Globalisation and Economic Growth: The Nigerian Experience

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Abstract
International contacts and exchanges are not a new phenomenon. It started from the time of the Mercantilists who were popular from the sixteenth to the middle of the eighteenth century. They traversed the whole world looking for precious metals, in the process partitioned and colonized all parts of the world. Hence, globalization dates back to human history. This was carried out in the form of trade, exchanges, inter country movements, travels and migration. This paper uses descriptive research method to analyze the impact of globalization on economic growth in Nigeria in terms of trade and capital flows. The Nigerian economy was integrated into the global economy before independence. But unfortunately the benefit of globalization did not trickled down to the Nigerian economy as proposed by its proponents. This paper is of the view that increased trade and capital flows engendered by globalization can enhance the country's growth performance. However, if Nigeria is to benefit from the global integration, 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, as well as promote rapid economic growth and achieve substantial poverty reduction.
Keywords: Impact of globalization, economic growth, trade and capital flows, poverty reduction.

1. Introduction

International contacts and exchanges are not a new phenomenon. It started from the time of the Mercantilists who were popular from the sixteenth to the middle of the eighteenth century. They traversed the whole world looking for precious metals, in the process partitioned and colonized all parts of the world. Even in the Classical era, exchange of goods and services was promoted through the law of comparative advantage. This was made possible by the existence of comparative advantage, that is, a situation in which one country has a comparative cost advantage in the production of one commodity over another country. In addition, in the twentieth century, the Neo classicists also saw the possibility of trade and exchanges among countries. This was made possible because various countries were endowed with different proportions of factors of production. Therefore, countries were encouraged to produce and exports commodities in which they have abundant supply of factors of production. Hence, globalization dates back to human history. This was carried out in the form of trade, exchanges; inter country movements, travels and migration. The world economy has become highly dynamic and has acquired an unprecedented growth potential. Developments in technology, financial, information technology and other fields have created vast opportunities for generating economic growth and benefits.

Globalization of national economies is the opposite of their isolation from each other. The term stands for some form of a common arrangement, for instance, unified or co-ordinated, legal, institutional framework within which their decision-making is to take place. This paper uses descriptive research method to analyze the impact of globalization on economic growth in Nigeria in terms of trade and capital flows. The rest of the paper is organized as follows. Section two discusses the conceptual and theoretical framework, that is, the concepts of globalization and economic growth. Section three accesses the impact of globalization on economic growth in Nigeria. In section four, the analysis of the constraints faced by Nigeria in its efforts to full global integration is examined. Section five accesses Nigeria's chances of benefiting from its active participation in the global economy and concluding remarks is the focus of section six.

2. Conceptual and Theoretical Framework

Many authors have defined globalization in various ways, depending on their professional background without having a universally accepted definition. According to UNDP (2001:2), globalization can be defined as a multi-dimensional process of unprecedented rapid and revolutionary growth in the extensiveness and intensity of inter-connections on a purely global scale. This manifest itself in various forms such as the globalization of democracy; global ideological shift; global technological revolution particularly through information and communication technologies; globalization of culture and the environment, and above all, globalization of the economy.

In Jike (2003), he defines globalization to be the result of the constriction of time and space in the exchange of goods and services between countries. This narrows the transactional space and increases the intensity of commercial interactions between countries. According to him, Africa has become a subservient

partner in this global exchange relationship. Globalization, like all the preceding ideologically conditioned concepts of the West connotes unequal relationship between the developed and developing world. It is an exchange relationship that has very painful consequences for every social spectrum of contemporary African society.

Yashin, (2000 in Igudia, 2003) defines globalization as an economic revolution of the new millennium in which the world is shrinking into a global village in part by advances in information and communication technology (ICT). Capital globalization to him, has been responsible for the integration of national systems of production and finance whose enhanced mobility ensures that borrowers such as governments and private entities compete with each other for capital in global rather than national market.

From the financial perspectives, Schmukler and Zoido – Lobaton (2001 in Igudia, 2003) define globalization as the integration of country's local financial system with those of the international financial markets and institutions. The integration, they observe, can only be achieved if governments would liberalize their domestic financial sector and control account. The same argument was put forward by Delbruck (1993) when he opines that globalization is a process of denationalization of clusters of economic, political and social activities to allow for free flow of capital, political ideologies and cultural rejuvenation across national boundaries. While this definition is clear and instructive, the matter arising is whether this free flow of capital, political ideology and culture have the tendency to move from the developing to the developed countries rather than the other way round.

