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The Effect of Globalization on Micro and Small Enterprises in Akwa Ibom State, Nigeria

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INTRODUCTION

Nigeria has adopted various economic development strategies over time. Between the early 1960s and mid 1980s, import substitution industrialization strategy reigned in Nigeria. During the period, macro-economic policies particularly trade policy was designed to make the country inward looking. Other domestic policies were designed to fall in line with and hence, promote this industrialization strategy. Thus trade regime during this period seems to have engendered considerable anti-export bias and high import tariffs which were detrimental to economic growth and development, especially since Nigeria depended and still depends heavily on import of capital goods and raw materials. Besides, there were price and exchange controls therefore, incentives for non-oil exports were stifled and consequently, non-oil stagnated. As a consequence, opportunity to participate in and benefit from the expansion of foreign trade became drastically reduced. The emergence of macroeconomic crises in the mid-1980s led to a reconsideration of the effectiveness of import substitution industrialization as a strategy to promote growth and development in Nigeria.

It was against the above background that the Structural Adjustment Programme (SAP) was adopted in Nigeria in 1986 under military president, General Ibrahim B. Babangida. This SAP policy package explicitly recognized outward orientation as a more effective growth enhancing strategy for Nigeria. Thus, the SAP policy package included trade liberalization, market-oriented exchange rate regime, privatization and commercialization. Emphases were on diversification of the productive and export base of the economy, from oil to non-oil products. Thus, various incentives were granted to encourage non-oil export production, especially manufacturing activities. Some agencies were set up to promote export and investment. It should be noted that macroeconomic objective of SAP remained unachieved in Nigeria. Thus, both the products and export base of

the economy were diversified as oil still remained the engine of growth while the structure of output remained dominated by primary products.

In an attempt to promote trade and development, Nigeria participated in both regional and multilateral trade arrangement. Nigeria is one of the founders of the Economic Community of West Africa States and also a signatory to multilateral trade agreement, especially with respect to World Trade Organization (WTO). The issue is that, despite its experimentation with various lateral trade arrangements, Nigeria's growth and development aspiration has been compromised due perhaps to frequent change of policies and governments. The situation has posed an emerging issue of whether the Nigerian economy has potentials to benefit from the current forces of globalization. It is against the foregoing background that the following questions arise:

- (a) Given the present structure of the Nigerian economy, can the micro and small enterprises be fully integrated into the global economy?
- (b) Do the micro and small enterprises stand any chance to benefit from globalization?

All these will show the implications of the forces of structure of the economy and the domestic policies.

These are issues addressed in this article.

The Meaning and Elements of Globalization

It is acknowledged that globalization has been defined from various perspectives including social, political, economic and geographical dimensions. However, for the purpose of this article, emphasis is placed on the socio-economic dimension. Globalization can be defined as the process of both vertical and horizontal integration involving increasing volume and variety of transnational transactions; in goods and services; in international capital flows, in human migration; and through a rapid and widespread diffusion of technology (Ajaju, 2000; Asobie, 2001). The primary mechanisms of globalization include increased openness to international trade, removal of obstacles to international capital flows, international market integration and worldwide diffusion of knowledge and technology. Majority of us in the social science enterprise agree that globalization simply means openness to international trade, factor flows, ideas and information and with these accompanying socio-economic development and change for the better in the society concerned.

Omar (1996) perceives globalization as the integration of national economies through trade and financial interactions thus surrendering domestic economies to the influence of policies of other commodities, through trade and investment. Globalization is propelled by the actions of individual economies, actors, firms, banks, people usually in the pursuit of profits and often spurred by the competitive pressures as commodities and capital are induced to relocate to economies where returns are highest. This implies that the main elements of globalization are liberalization and

competitiveness through trade, investment and technological advancement. This point is also underscored by the idea that globalization is promoted by lessening of obstacles to movement of commodities, labour and capital – beyond national and regional boundaries and by technological advancement especially in transportation and communication.

