

# THE IMPACT OF INTERNATIONAL ECONOMIC RELATIONS ON NIGERIAN ECONOMY

By

Charas Madu Tella<sup>1</sup>, Jonathan Maiangwa<sup>2</sup> and Aliyu Yahaya<sup>3</sup>

## ABSTRACT

*The existing relationship between the developed and the developing countries in the recent years has been widening resulting from unequal distribution of human, materials and socio-political development. This was compounded by strenuous effects of globalization in form of opening up of borders, closing of industries resulting from inability to compete favorably with counterparts in the western world. The resultant effects of these on the citizenry in the developing countries has been overwhelming and devastating manifesting form of poverty, unemployment, hunger, diseases, leading to conflicts and crises where hundreds of thousands are displaced while, some flee for greener pastures. Though, the push effects cannot be said to have fully caused by this factors alone. Others include bad governance, corruption and Lack of accountability. The objective of this paper is to access the impact of Nigerian economy under globalization and relied primarily on the secondary sources of data from text books, journals, magazines, perceptions and opinions and among others. Survey method was employed for this study. However, findings revealed that economic globalization is only suitable for developed countries and not developing like Nigeria. It was recommended that for Nigerian economy under international relation to succeed, issues like hunger, unemployment, corruption, good governance must first be addressed by the government.*

## INTRODUCTION

The historical origins of globalization as pointed out in the Wikkipedia are the subject of on-going debate. Though some scholars situate the origins of globalization in the modern era, others regard it as a phenomenon with a long history. Perhaps the most extreme proponent of a deep historical origin for globalization was Andre Gunder Frank, an economist associated with dependency theory. Frank argued that a form of globalization has been in existence since the rise of trade links between Sumer and the Indus Valley Civilization in the third Millennium B.C

Since 1986, Nigeria has gradually been integrating with the global economy. The dominant feature of global economic trends in contemporary world system is globalization, which is being driven particularly by a new wave of information technology that is unparalleled in the history of humankind. According to Akinboye (2008) "Nation states have consistently intensified efforts towards engaging in business across national borders and constructing production and distribution networks on a global scale.

Thus, the world today is a 'global village' given the unprecedented level of inter-connectedness of political, economic, social and technological forces that permeate contemporary international system". Although, Akinboye *ibid* concluded that globalization constitutes a mega trend in global political economy and has assumed a new phase in contemporary international economic relations.

---

<sup>1</sup> Department of General Studies, University of Maiduguri

<sup>2</sup> Department of Political Science, University of Maiduguri

<sup>3</sup> Department of Political Science, A.B.U Zaria

## *The Impact of International Economic Relations on Nigerian Economy*

Given the emergent of socio-political and economic transformation as well as the technological advancement in communication, information, transportation etc, the process seems to be irreversible. Nation States have indeed consistently intensified efforts towards engaging in business across national borders and constructing production and distribution networks on a global scale.

This means, globalization is the increasing interconnectedness of people and places as a result of advances in transport, communication and information technologies that cause political economic and cultural convergence. By this definition, globalization therefore is seen as the world wide integration of economic, cultural, political, religious and social system. The dominant view in the west is that globalization is a factual process of worldwide economic and technological development and 'increasing' international trade, with benefits in which, in principle all countries may share. Even more often, globalization is described as an inevitable and therefore neutral process of ongoing worldwide modernization to which there are simply no alternatives - so that it does not matter whether you are for it or against it.

The term globalization has been used randomly by social scientist since in the early 1980s but popularly used in the later half of 1990s to the defect as web of world network. According to Hart (1994) globalization occurred at two levels. The first is the processes of inflationary expansion through the collapse of the non-market economies and the emergence of the first time in the post war period of a global political economy. Conversely, during the world wars period, economic exchange between the West and the Eastern blocs was limited. The mutual suspicious between the two rivals' blocs could not permit smooth economic transaction or political integration of any sort. However, today only a single undifferentiated global market is the key to the understanding of contemporary international economic relations.

