The Effects of Globalization on African Economic Development: The Nigerian Experience

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Abstract
The growing global economy which was fastened mostly by international trade and technology has no doubt created a global dual phenomenon where regions continued to experience economic development at the expense of others. This paper argued that though third world countries of Africa are fully incorporated into global capitalist economy, the benefit of this inescapable global phenomenon is not evenly distributed. Secondary sources of data were used as essential methodology for this work. With the help of Marxist theory of political economy and review of literature, the paper further posited that Nigeria economy in the current wind of globalization remains the clientele economy in the competitive global market. The country remained an exporter of raw materials and importer of finished products thus, making the country potential market for foreign investors. The work therefore recommended economic diversification and control of activities of Multi-national Corporation to checkmate their penchant for flouting state laws especially in employment, developing local workplace and neglect of the environment among others.
Introduction

The fact that fortune and misfortune of African economic development was tied to phenomenal of contemporary globalization is not debatable. The events in the last decade in the global economy suggested that globalization is both curse and fortunes to the third World countries of Africa Asia and Latin America. For instance, some individuals such as Dani (1999), David (1997), and Salimono (1999) opined that globalization opens opportunities; others such as Awake (2002) and Garry (1998) expressed fear about globalization. Globalization, thus, can be viewed as evil machination. Evangelos (2001) and Gondwe (2001) stated that although globalization is a powerful engine of the world economy, its benefits have not been evenly distributed. As a result, income disparities between the rich and the poor countries have increased. Dembele (1998) put it that globalization tends to consolidate the existing international division of labour which confines Africa to a role of supplier of raw materials and commodities and consumer of manufactured goods from developed countries. Worse of all, globalization will considerably undermine and eliminate the role of the African States in defining the priorities of national development. This is to say that globalization contributed tremendously to the continued unequal exchange of economic goods and services between Africa and other developed nations of the world.

The emergence of Nigeria into globalization started significantly with the advent of Structural Adjustment Programme (SAP) in collaboration with the International Monetary Fund (IMF) and World Bank which led towards external liberation focusing on market oriented economic system, export-led strategy and stability of the economy. Nigeria as an economy cannot develop in isolation. Therefore, efforts must be geared towards removing factors that hinder effective integration of Nigeria to the global economy and improving benefits derivable from globalization (Alimi & Atanda 2011).

Ezike and Ogege (2012) studied the impact of Nigerian foreign trade policy on non oil exports for the period 1970-2010 using both correlation analysis and least square techniques. They found a negative and insignificant relationship between openness (proxy for trade policy) and non oil export. They concluded that trade liberalization adopted in the country has not promoted the performance of non oil exports. It is probably because of this advantage that Salimono (1999) asserted that for small and medium-size economic with limited internal market, the possibilities of economic growth lie, to a large extent, in production oriented towards international market. To buttress his point, he stated, that the experience of the last three decades shows that countries like China, Chile, Ivory coast, Botswana that have managed to grow at very rapid 7%, 8% or more per year, have relied on strong export growth, with export expanding at a faster rate than Gross Domestic Product (GDP).

Yusuf (2003) concluded in his study of the influence of globalization on the Nigerian economy that if necessary measures are not put in place, Nigeria may be excluded in this process and globalization of poverty rather than prosperity will occur. Emmanuel and Agatha (2007) examined the impact of globalization on economic development of Nigeria in the last two decades. They discovered that the main driving forces of this process are technology, policy and competition and it subordinates domestic economies to global market conditions and practices. They also said developed nations are the beneficiaries of globalization as their share of world trade and finance has been expanded at the expense of developing countries. This position is quite correct in contemporary Nigeria where poverty reduction efforts by successful governments in Nigeria has not yielded any positive result despite the presence of external investors to supplement government efforts in area of provisions of skillful employment.

This research work will thus be anchored on globalization and the challenges of economic development in Africa with focus on Nigeria economic development. It will also ascertain essentially and empirically whether Nigeria incorporation into the world capitalist economy with its abundant
talented human and natural resources has competed positively in this new global economic agenda and how it has affected its own domestic economic development.

**Research Questions:**

1. To what extent has Nigerian economy with its enormous resources competed with the rest of the World in the current winds of globalization?

2. To what extent have the current winds of globalization and its agents, foreign direct investment contributed to the development of Nigerian economy?

