

# GLOBALIZATION AND ECONOMIC REHABILITATION AND RELIANCE

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## Abstract

Globalisation from the optimistic liberal perspective is the tool that will eventually reduce inequalities among and within status. The liberal orthodoxy posits a world economy in which a global increase in transaction is driven by technological and by self-maximizing decision of private actors. This paper starts by tracing how, over the past four decades, the industrialized countries exhorted less developed countries to open up their economies to global investments. It also enunciates in detail the benefits accruing to nations generally; and to Nigeria in particular with this free flow of movement of capital, goods and services across borders. Statistics as to the Nigerian trade performances in the last three years are exhibited. Comparison is also made with other viable countries. Conclusions are drawn; while suggestions are propounded as in the areas of focus on products, services and the possible countries to deal with particularly on trade agreement (s).

## Introduction

The ovation about globalization was not so much until towards the end of the Great Depression of 1930's; when many companies started internationalizing their trading and production activities. The encouragement from industrialized countries to the developing ones to open up their economics to global investments also started earnestly. These past four decades however have witnessed further acceleration in globalization due to factors like trade liberation policies, improved transportation, growth in communication technology and containerization. All these have contributed to a massive growth in cross-border investment and trade.

In discussing this topic therefore the following points will be looked into;

- a) Meaning of globalisation
- b) Recent Status of the Nigerian economy
- c) Approach on globalisation
- d) Priorities of Nigeria in Globalisation
- c) Demerits of Globalisation
- f) Merits of Globalisation

## Meaning of Globalisation

Globalisation, according to Dipo-Salami (2004, p. 19) implies a stretching of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals, and communities in different regions of the globe. In other words, globalisation as a process emphasises global interconnectedness of activities and actions in all facets of life-economic, social, political, cultural, technological and so forth.

The relevance of this globalisation concept in the revamping of the economy can be seen from what Amuzie (1998, p. 15) claimed in his write-up that the whole world is fast becoming a nearby arena for all players to showcase their prowess. That nations are continually testing their mettle in the harnessing of resources, companies are flexing their productivity washes across the borders while households and individuals are enthralled by the myriad options and opportunities that the world markets offer to them as consumers, producers and investors.

## Recent Status of the Nigerian Economy

Contrary to our economic status in the 1980s and 1990s, the following economic analysis will show (hat Nigeria, as an entity cannot go it alone; but will have to foster business relationships with other countries of the world in order to improve her economy. Anaro (2004, p.32)

**Table 1: External Public Debt Outstanding (2001/2002)\_**

Holder	US\$ Billion		N Trillion	
	2001	2002	2001	2002
Multilateral	2.793	2.960	JX324_	JU76_-----
Paris Club	22.093	24.179	2.476	3.068
London Club	2.043	t.442	0,229	0.183
Promissory Note and Others	1.292	J, !53	0.145	0.146
Total Debt Outstanding	28.347	29.789	XI 7d	i ,1.780

There is no doubting the fact that multiples of businesses that Nigeria had and continues to have with these countries organisations; but which could not be paid for accounted for the accumulations of the these debts.

Also Table II below show our productivity level for the years indicated.

1980	70.1%
19K5	. 37.1%
!990	39.0%
1995	29.3%
2000	34.4%
2001	41.08%
2002	50.21%

*Source:* Federal Offices Of Statistics (Adopted from the Economic Guide Reports).

One major factor on why our economy is not growing is the fact that our national productivity level has not grown more than average as seen in the analysis above. It was in 1980 that we had 70.1% productivity level last,

Thirdly, between 1993 and 1999 May (he exchange rate was between N40.00 and NS2.00 to a United States of American Dollar. The table below shows the rates at which Naira exchanges for every one currency as indicated therein.

Currency	Buying	Central	Selling
U.S. Dollar	131.8000	132.3000	132.8000
Pound Sterling	239.5201	_ 240.4288	241.3374
Euro	158.3050	158.9055	159.5061
Japanese Yen	1.1874	1.1919	1.1964
CFA Franc	0.2229	0.2329	0.2429
WAUA	191.4383	192.1646	192.8908
Saudi Riyal	35.1485	35.2819	35.4152

Fig. III Nigerian Naira Exchange Rates

The cases of U.S dollars and pound sterling are worse as these are the places (countries) that most Nigerians, individuals, groups and corporate bodies would first turn attentions to in terms of business or holiday resort.

For the past 1999 - 2002 years, the inflation has eaten so deep into our national lives.

Inflation Rate Year	Inflation Rate (Percent)
1999	6.6%
2000	6.9%
2001	18.9%
2002	12.9%

*Source:* WAIFEM (2002 Annual Report, pg. 30-31)

### **Approach on Globalisation**

Every country, including Nigeria, recognizes the need to engage in the concept of globalization now. Trade and investment are the keys to development. We do not need to have absolute opened policy. Though openness is critical to enhancing living standards and offers greater choices and more freedom.

According to Itsede (2003: 4), Director General of West African Institute for Financial and Economy Management. "We only need to determine our entry point into the global economy. That we need to adopt a selective approach whereby we could strike a balance between total opening of our domestic market and protecting it". By this, the Nigerian consumers will be on one hand had advantage while on the other the producers will be defended.

^ Another approach is the liberalization of our policies while involving in globalisation. We should be able to identify its opportunities and risks within the context of the structure and strategy of our economy. In other words Nigeria should take deliberate measures to strengthen her areas of comparative advantage and carve a niche for herself. Byrns and Stone (1997: 36) claim the law of comparative advantage to mean that countries or individuals are made better off by specializing and engaging in trade they can supply best. Apart from oil, Nigeria could develop and showcase her arts and cultural products including tourism. Japan is doing that in the area of automobile, India is known for her computer software while the Scandinavian countries are being recognized on telecommunication technology.

