DC 161 Series of photocopying Machines at N26,800.00 each. The real market price for each was N6,995.00”<sup>19</sup>

What this means is that International Community has no confidence in doing business in Nigeria. Corruption has destroyed the fabric and structure of Nigerian economy. Banking business is operating with suspicion as many banks have collapsed and are liquidated. Others are showing some signs of financial sickness creating feverish conditions on the depositors. Indeed, "Transparency International" labeled Nigeria as one of the most corrupt nations in the world.<sup>20</sup>

Many foreign entrepreneurs are afraid to stake their capital in an environment in which they are not sure of their profit.<sup>21</sup>

### **SHORT TERM REMEDIES FOR NIGERIA**

For Nigeria to be relevant in the globalization process, efforts should be made in restructuring and diversifying the productive base of the economy. This may be possible if we can encourage the growth potential of the private sector. The country's future economic development and growth potential will depend on her ability to export enough manufactured goods as against primary products in which she is known for. In this perspective, adequate measures aimed at boosting production of export oriented items must be maintained. The promotion of exports, which began with the structural Adjustment programme (SAP) in 1986, must be gingered and sustained. In order to achieve this, the Nigerian Export Promotion Council (NEPC) the arm responsible for spearheading national effort in export development must be encouraged and mobilized with necessary support to carry out its mandate efficiently.

### **CONCLUSION**

For Nigeria to benefit from globalization, government must open up all sectors of the economy for private investment and repeal all the laws and regulations which impede private enterprises participation in the economy. This will promote competition and efficiency. Nigeria's technology appropriate for modern use is far from being developed. Efforts must be made at enhancing the development of advanced technology. We need to lay emphasis on

the development of transport and communication sectors. It is also necessary to adopt realistic and stable exchange rate as well as appropriate pricing mechanisms aimed at improving the international payments system. The issue of debt, especially external debt and its burden on the economic needs to be addressed properly. Anti corruption bill should be pursued vigorously and appropriate penalty be spelt out and the offenders punished. Development of education and health sectors should be a priority to all the three tiers of government within the federation. Another issue to be addressed is political instability, which has made the investment climate in Nigeria over the years un-competitive, thus resulting in the diversion of investment capital to other stable regions in the world. On the energy sector, power supply must be given utmost attention by both the state and federal governments to enhance productivity of small scale and giant enterprises.

#### END NOTES

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