

Globalization and the Manufacturing Sector: A Study of Selected Textile Firms in Nigeria

M.A.O. Aluko¹, G.O. Akinola² and Sola Fatokun²

1. Department of Sociology and Anthropology, Obafemi Awolowo University, Ile-Ife, Nigeria

E-mail: maoaluko@oauife.edu.ng, maoaluko@yahoo.com

2. Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria

E-mail: niyi@myself.com

KEYWORDS Globalization; capacity utilization; trade liberalization; manufacturing sector; economic growth; sustainable developments

ABSTRACT This study examined the impact of globalization on the Nigerian manufacturing sector with focus on selected textile firms from Lagos, Asaba and Kano. The data were collected using both qualitative and quantitative methodologies. The former were collected through interviews while the latter were collected via structured questionnaire and documents. In all, 630 respondents were used for the study. The respondents were selected using multiple sampling techniques – comprising of (i) stratified random sampling (ii) quota sampling, and (iii) systematic sampling techniques. The data were analyzed using parametric and non-parametric statistics. The main finding of the study is that globalization had strong adverse effects on capacity utilization in the manufacturing sector. And that the problems associated with globalization and liberalization of trade hindered economic growth and sustainable development. The study concluded on the note that Nigeria needs to have a second thought on globalization and her membership of the WTO agreement if she does not intend to do away with the manufacturing sector of the economy.

INTRODUCTION

The concept of globalization, its meaning, actors, processes and implication for the developing world has received considerable attention of scholars and bodies in contemporary times. The theme of the 1998 9th General Assembly of CODESRIA was “Globalization and Social Sciences in Africa”. Earlier on in 1996, CODESRIA did a multinational research around the theme “Globalization and Social Policy in Africa” which, among other things, centered on issues of development and social policy making in post-colonial Africa, particularly socio-economic policies of restructuring and adjustment as well as the implications of globalization for development and economic reform. Similarly, the National Centre for Economic Management and Administration, Ibadan, Nigeria did a “National Workshop on Economic Reform and Globalization” (30th September – 18th October 2002 at Abuja).

From the foregoing discussions, it is clear that ‘globalization’ is so important in current intellectual discourse in the contemporary world. This inevitably leads to us to the definition of the concept. What precisely does the concept ‘globalization’ mean? There are plenty of scholarly works on globalization. Aina 1996; Giddens 1996; NCEMA 2002 among others, but

there is a meeting point in their thematic analyses of the concept. Aina (1996) however warns scholars that: ... *any meaningful and relevant understanding of globalization ... in Africa must go beyond the eurocentric ... connotation and interpretation... There is also the need to go beyond the myths and ideologies of globalization... to the confrontation with the diverse but actual processes, how they unfold, their relationships with themselves and other social and economic relations and dynamics. Such an understanding must also recognize not only the complex, but varied history of the processes being studied but it must reject a monolithic or homogenized understanding such as that found in the currently neo-liberal confrontation of the subject.*

In pure sociological terms, Giddens (1996) defined globalization as: “... *the graving international integration of markets for goods, services and capital. It is the process of change towards global economic integration and a world economy characterized by liberation of trade, and rapid diffusion of advanced technologies and consumption patterns*”.

Again, Aina (1996) proceeded to review the literature and suggested that globalization connotes a presence, the process of “making global”, “being present world wide”, “at the world stage” or “global arena”. These imply visibility,

immediacy, or availability. Abubakar (2001) argued that an issue, object, value(s), institutions, or practices is globalized if either through commerce, production, consumption, politics and the information technology it is visible or considered relevant in global centres. In this sense, therefore, globalization entails universalization whereby the object, practices or even values transcends geopolitical boundaries, penetrating the hitherto sovereign nation-state and impacting the orientation and value system of the people.

According to Abubakar (2001) another usage of the concept of globalization emphasizes the element of power relations among actors either at the economic, political or socio-cultural levels. From this perspective, globalization entails a “constructionist” as well as “recompositionist” notion, a process of making or remaking of the world and the existence of a system or structure ranging from an integrated, yet expanding, capitalist market, a world of information and communication order, or a structured world political order. Thus within this perspective, we could speak of elements or structures of domination, polarization, inequalities, marginalization, and asymmetry.

The literature on globalization suggests that the thrust of the discourse can be categorized into three clusters, namely: (i) “globalization as implying global culture and civilization” (ii) “globalization as referring to the global economy”, the international division of labour, the new information technology revolution, and global capitalism or in the words of Wallerstein the “modern world capitalist system” characterized by core, semi-periphery and peripheral states (actor(s); (iii) “globalization as the expression of the global political and military orders”. From the foregoing, it is obvious that the concept of globalization has diverse usage, but in the context of this study, the focus is on clusters (i) and (ii) above.

