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THE EFFECTS OF GLOBALISATION IN THE  
ECONOMIC DEVELOPMENT OF NIGERIA

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**We certify this thesis is satisfactory for the award of the degree of Master of  
Science in Economics  
Examining Committee:**

## **DECLARATION**

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results to this work.

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## **ABSTRACT**

This thesis takes a critical look at the effects of globalization in the economic development of Nigeria by the understanding of the basic issues of globalization and how it has affected the economic development of Nigeria. The perspective of this thesis work is basically based on grass root development because every developed society boasts of a solid grass root development. The thesis work looks at the basics and the bases of globalization and how it affects economic development from the grass roots up to the very top.

The thesis is explorative and descriptive in nature. It seeks to identify and describe the variables of globalization and how they have affected the Nigerian Economy. It was concluded that there are three variables of globalisation that affect national economies. The three (3) variables of globalisation that affects national economies are; structural change, environmental conditions and external influence on government.

**Key words: Globalisation, Economic development, National economy, Multinational sector, oil sector.**

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## **CHAPTER 1**

### **PROBLEM FORMULATION**

#### **1.1 Introduction**

This chapter formulates the aims of this thesis with a brief introduction to literature on globalization and its effects on national economies. It portrays the problem situation by giving a background to Nigeria and how it's affected by globalization. The research aim and questions are formulated and brief descriptions of the following chapters of this report are given.

#### **1.2 Globalization and Nigeria**

There are so many different views about globalization in Nigeria. To the average man on the Nigerian street, globalization or no globalization, all he wants is food in his stomach and money in his pocket. Recently Nigeria was declared the largest economy in Africa, with many analysts claiming that globalization has helped the economy to diversify from just only an oil based economy to also a non-oil sector economy but most Nigerians didn't see this new trend as anything to go by, because daily struggle continues. As ToluOgunlesi, (2014) of the Guardian African Network puts it, the sudden re-basement of the Nigerian Economy has no effect on the low income earners of Nigeria. Index Mundi ranked Nigeria as 6<sup>th</sup> in the world in terms of population of citizens under poverty line. That is a whopping total of 70% (percent) of Nigerians living below the poverty line. In a country of over 170 million citizens, it can be said that over a hundred million Nigerians are living under the poverty line. Does it now mean that globalization has done more bad than good? What actual effects has globalization had on the Nigerian economy?

The main objective of this research is to analyze the oil sector and economic implication of Globalisation in Nigeria. Right now, there is a strong tie or link between international politics and international business, which causes the economic development of individual countries to be a major concern and the responsibility of that international community. It is therefore important for these international communities to realise the influence they have on economic development of individual countries. Is globalization failing in the Nigerian Economy or is it adding positive values to the Nigerian Economy.

There are several views about globalization in Nigeria. To some globalization remains the surest way out of perpetual underdevelopment in Nigeria while some skeptics see globalization as the western modern day of slavery, where Africa is being exploited all under the cover of globalized business environment. An investigation by (Aljazeera television 2014) showed that over the past decade, China's hunger for Africa's rich natural resources has seen it overtake Europe and America as the continent's largest trading partner. China's often expressed reluctance to interfere in the local politics of other nations - or at least to attach any tiresome conditions about democracy or improving human rights to their investments and aid. Globalization constitutes a mega trend in Nigerian political economy and has assumed a new phase in the country's international relations. Given the emergent socio-political and economic transformation as well as the technological advancement in communication, information, transportation etc, the process seems to be irreversible. Various institutional actors that is, Ministry of Foreign Affairs, Nigerian Institute of International Affairs, etc, have indeed consistently intensified efforts towards engaging in socio cultural relations with other global actors to develop her domestic scene. Thus, Nigeria today belongs to the 'global village', a new phase that has sharpened the development of her foreign policy; and interconnectedness of political, economic, social and technological forces that permeate contemporary global system.

### **1.3 Globalisation and effects on national economies**

For a country like Nigeria, Globalisation offers developing countries an opportunity for wealth expansion. Expanding the economy via wealth, export – led growth, ideas, technologies. This has impacted directly on the economic lives of Nigerians.

Globalisation has linked the Nigerian Economy to other world economies and the economy has witnessed massive expansion. Globalisation has reduced the barrier existing in international trade Salimono (1999)

The history of Globalisation is always argued amongst different scholars. Some scholars or historians believe Globalisation started not too long ago while some other scholars believe Globalisation can be dated to hundreds & hundreds of years back. Sometimes historians attach Globalisation to the fall and rise of the western world. They pin-point it to the industrial revolution that started around 1800, the western maritime growth that started around 1500, or the unification and integration of Asia around 1000 or earlier. These three stages of human history however, was the starting point of Globalisation.

.Omotere Tope NCE, B.A(E.d) (2010)puts:Globalisation has become a commonly used word world-wide. Globalisation is not seen any more as a word for just the scholars or educated or academicians. The word is been used in our everyday life. Businessmen, businesswomen, traders in the market, politicians and students all use the word globalisation. It is virtually used in our everyday life.Globalisation has turned the world into one big economy where the event that plays in the New York stock exchange affects the businessman as far as Malaysia or Zimbabwe. It has summed national economies into one big economy, where every player affects directly or indirectly other players.

### **1.4 Research aims and questions**

This thesis takes a critical look at this topic by the understanding of the basic issues of globalization and how it has affected the economic development of Nigeria. The

perspective of this thesis work is basically based on grass root development because every developed society boasts of a solid grass root development. The thesis work is going to look at the basics and the bases of globalization and how it affects economic development from the grass roots up to the very top.

The thesis is explorative and descriptive in nature. It seeks to identify and describe the variables of globalization and how they have affected the Nigerian Economy. In doing so it aims to address the following research questions:

1.3.1 What are the variables of globalization that affect national economies?

1.3.2 What are the advantages and disadvantages of the variables of globalization that have affected the Nigerian Economic development?

## **1.5 Problem situation**

Globalisation in developing countries with Nigeria in particular seems to be a huge confusing ball game. It has been stories of mis-conceptions and confusions. With the advent of S.A.P (Structural Adjustment Programme) in Nigeria, which most people see as the beginning of a globalised Nigeria, the Nigerian currency has been on a free fall. Before the Nigerian government fully opened its doors to globalisation, the Nigerian naira was exchanged for 77 kobo to 1 dollar (1 naira = 100 kobo). After the Nigerian government opened its doors to globalisation, the Nigerian Naira exchanged for 1.756 to a dollar. The more the dollar exchanged for more naira, companies became cash strapped F.E.Ogbini,(2007). They could not get enough naira to exchange for dollars. The dollar exchanged for 4.016 naira in 1987 and 5.35 naira in 1988. And as at 2014, it is 170 naira to a dollar. So it has been more of a mixed story. The structure of the Nigerian economy seems rather fused than structured which makes it critical to study globalisation and its effects on the Nigerian economy. Also the effects of Globalisation in the Nigerian economy cannot be discussed without taking a look at the high levels of

corruption plaguing the country and the weak government institutions that seems helpless to combat this menace.

## **1.6 Limitations**

It is evident that there will be limitations to the study. This is due to time and the complicated terrain of the Nigerian structure making it quite difficult to source for information.

Due to these challenges, this study focuses on major or key sectors of the Nigerian economy, such as multinational companies and the oil sector.

In order to understand completely the effects multinational companies have on the Economic development in Nigeria, it will be appropriate to take a more profound look at other sectors and not just the oil sector alone. Some multinational companies have had basic impacts and dealings with other sectors of the Nigerian economy way far from the oil sector. This day newspapers reported that the non-oil sector drives the Nigerian GDP growth rate, which has steadily increased over a period of time. For future studies, there is need to look at non-governmental organizations (NGO's) the role played by such organizations on the economic development of Nigeria. We won't encompass all these because of time and the complicated terrain of the Nigerian structure making it quite difficult to source for information in a limited time.

## **1.7 Summaries of Chapters**

Chapter one: Introduces us to the aim of the thesis and the research questions and also giving a brief history about Nigeria.



Chapter two: this chapter takes a critical look at the topic of globalisation by understanding the basic issues of globalisation and how it has affected the economic development of Nigeria. It looks at the basics and bases of globalisation in Nigeria.

Chapter three: This chapter looks at the history of globalisation and the Nigerian economy and then focus on the clarification of the peoples and culture of Nigeria. Also the chapter discusses about the Nigerian Economy, the oil sector which is the main stay of the Economy and also the multi- national sector of the Nigerian Economy.

Chapter four: This chapter describes and explains the methods used in this thesis work; the research design, data collection and conceptual framework.

Chapter five: This chapter explains the findings made in this thesis work from the model and the impact it has on the Nigerian economy at large.

Chapter six: This chapter is the concluding part of this thesis work. Summaries and conclusions.

## **CHAPTER 2**

### **CONCEPTUAL REVIEW AND MODEL**

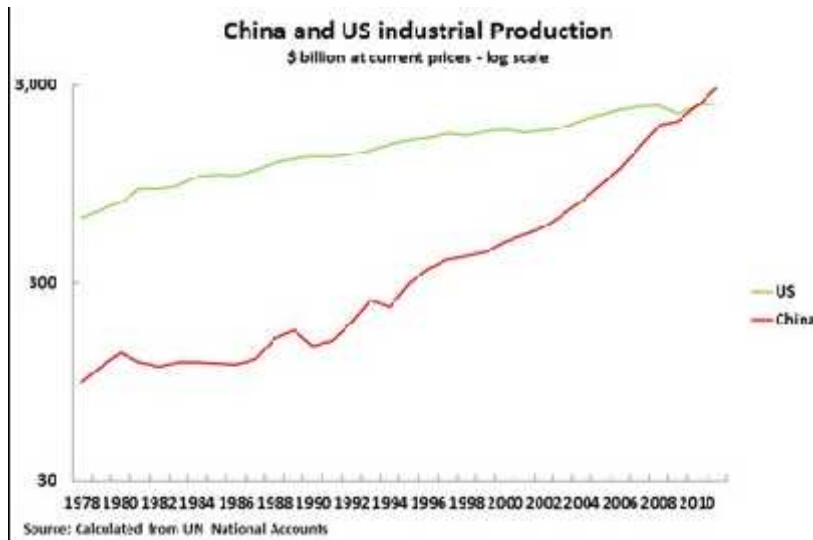
#### **2.1 Introduction**

This chapter takes a critical look at the topic of globalisation by understanding the basic issues of globalisation and how it has affected the economic development of Nigeria. The perspective of this thesis work is basically based on grass root development because every developed society boasts of a solid grass root development. The chapter is going to look at the basics and the bases of globalisation and how it affects economic development from the grass roots up to the very top.

#### **2.2 Globalisation**

A general view of globalisation can be seen as the process or systematic application of international combination or unification of ideas, views, goods and services, cultures around the world.(Ameh Abu 2012)With the emergence of internet, Electronic mailing, telecommunication, trade liberation in today's world has all led to the expanding information environment that has made the world a global village. There is a general agreement among scholars that globalisation holds the key to rapid growth in economic development and still Nigeria is undoubtedly facing a number of challenges that have to do with the consolidation of the gains of globalisation which can be simply put that Nigeria does not fully benefit from globalisation. Nigeria and likewise many countries in Africa suffer from the lopsided benefit from globalisation. Weak institutions and corruption takes off a large chunk of the benefits of globalisation in Nigeria. With every country trying to outplay or outsmart each other in the global cycle e.g. the USA vs. CHINA.

**Graph 2.1 extracted from John Ross, Chongyang institute for financial studies**



The graph above by John Ross, shows how the US and China are competing in world industrial production. Nigeria as other parts of Africa hasn't been able to gain from globalisation as China was able to benefit from the 1970's till date.

### 2.3 Definition of Globalisation

Globalisation is more or less simultaneous marketing and sale of identical goods and services around the world (The economist 2009, July edition).

According to Anthony McGrew (2007) Globalisation consists the multiplicity of linkages and interconnections that transcend the nation states (and by implication the societies) which make up the modern world system. It defines a process through which events, decisions and activities in one part of the world can come to have a significant consequence for individuals and communities in quite distant parts of the globe

The statistics that best reflects the growth of globalisation is the value of cross-border world trade expressed as a percentage of total global G.D.P(Gross Domestic Product) which might rise to 30% by 2015. The global economy stands as the world economy. It goes on to show the total amount of measurable economic activity going on around the globe are activities that includes production, trade, financial flows, investment, technology, labour and economic behaviours with countries and between countries.

In this research work, globalisation is defined as a continuous enlargement or expansion of economic, financial, social, cultural integration of economies around the world.

