Globalization and Public Policy in Nigeria: The External pressures of Privatization and Commercialization

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Abstract

This paper traces the historical context of globalization in Nigeria's context, and opines that the structural Adjustment Programme (SAP) imposed by the IMF and World Bank in 1986 especially created a widened opening for the policy intervention by the Bretton Woods institutions. It adds that the present economic policy of the Obasanjo regime, along with the harsh social policies it generates, like the ones by its predecessors, cannot be devoid of the pressures exerted by the key agencies of globalization. In the final analysis, states like Nigeria can only struggle to limit the adverse effects of this policy interference on the national policies and their populations, based on how much to open their economies, but can hardly escape from globalization and its external policy drive.

Introduction

Globalization is a process that many hardly appreciate, partly because it is subtle and hardly comes in a physical way. Yet it is inevitably experienced and felt worldwide, with varying levels and degrees of impact on its receiving communities. In developing countries, globalization has been imposed by certain happenings within the global political economy. While it remains a truism that globalization, like development, manifests itself in different ways and is multi-sectoral, there is compelling evidence that globalization has assumed a primarily economic stance. It is promoted by, and in return promotes, the market, and free enterprise economics. The emergence of a world capitalist economy to which every part of the globe has now been incorporated, has become the principal instrument for the propagation of globalization, and has further contributed largely to its sustenance.

The globalization process, especially after the Second World War, has abetted the centralization of national public policy through the activities of multilateral financial and trading institutions. Chief among them are the International Monetary Fund (IMF), the World Bank, the General Agreement on Trade and Tariffs (GATT) and the World Trade Organization (WTO). Others playing supportive roles are the city clubs, like the London Club and the Paris Club of lenders. In its most extreme form, globalization, in its bid to secure and expand the market on a global scale, has come to imply the harmonization of national development policies. In developing countries, Nigeria inclusive, the economic crises facing these nations provided the necessary justification for intervention by these institutions.

This paper notes the several dimensions of globalization, but focuses on its ability to impact on national policy, with specific reference to the on-going policies of commercialization and privatization. It sees the privatization and commercialization policies as driven by the institutions of globalization, and not as neutral policies of the present government. There is a tendency among public policy analysts to ignore the historical origins of certain national policies, pay little attention to its international dimensions, and to assume that it is all generated nationally. This is not necessarily the case, as argued by this paper.

Defining Globalization

Globalization, like any current term used in the social sciences, has several definitions. It means different things to different people, and the application of these meanings have differed with time. While some think globalization is a recent international development, others have been interested in the globalization as part of the development of the global capitalist system under the world system theory, dependency theory, Marxist political economy, and even liberal political economy.

Globalization often coveys three kinds of meaning. First, it could be seen as internationalization, which means the intensification of cross-border links between nations. Secondly, it could be seen as liberalization. This means the process by which government-imposed restrictions and barriers are removed to create an open international economy. Thirdly, it could connote universalization, which means spreading various cultural values and experiences around the different corners of the earth (Baylis and Smith 2001). Some critics, especially those outside the Western culture, have seen globalization as Westernization and cultural imperialism, particularly the imposition of American and Western values and culture on the rest of the world. Baylis and Smith define globalization as "the process whereby many social relations become relatively declined from territorial geography, so that human lives are increasingly played out in the world as a single place (Baylis and Smith, ibid, 14 –15).

Robert Cox also offers another useful definition of globalization. He sees it as a process characterized by the internationalizing of production, the new international division of labour, new migratory movements from South to North, the new competitive environment that accelerates these processes, and the internationalizing of the state ... making states into agencies of the globalizing world (Cox, 1994, in Baylis and Smith).

On their part, Evans and Newnham (1998) see globalization as "The process whereby state-centric agencies and terms of reference are dissolved in favour of a structure of relations between different actors operating in a context which is truly global rather than merely international." Globalization threatens the sovereignty and traditional boundaries of nation-states, where economic and cultural activities penetrate such boundaries with ease, and the states would appear to have `lost control'.

Globalization is like any concept in the social sciences. It does not lend itself to a single definition. What is most common in the definition of globalization is that it represents an intensification if international linkages that have a global spread. The second element is that these linkages are in different areas, ranging from economics, trade, investments and finance, politics especially democracy and good governance, communication, the environment, gender, health, human rights, the environment, international migrations, etc. The revolution in communications and the expansion of the global economy have brought about increased interdependence among the nations and communities of the world. This has in turn led to the integration of the global community and the lubrication of the globalization process. As cultures are shared globally, so do economic and political values and the social problems that they generate, also assume a global spread.