Statement of the Problem

One of the greatest problems facing the Nigerian economy is the problem of capacity utilization in the manufacturing sector. The problem became more pronounced and aggravated by the Structural Adjustment Programme (SAP) and more recently, by globalization and all that accompanied it. The manufacturing sector is on the verge of collapse with thousands of workers being thrown out of

jobs. Again, Nigeria had also become a dumping ground for all kinds of foreign products. There is thus the inevitable need to turn the searchlight on globalization and all that accompanied it and examine its impact on the Nigerian manufacturing sector. This is with a view to examine whether it is beneficial or not and to suggest how Nigeria’s interest can be protected under the global agenda or arrangement if Nigeria must continue to participate in it.

Objectives of the Study

The overall objective of this study is to examine the impact of globalization on the manufacturing sector in Nigeria and then suggest appropriate socio-economic reform measures that will enable the country benefit maximally from the current globalization trend in the world economy. In order to achieve this main objective, we intend to do the following:

- diagnose the economic crisis confronting Nigeria;
- analyze the challenges, opportunities and risks of globalization and their implications for sustainable development in Nigeria;
- examine the impact of globalization on the manufacturing sector of the economy; and
- discuss socio-economic policy issues and reforms needed for the country to maximize the benefits and minimize the risks associated with globalization.

THE LITERATURE

In this section, our discussion will be strictly on the impact of globalization on the manufacturing sector in Nigeria with focus on the Nigerian textile industry. When examined critically, the process of globalization is nothing but a new phase of capitalist expansion. According to Aina (1996) globalization is still about exploitation, accumulation, inequality and polarization, in world politics. Dembele (1998) put it succinctly when he said that the process of globalization will: “... *tend to consolidate the existing international division of labour which confines Africa to a role of supplier of raw materials and commodities and consumer of manufactured goods from developed countries. Worse of all, globalization will considerably undermine or eliminate the role of the African state in defining the priorities of national development. Already weakened by Structural*

Adjustment Programmes, the ability of African governments to regulate their economies will be further eroded by the rules of the World Trade Organization (WTO), which in the name of "fair competition" and "open market", will strip the state of most of its prerogatives in the economic field".

NCEMA (2002) in the preambular section of their "National Workshop on Economic Reform and Globalization" stated that – under the globalization process, most economies witness rapid integration of productive and investment decisions across the globe, increasing breakdown of trade and investment barriers, emergence of truly global companies with vast capital base, far greater than the multinational and national companies, rising share of international trade in world output, and heightened capital mobility. Globalization also involves widening and intensification of links between the economies of the industrial and developing countries through trade, finance, investment, technology and migration. The recent advances in globalization are therefore predicated on the notion of interdependence between the internal and external sectors of an economy.

The potential benefits of globalization include exposure to new ideas, economies of scale in production, gains in efficiency, improved quality products at reduced prices, increased competitiveness and increased output as well as tapping of cheaper sources of external finance.

According to National Commission on Higher Education (NCHE) (1996) report: "*Greater flexibility in production design to meet increasingly diverse global consumer needs obtained by using new computer-led technologies and employing more educated labour force in more participatory forms of work organization. These include teamwork, multi-skilling, flattening management structures and quality circles. Micro-economic strategies today are concerned primarily with adding value in production through innovation, by so-called "smart" workers, new technologies, participatory work and continuous deployment of new knowledge*".

Furthermore, there is the need to diagnose the economic crisis confronting Nigeria and its implication for the manufacturing sector. In a recent publication by the Ministry of Economic Matters tagged 'Obasanjo's Economic Direction 1999 – 2003', the President had this to say about the Nigeria economy: "The economy was

generally riddled with myriads of problems and had virtually collapsed. In addition to the inherent fundamental structural defects which persisted, the economy was burdened by mismanagement, which brought additional problems, such as energy crises, manifested in the scarcity of petroleum products and an epileptic and erratic power supply; high fiscal deficits, which threw macro-economic fundamentals out of order and a near-total collapse of infrastructure and services. Low output, high unemployment and a crushing external debt overhang prevailed."

The foregoing evaluation of the Nigerian economy was further corroborated in some of the subsequent sections of this same document. In it, the manufacturing sector was said to be characterized by:

- (i) Low capacity utilization which averaged 30% in the last decade;
- (ii) Low and declining contribution to national output, which averaged 6%;
- (iii) Declining and negative real growth rates;
- (iv) Dominance of light assembly type consumer goods manufacture;
- (v) Low value-added production due to high import dependence for inputs;
- (vi) Prevalence of unviable state-owned enterprises;
- (vii) Accumulation of large inventories of unsold finished products; and
- (viii) Dominance of sub-standard goods, which cannot compete internationally.