The centre point of global business and world economic growth can be attributed to globalisation. Increase in production for example is as a result of increase in globalisation. Take a closer look at China for instance, the graph above shows how their level of production increased astronomically from 1978 to 2010. This can be attributed to globalisation of production. Economic growth and development mainly is derived from world increase in globalisation. Nigeria hasn't really benefited as a country from globalisation nonetheless it is pertinent to say that there are some benefits gained by Nigeria from globalisation most especially in the oil and non-oil sectors of the economy but lots of the gains are lost out to corruption and weak political and economic structures. Globalisation has spanned several years before now. There have been different trade routes spanning several countries and continents. The roman established different trade networks during the Roman Empire especially in the Mediterranean Sea. There are other trade networks like the British Commonwealth trade links, or the Hansa. Also, it was through globalisation the new world was discovered "America". This definitely means that globalisation is not a new process even though there is an immense increase in globalisation today. Globalisation has moved from just a discovery of new worlds or a thought in a classroom to the centre and focal point of modern day economic development and growth. Every developed country today is actively into globalisation even closed economies like North Korea and Iran still have a way of participating in globalisation because any country that wants to achieve growth and development should participate in globalisation directly or indirectly. As some scholars put it no land is an island on its own. There is always a need to connect to other parts of the world.

Strategic alliance between countries is important for countries to benefit optimally from globalisation (Townsend 2003; Dan & Teng 2008) (Hynes and Wilson 2008). There has been a lot of research on strategic alliance particularly from the point of transaction cost economy. Also the game theory has been used to understand more, the importance of strategic alliance likewise risk perception, agency theory, network theory and resource based view of the firm (Dan & Teng, 2008) the resource based view theory which supports the motive for strategic alliances as a tool in enhancing Nigerian competitiveness in the global economy. To view the firm core competence and outsource, other functions could be a factor to participate in strategic alliance. In this situation, the theory of comparative advantage comes in. Daniel Radabaugh (1998) referred to Ricardo who reasoned that there will be global efficiency gains from trade if a country specializes in those products that it can produce more efficiently than other products without regard to absolute advantage. A company will gain if it concentrates its resources on producing the products it can produce most efficiently, it then can collaborate strategically with companies in other countries with which has natural or acquired resources, knowledge of these particular areas in which it has relinquished (Daniel & Radabaugh 1998), pp 226. Then the theory of comparative advantage by Porter (1990) indicates that country X cannot depend on its natural resources only. It also depends on internally driven rivalry between domestic companies, suppliers and buyers. Therefore it is believed that a worthy economic growth is more aligned to the ability to innovate and upgrade and that no nation will be competitive in every industry but will be competitive in fields which she is best in. (Adetayo Adelokun 2009)

This depicts that for a country to enjoy full benefits of globalisation, it needs to concentrate on strategic alliance. The European Union is a good example of strategic alliance. They go into trade among member countries and gain all benefits from such strategic alliance. If there is any need for outside trade, it is agreed by members allow such country participate in trade with the union most especially when such a country has a comparative advantage than any other member country of the union. With this important alliance, there is an instant touchdown to ladder that is instant touch down to the grass-root. For example a farmer in France immediately feels the benefit of his products being exported to Lithuania. There is an instant rise in demand for that product.

That is why globalisation is very profitable when there is strategic alliance within countries. The African Union (A.U) is supposed to be like the European Union (E.U) but its more or less a ceremonial meeting between countries where very less is achieved reason being that the individual structures of member states is very weak and there is no political will to change the status quo. Most countries yearn for change but the will to make the change is not strong enough. The result is that with the introduction of African union, there is still very little inter, intra trade between member states, no free movement among member states. A good example here is that some countries outside Africa can go to African countries without a visa required but sister states within Africa cannot go to such countries without applying for visa and this hampers trade within the continent in a great way and stands as an obstacle to globalisation.

#### **2.4 Perceptions of Globalisation**

Globalisation is seen by some as the gateway to free markets and free trade into the developing world. They view this as the best way to beat poverty and poor standard of living. With globalization there are so many opportunities for emerging economies by bringing jobs and businesses opportunities to areas which would have otherwise struggled economically. It offers equal opportunities to all players some say, because globalisation takes into cognizance quality and not necessarily where the product is made. That is it doesn't believe in made in America or made in Japan, it only follows quality and this is giving equal opportunities to all players in the globe which in return beats poverty and increase the standards of living in countries that can produce qualitative products

But there are some views by some other scholars and school of thought. Critics of globalisation argue that it is a process of selling out an economy, to be under the control of a foreign country or corporation which basically means lost of power to a foreign body. They argue that globalisation is meant to make developing countries developing and never developed. The world bank and I.M.F (International monetary fund) loans that never seem to help ailing and failing economies, the continuous superiority of the

western corporate bloc which spans from continent to continent. All these raise a stern look from critics. It is very factual to include multinational corporations and people's perception when discussing globalisation. Therefore explaining the perceptions of people about globalisation becomes a meaningful effort. (Jacob Funk 2008) Globalisation is viewed or perceived among Europeans and American voters as a different ball game. They view it differently from most parts of the globe. These western voters view globalisation as the transfer of existing jobs and wealth from industrialized or developed nations or economies to emerging economies especially in India and China. They basically view globalisation as nothing else than the transfer of opportunities of a better and more secure part of the globe to a rather insecure part of the world. Aside, western fears pertaining to globalisation, some Africans are also scared of the term globalisation. Needless to mention how the west perceives Africa, the African image has been so bastardized in the western media. Daily, there are stories of wars, hunger and famine about the African continent. Most times the future of these African countries are always perceived to either collapse or near collapse.

So many Africans are very sad as to the way the continent is being portrayed in the west. The negative view is an obstacle to the continent's economic development. According to the report: (Matthew Martin & Cleo Rose-Innes Feb. 2004) Africa's widespread negative image among investors had two consequences: Firstly, that the continent lost out on investments and secondly, that the funds which were invested in Africa, had a tendency to end up in short-term, high-risk ventures with developmental impacts substantially smaller than from "normal" investments. With investments that are meant to aid the small scale sectors of the economy, which are the backbone of economic development are sadly short term and high risk. The effect of this basically means that capital is made as fast as possible and leaves the continent as fast and quickly as possible. So as the effect being on Nigeria as so much as 70% of the population which is over one hundred million citizens still remain under the poverty line.

Here it is realized that there are different perceptions of globalisation from the East to the West. They all hold different views on globalisation. To some, globalisation is the

best thing that ever happened to bridge the gap between the rich and poor while to others it is just a way of taking from those that have and giving to those that do not have. The perceptions on globalisation are all different but whichever way it is seen, globalization cannot thrive with weak political institutions and corruption. A society where corruption thrives then there will be disastrous effects on the gains of globalisation. Some hardliners/sceptics see globalisation as the western modern day of slavery where Africa is being exploited all under the cover of globalised business environment.

The Nigerian oil sector which is a critical part of this research has come under heavy criticism by some localities in Nigeria. (The Christian Science monitor 2013) Oil spillages numbering hundreds are reported in Nigeria every year which is damaging and killing the environment, in return putting human lives at risk. Amnesty international accuses Shell for these spillages. According to Amnesty international, pipeline corrosion, maintenance issues, poor equipment, theft and sabotage are all causes of the oil spillages. In particular, the report states that shell and other oil companies operating in the oil rich Niger Delta region of Nigeria were not entirely truthful about what is causing the spillages amounting to hundreds every year. Oil companies in the region, including Royal Dutch Shell are always quick to blame theft and sabotage but that is not entirely true. Nigeria which is a member of OPEC is calling for tighter and tougher consequences for companies responsible for oil spillages. If other members of OPEC agree to this, it means faulty companies might pay millions of dollars for oil spillages in these communities where they occur. Amnesty international in its report said there is dire need to stem the flow of these oil spillages in Nigeria because it is ruining the environment and putting human lives at risk. Shell has always defended its maintenance policy but with this report, it is not just sabotage and oil theft that causes the oil spillages, bad equipments and maintenance are also part of the blame.

What this results to is there is such a great mistrust by the hosts communities of these oil companies because their environment is damaged and their farming and fishing lives taking away from them as a result, these set of individuals who are on the low ladder of the society are instantly taken aback when it comes to globalisation.



## 2.5 Absolute advantage, comparative advantage in relation to Globalisation.

In the theory of international trade, a country has an absolute advantage if it can produce a good or service more efficiently than another country. This theory was first suggested by British born Adam Smith (1723-90). He tailored it as an extension of his division labour doctrine. It basically means that if an economy can produce a good for a lower costs than another there is no need to enter into trade. It means that less resources are needed to produce the same amount of goods for that particular economy. At the beginning of globalisation, in the early days most countries entered trade in path of Absolute advantage. Trade routes from the Ottoman Empire to Europe, was basically based on Absolute advantage for instance. But as years went on, trade became more diverse and increased tremendously. This is due to the view of David Ricardo. In his book, principles of political economy and taxation (1817), he came up with the comparative cost theory which states that free trade works even if one partner holds absolute advantage in all areas of production. It simply went on to state that countries should specialise in a certain class of products for export but import the rest, even if the country holds an absolute advantage in all products. Absolute advantage looks at the monetary cost of producing a good, but comparative advantage is quite different. Even if one country is more efficient in the production of all goods (absolute advantage) than the other, both countries will still gain by trading with each other, as long as they have different relative efficiencies. Efficiency of production is achieved when a production is created at its lowest total average cost (TAC).

**Figure 2.2**

Countries	phone	camera
Country A	01	05
Country B	02	04
Total	03	09

For country A to produce one phone, it has an opportunity cost of five(5) cameras, however for country B to produce two phones, it has an opportunity cost of just 4 cameras.

Although country B has an advantage, it still favours both countries to specialise in the commodity where it has a greater comparative advantage that is country A should produce cameras and country B should produce phones.

Ha-Joon Chang (2011) criticized the comparative advantage principle, contending that it may have helped developed countries maintain relatively advanced technology and industry compared to developing countries. Hang argued that all major developed countries, including the United States and United Kingdom, used interventionist, protectionist economic policies in order to get rich and then tried to forbid other countries from doing the same. For example, according to the comparative advantage principle, developing countries with a comparative advantage in agriculture should continue to specialize in agriculture and import high-technology widgets from developed countries with a comparative advantage in high technology. In the long run, developing countries would lag behind developed countries, and polarization of wealth would set in. Chang asserts that premature free trade has been one of the fundamental obstacles to the alleviation of poverty in the developing world. Recently, Asian countries such as South Korea, Japan and China have utilized protectionist economic policies in their economic development. Even with some criticism, globalisation is still largely boosted by the comparative trade theory, as every country presently in the world, enters into trade or some sort of tradewith another country. Although with the protectionist's policies, African countries including Nigeria have been on the losing end but still globalisation has also brought immense developments to developing economies.

## 2.6 Economic Development

Years of mismanagement, political instability has been the main bane to Nigeria's track of economic development. A country with opportunities and potentials is lagging behind in so many ways. No wonder Nigeria is referred to as the African sleeping giant. Nigeria is a mixed economy and also emerging market, with expanding financial services, technology and entertainment sectors. Nigeria recently rebased its economy and became the largest economy in Africa due to the growing contribution of telecommunications, banking and its film industry. Nigeria has added 89% to its G.D.P, making it the largest African economy. Actually there is a general agreement that Nigeria has witnessed some economic growth especially from the years 2000 till date, there has been some good news when it comes to economic development in Nigeria. As the present government of Nigeria puts it, they have created more jobs than every other previous administration put together. There are signs of economic development in Nigeria from the highbrow towers of Victoria Island to the business districts of Abuja and Port-Harcourt it is evident there is life in the economy. With a stumbling population of 175million as at 2014, it is important as part of this research work to find out how many of these people do get to benefit from this economic development. We are of the view that economic development isn't from the cities of Lagos or Abuja, economic development should be witnessed in the rural streets Uromi or the slums of Makoko. When changes begin to occur in such quarters of the economy we can conveniently say that there is economic development. The Makoko slums exist in their own peculiar world. Dubbed - with a heavy sense of irony - the Venice of Africa, the oily waters provide a way of life for the fishing community but also the greatest dangers, spreading disease through the cramped population. When towns as Makoko begin to experience development then we can be rest assured that Development has actually begun in the Nigerian state. (Mail online 19<sup>th</sup> April 2014)

### **2.6.1 What is Economic Development?**

Economic development is defined as a continuous effort of government and society to in a sustained manner increase the standard of living and increase the economy in a quality way at a specific period of time. E. Wayne Nafziger (2006)

Nigeria is a third world country, Penn state university clears it out for developing countries it defines economic development as increasing the quality of human life via an increase in per capita income, poverty reduction and an enhanced individual economic opportunity. Also economic development could include quality education, improved health system, healthier environment and the preservation and enriching of culture. (Penn State University 2008).

