Social Science and Law Journal of Policy Review and Development Strategies
Hard Print: 2315-8387
Online: 2354-1628
Vol. 5, No. 1 July, 2016

Globalisation and the Dilemma of Protectionalism: Focusing on the Quotaless Textile and Garment Industrial Crisis in Nigeria

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Abstract

Globalisation has a gamut of opportunities, and a deprivation for the vulnerable. The Nigerian textile and garment crisis largely anchors on the negative consequence of globalisation, arising from it's tenet of trade liberalisation paving way for relative cheaper imports of textile products, with over 3 decades of unabated crisis in the sector. Nigeria is in a dilemma, neither contemplating the review its membership of the World Trade Organization (WTO) bounded by quotaless textile trade, nor being able to discover suitable entrepreneurial initiatives, innovations or re-engineering for the sector. Aiming at establishing a link between globalization and the crisis, this study employs multiple sampling techniques, utilizing both qualitative and quantitative information. From literature review, and the analysis of interviews and the data from 143 respondents randomly selected from 450 textile and garment workers, it was found that the sector is in a deep complex crisis of deprivation of relevant technology, critical inputs, and infrastructure. It was concluded that Nigeria is in a dilemma over the strategy meant to revitalize the sector. In this study, an urgent state of emergency was recommended for the sector.

Keywords: *Globalisation, Infant-industries, Quotaless-trade, Re-engineering and Technology*

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http://internationalpolicybrief.org/journals/international-scientific-research-consortium-journals/social-science-and-law-journal-vol5-no1-july-2016

Background to the Study

According to Wikipedia, the free encyclopedia, the term globalization refers to the process of international integration arising from the interchange of world views, products, and other aspects of culture. Globalization is a term variously used to refer to; trade liberalization and internationalization of systems, (Obadina, 2004), universalism (Kayode, 2002), westernization and reconfiguration of geography (Okafor, 2008), capitalism, imperialism, political and technological interdependence (Abubakar, 2001) which has numerous advantages but has its drawback on sectors such as the textile industry. The International Monetary Fund (IMF, 2010) identified four major aspects of globalization which include; trade and transactions, capital and investment movements, migration and movement of people, and the dissemination of knowledge.

According to Weihrich, *etal* (2008), globalization refers not only to the integration of economies, ideas, information, free trade, capital mobility but also privatisation, commercialisation and empowerment of transnational corporation.

Globalisation is a process that affects or shapes the world and in terms of business organizations, economies, socio-cultural spheres, and natural environment. One of the paradigms of globalisation is the reduction of the world into a 'global village' where the distances have been compressed by communication and transport technology. Hence, markets have been widened by the global process of increasing urbanization through demographic infusion. This create access opportunity to advancement and corporation between the riches (or the developed countries) and the poor (or the developing countries). For instance, the substantial positive contributions of the Italian, American, Japanese, Lebanese, British, and other foreign entrepreneurs into Latin America, South East Asia, West Indies, East and West Africa, and other countries are too well known to require elaboration. So, the complementation of foreign and domestic entrepreneurship can be profitably essential. It is equally too well known that most domestic entrepreneurs fail to prosper at home, whereas their immigrant entrepreneur counterparts achieve prosperity in similar areas. But the term globalisation and its process have turned the world apart into two – between those who equate the process with a gamut of abundant opportunities, and those who see it with suspection for high tech imperialism through IT and the media, economic suppression, socio - cultural pollution and ideological domination. The world will continue to be inundated by the controversy generated into academic, social, political and economic fora over 'globalisation'.

Objective of the Study

The objective of this study anchors on Nigerian textile and garment crisis largely on the negative consequence of globalisation, arising from it's tenet of trade liberalisation paving way for relative cheaper imports of textile products.

The Problem Statement

Has globalisation not brought both progress of contacts, trade, investment and in other spheres and also a myriad of problems, like adulteration in culture, extremism, fall in infant industries and environmental degradation?

According to Adebayo and Jenyo (2013:86), the Nigerian textile, the largest employer in the manufacturing sector, and 25% of total employment declined from 937,000 jobs in 1997 to 57,000 in 2003 and by almost 58% caused mainly by large increase in illegal imports. What sort of entrepreneurship initiatives, innovations and re-engineering that can be pursued by indigenous entrepreneurs?