**Aim and Objective of the Study:**

The aim of this study is to examine generally the impacts of globalization on economic development of Africa. However, the specific objectives of this study will be:

1. To examines whether Nigeria with its enormous resources has competed with the rest of the World in current winds of globalization.

2. To examine whether globalization and its agents Foreign Direct Investment has lead to the development of Nigeria domestic economy.

**Conceptual Clarifications**

**Globalization**

Globalization just like many concepts in social sciences has suffered definitional problem, the concept has been interpreted by various scholars of different persuasion from their own different perspectives. Thus Globalization is often seen as interdependent among various nations of the world in term of economic, cultural, scientific and technological sphere. For instance, Aimiuwu (2004) opined that globalization means different things to different people, evoke different notions, and invokes different reactions from different people. However, there are two major broad schools, the proponents and the opponents. The first school of thought being the proponent of globalization believes that it is the best thing that could happen to the world. They argue that globalization removes all the domestic barriers to freedom of capital and finance, promotes real choices and opportunities to “choose markets, to access require or appropriate technology for production to realize economic potential – empowering the consumer and ushering in long-term prosperity for all, some ideal of universal civilization”. The opponents of globalization see the above assertions as offensive and oppressive march of international capitalism, destroying all the cherished values in its awake, everywhere. It represents cultural subjugation and ideological conquest. The second school believes that globalization is evil i.e. favoring the powerful countries over the less privileged countries. Between the two major schools is another school which believes that it has both positive and negative effects depending on how the countries involved approach it (Aimiuwu, 2004).

Todaro and Smith (2003) contended that globalization is the increased openness of economies to international trade, financial flow and direct foreign investment. Also, Court and Yamagihara (1998) earlier conceptualized the term as follows:

Globalization summaries a number of international features of the world economy; rapid advances in communication and transportation technology expanding geographical scope for business activities of private corporation and financial institutional, the integration of markets across national borders, and higher degree of uniformity in policy and institutional environments that set the rules of the game for economic actions and interactions on the part of private agents based in various countries.
This definition does not only emphasized on the globalization as an agent of development but as an avenue of spreading finance across national boundaries.

**Economic Development**

Development means different thing to different people. This may be the reason for Idode (1989) to describe development as a problematic concept. According to him, development has been used in many different ways including political, economic and social. In other words, development is a construct of many applications.

In a view expressed by Okobiah (1984), development involves a process of economic, political and social change in a progress direction towards a better social well being for the member of the society. According to Nwana (1998), development involves harnessing of the resources for the realization of their major objectives, solving their major problems. This means that, development from the foregoing consists of activities required in improving the attitudes and potentials of people. Probably, this justifies the view of Boateng (1990), which described development as the process aimed at improving the living conditions and circumstances of human beings both directly and indirectly. Considering the various views, national development encompasses social, economic, cultural and political development. In other words, the components of national development include social development, economic development, political development and cultural development.

Social development refers to positive social change. According to Adeniyi (1995) social change is the process through which the patterned network rules and institutions are modified in the course of time. In other words, it refers to the process of transformation of the ways of life and structures of society over-time. The transformation or modification should lead to new behaviour which reflects improvement on the old attitude.

The first conceptualization is that ‘development’ is a process of structural societal change. Thomas (2000, 2004) referred to this meaning of development as ‘a process of historical change’. This view, of ‘structural transformation’ and ‘long-term transformations of economies and societies’, as Gore noted, is one that predominated in the 1950s and 1960s in particular.

**Theoretical Framework**

Many theories existed in the anal of social science which are used to analyzed and explain social, economic and political phenomenon. Theory is a set of believed or general principles that is intended or guide to explain a given economic or socio-political phenomenon. Theory, thus, is a guiding tool of analysis. This article will anchor its analysis on the Marxist theory of political economy. The choice of this theory is because it offers veritable explanations on relationship between politics and economy and offered a critical analysis on the relationship of economic productions.

