

# GLOBALIZATION AND DEVELOPING ECONOMIES: PROBLEMS AND PROSPECTS

**Abubakar, M. B.**

*Department of Banking and Finance*

*Abdu-Gusau Polytechnic, Talata-Mafara, Zamfara State, Nigeria.*

*E-mail: baukabis@yahoo.com*

## ABSTRACT

*The paper appraised the problems and prospects of globalization to developing economies (like Nigeria). Thus, the main objective was to expose the possible economic benefits of globalization and at the same time highlighted the negative economic consequences. Even though, the study is descriptive in design, yet it relied on secondary source of data from internet, documents, texts, conducted research reports, presented papers etc. Recommendations were proffered to enable developing economies ripe more benefits from globalization among others that they should provide economic environments that are conducive, capable of attracting foreign investors and strong enough to support the strength and capacity of the domestic industry, otherwise, the globalization opportunities could only be seen as a mirage.*

**Keywords:** *Globalization, Developing Economies, Problems, Prospects*

## INTRODUCTION

Globalization is a phenomenon that believes to be multifaceted and multidimensional, but in reality its main target is expansion of economic activities. This is, because globalization is a process of increasing the integration of countries economies to create more coherent global economy; creating a global market place leading to the emergence of a global system of production and distribution, and increasing global economic policy making, harmonizing of the economic rules that govern relationship among nations and creating structures to support the interdependence (Muo cited by Bananda and Ldama, 2006). It is an undisputed fact that, the central focus of globalization is development, which is efficiently and effectively attainable by ripping not only a nation's economic benefits, but also by benefiting our countries economic advantages. Development in this wise, is a function of effective interaction of both internal and external environmental economic units. Naturally and otherwise no economy has ever developed independently, hence the services for globalization.

Asekukono (2004) cited Ajayi (2001) sees globalization as the increasing interaction among, and integration of the activities (especially economic activities) around the world. Beside, benefiting from the advantages of outside economic environment, interdependence ensures sustainability of development in any economy. Therefore, globalization was coined to be regarded as a phenomenon that is relatively cheaper to influence and promote development in an economy. However, globalization is relative, hence the rationale for multivariate and multidimensional in perspective. Really, it is true that, even the proponents of globalization cannot context or argue that, the modern globalization has negative consequences on certain economies.

According to Solomon (2004), globalization has brought in its trails immense benefits to the international community, but it has also impacted negatively on certain sections of the international community. To a certain extent globalization is a bias phenomenon tailored to yield greater benefits to developed nations, this is because their rates of growth of output and per capital output are versatile and strong to support and sustain development, while the developing economies are economically being retarded by very poor macroeconomic policies, external debt imperialism, civil wars,

slowness of reaction to modernization and industrialization. It is needless to say that the developed capitalists' countries constitute the driving force of the phenomenon of globalization as it provides them with a leeway to further advance their economic and imperialist penetration of the less developed countries (Solomon, 2004). The Economic status of developing economies has placed them at disadvantage position; which restricts them to benefit from the globalization opportunities. Therefore, the inequality of globalization which sharpens the dichotomy between developed and the developing economies has threatened the less advantaged (developing) economies to the extent of not putting much concern on the issue talk-less of identifying the meager opportunities designed to attract their absolute participation.

Milone (2002) posited that, "most advanced countries and many Asian countries have reported rapid economic growth and development, many African and Latin American countries have continue to report low rates of growth of real income per capital... thus most African and Latin American countries remain in the ranks of the developing countries". It is true that, globalization is deliberately silent about equality of the world economies, even though, developing economies are identified as economically less privileged nations; unable to resolve their most basic economic problems as well as weak enough to support effective economic growth and development in their territories. Besides, the economic environments of developing countries are not capable to support domestic industries to externally compete and to withstand the rigours of cut-throat competition in the world market of single economy.

