

Market Economies, Globalisation and the Role of Good Governance in the Development Process: Challenges for the Nigerian Economy

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ABSTRACT The new globalisation phenomenon is an inevitable force that cannot be ignored, as we enter the 21st century. This paper examines the implications of globalisation for the development process in the typical developing market economy. Against this background, the potentials of the Nigerian economy benefiting from the gains of globalisation are examined. The chances are admittedly slim, and the authors see good governance as one veritable avenue through which the benefits of globalisation can be maximised. Efforts to enthrone good governance in the process of economic management in the country have however focused more on the government sector. The design and implementation of a programme of good governance, which recognises the interplay of political, economic and corporate dimensions is therefore recommended.

INTRODUCTION

The market economy is an economic system that relies on the price mechanism in the allocation of economic resources among competing demands – either in production or consumption. Market economies are also generally characterised by private ownership of resources and means of production. Thus it is the private sector impulse that leads the development process in the typical market economy.¹ Since the collapse of dominant socialist doctrine towards the end of the 1980s, a large number of countries, have tended more towards market orientation in the process of economic management. Closely associated with this development has been the implicit acknowledgement that it is only a system of democratic government that can effectively facilitate and guarantee individual and corporate economic freedoms. Thus more significant attention has been accorded democracy as the ideal political counterpart of the modern market economy. For example, by the middle of the 20th century, there were no more than 22 democracies in the world. But by the end of the century, there were about 120 democratic states, with at least 63% of the world's population living in democratic states (Freedom House, 2000)!

Today's new democracies are however operating in a different context from what it used

to be in the past, where governments were expected to play active roles in fostering the development process through the maintenance of large public enterprise sectors. As the forces of economic liberalisation and globalisation gather momentum as we enter the 21st century, competition has become the keynote of economic survival of national economies. Privatisation of erstwhile (usually inefficient) public enterprises, is now a prime paradigm that foresees the eventual withdrawal of the state from engaging in active economic activities, thus paving the way for a private sector-led development process. In a number of developing countries, both financial and capital markets are being liberalised and globalised, with definite implications for the domestic economy in the face of weak institutional structures.² Liberal world trade being fostered by the World Trade Organization (WTO) also has definite implications for the survival of the typical developing market economy.

It must however be noted that even though government is expected to withdraw from active participation in economic activities in the market economy, the democratic system of government still provides a rational and participatory framework for economic management and the development of institutions and structures that create the enabling environment for private enterprise to thrive in the face of competition from

international forces. It therefore turns out that what makes the difference between a well-functioning market economy from a non-market economy is not necessarily the degree to which the state withdraws from productive activities, but largely by the extent to which the system is able to guard property rights and enforce contracts, guarantee the realisation of the objectives of corporate entities, and protection of economic agents from the misuse of distributional, economic and informational power by state agents (Bruszt, 1999). The ability of the state to guarantee these freedoms has become more crucial to sustainable development as the world economy becomes more integrated due to the forces of globalisation.

The forces of globalisation are demonstrating that economic management strategies must be directed at repositioning the domestic economy vis-à-vis other countries in a new competitive world order. Such strategies must go beyond simple comparative advantage to global competitive factors, from pure macroeconomic focus to factors that secure microeconomic leverage, from rigid and hierarchical organisations to flexible and meritocratic organisations in state bureaucracy, and from dependence on foreign aid and benevolent partners to innovation and business productivity. These are the surest means of the survival of the developing market economy. Above all, the economy must be seen to have developed and adopted minimum standards, which make for acceptance as a credible partner for development in a world with a new global order. The view we advance in this paper is that good governance has a critical role to play in engendering competition in the developing market economy, particularly in sub-Saharan Africa.

This paper therefore examines the issue of globalisation, drawing out its implications for the economic survival of the typical developing market economy. Within this context, the role of good governance towards the realisation of the benefits of the market economy is examined, using Nigeria as a case. Following this introductory section, the next section examines globalisation in its historical context, drawing out its implications for the development of the market economy. This is followed by a discussion of the potentials of Nigeria benefiting from globalisation, while the fourth section is specifically concerned with the role of good governance in enhancing

the benefits of a country's competitive advantage within the context of a globalised world. In the fifth section, we discuss briefly Nigeria's experience with policies of good governance, against which background the challenges facing the country are identified, and an appropriate framework for good governance suggested. The sixth section concludes the paper.