The central thrust of Marxist theory of political economy is that economic and wealth distributions were characterized by domineering, a situation whereby powerful class dominate a weaker class. Karl Marx, a 19th century political and economic philosopher argued that this expansion of markets and the greater flow of goods and services would be the form capitalist society would take as it developed. Karl Marx believed that history went through stages, which was termed “historical materialism” by Frederick Engels. He saw these stages through an economic lens; those of higher productive capabilities naturally will eliminate those with less (Marx, 1979). The system with the highest productive faculties that we have seen thus far is capitalism, the system that Marx focused most of his work on. Marx saw capitalism as inherently contradictory, as it brought about two primary classes, the capitalists, or those who own the means of production and the proletariat, modern day wage labourers who have to sell their labour power in order to survive. The understanding of the antagonisms between classes and their positions in society lead Marx to the theory of class struggle (Marx, 1959).
The Marxist theory of classes thus constitutes a theory of class power within class struggle. The classes are, therefore, defined exclusively on the field of class struggle. They do not pre-exist class struggle, and consequently "they cannot be defined separately one from the other, but only through the social relations of an antagonism, which brings the one class in confrontation with the other" (Balibar, 1986). This means that the classes shall be perceived mainly as social relations and practices and not as "groups of individuals."

Marx argued that the economic situation, the form of the productive system, is the most important determinant of all other aspects of the society, such as its social institutions and ideas, such as the system of law, of morality and education. These are elements within the superstructure of society, hence, Marx is said to be a "materialist". Marx rebelled against Hegel's philosophy in which ideas were taken to be the important determinants of history. Marx argued that dominant ideas are the result of material or economic conditions and he was therefore strongly opposed to reformers who thought that mere change in ideas can change society (Marx, 1979). The main types of society Marx distinguished were primitive, slave, feudal and capitalist. In a capitalist society capitalists own and control the productive resources (i.e., capital), workers own only their labour and work for capitalists, who then own the product and sell it at a profit. The key to understanding a society at any point in history is to focus first on the mode of production. In feudal society land was the crucial productive factor and the feudal lords owned and controlled it. In capitalist society, capital, machinery, mines, factories etc. are the key productive factors and these are owned and controlled by capitalists (...as distinct from being owned by all members of society, which is the focal idea in varieties of socialism), the "forces" of production and the "relations" of production. Marx saw the relation between these two factors as the main determinant of the type of society existing and of social change (Marx, 1963).

To relate this theory to this study, Nigerian economy remain clientele economic as its serves the economic interest of the west. The country has enormous resources which if independently managed and exploited by indigenous firms will translate to a searching meaningful development. But with the capitalist agenda of economic liberalization, privatization and deregulation in form of globalization, the country economic fortunes were tied to the western economic agenda. Nigeria oil boom is now oil doom as capital or profit made from Nigerian oil exploration by western exploiters are further invested in the centre at the detriment of metropolitan.

Globalization and the Challenges of Economic Development in Africa: How Nigeria is fared

Globalization is a very uneven process with unequal distribution of its benefits and losses. This imbalance leads to polarization between the developed countries that gain, and the developing countries that lose out (Obadan, 2001). In this regard, the place of Nigeria in the globalization agenda requires some in-depth study. As argued by Nguigi thus:

…the very fact that what common sense dictates in the literary practice of other culture is questioned in an African writer is a measure of how far imperialism has distorted the view of African realities. It has turned reality upside down: The abnormal is viewed as normal and the normal is viewed and abnormal. Africa actually enriches Europe; but Africa is made to believe that it needs Europe to rescue it from poverty. Africa’s natural and human resources continue to develop Europe and America; but Africa is made to feel grateful for aid from the same quarters that still sit on the back of the continent. African even produces intellectuals who now rationalize this upside-down way of looking at Africa… Unfortunately, some African intellectuals have fallen victims- a few incurably so- to that scheme and they are unable to see the divide-and-rule… (Ngugi, 1986).
This critical position by Ngugi exposed the fallacy behind rationalization of economic hegemony by the west through globalization. This indicates that globalization is nothing but a forge global economic agenda by western imperialist to keep developing world in perpetual economic subjugation.

A key issue in economic literature today is the effect of globalization on inequality and poverty. For instance, Dollar and Kraay (2004) examined the effects of globalization on the poor in the developing countries. They observed that over half of the developing world that lives in globalizing economies has seen large increases in trade and significant declines in tariffs. These countries are found catching up with the rich countries while the rest of the developing world is falling farther behind. They also found that the increase in economic growth rates leads on average to proportionate increases in incomes of the poor. The evidence from individual cases and cross-country analysis supports the view that globalization leads to faster growth and poverty reduction in poor countries.