Although globalization is multi-dimensional, the economic aspect, namely, economic globalization, is perceived by Obadan and Obioma (1999) to be at the heart of the process, and has tended to receive greater attention in view of its rapid pace over the past six decades. As noted by the two researchers, globalization refers to the growing international integration of markets for goods, services and capital, and is the process of exchange towards greater international economic integration through trade, financial flows, exchange of technology and information, and movement of people.

The elements of the process of globalization are the interconnection of sovereign nations through trade and capital flows, harmonization of the economic rules that govern the relationship between these sovereign nations, creating structures to support and facilitate dependence, and interconnection and creation of a global market place. Yet another perspective of globalization goes beyond the economic sphere. The opening, which the information technology has created, impacts on almost all aspects of human life such as culture, religion and values are all affected as people all over the world are exposed, more than ever before, to different and alternative views.

Many features of globalization have inspired growth and prosperity and expanded opportunities for millions of people all over the world. At the same time, it has its attendant adverse effects, especially on the weaker economies. It has improved opportunities for some countries but weakened prospects for others, and exacerbated disparities among the growth prospects of nations.

The liberalization of trade and capital flows has been a leading premise for the further integration of developing countries and economies in transition into the global economy during the last three decades. Consequently, nearly all countries at all levels of development have taken steps to remove encumbrances that limit cross-border transactions. They have also given market mechanisms free hand internally and restructure institutional frameworks, including labour and financial markets and taxation systems, to enable market forces play the leading role. This has come about partly as a result of concerted multi-lateral efforts through various General Agreement on Trade and Tariff (GATT) rounds and, subsequently, the Word Trade Organization (WTO), and partly as a result of a shift in the philosophy underlying economic policy, which has favoured economic liberalization.

Economic growth on the other hand, is related to a quantitative sustained increase in the countries per capita output or income accompanied by expansion in its labour force, consumption, capital and volume of trade. It also involves not only more output derived from greater amount of inputs but also greater efficiency, that is, an increase in output per unit of input.

Todaro, Smith (2004), defines economic growth in terms of three components. These are: (a) capital accumulation, including all new investments in land, physical equipment, and human resources through improvements in health, education and job skills. It results when some proportion of present income is saved and invested in order to augment future output and income. New factories, machinery, equipment and materials increase the physical capital stock of a nation, the total net real value of all physically productive capital goods and make it possible for expanded output levels to be achieved. (b) Growth in population and hence eventual growth in the labour force. Population growth, and the associated eventual increase in the labour force, has traditionally been considered a positive factor in stimulating economic growth. A larger labour force means more productive workers, when the labour force is employed, and a large overall population increases the potential size of domestic markets. (c) Technological progress. In its simplest form, technological progress results from new and improved ways of accomplishing traditional tasks such as growing crops, making clothing, or building a

house. Therefore, the source of economic growth can be traced to a variety of factors, but by and large, investments that improve the quality of existing physical and human resources, that increase the quantity of these same productive resources, and raise the productivity of all or specific resources through invention, innovation, and technological progress have been the primary factors in stimulating economic growth in any society.

From the above, it is clear that globalization and economic growth are related at least theoretically. Globalization is often associated with less restrictive trade regimes resulting in more openness of the economy with the attendant increases in the volume of trade. These higher level of openness or increases in openness suggests better economic performance.

2.1 *Trade and Growth Linkages*

There is a two interaction between international trade and economic growth of a country. They can help or hinder each other. Bhatia (2005), opined that international trade has the potential of being an additional source of income and economic growth of a country. It can also be a source of a decline in its real income. Growth of an open economy by its very nature, creates additional opportunities for trade and trade, in turn can be an aid to economic growth, so much so that some countries have succeeded in having an export-led growth.

Three theories can be used to explain the effect of trade on growth. Firstly, in Bhatia (2005), factor endowment, growth and trade theory, he asserts that, if there is a change in the factor endowment of a country such that there is an increase in the endowment of one factor with constant supply of the other, it will result in more than a proportionate increase in the production of that commodity which uses the increased factor intensively and a reduction in the output of that product which uses the other factor intensively. This shift in this production pattern of the country may in turn influence its international trade also. Thus for instance, if in the labour-abundant country, there is an increase in the endowment of labour, with no change in the endowment of capital, then there will be a more than proportionate increase in the production of labour-intensive commodity X and a reduction in the production of capital intensive commodity Y.

Furthermore, Bhatia (2005), noted that throughout history technical progress has played a crucial role in stimulating economic growth. It adds to the productive capacity of an economy. Its production possibility curve moves outwards and widens the scope for its international trade. Technical progress is therefore, the adoption of those techniques of production by which resource cost per unit of output comes down. These techniques are adopted only if it is more profitable to do so.

