CHALLENGES AND PROSPECTS OF GLOBALISATION IN NATIONAL DEVELOPMENT

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Abstract

Globalisation is aimed at integrating the national economy into the world or global economy. Organisations in the Western World are viewing their market areas as global rather than domestic or even foreign. This is because of the positive effects of globalisation on their economy. However, same cannot be said about Nigerian economy because of the negative effect it has on her economy. Economist and scholars are of the opinion that if globalisation is properly repositioned by restructuring some of the economic policies, it will not only enhance the growth potentials and economic development through export expansion, increased private investment, more capital inflows and more rapid technological transfer, but will also help to put the economy on a path of rapid and sustainable economic growth.

This paper examined critically what globalisation is all about, the positive and negative effects of globalisation and how to reposition globalisation in Nigeria in order to maximize its benefits for rapid economic growth and development.

Introduction

Globalisation is an age long phenomenon which emphasises economic, social and political integration of one's nation with the rest of the world. It is aimed at bringing all the countries in the world into one economic unit (Global Village).

A country can embrace globalisation by opening up its border to the rest of the world with a view to enhance its growth potentials and economic development.

However some researchers are of the opinion that while some countries especially the more developed countries of the world stand a better chance to gain from globalisation through export expansion, increased private investment, more capital inflow, and more rapid technological transfer; the less developed countries of the world stand the chance of losing more through unfavourable balance of trade and payment, increased external debt, using of one's nation as a dumping ground for second hand and inferior goods; all of which have the potentials of aggravating the incidence of poverty in the less developed countries Adamu P. A. (2005). The researcher is of the opinion however that by repositioning globalisation - through economic policy restructuring, the less developed countries have a lot to gain by embracing globalisation.

In this paper, attempt has been made to critically review the positive and negative effects of globalisation with a view to proffering solutions on how to restructure our economic policies and reposition globalisation in order to maximize its gain and put the nation on the path of rapid economic growth and development.

Theoretical Framework

The theoretical framework of this paper is based on the work of a British mercantilists theorist "Thomas Mun (1571 - 1641); Mun in his opus magnum, takes a very realistic stand that the wealth of a country consists of those things which are needed for a civilized life, such a stand is in contrast to what certain other mercantilists took when they confused wealth with money stock. He further explains that the wealth of a country originates from natural resources on the one hand and the skill and labour of the people on the other. However, inspite of this realistic stand he emphasizes that "these are things uncertain and of small consideration when they happen. The ordinary means therefore, to increase our wealth and treasure is by foreign Trade wherein we must ever observe this rule: to sell more to strangers yearly than-we consume of theirs in value." (Bhatia 1999). In the same way he goes on, to describe those ways and means which will increase Britain exportations, and diminish her importations of wares. Accordingly, he outlined twelve steps to augment the riches of the country and increase its treasure. These steps are;

(i). The use of wastelands for the production of those agricultural products which were being imported...

(ii). A reduction in consumption which would reduce the necessity of imports and increase the exportation surplus.

(iii). A proper assessment of foreign markets, the supply of the demanded goods and then charging those prices which, keeping the elasticity of demand in mind, would ensure maximum exports...

(iv). Since foreign trade involves shipping services, England should insist that the exports be transported in her own ships,

(v) Exports should be of the processed goods and not raw materials. This would ensure additional value of the exports and greater employment at home,

(vi). So far as possible, England should try to exploit her natural resources...

(vii) Entre-Pot trade should be encouraged,

(viii). Trade with distant lands should be considered more profitable than trade with nearer lands....

(ix) Export of treasure should not be permitted except in trade,

(x). Export duties on goods made out of the imported raw materials should be removed so as to gain over the foreigners in competition..

(xi). Even on native goods high customs duties should be done away with, xii).

England should try to be self-sufficient as far as possible" (Bhatia 999).

Mun also suggested that England should engage in three-cornered trade, that is purchase goods from one foreign country and sell them at profit to another. He asserted that a country can only lose if there is an unfavourable balance of trade". (Bhatia 1999). To support this theory, Britain was able to prove Rev. Malthus theory on population wrong when she opened her borders to international trade as a result of industrial development of Great Britain. (Osaseri .G. 2001).