Looking at these definitions it is clear that the continuous present tense is in use. It means government must put in effort to continually work at these specific sectors of the economy which as a matter of fact drastically affects the grass-roots of the society. As mentioned earlier the grassroots has to be the basis for any form of government policy including globalisation. Underdeveloped countries are known for by high or explosive population growth and death rates, poor sanitation poor sanitation and unclean environment, poor housing, a high percentage of the population in subsistence farming, low per capita income, high level of illiteracy, low allegiance to the state, uneven feelings of national cohesion, low status rating for women, poor technology, limited communication and transport facilities, predominantly exports of raw materials. In addition, political turmoil , low savings and low net investment, military or feudal domination of state machinery, wealth in the hands of a very few, poor credit facilities, prevalence of non-monetized production, the exportation of wealth to save in developed countries, labour unrests such as in the Niger Delta in Nigeria, and a host of others (Sunday Ewah 2009)Therefore countries with these kinds of peculiarities find it difficult to develop their economic potentials. It is peculiar to note that economic development

takes years before the fruits begin to surface with all these challenges listed above, Nigeria has although experience some development, but due to the characteristics plaguing developing economies including Nigeria like limited communication and transport facilities the development is hardly felt. Need to say that the continuous effort of government is important so that the challenges can seldom be overcome. For globalization to be effective, then economic development is key. As stated earlier, chunks of the gains of globalization is lost due to fragmented system of operation and institutions in Nigeria. The image being portrayed by the media also causes capital flights and high risk investments when it finally comes. Businesses come to Nigeria for short term to make quick capital and move on for the fear of political instability or other factors plaguing the continent. Although recent studies show that private capital flow has been on the increase in Africa which in reality means increase in globalization. (Matthew and Cleo Innes 2004) Low income countries especially in Africa have been adjudged as wholly dependent on foreign aid with virtually no foreign private capital. The future of these countries has been mostly seen to be very bleak. Although these low income countries in Africa know that foreign private capital flows are very significant, as shown by studies in the mid-1990s

Low income countries in Africa have basically minimal ways to monitor private capital flows and have therefore been greatly under-estimated and under-reported internationally. This poor report shows little about the factual flows of capital income to these countries. Surveys have actually showed the true data which indicate that those low-income countries with stable economies and open investment policies, have received extremely large flows in relation to GDP or other economic variables. And this has helped sparked development across Sub-Saharan Africa.

## **2.7 Variables of Economic development**

Variables of Economic Development are changes that occur when development takes place. In this research there is going to be three variables that are most suited to our topic.

*Structural Change:* Structural change is complex. It involves both changes in sectors of the economy that in return affects growth. It refers to changing the structure of production to achieve overall higher economic growth. Also structural change can be seen as complementary like for an example when mass emigration occurs from the rural towns to urban centers to search for white collar jobs as the economy expands, leaving farming and fishing which is an integral core of the Nigerian economy to suffer which in return causes job loss.

For there to be economic growth, structural change is a necessity. It is a must. To achieve this growth, new technologies must be embraced, practiced and mastered by the locals. Substituting imports and entering into world markets for manufactured goods and services. Also, the increase in acquisition of both human and physical capital. In Nigeria there has been lack of structural change taking place as opposed to the industrialized parts of the world which means growth and development not being effective because structural change doesn't go hand in hand with economic development.

*Environmental Conditions:* Economic development and environmental conditions are so closely related due to increase in economic activity leading to change in the character of the environment. The abundance of natural resources in Nigeria has led to a growing interest from foreign organizations to conduct business in Nigeria. Such business or multinational companies have had adverse effects on the environment which includes deflation of minerals, and other natural resources, the degradation of land, water and air due to production and consumption activities. In Niger Delta region of Nigeria there is wide spread degradation of the environment like the oil spills ravaging farm lands and seas. This has led to increase in mortality rate in both humans and in animals alike. Environmental conditions can be seen as changes to the environment in a positive or negative way due to actions taken knowingly or unknowingly by a person or an organization. Environmental Conditions can be seen as "Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organization's activities, products or services" (Service Canada, 2005) also adds, "that causes the loss of natural resources either permanently or temporarily, those that lead to degradation in the quality of the air, water or ground."

*External Influence on Government:* As globalization expands so also its influence on government decisions. Most governments have to consider their policies towards big multi-national companies, like Nigerian government policies must take into consideration top oil multinational companies like Shell and Chevron. There is always pressure from external influences. Countries where these companies originate from also influence government policies like Turkey and Nigeria working towards a no visa policy for each country etc.

A positive political environment and a willing government to engage in important economic matters are essential steps in order to implement necessary measures in issues that pertain to Economic development. Nigeria as a country is greatly influenced by foreign powers .that is, the I.M.F and World Bank. This can lead to a reduced capacity by the state to implement its own economic development policies. (IMF) and World Bank, always affects the policy of the Nigerian government. According to Miller (1992) External influence on local governments consists of political instability and policy instability. Political instability sometimes causes change in the political system. These changes sometimes end up as negative or positive change with different opportunities. Policy instability indicates instability in government policy

## **2.8 The Societal Implications of Economic Development**

The year 1986 marked the time Nigeria started integration into the global economy. With the introduction of the structural adjustment programme (S.A.P) 1986, Nigeria was engaged in liberalisation, and also, the country was introduced into the commercialization and privatization and deregulation programme. This opened the doors for foreign and multinational companies into the Nigeria market. Economic and political analysts tend to focus on different parts of globalisation as it suits their respected fields. Economically, globalisation as we know is the inter-connection and inter-dependence of world economics due to a continuous increase in trade volume globally. To some part of the society, globalisation leads to job creation while to some other parts of the society, globalisation leads to job loss. Economic globalisation therefore is a fact of life in the

world economy. (Obayelu Elijah 2007). In recent times, developing countries that fail to participate in the globalisation process are poised to be outsiders in the global economic process. They will find out that sadly, they are close to a pariah state, where they will be seen as outsiders and strangers to the global world economy. It is paramount to state here that developing countries that participate in the globalisation process should as a matter of priority develop their local industries and technologies e.g Russia. Globalisation therefore should offer more opportunities for increased supply of goods and services from developing economies to the global stage. Improve production of goods and services and therefore improve the economic structure of these developing countries in the long run. The term economic development was defined in view to the economic growth and development as regards to capitalist societies by the classical school of economics in the early part of the 20th century. What this implies is that other countries from Africa, Asia, e.t.c were not taken into regard or consideration (History of Economic Thought, 2008) but were just merely seen as underdeveloped and perhaps in the future could tend towards the west or catch up with the west in standards. By the 1950's this view changed especially as the colonization powers left. The other parts of the globe that is Africa and Asia, Latin America etc were now included in the standards of the economic definition earlier reserved for the west only. Therefore this led Economic Development to be redefined to include other variables rather than purely economic growth and this started trickling down to Nigeria in the 1980's especially from 1986, when Nigeria officially embraced Globalisation. Economic development has various implications on society, from rural-urban shift to change in culture and environmental degradation; there are several implications of economic development on a society. It changes the perception of the people and way of thinking. Economic development in Nigeria has brought a more enlightened set of people to the prime with individuals looking at government policies and how it affects the general good of the society. Here it is noted that the implication of economic development isn't only in a positive way, it also has its negatives. There has been great shift from rural to urban centres in recent years in Nigeria. The quest for white collar or office jobs is driving this trend. Young people don't see themselves residing in rural areas or doing unofficial jobs. There is this belief that it is meant for the older generation to do. This movement has caused a great



strain on the already inadequate infrastructure in the urban centres and also caused a great strain in the few jobs available for these fresh graduates. Recently there was a stampede in the Nigeria capital, Abuja where thousands of job seekers came to look for jobs where 7 of them eventually died,(the Guardian 2014 )reports deaths at five locations including the national stadium Abuja, after half a million invited to apply for 5,000 immigration service posts. The urge to work in cities and the discarding to rural and non collar jobs in Nigeria is very pronounced in the society. On a lighter end, economic development has expanded so many sectors of the economy, which affects society in a positive way. Telecommunications is one part of the Nigerian story that cannot be least emphasized. As tech360 puts it Nigeria has a total of 120,242,218 active telecommunications lines in July 2013. This means over a hundred and twenty million Nigerians uses one form of telecommunication of some sort;this has adversely affected society's way of thinking and way of doing business. Economic development therefore has its positive and negative impact on society. The most challenging part of this is the erosion of basic cultures and values with that of western ways of live. But as put earlier, Developing Countries that failed to globalise its economy are in danger of becoming outsiders and are left far behind the development of other economies and with time might not be able to sustain itself which will result in the collapse of the state.

## **2.9 Internet access and globalisation**

It is not strange that some African countries like Kenya and South Africa are ahead of Nigeria in terms of internet penetration and access on the notion that their governments built nationwide infrastructure backbone, allowing private sector to run it at a determined low cost and making sure that every Internet Service Provider (ISP) has equal access to available broadband capacities. Infrastructure has been a real set back to Nigeria in terms of internet access. In the recent recalculation of Nigeria's GDP, the telecoms sector's share grew as up to near 9 per cent.

If broadband internet penetration which is currently less than 10 per cent grows at the same pace as mobile telephone services, it would give a massive boost to the economy . With low internet access, Nigeria still lags behind strongly from benefitting from globalisation still. In recent years, globalisation cannot thrive without good internet access. Cheaper internet access will amount to a reduced cost of operating business in Nigeria, for businesses whose activities depend on internet access, thereby giving Nigerian entrepreneurs a competitive edge with entrepreneurs from other parts of the world. In the year 2014, 67 million Nigerians had access to the internet which was 16% higher and also the share of the world population stood at 2.46% and country world share of internet users stood at 2.30% with a global rank of 8 in the world. Although this is a huge leap in recent years, Nigeria still needs to do more so as to fully benefit from globalisation still especially in the area of infrastructure.

## **2.10 Foreign Companies and Institutions**

A Multinational company is defined as “a company with operations and investments in many countries around the world, which are also known as Trans National Corporations (TNC’s)” International Financial Institution refers to any impact from external organizations that provide its members, in the form of a state, financial help through loans. Icons (2008) defines an International financial institutions as “commercial banks and international organizations such as the IMF who provide credit internationally. Indebted nations owe their debt primarily to international financial institutions rather than individual Governments, making issues of debt forgiveness and moratorium very complex.” There are several multinational companies in Nigeria majorly Oil companies. These companies are the arms brand of globalisation in Nigeria. Apart from oil companies, we also have financial companies’ e.g banking and investment companies that are multinational and are also doing businesses in Nigeria. (femiAribisala 2013)Nigeria receives the largest amount of foreign direct investment in Africa. Nigeria is known as one of the top twenty economies of foreign direct investments world-wide. Most of Nigeria’s foreign direct investment comes from the oil big wigs and foreign

multinational companies. These foreign companies are always concerned about their profit nest firstly before their host nation. Sometimes they tend to change their host nation political landscape and even transform it. Some of these multinational companies are actually bigger in size economically than Nigeria. They are major players in the oil sector, gas sector, insurance and banking sectors. Some analysts see them as multi states within the Nigeria state. Their involvement in the manufacturing sector has been limited mostly due to inadequate infrastructure and poor power supply. The multinational companies in Lagos, Abuja e.tc all sprung up from globalization. In the Niger delta region there are several oil companies operating there all foreign owned apart from Nigeria's (N.N.P.C). There are also various financial institutions operating in Nigeria. Like the International Monetary Fund (I.M.F). The I.M.F is most notable in Nigeria as it affects virtually all government policies and guides government in its restructuring drive of the economy. The I.M.F also have a great impact on the state as it provides external loan to government and also other notable rural or urban projects. Notwithstanding, there are other international financial institutions that also play a role in Nigeria's drive into globalisation. Like the Paris club, the world trade organization (W.T.O) to mention but a few. These companies and institutions are the major players when it comes to globalisation in Nigeria.

A major benefit from these companies is the influx of capital to the local economy. Economic analysts, especially those with the government are always of the view that the influx of multinational companies to Nigeria is a safe net. They provide capital to the economy. They see multinational companies as a source of needed financial resources. As these multinational companies bring in their investments, so also they influx capital to the economy through their various investments both locally and internationally. On paper, this is one of the best things that can happen to a developing economy or country. As one of the prerequisite for economic growth is the accumulation of capital. But in reality this doesn't seem to be the case. There is some evidence that multinational companies actually aid and promote capital exploration from developing economies to developed economies. This whole thought or assertion comes from the fact that these multinational companies are sometimes designed or they tend to bring in as little capital

as possible. They prefer instead to finance their investments through capital accumulation in Nigeria's financial market and mostly not through capital importation.