In addition, Bartia (2005) also asserts that, growth adds to the production potential of a country. This in turn, is deeply influenced by the nature of its factor endowment and the type of technical progress which caused the growth. In addition, the path of growth and its impact on trade are deeply influenced by (a) the input needs of the production activities, (b) the tastes and preference of consumers who themselves are partially influenced by the effect of growth on income distribution, and (c) the economic and trade polices pursued by the authorities.

However, several factors affect the ability of the developing counties to benefit from trade. First is the nature of the product in which a country has comparative advantage. This is largely determined by the country’s factor endowment. Not all products have the same potential for promoting growth. Primary agricultural products have less growth potential than manufactures. There is less scope for innovation, product diversification and scale economies in the production of agricultural commodities and in natural resource extraction than there is in manufactures. Thus, for countries or regions whose comparative advantage lies in primary products, specialization may fail to promote growth, especially in the long-run (Grossman and Helpman 1994). This is the kind of dilemma facing most developing countries.

2.1.1 *Foreign Capital Flows and Economic growth*

Economic growth results from accumulation of factors of production or from improvements in technology or both. Economic theory provides two approaches to studying the link between foreign capital flows and economic growth of the host countries. The first approach is rooted in the standard theory of international trade and dates back to Macdougall (1960). It involves a partial equilibrium comparative static approach put in place to examine how marginal increments in investment from abroad are distributed. From this approach it is believed that inflows of foreign capital, whether in the form of foreign private investment or portfolio capital will raise the marginal product and reduce the marginal product of capital in the host country.

The second approach departs from trade theory to the theory of industrial organization and was pioneered by Hymer (1960). Other contributors include Kindleberger (1969), Vernon (1966), Caves (1971), Dunning (1973) and Buckley and Casson (1976). This approach begins with an examination of why firms undertake investment abroad to produce the same goods they produce at home. Kindleberger (1969) argued that for direct investment to thrive, there must be some imperfections in markets for goods and factors, including technology, or some interference in competition by government or by firms, which separates markets. This being so, to be able to invest in production in foreign markets, firms must posses some assets, for example, product and process technology or management and marketing skills that can be used profitably in the foreign affiliates.

Firms investing abroad therefore represent something more than a simple import of capital into a host country to include diffusion of technology and knowledge as well as impacting on market structure and competition in host economies. This sums up the indirect effects of foreign capital inflows.

From the foregoing, it is obvious that foreign capital flows is not only a source of finance and employment. It is certainly a medium for acquiring skills, technology, organizational and managerial practices and access to markets. Thus, it is expected to exert a positive impact on growth in the host country through the sum of direct and indirect effects of capital inflows along with technology transfer.

Although economic theory suggest that foreign capital flows has a beneficial impact on developing host countries, a number of studies have equally observed some potential risks associated with foreign capital inflows. For example, Hausmann and Fernandez-Arias (2000) connect a high share of foreign capital flows especially capital inflows to a sign of a host country's weakness rather than strength. They observe that the share of foreign capital flows is higher in riskier countries with risk measured by countries credit rating for government debt.

It is obvious that there is no consensus yet in the literature regarding the growth or welfare effect of foreign capital inflows, particularly in the host economies. It is indeed worthy to mention that many studies of African economies show that the impact of foreign capital inflows is limited or even negative sometimes. In studies of a country such as Cote d' Ivoire (Mansini, 1971) or Nigeria (Onimode, 1983) where foreign capital inflows were directed to import substituting firms, the value of import was observed to be greater than the value added produced. This type of foreign capital inflows would have given rise to a twofold foreign exchange cost; outflows of investment income and the cost of imported inputs.

Several factors affect the ability of a country to successfully attract capital and foreign direct investment flows. Capital usually flows to places with the highest returns, which is in turn determined by a country's growth prospects. Other important requirements are stable and predictable economic and political environment, good governance and sound macro-economic policies, well-developed financial markets, transparent laws, fair competition and reliable legal systems (Usman 1999, DFID 2000, Ajayi 2001). Where these factors are lacking, capital flows are unlikely to accrue to such a region. This suggests that there is need for developing countries like Nigeria to exercise caution with respect to financial market integration.

3. **The Impact of Globalization on Economic Growth in Nigeria**

Before independence on 1st October 1960, the British had already integrated Nigeria into the world capitalist system as exporters of raw materials and importers of finished and capital goods. After independence, this trend continued. The country had political independence but economically she had to depend on Britain and other industrialized countries for technology, modernization, development strategies etc. The industrialized countries needed markets for their exports while Nigeria needed to import consumables, capital goods and access to technology.

