

## **CHAPTER 6**

### **GLOBALIZATION, DEMOCRATISATION AND STATE BUILDING MECHANISMS IN NIGERIA**

#### **6.1 INTRODUCTION**

Democracy has come to be seen world wide as the only legitimate and viable alternative to an authoritarian regime of any type. Nigeria has not neatly followed the pattern of democratic governance like most countries of the world today, but is currently facing what others have gone through in the area of transformation and transition from military rule to a democratic system of government. Instead of pursuing democratic policy-making processes electoral systems became more non-representative and more divorced from popular needs. Authoritarianism was on the rise everywhere and repression had become a routine feature of civilian rule in Nigeria (Osaghae, 1998:296-297).

In turn most democratic states in Africa became very repressive and non-representative. The Nigerian system can be different if this chance towards democracy is properly managed in the new era of globalization. It is obvious that Nigeria is a corporatist society with soft pretensions to democracy. More power is slipping over every day towards the corporatist groups. That is the market place ideology of passive acceptance of whatever form globalization happens to take (Obadina, 1999:36-37).

The grassroots majority constitutes the larger number of the Nigerian population and they are no longer willing to accept, fatalistically, exploitative or repressive regimes and state structures, or a development paradigm that excludes them. They may not be concerned with the capture of state power and “big bang” revolutions. Yet, they may in reality be building, consciously or unconsciously, a countervailing power to the dominant state power. This is one of the reasons that prompted minority revolutions and tribal clashes in Nigeria when it became obvious that the gap between the rich and the poor is widening.

Dramatic changes in the global political economy in the 1990s have encouraged widespread enthusiasm among liberal scholars to engage in debates / ideas such as the “end of history” (Fukuyama, 1992:1). These debates suggest that the future of developing countries such as Nigeria as a democratic state may lie in the construction of a liberal democracy, the promotion of market capitalism and the linear movement towards modernity.

Yet, continuing transformation in the global public policy and administration also poses major challenges to established theories, assumptions, prescriptions, frameworks and concepts in several interrelated fields such as the public economy, public development studies, comparative public foreign policy and public security studies. These create new opportunities, indeed imperatives, to define and redefine many dominant theories and notions. More importantly, these changes motivate academics and activists, policy-makers and politicians to search for alternatives to established as well as emerging

dogma and to expand the current agenda beyond structural adjustment and political democracy.

Given the ongoing process of globalization of the entire world economic activities, in which Nigeria is of necessity, a role player, this chapter seeks to identify the future of Nigeria both in the globalization of major factors of production, finance and distribution and also in the world of democratization of governance. In essence, how sustainable is the new Nigerian democracy likely to be in economic as well as political terms?

Contrary to the current optimistic liberal views as expressed in this chapter will cast serious doubts on the prospects for constitutional democracy in Nigeria. It goes beyond the simplistic stereotypes of both anarchic and developmental orthodoxies. In addition to challenging neo-liberal hegemony, this "revisionist" analysis aims to provide a critical evolution of the prospects for constitutional good leadership, governance and democracy in Nigeria.

Focusing on the role and policy lessons for democracy and developments in Nigeria, this chapter will also argue that a large number of Nigerian states are likely to witness a general breakdown of democracy (i.e. a reversion to authoritarianism or corporatism or what is popularly known as a military regime) in Nigeria if there are no outcomes-based policies and programs that will impact positively on the lives of Nigerians.

## **6.2 GLOBALIZATION : POLICY LESSONS FOR DEMOCRACY AND DEVELOPMENT IN NIGERIA**

Any plausible analysis of economic development and democracy in the newly democratic system of governance in Nigeria has to begin by recognizing and evaluating transformation in the global political economy and especially in Nigeria itself.

Central to any understanding of the current unprecedented structural changes at the global level (and also at the local, state and the national level) is the ongoing process of globalization of production, finance and distribution. This section recognizes several meanings of globalization and analyzes their implications for democracy and economic development in Nigeria.

Globalization can be said to be a process of expanding market capitalism across the globe. Nigeria has witnessed several military interventions in politics since its independence in 1960, and as result, most laws and policies were tailored towards military dictatorship. State capitalism and the non-capitalist path of development with market economies began to come up following the introduction of Structural Adjustment Programmes designed by the two most powerful macro-economic strategists, The World Bank and the International Monetary Fund (IMF). These have been instrumental in the entire process of expanding capitalist relations of production in Nigeria.

With mounting debt burdens, Nigeria has been forced by the international donor community to engage constantly in restructuring its economy and to create an environment for the triumph of market

capitalism (United Nations Research International and Social Development, 1995:9).

In other words, the recent transformation of the global economic system is creating a new form of transnational structure in which the state is constantly engaged in sharing its decision-making powers with the global forces of production and finance. In the Nigerian context this is already happening; foreign investors are being seriously considered for any potential investments whether industrial or commercial. In addition, tremendous advancement in science and technology – particularly in the field of communication and computer technologies – is expanding the networks of transnational linkages both at the formal and informal levels. Nigeria is also experiencing the emergence of non-business, non-state actions with transnational linkages, many of which have enormous influence over national policy-making.

In brief, the proliferation of transnational socio-economic functions and the intensified power of global forces of production are rapidly changing the post-war international order in which state sovereignty used to be the central feature. It is becoming increasingly evident that traditional patterns of state activity in Nigeria are assuming a global character and the autonomy of states in regard to national decision-making is shrinking. For example, over the years Nigeria's National budgets were tailored to conform to the International Monetary Fund (IMF) directives, this has been detrimental towards poverty alleviation programs and job creation.

Generally, Nigeria is witnessing a breakdown of social services. Under intense pressure from the international financial community the government of Nigeria is rapidly abandoning their role as a service provider. Given growing balance-of-payments problems, the government is simply unable to maintain their post-colonial standard of public service provision (United Nations Research for International and Social Development, 1995:36–38). Their immediate priority is quickly shifting from fulfilling popular demands to the removal of market “barriers” which has resulted in a significant loss of state distributive capabilities. With a growing inability to meet public expectations and the promises made by the leaders to the electorate during the election campaign, state-society relations in Nigeria have recently been highly confrontational, thus clouding the future of democracy and development in Nigeria.