International economic relations constitute political relations between and among nation states. This involves goal seeking behaviour and a process of deciding who get what, when and how. Thus, an international economic relation is political when it involves the interaction of different groups in goal seeking pursuits. The issues of international economic relation may also be viewed as the management of conflicts and economic cooperation in the absence of the government. The interaction ranges from pure conflicts to pure economic relations (cooperation) some interactions lead to high level of conflicts.

Wealth generation may be an important goal of groups in international politics. Similarly, the presence of scarce resources leads to struggle classes, class struggle (class antagonism) class conflicts arises as a result of over access to markets, the control of raw materials and means of production. Example, the confrontation of producers and consumers over the price of oil, is a challenge by the producers to the power of both the developed and the oil companies.

The North-South system of dependence and the East-West of interdependence are responsible for the increase in international trade owing to economic growth trade liberalization and decreases in transportation cost generated by the developed market economics which encourage the expanding interaction in the internationalization of production, increased flow of direct investment and the recognition of production. Therefore, these and other forms of increased interaction had led to a significance degree of interdependence. This actors or events in one part of the system have the ability to influence actors or events to one another. Thus, individual countries economic policies are increasingly sensitive to the economic policies of other member countries. In search of solution to globalization African leaders are forced to seek for national solution to their individual countries to reduce international economic contacts that complicate

their tasks. According to Gilpin (1997), the international management in the name of globalization and its so called leadership are incapable of responding to the malaise of advance capitalism or controlling interdependence. He remarked that;

*the advanced market economy countries are reaching the point where they are faced with a basic choice, either to move forward to a new far reaching forms of collective economic management, as they can no longer handle comparatively or to put to brakes on their growing interdependence, and by that more or less arbitrary measures to bring one more within the span of national control.*

This is especially disturbing in Africa which, according to Thorbecke (1997) "is the only developing region where poverty is increasing", considering the fact that:

Africa governments (now) seem to have lost control of the policy making process, and are under pressure to accept dictation from creditor nations and financial institutions. (African) governments now tend to discuss development issues less with their own nationals, and more with donors and creditors, about debt repayment debt relief and rescheduling, and paradoxically about more development assistance (which rather than develop them further their underdevelopment and dependent Nwaka, (2000).

### **Objective of the study**

The objective of this study is to; -access the general economic relation under globalization on the developed and developing countries, as well as to analyze the merits and demerits of igerian economy under international relation. Recommend ways on how Nigerian can succeed to meet the international economic relation

### **Theoretical frame-work**

The existing relations between developed and the developing nations (Nigeria) has been that of unequal relationship. Essan (2009) opined that, Nigeria present a classical study in our dependence on government for the provision of virtually everything. Total dependence on government for the provision of everything has not and is not and will never solve Nigerian's problems. He further illustrated that Nizerians have been made to believe that all they have to do is to sit at.home, produce children and donate them to the government to 'nature, maintain, train and educate them. Nigerians want everything free. However, it will be unreasonable to expect that government pump all its resources to its citizenry without compliment from both individuals and groups. This is evident in the areas of trade relations, flow of manufactured goods and services, trade restriction.

In line with the above position, Jega (2009), stated that "the existing wide disparities between the developed and the underdeveloped economies makes globalization a tool for stultifying the industrialization process, and by extension, retarding the growth and development of underdeveloped economies". Trade liberalization, Jega ibid, went further and concluded that "the cardinal instnument of globalization ensures that industrialized countries have access to world markets, which enhances further industrialization unindustrialized countries while incapacitating the industrialization process of the underdeveloped economies. "