GLOBALISATION: HISTORICAL CONTEXT AND IMPLICATIONS FOR THE DEVELOPING MARKET ECONOMY

Globalisation is a generic concept, which has been used to describe a multiplicity of processes at the economic, social, political and cultural dimensions (Nemedia, 1998, Kwanashie, 1999; Obadan, 1999), depending on the effects of the process being emphasized (Rodrick, 1999, 2000; O'Rourke, 2002a). Without going into definitional controversies, we will operationally define globalisation as the increasing tendency towards integration of countries into the world economy as well as contacts among enterprises, institutions and peoples across national boundaries. Globalisation as usually idealised by its proponents, is capable of producing positive effects on the development process. For example, some of the positive effects of globalisation have been observed in the increasing magnitude and structure of international trade in goods and services since the 1990s, increased capital movements across national boundaries, gains in productivity and efficiency in production, all of which factors contributed to driving the growth process and creating jobs in the industrial countries since the mid-1990s³. On the other hand, there are sceptics of globalisation who hold the strong view that most developing countries do not stand any significant chance of benefiting meaningfully from its forces. One fact is however certain. This fact is the inevitability of the forces of globalisation and the need for national economies to develop strategies that will enable them to derive maximum benefit from these forces.

Globalisation is not an entirely new phenomenon. O'Rourke and Williamson (1997) have shown how an earlier period of globalisation which spanned about one century, between the period 1840 – 1940, provoked a backlash that stemmed the cross-border flow of goods, people and financial resources by countries that felt they would be losers in a globalised world. And they predict that this could well happen again! They

note in particular that the globalisation phenomenon of the 19th century and first two decades of the 20th century was a far more dramatic occurrence than the integration of world markets that has been taking place gradually since the end of World War II. The first episode of globalisation was marked by faster falls in international transport costs and more phenomenal capital flows across national boundaries. Cross border human migration was also higher between Europe and the New World (the Americas). Thus between the second half of the 19th century and 1914, about 60 million Europeans set sail for the resource-rich and labour-scarce Americas.⁴

For a very long time before World War I, it was thought that the world would continue to move towards an integrated whole. This view turned out to be wrong, as losers from that globalisation experience constrained its further significant spread until the onset of World War I sealed its fate as it were. It is significant to note that the USA was one of the early losers of globalisation. In the 1860s, the USA had closed its markets to free foreign influx of goods. It also raised tariffs to help finance its Civil War, and soon after, erected further barriers to protect its infant manufacturing industries from European competition. There was also the reaction against migration. Well before the famous American 1921 Emergency Quota Act, America had also put in place restrictions against immigration. It was therefore not surprising that the first quest for globalisation in its next round using a trade anchor after World War II under a proposed International Trade Organisation (ITO) was successfully blocked by the USA. The failure to establish the ITO led to formation of the General Agreement on Tariffs and Trade (GATT) in 1947, which was to provide a guided but gradual movement towards free trade. By the time the World Trade Organisation (WTO) was put into effect in 1995, the free trade negotiations had covered a period of more than forty years! No doubt, the western developed market economies (particularly the USA), more than forty years after World War II are now in a better position to lead, and benefit from the new globalisation, which is now more of a deliberately driven phenomenon.

Factors which have facilitated this new round of globalisation include deliberate and widespread push towards liberalisation of trade and capital markets, the increasing internationalisation of corporate production and distribution,

technological change and innovation that have led to rapid dismantling of barriers to international trade and mobility of capital, the implementation of outward-oriented policies of economic reforms (including privatisation of public enterprises) in developing countries, as well as advances in information technology and communication (ITC), transportation and the general trend towards the adoption of democratic government. On the issue of economic reforms for instance, since the 1980s, a number of African countries suffering from fundamental macroeconomic crises have adopted adjustment and reform programmes in line with dictates of the Bretton Woods Institutions⁵. Key points of economic policy in these various adjustment programmes relate to trade and financial liberalisation, public enterprise reform and the need for government to withdraw from active participation in productive economic activities, and allow the private sector to lead the development process. Understandably, these policy efforts were geared towards developing the pre-requisites for a more virile market economy, which is the focal economy in the new global order. Thus knowingly or unknowingly, the developing countries, particularly in sub-Saharan Africa, have been preparing themselves for participation in the new global race since the 1980s⁶! At the supranational level, a number of institutions are already in place, for the purpose of channelling the forces of globalisation. Of these, the WTO, which is working towards complete liberal trade, the Basle Accords (concerned with rules of the game for the banking system), and the Montreal Protocol (concerning the release of ozone-depleting chemical agents) stand prominent. Now, what can the developing market economies, particularly in Africa gain from globalisation?