The globalization process is not only going to erode the state of Nigeria, but will also internationalize domestic politics, economy and society. In particular, it is increasingly becoming problematic to analyze domestic politics in Nigeria without giving adequate emphasis to the socio-political changes that are taking place outside the boundaries of Nigeria. Is there any government that can provide an engaging explanation as to why one should pay particular attention to the international system when analyzing domestic politics?

The globalization of productive processes and capital markets, the liberalization of trade barriers, the rising influence of international financial institutions and Non-Governmental Organizations (NGO’s) and other related phenomena have all but obliterated the capacity of Nigeria or subject populations to act in isolation from the international

system. Both politics and the standard of living of most Nigerians today are influenced by the government's international commitments in the past. Any account of democratization in Nigeria, for example, needs to address the growing pressures of the international financial community, and the related ability of western states and non-governmental organizations to exercise leverage over domestic political choice and outcomes. This statement does not only outline the changing concept of state sovereignty such as in Nigeria, but also highlights the diminishing analytical distinction between national and international politics, given the context of globalization as it affects Nigeria.

### **6.2.1 Globalization in the new democratic Nigeria**

While the contemporary literature on democratization offers a variety of frameworks for analysis, it rarely deals with changes in the external environment in order to address the recent global movement towards democracy. With a clear focus on domestic factors, the literature, which is dominated by the liberal perspective, develops its perceptions about political and economic reforms in Nigeria. More importantly, although the literature finds a positive link between economic and political liberalization in Nigeria, it fails to understand the underlying tensions between structural economic reforms and political democracy in a country like Nigeria that has experienced nearly two decades of military dictatorship. Also, it is important to offer support towards popular struggles for democracy and development in Nigeria. However, the liberal perspectives often neglect the role of popular organizations in greater socio-political change.

The Odua Peoples Congress is made up of mainly Yoruba ethnic indigenes, the Ohaneze Congress are mainly of Ibo indigenes and the Northern Peoples Congress, is made up of mainly Hausa / Fulani ethnic groups. The Saro-Wiwa group of Ogoni in Rivers State were among many organizations used as tools for political change backed up by international communities to demand democracy from the previous military regimes in Nigeria (Osaghae, 1998:300-303).

Many of the writings on democratization in Nigeria centered primarily on questions of consolidating democracy and the promotion of a democratic culture in Nigeria. Key questions include the prerequisites for institutionalizing democracy in developing countries such as Nigeria and the possible contribution of the Western world to global transitions towards democracy. Also, central to the understanding of democratization is the link between democracy and the creation of market economies in which all the citizens will benefit.

It is possible that the globalization concept and its attributive successes may not be achieved in the absence of a sustainable democracy. And for discussion on democracy to begin, it has to start with a procedural definition. For example, drawing from the ideas already expressed in this study, (1.11.4), democracy can be referred to as a system in which multiple forces compete inside an institutional framework, that is, if one of the major purposes of democracy is to create a conflict resolution mechanism for subjecting all interests to competition.

Within a similar paradigm, Diamond et al. emphasize the contribution of a system that :



- i. allows political organizations to freely compete with each other;
- ii. ensures political participation of all members of a society in their effort to choose leaders and policies; and
- iii. provides a structure for the maintenance of extensive civil liberties (1997:5-10).

Democracy can, therefore, be defined as a process of creating the formal institutions of governance through the majority mandate. It generates competition among rival political groups and develops a mechanism to reduce the likelihood of a breakdown of the social contract. In particular, democracy ensures that the status quo will be maintained through the achievement of stability. It is no wonder that such an understanding of democracy offers the majority nothing but the right to vote in local and national elections. Clearly it does not provide the people with a tool for effective control of the environment in which they live. Neither does it explain how the right to vote will improve the standard of living of ordinary people, nor how it will put to an end to the structural deprivation and powerlessness of the majority.

Much of the dominant literature on democratization sees the current globalization issue as a process of creating political systems that are open to broad competition for political office. This process may be the beginning of a construction of alternative sources of power and structures to the existing state institutions. That is, the idea that an expansion of civil society poses the most effective challenge to the

hegemony of the state, focusing on the notion "state versus civil society". "Civil society" can be said to be as a political space outside the state" (Diamond, et al., 1997:122). In order to protect people

from the institutional oppression of the state, it emphasizes the creation of adequate political space in which non-state actions organize themselves freely and promote diverse socio-political interests. Thus, not only will civil society play a key role in promoting democratic political culture but it is also expected to defend individual rights against governmental violation.

It is important to emphasize the role of “autonomous civil society” due to the increasing emphasis placed upon the linkage between economic liberalization and political democratization. The two concepts are very important and play vital roles in development, democratization and globalization as well.

In view of these, both policy-makers and mainstream academics have begun to share the idea that market-oriented economic reforms and political liberalization towards constitutional democracy are mutually reinforcing. It is believed that “modern democracies are normally oriented toward market economies” (Diamond, et al., 1997:10.122). Diamond went further to suggest that indeed, political democracy is considered, as the form of government most conducive to the spirited flow of ideas, people and resources, which enhances the dynamism of market economies (1997:10-122).

Economic liberalization on the other hand, creates the demand for broader political participation in decision-making, which eventually leads to democratization. While it is not clear whether economic liberalization contributes to democratization or vice versa, an autonomous, if not vibrant civil society is a prerequisite for the promotion of both market capitalism and democratization, since civil

society is instrumental in protecting individual rights and private ownership (Fukuyama, 1992:117).

More interestingly, this view usually assumes that both economic reforms and political liberalization reduce the traditional domain of state activity and therefore facilitate the growth of civil society. Thus, in the final analysis, the bottom line focus here is on the expansion of political space for civil society, which rests solely on the assumption that political liberalization, and market-oriented economic reforms are complementary. Having established the widely accepted assumption that political liberalization and market-oriented economic reforms are complementary, it would be of importance to establish that this is logic that “inspires” the key donor agencies and countries including USAID, Germany, the Netherlands, OECD and International Financial Institutions (IFIS), especially the World Bank and the IMF, to use foreign aid as a tool for the promotion of democracy and the strengthening of civil society.