The myriads definitions of globalization is not only on the ideological and authors dispositional differences, but also because of ill-conceived and bias structured to favour developed economies at the detriment of developing economies. Consequent upon the mentioned, few definitions were regarded in this write-up. Ernest (2004) said globalization connotes a presence, the process of "making global", "being present world wide", "at the world stage", or global arena" entails universalization whereby the object, practices or even values transcends geo-political boundaries, penetrating the hitherto sovereign nation-state and impacting the orientation and value system of the people".

Globalization can also be defined as the process of shifting autonomous economies into global system of production and distribution (Kwanashe, in Chika 2004). Likewise, globalization is the rapid integration of productive and investment decisions across the world by economic agents desirous of taking advantages of the environments where their competitive edge can manifest in high returns (CBN Annual Report, 1997).

Globalization do not provides benefits automatically, but rather requires some enabling environment so that maximum benefits can be realized. Philips in Chika (2004) buttress that, "democratization, economic growth, effective banking system, well organized and developed profit-motivated private sector, discipline citizenry, liberation etc will ensure maximum benefits from globalization". Adei in Kurya (2006) described globalization, "as that which represent a phenomenon where by historically distant and separate national markets are becoming one huge global market place, with resulting internationalization of production and selling to the world as one market. Indeed the main motive of globalization is to compress world economies into a single economy in order to effectively ripe the available opportunities through integration of sovereignty via the output of technological advancement. Hence, technologically advanced nations (developed) stand more chance and have greater opportunity to benefit from globalization.

Globalization by its nature promote trade through integrating countries to become a single market place with liberalize operations under the auspices of technology. This will result to creation of socio-political relationship among nations. Even though, globalization is economical in nature, but political and social in practice. All about globalization is economic, because it concerns with the creation of common world's market place, liberalization of capital flight and deregulation of economy by which was socio-politically harmonized among nations (Milone, 2002). Therefore, globalization may be considered as a process that enable free entry and exist into a single created world market purposely to increase economic benefits from outside economy. Obviously, liberalization of the world economy will enable the developed economies to lead the whole world, due to all the double-demand, that is buying their products and to buy raw materials. The process improve

their competitive advantage as well, because they stand to achieve double gains - the advantage in sales of their products at high cost unit and purchasing raw materials at low cost.

## **EMERGENCE AND DEVELOPMENT OF GLOBALIZATION**

By its nature globalization seems not to be a new phenomenon in the world. It assumes to have existed since when individuals and countries decide to satisfy their needs from outside environment; through trade and in fact the genesis of trade. The earliest phases of globalization dates back to the (1400's and 1600's) rise and development of trade with commercial expires seeking to extend their outlets (David in Ebijuwa, 2002). In Nigerian, it dates back to 9th century during trade between the Arabs and the traders of Northern Nigeria as well as the discovery of coastal areas of Bonny and Lagos by Europeans in 15th century. The early period of globalization phenomenon largely differed to some extent with the most recent one. The present is more passionate and speedy. The benefits are most often instant and can easily be controlled at any distance within a blink of an eye.

Another milestone in the history of globalization is the establishment of world economic reconstruction organizations that is the World Bank and International Monetary Fund (IMF) immediately after the Second World War. Similarly, the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO) and Organization for Economic Cooperation and Development (OECD) have added an impetus to the recent globalization process. Besides, the demise of Russian government; as a world leader of socialism (a socio-economic ideology), United Nation (U.N.) and Northern Atlantic Trade Organization (NATO) also added impetus to the birth of globalization. Globalization is a model of colonialism, therefore regarded as universalization of developed economies, political and socio-economic system over the developing economies. It is doubtless that, the knowledge of technology serves as a medium for propagating globalization and its opportunities are easily and cheaply derivable via technological gadgets. Even though, the present term of globalization develops through series of logical capitalists plans, but however, it was outwardly started from regionalization; regarded as the last form from which the globalization emerged.

Generally, historical development of globalization could be traced to the development of imperialism, which was specific stage in the development of capitalization as well as a form of relationship between two economies (Sulaiman, 2004).

