

# GLOBALIZATION AND ECONOMIC DEVELOPMENT OF DEVELOPING COUNTRIES: A CASE STUDY OF NIGERIA

*Ikharehon, Julius. I and Asemota, Abel*

## **Abstract**

The paper attempts to examine the impact of globalization on economic development of developing countries, using Nigeria as a case study. The paper noted that globalization involves openness to international trade, removal of obstacles to international capital flows, international market integration and worldwide diffusion of knowledge and technology. Those countries that have applied appropriate economic policy measures and developed good capital will benefit from globalization, while those that have not will be marginalised. The challenges of globalization to Nigeria's economic development cannot be underestimated. Nigeria will only benefit from globalization if she is able to take advantage of the opportunities that increased integration offers. This means being able to compete in the face of international competition. The paper therefore, suggests that priority should be given to industrialization; training programmes that would enhance skills and technological capability; innovation, and, research and development (R&D); development of reliable national communications network and infrastructure.

Key words: Globalization, Economic Development and Developing Countries

## **Introduction**

Concern for economic development of the developing countries can be considered to be a relatively recent phenomenon, although the quest for development has been a matter of general interest for long (Huq, 2002).

The classical economists (Adam Smith, Karl Marx, among others) considered the interventionist role of the State as vital to the achievement of economic stability, employment growth and output expansion (Rosenslein-Rodan, 1943; Prebisch, 1950; Singer, 1950; Nurkse, 1953; Seitovsky, 1954 and Myrdal, 1957). On the other hand, the Keynesian economists viewed capital formation as the engine of development. Hence, they argued for its combination with interventionist role of the State. Meanwhile, in the neo-classical view, the engine of development is not so much capital formation as efficient allocation of resources. They suggested that once institutional arrangements are in place to generate an efficient allocation of resources, investment can be left to take care of itself (Wade, 1990). Hence, government should limit its activities to providing only those goods and services where the government has a clear comparative advantage relative to private goods.

In 1980s and 1990s, a number of economists have tried to reinstate development theory. Amsden (1989) challenged the myth of market liberalism while examining extensively the experience of economic development of South Korea. In the same vein, Wade (1990) challenged the myth of market liberalism while surveying at length the East Asian (Taiwan) development experience. Krugman (1986) reinstated that the idealized theoretical mode on which the classical case for trade is based will not serve us any more, since the world is becoming more complex. He further argued that the theory of comparative advantage covers only the effects of once-and- for all changes in trade restriction. It fails to specify a casual mechanism linking realization of comparative advantage to higher growth (Krugman, 1992).

The attempts to reinstate high development theories, however, appear to have been overshadowed by attempts to revive market liberalism. The World Bank and the IMF seem to have taken a lead in this revival which started in 1970s with concepts such as "structural adjustment", "liberalization" and "privatization". However, it was during the 1990s that the neo-liberal approach advocated globalization, while the WTO was assigned to see the implementation of some of the key aspects of this international development strategy.

Given the challenges of globalization on economic development of developing countries, what is the chance of Nigeria maximizing the opportunities and benefits of globalization in the context of the changing economic environment?

## **Globalization**

Globalization is a worldwide phenomenon, which means different things to different people and different things to the same people across time and space. Some view it as a beneficial process, an unmixed blessing, with potential, to boost productivity and living standards everywhere. Others believe that it increases inequality within and between countries, threatens employment and living standards, and thwarts social progress (Obadan, 2003).

Globalization is multidimensional, affecting all aspects of life, and social, as well as relations between nations of the world. In other words, globalization is about increasing inter-connectedness and interdependence of all worlds' people. Globalization is about increasing inter-connectedness and interdependencies among the world's regions, nations, governments, business, institutions, communities, families and individuals.

The concept of globalization hinges on turning the world into a global village. That is, globalization fosters the advancement of a "global mentality" and conjures the picture of a borderless world through the use of information technology to create partnerships that foster greater financial and economic integration.

Globalization is not what you can choose or not choose in the present world, it has become a reality and a fact. Whether Nigeria gains or losses from this global change is a matter of choice.

## **Globalization and its Discontents**

There is however considerable debate over the reforms the developing countries<sup>1</sup> need to undertake in order to participate effectively in the world economy. There is a growing belief in academic and other circles that the globalization strategy is based upon political ideology rather than on sound economics (Stightz, 2002).

Critics also disagree with the emphasis on the private ownership of industry, saying (hat efficiency comes more from competition, and the incentives and regulatory structure which encourage firms to compete, than from private ownership per se. A comparison between Chinese and Russian economic performance in the 1990s emphasizes the importance of competition. Russia's state-owned enterprises were privatized without much thought being given to competition, while China's state-owned enterprises were made to compete in the domestic marketplace. The result has been that China's growth rates have been significantly higher than those of Russia. The success of state-owned East Asian firms' vis-a-vis their private sector Western rivals, especially in steel and shipbuilding is another example (Monbiot, 2003).