Because of the precarious position Africa continent in general and Nigeria in particular as evidence by their peripheral contribution, they are left with little or no option than to accept the side effects. To substantiate this claim, it is evidence that the West has a self-serving interest in advancing the cause of liberalization of trade, finance and technology. Increasingly, the agents of globalization e.g. The World Bank, the International Monetary Fund, the World Trade Organization and the Multinational Corporations (MNCs) are putting pressures (through covert and overt means) on the government of Nigeria to accept policies that best serve the neo-liberal agenda. Joseph Stiglitz a former Chief Economist of the World Bank reinforced this view when he states:

The critics of globalization accuse the Western countries of hypocrisy, and the critics are right. The Western countries have pushed poor countries to eliminate trade barriers, but kept up their own barriers, preventing developing countries and so depriving them of desperately needed export income… the West has driven the globalization agenda, ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world. It was not just that the more advanced industrial countries declined to open up their markets to the goods of the developing countries for instance, keeping their quotas on a multitude of goods from textiles to sugar-while insisting that those countries open up their markets from goods of the wealthier countries; it was not just that the more advanced industrial countries continued to subsidize agriculture; making it difficult for the developing countries to compete while insisting that the developing countries eliminate their subsides on industrial goods. The result was that some of the poorest countries in the world were actually made worse off (Stiglitz 2002, p.6)

From all indications ranging from Neoliberal scholars to Neoliberal politicians and IMF etc, the success of globalization is premised on the important factors like privatization and commercialization, de-regulations, trade and financial liberalization. While responsibility for global economic reform is ceded to the International Monetary Fund and the International Bank for Reconstruction and Development (IMF/World Bank), the policies of these agents of globalization, controlled by the highly industrialized countries, have failed to narrow the gap between the richest 20 per cent of humanity and the poorest 20 per cent, which doubled between 1950 and 2000 (O’ Rourke, 2002). Free trade and market forces, canvassed by globalization, are not closing this gap. Instead, they have contributed to widening it because after the Tokyo and Uruguay Rounds of trade liberalization in the 1980s and 1990s, the developing countries have ended up with 3 per cent more trade deficits and 2 per cent less economic growth in 2000 in comparison with the 1970s (Erb-Leoncarallo, 2000). The economic internationalization process while not removing national sovereignty subordinates domestic economies to global market conditions (Kwanashie, 1998). The transmission of shocks this entails can
alter the prospects of growth particularly in uncompetitive economies. In this respect, the economic fortunes of developing countries are hostage to the forces of globalization. The East Asian financial crisis of 1997/1998 testifies to this assertion as the contagion, which followed affected the growth of many of them (UNCTAD, 1999).

**Foreign Direct Investment: Opportunities or Economic Curse for Nigeria?**

Africa is seen by global economic investors as a fertile ground for economic productivity and profit acquisition. This is because Africa is the source of raw material for many industrial goods and potential market for consumption of finished products. Foreign investors thus has for many years in the past intensify efforts to boost their investment in Africa hence developing countries of Africa see foreign investment as a strong yardstick for domestic economy development. As argued by (Ayanwale, 2007), in the last two decades, foreign direct investment (FDI) flows have grown rapidly all over the world. This is because many developing countries see FDI as an important element in their strategy for economic development. The wind of privatization rocking the Africa countries has become the cheap avenue for foreign investor to control a large stalk of economy in Africa. For instance, (Kyaw, 2003) opined that Mergers and acquisitions including private- to-private transactions as well as acquisitions through privatization, which increased significantly in developing countries became an increasingly important vehicle for FDI.

The anti-globalists view globalization as controlling and influencing force used by overseas corporations to dominate international trade. This criticism has given rise to theories such as Dependency Theory and Neo Colonialism. It is viewed as means of keeping developing countries perpetually dependent. In fact, the selling off of state owned industry in order to qualify for IMF and World Bank loans and the increasing dominance of Western corporate culture across the globe has come to symbolize globalization for its critics (Felix, 2016).

However, not most scholars agreed that globalization is evil. According to globalists, globalization is the only true way to beat poverty. They argued that foreign direct investment will help developing nations to industrialize, create jobs, and acquire manufacturing skills. According to the Chancellor of the Federal Republic of Germany (2007) globalization presented huge opportunities for emerging economies by bringing jobs and business opportunities to areas which would have otherwise struggled economically (Jelilov, Gylych; Chidigo, Mary; Onder, Evren, 2016).