Link between Globalisation and the Dearth of Textile and Garment Industries in Nigeria

According to Popoola (2001), the state of the Nigerian Textile and Garment Industries are in crisis because of globalisation which affects all spheres of life. Assu, (2002) opined that the forces of globalisation has taken over the fortunes of the Nigerian economy. While to Aluko *etal* (2004), Nigeria has been rendered powerless over her economy because of the terms and dictates of globalisation, a situation in which her textile and garment products cannot compete with those of many trading partners in the world. Describing the link between globalisation and the Nigerian Textile and Garment Industrial crisis, Volpe (2006) stressed that the final phase of quota removal on December 31, 2004 on textile and apparel imports between members of the World Trade Organization (WTO) worsened the crisis of the industry in Nigeria. Njoku (2004) in a study of marketability of made in Nigeria Textile materials, found that consumers' prevalent discontent for home made textile goods was due to the cheap, variety, and superior imported ones. To Eneji, *etal* (2012), the textile industry in Nigeria was the third largest after Egypt and South Africa, being the largest employer of labour in the manufacturing sector, with 31 textile companies in Kano alone, but which declined to only 6 of them operating in full capacity.

In most developing countries, there are difficulties in the way of developing and using entrepreneurial qualities. In these countries, small and medium scale domestic entrepreneurships are essentially crucial for initiating and sustaining economic growth and development. First, the majority of the domestic entrepreneurs have low level capital due to low income, and poor capital formation. Secondly, they operate mostly in poor infrastructural conditions that affect their operations. Thirdly, the state of insecurity and unstable political climate also affect their operations. Fourthly, to most of them, their poverty arises from the inaccessibility to the required capital to acquire relevant technology and other productive resources.

According to Kacowicz (2001), one of the dark side of globalisation is the international trade on unequal grounds. This assertion corroborates Dell (1982)'s position that it is unfair to allow the cheap Asian textile products produced under repression in which teenage workers and unallowable practices prevailed to be imported into Nigeria. Are there level plain fields for domestic entrepreneurs to face the stiff competition from their more skilful, large, experience and wealthy foreign counterparts? The textile industry requires high capital intensive process with high capacity infrastructure, electricity and water which are lacking in Nigeria.

Volpe (2005), Appelbaum (2005), Gereffi (2003) Knappe, Nordas (2004) and Kacowicz (2001) warned that globalization is a form of economic change which would eventually overload imports of textile materials and apparels into the vulnerable countries. Is globalization not a root cause of the loss of Nigerian Textile and garment market share? The Nigerian Textile and Garment Industrial crisis present one of the most puzzling economic backwardness of our time.

This study aims at:

i. Establishing the link between globalization and the dearth of textile and garment industries in Nigeria.
ii. Identifying and examining the major causes of the dearth of textile and garment industries in Nigeria.
iii. Ascertaining the overwhelming strategies, and entrepreneurial initiatives suitable for indigenous entrepreneurs.
iv. Making recommendations based on the research findings.

Methodology

The primary sources of information comprised the related literature, private and institutional, internet, and unpublished lectures, texts, daily/weekly/monthly periodicals, and project works. Descriptive research through survey method was used in which qualitative and quantitative information were collected through interviews and written questionnaire respectively. Multiple sampling techniques comprising (a) Stratified Random Sampling, (b) Cluster Sampling, and (c) Systematic Sampling, were used in selecting 10 employees in addition to 2 others of managerial capacity from each of the II functional textile and garment industries across the five Geo-political Zones of Nigeria and textile manufacturers Association from Jalingo, Taraba State, north East Nigeria making a total of 143 respondents. All the information were reviewed, analysed and presented in a descriptive form using percentages to enable the author draw valid conclusion and thereby making policy recommendations.

Basic Assumptions

Demand for Textile and garment Products in Nigeria = DD
Culture and Tastes in Nigeria = CT
Foreign Culture = FC
DD = f(CT): Demand for textile and garment products in Nigeria is a function of culture and Taste.
CT $\geq$ f(FC): Nigerian Culture and tastes are subjugated to foreign culture.
$\therefore$ DD $\geq$ f(FC): Demand for textile and garment products in Nigeria is subjugated to foreign culture.

The Theoretical Framework

The classical mercantilists', and physiocrats like Adam Smith, John S. Mill, J.B Say and A.C. Pigou in favour of protectionism warned against “interested sophistry of super industrialists gaining advantages at the cost of the less endowed class”. The Wikipedia quoted the Cambridge University Professor Ha-Joon Chan who posited that virtually all developed countries today successfully promoted their national industries through protectionism, In the same vein, the famous 19th Century economist Friedrich List opined that any nation which by means of protective duties and restrictions on navigation has raised her manufacturing power.