## *The Impact of International Economic Relations on Nigerian Economy*

Dependency of thought school sees the capitalist system as divided into centre and a periphery; metropolis and satellite, or core and periphery. The normal processes of the system causes the gap between the centres develops at the expense of the periphery, while the periphery is reduced to a state of dependence as put forward by Brewer (1990), Rodney, reprinted in (2005) and Andre Gunder Frank in Wikipedia. They observed that the incorporation of African countries into the global capitalist system leads to development in the developed countries and under development in the developing countries nations. They further maintained that the development of under development occurs because the world capitalist system is characterized by a metropolis satellite structure. The metropolis exploit the satellite, surplus is concentrated in the metropolis, and the satellite is cut off from potential investment funds, thus its growth is show down. Dependency is a satiation in which the specific history of development and underdevelopment transpires in various societies. Illustrating his position Theotonio dos Santos in Offiong (1980) stated that the situations in which group of countries have their economy conditioned by the development and expansion of another economy to which the .former is subject. The relation on interdependence between two or more economies, and between these and the world trade, assumes the form of dependence when some countries can expand and give impulse to their own development, while other countries can develop as a reflection of this expansion. In all cases the basic situation of dependence leads to a global situation in dependent countries that situates them in backwardness and under the exploitation of the dominant countries.

Therefore, from the foregoing, the system of relations that exist in the age of globalization between the developed world and that of developing countries such as Nigeria is that of unequal relations. The periphery produces low cost, low profit primary products and raw materials such as the agricultural products and raw materials. It is therefore, in the interest of the capitalist exploiters to keep less developed countries dependent. The dominant countries have more technological, commercial, capital resources and socio-political predominance over the dependent countries. It is therefore against these backdrops, permit them to impose conditions of exploitations and extract part of the domestically produced surplus. This takes the form of opening up of boarder under trade liberalization (free trade) free flow of goods and services across national boundaries, condition from IMF/WB in terms of loans and foreign. aid by donor nations to recipient countries. The effects of these are that it reaffirms the ruling class in the third world countries with an interest in perpetuating underdevelopment along the Britton Wood Institute. However, towards the end of zo" century with the modernization theory heading towards a failure due to wide spread poverty, hunger, diseases throughout the world, the dependency theory came into play stating that developed nations were essentially taken advantage of underdeveloped nations in the process of economic exchange to their own advantage; thus making these third nations powerless and more dependent. Foreign investors dominate these industries and gained more control. These nations have certain class positions and uneven trade relations where the core exploits the periphery.

### **Methodology of the study**

In carrying out this study, the researcher had employed survey method and considerably relied primarily on a number of documents that were relevant for this study as source data. Such documents include books, journals, magazines, bulletin, and research outputs in the libraries and achieves. Other method includes perception and individual opinions cutting across sections of Nigerians were also used as apparatus.

### **Impact of Nigeria economic relations under globalization**

The current trend of globalization underscores the critical role of industrial development in minimizing the level of marginalization associated with the prance of globalization. Globalization constitutes a critical motivation for development in the contemporary world of today as a result of the challenges it poses to nation states. The equation of global influence is fundamentally determined by a vibrant economy that is characterized by inherent ability to sustain a steady state growth path and development. Theories of economic growth (both neoclassical and endogenous models) converge on the fact that technology is the driving force of economic growth.

The crucial factor in global economic equation is therefore technological capabilities, which makes proper utilization of resources feasible. In turn, the utilization of resources is a requisite process for attaining technology and generating economic growth. Ibrahim M. Jega *ibid.* further stated that though, globalization is not only an economic phenomenon, a multivariate approaches to measuring globalization shows that; it increases economic prosperity as well as opportunities especially among developing countries. These are assumed to lower prices, create employment, higher out-put and higher standard of living in the developing countries especially in Nigeria.

Furthermore, supporters of free trade organization equally claimed that, globalization yield high of political and economic freedom and prosperity in the form of competitive demand, supply, choice and capitalism in the developed world. These are end to them which also produces high level of materialism (wealth). They see globalization as the beneficial spread of liberty and as a tool for relieving poverty and providing the poor with foothold in the global economy. According to in support of this assertion, WB (2002) on poverty estimation, Income inequality for the developing countries and Nigeria in particular, is diminishing. If everyone lived in absolute poverty, then relatively income inequality would be very low.