Since 1985, when the military government of Nigeria led by General Ibrahim Babangida took an IMF loan, the standard of living and the aggregate economic activities of Nigeria have been sluggish and bilateral aid donors have been pushing the Nigerian government to introduce political and economic liberalization programs. By channeling a considerable amount of aid money through non-governmental organizations, the international actors are actively involved in both initiating political reforms and accelerating the formation of an autonomous civil society hoping to inculcate a democratic political culture (Diamond, et al., 1997:125).

But how could this principle apply in a non-elected government of Nigeria at that time? In practical terms, even the loans in question, which plunged the economy into serious difficulties, until today, were politically motivated. Hence, no identified international (NGO's) were mandated to manage these funds. It went into private pockets and could not enhance economic growth, employment opportunities and the general welfare of Nigerians for which the funds were intended.

Such a process of "democratization from above" helps the external actors to overthrow state socialism and subsequently reduce popular resistance to the expansion of market-oriented economic reforms. It would be worthy to note here, that most international financial institutions, particularly the World Bank and the International Monetary Fund (IMF), were established in the "common spirit" of globalization. Yet most developing World including Nigeria has no visible economic progress as a result of loans and advances from those institutions.

With growing criticism about the failure of structural economic reforms tagged as the Structural Adjustment Programme (SAP) in Nigeria and other victims of the IMF loan, the world introduced the concept called good governance as the political conditionality for foreign aid. Putting aside its traditional exclusively economic agenda, the bank began advocating the need for developing countries including Nigeria to practice democratic norms and values in order to solve the crisis of development in the country. In its 1989 document entitled Sub-Saharan Africa : from crisis to sustainable growth, the bank identified the "lack of good governance" as a primary cause of continued

underdevelopment and growing poverty (World Development Report, 1989:60) in Africa including Nigeria.

The World Bank document states : "History suggests that political legitimacy and consensus are a precondition for sustainable development ... by governance is meant the exercise of political power to manage a nation's affairs ... dedicated leadership can produce a quite different outcome. It requires a systematic effort to build a pluralistic institutional structure, a determination to respect the rule of law, and vigorous protection of the freedom of the press and human rights" (World Development Report, 1989:60–61).

If the above statement is anything to go by, why did the IMF in the context of Nigeria grant a loan that is meant for the developmental efforts of good governance, to an illegitimate undemocratic military dictatorship at that time? Where then lies their allegiance to democratization and its guiding principles? Thus, democratization becomes "a new orthodoxy" in official Western aid policy and development thinking. In view of the foregoing, it would be important to note that democratization as the world's most acceptable system of governance can be typified in different political, social, cultural and normative perspectives, based on the angle pursued.

Democratization in Nigeria: In view of the above, it may be important to note that the process of democratization may typically start on the following suggested principles :

- i. firstly, a dramatic political event that prompts the authoritarian regime to hold national elections and to transfer power to a

- democratically elected civilian group within a stipulated period of time.
- ii. secondly, the transition towards democracy ends largely with the departure of an authoritarian but democratically elected authority. In this case, even the democratically elected government does not apply democratic principles in their day-to-day running of government; and
  - iii. thirdly, also in order to foster a complete transition, democratization would need to involve promulgation of a new constitution that provides a legal framework for governance in the country.

These and other attributes of good leadership and governance may be the only alternative to achieving sound public policy and ensuring adequate consolidation of democratic values in Public administration. Consolidation of democracy In Nigeria: It is important to note here that most developing countries, including Nigeria, are not yet used to democratic values in public leadership and governance. They find the system very difficult to consolidate and sustain owing to their political history or their ignorance of the "game of governance".

Such a transition from authoritarianism to democracy however, does not automatically lead to the consolidation of democracy. For example, the government of Nigeria is currently a democratic one but not yet a consolidated and sustainable democracy. Consolidated democracy can only be achieved in Nigeria if the three cardinal democratization principles as suggested above are critically put into practice followed by the introduction of several democratic structures to enhance a consolidated and sustainable democratic government in Nigeria.

Issues such as holding free and fair elections, the installation of democratic authorities and institutions, and the creation of a new constitution are simply the preliminary steps towards democratic consolidation.

It can be argued that the consolidation of democracy depends upon the success of institutionalizing democracy, meaning the development of a conflict resolution mechanism. The process of institutionalization requires an elite consensus on the rules of the game. Since the inception of the new democratic government on 29<sup>th</sup> May 1999, there have been reports of rising religious and ethnic conflicts in the Northern parts of Nigeria. Unless adequate mechanisms and grass roots resolutions are implemented, these will always continue to derail the consolidation of democracy in Nigeria.

It is of importance to note that the central question in the consolidation of democracy is the ways through which it is sustained and / or made. The contemporary literature on democratization usually suggests that transitions should emerge from negotiation since this enhances the possibility of constructing a viable political democracy. Negotiation is essential for the consolidation of democracy and in view of this, all transitions to democracy are negotiated, some with representatives of the old regime and some only among the pro-democratic forces seeking to form a new system. Negotiations are not always needed to extricate the society from the authoritarian regimes but they are necessary to constitute democratic institutions. Democracy cannot be dictated, it should emerge from bargaining.

The above submission may have been the crux of democratic consolidation in Nigeria. There has never been grassroots negotiations and bargaining devoid of both ethnic and religious influences, which if applied properly would certainly open a wider and sustainable door towards the consolidated democratic development in the entire Nigerian body politic. The emphasis would be more results-oriented if there exists room for what I may term as “reformers and moderates”. These two key groups must be in full control and in the forefront of every negotiation. In order to enhance the possibility of consolidation, the hard-liners should either be excluded from negotiations or be assigned to an insignificant role in any transition towards the consolidation of democracy.

In a similar vein, negotiations and / or agreements should be regarded as the basic methods of democracy. As indicated earlier, the dominant liberal literature does not view civil society as the domain of any real change in terms of democracy or development. In order to prevent political space from becoming too radical, liberal scholarship seems to put a limit on popular participation. This encourages participation of civil society groups only when the latter agree to work within the constitutional framework to promote democracy and market capitalism.