Furthermore, the deplorable condition of the manufacturing sector was due to a horde of factors principal amongst which are:

- (i) Lack of an enabling environment, which included
 - (a) Policy and polity instability;
 - (b) Poor macro-economic environment;
 - (c) Bureaucratic bottlenecks;
 - (d) Poor legal environment which could not guarantee property right and safety;
 - (e) Lack of good governance;
 - (f) Corruption; and
 - (g) Low commitment of past governments to industrial development.
- (ii) Poor and inadequate infrastructure;
- (iii) Poor implementation of incentives to manufacturers, including export incentives;
- (iv) Policy errors of the past;
- (v) Low access to investible funds due to underdeveloped long-term capital market that match industrial projects' needs;

- (vi) Prevalence of obsolete technology;
- (vii) Dearth of foreign investors and capital due to unfavourable environment;
- (viii) Inadequate domestic demand;
- (ix) Massive dumping of substandard products that are smuggled into Nigeria; and
- (x) Inefficient institutional framework.

In the light of the foregoing description of the manufacturing sector for the past two decades, Nigeria was qualified as a country experiencing de-industrialization. There is thus the inevitable need to determine whether a manufacturing sector operating in the type of Nigerian economy is equipped and can operate favourably as well as cope with the rigours and dictates of globalization.

Given the low level of industrialization and the SAP-induced under-utilization of industrial capacity in the Nigerian economy, trade liberalization under the guise of globalization has translated into the restriction of Nigeria to primary production. Even with this, the price of primary commodities is externally determined. This thus put Nigeria into a powerless situation where she lacks direct control over the crisis in her economy because her hands are tied by the terms and dictates of globalization.

What has been happening in Nigeria since the 1996 WTO agreement is the consolidation of the recolonisation agenda. Every element of the current crisis of collapse of industries, collapse of educational and health facilities, collapse of infrastructures (power, transportation, water supply, communication), degradation of the environment, inflation, escalating debt bill, weakening of the currency, ethnic and religious violence and collapse of public security is traceable to the renewed attempt to consolidate the recolonization process.

ASUU in their recent publication titled 'The State of the Nation' (March 2002) also stated: "The result of all these is that the Nigerian economy is taken over by the forces of globalization, no serious and conscientious effort is made to initiate the process of economic growth and development through internal resource utilization and capacity building. This has persistently undermined the transformation of the Nigerian economy from an under-developed productive base to a significantly developed economy. Even though Nigeria has all the requisite resources for economic development, its overreliance on the on the dictates of the "global economic order" has

made it a good source of development for other economies mainly in Europe and America".

In another instance, Ayagi (1990) argued that globalization led to the creation of parasitic economic relationships and has systematically pushed Nigeria into economic crises. This dependency culture created and entrenched has thus made Nigeria a country, which does not produce but only consumes "So Nigeria imported everything and anything that anybody cared to advertise". With globalization, Nigeria kept importing everything at the expense of her own domestic industries. The rule of the game was scrambling and grabbing; everybody was trying to grab what he or she could afford. Foreign companies and interests sponsored and fully partook in the free-for-all scramble for Nigeria's windfall resources.

Under globalization, the products of the Nigerian manufacturing sector cannot compete with goods from the advanced countries of the world most especially Europe and America. Hutchful,(1998) poses the following pertinent questions: "who will consume our products? Who is interested in consuming our products? Who are we in the service of? These questions we have never really addressed.... In terms of the future, where do we want to go? And it seems that unless these questions are answered, we will continue to work in a vacuum without clearly defined sense of who we are, or an answer to the question of what effort in the satisfaction of what objectives."

Because of these unanswered questions, Nigeria and many other developing nations blindly joined the global race and the experience has not been too good or palatable. The situation became aggravated by the fact that most Nigerians have preference for foreign goods or anything imported. The consequence of this is that domestic manufactured products became unsaleable thus entrenching and institutionalizing the problem of capacity utilization.

Abubakar (2001) contended that the process of globalization which entails the expansion of capital and market forces into "uncaptured terrain" brings along with it harsh socio-economic condition for the populace. In Nigeria, for instance, the adoption of World Trade Organization (WTO) agreement greatly undermined the living standard of the people and exacerbated the deterioration/decay in the strategic sectors of the economy. The

deterioration in terms of infrastructures diminishes the possibility of enhancing capacity utilization.

It is also argued that the so-called agents of development (the World Bank, IMF, and their allied institutions) have proven to be agents of underdevelopment. These agents of the globalization project pretend to advocate for development of world economies, but, in real sense, development, in conception and actualization is endogenous since it is *“what society considers it to be and it is a process generated by and sustained by the energy of society, and its willingness to learn creatively from its own history and other’s history”* (NES, 2000).

Moreover, it is an established fact, based on researches and evidence of other countries, that development must be inclusive. Ohiorhenuan (2000) argued that in the era of globalization there is an increasing danger of growth actually excluding and dislocating large sections of the population. The 1999 Human Development Report warned that globalization might actually increase human insecurity and marginalize the poor. The key to development, therefore, is the continuing involvement of each individual in the social and material conditions of his/her existence as an absolute virtue. The communiqué of the 41st Annual Conference of the Nigerian Economic Society observed, among other things, that, *“only the people in any society can generate and sustain development. In other words, economic regression is inevitable in nations that depend on foreigners to diagnose their problem, articulate their vision and design solution for them”*.