One visible consequence of globalisation and its associated liberal trade has been an increase in world trade. As noted by Nzekwu (1999), during the period 1985-95, the ratio of world trade to the world gross domestic product (GDP) rose thrice faster than in the preceding ten years, and twice as fast as it was in the 1960s. Since the 1990s, there has however been some disparity in the trade performance of the different regions of the world. For example the share of Africa in total world exports fell from 1.86% in 1985 to 1.71% in 1999, while the corresponding figures for Asia were 18.15% and 18.69% for the respective periods (IMF, 2000). Thus as a group, African countries

may not have recorded any significant proportionate improvement in export performance since the mid 1990s. There is also the benefit ensuing from the integration of world capital markets. A number of developing countries have already liberalised their capital accounts, and this development has the potential of making their markets more attractive to investors from developed countries wishing to diversify their portfolios. Closely associated with this potential benefit is that of increased private capital flows around the world in search of areas of highest returns arising from the globalisation of financial markets. The records on private capital flows since the late 1980s however indicate that African countries have not benefited as much as the Asian countries – the most significant ones being China, Republic of Korea, Malaysia and Indonesia – from the flow of private capital – although it has also been shown from the financial crises in several Asian countries during the second quinquennium of the 1990s, that there are risks of financial instability and contagion associated with wholesale financial liberalisation. This is particularly so when the appropriate institutional anchor is lacking (Nemedia, 1998; Knight, 1998), which condition exposes the domestic economy more pungently to transmission effects arising from international financial perturbations.

Technological advantages are also associated with globalisation. In particular, the opportunities for technology transfer and adaptation are quite high in a globalised world economy characterised by sophisticated information technologies that make access to a multiplicity of scientific information a very simple feat. At the level of conferring efficiency for instance, advances in information and communications technology have figuratively transformed the world into one global village in which trade transactions can be effected without the need to travel and at minimal cost. Information relating to new industrial products, financial products, peace and war, etc, in most parts of the civilised world can now be assessed just with the touch of a button.

There is also the associated effect of the increasing internationalisation of corporate production and distribution, with the transnational corporation at the central stage. While this is an advantage for the typical developing country with scarce resources, the internationalisation of business raises fundamental fear bordering on the issue of economic sovereignty and the

emergence of a new imperialism arising from foreignisation. Such fears are particularly relevant in countries pursuing privatisation programmes. In Tanzania for instance, such fears have led to the development of a home initiative to pool the resources of nationals in order to be able to buy the assets of enterprises being privatised, through the assistance of a civil society organisation (CSO).⁷

Globalisation also has the potential benefit resulting from labour migration from one country to another, thereby helping to reduce unemployment in countries with excess labour. In particular, labour movement from developed into developing countries and vice-versa has the potential of facilitating transfer of technology. However, experience since the 1990s indicates that movement of labour from African countries into Europe and the USA has been constrained by a number of migration laws in these countries. These and other issues related to the distribution of the benefits of globalisation raise fundamental questions which border on equity – an issue that has been addressed in a number of recent studies (see for example, O'Rourke, 2002a; 2002b; Chiswick and Hatton, 2001; Lindert and Williamson, 2001; Dowrick and Akmah, 2001). One point must be made very clearly at this juncture. This is the fact that this new round of the globalisation phenomenon is deliberately driven. It is therefore not out of place to reason that the countries at its wheels, and who control it, will seek to secure the maximum benefit from it. Given this background, what then are the chances of the Nigerian economy benefiting from this round of globalisation? This is the issue that gains our attention in the next section.

GLOBALISATION AND THE NIGERIAN ECONOMY

To begin with, we attempt a brief review of the progress of the Nigerian economy. The Nigerian economy is an essentially monocultural economy, relying almost exclusively on the petroleum sector for its survival. From the point of view of historical reference, Nigeria experienced the “oil boom” during the period 1973-1977, and its effects lingered on through a substantial fraction of the second quinquennium of the decade of the 1970s, and well up to 1981. At the international level, Nigeria then asserted itself as the *Giant of Africa*, becoming a political mustering point for all Black Africa, including those in the

diaspora. During this period, it was generally acclaimed that the Nigerian economy was doing well, and government seemed not to have faced any visible constraint in disbursing funds for all conceivable projects. The so-called oil boom therefore not only created tremendous changes in the patterns of consumption, investment and production, it also profoundly altered Nigeria's socio-cultural values, political aspirations, style of economic management as well as the perceptions of government as to its role, and the actual policies and programmes that it embarked upon through the various development plans implemented. Although it is on record that the economy recorded relative growth during the first half of the 1970s, it soon became evident that the economy was progressing like a house without a solid foundation. In the first instance, the pattern of growth in the industrial sector was such that it was dependent on the external sector. And then, agriculture, which was the undisputed mainstay of the economy during the 1960s, remained largely backward and neglected during the 1970s. Expectedly, the giant initial strides taken by government towards rapid growth and development of the economy could not be sustained, as the world oil market slumped during the early 1980s. Thus with the almost complete collapse of the oil market between 1982 and 1986, the Nigerian economy began to crumble under the stress of both internal and external disequilibria.