This is exactly why scholars such as Diamond, Linz and Lipset have begun to argue that the revolutionary spirit of ordinary people might prove to be dysfunctional for democratic consolidation. However, some others have emphasized the ethics of tolerance in successful democratization (Diamond, et al., 1984:24).



For instance, too much emphasis on the concept of civil society seems to distract one from focusing on democratization, public leadership and governance. Therefore, taking these few major democratic consolidation issues into serious consideration, bringing a better application of grass-roots bargaining and negotiation mechanisms into play would seem to be of primary importance. Therefore, appropriate application of these concepts could then contribute towards bringing political, religious, ethnic and cultural tranquility to Nigeria for sustainable economic and democratic development. This may in the near future, begin to impact positively on the general living standard of the people and on aggregate growth in the Nigerian economy.

### **6.3 GLOBALIZATION : PROSPECTS FOR SUSTAINABLE DEMOCRACY IN NIGERIA**

The current global experiments in political democracy – notably formal multi-party constitutions, elections and governance – will not be sustained unless they are supported and complemented by the concept of “democratic development” that is, the reinforcing of dynamic civil societies at the local, national and global levels. Thus it is important to recognize that a transition towards constitutional democracy only gives people the right to vote in an election.

The conventional notion of democracy hardly appreciates the importance of creating political space for the majority of people to control in an effective manner the material and institutional conditions under which they exist (Diamond, et al., 1997:124). There has been a growing consensus that democracy can only be a meaningful concept if it provides an environment in which marginalized groups can exercise

their right to be empowered. In the Nigeria of today, this concept is imperative as many groups, that is, both the so-called minor and major groups have felt marginalized for too long and therefore have no place in the present democratic government.

However, there is a positive prospect for the constitutional promulgation of a material and institutional-friendly environment that can accommodate every single unit of these groups. In other words, the young democracy in Nigeria should strive to encourage people to raise their voices against all kinds of deprivation and exploitation, structural as well as informal.

Democracy here will also need to allow people to participate in and to determine together, those decisions that profoundly affect their lives. This clearly indicates that the existing conventional notion of democracy in Nigeria needs to be redefined and expanded to allow it to reflect the peculiar indigenous nature of Nigeria. Thus the concept of sustainable democratic development in Nigeria should take the agenda beyond popular participation in elections to popular participation in every major decision that affects the entire nation.

Involving community and traditional leaders, opinion leaders and civil society groups can achieve this objective and by so doing, the government would have carried people along with its developmental process. Therefore, linking democracy and development in Nigeria would offer a framework that focuses on the sustainable livelihoods of the people, on the one hand, and on the other, emphasizing the need to bring vulnerable and disadvantaged groups such as the rural poor, peasants, women and the elderly into the developmental process.

It should also seek to ensure people's participation in conceptualizing their development needs and in development decision-making with regard to the control and use of scarce resources.

#### **6.4 GLOBALIZATION : THE NIGERIAN GOVERNMENT PERSPECTIVES**

The present democratic government of Nigeria led by President Olusegun Obasanjo, a retired army general, was inaugurated on the 29<sup>th</sup> May 1999. According to the Nigerian government web site President Obasanjo enumerated his targeted objectives on the 5<sup>th</sup> November 1999 in an article titled "My Mission". These include, among other things, the revamping of the Nigerian economy through some globalization apparatus. "We must remember that nobody is obliged to invest in Nigeria".

Investments would flow where they are attracted by the possibility of safety of assets, security and good returns ... we will encourage a policy that will be situated at the congruence of free enterprise and public purpose" (National Orientation and Public Affairs, May 29<sup>th</sup> 1999: Access <[http://www.nopa/useful\\_...presidential\\_speeches/29may99.htm](http://www.nopa/useful_...presidential_speeches/29may99.htm)). President Obasanjo made the above statement on the 29<sup>th</sup> May 1999 during his inauguration into office. It conveys a clear message of globalization and internationalization of Nigerian economic activities. It is an open encouragement of the market enterprise economy and trade liberalization by the present government in Nigeria. It was also a call for foreign investors to take advantage of the Nigerian new democratic environment that provides a friendly atmosphere for economic growth and development.

As pointed out in the previous chapter, the present democratic government in Nigeria, unlike their military predecessors, does not work in isolation from the global community. In an article titled "Many Trips of Mr President" the Guardian Online of the 19<sup>th</sup> September 2000, Hope Eghagha portrays many reasons why President Obasanjo had undertaken many trips to Europe, America and Asian countries. She indicated that it was done in the spirit of globalization but specifically for Nigerian re-integration into the global community and for the signing of both bilateral and multi-lateral economic treaties, which would enhance :

- i. political stability;
- ii. economic restructuring;
- iii. integration of Nigeria into the mainstream of the global economic market;
- iv. lifting of economic and trade sanctions imposed on Nigeria because of various previous military dictatorships and the high level of human rights violations during those periods; and
- v. debt forgiveness for both Nigeria and other poorer countries.

These are the five cardinal points that emerged from the many trips of President Obasanjo within his nearly 18 months in office. It would also be of importance to review the economic direction of the present government with a view to finding out to what extent it has taken the globalization concept to heart.

#### **6.4.1 The present Nigerian government's policy direction**

On assumption of office, the President Olusegun Obasanjo administration immediately took steps to put in place an enabling environment for the nurturing of democracy and regaining international respectability and credibility, thereby, putting the economy on a path to sustainable growth and development.

Some specific measures were taken which includes :

- i. presenting to and passing the anti-corruption bill by the national assembly;
- ii. reviewing and suspending contracts whose award lacked merit;
- iii. curtailing excessive and extra-budgetary spending by government;
- iv. adopting measures to achieve fiscal prudence, transparency, minimal deficit and efficient resource use;
- v. mounting domestic and international campaigns to recover looted public funds lodged in foreign banks; and
- vi. introducing universal basic education to wipe out illiteracy and ignorance (Nigeria Economic Policy, 1999–2003, 1999:1-10).