Since the 21st century will essentially be the millennium of technology, information, and knowledge, the present socio-economic conditions of Nigeria suggests that we still have a long way to go in the global competition of the century. Nigeria’s economy is not only dependent on rent derived from oil but also extroverted in terms of importation of industrial goods from western countries. Nigeria’s dependence on leading western countries such as the United States, Britain, France, and Germany for the importation of goods and services as well as high technology in the oil sector indicates that Nigeria has been firmly entrenched in the global capitalist system. With collapsed infrastructures in health, education, transportation, water supply, electricity

etc coupled with the phenomena of “brain drain”, Nigeria seems to be marginalized in the contemporary globalized world. (Abubakar 2001:18).

From all that we have presented in this section, it is clear that globalization and all that accompanied it is not something to be accepted without question. It is something to be embraced with wisdom and reservations. A leper may be embraced, but only with caution. And from all indications, globalization is associated with some risks and costs, and may have adverse implications for international economic stability. This notwithstanding, it also has its own potential benefits. But for a developing nation like Nigeria, the risks and costs associated with globalization seem to outweigh its potential benefits.

METHODOLOGY

The Selection of the Firms

The data for the study were collected from three textile mills from different geographical locations in Nigeria. These are:

- (i) Nigerian Textile Mills, Ikeja, Lagos, Lagos State
- (ii) Asaba Textile Mills, Asaba, Delta State
- (iii) Gaskiya Textile Mills Plc., Kano, Kano State.

Justification for the Selection of the Firms

The afore-listed textile firms were chosen for two main reasons. First, all the textile firms use the same type of technology for production. It is envisaged that by studying firms using the same type of technology; technology as a variable can be held constant when other variables are changing.

Second, the firms were selected from three different geographical locations (Southwest, East and the North) so that the study can be representative of Nigeria. Third, the three textile mills were selected because of the size of their labour force as well as their scale of operations, which is higher than those of the other textile mills in the three geographical locations chosen for the study.

Population and Sample

The data for this study were collected from the three textile firms chosen. These are:- NTM, Lagos, ATM, Asaba and GTM, Kano.

The study population consists of the

following categories.

Category A: Workers/Employees. In this category, seven hundred and fifty workers in all with two hundred and fifty drawn from each of the work places were used.

Category B: Customers. In this category, ten customers drawn from each of the locations were interviewed.

Category C: Owners/Shareholders. In this category, forty-five respondents with fifteen drawn from each location were randomly selected and interviewed.

Workers were randomly selected from the employees' register among the rank and file of the labour force in the selected firms. The following sampling techniques were adopted.

1. Stratified Random Sampling Technique

This was adopted using the following variables.

- (a) Age - in terms of being young or old. In this study, we were particularly after age because the aged will have more work experiences to share. The cut off age was twenty-five years and above.
- (b) Length of Service. This deals with the period a particular employee had been in the service of the organization. It is assumed that employees who have spent a longer period of their working lives with a firm will be in a better position to know the historical profile and details about the selected firms. The cut off point was five years and above.
- (c) Sex - in terms of being male or female - But in this study, we came up to the reality that workers in the textile firms are predominantly the males because most of the operations and procedures are highly mechanized and tedious. And as such this variable could not be used to ensure a balance in the male - female ratio. This notwithstanding, all the female employees who met other criteria were given the questionnaire to fill.
- (d) Work Status in terms of being:
 - (i) Management Staff
 - (ii) Senior Staff
 - (iii) Junior Staff

2. Quota Sampling

3. The systematic sampling technique was also adopted

Taking every third name in the employees' register in each of the work places did this.

The data presented in this study were based on the 555 completed questionnaires received out of the seven hundred and fifty administered. A

breakdown of these by firms show the following rate of response: NTM, Ikeja 77.6%, ATM Asaba 68.4%, GTM, Kano 76.0%, out of each set of two hundred and fifty questionnaires administered in each of the three locations.

However, supplementary data were obtained from the interview conducted on chosen samples of customers and shareholders of the three textile mills. Additional data were also collected from secondary sources such as Annual Report and Accounts for previous years, historical documents published by these mills.

Techniques of Data Collection

The primary data for this study were collected mainly by means of pre-tested questionnaires. The questionnaires were administered on a sample of seven hundred and fifty workers drawn from the three locations used for the study (Ikeja, Asaba and Kano). This was supplemented by data gathered from the in-depth interviews conducted on a selected sample of customers and shareholders. Additional data were also collected from a review of official documents and publications relating to the historical and socio-economic profile of the three firms under study.

Sample Survey: The survey was carried out using a structured self-administered questionnaire.