FDI inflows to Nigeria amounted to 588 million dollars in 1990. This rose to 1,079 million dollars in 1995, but declined to 930 million dollars in 2000 (UNCTAD, 2002b). Worldwide FDI in 2001 were 823.8 billion dollars and Nigeria attracted only 1.1 billion dollars or 0.13 per cent of that amount. Although global FDI declined to 651.2 billion dollars in 2002, Nigeria increased her share to 0.19 per cent of such investments as she attracted 1.3 billion dollars of FDI that year (UNCTAD, 2003b). However, that share is meager and it is explained by the peripheral position of the country in the financial and profit calculations of industrialized nations and the country’s marginalized status within the orbit of modern capitalism (Felix, 2016).

At the moment, the role of Nigeria in the global economy has been the exporter of raw materials, especially crude oil, and importer of finished goods from the West. In this connection, Stewart (2002) maintained that the need of developed nations to sustain the import capacity of peripheral economies in order to facilitate continued production and maximize profits at the centre explained why in the periphery countries raw material exports are encouraged. In that event, foreign exchange receipts were low, which made external loan contraction inevitable for social and economic development. Nigeria is no exception to this rule. But then, contracted debts due for repayment, which the country cannot actually pay, are only being reprogrammed, not written off because their continued servicing helps to maintain financial stability at the centre (Stewart 2002).
The movers of globalization are multinationals or transnational corporations what Hirst and
Thompson (1996) described as internationalization, that is, ‘interactions between predominantly
national economics as a result of integrated global market’ (cited in Held, et al., 1999, 5). The
consequence of this is the continuous economic marginalization of many Third World states as trader
and investment flows within the rich-North intensify to the exclusion of much of the rest of the globe.
The economy inequality, notion of cultural homogenization, a global culture, global taste, global
governance, and economic internationalization are 'as primarily Western protects” (Samuel, 2012).

Though many scholars are apologist of globalization in Africa and its economic gains to country like
Nigeria, their proposition cannot have any test of time in contemporary realities because globalization
has completely turned Nigeria into source of raw materials and market for selling the finished
products from industrial countries. In fact, even ordinary tooth pick is imported to Nigeria. This is a
great economic misfortune. The deleterious consequences of these trends especially, the activities of
Foreign Direct Investment was that profit made from third world countries like Nigeria are not often
re-invested but were repatriates back to their countries to boost their industrial development at the
detriment of indigenous economic development

Conclusion

This paper argued that incorporation of third World countries into the global capitalist economy was
characterized by both economic fortunes and frustrations on the part of the third Worlds. However,
analysis from various quarters indicated that globalization benefits are not evenly distributed across
the African region in general and Nigeria in particular. The country still serves as importer of finished
goods and exporter of raw material thus making the country as the market in the global completive
economy. The paper further found that globalisation has exacerbated Africa's States dependency in
the international economic system and by extension worsening the economic conditions of their
people.

Recommendations

1. For Africa in general and Nigeria in particular to move from shackle of exploitation in the
   name globalization, the country must be assertive or aggressive with the following
   recommendations; firstly, Nigeria must move away from monolithic economy for it to survive
   in the choking field of globalization. This is to avoid the vagaries of changing fortunes of a
   commodity like oil. Fortunately, there are abundant natural resources in Nigeria, and these
   should be tapped for national development.

2. Secondly, it should be a constitutional provision for Nigeria to sell only processed goods to
   other countries. This will add value to the products and ensure competitiveness in the global
   market place.

3. Thirdly, there should be tacit control of the activities of Multi-national Corporation to
   checkmate their penchant for flouting state laws especially in employment, developing local
   workplace and neglect of the environment.

4. Fourthly, Nigeria if possible should trade with countries that are ready to buy their own
   products or help them develop their natural resources for export, or help them develop their
   infrastructure.

5. Lastly, there should be integrated regional co-operation. For instance, countries within the
   same regions should be made to trade among themselves and exchange ideas on agriculture,
   education and other social services.
While taking these recommendations with seriousness, African States including Nigeria should step-up to revival their legal institutions by strengthening them to have capacity to tame flaws which hitherto are inherent in socio-economic and political processes. This is because it is very difficult across all regions and climes for any country to make social progress where there is absence of rule of law.

References