The Concept of Globalisation

Globalisation refers to the social, political and economic integration of nations around the world. !t emphasizes the opening up of one's territorial borders for the promotion of international trade, movement of labour, information and technology. According to Oman in Obidapo (2005), "Globalisation is the growth or more precisely the accelerated growth of economic activities across national and regional political boundaries. It finds expression in the increased movement of tangible and intangible goods and services, including ownership rights of people via migration. It can be and often is facilitated by lowering of government impediments to that movement, through technological progress, notably in transportation and communication"

The essence of globalisation is to foster the economic, political and social intercourse among nations of the world with a view to promoting rapid economic growth and development, "Economic Development is deemed to have taken place if there is a sustained increase over a long period of time in the per capita output or product of a country. In recent times it has become standard to define economic development as economic growth accompanied by structural change in the economy" (lyoha 2002). Structural changes according to the United Nations Development goals includes: reductions in poverty, improvement in health and education, and protection of the environment (U.N. development goals 2001). The achievement of these goals can be accelerated via Globalisation. According to Kuznet (1959 P. 14), in lyoha (2002), "Given the structure of human wants, a cumulatively large rise in a country's per capital product necessarily means a shift in relative proportion of various goods demanded and used and hence major changes in combination of productive factors, in patterns of life and in international relations".

There are assertions by some researchers that globalisation has become a threat to national ciittilre and identities and has brought about environmental degradation and exploitation of the workers in a low wage economy due to increase in competition. (Akor R. and Ekuje F, 2004). According to Komolafe in Akor and Ekuje (2004), "the benefits of globalisation have been disproportionately captured by the rich countries and powerful trans-national companies, while poor countries including Nigerian people have been left behind[1]'. Udoala and Okafor in Akor and Ekuje (2004), expressed that rising inequality has been a hallmark of globalisation, according to there "the income gap between the rich and the poor countries has reached record levels and continues to widen; income distribution is also worsening in Nigeria. Policies associated with globalisation have skewed the benefits of economic growth in favour of rich countries".

It is pertinent to say here that some of these views expressed by the researchers are erroneous. While it may be true that less developed countries are the worst hit in terms of economic development and growth from international trade, compared with developed countries; this could be attributed to the volume of trade, and the quality of export commodities

According to lyoha (2002),"it is generally agreed that export-led industrial developments has been the engine of growth in the newly industrializing countries (NICs) - Hong Kong, Singapore, Taiwan and South Korea[1]'. The concept of globalisation is not new. Those countries that embraced globalisation early enough were also the first to witness the positive changes that accompanied globalisation. There is no gain denying the fact that embracing globalisation by structuring some of our economic policies will bring more benefit and positive changes to our economy than Autarky. Supporting this argument, Rodik in Akor & Ekuje (2004), stated that, developing countries can thrive in the new global economy only if they could combine economic openness with a clear domestic investment strategy and effective civil and political institutions". While Balogun, in Akor & Ekuje (2004) also said that "developing countries must engage the world economy built on their own terms not on terms set by global market or multilateral institutions[1]'.

Benefits of Globalisation

The contribution of globalisation to economic development is not in doubt. The hallmark of globalisation is the promotion of foreign trade, private enterprises and direct foreign investment. According to Haberler, in lyoha (2002), "experience of the past thirty years or so has clearly shown that development policies that pay little attention to the vital contribution of foreign trade, private enterprise and direct foreign investment, do not yield sustained and efficient industrialization and growth".

Basically, the "dynamic benefits" of foreign trade explains why trade is so crucial to economic development. Haberler, in lyoha (2002), provides a summary of these dynamic effects: "First, trade provides material means (capital good, machinery and raw and semi-finished material) indispensable for economic development. Secondly, even more important, trade is the means and vehicle for the dissemination of technological knowledge, the transmission of ideas, for the importation of know-how, skills, managerial talents and entrepreneurship. Thirdly, trade is also the vehicle for the international movement of capital especially from the developed to the underdeveloped countries. Fourthly, free international trade is the best antimonopoly policy and the best guarantee for the maintenance of a healthy degree of free competition."