The Case Study Approach

For the necessary background information, and to document the specific experience of employees who work in the selected firms, a case study approach was used. In-depth interviews were conducted among the following people-

- (i) Personnel Managers in the three locations (03)
- (ii) Customers (30)
- (iii) Owners/Shareholders (45)

Three different interview guides were constructed to solicit information from the three different groups listed above. A total of seventy-eight respondents were interviewed at this level. All the seventy-eight respondents also responded to the questions drawn on the interview schedule. The case study approach was necessary in order to document specific experiences or information, which cannot be obtained through the structured questionnaire. For instance, information about the level of labour turnover, absenteeism, capacity utilization was

reliably obtained with much ease in the personnel departments of the selected firms. Supporting information was also obtained from the Annual Report and Accounts', Employees Handbook and other historical documents and publications by the firms under focus.

Direct Observations

Direct observation of employees involved in production was also made. This helped to document the conditions under which people work. A major advantage of this approach is the tapping of additional information which respondents may not have been able to provide in the interview and the self-administered questionnaires. Again, we observed the situation of things in the immediate environment of these firms. The notable points of focus include - the availability of social infrastructure such as the network of roads, water and electricity, telephone services, finance houses, market population and others. We also observed the location of the firms vis-a-vis proximity to international boundaries.

Procedure for Data Analysis

The data collected were analyzed in two different ways. The qualitative data collected through interviews and observation were presented using simple percentages while the quantitative data gathered were processed using the statistical package for social sciences.

DISCUSSION OF FINDINGS

Workers Evaluation of Organizational Performance

First, workers were asked to rate or assess the output of their organizations in relation to the installed capacities or what is otherwise known as capacity utilization. The information gathered from the respondents shows that the largest percentage, 46.5% of the whole stated that their mills have persistently operated at the minimum level, 41.4% of them said their mills operated at the average level, 3.6% said their mills operated at the maximum level while the remaining 8.5% stated that they are ignorant of the levels of capacity utilization in their organization.

It is clear from the foregoing presentations that virtually all the firms under focus have been operating below their installed capacities. This corroborates the submission of the Manu-

facturers' Association of Nigeria (MAN) report for 1996, which stated that capacity utilization for the manufacturing sector fell below 40% of installed capacity. In the same manner, the Central Bank of Nigeria Report in April 1997 put capacity utilization in the manufacturing sector at 32.5%. All these further go to confirm the assertion that most manufacturing firms in Nigeria are operating below their installed capacities. The foregoing discussions are presented in Table 1 in the appendix.

Again, those who stated that their mills were operating below installed capacity were asked to give reasons for the inability of their organizations to operate at their installed capacities. The various reasons given in all the locations are enumerated below:

- i) Low consumer demand occasioned by the preference of the average Nigerian for imported prints.
- ii) Infrastructural inadequacies such as frequent power failure, occasional fuel shortage.
- iii) Low value of the nation's currency - the naira making it impossible to replace ageing machinery.
- iv) Occasional strikes by the work force, sometimes due to 'political' considerations outside the jurisdiction of management e.g. June 12 crisis, strikes occasioned by increase in fuel prices etc.
- v) Lack of working capital due to escalating interest rates, and stringent borrowing conditions.
- vi) Shortage of raw materials and other production inputs due to shortage of foreign exchange.
- vii) The problem of smuggling and the porosity of our national frontiers, which makes imported fabrics comparatively cheaper than home-made prints;
- viii) The problem associated with the importation of second hand or fairly used clothes called '*Tokunbo*' or '*Yamu*'
- ix) The problem of ageing or obsolete technology and the inability to acquire the latest and up to date technology in the textile firms.
- x) Lack of investment on new and modern production facilities.
- xi) The problems associated with World Trade Organization (WTO). This placed the local textile mills at a comparative disadvantage in the world market for textile products.
- xii) The low quality of home made prints when

compared with imported ones.

A look at the enumerated problems shows that the textile mills in Nigeria are operating in an unfavourable socio-economic environment. With these over-whelming problems, it is not surprising if the textile mills operate below their installed capacities. In order to further probe into these findings, workers were asked to rate or assess the financial returns or the profit margin of their organizations over the years. To this question, 7.9% of the response said the profit margin has been excellent; 36.0% said it has been very good; 42.3%, which is the largest majority, said it has been fair; while the remaining 13.7% said it has been poor. The trend across the locations shows that at NTM the largest percentage of the workers (42.3%) said the profit margin is fair. At ATM, 57.9%, which the largest percentage also took the fair option while at GTM, 48.9% which is also the largest majority of them rated the profit margin as very good. From the foregoing discussions, it is clear that the level of profit margin of these firms have not been particularly good or outstanding. As a matter of fact, the information obtained from the Annual Report of Accounts of these firms and presented in chapter five shows very clearly that the level of profit margin has not been too impressive or encouraging. NTM operated at a loss in the 1998 yearly report. The details of these discussions are presented in Table 3 in the appendix.