Subsequently, the developed world equally claimed that, in Nigeria and Africa in general life expectancy has almost double and that it is starting to close gap between itself and the developed world. Infect mortality rate has decreased in the African region. Furthermore, since the global campaign against the spread of HIV I AIDs there has been remarkable improvement. The proportion of the world population living in countries like Nigeria where per capita food supplies are less than 2,200 calories per day decreased from 56% in the mid 1970s to below 10% in the mid 1990s. Similarly, the percentage of children in the labor force has also fallen 24% in 1970s to 10% in the year 2000 (wikipedia-2007).

Therefore, be that it may, the above mentioned response individually and collectively. This, further suggests that irrespective of their level of development and degree of integration into the world economy, almost all developing countries in all regions have a number of common interest in relation to global economic matters and to the issues of liberalization and globalization. Together they can' provide elements for negotiations. Indeed, in the post-cold war economic environment, the needs for collective actions by the West to meet the evolving challenges are more important than ever. No individual developing country on its own, no matter how large and relative developed would be able to influence the new rules of the evolving world economic order.

**Effects of economic relations under globalization.**

Even though there are some positive attributes to economic globalization, there are also many negative consequences. Despite the advantages of international socio-economic and political advantages (relations) under globalization, the third world countries, Nigeria in particular, have continued to experience economic underdevelopment, political dependency and cultural deprivation under the European hegemony. The disparity between the rich and the poor has widened over the years. Nicolas Van De Walle in Joseph, R. (1999) equally observed that economic globalization has two primary implications for the developing countries. First globalization undermines national sovereignty; in the sense that it lessens the degree of policy discretion available to government that wants to maintain sustainable policies. Secondly, the international mobility of capital weakens the ability of government to pursue independent monetary and fiscal policy.

Since Nigeria got her independence in 1960, she has been suffering from natural consequences of capitalist development and constant economic exploitation by the industrialized countries to maintain and sustain economic dependency. Instead of Nigerian economic policies to have been driven towards change for better, the relationships developed only to change and maintained the status-quo. In many cities in Nigeria, there are high rise buildings with most of the technologies of the modernized nations, computers, cell phone, and satellite connecting people with the rest of the world. However, right outside these organizations, there is massive poverty. People begging for money and food to get their next meals and in villages' people walking far away in search for drinking water. These people are abandoned and exposed to various types of criminal activities, drugs, prostitutions, child labor are some of the corruption that has been enhanced by globalization. Trafficking of women and children to different parts of the globe has increase over the years due to development expansion in technology.

As the developed countries are only concerned with creating an order that ensure their needs and requirement for speedy post-cold war economic reconstruction and continued well being, the needs and requirement for the colonized third world countries are irrelevant, Consequently, three or four decades after independence, igeria still maintained system of economic dislocation for the purpose of lending permanency to the present disparities of wealth, economic and political powers, (Maduagwu 2003).

Mahabub (1975) observed and concluded that, economic globalization has been arraigned to facilitate and perpetuate the domination of of the back ward countries by designed and not by accident. He went further, and portrays his position that, the world is not only united by its legacy of poverty and its heritage of common suffering, but also that a poverty curtain has descended right across the face of the world. To portray this position, Shridath the former United-Nation (UN) Secretary General (2001) stated that, the international economic order (relations) has not serve third world countries. It was not designed to serve them well or to serve them at all. The fault lies not in its working, but rather in the system itself. The system promised order, stability and growth for the industrialized countries for those who already wielded economic power, but implied disorder, insecurity and deprivation for third world countries that are relegated as subordinate players. It is therefore, the intention of the international community (Developed Countries) not to eradicate or improve positive economic relation in the third world countries as acknowledged by elder statesman in a plea on behalf of African countries. According to him; The complainant of poor African countries (Nations) against the present system(international economic relation) is not only that we

(Africans) are poor both in obsolete terms and in comparison with the rich countries (Nations) but within the existing structure of economic integration;

*The poor nations of the world remains poorer because they are poor and because they operate as if were equal in a world dominated by the few rich nations. The demand for economic globalization which does not suites the African countries is a way of saying that the poor nations are unable to develop themselves according to their own interest and to benefit from the effort which they make.*