Earlier in 1982, the Federal Government under President Shehu Shagari had introduced some austerity measures under the Economic Stabilisation Act of that year. As it turned out, the nature of the excruciating economic conditions was such that a more fundamental approach was required to stem the rapid movement towards phenomenal regress. Apart from the shock effects emanating from the external sector of the economy, internal economic distortions, structural rigidities and similar factors also contributed to the heightening of the crisis of the 1980s. Consequently, by 1985, in spite of the efforts made by government to implement the austerity measures (which were continued during the regime of General Buhari), the crisis worsened. And at this point, it became clear that a much more fundamental and comprehensive change in economic policy and management perspectives was called for, if the economy was to move out of the doldrums. It was against this background that

the Structural Adjustment Programme (SAP) was embarked upon during the third quarter of 1986 by the new military administration of General Babangida under an IMF/World Bank support framework. In principle, SAP was specifically packaged to help to remove both internal and external imbalances, including other structural distortions and factors of inertia, which had held the economy down for so long.

After more than fifteen years of the inception of SAP, the Nigerian economy has continued to present the symptoms of a country in a state of regress. Poverty, in both absolute and relative terms has continued to bite hard on the citizenry with its vast majority living on below one US dollar per day. The Human Development Index (HDI) has been below 0.5 since the 1990s, while the Human Poverty Index (HPI) remains the highest among all member countries of the Organisation of Petroleum Exporting Countries (OPEC). Despite policy efforts made towards diversifying the economy since the mid-1980s, the petroleum sector continues to account for up to 96% of the country's total export value. The industrial sector has remained relatively weak and uncompetitive with manufactured goods accounting for less than 3% of total export value (Orubu, 2000)⁸. Table 1 summarises selected macroeconomic indicators for the Nigerian economy.

As can be seen from Table 1, the Nigerian economy is highly open. Over the period 1979 – 1989, the share of imports in the gross domestic product averaged 24.3%. This rose to about 26% during the period 1990 – 2000. In terms of export composition, the economy is almost totally dependent on crude petroleum, which accounts for about 97% of total export value during the period 1990-2000. The country's manufactures have an abysmal showing in the international market (as the share of the manufacturing sector in the gross domestic product continues to be relatively insignificant, see Table 1). Indeed the share of manufactured goods in the country's total export value was consistently below 1% before 1998! The near absence of Nigerian manufactured goods in the world market is a serious cause for concern, and it is pertinent for us to compare the Nigerian experience with what obtains in some of the fast growing middle level developing market economies. In 1980 for instance the share of manufactured goods in South Africa's total export value was 18%. By 1998, this had gone up to 54%. Expansion in the share of

Table 1: Selected economic indicators for the Nigerian economy

Year	GNI per capita (US \$)	Overall deficit (-) or surplus (+) as % of GDP	Total external public debt as % of exports of goods and services	Exchange rate (Naira/US \$) period average	Share of crude petroleum in total exports (%)	Share of total imports in GDP (%)	Share of manufacture GDP in (%)	Share of manufacturers in total exports (%)	Share of capital goods and raw materials in imports (%)
1979	660	3.4	2.17	0.6040	96.0	25.00	N.A.6.7	0.1	71.7
1980	780	-3.4	4.09	0.5468	96.8	22.90	N.A.7.7	0.2	60.3
1981	780	-12.2	9.06	0.6177	97.1	31.68	9.8	0.3	55.5
1982	740	-16.3	16.10	0.6735	94.2	29.88	11.2	0.2	57.9
1983	550	-13.1	23.62	0.7244	95.0	32.72	8.4	0.4	58.3
1984	410	-5.0	32.67	0.7665	96.7	31.42	7.8	0.3	61.9
1985	360	-1.2	33.64	0.8938	93.1	26.21	8.6	0.4	70.5
1986	290	3.4	28.41	1.7545	95.3	15.52	8.0	0.6	70.3
1987	260	-5.2	14.10	4.0160	90.1	17.41	8.4	0.2	75.9
1988	280	-4.5	29.54	4.5370	90.1	19.06	8.7	0.2	71.2
1989	270	-2.5	20.90	7.3647	93.3	15.49	8.2	0.8	72.6
1990	270	3.1	23.34	8.0383	96.2	17.32	8.2	0.7	73.3
1991	270	0.7	23.36	9.9095	96.3	28.60	8.3	0.9	74.8
1992	290	1.9	30.87	17.2984	97.9	21.95	7.9	0.5	65.6
1993	240	-5.0	14.77	22.0654	97.7	31.19	7.3	0.4	65.0
1994	220	-4.8	19.49	21.9960	97.4	27.52	7.2	0.6	63.9
1995	210	3.5	15.31	21.8953	97.6	29.25	6.7	0.5	66.8
1996	250	2.6	15.17	21.8844	98.2	18.40	6.5	0.4	61.2
1997	270	-1.0	8.88	21.8860	97.8	26.17	6.3	0.7	62.2
1998	260	-9.1	11.74	21.8860	95.5	28.66	5.9	1.80	60.7
1999	250	-8.5	31.49	92.3381	98.4	25.15	5.9	1.81	59.8
2000	260	2.2	15.51	101.6970	98.7	30.1	6.0	1.82	60.9