It is important to note here that the Nigerian economic direction is basically of greater global and international concern and with particular attention to the areas of comparative economic advantage. This indicates that the concept of globalization is also on the agenda of the government of Nigeria. The overall economic strategy of the present

administration in Nigeria includes among other things (Nigerian Economic Policy, 1999:1-5) :

- i. private sector - led economic growth;
- ii. poverty alleviation;
- iii. fiscal, monetary, income, trade and debt policies; and
- iv. broadening the productive base of the economy.

The above are the four cardinal elements of the overall economic strategy of the Obasanjo administration. While (i) and (ii) appear to be more domestic in content, (iv) is of more global concern which could also meet local expectations if well articulated and implemented.

#### **6.4.2 The new trade policy in Nigeria**

To boost the tempo of economic activities, a new policy for trade namely, global internationalization, has been put in place by the new government with a view to removing all trade and investment barriers in the country (The Guardian Online, Thursday, 12<sup>th</sup> October 2000:1). The main thrust of the policy according to President Olusegun Obasanjo at the opening of the Nigerian Investment Market International Forum on Tuesday, 10<sup>th</sup> October 2000 at Abuja is “to encourage production and distribution of goods and services to satisfy both domestic and global markets”. Prior to that Forum, the present government had, among other things, put in place appropriate macro-economic policies to deal with the distortions and obstacles to investments in Nigeria by the global community.

These measures include :

- i. firstly, The abrogation of restrictive laws such as the Enterprises Promotion Decree of 1995, which limited the ownership of any business in Nigeria by an undisguised investor to a maximum stake of about 40%. However, the new enterprises promotion (Act 106 of 2000) provides that any investor in Nigeria whether indigenous or foreign has the right of a 100% stake in his/her investment or whatever he/she may choose. This is quite contrary to the former policy and clearly in the spirit of globalization; and
- ii. secondly, the establishment of the Nigerian Investment Promotion Commission in May 2000 was a step ahead of the abrogation of the former enterprises promotion decree of 1995. This policy initiative is aimed at a new emerging global market to attract investors to Nigeria and promoting the country's sustainable economic growth (Guardian online, 2000, October 12<sup>th</sup>).

#### **6.4.3 Summary**

In conclusion, it is clear that the so-called "Many Trips of Mr President" together with the promotion of new trade and investment policies and the abrogation of restrictive laws, trade barriers, and institutionalizing the government's intentions in the emerging global market with a commission namely, the Nigerian Investment Promotion Commission, are all pointers that the present government of Nigeria is strongly in favor of participating in the process of globalization.

The above indicates that various measures would be adopted to broaden the productive base of the Nigerian economy as a strategy to achieving a strong and virile economy. Hence, sectoral and intra-sectoral linkages are already being pursued vigorously. Value-addition would have to be adapted to boost domestic economic activities, including production, and exports. The potential of the informal sector will be harnessed to boost economic activities in the real and service sectors of the economy. Technology, communication, information and extension services are being employed and the state and local governments are being encouraged to adopt measures towards integrating the informal sectors into the mainstream of the local economic market.

With regard to fiscal, monetary, income, trade and debt issues are the major issues on the globalization agenda today. The present administration in Nigeria will have to identify these issues as major goals aimed at encouraging competition in the aggregate of economic activities. Monetary policy will basically rely on indirect instruments of control that promote optimal liquidity in the system and financial intermediation. These issues should be completely deregulated so as to increase productivity of labor and encourage local initiatives. In fact, trade policy will likely minimize the benefits from globalization, and promote domestic industries and value-added exports (see 5.4.1).

In view of the foregoing, it is well evidenced that the present democratic government of Nigeria is fully in support of the globalization program. Already, the overall economic strategy has made provision for the benefits expected from globalization. Yet, an adequate and critical look in respect of possible areas of direct



government domestic rejuvenation programs was never undertaken. This is very necessary today because there are likely to be huge casualties in a developing economy like Nigeria if it should mortgage all domestic economic activities to the global economic process.

It is clear that the government of Nigeria is poised for the country's full involvement and participation in global economic activities, which are regarded to be of substantial developmental advantage to the country. The considerable current debate on the pros and cons of globalization, especially for developing countries, has had almost no impact on the formation of the Nigerian new economic policy direction. This is an important conclusion for this study. Later on some proposals will be made to support an alternative view that the economic interest of Nigeria would be much better served by pursuing a greater degree of balance between globalization and localization.

## **6.5 GLOBALIZATION : PRIVATE SECTOR PERSPECTIVES IN NIGERIA**

### **6.5.1 Introduction**

Since the end of the 1970s, the government of Nigeria has privatized many state owned enterprises, put public services to tender, deregulated utilities and other industries, reduced bureaucracies and sought to limit participation and interference in economic units within their borders. On the international scene, Nigeria has witnessed the creation of the World Trade Organization (WTO) and the new concept of globalization, the South-South Economic Corporation, the European

Economic Community (EEC), and more recently, the emergence of the Euro currency.

Rapid development in high-tech communication has made restrictions on capital flows almost impossible. Networking multinationals are creating a borderless economic world such that it has become very difficult for any nation, including Nigeria, to pursue its own economic policies. Serious attention has to be given to the new trends in the global financial system (Shabir, 1999:7-10). In view of the foregoing, it is important to review the perspectives of the private sector on the globalization process and the general views of the Nigerian financial system with reference to the banking industry and information technology. An assessment of the above two industries in the financial sector of the Nigerian economy would provide some useful information for the private sector and for Non-governmental Organizations (NGO) perspectives about the globalization process.

#### **6.5.2 The Non-governmental Organizations (NGO) in Nigeria**

Different views and explanations have been given regarding the term "Non-governmental Organization". In fact no universally acceptable definition exists. The European Commission documents that gave rise to government thinking in involving civil society in development does not attempt to enter into the debate of defining the NGO, rather they confine themselves to its characteristics.

Even the council in charge of regulating the co-financing of NGOS did not attempt a definition either as Clarke (2000:51-34) states that

Non-governmental Organizations are first and foremost social instruments. This view sees the non-governmental structure as a mechanism or vehicle for affecting or mobilizing change and development in any given society.