## **PROBLEMS OF GLOBALIZATION IN DEVELOPING ECONOMIES**

By its nature, globalization concurrently provides economic opportunities and economic threats. Moreover, it seems to be biased and has unequal considerations on countries. Above all developing economies are held out for benefiting from globalization due to their economic status. Cross-country capital flows are growing rapidly, and domestic systems are consequently increasingly exposed to shocks emanating from abroad. Since cross-border financial flows tend to be more volatile than domestic flows especially equity flows, such flows heighten the risk of financial crisis in many developing economies (Earnest, 2004). Really, exposure of developing economies to external shocks of global financial integration raises capital flight and inflows. This affects exchange and interest rates, hence poses new challenges of macro economic management of the economy.

Dos Santos as cited in Suleiman (2004) believed that, "unequal exchange led to the development of dependency relationship where third world has their economies conditioned by the growth and expansion of another economy. Nigeria as an example experienced dependent economy which is considered among the factors responsible for economic slow growth rate. Globalization imposed a dependent capitalist social system and western values in the forms of industrialism, market principle and institutions on Nigeria. A culture of dependency also was institutionalized through internationalization of capital and social life.... underdevelopment and inferiority complex were also instituted as a cumulative product of Western hegemony on Nigerians (Suleiman, 2004).

Obviously, liberalization of trade will certainly pose serious challenges on industrial development of the developing economies. Increase competition in a single developed market will put away developing economies far from fetching benefits of the global market, because they cannot compete

with developed nation. Developing economies cannot protect their industries, hence multinational corporations dominate their soil thereby ripping the benefits suppose to be ripped by developing countries. To a large extent, developing economies would be dined of their chances to benefits from trade comparative advantage due to mass production which lessen cost unit. More so, absolute advantages will not doubt be shared among the developed economies.

Globalization foster global governance of global economy by developed economies and international institutions in the so called grouping of G-7, G-10, G-15 and G-22 where international economic issues are most often discussed by the groupings without due consultation of developing economies or their representatives. This has posited the superiority complex and/or re-introduction of colonialism (i.e neocolonialism). Exotic brand of politics (favouring world developed economies) has been nurtured to developing economies.

Characters, ideas, values and norms of developing economies citizens are intelligently and logically being controlled, regulated through the power of world media and communication gadgets to enable the developed countries transmit their mission which will place them at the advantage position from the globalization's integration. In general the initiators of globalization must consider themselves first in terms of benefit accruable, consequently, the rationale why globalization is considered to be biased, hence tailored towards providing benefits to the developed nations at the detriment of other participants (developing economies) to the so-called globalization.

In a nutshell, globalization seems to be initiated to serve as conduit for transmitting modern colonialism by the power of technology across the world. Alternatively, it is considered as a mechanism to efficiently influence rapid development in the developed countries and partially provides opportunities for economic development in developing countries with bearable hardships at any different stage to break through.

## **PROSPECTS OF GLOBALIZATION IN DEVELOPING ECONOMIES**

Globalization is not a curse in totality, but rather relative in all ramifications. It has threats and opportunities to each economy (that is



whether developed or developing), in fact nations can only derive and enjoy the opportunities or suffer from the threats as a result of economic level attained by a country. The opportunities of globalization are proportional to the economic level and/or inversely proportional to the threats of globalization. Therefore, for any country to passively benefit from globalization and as much as possible projects itself from the consequences of its threats must employ everything possible to ensure effective and sustainable development.

The realities of today's fast globalization, knowledge and technology driven world make it incumbent upon African leaders to work towards greater political and socio-economic integration within the continent (President Yar'adua, 2008). He further added that, good governance could make Africa surmount her numerous developmental challenges.... these challenges are surmountable only if we all sufficiently subscribe to the tenets of democracy, good governance, accountability, transparency, due process, equity, justice and focused pro-people leadership across the continent". Therefore, globalization needs viable economy, just and visionary leadership to yield its benefits in the economy.