Source: African Development Bank (2001), and Central Bank of Nigeria (2001)

manufactured goods has been generally more phenomenal in Asia's fast growing economies, compared to the situation in African countries. As noted by Obadan (2001), during the 1990s, African countries as a whole accounted for only about 3% of world trade, and this is one factor that potentially limits the potential of the continent to maximise the benefits of globalisation (see Sachs and Sievers, 1999). For example in 1980, the share of manufactures in total export values for Thailand and Malaysia stood at 25% and 19%, rising to 71% and 79% respectively, by 1998. In the Republic of Korea, manufactured goods account for well over 90% of total export value (World Bank, 2000). These comparative figures provide some food for thought on the international competitive standing of the Nigerian economy.

There is also the problem of weak institutional structures, which problem has rendered ineffective most of the economic management strategies adopted since the 1980s. Rent-seeking behaviour has also significantly imposed undue cost on the society, and in most cases, culprits have escaped unpunished. It is interesting to note that the Corruption Perception Index (CPI) of Transparency International computed for 22 African countries for the year 2000 placed Nigeria as the most corrupt country (ADB, 2001). Coupled with long period of military rule (between 1960 and 1999, the military ruled Nigeria for nearly thirty years) and the high degree of insecurity characteristic of such regimes, the international business community, for a long time looked upon Nigeria with disdain. There is no doubt a number of these characteristic features of the Nigerian economy and its history reviewed above work as potentially effective constraints against reaping the benefits of globalisation. While it could be argued that the return to democratic government since May 1999 has opened up an era of new opportunities, much needs to be done to keep the economy on a trajectory of competitive advantage, in order for the country to maximise the benefits from the new globalisation. Phillips (1999), for instance has rated the chances of the country benefiting from globalisation as very minimal, and identified a number of constraints, which must first be surmounted. Our proposition is that good governance can enhance the benefits of globalisation for the Nigerian economy. This argument is hinged on the institutional strengthening function of good governance and

its ability to reduce various forms of inefficiencies.

GOOD GOVERNANCE: CONCEPTUAL FRAMEWORK AND ROLE IN THE CONTEXT OF GLOBALISATION

As a concept, governance has several dimensions to it.⁹ Simply defined, governance, refers to the manner in which power is exercised in the management of the affairs of a nation, be it in the economic, political or wider social spheres of life. In today's modern society, governance is embodied in well-defined institutional arrangements, consultative mechanisms as well as policy-making processes, all set within the framework of state apparatus of overall political control. There are three important dimensions of governance – political, economic, and corporate dimensions (ADB, 2001). The relationship between these three dimensions is analogous to a series of concentric circles in which political governance provides the encompassing universe (Otobo, 2000, 2001), as shown in figure 1.

Political governance is concerned with the process of decision-making relating to public policy. It supplies the institutional infrastructure for the polity as well as the orientation of the economy. Economic governance provides the framework for decision-making processes that affect an entity's economic activities and its relationship with other entities, organisations and nations. It provides the regulatory framework for the conduct of corporate affairs in the market economy, and also sets the macroeconomic framework. Corporate governance, on the other hand sets the rules on the basis of which the corporation is to be managed and controlled in

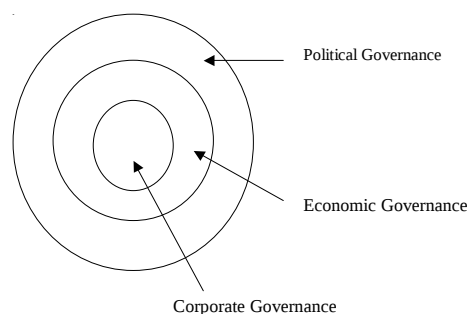


Fig. 1: A Concentric frame for governance

order to ensure that its management practices are balanced between the profit motive and the fundamental objective of societal welfare. Thus, in principle, corporate governance, in terms of set language, is an intersection of law, public policy and business practices. Irrespective of the dimension from which we are examining the concept of governance, its key elements must include probity, integrity, transparency and accountability. Other key elements of good governance include the rule of law and democratic participation (Orubu, 2001). A combination of these key features necessarily imply that good governance must lead to better economic performance and economic growth and competitiveness, reduction of poverty and inequalities of different forms, enhance social cohesion, and lead ultimately to sustainable human development.