Globalization may furthermore be seen as a situation where the whole world is viewed as a single market in the acquisition, utilization and development of productive resources. This implies that there exists a single competitive market in which all countries whether developed or underdeveloped will be transacting businesses. Thus, it also implies that the "New World" is one of "partnership" in which each economy is completely responsible for its own destiny. This stand, coupled with the new market fetishism emphasizes the idea of self interest as the basis of market rationality. Moreover, the contemporary manifestation of market liberalism in its pursuit of pure commercialism provides little room for charity or generosity of spirit featuring in civilized behaviour which the developing countries need (NISER, 2000 and Ohiorlenuan, 1998). Thus, there are international standards that must be met for the developing nations to compare and compete favourably in the global market. This has led Dunning (1992) to argue that globalization has totally reduced the level of economic independence of a nation. Therefore, in order to be well integrated into the global economy and to fully appropriate the gains accruable from participation in it, a country will not only need to add a new dimension to domestic macroeconomic policy, but also the system by which it allocates its scarce domestic resources must be in line with those of its trade partners.

Sociologically, it is noted that globalization breeds new forms of inequalities, global financial instability that depresses capital formation in developing nations and increasing standardization of consumption patterns. Conversely, it is recognized by us in the social and management sciences that export led economic growth and performance, access to foreign capital and a wide range of intermediate goods and services, the diffusion of ideas and new technologies, as well as exposure to international best practices are the rewards of active participation in the world market. For nations, communities or states in a nation to enjoy the benefits of globalization and contain its dangers, they must strive to be competitive in the global economy. This then means a lot for a developing economy, like our own.

Globalization and Socio-Economic Development

The main vehicles of globalization are increased liberalization of trade and investment and strong competitive pressures. Thus, the new growth theory which emphasizes the role of trade and foreign direct investment can be applied to explain how globalization fosters economic growth and development. It is argued here that trade liberalization promotes competition both locally and internationally. This argument is based on the fact that in an

attempt to enter foreign market or compete with foreign firms, domestic exporting firms have to eliminate inefficiency and produce high quality goods at low cost. Domestic exporting firms or micro and small enterprises such as found in Akwa Ibom State and similar states in Nigeria can only do this by acquiring new and modern technologies that will make them competitive at the international market. This also requires human capital development so as to promote innovations and inventions. Export production can be encouraged by designing and implementing favourable macroeconomic policies that attract foreign investment and technological diffusion into the export sector. Access of producers to perfect information about the prices of exports, inputs and transport cost enable exporters to penetrate the foreign market. With this, the income of the producers of export goods will increase and given the linkages between export sector and the micro enterprises, part of the increased income in the export sector will flow to the rest of the economy. As an emerging economy in the comity of states in Nigeria, the micro and small enterprises in Akwa Ibom State stand to gain immensely by keying into this strategy.

This paper notes that booming export sector will provide employment opportunities to the teeming youths in the economy. On the other hand, free flow import facilitated by liberalization will increase consumption and input choice of economic agents especially the households, firms to have access to modern technologies that promotes productivity and competitiveness. Therefore, at aggregate economic level, liberalization of trade and investment will promote competition and efficiency in resource allocation and hence, total factor and productivity growth which is a major factor that propels long-run growth will not only be enhanced but sustained.

The linkage between globalization can also be explained using the innovation, growth and development theory credited to Schumpeter and neo-Schumpeterian. According to these schools of thought, determinants of growth are the innovative entrepreneurs that creates and develop new markets, new products, new processes, new inputs, new organizations, new style of management and new technologies, and that are innovative to the extent that they can manage to respond to changes in the markets. Thus in this current time of globalization, entrepreneurs like the micro and small enterprises can succeed in the international or global market by rearranging patterns of production, research and development (R&D) expenditures and marketing strategies in line with global market developments and trends. This implies that progress made by entrepreneurs depends on their ability to adjust to the new form of competition that is based essentially on Research and Development (R&D) expenditures and on human capital investment so as to exploit new opportunities that emerge on the global market (Wowmuth, 1999b and Wowmuth, 2001). It is shown in this theory that economic development, in the context of globalization is driven by active and successful participation of entrepreneurs in the global market.