According to Finch and Michalopoulos, in Jyoha (2002), "... effective participation in international trade permits economies of scale not open to small protected economies. By introducing greater market competition, it encourages a more efficient utilization of resources and greater growth in productivity in the whole economy". -

Ugwu in Akor and Ekuje (2004), expresses that "greater integration with the world economy through trade and capital flows has afforded some developing countries the avenue to partake in the opportunities and benefits of globalisation. Furthermore, it has also helped them develop their comparative advantages and gain access to new, more appropriate technology, while financing liberalization has increased their access to international private capital, permitting them to realize much higher rates of economic growth". The recent cancellation of 60% of Nigeria external debt and the explosion of communication channels through the various GSM operators is a testimony of the benefits of globalisation in Nigeria.

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Some Identified Negative Effects of Globalisation in Nigeria

"One of the fall-outs of globalisation in Nigeria is the very heavy external debt burden tin the economy which is intimately related to openness and the weak capacity for competition[1]' (Akor and Ekuje 2004). Nigeria has been made weaker by low export prices, unemployment and significant decline in terms of trade. This has resulted in low per capital income, high rate of illiteracy, high level of poverty, insecurity for lives and properties, poor health, poor infrastructural development, unfavourable balance of payment, indiscriminate increase in the prices of petroleum products, imported inflation, and the use of the country as a dumping ground for foreign goods.

Why Nigeria has not Benefited so much from Globalisation

(a). Mono-culturism: Nigeria depend so much on one export product. Over 80% of her total generated revenue accrue from petroleum,

(b). Over dependence on the export of primary products; whose price is volatile in the international market. This explains the low earnings from export commodities,

(c). Low rate of domestic investment; this is attributable to the prevalence of poverty, corruption, social insecurity and political instability to list but a few.

(d). Low level of manufactured exports: it is on records that ECOWAS nations of which Nigeria is one accounts for less than 2% of world trade in manufactured goods and less than 1% in services

(e). Poor man-power development,

(f). Poorly developed financial market

(g). Poor governance

(h). Poor economic policies. (Sede I. P. 2005) and (Adamu P. A. 2005.).

Globalisation, The Way Forward in Nigeria

In order to maximise the benefits of globalisation in Nigeria, it is imperative to reposition globalisation by re strategizing and re ordering our economic policies.

A review of the global patterns of development in the 20* century reveals that the following factors were critical to rapid and sustained economic development:

"Adoption of outward-oriented international economic policies;
Adoption of economic reforms that are market-friendly and which encourage private initiative.
Adoption of economic, trade, and investment policies that encourage capital inflows and foreign direct investment;
Adoption of policies to encourage the mobilization of domestic savings and promote high national savings rate;
Implementation of stable macro-economic policies,
Increased investment in infrastructure, education and health; and Adoption of policies and measures to promote social cohesion and political stability" (lyoha 2002).

Recommendations

Considering the weak competitive position of Nigeria in the Global World, the policy option available to reverse the ugly trend in order to maximize the benefit of globalisation are;

(i). Export Promotion Strategy: Export should be of processed goods and not raw materials only, this will help to ensure additional value of our export and promote greater employment for our citizens.

(ii). Diversification of the Economy: The idea of depending on petroleum product as the main source of our foreign exchange earnings exposes the nation to the risk of fluctuations in international market price of oil. There is the need to encourage the production and exportation of industrial goods.

(iii). Policies that will enhance import substitution should be pursued as this will help to reduce import and hence promote favourable balance of payment.

(iv). Delibrate effort should be made by Nigerians to move away from being a consuming nation to becoming a producer nation.

(v) Policy should be put in place to ensure that we sell more to the external world than we consume of theirs in value,

(vi). Export duties on goods made out of the imported raw materials should be removed so as to gain over the foreigners in competition,

(vii). Government should invest more on human capital development as no country can grow above the intellectual capability of its citizens

(viii). There should be direct government policy to combat corruption and violent crime in the country, and hence promote industrial harmony,

(ix). Adequate democratic principles should be put in place to ensure political stability and hence promote foreign investment and attract inflow of foreign capital.

Conclusion

Considering the precarious position of Nigeria today in the Global economy with regards to the heavy burden of external debt, low export prices , unfavourable 'balance of payment, poor domestic policy management, poor governance, characterized by corruption and mismanagement of funds; one may be tempted to say that the future of the nation is gloomy. However, one is optimistic to say that if we can have a re-orientation of mind and attitude and pursue vigorously the above recommended policies, Nigeria will not only be counting the gains of embracing globalisation but will also be on a sure path to sustainable rapid economic growth and development.

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