Impact of the Economy on Capacity-Utilization

The economy is a multidimensional variable which deals with costs of production, government's fiscal and monetary policies, exchange rate, level of inflation and taxation, size of the organization's market and level of competition which includes the prices set by competitors (foreign and local) and suppliers. It also deals with the nature of the economy whether it is buoyant or a depressed economy.

In this study, our findings indicate that the 'nature of the economy' is a very important variable because of its overwhelming impact on capacity-utilization. The economic problems, which affect capacity-utilization, consist of -

- (i) Lower consumer demand for domestic prints occasioned by preference of Nigerians for imported wax;
- (ii) Low level of wages in general leading to low effective demand;
- (iii) Low level of effective demand for domestic

- wax leading to under-utilization of capacity;
- (iv) Low value of the nation's currency - the naira making it difficult and expensive to replace ageing machines;
- (v) Shortage of raw materials and other production inputs due to shortage of foreign exchange;
- (vi) Porosity of our national frontiers, which makes the smuggling of textile materials a lucrative business;
- (vii) Problem of under-invoiced textile products from the Asian countries, which makes foreign prints cheaper than domestic ones;
- (viii) The problem with the importation of fairly used clothes which affects the demand for domestic prints; and
- (ix) The problems associated with 'World Trade Organization' an agreement, which emphasize the liberalization to trade.

From all indications, the evidence presented in the foregoing discussion is nothing but a reflection of the fact that the textile mills under focus are operating in a difficult and unfavourable economic climate. In this study, it is clear that the nature of the Nigerian economy has a negative impact on capacity-utilization. This is not unique to a particular organization but affected them equally across the locations.

The respondents identified several economic problems. The most salient ones are discussed here: First, are the problems associated with the nature and structure of the Nigerian economy such as structural disequilibrium, high level of inflation, poor wages, unstable and unfavourable exchange rate, instability in the value of the naira and others. Secondly, there are the problems associated with smuggling and the porosity of our borders, which makes imported prints cheaper than domestic ones. Thirdly, there is the problem associated with the importation of second-hand or fairly used clothes popularly known as '*Yamu*' or '*Tokunbo*'. This has often lowered the level of effective demand of domestic prints. Fourthly, there is the problem that has to do with the high incidence of poverty in Nigeria whereby most Nigerians are barely managing to survive. This has also meant lower effective demand for domestic prints. Again, there is the problem with the preference of the average Nigerian for imported fabrics, which has also meant low level of effective demand for domestic textile products.

The problem of low-level capacity utilization was also identified as the three firms under focus

are currently operating below their installed capacities. Coupled with this is the problem of downsizing through persistent trimming of the work force. This again inevitably means operating at lower levels of capacity utilization.

Moreover, there are problems associated with globalization and the membership of Nigeria in the World Trade Organization (WTO). Nigeria has been a signatory of the body since 1996 and the agreement promotes free trade globally. It is quite unfortunate that the local textile firms were not prepared for the competitive challenge entrusted upon it by the unannounced incursion of the liberalization and globalization of trade. The impact of the agreement is that the local textile firms have been operating at a comparatively disadvantaged position. The problem is further compounded by the fact that some of the imported prints found in the Nigerian markets are often under-invoiced from the country of origin. This again inevitably makes imported fabrics to be cheaper than domestic ones. The consequences have been unbearable for the domestic industry.

Finally, some of the respondents argued that some firms in the textile sector are not performing largely because of poor marketing strategies. It is the contention of these respondents that these mills are not spending enough on advertisement to reach the masses or the average Nigerian.

The impact of this kind of economy on capacity-utilization is quite overwhelming. The logic of reasoning in pure economic terms is that low level of effective demand will lead to low capacity utilization. Low capacity utilization will lead to low profits. All things being equal, it is logical to think that an organization that is operating below its installed capacity cannot be making maximum profits from its operations. It is clear from the foregoing discussions that the Nigerian economy has a negative impact on capacity-utilization.

RECOMMENDATIONS AND POLICY STRATEGIES

There are recommendations on the problems related to globalization and the Nigerian membership of the World Trade Organization (WTO). It is high time Nigeria took a second thought about her membership of the WTO. Trade liberalization and globalization is good, but at what costs? What is the impact of trade liberalization on (1) the nation, (2) its firms and (3) the workers? The main benefit of globalization

and the WTO agreement is that Nigeria can go into trade in any part of the world and other nations too have free access to Nigeria. There is nothing special about this benefit. The impact of trade liberalization on domestic firms in Nigeria has been overwhelming, disastrous and killing. Nigeria and her firms were not prepared for the challenges of globalization. It was a double tragedy of unimaginable proportions as the textile firms had to face both domestic recession and world market exposure simultaneously. The textile firms felt the brunt so much that so many of them had to fold up, while those remaining in business are down-sizing and operating below their installed capacities. In the 1998 Annual Report and Account for NTM, Lagos, the company operated at a loss, while the level of profit margin in ATM, Asaba and GTM, Kano have also been fluctuating. There are two important observations about the cheaper Asian textile products. First, is the fact that the Asian prints were produced under repression and subordination as illustrated by factories where teenage girls, without access to unions, were subjected to tight supervision, despotic or paternalistic regimes. (Andrea and Beckman, 1999) According to the GS Report (1982) it was 'economically nonsensical and morally absurd' to allow goods to enter the country that are produced under such absolute subjugation of human rights. Second, the usual cheaper Asian prints were under - invoiced from the countries of origin so as to attract high level of effective demand 'abroad'.