The Non-governmental Organizations and Community-based Organizations (CBOs) are voluntarily established by private individuals in the interest of their members or community, or in the public interest. This view simply views Non-governmental Organizations as civilian property, the purpose of which is to serve their own or the public interest. The Report of the Non-governmental Organizations' Week Conference (1996:155), noted that Non-governmental Organizations are by nature non-profit service organizations dependent on voluntary contributions but independent of government.

Accordingly, this definition highlights two important dimensions of non-governmental bodies namely :

- i. non-profit seeking; and
- ii. free from the state's direct sphere of influence.

For the purpose of this study, and according to the Non-governmental Organization Report (1996:155), the concept of Non-governmental Organizations should be understood to refer to organizations that are not part of government and pursue activities that promote development, thereby reducing suffering especially in the lives of the majority of ordinary citizens.

### **6.5.2.1 Globalization : the prospects for NGO's in Nigeria**

While NGO's differ from one another in terms of political ideology, social objectives and their specific place in the global political economy (globalization concepts), NGO networks have shown some considerable potential for both greater socio-political change and democratization in Nigeria. In addition to their traditional engagement in delivering welfare services and in community development programs, NGO's (especially third generation NGO's which are largely involved in advancing socio-political change towards sustainable development) attempt to reorient public policies in favor of vulnerable groups.

The NGO sector can effectively organize underprivileged people and give them a voice against all sorts of socio-economic injustices imposed on them (Aloo, 2000:58). For instance, the Grameen Bank, a leading and well-known development institution in Bangladesh, has successfully changed the traditional place and role of women in rural Bangladesh over the past two decades. Aloo went further to say that by supporting income-generating enterprises of marginalized groups, especially rural women, the bank has enabled them to break out of stereotyped female occupations in a traditional society which is still dominated by religious and patriarchal values (2000:58-59).

This concept may not be peculiar to Bangladesh. There is a high likelihood that this idea would succeed considerably in Nigeria, if well applied and coordinated. In order to put to an end to structural deprivation and discrimination, some NGO networks in Nigeria (in the present democratic dispensation) may need to challenge the state institutions by focusing on the importance of developing an alternative

basis for democratic development. They should be making efforts to generate popular power, to give people the right to control the institutions, which shape their lives.

Apart from developmental and democratizing activities in Nigeria, NGO's can make a big difference in peace-building operations. Long before any conflict takes place, NGO networks can successfully promote confidence and mutual trust between rival groups and prevent them from descending into violent conflict. In particular NGO's with a grass-roots base have the ability to remove potential causes of conflicts and to resolve differences between the contending groups through political negotiations. Not only do they have a better understanding about the psychological and cultural aspects of conflicts but they also have the know-how for conflict resolution based on traditional culture and wisdom.

However, in some crucial cases, given the peculiar and complex nature of Nigeria, NGO efforts may be insufficient to promote cooperation between hostile groups because of the serious nature of their disputes. Nevertheless, they can still prevent a disaster by sending early warnings to the government, international organizations, the media and other concerned parties. Together with the media as well as "old fashioned" cooperative and labor groups, these constitute a "civil society" which increasingly exists at local, state, as well as the national levels of the Nigerian society.

### **6.5.3 Summary**

If the contemporary process of government's efforts on both political and economic globalization could consider developing regional and global civil societies as one of its main objectives, then it is most likely that Nigeria should find a firm route to a sustainable democratic development process which will not only be recognized at home but also by the international community. The emergence of transnational networks of civil society groups in Nigeria, will certainly bring together a wide range of NGO's working in the fields of peace, security and development across national boundaries. Against both the interests and exploitation of the global forces of production and finance, these transnational NGO networks activities in Nigeria will begin to ensure meaningful participation of civil society associations in international decision-making.

Furthermore, in addition to advancing resistance to the current orthodoxy of neo-liberalism concepts in Nigeria, these emerging transnational networks of voluntary organizations in Nigeria will then be actively involved in creating alternative routes for development which will bring government nearer to the people by inviting them to participate on issues that concern them.

In the long run, the proliferation of so many strong and committed civil society groups in Nigeria, the prospects of sustainable democratic development can become a reality. Indeed, the new democratic dispensation in Nigeria constitutes a promising period for the country's new direction and renaissance as the hegemonic position of neo-

conservative policies is challenged in the new democratic global values.

It is also important to note that since the early eighties until the present, most developing countries including Nigeria, have been involved in serious structural economic adjustment programmes which came about as a result of conditionalities attached to IMF and World Bank loans. In Nigeria, the government has been preoccupied with debt servicing and has been confronted with seemingly inseparable problems (Diamond, et al., 1997:308).

Diamond, et al., are of the view that the combination of prolonged economic recession and depression in Nigeria as a result of economic liberation, which was part of the conditionalities, has given cause for great concern. The IMF and the World Bank began to doubt the appropriateness of the structural adjustment program (1997:313-315). However with a renewed focus on jobs, and economic growth, rather than on deficits, some form of social democracy is likely to become more result-orientated and acceptable by most Nigerians.

The past military administration in Nigeria, whose government originally took these loans, has induced an unanticipated choice for much of the economy either to escape from the dictates of the adjustment “paradigm” or to reduce the growing tension between political and economic liberalization. The new government can indeed change the tide of economic woes confronting the nation at this point. It can begin to escape from restrictive conditionalities and redefine its own development direction with much focus on “local economic initiatives rather than seeking local economic initiatives from abroad”.

This would be feasible particularly if those grass-roots mechanisms, associations and bodies that constitute civil society in Nigeria, are revived and rehabilitated, thus constituting an energetic source of alternative policy innovation and program implementation. These prospects have to be widened further by the construction of regional and global economic coalitions outside the purview of inter-state organizations.

## **6.6 GLOBALIZATION AND THE NIGERIAN BANKING INDUSTRY**

Before taking a look at the likely consequences of globalization in the Nigerian banking industry, it would be pertinent to consider some basic precedent conditions that could either encourage or discourage the private sector in the practice of banking within a global context.