Between 1981 and 1985, the Nigerian economy experienced serious depression which was caused by the glut in the world oil market and which led to a sharp decline in Nigeria's oil export earning, (Ejiawoko, 1990). With the decline in foreign exchange earnings, importation of raw materials and other inputs for the industrial sector had to be curtailed. Balance of payments and the nation's external reserves came under heavy pressures. Government policy was mainly focused on the objective of economic stabilization. Hence, Nigeria adopted various development strategies over time. Between the early 1960s and the mid 1980, import-substitution industrialization strategy reigned in Nigeria. During the period, macro-economic policies particularly trade policy was designed to make the country inward-looking. Other domestic policies were also designed to fall in line with and hence, promote this industrialization strategy. The emergence of macroeconomic crises in the mid 1980s led to a reconsideration of the effectiveness of import-substitution industrialization as a strategy to promote growth and development in Nigeria.

It was against the above background that Structural Adjustment Programme (SAP) was adopted in Nigeria in 1986. The SAP policy package explicitly recognized outward-oriented as a more effective growth enhancing strategy for Nigeria. Thus, the SAP policy package includes trade liberalization, market-orientation exchange rate regime, privatization and commercialization. Emphases were on diversification of the productive and export base of the economy from oil to non-oil products. Thus, various incentives were granted to encourage non-oil export production, especially manufacturing activities. Some agencies were set up to promote export and investment. It should be noted that the macro-economic objective of SAP has not been achieved in Nigeria. Thus, both the productive and export base of the economy were not diversified as oil still remains the engine of growth while the structure of output remains dominated by primary products.

The external balance continued to remain at disarray despite the devaluation of the domestic currency. The SAP appeared to have intensified speculative and trading activities rather than production. The proliferation of Merchant Banks, de-regulation of interest rates, privatization of the economy and the new industrial policy did not bring in the needed foreign direct investment.

From the foregoing, it is obvious that the Nigerian Economy was integrated into the global economy before independence. But unfortunately the benefit of globalization does not trickle down to the Nigerian economy as proposed by its proponents.

Table 1 shows that Nigerian foreign trade on non-oil products throughout the period, 1970-2011 has shown an unimpressive performance. Several factors have accounted for this unimpressive performance. First, is the nature of the product in which Nigeria has comparative advantage. This is largely determined by the geographical characteristics of the country in terms of its relative factor endowments. Nigeria has a comparative advantage in the production of labour intensive primary agricultural products which has less competitive demand in the developed countries.

Moreover, the more developed countries are erecting a tariff barrier against the entry of primary agricultural products from developing countries into their country.

Furthermore, Nigeria do not have the technology and capital needed in the production of manufactured goods that could be exported abroad. It is only trade in oil that favours Nigeria where the more developed countries derived more benefits because without oil their economy can cripple. Therefore, the table has shown that during the pre-SAP era and post-SAP era net non-oil foreign trade is showing a negative sign.

Free trade, especially in agricultural produce is one area that has not worked well for Nigeria. Statistics show that the contribution of agriculture, forestry and fishing as a percentage of the total foreign private investment fell from 3.3 points in 1980 to 1.1 points in 1988. Furthermore, it fell from 0.8 point in 1999 to 0.5 in 2008. The same argument is true for the transport and communication sector. In 1979, it was 1.9 points, but it fell to 0.5 point in 1999. The decrease has been manifested more during the post-SAP period than the pre-SAP period (see table 2). Therefore, the argument that the opening up of the Nigerian economy to the world in the form of liberalization has not produced any meaningful result to the productive and growth-driven sectors such as telecommunication, agriculture and the real sectors (manufacturing)

Table 1: Foreign Trade (in million)