For the purpose of this paper, the most dramatic aspect of globalization is the globalization of national public policy. Traditionally, public policy making in political, economic, social and cultural ramifications, was a strict prerogative of national governments, and fell within the jurisdiction of states. The international principle of `noninterference in the domestic affairs of other states', which is held in high regard by most international treaties and organizations would seem to agree with the localization rather than globalization of national policy. Recently, however, global institutions, big financial players, huge business corporations, etc., are having an uncontrollable impact on policy-making processes. This has narrowed the choices of national leaderships and undermined the sovereignty of the state in the Third World. It has also left local populations vulnerable and alienated the people from the political leadership, such that many a people feel national leaderships are no longer responsive to the feelings of their populace. The lack of autonomy and material backwardness of Third World countries like Nigeria imposes a dependence on international financial and business actors. Thus, major economic and political decisions are made outside, thereby eroding the policy-making capacity of developing countries (Khor, 1993.).

Economic Globalization

An important dimension of globalization, which is useful to this paper, is economic and political globalization. Economics and politics have traditionally worked together. Economic globalization provides the foundation for political globalization, because economic systems of production always support specific political systems. For instance, liberal democratic political systems support the capitalist, free enterprise mode of production. Thus, the international capitalist system will inevitably give rise to policies and conditionalities that produce liberal democracy and political economic policies like liberalization of trade, commercialization and privatization of the economy, withdrawal of subsidies, etc.

Economic globalization means a globalization process that is primarily driven by economic factors of international trade, finance capital and investment. It is these economic factors that help to break down national boundaries, as well as redefine the value systems and cultures of several regions and peoples of the world. As argued by Khor (1993:1), the most important elements of economic globalization are the breaking down of national economic barriers; the international spread of trade, financial and production activities, and the growing power of transnational corporations and international financial institutions in this process. It is to the global institutions that support the implantation and sustenance of these factors that we now turn.

International Political Economy and National Policy

International political economy simply refers to the interplay between politics and economics at the international level. For the purpose of this paper, we examine the Bretton Woods institutions, the reasons for their establishment, and how they later impacted on public policy in the Third World generally, and Nigeria in particular.

In 1944, policy-makers gathered at Bretton Woods to decide on two key problems. The first was how to avoid a repeat of the Great Depression of the 1930s, and the second to stabilize the global monetary system and ensure that world trade was free and uninterrupted. The conclusions from that meting led to the establishment of three institutions. The International Monetary Fund was created in 1946 to bring about a stabilization of the exchange rate regime. The International Bank for Reconstruction and

Development, later called the World Bank, was also set up in 1946 to promote private investments and the reconstruction of war-torn Europe. In 1947, the General Agreement of Trade and Tariffs was signed to provide a forum for negotiations leading to the freeing and liberalization of trade (Woods, 2001, in Smith). In 1992, the World Trade Organization was also established to serve similar purposes. It is these three institutions that have dominated the international political economy. They have been at the forefront in the promotion of the ideals of free trade, private investments, trade liberalization and privatization. The institutions have coordinated policy at the global level, especially for developing countries. They have indeed, imposed the globalization of national policy.

In addition to these economic and financial institutions, national policy is also impacted upon from the activities of other international organizations. The United Nations Organization and other sub-regional organizations illustrate this point. There is a multiplicity of international agreements, treaties and conventions that also guide and affect policy. The EEC-ACP (Lome` Conventions) provides a classical example. Most of these work on the philosophical assumption that the state should be minimally involved, while a major role is being created for the market.

The globalization process, for Third World countries, including Nigeria, occurred through various historical processes, taking place over a long period of time. These date back to relations with Europe, especially after the commencement of the Trans-Atlantic Slave Trade. Walter Rodney (1981) has catalogued how the relationship between Europe and Africa led to the underdevelopment as well as incorporation into the global economy of Africa. Other dependency scholars like Andre Gunder Frank (1969), Samir Amin (1974, 1976), Arghiri Emmanuel (1972), etc., variously look at other areas of the world.