Critical aspects of good governance, which can help to improve economic performance of the typical developing African market economy and assist it towards maximising the benefits of globalisation include, *inter alia*:

- (i) the existence of virile and credible institutions
- (ii) the existence of policies that enhance the ability of the private sector to have access financial resources, both domestic and foreign.
- (iii) the willingness of government to continue to invest in infrastructure particularly in the areas of power, roads and communication systems and the adoption of other policies that promote education and the development of technology.
- (iv) the ability of the state to effectively combat corruption in both the private and public sectors of the economy.
- (v) the acceptance of agricultural and industrial development as core concerns of economic policy.
- (vi) policies that improve human capacities, particularly in organisations that represent the interest of the country in international bodies
- (vii) the existence of a credible legal and judicial system
- (viii) the adoption of a political system that guarantees individual freedoms and policies that enhance sustainable human development
- (ix) a relatively independent Central Bank and

credible financial systems.

We briefly examine some of these factors. Institutions constitute the formal and informal rules that affect human behaviour in any society. Traditionally, it is the state, which puts in place the formal rules through a defined social and political process, while the informal rules are those that have developed by culture, history, and convention over time. Conceptually, we differentiate between institutions and organisations. While institutions provide the rules of the game, organisations are the players. Both institutions and organisations constitute what may be termed as society's institutional structure of any society. The issue of credible institutions has gained prominence in the literature in recent times (see for examples Aron, 2000; Frank, 2000; Commander et al. 2000; and Alston, 1996). The emergence of institutions in development policy debate can, in the main be traced to the observed weak economic performance of many developing countries particularly in Africa and Latin America despite economic reforms undertaken in such countries since the 1980s. Furthermore, the Asian crisis of the late 1990s indicated that liberalisation and globalisation could be inimical to growth in the absence of credible state institutions. And most importantly, the transition from growth to sustainable development in a globalised world requires credible institutions in order to protect property rights, provide sound regulatory framework and robust financial systems, effective judiciary and law enforcement. Indeed, weak institutional structures in many African countries can be regarded as the major constraint against their benefiting from the gains of globalisation while most of the other constraints identified are actually subsets of institutional incapacity.

It is important to note that the various dimensions of good governance seek to use different systems of incentives and discipline to foster transparency and accountability. In this respect, the emerging private corporation, particularly in African countries, which is the product of public enterprise reform needs to benefit from policies of corporate governance which will enable it to tap financial resources from both domestic and foreign sources. In particular, globalisation of capital markets and the evolution of sound financial practices will help to secure some degree of competitive advantage for the corporation. Thus as noted by the African Development Bank (ADB, 2001), as African

countries make the transition from state-led to private-sector-led development, institutional strengthening of different aspects of corporate governance, including those that facilitate access to international capital markets has become a crucial issue in sustaining the development process. As globalisation progresses, government must continue its role as the most critical investor in the infrastructure sector, particularly in the provision of electricity, roads and communications. This must be done in the most efficient way, in order to reduce the cost of doing business, thereby enhancing the competitive standing of domestic enterprise in the international economy. In a way, this also helps to encourage foreign investors to come into the domestic economy. The promotion of education and knowledge acquisition are other vital areas of good economic governance that enhance the extent to which a country can benefit from the gains of globalisation. Education and technology are two variables that are intricately intertwined, and both work together in synergy in harnessing and utilising scientific knowledge.

To benefit from the forces of globalisation, a country must make definite efforts to stem corruption in all its ramifications – including rent-seeking behaviour in political administration, interaction of social agents with business (local and international), customs processes, tax administration and procurement practices. Apart from distorting the process of resource allocation, corruption, which involves wrong -doings to the economy and society, can destroy the image of a country at the international level, to the extent that other countries' nationals are unwilling to do business with the nationals of the "corrupt country".

It has also been shown that the institutional capacity of the state is of prime importance for efficient markets, productive investments and equitable access to development opportunities in a variety of ways (World Bank, 1997). It turns out that human capacity matters in determining the strength of institutional structures. It is this, which justifies the huge amounts of financial resources expended by organisations on the development of human capacities. No where is such huge expenditure justified as in organisations that relate a country to the international system-particularly in the negotiation and ratification of international agreements, and in developing strategies for the

support of trade and investment programmes. One good example here is the WTO, in which many developing countries (including Africa) are signatories to the various agreements, and yet the technocrats who took part in signing such agreements lack the knowledge of the main issues involved, not to talk of the technical expertise required for the necessary negotiations (see for example, Fosu, 2001; Chemengich, 2002, Muradzikwa, 2002).