Talking in pure economics terms about trade liberalization, Mkandawire and Soludo (1999) emphasized that adequate preparations should be made in terms of relevant supply - side measures and institutional arrangements to elicit the desired export supply responses before deep liberalization schemes are implemented. The experiences of Argentina, Brazil, Zimbabwe and Mauritius bear this out. In Mauritius and Zimbabwe, trade liberalization was managed more selectively in a context in which the export sector was already quite diversified and firms had attained a reasonable degree of competitiveness. Firms were given adequate time to make adjustments but the contrary was the case in Nigeria. In the specific case of Zimbabwe, firms were made to be aware that the next phase of import liberalization would allow the import of goods that would compete with their outputs. This message, therefore, induced many firms to

invest in technological improvements of various kinds in anticipation of a more competitive environment.

An industrializing nation like Nigeria attempting to venture into liberal trade finds that it must compete with already established firms in developed countries with vastly superior technology (and also superior managerial skills, financial abilities, and even intangible assets such as brand-name loyalty). In the presence of competition, it is very difficult for the firms from an industrializing country to survive in their own domestic market, not to speak of breaking into export markets, if free trade prevails. (Chang, 1996) The implication, according to Mkandawire and Soludo (1999) is that some protection or subsidization of the infant industry would be required initially before exposing it to international competition. In essence, without protection for several industrial activities with strong learning and scale economics, such activities might never even develop at all, and deindustrialization might occur if existing firms are exposed to full, and sudden, international competition.

Dell (1982) provided justification for the protection stance by arguing that: *“There is not a single industrial country that did not employ vigorous protection at some stage in its history. Among the much-applauded newly industrializing countries... the most important have highly regulated economics. Even highly industrialized a country as Japan, the miracle economy of the century, continues to this day to protect its industrial development in a variety of ways. While Japan is under great pressure to dismantle this protection, the important lesson of Japan for the developing countries and for the Fund is that properly managed protection, so far from being an obstacle to growth, is an indispensable instrument in promoting growth”*.

It is clear from the foregoing discussions that the Nigerian domestic prints are competing with prints, which are produced under repressive labour conditions and under-invoiced into the international trade. It is also clear from this information that Nigerian mills cannot compete with the Asian prints when it comes to the issue of pricing. This information also explains why the Asian countries are coming up with cheaper prints.

What then are the implications of globalization and Nigerian membership of WTO? First, is the fact that the textile firms in Nigeria were ill prepared

for the challenges of liberalization and they have started folding up. Second, those who folded up threw their employees back into the already saturated labour market thus compounding the problem. Again, those who are not folding up are downsizing their work force in order to break - even and thus those retrenched are also thrown back into the labour market. If the trend continues most of the textile mills will be choked and eventually close down.

It is thus clear that the government has to be helpful otherwise the manufacturing sector will collapse. Our recommendation is that Nigeria should take a second look at her membership of the WTO and then selectively engage in those trades that will not jeopardize her national interests, most especially the imperative need to protect the textile firms. It is clear that Herod cannot be asked to be the chairman of children's welfare committee. An amateur should not be asked to fight a professional. It is ignorance that makes the rat engage the cat for a duel. The rat will lose at all fronts. So it is not good for Nigeria to open up her market for foreign trade at the expense of her own firms. It is nothing less than inflicting self - injury on oneself. No matter what strategies we adopt, the foreign firms are always at the leading edge of competition in the global and domestic markets due to their economies of scale advantages, which they have over indigenous competitors.

For Nigeria and indeed Africa, to be an effective actor in the new globalization, major structural changes must be put in place. The starting point should be “... a drastic deconstruction and reconstruction of the repressive and exploitative neo-colonial state”. This strategy according to Ihovbere (1996) is in order and necessary because:

This state has been identified with all the ills of the region and has been unable to serve as a fountain of protection and inspiration to the people, it becomes rather evident that until this state is restructured to serve the interest of the majority, intervene less in the economy, facilitate an enabling environment for creativity and productivity, Africa will remain mired in the sea of confusion, hopelessness, waste, domination and instability.

The process of reconstruction of the Nigerian State to serve the interests of the people can be done through mass education, mobilization, alleviation of poverty and the adoption of

alternative approach to development.