Foreign direct investment (F.D.I) is considered by many to be a major and more stable source of financing for many developing countries but in a case where these foreign companies don't come in with the much needed capital then there becomes an issue. In the later part of this research, this thesis work will study the general effect of globalization on the Nigerian Economy; the foreign companies and capital and has it been capital influx or capital flight?

### **2.11 Conclusion.**

This chapter has discussed the issues of globalisation and how it is perceived by Nigerians and around the globe. Also, the chapter defined economic development and the implications it has on the society. However, years of mismanagement, political instability has been the main bane to Nigeria's track of economic development. Globalisation hasn't really been worth while in Nigeria due to these factors. The government should do more for Nigerians to be able to reap more benefits of globalisation.

## **CHAPTER 3**

### **CONTEXTUAL FACTORS**

#### **3.1 Introduction**

This chapter will look at the history of globalisation and the Nigerian economy and then focus on the clarification of the peoples and culture of Nigeria. Also the chapter will discuss about the Nigerian Economy, the oil sector which is the main stay of the Economy and also the multi- national sector of the Nigerian Economy.

#### **3.2 Globalisation and the Nigerian Economy**

Since 1986, Nigeria has been gradually integrating with the global economy. Globalization of the Nigeria economy started in 1986 during the Structural Adjustment Programme (SAP) which ushered the country to liberalization, deregulation, commercialization and privatization programme. (F.E. Ogbini 2007)

S.A.P was introduced to Nigeria for the following basic reasons

- 1) Restructure and diversify the productivity base of the economy
- 2) Achieve fiscal stability and provide balance of payments
- 3) Set the basis for a sustained non- inflationary or minimal inflationary growth
- 4) Reduce the dominance of unproductive investments in the public sector.

This programme which started in 1986 was the official beginning of globalizing the Nigerian economy. As it is stated government tried to reduce the dominant public sector

by letting private hands take charge or partner private firms. Some critiques will say it was the beginning of Nigeria's problems. The structural adjustment programme began in 1986. Before this programme began, one dollar exchanged for 77 kobo (1 naira = 100 kobo) After S.A.P, it increased to 1.756 naira. Some corporate executives and bureaucrats argue that this was as a result of lack of foreign currency in the system. The available currency wasn't enough for exchange. The foreign currency was very low as to compare the amount of naira available. This whole process continued where businesses couldn't get enough money (naira) to exchange for dollars. In the year 1987, the dollar exchanged for 4.16 naira and by the following year, 1988 it increased to 5.30 naira. Five years on, the dollar exchanged for 22 naira. Continuously, the gap between demand and supply is on the increase. An example of this is that by July 1993, \$290 million was offered as against \$3,439 million dollars demanded and by August of the same year \$230 million dollars was offered as against \$3,930 million demanded. But in another limelight others argue that S.A.P brought the expansion of the economy and if managed properly, it's the only solution to Africa's unending problems.

Globalisation has gone very deep in Nigeria. In virtually all sectors of the Nigerian economy even in schools, healthcare, there is all global presence and just as this has brought its advantages, so also it has brought its disadvantages. Job creation in some aspects of the economy and job loss in other aspects of the economy. But analysts believe when it's properly managed and co-ordinated it's going to be majorly positive returns from globalisation. The Nigerian economy has for a known fact expanded tremendously and it's very visible on the streets of Nigerian commercial centres. Globalisation has given opportunity to the very best to do what they know how to do best and taken government's bureaucracy of manipulation and federal character to the near bottom.

### **3.3 Globalisation and Gross National Income (G.N.I) in the Nigerian Economy**

Gross national income is the sum of value added by all resident producers in a particular country including income received from abroad such as employee compensation and

property. The Gross national income of Nigeria has been on the increase for years due to globalisation. Nigeria benefits hugely from employee compensation from abroad. As at 2013, over 20.89 billion dollars was remitted back home. Next to petrodollars, the second biggest source of foreign exchange earnings for Nigeria are remittances sent home by Nigerians living abroad. In 2014, 17.5 million Nigerians lived in foreign countries, with the UK and the USA having more than 2 million Nigerians each. Foreign remittances rose from USD 2.3 billion in 2004 to 17.9 billion in 2007, representing 6.7% of GDP. By 2013, the G.N.I increased dramatically to 462.4 billion dollars which has actually been on a steady increase from 1970. This shows the impact of multinational companies in Nigeria which depicts the impact globalisation has had on the Nigerian economy. The table below shows the G.N.I of Nigeria in current prices and constant prices and also its share in the world from 1970 to 2013.

**Figure 3.3**

GNI of Nigeria, 1970-2013							
Year	GNI, bln. dollars	GNI per capita, dollars	GNI, bln. dollars	growth rate of GNI, %	share, %		
	current prices		constant prices 1970		in the World	in Africa	in Western Africa
1970	30.3	539.4	30.3		0.56	1.4	75.9
1971	33.8	588.4	30.6	0.99	0.56	1.4	76.6
1972	38.8	658.8	31	1.3	0.54	1.3	77.8
1973	43.3	719.3	29.7	-4.2	0.5	1.2	77.7
1974	68.7	1110	32.9	10.8	0.68	1.6	82.6
1975	84.4	1326.8	33.4	1.5	0.75	1.7	83.1
1976	102.6	1568.8	36.6	9.6	0.88	2.1	85
1977	114.4	1696.9	37.9	3.6	0.91	2.3	84.6
1978	128	1842.1	36	-5	0.91	2.6	83.8
1979	157.5	2199.4	35.8	-0.56	0.96	2.7	84.4
1980	195.4	2651.3	36.3	1.4	1	2.6	85.7
1981	175	2310.7	35.5	-2.2	0.84	2	85.3

1982	162.4	2089	32.9	-7.3	0.77	1.7	85.1
1983	167.6	2102.9	31.5	-4.3	0.81	2	86.3
1984	175.3	2144	32.8	4.1	0.89	2.5	86.8
1985	170.6	2032.5	35.8	9.1	0.82	2.2	86
1986	84.5	981.5	35.7	-0.28	0.36	1	71.8
1987	52.3	590.6	35.5	-0.56	0.2	0.57	58.5
1988	63	694.6	38.4	8.2	0.21	0.59	61.3
1989	60.7	651.2	43.8	14.1	0.19	0.54	60.3
1990	64	669.6	45.6	4.1	0.19	0.54	58.6
1991	65.2	664.7	49.7	9	0.19	0.59	58.5
1992	60.6	601.8	52.1	4.8	0.18	0.66	55.7
1993	61.4	595.2	55	5.6	0.18	0.69	57.9
1994	53.5	506.6	58.2	5.8	0.15	0.57	60
1995	44.4	409.7	47.4	-18.6	0.11	0.46	49.9
1996	49.5	445.7	51.8	9.3	0.12	0.42	51
1997	52	455.6	53.5	3.3	0.12	0.43	52.9
1998	53	453.4	53.9	0.75	0.14	0.63	52.1
1999	53.5	446.1	53.6	-0.56	0.13	0.65	52.3
2000	68.8	560	56.2	4.9	0.21	11.3	63
2001	66	523.2	59.1	5.2	0.2	11.1	60.9
2002	89.9	696.2	73	23.5	0.26	14.7	65.8
2003	103.5	780.9	80.9	10.8	0.27	14.1	64.6
2004	135.9	999.8	90.4	11.7	0.31	15.2	67.7
2005	173.4	1242.2	96.2	6.4	0.37	16.4	70.8
2006	230	1605	104.4	8.5	0.45	18.8	74.5
2007	248.8	1690.6	105	0.57	0.43	17.7	72.5
2008	310.4	2052.9	111.4	6.1	0.49	18.7	73.5
2009	249.4	1604.9	117.5	5.5	0.42	16	69.8
2010	331.3	2074.4	124.3	5.8	0.51	18.1	74.1
2011	367	2235.2	129.4	4.1	0.51	18.3	73.7
2012	412	2440.2	135.4	4.6	0.56	19.2	75.5
2013	462.4	2663.3	143.3	5.8	0.61	21	75.3

Table from world macro-economic research



### **3.4 Informational background about Nigeria**

The federal republic of Nigeria is located on the sub saharan part of Africa. The country borders Cameroon to the east and the Republic of Benin to the west. It is comprised of 36 states and a federal capital territory, Abuja. The federal republic of Nigeria is the most populous country in Africa. It has a population of over 170 million citizens. Lagos, the commercial nerve center of Nigeria and west africa, is the most populated city in Africa. It boasts of arguably 17 to 21 million inhabitants. Making it one of the largest city in the world. Nigeria as a country got her independence from Great Britain in the year 1960. Before then, it was already a commercial centre in Africa with cities such as Kano, Lagos and Calabar booming with trade and commerce. The base of the Nigerian Economy then was Agriculture. The federal capital territory ( F.C.T) Abuja became the capital city of Nigeria in December 1991. The capital city of Nigeria was Lagos , but it was transferred to Abuja up North. From independence in 1960 to 1999, Nigeria as a country has had seven (7) different military governments. All the military governments were followed or ousted by military coups. It should be of note that three (3) of those military coups were bloody. But from the year 1999 to date, Nigeria has been in a democratic system resulting in the longest period of civilian rule the country has ever had. Nigeria is a country that has the capacity to be developed but has remained underdeveloped or developing. Recently, the Nigerian economy became the largest in Africa edging past South Africa which is now in a distant second place.

Nigeria's G.D.P is put at 522.64 billion US dollars which represents 0.84 % of the world economy. Crude Oil was first discovered in 1956 just few years before Independence in Oilibiri, Bayelsa state. Before then, the main stay of the Nigerian economy was agriculture. Back in history, Nigeria's economy was agricultural based; the main stay of the country's economy and major source of revenue. Before oil was first discovered in the Niger Delta region, the country depended on agriculture for its exports and revenue. It is often said in Nigeria that most of the federal roads connecting the states were built

by funds from agriculture. The then Lagos colony, the first television station in Ibadan were all built from the proceeds of agriculture. Agriculture played a fundamental and major role in Nigeria's economic foundation even to this present day.

### **3.5 The people and culture of Nigeria**

During the arrival of the colonial powers in the 19<sup>th</sup> century, Nigeria had its own way and means of governance. The Ibos from the eastern part of Nigeria had chiefs and obi's that presided over their communities. The Yoruba's from the western part of Nigeria had the Ile-ife empire and the Oyo empire. The Binis presently known as the Benin's were governed according to the dictates of the oba, who ruled over the Bini kingdom. Up north the Hausa and Fulanis were living in the Borno kingdom and Kastina kingdoms respectively. With the arrival of the Europeans, Lagos became a British colony and the centre point of British trade, religion missions and political influence.

Nigeria is a diversified country with over 370 ethnic groups. Nigeria has the highest population in Africa and the highest population in a black country in the whole world. It is believed that one out of every seven black/brown individual is a Nigerian or has a Nigerian origin. The major ethnic groups in the country are the Ibos, the Yorubas and the Hausa-Fulani groups which amounts to about 70% of the population. The other minority groups are numbering about a million members each. They are the Edos, Tiv's, Kanuri, Ibibios and the Ijaws. The rest minority or ethnic groups account for about 20 % of the remaining population.

Each tribe comes with a different language which means there are several languages spoken in Nigeria. The official language however is the English Language. It is generally spoken in all states of Nigeria. Also the Pidgin English is spoken to a large extent by Nigerians. The Pidgin English is a mixture of English language and some local dialects of Nigeria. With such vast culture and different peoples, globalization thrived in

the country and had an immediate effect in doing business, styles, rapports and way of life.

### **3.6 Economic history of Nigeria**

As soon as Nigeria became a British colony, it followed the dictates of the British economically. It did everything according to the dictates of the British. The British had a good sense of economic matters, so majority of their colonies prospered. Especially the old colony of Lagos which was at the centre point of trade. Raw materials were exported from Nigeria to Britain who later re-sold to Nigeria at a higher profit margin. As business blossomed so was the infrastructure of Nigeria. It became more modernized and standardised. Nigeria thus benefited from the globalisation of the country by the British. Most Nigerians then, were majorly into agriculture with few into white collar jobs. As the British became more integrated and intertwined with Nigeria, they sought other ways to amass profit and businesses this led to the unification of southern and northern protectorate which is today known as Nigeria. The effects of the last century also had its toll on the Nigerian Economic scene. The world wars, the decline of the British super power status and the great depression all affected Nigeria's economic development in both ways. By the mid century, oil was discovered in oilibiri, southern Nigeria which changed the political and economical landscape of Nigeria drastically. Wealth from agriculture and oil made Nigeria to be one of the most prosperous countries shortly after independence. The civil war, corruption and perpetual instability turned the tide of the Nigerian state.