There are also significant objections to the idea that trade liberalization is in itself an effective route to growth (Baldwin, 2003; Yanikkaya, 2003). Liberalizing a nation's trade regime only leads to higher growth if the country is in a position to take advantage of the new opportunities open to it. In order to benefit from opening its markets, a country must possess an adequate infrastructure and technological capability, its workers must be sufficiently trained and have skills relevant to the modern economy, and it must have proper logistical systems in place. If this is not the case, trade liberalization may destroy more jobs than it creates when inefficient national firms are forced to compete with their better-prepared international counterparts.

## **Development Challenges Facing Nigeria**

National Economic Empowerment and Development Strategy (NEEDS) document identifies the following as developmental challenges facing Nigeria:

**Low per capita GDP:** NEEDS document notes that per capita GDP in Nigeria was among the lowest in the world during the 1980s, costing it decades of development. Annual per capita GDP remained stagnant in the 1990s, and it grew just 2.2 percent between 1999 and 2003, which is far lower than the 4.2 percent per capita growth needed to significantly reduce poverty. Nigeria's economic development has been disappointing when compared with other African and Asian countries, especially Indonesia, which is comparable to Nigeria in most respects.

**Indebtedness:** Again, the country has become so heavily indebted, external and domestic debts now amount to 70 percent of GDP, that it has serious difficulty servicing the debt. The country is indebted to external creditors to the tune of \$32.96bn. The data from the Debt Management Office (DMO) indicate that the \$32.9bn constitutes an increase of \$1.3bn or 6.1 percent over the previous year's level of \$31bn, while domestic debts increased more than 200 percent between 1999 and 2002 to about \$9bn (Akintola, 2004).

**Regional and sectoral unevenness:** Regional and sectoral unevenness in growth performance is high. Manufacturing has been stagnating at about 5 to 7 percent of GDP, making Nigeria one of the least

industrialized countries in Africa, while services have been the fastest growing sector since independence. Industrialization and exports remain low, with average annual investment rate of barely 16 percent of GDP. Nigeria is far below the minimum investment rate of 30 percent of GDP required to unleash poverty reducing growth rate of at least 7 to 8 percent.

Other challenges: Other challenges identified by NEEDS include: infrastructure deficiency, poor security of lives and property, corruption, low access to and high cost of finance, weak institutions, poorly defined property rights and enforcement of contracts and unstable macroeconomic policies.

### **Opportunities and Challenges of Globalization**

With the increasing breakdown of trading barriers and the increasing integration of the world market, industrial firms particularly in the advanced industrial countries are faced with both the opportunities and challenges of operating in a truly global market (Obadan, 2003). However, most developing countries, especially the poorer countries, have very weak capacities to take advantage of a global market.

### **The Opportunities are no Doubt Many**

Global market; exposure to new ideas; technology and products; economies of scale in production; gains inefficiency in the utilization of productive resources; greater specialization between, nations; better quality products and wide option for consumers; increased competitiveness and increased output, and ability to tap cheaper sources of finance internationally.

The governments of developing countries need to embrace globalization in the full awareness of these opportunities as well as the attendant challenges. These challenges include those of financial crisis; difficulties of monetary policy management as a result of global capital flows; inequalities in world trade; increasing poverty for many people and increasing polarization between the rich and the poor - both between and within countries.

### **The Way Forward**

Nigeria (a developing country) will only be able to benefit from globalization if she is able to take advantage of the opportunities the increased integration offers. This means that she will have to be able to compete in the face of international competition. Therefore, the priority for Nigeria is to industrialize, since the manufacturing sector has been shown to be an engine of growth for developing nations.

There is need for developing countries to develop their skills base and build their technological capability by placing emphasis on training programmes and supporting firms that seek to move into more productive fields. A number of fundamental changes have taken place in the world economy, which necessitate such a move.

There is need for Nigeria to give attention to innovation, and, research and development (R&D). The world's more dynamic economies devote significant levels of resources to activities in these fields, which has played a significant role in their high level of technological development. It has been recognized that technological capability building is a key determinant of a country's economic prosperity.

Attention must be given to the development of a reliable national communications network and infrastructure (including roads, water supply and power supply). The development of the aforementioned factors will help Nigeria assimilate the new technology and techniques made available by integration into the world economy, which in turn enables firms to take advantage of the opportunities presented by globalization.

In addressing the challenges of globalization, Nigeria should seek the support of the industrialized countries in the area of technical aid and support, significant external debt relief and assistance to fight the spread of the HIV/AIDS pandemic.

### **Conclusion**

Although the trend toward more integrated world markets has opened a wide potential for greater growth, and presents unparalleled opportunities for developing countries to raise their living standards, Nigeria is very much less integrated into the world economy than other emerging markets. Nigeria's response should not be to attempt to turn its back on globalization, rather, it has to address a number of challenges and implement appropriate strategies and policies; in order to maximize the benefits of globalization and minimize the risks of destabilization and marginalization

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