In the case of Africa, colonialism played a particularly critical role in the incorporation of Africa into economic globalization. Claude Ake (1980) has identified colonial policies like monetization, forced labour, the introduction of cash crops, banking activities in the colonies, the role of multinational corporations, the emergence of business classes, etc., as contributing to the incorporation of Africa into the global economy. The economic participation opens up horizons for other levels of participation. As such, African countries, at the time of independence, knew little or no alternatives to these models of development.

It was within such a framework that Nigeria, at independence, made it very clear that foreign capital and foreign investment had to form the most fundamental ingredient for national development. As Sir Abubakar Tafawa Balewa declared in his maiden foreign policy address, the links Nigeria had with the British economy were going to be strengthened by the government, and Nigeria was looking forward to genuine foreign investments from Britain (Tyoden, 1987:28). Sir Balewa added, "If the government and commercial interests of Great Britain will have the courage and, I may say, the good sense to invest in Nigeria, we for our part will guarantee a fair return on their capital outlay" (Tyoden, ibid: 28).

Successive governments have, never abandoned the firm belief in, and pursuit of, foreign investments, from independence to date. This is a vote of confidence in the market. Economic globalization thrives best under such conditions. It also creates the needed opening for the intervention of international institutions in Nigeria's policy formulation process.

The IMF/World bank Structural Adjustment Programme (SAP) is the principal instrument for domestic policy intervention by the globalization agencies. The background to SAP in Africa was created by economic crisis of the early eighties. As noted elsewhere, this crisis gave the IMF and World Bank the justification to interfere with internal policies of African countries, granted that most of them needed the Bretton Woods institutions to rebuild their torn economies. SAP was designed by the two institutions as a strategy to be applied globally. It had earlier been tried in Latin America where most of the states faced huge debt crises, and Africa was its next destination. In 1981, The Fund and The Bank prepared a blue print for Africa titled *Accelerated Development for Sub-Saharan Africa: An Agenda for Action*. (Usman, 1987). It defined the objectives and policy strategies of SAP. By January 1987, over half of the countries in sub-Saharan Africa were working on one IMF and World Bank tailored programme or the other (Onimode, 1988). By the end of the eighties, there was perhaps no country in sub-Saharan Africa that had escaped the SAP `virus'.

Under SAP, national budgets had to be endorsed by the IMF and the World Bank. As a matter of fact, The Bank and The Fund officials were stationed in the Central Banks and Planning Ministries of many African countries. In Zaire, the policy interference of these institutions became so overbearing that former President Mobutu protested against the IMF and the World Bank (Onimode, ibid). The yoke was the same all over Africa, granted that economics touched on social issues and other levels of national policy.

Nigeria's SAP was also similarly, closely supervised by these agents of globalization. At various points in the implementation of the policy during the Babangida regime, the country was commended and congratulated by the IMF and the World Bank (Best, 1991). Persons close to these institutions occupied key positions in the government. In summary, policy interference and imposition has always accompanied the activities of the globalization institutions, and will continue to do so in even newer areas.

Commercialization and Privatization in Nigeria: The International Imperative

For an appreciation of the international dimensions of privatization and commercialization in Nigeria, we need to paint a background picture of the global institutions that support and impose these policies on Third World countries, including Nigeria, namely the IMF and the World Bank. The Nigerian economy had maintained relative stability, albeit a dependent one, from independence through the post civil war era. Oil revenues expanded the material base of the economy, such that traditional sectors like agriculture were relegated. Little was heard about economic difficulties for much of the period between independence and the early eighties. Huge oil revenues accruable at the end of the civil war were perceived to be escape route from underdevelopment and poverty.

The crisis of the Nigerian political economy came to the fore during the early part of the Shehu Shagari-led National Party of Nigeria (NPN) regime (1979 to 1983). The regime on assumption of office preoccupied itself with the distribution of the nation's resources. Even though it witnessed a second oil boom with the doubling of oil earnings to about US $24 billion in three years, corruption and a glut in the oil market soon reversed these gains (Diamond, 1993: 218). The regime, after initially denying that the economy was in distress, later owned up to the problem, and began to contemplate a series of economic reform programmes, which were later tagged *Austerity Measures*. The policy targeted interest rates, and embarked on an aggressive policy of cutting back on government spending locally and internationally. The biting effects of the policy and of the general malfunctioning of the economy created a disenchanted populace and helped to erode the legitimacy of the government. The policy provided a much-desired vent for the IMF and World Bank to penetrate the policy-making process of the country by way of their traditional conditionalities.