The legal and judicial framework is an important anchor for good governance, and is of prime importance in the context of globalisation. In principle, a credible legal and judicial system provides an anchor of confidence in the conduct of business. For foreign investors, investment resources will flow more into a country where the rules governing the conduct of business obey the principles of reliability and impartiality and equitable treatment, for example, with respect to the rights of shareholders – irrespective of whether or not they are nationals or foreigners. A credible legal and judicial system also ensures that the rules laid down by the relevant regulatory bodies are adhered to in a transparent manner. Such a system also ensures that government will obey its own rules in dealing with corporations. Much more than this, a credible legal and judicial system will ensure that enterprises, including trans-nationals will play the role of the "corporate citizen", and help the regulatory institutions to minimise the divergence between private and social costs and benefits.

As already noted, the current globalisation phenomenon is a deliberately driven phenomenon, whose most intense phase has been closely associated with the fall of the Berlin Wall. Its prime movers are therefore mainly the western democratic "capitalist" countries, led by the United States of America. Consequently, democracy as a system of government has come to be accepted as an implicit political correlate for a country to benefit from the gains of globalisation (Phillips, 1999). This is now a fact that no developing market economy in Africa can wave away¹⁰.

The role of efficient central banking in enhancing the competitive standing of an economy should also be noted. The Central Bank is the apex bank of a country. Apart from the responsibility for broader monetary policies, its key role is to ensure that the banking system operates in a prudent and efficient manner so as

to avoid financial crises. It does this through laying down the rules for the establishment of new banks and stipulating monitoring procedures to ensure proper accounting and auditing. A well-managed and monitored financial system promotes a more credible market support system that can help to enhance the competitive position of the economy in a globalised world. It assures all key players in the economy, both nationals and foreigners that there exists a regulatory anchor for all financial transactions.

From the foregoing, it is evident that some critical aspects of good governance, particularly those that strengthen institutional efficiency and capacity are fundamental to the fostering of competitive leverage for the economy, which should ultimately enhance the gains from globalisation. In the next section, we therefore examine briefly Nigeria's experience over the years, in respect of efforts to enthrone good governance in the processes of economic and political governance, as well as the challenges posed for the future, as the basis for the design of an appropriate policy programme of good governance.

THE NIGERIAN EXPERIENCE WITH GOOD GOVERNANCE POLICIES AND CHALLENGES FOR THE FUTURE

A number of measures have been taken in the past in order to enthrone good governance in Nigeria, particularly in the public sector¹¹. The various reforms in the Civil Service, the establishment of the Code of Conduct Bureau, which requires political and public office holders to declare their assets periodically are all efforts directed at realising the objective of good governance. The institutional framework for financial accountability has also improved significantly since the beginning of the new democratic regime in 1999 and this has resulted in greater probity, integrity, accountability and transparency in the conduct of government business. For example, the old Financial Control and Management Act is being reviewed, and at the end of the day, this should result in greater accountability and transparency in the management of government finances and the procurement of goods, works, and services. At present, all major procurements are expected to go through Open and Competitive Tender (OCT). In the office of the Accountant-General of the

Federation, professionalism is now emphasised in the employment of accountants and auditors. For a very long time, financial reports for various government ministries and agencies were in arrears, but as a result of the new emphasis on probity, integrity, accountability and transparency, financial reports are now being brought to up-to-date, and interim audit reports are now being submitted without having to wait until the end of the financial year. The Public Accounts Committee (PAC) of the National Assembly has also been active in terms of inviting government functionaries for questioning on the use of public funds, while in the year 2000, the Independent Corrupt Practices and other Related Offences Commission was established.

Two key observations can be made in respect of the efforts made towards enthrone good governance in Nigeria. First, they are more specifically related to the public sector. Second, unlike other African countries such as Ghana and Tanzania, which have embarked on specific programmes of good governance, no definite attempts have been made so far in integrating the various efforts into one program that can be evaluated on the basis of an appropriately defined logical framework. However, there are also a number of efforts at good governance that have been undertaken which could improve both economic and corporate governance, and by implication, have some bearing on improving the competitive standing of both the private and public sectors. For example, reforms, which have taken place in the financial sector since the 1990s have in one way or the other introduced some degree of order into the banking sector, while the capital market has also significantly expanded in its activities. The Failed Banks Tribunal, which was put in place during the regime of General Sani Abacha did achieve some measure of success in curbing corruption in the banking sector. The Central Bank of Nigeria has also woken up to dealing decisively with cases of money laundering and the so-called "advance fee fraud" and has adopted an essentially stakeholder approach to the conduct of monetary policy through its regular quarterly Monetary Policy Forum.