The Effects

The implication of this theory for Nigeria's development aspiration is that, the private sector or micro-enterprises has to shoulder the responsibility of making efforts to actively participate in the global market by producing commodities that are competitive and by their ability to manage both domestic and foreign investments. In the same vein, the public sector also has some roles to play in terms of producing the framework for innovations. Framework condition for innovation, can be explained in the context of National Innovation Systems (NISs) and National Finance Systems (NFSs) which according to neo-Schumpeterian, are the ingredients of growth. According to Wowmuth (2001), the National Innovation Systems (NISs) are networks of actors and institutions that permit various elements of a system to work productively together. That is saying in essence elements that are crucial for the generation of spread of knowledge. It was stated that of great importance in NISs is the interactions between entrepreneurs, the education, training and further education system; the universities and other private and public research institutions; the financial systems (cooperation between NIS and NFS); and other types of government machineries (institutions dealing with patent right, intellectual property rights, research and development technology policy and surveying associated with the creation and diffusion of knowledge). All these elements can be formed into an economic policy agenda for a nation especially in the era of globalization. It can be seen that development emphasizes the importance of active participation of the private sector coupled with supportive role of the public sector. Thus, the public sector should provide enabling or conducive environment that will enhance the capacity of entrepreneurs to effectively network with all relevant supportive institutions and actors who will facilitate businesses transactions worldwide. One commends at this point the supportive role of Exxon Mobil and similar oil and gas magnates enhancing the training in skill acquisition of players in the micro and small enterprises in the Niger Delta region of Nigeria to play a part in the emerging global economy. We call on other multi-national and lateral institutions to join force with Exxon Mobil in affecting the life chances of their host communities for the better.

Can Micro Enterprises Be Fully Integrated Into The Global Economy?

Constraints to full global integration may only be noted in terms of tariff barriers, cultural lags among nations etc. But the growing worldwide integration has produced a whole series of consequences – economic, political, cultural and environmental. Unfortunately, some of these consequences can be negative. The United Nations Publication of Human Development Report 1999 explained

“People’s lives around the globe are linked more deeply, more intensely, more immediately than ever before. This opens many opportunities, giving new power to good and bad” like many human achievements, globalization has both an upside and downside.”

The International Labour Office (ILO) has called for a new multilateral initiative to address the social implications of globalization involving all the organizations dealing with the international aspects of economic and social policy. The initiative aims at reducing inequality of opportunity both within and between countries and ensuring that the global economy benefits working people and their families in developed and developing countries alike. In this respect, micro and small enterprises as are found in Akwa Ibom State, Nigeria will benefit greatly since the initiative aims at reducing inequalities and unemployment. With this, the budding energies of young people currently quite often engaged negatively in militancy, acts of terrorism, kidnapping, political thuggery and other forms of social atrocities will be channeled into social gains to the economy.

In a written statement submitted to the World Trade Organization (WTO) Ministerial Conference in Seattle recently, Juan Somavia, Director-General of the ILO, warned that “unless questions of unfairness and inequality are addressed by the global community, the process of international integration itself may be rejected by increasing number of countries and people” Somavia (2004). Somavia pointed to the demonstrators outside the conference centre as evidence of this growing malaise. “Evidence is accumulating that globalization is widening inequalities between industrialized and developing countries” she said, adding that “the gains enjoyed by developing countries has been small and much less than hoped for at the conclusion of the Uruguay Round” But uncertainty and insecurity are not confined to the south. In the north also many “feel caught in a race to the bottom and believe that intensified global competition is exerting downward pressure on working conditions especially on the micro and small enterprises.

Employment arrangements that are less secure and provide fewer social benefits are becoming a commonplace. In this regard, micro and small enterprises could only provide fewer or not at all employment for the society. Income inequality is rising almost everywhere because it is among other factors of the weakened bargaining strength of labour resulting from the multiple exit options available to capital in a globalizing world economy.

But the biggest impact on social development has come from the effects of increased financial liberalization especially speculative short term surges which lie behind the frequency and severity of the financial crises of the 1990s.