1 Year	2 Import		3 Exports		4 Net non-oil Trade
	Oil	Non-Oil	Oil	Non-Oil	
1970	52.2	704.2	510.0	375.4	- 328.8
1971	50.4	1028.5	953.0	340.4	- 688.1
1972	45.2	944.9	1176.2	258.0	- 686.9
1973	41.0	1183.8	1893.5	384.9	- 798.9
1974	52.4	1684.9	5365.7	429.1	- 1255.8
1975	118.0	3603.5	4563.1	362.4	- 3241.1
1976	95.0	5053.5	6321.6	429.5	- 4624.0
1977	102.2	6991.5	7072.8	557.9	- 6433.6
1978	110.0	8101.7	5401.6	662.8	- 7438.9
1979	230.0	7242.5	10166.8	670.0	- 6572.5
1980	227.4	8868.2	13632.3	554.4	- 8313.8
1981	119.8	12719.8	10680.5	342.8	- 12377.0
1982	225.5	10545.0	8003.2	203.2	- 10341.8
1983	171.6	8732.1	7201.2	301.3	- 8430.8
1984	282.4	6895.9	8840.6	247.4	- 6648.5
1985	51.8	7010.8	11223.7	497.1	- 6513.7
1986	913.9	5069.7	8368.5	552.1	- 4517.6
1987	3170.1	14691.6	28208.6	2152.0	- 12539.6
1988	3803.1	17642.6	28435.4	2757.4	- 14885.2
1989	4671.6	26188.6	55016.8	2954.4	- 23234.2
1990	6073.1	39644.8	106626.5	3259.6	- 36385.2
1991	7772.2	81716.0	116858.1	4677.3	- 77038.7
1992	19561.5	123589.7	201383.9	4227.8	- 119361.9
1993	41136.1	124493.3	213778.8	4991.3	- 119502.0
1994	42349.6	120439.2	200710.2	5349.0	- 115090.2
1995	155825.9	599301.8	921565.3	23096.1	- 576205.7
1996	162178.7	400447.9	1286215.9	23327.5	- 377120.4
1997	166902.5	678814.1	1212499.4	29163.3	- 649650.8
1998	175854.2	661564.5	717786.5	34070.2	- 627494.3
1999	211661.8	650853.9	1169476.9	19492.9	- 631361.0
2000	220817.7	764204.7	1920900.4	24822.9	- 739381.8
2001	237106.8	1121073.5	1839945.3	28008.6	- 1093064.9
2002	361710.0	1150985.3	1649445.8	94731.8	- 1056253.5
2003	398922.3	1681313.0	2993110.0	94776.4	- 1586536.6
2004	318114.7	1668930.6	4489472.2	113309.4	- 1555621.2
2005	805352.5	2987468.7	6266096.6	105955.8	- 2881512.9
2006	941916.3	3354800.1	5619152.9	133594.9	- 3221205.2
2007	1007533.07	4282291.3	7956290.9	169709.7	- 4112581.6
2008	1319435.60	3929019.7	9659772.6	247,839.0	- 3681180.7
2009	1063544.8	3958617.8	8543261.2	289152.6	- 3669465.2
2010	1,756,724.6	5,857,715.8	10,157,328.2	397,816.5	-5,459,899.3
2011	3,042,785.4	7,194,990.2	12,674,134.8	485,243.6	-6,709,746.6

Note: The author computed column 4

Source: CBN statistical Bulletin Volumes 18, December, 2007, 2009 and 2012.

Table 2: Cumulative Foreign Private Investment in Nigeria by Type of Activity 1970-2011

YEAR	Mining & Quarrying (% of total FDI)	Manufacturing & processing (% of Total FDI)	Agriculture forestry & fisheries (% of Total FDI)	Transport & communication (% of Total FDI)	Building& construction (% of Total FDI)	Trading & Business Services (% of Total FDI)	Miscellaneous services (% of Total FDI)	Overall Total %
1970	51.4	22.4	1.1	1.4	1.4	20.6	1.8	100
1971	52.5	28.6	1.2	0.9	1.2	14.2	1.5	100
1972	54.7	22.7	0.6	0.8	2.2	15.4	3.6	100
1973	52.5	23.2	0.4	0.7	2.6	16.7	4.0	100
1974	45.1	28.7	1.1	1.2	3.5	17.7	2.5	100
1975	41.9	22.1	0.8	1.0	4.9	25.0	4.2	100
1976	39.3	23.5	0.9	0.7	5.2	26.7	3.6	100
1977	43.1	27.8	3.0	1.2	4.8	14.4	5.7	100
1978	14.7	44.1	4.1	1.9	7.8	18.2	9.0	100
1979	14.8	44.5	3.8	1.9	9.3	17.5	8.2	100
1980	18.7	41.5	3.3	1.7	8.5	19.1	7.0	100
1981	14.0	45.4	3.2	1.6	8.7	20.4	6.7	100
1982	18.1	35.7	2.2	1.3	7.8	27.6	7.3	100
1983	8.6	35.8	2.1	1.3	7.5	38.2	6.5	100
1984	10.9	32.9	2.0	1.3	6.8	40.9	5.2	100
1985	10.9	33.5	1.9	1.3	6.7	39.7	6.2	100
1986	27.0	30.2	1.4	0.9	5.4	29.6	5.7	100
1987	22.6	31.2	1.2	0.8	4.6	34.0	5.6	100
1988	30.0	32.1	1.1	1.4	4.3	27.6	3.4	100
1989	5.8	49.6	1.2	1.5	4.4	32.1	5.4	100
1990	10.5	60.7	3.2	2.3	7.1	16.4	-0.2	100
1991	6.6	71.0	3.1	3.0	12.0	11.9	5.6	100
1992	31.3	47.5	1.9	1.9	6.9	7.2	3.3	100
1993	14.5	19.3	1.8	0.8	0.1	2.8	33.9	100
1994	37.7	19.9	1.7	0.6	2.4	3.2	34.5	100
1995	47.5	23.2	1.0	0.3	1.3	2.5	24.2	100
1996	46.3	24.3	1.0	0.4	1.5	3.0	23.5	100
1997	46.2	24.4	0.9	0.5	1.0	2.8	24.2	100
1998	39.3	22.6	0.8	0.5	2.6	6.9	27.4	100
1999	38.2	23.5	0.8	0.5	2.6	7.1	27.3	100
2000	38.5	23.7	0.8	0.5	2.5	7.1	26.8	100
2001	38.3	23.5	0.7	0.6	2.6	7.4	27.0	100
2002	37.0	24.0	0.7	1.0	2.6	7.4	27.3	100
2003	34.6	25.6	0.7	1.6	2.5	8.1	27.5	100
2004	24.9	41.3	0.5	1.7	2.1	8.1	21.5	100
2005	24.8	41.1	0.5	1.7	2.1	8.1	21.4	100
2006	22.0	44.2	0.0	1.7	2.2	8.6	21.4	100
2007	23.9	39.7	0.2	1.9	2.1	8.6	23.6	100
2008	23.0	39.0	0.5	2.0	2.5	8.0	25.0	100
2009	19.4	39.5	0.6	3.0	2.0	7.5	28.0	100
2010	na	na	na	na	na	na	na	na
2011	na	na	na	na	na	na	na	na