### **3.7 The oil sector**

The first discovery of oil in Nigeria was in 1958. It was discovered in the Niger Delta region. At the early stages of production, Nigeria lacked the capacity to fully harness the wealth accruing from the oil industry but in the latter stages, especially after the civil war of 1967 – 1970, Nigeria gradually began to enjoy the yields of oil production. The Nigerian national petroleum corporation (NNPC) was formed. It was established with the purpose of controlling the petroleum exploration and production companies in Nigeria. These companies are Shell Petroleum Development Company (SPDC) “Shell” - is the largest and oldest oil company in Nigeria, others include Mobil Producing Nigeria Unlimited, Chevron Nigeria, Elf Petroleum Nigeria and the Nigerian Agip Oil Company, NAOC & Affiliate, Agip Energy and Natural Resources, AENR. With this clear motive, the Nigerian government began to reap bountifully from oil exploration (Khan 1994)

As years went on, Nigeria became one of the largest oil producers in the world. Exporting millions of barrels every day. By the year 2004, Nigeria became the largest oil producer in sub-Saharan Africa. Nigeria's oil base is mostly in the Niger Delta areas which has a wetland of about 70,000 sq.km. Oil earnings make up about 80% of the federal government and 93% of foreign exchange earnings. (Khan 1994; Omoweh 2005).

### **3.8 Multinational companies in Nigeria**

There are several multi-national companies operating in Nigeria. These companies are the centre of globalization in Nigeria. They are the arms of Nigeria and the outside world. Linking the economy to other economies in the world. Some multi-national companies were founded in Nigeria and have expanded to other countries, while some are foreign-owned and expanded into Nigeria from other countries. In the view of multi-national companies, the thesis will give an example of two major popular companies in Nigeria. One an oil company and the other a tele-communications company. Glo Nigeria and Shell Nigeria plc.

### **3.8.1 Globacom Nigeria P.L.C**

Glo Nigeria plc is a privately owned tele communications company, that is well globalised and affects the Nigerian economy tremendously. It was founded in 2003, with its head quarters in Lagos Nigeria. Its chairman and founder is Mike Adenuga jnr. It currently operates in four countries in West Africa, namely Nigeria, Republic of Benin, Ghana and Côte d'Ivoire. As of June 2009, the company has employed more than 2,500 people worldwide. The company boasts of more than 25 million subscribers worldwide. It started in Nigeria and spread out to other countries. It is an official sponsor of Manchester United club in England. As a part of its brand, Globacom Nigeria is divided into four (4) strategic different units.

Glo gateway: This branch of the company is into international wholesale and data exchange trading business unit. It covers over 140 countries under its roaming services.

Glo mobile: Glo mobile is the mobile arm of globacom. With over 25 million subscribers to its kitty, glo mobile is the most successful arm of Globacom as it reaches from Nigeria to Africa and beyond.

Glo 1 submarine cable: The glo 1 submarine cable has the capacity to provide high speed internet services faster, more reliable and cheaper telecommunications service to the public.

Glo broad access: This branch of the company covers landline telephones and broadband internet on a single digital line.

### **3.8.2 Shell Nigeria Group**

The Nigeria Shell company is divided into groups. They are four different companies that act independently but share the same business principles. These principles which include honesty, integrity and respect for the people, can be seen as the core values of the Shell Group. Shell Nigeria extended these principles by declaring that meeting “the expectations of society, and doing so in an honest, transparent way is fundamental to our ability to meet the challenges ahead. We adhere to the group’s business principles as the bedrock of our business dealings and are enforcing zero tolerance of bribery, corruption and unfair trade and competition”

The biggest company within Shell Nigeria is the Shell Petroleum Development Company (SPDC) which was formed during the industry’s nationalisation in the 1970s when the Nigerian Government had started to engage in joint-ventures with foreign oil companies. Shell has the ownership of SPDC and full control over the operational budget of the largest oil producing venture in Nigeria. This joint-venture consists of the Nigerian National Petroleum Corporation (55%), Shell (30%), Elf (10%), and Agip (5%). Daily production levels are at around 1.000.000 barrels. The SPDC is running 86 stations and 6.200 kilometres of pipelines, and is directly employing 5000 workers and over 20,000 through sub-contractors. All employees aside from 250 expatriates are Nigerian which makes it the biggest private employer in Nigeria. (Ibid)

The second largest company is the Shell Nigeria Exploration and Production Company (SNEPCo) which was founded in 1993. SNEPCo is the off-shore company of Shell Nigeria, operating and running all off-shore facilities of Shell in Nigeria. In 1995 SNEPCo made the first major deepwater discovery in Nigeria and 10 years later SNEPCo was able to start with the oil production in the field. Shell Nigeria was hereby profiting from the technology and know-how of the off-shore activities of the Shell Group in other parts of the world. SNEPCo is producing around 225.000 barrels of oil a day, and is employing around 746 people. (Ibid)

The third company is the Shell Nigeria Oil Products Limited (SNOP), which is an operation company for Shell. It was formed in 2000 as a downstream company, designed to help

selling and marketing Shell products within Africa. SNOP successfully invented lubricant cases for private consumers in 2003, an idea that created new jobs in the lubricant market in Nigeria. A total of 35 people are working for SNOP at the moment.

The last company is Shell Nigeria Gas (SNG) which is fully owned by Shell and was incorporated in 1998 to promote gas. The company is helping to contribute to the economic growth of Nigeria by selling gas as a new source of energy to local industry.

The first company to use natural gas as an energy source was the De-United Foods Industries Limited. De-United Foods was able to reduce the costs of power and was able to sell its products for less. This decrease in price led to an increase in production, an expansion followed by an increase in employment. SNG is now supplying 37 industrial customers with gas .

### **3.9 Activities of multi national companies in Nigeria- the oil sector**

The Niger Delta where the oil sector is active, is primarily a wetland where most inhabitants depend on farming and fishing for a living, and therefore on a healthy environment. The increase in onshore oil fields exploited by these oil companies can have a negative environmental and socio-economic impact on the host communities (Moffat and Linden, 1995). The people of the region have been in conflict with most oil companies especially shell since the 1950's due to the fact that Shell is only investing approximately 0.000007% of its profit in the development of the region. In the beginning those projects were mostly peaceful, but since 1990 and the foundation of the "Movement for the Survival of the Ogoni People" (MOSOP) the conflict turned violent due to sabotage and attacks on facilities and employees of Shell Nigeria.

Shell Nigeria and other oil companies claimed that the sabotage of oil fields and pipelines was the major reason for oil spills and environmental devastation. This accusation was made by Shell to avoid compensation payments for environmental and other accidents. Shell aimed at having the court of Nigeria to pronounce sabotage as the cause of spills in order to escape legal liability for the damage and to be able to use the money for the quick reparation of the pipeline. These claims were often proved wrong by different experts as according to the World Bank, .Corrosion and failure of equipment were the most frequent cause. Nigerian environmental policy shows itself very tolerant towards Shell when it comes to the question of environmental pollution (Walter and Ugelow, 1979),giving Shell the possibility to use old equipment and to save money.

The mismanagement by these oil companies and the Nigerian Government was the reason for an outbreak of riots in 1993 in the Niger-Delta, led by the Ogoni writer Ken Saro-Wiwa which forced Shell to retreat from the area and to abandon its facilities. After Shell moved out of the region it asked the Nigerian Government to guard their facilities. The soldiers who came to the area used violence and killed people to secure the facilities. These actions gave birth to the rumour that Shell Nigeria wanted the soldiers to act in this manner and had paid for weapons for the army (Nonnenmacher, 1995).In 1995 the riots ended and Ken Saro-Wiwa and 8 other oppositionists were executed. Shell and other oil companies was blamed for this too, and was accused of using its influence on the Government to change laws and regulations for its business, but not to help humans. Shell defended its actions by explaining its policy not to interfere with any court order given by an independent state, and by pointing out the development programs it had engaged in over the years in Nigeria.

After the riots oil companies began moving in the area and started assuming a more responsible role towards the communities at the environmental and economic levels. Shell supported the “Niger-Delta Environmental Survey”, an independent study group that analyses the environmental and economic changes of the whole Niger Delta. Shell furthermore, started a five-year program that aimed at renewing its facilities and infrastructure to prevent oil spillages. Shell invested in staff training to increase



environmental awareness and to improve its waste management. The company spent \$100 million a year for the five year plan and was able to finish most projects before the end of the five years. (Frynas, 1998)

A big environmental issue in the years before 1995 was the flaring of gas that persisted night and day in some areas, destroying the environment around those gas funnels and constantly illuminating the area. At the end of the 1990s Shell built facilities which could convert this gas into liquid, enabling the company to ship it to other countries where this gas could be used as energy. The construction cost around \$4 billion and employed 13000 workers for the duration of 4 years. After it was completed, Shell employed around 500 people in the facility. (Bird, 2005)

### **3.10 Royalties, Taxes and Government in Nigeria**

Doing business in Nigeria is a heinous task sometimes mostly because of the weak, corrupt and unstable government however, most multi national companies is very active in the country. Despite the sabotages in the Niger Delta, Shell and other oil companies are making a high profit in the country and Nigeria is giving them a dominant role in the oil industry. Multi national companies suffers from instability in the country mainly due to security and funding issues. (Frynas, 1998) These companies try to prevent the new rise in violence by increasing off-shore oil production because they are more insulated from the tumults on-shore. However Shell for an example is also profiting from the attacks on their onshore facilities. After Shell forced the Supreme Court to allow them to claim sabotage as the cause of accidents, they now manage to get away without paying for the damage. The oil company is using this excuse for nearly every incident so sometimes saving up to 350.000 US-Dollars in a single case, like with the oil spill in 1997 .

The other issue funding, refers to the effects instability is having on the joint-venture contracts. Shell is holding 30% of the SPDC and is therefore responsible for 30% of the running cost, the same goes for the 55% of the shares held by NNPC, also responsible for 55%. At the end of the 90's, the NNPC could not or would not, pay their parts due to the

unstable Government. The NNPC money should have been used to pay workers and subcontractors, therefore unemployment, unrest and a cut back in oil production were the results of the missing wages. Even if Shell International could “loan” the money to the NNPC, it had no intention to do so because they were profiting from the strike resulting in the lack of payment. The strikers demanded that the NNPC, as a non reliable payer, should give Shell more control and benefits over the venture. The strike had such a great impact on the Government that they are now moving away from doing joint-ventures with foreign multi national companies to production-share contracts which are more profitable for the oil companies. (Frynas, 2005)

The overall decline of oil production due to political instability, is a wanted effect by oil companies and other multi national companies to lower their payment of taxes, royalties and CSR-programs. The taxes and royalties these multi national companies is paying to the Government and local political institutions are often not traceable. This means that not the whole amount is going back into the Economic Development of the country. The effects of royalties from Shell for example, are sometimes so strong, that it could lead to war, like in the case of the Biafra war which was partly fought to determine who would control and benefit from the oil money. Because royalties are so important for the Government of Nigeria, the political focus is mostly on Shell (Bird, 2003). Despite these circumstances the company believes its “most effective contribution to Nigeria is through the taxes and royalties we pay to the federal Government” (Shell International, 2008).

### **3.11 Multinational companies and Nigerian G.D.P**

Multinational corporations has affected the Nigerian Economy immensely. With the influx of multinational companies, the Nigerian Economy witnessed a rapid expansion, thereby increasing consumer income and reflecting in consumer spending. The MNC’s has affected the G.D.P of Nigerians which has been on steady increase since 1986. The year 1986 was the actual beginning of the deregulation of the Nigerian economy with the introduction of the Structural Adjustment Programme (S.A.P). The table below

shows how the MNC's has affected the Gross Domestic Product (G.D.P),causing it to continuously increase in relation to Foreign Direct Investment (F.D.I), Savings, Government Tax Revenue (G.T.R)

**Figure 3.4 (\$ Dollars)**

Year	G.D.P	F.D.I	Savings	G.T.R
1986	70,806.4	4,024.0	13,934.1	12,595.8
1987	71,194.9	5,110.8	18,676.3	25,380.6
1988	77,733	6,236.7	23,249.0	27,596.7
1989	83,179	4,692.7	23,801.3	53,870.4
1990	92,238.5	10,450.2	29,651.2	98,102.4
1991	94,235.3	5,610.2	37,738.2	100,991.6
1992	97,019.9	11,730.7	55,116.8	190,453.2
1993	99,604.2	42,624.9	85,027.9	192,769.4
1994	100,936.7	7,825.5	108,460.5	201,910.8
1995	103,078.6	55,999.3	108,490.3	459,987.3
1996	106,600.6	5,672.9	134,503.2	523,597.0
1997	109,972.5	10,004	177,648.7	591,151
1998	113,509	32,434.5	200,065.1	463,608.8
1999	116,655.7	4,035.5	277,667.5	949,187.9
2000	121,207.8	16,453.6	385,190.9	1,906,159
2001	126,323.8	4,937.0	488,045.4	2,231,532
2002	131,489	8,988.5	592,094.0	1,731,837
2003	136,460	13,531.2	655,739.7	2,576,100
2004	527,560	20,064.4	797,517.2	3,960,800
2005	561,931.4	26,083.7	1,078,330	6,697,600
2006	595,821.6	41,734	1,604,174	6,061,000
2007	634,656.6	54,254.2	2,500,159	6,715,600

**Source:** Computed from Central Bank of Nigeria (C.B.N) Statistical bulletin. Dec,2007

As it is seen from the above table, the Nigerian G.D.P has been on the increase mostly after the years of the military junta, when there was relatively political stability and multinational companies enjoyed relative stability.