- ✓ Another advantage of liberalization is the wide competitiveness in industry and trade. This translates to reduction in opportunities for corruption. Two key struggles by this present Federal Government have been (i) anti-corruption crusade and (li) return of foreign investments in quantum into Nigeria.
- ✓ It should be noted that competition encourages factors like capital accumulation, technological innovation and diffusion to accrue to the nation. Capital includes human, finance, machineries and stocks. And human capital emanates from investments in training, education and health.
- ✓ Technology upgrade is critical to economic growth. And technological upgrade is affected by so many factors including government support for research and development, intellectual property rights, market size for new inventions, status of our tertiary education and so forth.

According to *The Global Competitiveness Report 2001 ~ 2002*

Nigeria ranked 74 out of 75 countries surveyed (Table IV) whereas on technological advance, quality of public institutions and stable macroeconomic environment, Nigeria placed 75, 73 and 55 respectively.

An adequate educational system that will prepare our teeming population as future work-force to cope with change and application of new technologies is desirable. Both federal and state governments should initiate and implement effectively educational system that will make the people to be relevant educationally and socially in the country.

Rural integration, using modem technological instruments and "know-how" will definitely enable us tap the multiple natural resources endowed we are with. On the short-run, Nigeria will attain self-reliance in food subsistence while cash-crops like cocoa, rubber, kola, palm-produce, and so on can go on exports.

Ogiemwonyi (1998: 17), CEO of Partnership Investment Co. Ltd., talking on globalisation and economic reliance, claimed that Nigeria has plenty of land, good soil and good weather. We could ask farmers in Edo State who can produce yam for the whole world to do just that. What is good for consumers in Edo State,

will be good enough for consumers in England, if it is well done and there will be a ready market for it.

Lastly on the approach, it is recommended that all government interests in industry should be privatised (Ogiemwonyi 1998: 18) The case on communication is a success somehow today. Transport sector too is a good example, to the extent that other local and foreign airlines are performing well without the National Carrier.

### **Priorities of Nigeria in Globalisation**

By these, I mean the sectors of the economy that Nigeria could intensify efforts on; in order of priority to boost domestic output; so as to sell the excess at international market:

A.i) In the year 2000, in terms of contribution to G.D.P, the agricultural sector consisting of crops, livestock, forestry and fisheries accounted for 40.6%. And in the year 2002, the real growth in the sector increased by 5.27% as a result of improved infrastructure and increased financing from the Nigerian Agricultural Co-operative and Rural Development Bank Limited (NACRDB) and Agricultural Credit Guarantee Scheme (ACGS), which guaranteed over N180million loans to approximately 5,000 farmers.

ii) The service sector including finance and insurance, transport, government services and housing etc. contributed 27.6% of the total output in the year 2000.

iii) The industrial sector comprising crude petroleum, manufacturing and mining in the year 2000 contributed 16.9% whereas in the year 2001, it increased by 3.69%, that is to 20.6%. And this was due to increases in electricity consumption, manufacturing and mining production (WAIFEM, 2000 and 2002) respectively.

B. For the (A) above to be achieved, Nigeria must pursue the following:

i) Ensure a stable macroeconomic environment characterized by low inflation, consistent stable market, determined and agreed interest and exchange rates to all stakeholders.

ii) Ensure good governance at all levels, federal, state and local. Transparent leadership and accountability is the watchword. Involvement of right and qualified personnel in governance and representation of all geo-political zones of the federation is recommended. Ensuring sanctity of contracts and independent judiciary system.

iii) Training and education of human capital must be heavily invested and subsidized into. The health of the populace generally and particularly the workforce should be invested into. A reasonable percentage of the annual budget should be voted for education and health. The curricula of the primary, secondary and tertiary institutions should reflect continuity and should aim at national goals.

iv) The governments should endeavour to provide standard and modern infrastructure. Good and adequate infrastructure will aid the efficiency of the economy.

v) Nigeria needs to fashion strategies by which to liquidate her huge external debt. This is a great hindrance to our participating in globalisation. It is a threat to our ability to compete favourably with others. First of all we need to adopt prudence as a policy in our national life and spending. Secondly, we have to pursue with vigour our debt relief canvassing with our creditors. Thirdly, exports, more than imports should be encouraged.

### **Demerits of Globalisation**

It is necessary to mention the demerits of globalisation for a nation to decide whether it is worth going into it:

i) Developing countries claim that it worsens the economic conditions of the poor.

n) Countries involved can no longer enjoy policy autonomy.

iii) Domestic industries face very stiff competition from their foreign counterparts.

iv) Exodus of professionals from developing countries is experienced.

v) Financial openness encourages risk of instability.

vi) Multinational organizations in some cases pay exploitative wages and avoid tax payment.

vii) Lastly, developing nations due to their inability to supply factors of production in quantum are in most cases marginalized.

### **Merits of Globalisation**

Despite the disadvantages, the following advantages accrue to developing nations,

i) Enormous trading opportunities from across the globe abound under trade negotiations. A good

- example is the World Trade Organisation (WTO) giving supports,
- ii) Opportunities of capital flow by international financing for development,
  - iii) Opportunities provided by international production activities through foreign direct investment (FDI).
  - iv) Consumers will get the best of products from anywhere in the world; producers will work harder as competition is going to be keen, while the investors will have more choices,
  - v) Sense of belonging and being recognized within international comity of nations is enjoyed,

### **Conclusion**

The time is now, judging by the wave of happenings in the Eastern and Western parts of the globe, viz engineering, computer software/hardware, telecommunication explosion. Nigeria needs to use what she has to break through into the World comity of business and industry.

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