### **6.6.1 Entry of foreign banks into the Nigerian system**

Following the state of the banking industry during the previous decades under several military governments, Mr M Hayyatudeen, the managing director of FSB International Bank stated "the banking sector did not develop that level of sophistication that would enable it to perform optimally within the national economy. The factors that contributed to non-optimal performance were inadequate capital base, inappropriate lending policies and practices which resulted in large amounts of doubtful debts, concentration on short-term lending and the shortage of technically qualified manpower which was a major cause of poor quality of financial services" (Hayatudeen, 1999:11-15).



With the exception of short-term lending, the banks appear liable on all other accounts. The above opinion of a professional banker is not viewed as a generation of the banking activities but to point out the urgency for improvement. To withstand the high level of competition in trade liberalization that accompanies globalization, considerable improvement is indeed required in the industry. And the new entrants in the banking industry in this globalization era could pose a serious professional threat to the existing ones in the following areas :

- i. quality of services : The new entrants will surely bring to the market better/ improved systems of banking operations, better work culture by employees and consequently better quality of end products;
- ii. wider product range : The foreign affiliation of the new entrants will ease their ability to offer a wider range of efficiently delivered products especially in the area of international trade transactions;
- iii. better franchise : The standing of most entrants especially those from Europe and America may be such that it will give them an advantage in terms of larger balance sheets and wider networks across the globe. Their stability as viewed by the banking public is likely to generate more goodwill than that of the home grown ones; and
- iv. edge in information : The more developed countries have banking technology organizations that are advantaged by sophisticated information technology when operating in the third world Nigerian setting.

It is important to note that entry by more efficient parties in the Nigerian banking sector of the economy in the spirit of the globalization process, will more significantly compel banks to improve on their roles as media of exchange creators and as facilitators of trade and production processes through the mobilization and channeling of funds within and outside the boundaries of Nigeria.

An argument has often arisen that such global and local competition among the banks and other private sector institutions, while leveling the playing field of aggregate Nigerian economic activities, may stifle local development as the indigenous Nigerian private sector. This situation has been described by Dr Pius Okigbo (Chairman, Magnum Trust Bank Limited) "as weak and fragile" (Hayatudeen, 1999:10-15). Such an initiative has also been described in a paper delivered in the World Economic Forum, as "capable of destroying local initiatives, jobs and ultimately culture" (Schwab, 1999:2).

However, the push of a globally unifying force may be too pervasive for a growing economy like Nigeria or, indeed any one nation to contain without the fear of becoming isolated. The government of Nigeria, the organized private sector, the participants in the globalization process and the banking industry cannot deny the general public cheaper and better services simply because they want to maintain their own existence. Each one must make a proactive response to the situation.

In view of the foregoing, for the local banks in Nigeria, a positive response in the following areas may ensure both their survival and relevance in the new globalization process :

- i. product innovation;
- ii. improved professional service;
- iii. efficient internal control system; and
- iv. consistent manpower development programmes to provide staff with the competency to deliver efficient and courteous services.

The government of Nigeria needs also to provide a certain environmentally friendly platform to enable banks to function well in the new globalization programme. The expected roles of the present Nigeria government in this era may be described as follows :

- i. Consistency in policy formulation and implementation : The withdrawal of public funds from the banking sector and the sudden direct debit of accounts of banks with the Central Bank of Nigeria in the past may need to be discouraged. This policy took both the industry and the general public by surprise. It created a lot of short-fall on bank deposits and created a negative influence on the banking public (Ezeuduji, 2000:8). This kind of policy must be implemented with greater care and concern so as not to extend such embarrassment to the globalization process as it could make the whole world loose instant confidence in the Nigerian banking sector.
- ii. Efficiency in the cheque clearing system : The long waiting period for clearing instruments at the Central Bank of Nigeria (CBN) has to be continuously improved while only virtual autonomy of the CBN will reduce government interference. The clearinghouse needs more decentralization and a national cheque authentication and verification institution should be

established to aid the backlog experienced presently on the clearing system (Anyanwu, 1999:3).

- iii.* Formulation and enforcement of government laws : Formulation and enforcement of legislation as well as accelerated litigation on banking, the entire financial system and other private sector economic activities would enhance a hitch-free transition of the economy into a more globalized concern. Issues like money laundering lanes, which would help sanitize the financial system, have to be functional and operational. Government needs to ensure speedy litigation of financial crimes.
  
- iv.** Protection of local initiatives : Government should also seek to ensure responsible globalization by ensuring that excesses of competition do not completely stifle local initiatives. For operators that may seek to find markets overseas the key is also to develop a highly efficient operating system that will enable them to withstand competition in overseas environments. Aside from the third world, most other countries have offshore banking services, technological and economic development. Hence only a niche in those areas of chosen services will enable the Nigerian banks to make a success of investing in foreign markets.

#### **6.6.2 Foreign banks in Nigeria : some policy implications**

In the six years preceding 1998, Nigeria walked the path of a pariah nation unwelcome by the international financial community. There was major intervention in the political life of Nigeria in 1999 when a newly

democratic government took over the mantle of power. This has brought the country back into the fold of the international community. Hence the economic environment has once again become attractive to foreign investors.

The Nigerian financial system comprises :

- i. the development banks;
  - ii. the merchant banks;
  - iii. the commercial banks;
  - iv. the insurance companies;
  - v. the community banks;
  - vi. the finance companies;
  - vii. the Peoples Bank of Nigeria;
  - viii. the Nigerian Stock Exchange;
  - ix. the Bureau de Change;
  - x. the discount houses; and
  - xi. the Central Bank of Nigeria, which sits at the apogee
- (Source : Quarterly CBN, Economic Review, June 2000:15-20).

These constitute a structural definition of the Nigerian financial system. In reality, as a market, the numerous intermediaries and relationships between and among institutions are part and parcel of the market. Foreign banks here would be understood to be banks whose capital is provided wholly or, in part by foreign nationals and the composition of the board of directors of the bank consists wholly or, in substantial numbers, of foreign nationals. Its capital defines the proprietary right to a company and hence the directional flow of the ultimate reward of enterprise, returns or dividends. Composition of the

policy organ defines, among other things, the objectives of the company, its value system and its character and vitality.