### **3.12 Conclusion**

This chapter has looked at Nigeria's history and culture . Also it explained the genesis of globalisation in Nigeria looking at the oil sector and multinational companies and how they affect economic development in Nigeria.

## **CHAPTER 4**

### **METHODOLOGY**

#### **4.1 Introduction**

This chapter describes and explains the methods used in this thesis work; the research design, data collection and conceptual framework. It portrays the ways in which the data was gathered and the design used in the research, explicitly explaining how globalisation has affected the Nigerian state in an advantageous way and likewise disadvantageous way.

#### **4.2 Research Design**

From previous pages of this thesis work, Globalisation in Nigeria is hotly debated and has different views about its advantages by different peoples. Globalisation impacts on the economic development of states. The major thing is that, there is an impact for sure in globalisation it might be positive or negative but there is sure an impact.

After having analysed globalisation and economic development, with the necessary definitions, the thesis work will study the history of Nigeria in relation to Globalisation with a broad light on multinational companies in Nigeria and global investments, and then develop a research method and design for our analysis.

The purpose for the research methodology and design is to illustrate how globalisation has affected the Nigerian state in an advantageous way and likewise disadvantageous way. The research design is the glue that holds the research project together. In order to structure the research, a design is used to show how all of the major parts of the research

project work together addressing the central research question (Social Research Methods, 2006). According to Durham University (2002), there are six different research designs.

1 Philosophical/discursive: this design is primarily based on existing literature, rather than new empirical data. It is often used to examine a research issue from an alternative perspective.

2 Literature review: by collecting different sources together, this design aims at summarising what has already been collected for a particular topic. The analysis of this data subsequently creates new knowledge and perspectives on the matter. When findings are largely qualitative, a literature review may help to clarify the key concepts and offer critical or alternative perspectives to those previously put forward.

3 Case study: This involves collecting empirical data providing rich details about those cases. This can be done through different approaches but overall a case study generally aims to provide insight into a particular situation stressing experiences and interpretations of those involved generating new knowledge.

4 Survey: This type of design is used when it is a case of gathering large amounts of information usually through questionnaires generally involving some quantitative analysis. Here it is vital to report how samples were chosen and to comment on the validity and reliability of instruments used.

5 Evaluation: An evaluation can be formative (designed to inform the process of development) or summative (to judge the effects), or consist of both. Case studies and surveys are often used in this design.

6 Experiment: This involves manipulation on the part of the researcher in order to determine the effects of an experiment. It is important in this design to give the same importance to sampling, response rates and instrumentation as in a survey. Our research design can be described as a combination of Literature Review and Philosophical design. Due to our choice of research strategy involving a solely qualitative approach, this

design can help to come up with alternative perspectives. Concerning the philosophical design, it is relevant to our study as we are using only existing literature rather than empirical data hence our intention to use this design also.

### **4.3 Data Collection**

Having considered and analysed the topic carefully, and also considered the vast and broad aspects of the topic, we decided to undertake a qualitative approach to our work. The primary reason is that there are so many views as regards globalisation. There is no clear right or wrong answer so it is more a case of carefully examining the process and subsequently providing possible explanations. This study reasons for choosing a qualitative approach is due to the possibility to interpret the situation and not only focus on numbers as in a quantitative approach, but would allow us to show a deeper and more precise picture hidden behind the numbers. The source of information is based solely on secondary data such as books, articles, newspapers and journals. The method of data collection in this study can be described as documentary research because the study is undertaking an open approach towards the collection of documents. This study is a documentary research because of its open approach. Fisher (2004) confirms that documentary research can take an open and pre-coded form. In this approach to texts and documents, the researcher may be trying to recognise how rhetorical techniques are used to try and persuade the reader to a standpoint. The gathering of information took place at the Near East University Grand Library, Lefkosa North Cyprus, The Lagos State University, Ojo Lagos. National archives of Nigeria, 10<sup>th</sup> floor, radio house, Area 10, Garki- Abuja. Search engines used were: Google scholar, SpiegelOnline, Libris and Katalog portal, Nairaland,

### **4.4 Developing the framework**

The framework of this study is based on globalisation, and the economy; the impacts it has on the economy. A developing economy as the case of Nigeria. Nigeria being a rich country in human and natural resources, and still remains relatively poor even with

globalisation, is the bed rock of our framework. Globalisation and the economy, how does it really play out?

After deciding to focus on how globalisation affects a developing country, the study defined the term globalisation by using different theorist's perceptions on the matter. A common aspect of their work was that globalisation impacts on Economic Development. The term is often used to explain how globalisation can impact on the Economic Development of a poor country (Wohlmuth, 2001). Hence the study has chosen this term as its key concept to investigate. Whilst showing how the concept of Economic Development evolved over time and developing to include more and more variables, we decided to focus on the three variables, External influence on government, Structural Change and Environmental conditions, despite others, to best describe the concept. Looking at the impact globalisation has on Economic Development, we found that the factors most interesting to analyse this concept are the activities of MNCs and IFIs as mentioned by Schuurmans (2001) who states that these two factors are assumed to be of great interest when describing the impact of globalisation on the three variables of Economic Development chosen.

So our choice of Nigeria as the developing country to analyse is due to the extent of power held by the uniqueness of the economy, the largest in Africa. Also due to the large capital flows that stream in to the economy. And also due to the number of foreign aid and assistance that the country receives from international bodies. As a result, our framework is based on theories of different areas of research such as Economics, Social studies and Environmental Sciences and therefore includes every necessary aspect relevant to answer our question.

#### **4.5 Criticism of sources**

The research work is majorly based on perceptions and views. It is theoretically based and not quantitative. This means people's views and biasness are possible in this research work. Personal experiences by some of the references is also a possibility.



As one can see from the above information our research will only be based on secondary data which can be regarded as a limitation as it will not give us a perfect incite in the topic that could have been provided through primary sources. Our findings have focused much on internet sources and annual reports therefore based on non reviewed sources as well as peer reviewed articles from respected journals.

Regarding internet sources, due to their different objectives and allegiances it is most difficult to judge their validity. However due to the large amount of definitions needed and the short supply of books dealing with economic definitions in the various libraries we decided to define terms by using 'reliable' internet sources such as Penn State University. We must also mention that sources were used of which their reliability can be questioned. However sources were only used for minor details such as for a description of Nigeria's geography.

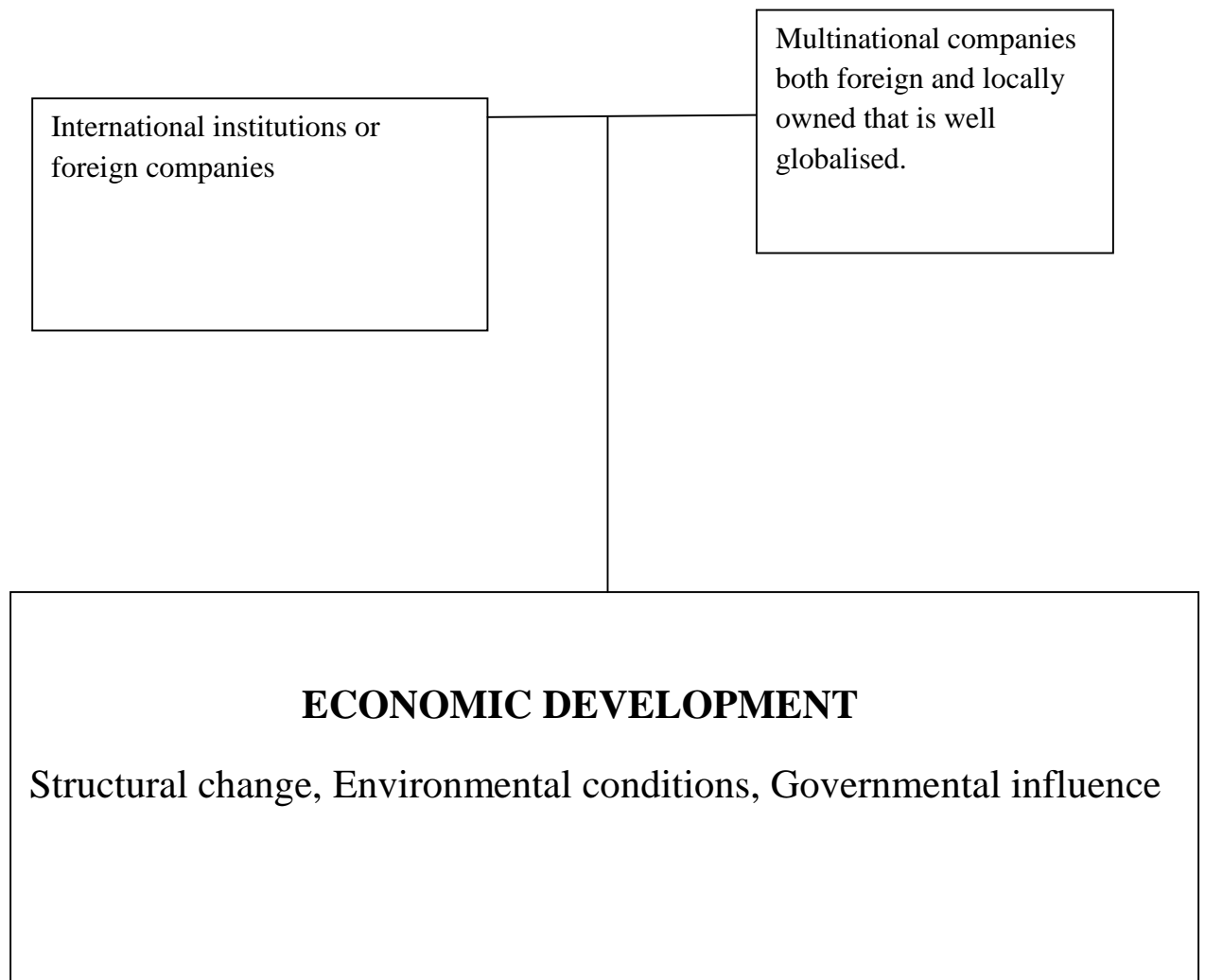
Much of our analysis has been based on findings from other researchers without using quantitative data to back up these findings therefore it can be argued that not all findings are entirely conclusive as they come from a certain point of view and not a general institutionalised belief.

#### **4.6 Conceptual framework**

Economic development is greatly impacted by globalisation. The best way we can look at how globalisation has impacted on economic development is via two (2) factors :International Institutions based in Nigeriaand influence of multinational companies. Multinational companies and international institutions play a pivotal role in the economic development of Nigeria. .After having analysed the historical background of Economic Development as well as having found an appropriate definition it is a positive statement and positive thinking to say that Economic Development encompasses the following three variables; Structural Change, External influence on Government and Environmental Conditions.

As regards to this thesis analysis , for there to be positive economic development or a tangible economic development, the three variables combined must be positive . The three variables are also dependent on each other, a change in one of those variables could impact upon the others. Economic development cannot be judged alone by one variable. The implication of this model is to illustrate how globalisation via the two factors impacts or has impacted on the three variables of economic development .

**Graph 4.5 Conceptual Framework (Personal design)**



#### **4.7 Conclusion**

The chapter looked at multinational companies and local companies. And the conceptual framework of structural change, environmental conditions and government influence, in relation to economic development. Multinational companies contribute and impact significantly to the globalisation of Nigeria thus aiding economic development. The local companies that have branches outside Nigeria are quick to export Nigeria's products and also promote her culture and also vice versa. As these multinational companies are in the process of globalisation, there is occurrence of structural change, environmental change and external influence on government which affects the economy. Sometimes positively and sometimes negatively.

## **CHAPTER 5**

### **FINDINGS**

#### **5.1 Introduction**

This chapter explains the findings made in this thesis work from the model and the impact it has on the economy. It also formulates the necessary steps that can be made by relevant authorities, so that globalisation in the Nigerian economy can be better appreciated and well impacted on the general populace from the top to bottom of the citizenry.