At the political front, the atmosphere had been heated by allegations of rigging and subsequent political violence following the 1983 elections. Negotiations between the regime and the IMF/World Bank commenced in the early eighties and soon became stalemated. The Shagari regime, aware of the costly political consequences of reaching an agreement with the IMF, failed to go all the way. Thus, the economy continued to deteriorate. Industrial production came to a standstill, foreign debts increased, foreign reserves depleted such that foreign trade could no longer be financed, food shortages and the scarcity of essential commodities' were rampant, etc.

In December 1983, the Buhari-Idiagbon duo overthrew the Shagari regime on account of poor economic performance and extreme corruption of the political process. The regime which was ready to utilize about 44% of the nation's external earnings for the servicing of foreign debts, still failed to satisfy the IMF and the World Bank because an agreement could not be reached on economic reforms and an IMF stabilization loan. The global institutions continued to pressurize the regime to accept a loan facility, which meant also the acceptance of their policy conditionalities. Notwithstanding the reluctance of the regime to come to terms with the IMF and World Bank, it embarked on some steps like the retrenchment of workers.

The stalemate with the IMF/World Bank, added to the anti-people policies of the Buhari-Idiagbon rule, which relied greatly on the use of force, and soon alienated the regime from the people. The Babangida palace coup of August 1985 flushed out the Buhari regime. The Nigerian people preferred the easier ways of the Babangida era, which came with pretensions to respecting human rights, dialogue and free speech. Even at that, the two institutions and their allies sustained the IMF/World Bank pressure for economic reforms. Thus, the Babangida regime cleverly threw the subject for public debate, assuring the nation that the decision on the matter would be informed by the outcome of that debate. At the end of the public debate the regime announced it was not accepting a loan facility from the IMF. This, it appeared on the surface, had settled the matter, but no quite so.

In July 1986, the Nigerian government under General Ibrahim Babangida, introduced a Structural Adjustment Programme, a programme that was then widely unfamiliar in Nigeria. The regime argued profusely that having 'rejected' the IMF facility, SAP was a homegrown policy that would bring about the economic salvation of the Nigerian economy. The objectives of SAP, at the time it was launched, included the desire to achieve a realistic exchange rate for the Naira through market forces, a reform and rationalization of tariffs, selective privatization of the private sector, debt management, and boosting of industrial capacity utilization, etc. (Aremu, 1989:141). It is evident that SAP came with a very strong bias in favour of the market, and would go to any length to impose policies that would lead to its realization. Secondly, it was clear that the introduction of SAP was a window of opportunity for the global financial institutions to take over the major economic and political policy process in the country. Social policy was not going to escape either.

By the programme of the government, SAP was supposed to be terminated and be consolidated within the first two years. It was, thus, incorporated into the Babangida regime's Transition to Civil Rule Programme. Nigerians were made to believe that the policy would prepare the economy for the next democratic era, where 'milk and honey' were expected to flow'. The aspect whose magnitude many Nigerians did not quite grasp was that SAP was an imposition of the IMF and World Bank, and that it came with all the conditionalities that are typical of such policies in Developing Countries, and that it would erode the autonomy of the state in public policy formulation, and redirect the nation's political economy.

SAP was meant to be executed on the premise of two major pillars, one economic and the other political. The economic policy components are devaluation, trade and financial liberalization, price, interest rates and exchange rates liberalization, the commercialization and privatization of public enterprises, rationalization and streamlining of the public service otherwise seen in its extreme form as retrenchment, etc. (Egwu, 1998). There were also to be restructurings in the key sectors of the economy such as agriculture, finance, energy, education, aviation, commerce, etc.

The failure of the Babangida regime to transit the nation to democracy as promised in August 1993, became a major political impasse that nearly brought the nation to its knees. The Interim National Government hurriedly put in place before the inglorious exit of the Babangida regime in August 1993 became too busy begging the Nigerian people for legitimacy; it had little or no time to carve out an economic policy. Suffice it to say, however, that it made no major turn around from the policy pursued by its predecessor.