Source: Igudia, P. (2003); CBN Statistical Bulletin Volumes 18, December, 2007 and 2009.

NA: Not available as compared to the mining and quarrying (primary) sector and trading and service sector of the Nigerian economy through foreign direct investment (Igudia, 2003).

One of the conditionalities of the World Bank and IMF to nations who seek assistance from them has always been not to offer subsidies to the potentially productive and technologically driven sectors of the economy. Here in Nigeria, the IMF/World Bank for-bade the government from granting subsidies for the products of the petroleum industry and agriculture. According to Igudia (2003), while American farmers enjoy between 15-25 percent subsidies from the American government, the Nigerian farmers can only boast of government sponsored fertilizers that do not always reach them because of the insincerity in the distribution network. The same is true for the oil industry, Nigerians have on several occasions been unnecessarily reminded that the prices of petroleum products in Nigeria are the cheapest in the world, hence the systematic and consistent removal of the so-called subsidy on these products especially since 1986 when SAP was introduced and more rapidly since 1999 (see table 3). Today, millions of barrels of refined petroleum products are being imported into Nigeria on daily basis to fuel our cars and industrial machinery.

From 1986 when SAP was introduced with the deregulation of the exchange rate regime, the value of the naira plummeted exchanging at ₦ 4.60 to US$1.00 as against the earlier first-tier exchange rate of ₦1.60 to the US$1.00. The depreciation continued at an unavoidable speed. Thus, by December 2000, the Naira officially exchanged at ₦106.72 to the US$1.00. Currently 2012, about ₦158.00 exchange for US$1.00 (see

table 4). What all these led to according to Aibokhan (1989 in Igudia, 2003), was an apparent high cost of domestic production, particularly for import dependent sectors and imported consumer goods. Expectedly, the price of industrial raw materials, agricultural inputs, transports and construction equipment which generally are not produced here had to rise thereby leading to increases in the costs of industrial and agricultural production, transportation and construction.

FDI flows in Nigeria increases marginally in absolute terms but downwardly in real terms relative to the GDP. The ratio of FDI to GDP has consistently been declining since 1986 from the 1970 figure of 19.3 to 12.9 percent in 1986 and a further decline to 9.4 percent in 1985. It further fell to 4.5 percent in 1996 and 1997, respectively (see column 7 in table 4). FDI flows in the economy have been in the petroleum sector of the economy rather than agriculture and manufacturing sectors that have the potential of bringing about technological revolution in industrial production and telecommunications that have made the world a global village. All these have made Nigeria the least developed nations of the world despite her position as the sixth largest producer of crude oil in the world.

4. **Constraints Faced by Nigeria in her Efforts to Full Global Integration**

It is one thing to be convinced of the potential advantages of globalization and another to achieve it in practice. It is because short-term objectives, non-economic compulsions and vested interests etc, often out weight economic reasoning.