In line with this position therefore, Jeffery (2005) stated that only developed countries like Japan, USA, Britain where globalization has taken a strong foothold compared to African countries where poverty rates has remained stagnated and continued to suffer underdevelopment and counterproductive due to heavy debt loans incurred by their government. The Nigerian situation is so pathetic despite its human and material resources. Nigeria has languished economically for decades, years of government mismanagement, wide spread of corruption, huge spending, over borrowing and massive debt burden that had economically limited its ability to developed. The country had owed more than \$25billion to international and commercial lenders. Just to serve the interest rate alone, in 2002, it took over (7%) percent of Nigerian economic output. The situation translated into crippling the economy, dormant factories and industries and. among others.( Central Bank, 2002).

The total dependence of Nigeria on crude oil exports has unprecedented "exposed the economy to unstable and unpredictable volume of revenue receivable by the government" (Yaqub, 2003). For instance, Nigeria's total export receipts from goods, services and transfers dropped from 10, 899.6 million in 1979 to N7, 884.2 million in 1983. The country's import, at the same time increased from N9, 890.1 million to N11.022.1 million during the same period (CBN Economic and Financial Review 1981-1986). This also affects contributions to the country's Gross Domestic Product (GDP). For example, according to Anya, (2001).Similarly, as at 1999, oil and gas had contributed to about 36.5% of the GDP, and agriculture (including livestock) accrued to 32.8%. During the same period, the wholesale and retail trade contributed 16.6%, consequently, the manufacturing industries accounted to 5.5% of the GDP.

This clearly shows that, there is therefore the need for the country to diversify her economy and focus on non-oil sector, particularly agricultural and mineral resources. Since Nigeria cannot afford to remain aloof and be completely isolated from the global economic interplay. There is urgent need to make conscious effort to transform the economy, so as to fully harness the benefits of globalization.

### **Conclusion**

Inclusion therefore, an international economic relation under globalization has various aspect which affects Nigerian economy. Since the emergence of world- wide production markets and broader access to a range of foreign product for consumer and companies, had rendered Nigerian industries and companies to stand still and counter productive due to low patronage at home. Although, it has also brought about freedom of exchange of goods, services and capital at the end, but with more money comes out of Nigeria, than is coming in. Consequently, in realization of the global market, and access to external financial for corporate, national and substantial borrower tied to depressed wages and even further spiraling circle down to ensure that that enough export are produce earning a nice loan but tied to the purchase of their (creditors) unsold goods and services.

## *The Impact of International Economic Relations on Nigerian Economy*

Globalization is a tool that should benefit all sections of mankind which Nigeria cannot be exception. However, one cannot ignore its negative effects. To this end, the following suggestions are suggested and must be addressed for the Nigerian's economic development.

Since developed nations have outsourced manufacturing and white collar jobs. This has happened because manufacturing work is outsourced developing nations like Nigeria where the cost of manufacturing goods are higher and wages are lower as a result of economic relation. Consequently, globalization has led to exploitation of labor and child workers are used to work in inhumane conditions ignoring safety standards, job insecurity among others. Government therefore should ensure equal treatment and payment of Nigerians working for foreign companies.

The keys to effectively managing corruption in any society are honesty and integrity, effective leadership and governance, transparency and accountability, because corrupt leaders cannot wage effective war against corruption. Therefore, for Nigerian international economic relation to be effective, fighting of corruption should be government watch word.

Unemployment is a breed's violence, arm robbery, prostitution and all evils doing. Therefore, If Nigerian government wants to compete favorably with the international community economically or other wise, they should create employment opportunities at all levels among youths. This will make Nigerians productive and contribute their quota.

Fast food chains like McDonalds and KFC are spreading in the developing world more especially in Nigeria. People are consuming more junk food from these joints and only become a consumer nation which has an adverse impact on their health as well as the economy of Nigeria.

The issue of power, insecurity, and violence is intensifying so as to encourage international communities to invest. Unless and until these are tackled no individual or community would invest in uncertain condition or society.