According to Milone (2002), if international trade and investment primarily benefit the rich, many people will feel that restricting trade to protect jobs, culture, or the environment is worth the costs, but, if restricting trade imposes further hardship on poor people in the developing world, many of them will think otherwise. He further observed that, the inequality in the global trend has since stabilized and possibly even reversed, this is proved by the accelerated growth of poor countries: China and India. Also, China has seen the most specula reduction of poverty in world history as result of opening its economy to foreign trade and investment. Over the past 200 years, different local economies around the world have become more integrated while the growth rate of global economy has accelerated dramatically. Therefore, Milone was optimistic that, for any country to tap the full potential of economy integration and sustain its benefit must overcome three critical challenges".

1. A growing protectionist movement in rich countries that aims to limit integration with poor ones must be stopped in its tracks.



2. Developing countries need to acquire the kind of institutions and policies that will allow them to prosper under globalization, both of which may be different from place to place.
3. More migration, both domestic and international must be permitted when geography limits the potential for development.

As economic integration has progressed, the annual growth rate of the world economy accelerated, from 1% in the mid 19th Century to 3.5% in 1960-2000. Sustained over many years, such a jump in growth makes a huge difference in living standard (Milone, 2002). The free capital flow (the main accused globalization character) has immensely yielded positive impact on direct investment to natural resources tied to manufacturing services, equally, globalization has greatly emanate improvement on different sectors of developing economies. Milone further asserted that, all goodies of knowledge are readily available via internet services; discoveries about ailments, medicines and other health issues are longer expensive or unreachable.

Hazards of environments, telecommunication opportunities, effective agricultural knowledge have being adequately and sufficiently shared. It has been confirmed that, there is drastic fall in the percentage of permanent migration of 1-2% as against the 10% over the past 25 years, despite the increase in international travels (Milone, 2002). Globalization has influence increase of net private capital flow to developing countries from \$12 billion dollars to \$23 billion in 1988 and \$207 billion in 1996. Similarly, the percentage of inflows in Africa has fallen from around 50% in 1980 and 1988 to only 6% in 1996 as a percentage of inflows in all developing countries. This has indicated the relevance of liberalization of investment (Milone, 2002). Precisely, it provides access to developed countries markets, and improves productivity and high living standards.

## **CONCLUSION AND RECOMMENDATIONS**

Even though, globalization is biased and promotes dichotomy between developed and developing economies, the less privilege countries can efficiently derive effective benefits by implementing appropriate adjustments in their economy. The benefit could be achieved through transparent and accountable governance, application of standards in various economic activities. Some of the reforms should include, long-term financing with

low interest rate of small and medium scale industries, executing all necessary precautions and actions to put away corruption in totality.

Unless, developing economies provide economic environments that are conducive, capable of attracting foreign direct investments and strong enough to support the strength and capacity of the domestic industry, the globalization opportunities could only be seen and heard. Globalization has complex effect on income, culture, society and the environment. However, the positive effects need to be compared with negative ones so as to identify the trend of things in order to enable the less privileged countries (developing countries) initiate their way out to equally ripe lots benefits of globalization. For developing economies to ripe maximum benefits, the following need to be observed.

1. Accountability, transparency, equity, due process, justice and pro-people leadership have to be observed by developing economies.
2. Foster regionalization as most developing economies are either in Africa, Latin America or Asian continents.
3. Manpower development, (that is significant for economic and industrial development) needs to been given necessary consideration by each developing country.
4. Technology education needs to be accorded all necessary requirements, since it's the best avenue to enable active participation in global affairs.
5. Rule of law should be observed and forms the main guide for governance in developing economies.
6. The developing countries should do everything possible (financially and otherwise) to encourage, stimulate and protect domestic companies so as to be strong enough to compete with their counterparts in world.
7. Clean democracy should be natured by developing countries to serve as vehicle for stability that motivate and/or influence foreign investments.
8. The technocrats of globalization should institute a mechanism of controlling the phenomenon thereby protecting developing nations from under suffering.

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