In Nigeria the existing structure of the economy is extremely heterogeneous and complete globalization is a distant dream. Globalization involves extensive restructuring of the domestic economy such as diversification of output and exports production, improvement in the quality of output, increase in domestic savings and investment potential and removal of bottlenecks in macroeconomic policies. These constraints have not been adequately addressed by the government.

In international trade, the arguments is that exports must pay for imports, in other words, revenue obtained from the export trade should be more than the revenue lost through import liberalization. The issue now is that, given the above argument, what is the situation of the Nigerian's trade?

Table 3: Official Pump Prices of some Petroleum Products between 1989 and 2012 (₦ / Litre)

YEAR	PMS (PETROL)	KEROSENE (HOUSE HOLD)	AGO (DIESEL)
1989	0.6	0.15	0.35
1990	0.6	0.4	0.5
1991	0.7	0.5	0.55
1992	0.7	0.5	0.55
1993	3.25	2.75	3.0
1994	11.0	6.0	9.0
1995	11.0	6.0	9.0
1996	11.0	6.0	9.0
1997	11.0	6.0	9.0
1998	20.0	6.0	9.0
1999	20.0	17.0	19.0
2000	22.0	17.0	19.0
2001	22.0	17.0	19.0
2002	26.0	24.0	26.0
2003	34.0	32.0	32.0
2004	42.0	50.0	60.0
2005	63.5	50.0	65.0
2006	63.5	50.0	80.0
2007	69.0	50.0	80.0
2008	69.0	50.0	80.0
2009	65.0	50.0	82.0
2010	65.0	50.0	106.0
2011	65.0	50.0	112.0
2012	97.0	50.0	145.0

Source: Igudia, P. (2003); Nigerian National Petroleum Cooperation (NNPC). 2012

Table 4: Some Performance Indicators 1981-2011

1 Year	2 GDP (N Million)	3 FDI (N Million)	4 Inflation Rate	5 Foreign Exchange Rate (Naira Per Dollar)	6 Non-oil Export (N Million)	7 FDI/GDP %
1981	50456.1	3757.9	20.9	0.61	342.8	7.4
1982	51653.4	5382.8	7.7	0.67	203.2	10.4
1983	56312.9	5949.5	23.2	0.72	301.3	10.6
1984	62474.2	6418.3	39.6	0.76	247.4	10.3
1985	70633.2	6804.0	5.5	0.89	497.1	9.6
1986	71859.0	9313.6	5.4	4.60	552.1	12.9
1987	108183.0	9993.6	10.2	4.0	2152.0	9.2
1988	142618.0	11339.2	38.3	4.5	2757.4	8.0
1989	220200.0	10899.6	40.9	7.4	2954.4	4.9
1990	271908.0	10436.1	7.5	8.0	3259.6	3.8
1991	316670.0	12243.5	13.0	9.9	4677.3	3.9
1992	536305.1	20512.7	44.5	17.3	4227.8	3.8
1993	688136.6	66787.0	57.2	22.1	4991.3	9.7
1994	904004.7	70714.6	57.0	21.9	5349.0	7.8
1995	1934831.0	119391.6	72.8	21.9	23096.1	6.2
1996	2703809.0	122600.9	29.3	21.9	23327.5	4.5
1997	2801972.6	128331.8	8.5	21.9	29163.3	4.6
1998	2721178.4	152409.6	10.0	21.9	34070.2	5.6
1999	3313563.1	154188.6	6.6	92.7	19492.9	4.7
2000	4727522.6	157535.4	6.9	106.72	24822.9	3.3
2001	5374334.8	162343.4	18.9	111.94	28008.6	3.0
2002	6232243.6	166631.6	12.9	120.9	94731.8	2.7
2003	6061700.0	178478.0	14.0	129.4	94776.4	2.9
2004	11411066.9	249220.6	15.0	133.5	113309.4	2.2
2005	15610881.5	269844.7	17.9	132.1	105955.8	1.7
2006	18564594.7	302843.3	12.8	128.7	133594.9	1.6
2007	23280715.0	364008.5	6.1	125.8	169709.7	1.6
2008	24665244.7	49456.7	15.3	130.8	247839.0	0.2
2009	25236056.3	49429.4	14.8	147.6	289152.6	0.7
2010	34494582.7	na	14.7	148.7	397816.5	na
2011	38150765.7	na	10.3	156.2	485243.6	na

Note: The author computed Column 7
Source: Igudia, P. (2003); CBN Statistical Bulletin: Various Issues, December 2007 and 2009
NA: Not Available

It should be stated that experience has shown that it is unlikely that export promotion efforts in Nigeria will yield benefits that will overwhelm looses resulting from import liberalization. This is because of two major reasons. The first reason is the primary nature of Nigeria's export which makes it experience cyclical deterioration of terms of trade. Another reason is the fact that despite efforts at diversifying exports from oil to non-oil, the performance of the latter remains dismal. The major reason adduced for the poor performance of non-oil exports has been its non-competitiveness in the international market. This implies that more efforts and time are needed to achieve competitiveness of Nigeria's non-oil export. Therefore, this suggests that Nigeria can not afford to fully liberalize trade in the face of poor export performance.