Deadly diseases like HIV/AIDS, cholera, TB, are being spread by travelers to the remotest corners of the globe, the campaign against these diseases be intensity as many productive Nigerians had die due to this. Multinational Companies and corporations which were supposed to be restricted to commercial activities are increasingly influencing political decisions in Nigeria. Such is not in the interest of Nigerians but their own interest.

## REFERENCES

- Ake, C. (1995). The new world order: The view from Africa, in Hans-Henrik and G Sovensen (eds), *Whose world order: Uneven globalization and end of coldwar*, London, West View Press.
- Ibin Raji, Abdul-Fattah (2006) *Globalization; the Muslim Response*. Global Da'wah Communication, Lagos.
- Ibrahim, J. (2002). notes on globalization and the marginalisation of Africa. *CODESRIA Bulletin*, 3 and 4.
- JEGA, I. M (2002) the effect of globalization on. the development of Underdeveloped economies retrieved from [www.http/economic/ globalization and its effects](http://www.economicglobalization.com)
- Joan, E. (1985). *The politics of International Economic Relations*: St.Martins Press, New-York. retrieved from [www.http/economicglobalization.](http://www.economicglobalization.com)
- Joseph, R (1999) globalization and international relations theory. Retrieved from [http://www.dspace.mil.edu/streamhandle.](http://www.dspace.mil.edu/streamhandle)
- Kwanashie, M. (1999). Concepts and dimensions of globalization, in Nigerian Economic Society, *Globalization and Nigeria's economic development*, Ibadan: NES
- Maduagwu, M. O. (2003) *Globalization and National Development in Nigeria*. Fulbright Alumni. Lagos.
- Offiong, D. A. (1980) *Imperialism and Dependency: Obstacle to African Development*, Enugu. Fourth-Dimension Publishers.
- Nwaka, G. 1. (2000) "Higher Education, the social sciences and National Development in Nigeria" *The Nigerian Social Scientist*, Asya: Social Science Academy of Nigeria, (March), Volume 3 No 1, pp 25-33
- Solomon, O. A (2008) *Globalization and the challenge for Nigerian Development in the 21 st centaury*. Retrieved from [http:www.globalization/nigeria](http://www.globalization/nigeria)
- Yaqub, N. (2003). Review of the 2000/2001 National human development report, in *The Nigerian social scientist*, 6, (No.1)
- World Bank World Debt Tables 1994 - 1995. Washington 1994. World Bank (2002): *Nigeria: Poverty in the Midst of Plenty: The Challenge of Growth with Inclusion*. Population and Human Resources Division, Estern Africa Department, Africa Region, World Bank.

In recent times, Nigerian economy has been characterized by high levels of public debt along with persistent low economic growth. As such, an understanding of the dynamics between public debt and growth is critical in addressing the obstacles to economic growth and to improve debt sustainability in Nigeria (Omet, Aktham&Fadwa, 2002). They have focused on international debt and local debt in Nigeria. These studies have provided an understanding of the dynamics between debt and economic growth and development which is critical in addressing the obstacles to economic growth and development. The article on this topic (impact of tax on government capital expenditure and economic growth in Nigeria) is an extract from literature review of the project material. Looking at Russian economy which is highly dependent on oil exports it may sound obvious that besides Western sanctions and consequent Russian countermeasures, it would be rather the oil prices which have a fundamental effect on the living standards of many Russians. Considering also the Russian dependency on the imports of food and other products we may conclude that the exchange rate between ruble and USD has the most significant impact on the price level in the country and thus on the overall economic environment. Sanctions represent one of the coercive diplomatic measures in international relations. Ladislav Tyll, Karel Pernica, Markéta Arltová; The impact of economic sanctions on Russian economy and the RUB/USD exchange rate. Part 1. world economy and international economic relations: theoretical aspects. Basic subjects (entities) of World Economy. Countries (national economies). International economic relations (IER) are the multi-level complex of economic relations between the actors of the world economy. Basic forms of the IER are the following: "international trade in goods, services and technologies; "international cooperation in the field of solving global problems; "international labor migration; "international monetary and financial relations; "international economic integration; "international movement of capital.