The Shonekan-led Interim National Government (ING) was brought down by a coup, which General Sani Abacha led on November 17 1993. The regime had a sizeable number of people who thought themselves to be left wing, or at least bourgeois nationalists. Under what appeared to be the leadership of Professor Sam Aluko, a famous Keynesian, the Abacha regime adopted an economic policy of *Controlled Deregulation*. Thus, while continuing with the main policy thrust of SAP, with privatization of public enterprises, liberalization of trade, deregulation of prizes, withdrawal of subsidies, the regime passionately pursued a policy of intervening in certain sectors of the economy (Egwu, 1998). One glaring area was the national currency, which was regulated by the regime often to the frustration of The Fund and The Bank. The regime also maintained its negotiations with the IMF and the World Bank.

The return to democratic rule in May 1999 did not bring about a shift in the policy thrust of the nation. The Obasanjo regime from may 1999 to date has maintained the same philosophy of firm belief in market forces and total deregulation of the economy. From its very inception, the regime announced its faith in Direct Foreign Investment as panacea for the nations economic breakthrough. The President has embarked on countless foreign trips to attract and woo investors into the nation's economy, with preference for the non-oil sector. The foreign policy of the country has been mobilized in support of this drive for the market, in what is akin to the *Economic Diplomacy* of the Nwachuku/Babangida foreign policy. Under the Obasanjo second coming, privatization has been carried to the most extreme forms. The triumph of the market and market forces have become unprecedented. The current Minister of Finance, having worked with the Bretton Woods institutions, is seen to be a confirmation of the presence of the IMF and World Bank in the policy arena of the Nigerian state. Privatization received a primacy of place in the policy priority of the regime. It is believed that the regime will take privatization to its logical conclusion.

The economic policy of the Obasanjo regime has its social dimensions. It has been criticized particularly by labour and progressive forces for failing to have a human face, and for being tailored from outside by the IMF and the World Bank. The withdrawal of subsidies on petroleum products has created heated debate and frequent strikes. The government has also cut back on spending on social services like education and health. This has pitched the government against students, who are protesting the introduction of tuition in the nation's higher institutions. The students are also opposed to a hike in the cost of accommodation in its institutions. In addition, the privatization of key government parastatals like NEPA, NITEL, Nigeria Airways, etc., has been bereft with controversy. It has been alleged that these corporations are being auctioned at give away prices to loyalists of the regime. Be that as it may, it is necessary to highlight the fact here, that these policy decisions are not new, and they are not autonomously determined. They are a continuation of the pressures exerted by the Bretton Woods institutions, and have affected social policy in Nigeria.

Ethical Issues of Privatization and Commercialization

The imposition of these two policy dimensions of SAP was not meant to serve the needs and interest of the Developing nations. Rather, as the implementation of SAP continued, and as the international institutions increased their involvement with Developing Countries, ethical questions were raised around good governance, fair trade, the yoke of the IMF/World Bank conditionalities, accountability, transparency, etc. Anti-globalization protests have coloured the meetings of the World Trade Organization, IMF and World Bank, because people from across the globe frown at the impact of globalization on the one hand, and the policy impositions on Developing nations by these institutions on the other hand. The anti-people stance of privatization and commercialization is evident in the fact that public corporations are the common property of the people, held in trust by the state. The privatization policy transfers the peoples' property into the hands of wealthy individuals. While efficiency may be improved, some of the services are out of the reach of ordinary citizens, especially in Nigeria where regulatory mechanisms and consumer protection rights are hardly working.

Conclusion

Key financial and business global actors have increasingly influenced public policy in Nigeria and indeed in many developing countries. Since the introduction of SAP, the horizons of interference have been widened. It is the submission of this paper that the economic policy of the Obasanjo regime, and by extension the social policies which have come into sharp conflict with labour and other civil society groups in the country, represent a part of this pressure exerted from outside. The paper takes the cases of commercialization and privatization pursued by the Nigerian government, and uses them within historical context, to conclude that they are externally driven. In general, public policy in Nigeria is no longer as autonomous as would have been in the past. It does need to respond to external economic and financial interests created by the process of globalization. While admitting that the capacity of Developing countries to escape from this yoke is limited, there is need for national policy makers to insist on certain minimum positions at the level of policy, which will protect the poor and weak groups against the adverse conditionalities of globalization. This can be achieved only in concert with other Developing nations. Together, they have to demand for participation in the decision-making processes of the global institutions whose policies are imposed on them. Failing to democratize these globalization institutions, particularly the Bretton Woods institutions, will mean that national policy processes in developing countries. and in Nigeria, will continue to be subservient to external pressure.

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