#### **5.2 Findings on the model**

This is meant to explain the model in-depth and how it relates to globalisation and the Nigerian state. Findings of the model is taking a critical look at the variables of the model, how it links together and also, how it affects or impacts the Economic development of Nigeria.

#### **5.3 International institutions or foreign companies**

International institutions or foreign companies are a part of the model that explains the institutions owned by foreign nationals operating in Nigeria. How they impact on Nigeria's economy. These companies are at the centre stage of globalisation in Nigeria. They bring in foreign ideas, cultures and products to Nigeria and in turn take out Nigeria's culture and way of life and products to the outside world.

Guinness is a foreign company operating in Nigeria. Guinness was founded by Arthur Guinness an Irish man. Mr Arthur Guinness bought a small brewery company in Dublin,

Ireland in 1759 and ever since the company has expanded globally including Nigeria. Guinness Nigeria is a very popular brand. Guinness Nigeria was formed in the year 1962 with a brewery established in Ikeja- Lagos. The Ikeja brewery is known as the first brewery outside Ireland and Great Britain. It has also opened other breweries in Nigeria's Benin City and Ogba, Lagos. Guinness Nigeria brought up a popular advert *Udeme*. *Udeme* was played as an everyday Nigerian man with the daily Nigerian struggle that was able to pitch his life together always with the intake of Guinness stout. This advert made waves in Nigeria and beyond. The name, *udeme* suddenly became popular in some other African countries with parents naming their kids *Udeme*. Some people even practised the way he spoke the Nigerian pidgin. This is a foreign company selling the Nigerian name and way of life to the outside world. The Nigeria business society and environment has witnessed momentous and breathing changes over the last three decades, especially since the beginning of the 21st century. An important dimension of these changes relates to the fact that the world has rapidly become a global village. Consequently, geographical distance is no longer the barrier as it used to be before the 1970s, in terms of interaction and economic relationships between buyers and sellers. As experience has shown, it is now possible for both groups who are in far – flung places across the globe to initiate and conclude transactions in a matter of minutes. This development has been made possible largely by two sets of factors (Okpeh, 2006). The first has to do with the fact that a number of countries have embraced trade liberalisation and have, therefore, dismantled existing barriers to the free flow of goods and services across their national borders. It is these deliberate attempts at removing trade restrictions that some analysts have appropriately referred to as the political factor underpinning globalisation (Okpeh, 2006).

The second factor which one can attribute to the recent trend in globalisation is the giant strides that have been recorded in the area of information and communication technology. It is important to note that information technology is the backbone of globalisation process. The latest technology to hit information technology is the internet. As more and more consumers connect with the internet, an increasing number of marketers are moving their research and marketing activities onto web (Kotler and

Armstrong, 2004). The most obvious advantages are speed and low costs. Consequently, internet and other technologies now help marketers carry out their business faster, more accurately, and over a wider range of time and space. These foreign companies rely heavily on information and communication to market their goods especially via the internet. Since there is free trade liberation, information flows freely thus information about a host country can easily be transferred to other countries where these companies operate. Just as in the case of Guinness Nigeria plc.

#### **5.4 Multinational companies both foreign & locally owned**

These companies contribute and impact significantly to the globalisation of Nigeria thus aiding economic development. The local companies that have branches outside Nigeria are quick to export Nigeria's products and also promote her culture and also vice versa. To judge economic development, globalisation is a yardstick. Kanter (2005) contends that the U.S.A. was able to attain its present status principally because of its global economic policies, which made it conducive for the implementation of "market capitalism" on a global scale. Kanter (2005) argues further that this priority given to globalisation on "market capitalism" in the U.S.A. has made it possible for the achievement of imperative economic growth, combined with relatively equal distribution of income and the absence of large scale unemployment. The "Free Market" ideology of the globalists includes the following articles of faith: sustained economic product as measured by the Gross National Product (GNP) is the path to human progress; markets that are free from government regulations results in the most efficient and socially optimal allocation of resources; the removal of barriers to the free flow of goods and capital spurs competition, increases economic efficiency, creates jobs, lowers consumer prices, increases choice and economic transfers functions and assets from government to the private sector improve efficiency; the primary responsibility of government is to provide the infrastructures to advance international marketing, and enforce the rule of law with respect to property rights and contracts (Aniche, 2003).

With the rule of law with respect to property rights and contracts, these companies are at the centre piece of globalisation. They are able to run the economy and impact the

economy heavily. They mix the economy with different global views creating jobs and creating ideas. Thus the multinational companies and local companies are seen to breathe the life of globalisation into the Nigerian economy. They inter connect and create a level playing field where these companies interchange ideas and promote their various companies thus creating a robust economy and a vibrant global economy as well.

### **5.5 Economic development and multinational companies.**

There are consistence calls in the Nigeria political landscape for it to diversify its economy. The continuous dependence on oil has greatly affected the economy, making it open to oil shocks. Recently, the price of oil plummeted to 50\$ per barrel. This fall in price destabilised the Nigerian economy and the local currency, the Naira has depreciated over 20% of its value. Dependence on oil isn't healthy for the Nigerian economy. Multinational companies are key instruments in aiding the diversification of the Nigerian economy. Dependence on just oil hasn't helped with employment as the oil sector only employs but a few Nigerians and also, it doesn't account for a high G.D.P (Imomoh, 2008). The antidote to the present Nigerian economic quagmire is the diversification of the economy. Nigeria is blessed with so many solid minerals, huge landscape for tourism, entertainment and other viable exports. Multinational companies can as well broaden their base into these sectors.

### **5.6 Impact of multinational companies on globalisation in Nigeria**

Multinational companies in Nigeria are seen as the bedrock of modern day globalised Nigeria. Although, Nigeria has a long history of being part of the global markets from the history of the slave trade in Bini empire and Bonny island, to the supplier of other commodities which Nigeria still does till this day. Nigeria has had dealings with world markets from cowries, to slaves, palm oil etc for so many years.

Modern globalization started with the discovery of oil in the 1950's and then flooded in the multinational companies and ever since then Nigeria has been a huge player in globalisation. From the early part of the study, globalisation as it is seen, is not new to the business cycles. All over the world and in different spheres and phases of human life, globalisation have been used for different purposes and will continue to be used for different purposes as it suits the situation it is being used for. Globalisation constitutes a mega trend in Nigerian political economy and has assumed a new phase in the country's international relations. Given the emergent socio-political and economic transformation as well as the technological advancement in communication, information, transportation etc, the process seems to be irreversible. The process of economy globalisation is a process of global industrial restructuring and readjustment. Economic globalisation is the increasing interdependence of World economics as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide. While some people believe that globalisation does translate into substantial job creation in developing countries. Others believe that it leads to job loss. In practice, the most important policy modifications fostering the integration of national economies are those that have reduced barriers to trade and to capital flows. There have been reforms in most developing countries, Nigeria inclusive. These reforms have included liberalization of trade policies and capital markets. To this effect, most multinational companies are caught in the mid- point of harnessing globalisation as it may, with the Nigerian economy. These multinational companies stand as the pivotal point of making the Nigerian economy a globalised one.

## **5.7 Economic development**

(Structural change, Environmental conditions & government influence):

Just as multinational companies in Nigeria expand globalisation, the three variables that is structural change, environmental conditions and government influence are all affected. As structural change involves changes in sectors of the economy that in return affects



growth, globalisation affects these structural changes which sometimes cause the movement of people from rural to urban centres which effectively changes the production and affects the economy. Globalisation also affects the environment. The abundance of natural resources in Nigeria has led to a growing interest from foreign organizations to conduct business in Nigeria. Such business or multinational companies have had adverse effects on the environment which includes deflation of minerals, and other natural resources, the degradation of land, water and air due to production and consumption activities. Hundreds of oil spills reported in Nigeria every year are ruining the environment and putting human lives at risk. The Christian science monitor (2013) A new report from Amnesty International says spills in the Niger Delta are the result of pipeline corrosion, maintenance issues, equipment failure, sabotage and theft. Amnesty International said energy companies operating in the oil-rich Niger Delta region weren't entirely up front about what's causing the "hundreds" of spills reported every year in the region. In a 66-page report, the rights group said oil companies, in particular Royal Dutch Shell, have made numerous claims about sabotage and oil theft that raise a series of questions. Now, lawmakers in OPEC member Nigeria are mulling legislation that would tighten penalties for oil companies responsible for the spills. The cost, if passed, would be in the millions of dollars for the companies operating there. Amnesty, in its report said the hundreds of oil spills reported in Nigeria every year are ruining the environment and putting human lives at risk. This affects the economy gravely taking some communities in the Niger delta region to decades backwards. It said spills in the Niger Delta are the result of pipeline corrosion, maintenance issues, equipment failure, sabotage and theft. For the last decade, oil companies in Nigeria, in particular shell have defended the scale of pollution by claiming that the vast majority of oil spills are caused by sabotage and theft of oil the report said . There is no legitimate basis for this claim. What this results to is there is such a great mistrust by the hosts communities of these oil companies because their environment is damaged and their farming and fishing lives taking away from them as a result, these set of individuals who are on the low ladder of the society are instantly taken aback when it comes to globalisation.

Now the question to ask will be what has the government done? If a foreign company or a multinational company endangers the environment, then the government should call that company to order but the Nigeria government is near silent in this case because of pressure from these big multinationals outside the country and pressure from other governments in regards to protecting of interest. There are eighteen oil companies in Nigeria. Shell is the major oil company in Nigeria and has been operating in Nigeria since 1950. It is important to note that this company has significant impact on the tribes & peoples of the coastal Niger River Delta. These communities suffer the most. They suffer significant damage due to disasters from oil spill yet they remain the same. Chiefs from these coastal areas sometimes pressure government not act because they get side benefits from shell and other oil companies, where they are easily manipulated.

External influence on government affects economic development because it changes government policies. Most developing countries including Nigeria are affected by this. Most people that earn a living from fishing in the coastal areas are seriously affected because the waters are damaged from oil spillage which makes them unable to earn a living causing unemployment and urban migration.

## **5.8 Conclusion**

This chapter was detailed on the findings on the model, multinational companies as relates to economic development. And the impact of these multinational companies on Nigeria, taking globalisation of the economy into cognisance.

## **CHAPTER 6**

### **CONCLUSION AND SUMMARIES**

#### **6.1 Introduction**

This chapter is the concluding part of this thesis work. It concludes the chapters of the thesis and brings an end to the research work on the effects of globalisation on the economy of Nigeria, with conclusions and summaries.

#### **6.2 Conceptual findings**

Rochester (2003) are of the opinion that globalisation is a process of change in which the world's countries and their economies are increasingly integrated as a function of rising cross – border economic and other activities. Nigeria has greatly integrated with other countries that it is difficult to pick a part of the country that hasn't been globalised to an extent. Globalisation has affected Nigeria. It has provided jobs and has taken away jobs. It has expanded businesses and forced some businesses out of competition. Government policy and capable institutions is what makes globalisation works unfortunately, Nigeria is still lagging in this. According to United National Development Programme (2001), globalisation is seen as a multidimensional process of unprecedented rapid and revolutionary growth in extensiveness and intensity of interconnection on a purely global scale. For Nigeria to benefit from this extensive growth, it needs to operate functioning institutions that works on a global scale.

### **6.3 Observational findings**

Globalisation can transform Nigeria from a mere raw material export economy to a giant economy that can be compared with giant economies of the world.

If the Nigeria government can create more policies that are workable with advanced economies, and build the necessary infrastructures that drive growth, globalisation will be more favourable. Since our data is descriptive and not measured, that is our data is qualitative. Our observational finding is descriptive; it shows globalisation is not working rightly in Nigeria due to wrong policies, poor infrastructure and corruption.

### **6.4 Research questions answered**

What are the variables of globalisation that affect national economies?

There are three (3) variables of globalisation that affects national economies. There are structural change, environmental conditions and external influence on government.

What are the advantages & dis-advantages of the variables of globalisation that affected the Nigerian economic development?

In relation to the three (3) variables, globalisation has had its positives and negatives in the Nigerian economy. Globalisation has multi advantages in the Nigerian Economy. It has virtually integrated Nigeria's economy with the outside world. It is a complex process implying growing in international integration of economies with regard to markets for goods and factors of production (Bigsten and Durevall 2003) affecting many aspects of people's lives. It is an economic and multi-faceted phenomenon, and each facet may have different effects on employment, varying by country, time, industry, policies and the like. It aids the expansion of the economy and makes the economy robust. The process of economy globalisation is a process of global industrial restructuring and readjustment. Economic globalisation causes the increasing interdependence of World economics which result to a growing scale of cross-border

trade of commodities and services, flow of international capital and trade for participating countries.