Another approach to addressing the phenomena of globalization as it affects Nigeria in 21st century is for African countries to encourage regionalism. The acceleration of the process of integration will boost the resource base of African countries thereby increasing the rate of growth and development. Nigeria, therefore, needs to accelerate the consolidation of ECOWAS at economic, political and security levels.

Thus we suggest that Nigeria and all the other developing nations should seek alternative paths to sustainable development. The reality on ground and the trend of events in the world today contradicts very seriously the convergence thesis, which states that nations of the world would go through the same evolutionary process in their march to development. In the contemporary scheme of things, Nigeria remains largely marginalized and unprotected.

Again one question that continues to bother the mind of any right thinking person is: Why should second-hand clothes be our lot and portion in Nigeria? This is nothing but a direct acknowledgement of poverty. The masses have found themselves in a situation of choicelessness in which all they can afford is nothing but second-hand clothes. Therefore the problem of poverty must be addressed squarely and at all fronts. If everybody can afford to buy new clothes, the market and demand for second-hand clothes will die naturally. It is clear that Nigeria cannot boost capacity-utilization in the textile industry unless the problem of poverty is addressed.

To this end, poverty eradication should be carried out through a multi-policy and multi-strategy approach that ensures a stable and stronger Naira, efficient delivery of public infrastructures, low transaction cost, anti-dumping policies, macro-economic stability, low interest rates and so on.

CONCLUSION

For a country to maximally enjoy the benefits and maximize the risks associated with globalization, it has to develop and strengthen

its capacity to timely identify both internal and external shocks, and to initiate, design and implement appropriate policies to forestall their destabilizing effects. It is on the basis of the foregoing that Nigeria can be put on the right track in the race towards sustainable development.

REFERENCES

- Abubakar, D. 2001. "Globalization, Social Sciences, and Nigeria in the 21st Century." *Nigerian Social Scientist*, 4(1): 15 – 19.
- Aina, T.A. 1996. "Globalization and Social Policy in Africa." *Research Network Codesria Bulletin*, 4.
- Andrae, G and B. Beckman. 1999. *Union Power in the Nigerian Textile Firms: Labour Regime and Adjustment*. Nigeria: Centre for Research and Documentation.
- ASUU. 2002. *The State of the Nation*. Ile-Ife: Academic Staff Union of Nigerian Universities.
- Ayagi, I. 1990. *Nigeria: The Trapped Economy*. Ibadan: Heinemann Educational Books (Nigeria) Limited.
- Chang, H. 1996. *The Political Economy of Industrial Policy*. London: Macmillan Publishers.
- Dell, S. 1982. "Stabilization: The Political Economy of Overkill". *World Development*, 10(8): 597-612
- Dembele, D.M. 1998. "Africa in the Twenty-First Century" *Codesria Bulletin*, 1.
- GS Report, 1982. *Report by General Secretary (A. Oshiomole) to National Executive Council of NUTGTWN*, Lagos.
- Hutchful E. 1998. "Conversion", *Codesria Bulletin*, 3 (4).
- Ihonvbere, J.O. 1996 "Africa and the New Globalization: Challenges and Options for the Future" in Howard F. Didsbury Jr. (ed.), *Future Vision: Ideas, Insights and Strategies*. Maryland: Standard Press.
- Mkandawire, T. and C. C. Soludo. 1999. *Our Continent Our Future: African Perspectives on Structural Adjustment*. Dakar: African World Press Inc.
- NCHE. 1996. *A Framework for Transformation of Higher Education System, Governance and Funding*. Pretoria.
- NCEMA, 2002. *National Workshop on Economic Reform and Globalization*. 30th September – 18th October 2002. Abuja, Organized by National Centre for Economic Management and Administration, Ibadan. Nigeria.
- Nigeria Economic Society (NES). *Communiqué of 41st Annual Conference: The Millennium Conference*.
- Obasanjo, O. 2000. *Obasanjo's Economic Direction 1999-2003*. Abuja, Nigeria: Office of the Honourable Minister, Economic Matters.
- Ohiorhenuan, J.F.F. 2000. "The Past and Future of Development." *A Paper Presented at the 41st Annual Conference of the Nigerian Economic Society*.

APPENDIX**Table 1: Workers' assessment of capacity utilization in their organizations.**

<i>Options</i>	<i>NTM</i>		<i>ATM</i>		<i>GTM</i>		<i>Total</i>	
	<i>FD</i>	<i>%</i>	<i>FD</i>	<i>%</i>	<i>FD</i>	<i>%</i>	<i>FD</i>	<i>%</i>
Maximum	6	3.1	6	3.5	8	4.2	20	3.6
Average	86	44.6	66	38.6	78	41.1	230	41.4
Minimum	88	45.4	87	50.9	83	43.7	258	46.5
I don't know	14	7.2	12	7.0	21	11.0	47	8.5
Total	194	100	171	100	190	100	555	100

Source: Fieldwork