It is worthy of note that the scourge of the Structural Adjustment Program (SAP) introduced by the military government in 1985 as a pre-condition for the IMF loan, created a huge problem for the Nigerian capital inflow. In the late eighties and early nineties, the boom of the seventies had created, in Nigeria the feeling of the “giant of Africa”. Quite a few public policies that affected capital flow and formation were formulated under this illusionary state of satisfaction which some believe led the country to abridge unduly free entry and exit from the Nigerian economy under the various pieces of indigenisation legislation (Othman and Williams 1999:15).

The core argument then, was that political independence was meaningless with economic power entrenched in the hands of foreign nationals. It is doubtful whether this argument is less persuasive today than it was in the early seventies. The argument was and is beyond reproach. Yet, it seems that the critical issue should be how to take affirmative action that does not amount to appropriation of the proprietary right of one economic / racial group to redress the economic disadvantage of another social / racial group.

The excursion into the broad area of indigenisation policy which came into effect in 1976 by a military government then led by the present democratically elected President Olusegun Obasanjo, provided that all companies must have a majority share holding by Nigerians. This reveals where control over both the government and economic activities came from (Osaghae, 1998:101).

Even though, entry of foreign banks into the Nigerian market seem beneficial to the development of the country's financial market, the fact remains that the "tyranny" of corporate rule will apply hence they would maximize profit and may not bother to develop the local communities. Therefore, the need to encourage the erstwhile Nigerian Community Banks and the introduction of a community currency system should become the government priority during this globalization era, otherwise the local communities will be unavoidably forgotten by both the government and the business giants. It is important to note that the financial system is but a subset of the economy.

The question of the entry of foreign banks into the Nigerian financial system touches on the central issue of free entry and free exit into and out of the Nigerian economy, which constitutes the cornerstone of the Nigerian private sector perspectives on the issue of globalization. The argument for controlled market-led economies will make little sense if barriers are unnecessarily erected across boundaries. This will be even more disadvantageous to countries doing so given the influence of telecommunication mentioned earlier. The central concern of protecting local manpower and ensuring that the domestic economy derives actual benefit from such international relationships can be addressed through "regulation" rather than "exclusion". In this regard, the instrumentality of the stock exchange and public quotation of stocks is one area whose maximum potential is yet untapped by public policy makers.

The imperative of meeting and sustaining the developmental expectations of a growing population has forced (government and

corporate groups) to appreciate better the ancient wisdom that “no man is an island”. Nigeria needs others even as they guard their patrimony. All affirmative political action, which takes the position that you have to dispossess one economic group of its proprietary interest to redress another disadvantaged group, is in contradiction with the soul of private enterprise and free private capital flows.

The presence of foreign banks in the Nigerian financial system will act as lubricants of the restoration of international confidence in the domestic economy as well as better conduits for foreign private capital inflows amongst other positive values. Political managers of the economy can effectively ensure value-added international corporate relationships through liberal regulation and not exclusion. As the world moves into a central market square, Nigeria must quickly establish its own coordinates in this emergent global market. The worldwide great corporate mergers that are the current phenomena have only one message – “Business has no Borders”. The Nigerian economy cannot be indifferent to the rhythm of the world economy. But the question remains “How can the poor benefit from the global banking linkages?” If Nigeria follows the rest of the world, attention should be given to local economic initiatives so that the non-banking poor majority will not be left behind.

## **6.7 CONCLUSION**

Attempts were made to review the trend in global integration made possible by developments in the Nigerian banking sector in the utilization of productive resources through improved competition and innovation. Also, while the ability of developing countries to take full



advantage of the information technology-induced globalization, is severely restricted by the stage of development in Nigeria, the study has indicated that the development has transformed the scope, range, pace and the procedure of financial services delivery in Nigeria despite the fact that it is still a developing economy. The effects of the development on the Nigerian financial system have come in the form of cost reduction, enhanced speed at carrying out financial activities, introduction of many computer-aided products, improvement in the transaction in the nation's capital market and opportunity to access the global market for enhancing capital base by some financial firms, among others.

In spite of the numerous benefits that can be derived from globalization induced by advances in information technology, the study has noted that the development poses many challenges to the regulators / supervisors, the operators in the financial market and the economy as a whole. In particular, the current wave of innovation, liberalization and globalization poses a threat to the stability of a nation's financial system with its attendant negative consequences on the overall economy. In order to avert or at least minimize the dangers posed by this development, given the relative attraction of the economy to foreign investors arising from the democratization of the economy, there is the need for the regulators / supervisors to evolve a regime of supervision that will be efficient, effective, up-to-date and relevant to the ever changing complexities of modern banking and finance.

Similarly, there is a need to intensify efforts at building supervisory capacity to cope with these challenges, a need to strengthen

cooperation amongst different supervisory bodies on a cross-market and a cross-country basis in view of the emergence of financial conglomerates, as well as the need to enlist the market mechanism by encouraging a greater degree of transparency on the part of operators with respect to their preferred spot on the risk-return frontier as well as disclosure at regular intervals, as a powerful and effective tool to instill discipline, among other things.

On the part of operators, there is the need for the development of management strategies that would enable them to identify all such risks as environmental risks, process risks and operational risks that are normally associated with their activities. For the economy as a whole, there is the need, on the part of government, to pursue economic policies that will put the economy on the path of sustainable growth and development with a view to putting the peoples' "interest first" before that of the business organizations in which banks and information technology industries represent. In this regard, the current efforts at deregulation, privatization and liberalization, under a democratic setting, should be cautiously pursued to enable the economy benefit maximally from opportunities offered by technology-induced globalization but not to the detriment of the poorest of the poor.

In view of the foregoing, and based on the premise of this study, it will be of immense importance to note that the banking industry was examined as a private sector within the operation of the Nigerian economy, and they seem to be opting for and encouraging the newly acclaimed globalization program, but that does not imply that the economy of Nigeria in which their industries operate should function on

the dictates of foreign institutions or bodies. They only tend to encourage global participation in both international banking and information technology, but not to function under isolated global economic activity.