It has been shown in the socio-economic literature that some factors could limit the extent of trade liberalization which is a major aspect of globalization. Among such factors are: the use of import protection as a means of revenue generation; prevention of dumping; establishing an

industrial base; and achieving of balance of payment equilibrium. Nigeria falls in the midst of developing countries that use import protection to achieve these purposes. For instance, it can be seen from available evidence that, custom duties constitute a significant proportion of non-oil revenue in Nigeria. This implies that import protection has been used by the Nigerian government to generate revenue from foreign trade. Given the import dependent nature of the economy and the ratio of import to the gross domestic product, it is unlikely that the government can afford to lose this source of revenue, particularly in the face of export revenue instability. Besides, import protection is used in Nigeria to prevent dumping as there is influx of all kinds of second hand items in the country. This has adverse implications on the economy especially micro enterprises. The effect can further be seen thus, at a time of increasing innovation and an expanding knowledge frontier, education presages the destiny of both individuals and societies. Micro and Small Enterprises learn a lot from NOUN (National Open University of Nigeria), from Researches made available at the Internet when browsed, at training sessions like often organized by MNCs, etc. Information that were the exclusive preserves of Research Institutes and Universities are now placed at the door steps of micro and small enterprises in this state (Akwa Ibom State, Nigeria) such that Ibedmore, Henoutext, etc smile to their banks daily. Through Western Union and other electronically device means, it is possible to get on line message and services on micro and small enterprises. E-mailing and other global networking such as www get open to the micro and small entrepreneurs to take advantage of services provided therein.

In social or strictly sociological terms/sense, the changes generated by globalization and new production patterns call for human resources capable of participating in the new modes of production, work and competition.

Globalization and Employment

As noted earlier, employment is the main link between economic and social development, since it is the major source (c 80%) of household income. Many of the social effects of closer integration into the world economy and of adjustment processes to achieve macroeconomic balance and adapt to changes in international economy are transmitted through the organization and functioning of the labour market. This is what establishes the number and quality of jobs generated and the wages and incomes that people earn. The contact period provided by access to globalization in industry, labour force participation and other contact dimensions by the micro and small entrepreneurs in Akwa Ibom State, Nigeria for instance, open up the operators to a wider spectrum of skill acquisition, proficiency and specialization. Globalization in economic, political, geographic and cultural dimensions is greatly enhanced by GSM (i.e Global System of Mobile Communication) as its use eases risks of traveling with bulk sum to make

purchases. One simply stands by one of the phone booths, uses his handset and calls out to a partner who responds with directives from the partnership. The micro and small enterprises operating in this state (Akwa Ibom) makes use of such medium to stem the tide of misfortunes on the road, in business transactions and cultural exchanges. We are also not oblivious of the role(s) which NGOs, Civil Society Organizations and multilateral institutions play in opening the world of business at the micro level to the macro world through increased interaction with micro and small enterprises which aid in alleviating poverty thus bridging the gap of social inequality between the rich and the poor.

CONCLUSION

Globalization has opened a vista of opportunities for players in the economic and non-economic sectors of every society, community, nation or regional groupings. In Akwa Ibom State, Nigeria, the micro and small enterprises, following global (or world) trends is swept in the wind of change in trade, tourism, economic and cultural opportunism from the state of pre-industrial, primitive and closed circuit to an open world of opportunities. This we assume, may have belated the intents of Michael Gorbachev in his Policy of Glasnost and Perestroika at the close of the 1980s in Russia or Eastern Europe which serve as the forerunner to the collapse of socialism in that economic block and of those that initiated them.

In a growing global village, small and micro entrepreneurs in the state take advantage of the gains of integration, of innovation in technology, of ideas to advance the cause of civilization, not only in Akwa Ibom State and society but also on the Nigerian nation and African scene has had widespread effect that call attention of students of social and management sciences to counsel players or actors in it on the opportunities and constraints such as we have done here. Globalization carries the message in its simple form that "*wetin dey for Sokoto, ide for Shokoto*" i.e. what is found in Sokoto (far stretched/flung society or distant land) can be obtained elsewhere.

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