The Presidency has also done some work, particularly through the country's foreign missions, and the personal efforts of the President in helping to repair the damaged image of the

country in the international community since the inception of the current democratic dispensation. Through the aggressive policies of the Nigerian Investment Promotion Commission, foreign investors are now thinking relatively more positively about the business climate in Nigeria, than was the case during the long period of military rule. Then there is the on-going privatisation programme, which is focused on making the private sector lead the development process – in line with the current global paradigm of development. Efforts are also currently being made towards the development of the Small and Medium Enterprises (SMEs) sector, which is considered to be critical to the integration of industrial processes and the development of a competitive economic culture. Nigeria is also currently working out a comprehensive framework for its Poverty Reduction Strategy. Poverty is a fundamental problem in the country. As already noted, a large proportion of the population still live on less than \$1.00 per day. Poverty reduction is an implicit condition for benefiting from the gains of globalisation. In many African countries, the issue of debt overhang has compounded the problem of poverty, since an increasingly large proportion of the GDP has to be devoted to debt servicing (see Table 1).^{12..}

From the foregoing, it is clear that the problem has not essentially been whether efforts have been made to foster good governance. What is however lacking is a deliberately targeted comprehensive and integrated framework that brings together the critical elements of political, economic and corporate governance in Nigeria, in order to enhance the economy's benefits from the new global order.

The major challenge for the managers of the Nigerian economy is therefore to design a logical programme of good governance, as is already being done in other African countries (Ghana is a nearby example). In designing the governance framework towards maximising the benefits of globalisation in Nigeria's developing market economy, the following critical points must be taken into consideration:

- (i) Christopher O. Orubu And Patience O. Awopegba recognition of the private sector as leader of the development process
- (ii) recognition of the state as effective regulator and provider of enabling environment for the market economy
- (iii) the fact that no country can ignore the

- reality of globalisation, and so each must prepare to meet its challenges
- (iv) privatisation process to be properly channelled, while the need for foreign participation is balanced against the danger of a new imperialism
- (v) the need for economic management to be set within the framework of defining the development vision of government based on democratic principles, accountability and transparency
- (vi) the need to mobilise the institutional structure towards promoting a corruption-free society, and to enthrone responsible corporate citizenship in business, using legislative and civil society structures.
- (vii) the need to build a credible institutional foundation for development through the provision of supportive infrastructure, appropriate legal and judicial reforms, sound financial system and autonomous central banking, and a general capacity improvement of the technocratic structure.
- (viii) the need for economic policy to focus on improving the performance of the agricultural and industrial sectors, while exploring the regional framework for the purpose of trade expansion and collective economic action
- (ix) the need to sustain democracy and foster better relationships between the different tiers of government so as to ensure societal harmony that is so essential for a stable economic environment and sustainable human development, and finally,
- (x) the time has now come for the country to design and implement a credible program of governance, with an appropriate mechanism that takes into account the relationship between goals, outcomes, output and inputs of the programme for the purpose of effective evaluation.

CONCLUSION

In this paper, we have examined the new globalisation as a reality, which the typical developing marketing economies of Africa cannot ignore. Efforts must therefore be made in order to face this reality squarely, and benefit from its gains. Good governance incorporating political, economic and corporate components is identified as a veritable culture for enhancing the benefits,

which any country can derive from globalisation. A brief review was made of the efforts so far in improving the quality of governance in Nigeria. In the main, past efforts have been more targeted at the public sector. Since the new global impulse is towards private sector-led economies, the need to evolve an integrated approach, which takes into account the roles of the state, and private enterprise in promoting sustainable human development, would be of vital importance. The authors therefore suggest the designing of a credible programme of governance, in which the key variables are those that would secure competitive advantage for the Nigerian economy, thereby enhancing the benefits it could gain from globalisation.

NOTES

1. This is why the market economy is usually referred to as a "capitalist" system. It should however be noted that market economies can also function to some extent under social ownership of economic resources.
2. The effects of the globalisation of financial markets in developing countries are examined in a study by Knight (1998).
3. This view is given some credence by the "new economy" fad in the industrial countries, particularly the USA and Japan during the mid-1990s, characterised by rising productivity and falling prices, which for the first time practically contradicted the Phillips curve thesis.
4. See *The Economist*, January 8th – 14th, 2000, p. 97.
5. An excellent survey of adjustment programmes in a number of African countries, including Nigeria is to be found in Husain and Faruqee (1998).
6. It is also important to note that since the 1990s, the "transition economies" of Europe, the Baltics, Russia and other countries of the former Soviet Union have been in the process of structural reforms in moving from central planning to market-based resource allocation.
7. See Seabo et al. (2001).
8. In a number of East Asian countries such as Malaysia and Republic of Korea, manufactured goods account for well over 60 percent of the export trade since the 1980s (See for example, Orubu, 2000).
9. See for example Olowo et al. (1999).
10. A relevant point of reference here is the African Growth and Opportunity Act (AGOA) promulgated by the government of the USA in 2000. The AGOA makes credible democracy a pre-condition for preferential trade with the U.S.A.
11. A number of these measures are discussed in Orubu et al. (2001).
12. At the international level, the Highly Indebted Poor Countries (HIPC) Initiative ties the reduction of the debt burden to the implementation of poverty reduction programmes.

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