Some of the dis-advantages of globalisation in the Nigerian economy are quite obvious. That's why some of the Nigerian populace are so quick to denounce globalisation in Nigeria. The globalisation of the Nigerian economy has led to multiple economic reforms which has led or resulted to many job loss in public service. Total loss of livelihood in families. The private sector is in no way spared as it has been equally hit with major job losses. A globalised private sector simply means only the best survives, competition has fiddled out some companies that couldn't meet to standard. Increased income gap between the rich and poor is also as a result of globalisation where there is stiff competition, small companies with small capital base hardly survives. This continues to be the primary increase of poverty in Nigeria which stands at over 70%. The widening gap between the rich and poor doesn't seem to help the already sorry state. The protection of smaller firms will go a long way in curbing the negative effects of globalisation. Also stemming the emigration of skilled workers and intellectuals otherwise known as a halt or reduction in the brain drain syndrome is also a cushioning effect to the negatives of globalisation because they hold the key to develop a formidable working class populace.

## **6.5 Limitations**

Due to time and the complicated terrain of the Nigerian structure making it quite difficult to source for information, there is limitation to the study. It would be necessary to take a more profound consideration of other sectors and not just focus mainly on the oil sector, as this will enhance the effects of globalisation on the Nigerian economy.

## **6.6 Recommendations for future researchers**

It is important for future researches to consider other aspects of the Nigerian economy when studying globalisation and how it affects the Nigerian economy. Recently Nigeria was adjudged to be the world's number one (1) yam producer. Also, the Nigerian entertainment is said to be the best in Africa. There are sectors coming strong on the Nigerian economy especially agriculture and entertainment. It will be useful to see how globalisation has affected these sectors as it will help to give a clear understanding to the topic.

## **6.7 Discussion**

How does Nigeria attract more investments and reap the fruits of globalisation? Some analysts say by building up its image and its economy. The Nigerian GDP rose strongly in 2013, (GDP - real growth rate: 183.31 Billion USD (2013), based largely on increased oil exports and high global crude prices and non oil exports. Nigeria's inability to build adequate infrastructure has been a bane to the economy. The Nigerian government as a matter of urgency should work tirelessly on building necessary infrastructures which includes electricity and good roads. According to Porter (1990), government can influence (and be influenced). Government can change its policies to increase the viability of the economy Nigeria needs to reshape its uniqueness among nations in multiple ways through rule of law and education. Successful nations are shifting from exportation of physical products of goods and services to information. Managing and export of information. Competitiveness is entering the knowledge economy (Garelli 2003)

The Nigeria government has a seven point agenda to reform the country and make it well fit for Globalisation. The reforms are

- (a) Reforming the power sector,
- (b) Reducing the high level of unemployment & generate wealth,

- (c) Provision of good facility for agricultural products i.e food security,
- (d) Infrastructure,
- (e) Land reform,
- (f) Security
- (g) Qualitative and better education for all

These seven point agenda by the government if put in place, are necessary tools for development but there still remains the weak form of institutions in Nigeria and the unwillingness of political will to make a change to the status quo of corruption and ineptitude by government and the public sector thus making government's policy as just an ordinary pen on paper. The seven point agenda can only be achieved with the effort of the state. The state holds the key to infrastructure development. Even if private sector drives the key for capitalist growth, government holds the key to infrastructure building with policies and mobilization of the private sector.(Garelli,2003)Government is got an important role to advance the market.(Shurchuluu, 2002).

The Nigerian government ultimately holds the key to infrastructure development by good administration and sound policy.

From looking through the pages of this thesis work, it can be said that globalisation has more advantages over dis-advantages if properly managed by government. Nonetheless, it doesn't halt the negative sides to it. A developing country that opens its market or borders to the world is definitely going to be hurt by more advanced economies, which are going to edge it out in completion. And by this the populace at large suffers. The local market is opened to more quality and technical firms, which in return drives the less competent firms out of the market, thereby hurting mostly the low skilled workers. These low skilled workers have more difficulty to look for firms or move within different sectors of the economy due to low education or less skill. Since the advent of the globalisation era, there has been job losses and job increases but the middle class are hardly hit as most local firms find it difficult to stand or compete with international firms.

Globalisation in Nigeria has been more of ups and downs or a mixed story. For globalisation to thrive in Nigeria there is a primary need for capable institutions and structures to be imbibed in the society that can withstand corruption and biasness of politics. Globalisation hardly thrives where there are no substantial institutions in place and where wrong policies by government, unknowingly hamper growth. Khanna and Rivkin (2001) discovered that firms that are members of groups makes more profit than single firms. Single firms tend to perform faster and better than firms in groups (Gomes-Casseres, 2006 with underdeveloped economies, this is very factual because the

institutions are not developed for efficient market transactions. For this particular reason, firms coming to invest in Nigeria are more willing to form an alliance for maximum gain. They do this because of poor institution and political instability. The long run effect of this is that local firms pay the price. They suffer and most times are chased off the market. Gomes –Casseres (2006) refer to this as the “mixing” and “nesting approaches”

To avoid this ugly scenario, the government should create or make policies whereby local companies can be protected and not just bullied out of the market by these firms forming alliance or partnership. Hitt (2006) sees globalisation as the movement of new economic thinking around the world and the political and culture adjustments there within. According to Hitt, globalisation is a key provider for firms to compete in the new competitive market. So if globalisation is all about competition, government should enable local firms to compete and withstand the stiff competition from these companies abroad.

## **6.8 Recommendations**

For Nigeria to benefit from globalisation, it must continually work towards attaining a greater economy. This thesis work recommends that she should embrace and incline to the following factors:

### **1. Enlarge the economic landscape**

The act of dependence on oil alone as a source of revenue is a potent danger to the survival of the Nigeria economy. The continuous dependence on oil is causing Nigeria to miss out in other areas where globalisation can be of benefit. Although oil contributes significantly to G.D.P but it doesn't help with the employment of people as most Nigerians still remain unemployed. (Imomoh, 2008). The best way out of this quagmire, is the tapping in to other sectors of the economy like tourism and agriculture.

Dependence alone on oil is not going to help with rhe economy not to talk of the recent free fall of oil prices tumbling down to over 50% drop in the space of few months thereby hurting the economy deeply. It is paramount to enlarge and diversify the economy for sustenance.



## **2. Increased Exports**

The major setback to Nigeria's gain on globalisation is her lack of exports. Nigeria once stood as the pride of agriculture exports in Africa. With tons of cocoa, cassava and groundnut being export daily and adding to the foreign exchange. But these days, the country barely exports other products aside oil. Oil contributes significantly to the foreign exchange while other products barely make a mark. A country that wants to benefit from globalisation must export products. Nigeria is a heavy importer of several finished goods if not all finished goods. This hampers her ability to compete in the global market. Government as a matter of priority should encourage exports by all means possible. As this will stimulate the economy and bring more job opportunities for the populace.

## **3. Privatization**

Privatization is the bedrock of global system. Ebie (2006) describes privatization as a means of government taking off its capital from moribund and malfunctioning state owned enterprise, or organisations, and transferring that capital to a more viable and well managed sector. Privatisation is of immense benefits to an economy such as Nigeria. It enables the capital to work out returns. Money and resources being put in moribund sectors can be transferred to viable sectors of the economy which stimulates growth in the economy. Privatisation of firms, increases efficiency thereby causing competition and bringing about growth and specialisation. Privatisation in developing economies is a long run stimuli as it takes time to engage the economy in reasonable track of growth but with time it always pays off.

## **4. Attract more investors**

As part of globalisation strategy, investors coming in with necessary capital inflow are highly needed to stimulate the economy. The Nigerian government should source more for capital inflow by attracting investors as this will create more liquidity in the

economy and stimulate business transactions. A developing country like Nigeria cannot be too overwhelmed with capital as it needs more of it for economic growth. Capital is part of globalisation. As investors come in to do business so they do with capital. This capital helps to expand the economy and create other jobs, thereby creating other capital. So as part of the globalisation drive, the government should seek ways to attract more foreign investors to invest in the economy.

### **5. Increased access to information via the internet**

Globalisation is all about global information. To be in the global family, a country must be vast in information technology.(Ochefu, 2008).The population of Nigeria is over 170 million people. If over 50% of the population has access to information via the internet that will be about 85 million active people online. With such a huge potential of information, Nigeria stand to attract global businesses. Interaction between countries and individuals over the internet can help boost global trade. These days' businesses are concluded over the internet for time efficiency. If more Nigerians are able to access information online and know how to about the numerous business opportunities available to them, then there will be more global opportunities for the Nigerian masses.The introduction of mobile phones in Nigeria by 2001 saw an increase in the internet usage of Nigerians. By 2001, the G.S.M market was worth over 800million dollars and by 2008, 7 years later that figure rose to 4.5 billion dollars.(Uko, 2010).In this case, the role of government cannot be underplayed. Government must ensure that creates policies to open the channels for internet usage by investing more in wireless communication etc also, government should educate businesses on the need to source information online as this is a sure way for them to get into strategic partnership with foreign investors, and thereby stay in business.

## **6. Fight corruption and social tension**

A country that is serious about globalisation will know the cost of corruption and social tension. Most sectors of the Nigerian economy suffer hugely from corruption as there are little chances for efficiency. An investor is taught on how to cut corners and in the long run kill the viability of that investment. Corruption is a major blow to the gains of globalisation in Nigeria. It kills viability of businesses, it kills opportunities of businesses and also kills the innovation of the private sector.

Likewise, social tension is a major factor too that kills growth of businesses. Nigeria has been plagued with social tension arising from political causes or religious causes or ethnic causes, there is always social tension. Though it might vary among states, but it affects globalisation as most companies tend to locate to some part of the country where they feel safe.

It is therefore important for government to look seriously into tackling corruption and easing social tension so as to enjoy the yields of globalisation.

## **7. Improve the Nigerian Culture**

The Nigerian culture is near torn apart with short cuts. There is apathy for hard work and diligence. There is the idea of the quick rich syndrome. Little wonder the level of organised scams going on in the streets of Nigeria. The environment influences culture. The goings on in the environment or the day to day activities have a way of being part of that society culture. Thompson and Hanten (2000) defines culture as major beliefs, values and ideas and ways of dealing with the environment which are in turn distributed between societies and then passed on by one generation to the other.

A country's culture as described by Prince – Abbi (2002) shows their identity, charisma, their techniques and the technologies of which they are dominant. Culture affects business just as it affects the environment. It is seen as the in- thing in the society that everyone seems to agree to. The idea of quick money and short cut is seen as part of the Nigerian culture. Apathy to work hard and innovate is also seen as part of the Nigerian

culture. The society value system is very low as there is lack of trust on the integrity of the ordinary Nigerian. Due to this cause, Ejiofor (1994) is known to have said “the average Nigerian worker is lazy, indolent or doesn’t care less. The Nigerian worker doesn’t want to do much work. All he wants is to make money and live well or rather live off others.” This doesn’t speak well of a country that desperately needs finances. Past governments have with numerous times claimed that most public sector parastatals are inept and inefficient. Onanusi (2008) noted that, it is important to create an environment of openness, and challenge with particular importance on the need and seriousness of hard work, integrity and excellence.

## **8. Political Stability**

Nigeria recently has been in case of chaos. Especially in regions of the north east. Which includes cities like Maiduguri and Bama. There is a growing threat of the very existence of the entity called Nigeria. There are increases in insurgency in the north east and unprecedented level of violence. Most people see this as a fall out between politicians. Insurgency cannot thrive where there are serious minded people in government. Insurgency only thrives when government is weak and cannot stand tough challenges like in the case of Iraq and Afghanistan. For this reason the insurgency plaguing the country is a total failure by government. The Nigerian Government seems to be too weak to hold itself due to political differences and political god- fatherism. Political instability has robbed Nigeria severally from multiple forms of investment. From riots to strikes, to insurgency by boko haram and the militancy in the Niger delta region all seems to be taking a toll on the economic life of the country. It is necessary for government to get its acts together and stem the political fallout before it gets too hot to handle. Destruction of businesses and loss of human lives is not a thing that sounds good for a country in dire need of investments like Nigeria. There should be a wakeup call by the government. A stable political environment cannot be more needed at this particular time.

## **6.9 Conclusion**

This chapter is the concluding part of the thesis work and has taken a broad look at the concept of the thesis work. The chapter has also recommended eight possible factors for Nigeria to harness and actually benefit from globalisation. Trading between countries is profitable that is, comparative advantage. Looking at comparative advantage in a broad manner ; comparative advantage is the particular period of time when a person i.e. (individual, industry, country or the likes) has the ability or is capable to produce goods and services at a lower opportunity cost than the others i.e.(individuals,industry,country or the likes) at that particular period of time. Even if one country is more efficient in the production of all goods than the other, both countries will still gain by trading with each other, as long as they have different relative efficiencies.

This depicts that Nigeria stand to gain effectively from globalisation once it gets it right!

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