Furthermore, another constraint faced by Nigeria in her efforts to full globalization is the insignificant nature of manufactured exports. According to Obadan (2003), manufactured exports have been the key to the effective participation of the countries in East Asia in the globalization process and the spectacular growth rates and poverty reduction levels achieved. Therefore, under globalization, the Nigerian economy need to be diversified by using modern technology to create high-value added goods and services sold to the world market. Nigerian manufacturing has been uncompetitive internationally. The policy environment along with institutional factors have not been favourable to manufactured exports in relation to other types. In other worlds, the national business climate has not promoted a high level of competitiveness of Nigerian exports while many other factors raise transaction costs and inhibit manufactured exports. The high transaction costs are important because they raise the costs of inputs and also increase the firm gate price of output.

In the economy, domestic investment provides a basis for economic growth and poverty reduction. Yet, investment ratios are far lower in Nigeria than in other regions. Under the circumstances of low savings and investment, it is hardly surprising that growth rates have been low, the rate of integration into the world economy slow and the incidence of poverty very high.

Furthermore, as noted by Obadan (2003), Nigeria has had very little access to private capital inflows, in sharp contrast to the experiences of developing countries in Latin America, South East Asia. The economic and business environment/climate in Nigeria has tended to be a deterrent to capital inflow with its characteristic features of high external debt burden, macro-economic instability, inconsistent and conflicting policies, political instability, ethnic conflicts and civil strife, insecurity of lives and property, uncertainty that plaques decision making, weak institutional and physical infrastructure, non-transparent rules and regulations, weak human capital development and poor governance and pervasive corruption.

5. Nigeria's Chances of Benefiting from Active Participation in the Global Economy

If Nigeria is to benefit from the global economic integration, it is important for the country to be prepared to face the challenges of globalization by putting her house in order, and transforming and revitalizing the economy with policies relating to pragmatic liberalization in the context of outward oriented growth. In other words, a number of basic things must be put right for globalization to yield significant benefits to the country. Nigeria requires a fiscal and monetary discipline and macroeconomic stability as a necessary ingredient for sustainable economic growth and development. The average rate of inflation in Nigeria from 1981 to 2000 was 25.25 percent. This was as a result of instability in macroeconomic variables such as wages, interest rates and foreign exchange rates, all of which exert strong influence on investment and resource allocation.

One of the key driving force of globalization is cumulative developments and improvement in information, transport and telecommunications technology. However, for Nigeria to benefit meaningfully from globalization, it must overcome the present situation of low level of technological development. It must pay serious attention to adaptation and adoption of technologies that can enhance the competitiveness of the economy.

Human capital development is critical for the survival of the Nigerian economy and those of other poor countries in the context of globalization. There is, therefore, need to invest heavily in human capital, especially education and health.

Policy makers must give priority to adequate provision and rehabilitation of infrastructure such as electricity, fuel supply, water supply, transportation and telecommunications. These are critical elements which can ensure an enabling environment for private sector-led growth and the development of entrepreneurship.

There is the urgent need to sincerely fight official corruption among elected government officials and government appointees to a standstill in Nigeria. Corruption has become endemic in Nigeria particularly among government officials who use their official positions to corruptly enrich themselves through over invoicing of contract sum and outright stealing of public funds, which in most cases are stacked away in overseas banks.

Dependence on primary commodity exports has not aided Nigeria's integration into the global economy or minimize its marginalization. The development of the economy will therefore require a major commitment to policies and institutions that promote manufactured exports in areas of comparative advantage, as well as focus on the recovery of the real sectors of the economy.

Finally, if Nigeria must realize growth rates that will enable her to participate meaningfully in the globalization process, then domestic investment levels must be raised substantially beyond the current situation. This requires raising domestic saving rates and mobilizing private capital, both domestic and foreign.

6. Conclusion

This paper is of the view that increased trade and capital flows engendered by globalization can enhance the country's growth performance. However, if Nigeria is to benefit from the global integration, 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, as well as promote rapid economic growth and achieve substantial poverty reduction. Nigeria can achieve this hope by the promotion of manufactured exports, regional integration, human capital development, promotion of foreign direct investment flow, raising the level of domestic savings and investment, development of technology and infrastructures.

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