Supporting the infant industry argument, Njoku (2004) and Aluko *etal* (2004) argued that domestic entrepreneurs most of them small and medium scale infant industries deserve protection to enable them grow to the point where they can compete fairly with their larger, matured, skilful foreign partners. Their findings amounted to consumers citing cheapness, variety, and superior quality as some attributes for their prevalent preference for foreign textile and garment products. A protectionists' view is that unrestricted trade undercuts policies for social goods and harms the latter by dumping of inferior, dangerous and superior goods. While the G20 on current World Trade views in a meeting in London, August 2nd, 2009 pledged "… not to work towards the historic mistakes of protectionism of previous era", but the protectionists like Krugman and other modern extremes were in favour of "Free Trade under contractual Development Area." in reality, globalization. Which ever way a country should stand is open to more exploit.

The Major Problems of the Nigerian Textile and Garment Industries

In the 1970s, textile had been Nigeria's leading industry with some 100 factories across the country with some 100,000 workers excluding weaving (Andrae, 1987). According to the researcher, by 1985, the industry started sinking into foreign exchange crisis, leading to rise in the cost of production – increase in prices of raw materials, machineries, workers lay off to some factories closing shops. To Adebayo and Jenyo (2013); Andrae and Bechman (2013), two major causes led to the closure of most Nigerian Textile and Garment Industries, namely external and internal factors. The external factors include;

(a) The lower factor cost suppliers' dominance in the international market in which prior to 2005, Mexico and Nicaragua were lower cost Textile and garment suppliers superseding those of China and USA, and latter, China, USA, Great Britain, Pakistan, India, Kenya, Indonesia and South Africa dominating the sub-saharan countries, including Nigeria.

(b) Another external factor affecting the Nigerian textile and garment industries is the existence of relative comparative quality advantage of those dominant countries in the textile market, due to their superior technology and relative comparative cost advantage over the vulnerable Nigerian Market.

The researchers identified internal factors for the dearth of Nigerian Textile and Garment industries to be;

1. Cost of power, in which the domestic industries face epilectic electricity supply,
2. High cost of water supply,
3. High cost of steaming,
4. High cost of labour,
5. High interest rates, depreciation and inflation,
6. Age structure of equipment vis-a-vice scarcity of foreign exchange for imports,
7. Lack of diversification,

8. Poor management,
9. Inadequate government support/policy,
10. Poor technology,
11. Inadequate finance, and
12. Low level production of cotton.

Thus, by 2012, out of about 100 factories in Kano alone, only 6 textile companies were still operating, but with 3 in full capacity CRD (2012). The dearth of the Nigerian Textile and Garment Industries has degenerated to about 30% capacity, dwindling income, fall in job creation, fall in foreign exchange and contribution of approximately 3.5% to the GDP annually, and potential threat of transnational diseases through imports of second hand clothes and other supply chain effects.

By 2013, only about 11 functional textile companies were operating in full capacity in the whole country as listed below (Adebayo and Jenyo, 2013):

North West:

* Adhama Textile and Garment Industry Ltd, 171 Misson Road, Bompai, Kano
* Tobitex Ltd, 5 Independence Road, Kano
* Zaria Textile Ltd, Zaria – Jos Road, Zaria

North Central:

* Tofa Ltd, New Yidi Road, Ilorin

South West:

* Dangote Agrosak Ltd, Oba Akran Avenue, Ikeja, Lagos
* Mobile Industry Services, (Nig.) Ltd, 16 Chief Benson Anorue Street, Ajao Estate, Lagos.
* Melone King Service (Nig.) Ltd, Plot 77, I Odogunyan Ikorodu, Lagos
* Ruthstar Ltd, 16 Betty Pride Way, B Vetty pride Plaza, Ajao Estate, lagos.
* Sun flag (Nig) Ltd, Apapa, Lagos.
* Woolen and Synth Industries Ltd, Ikeja, Lagos.

South East:

* Rosies Textile Mills Ltd, 49A Milleron Avenue, Aba, Abia State.

South South:

* Asaba Textile Mills, Asaba, Delta State.

Table 1: The relative Factors Causing the Crisis in the Nigerian Textile and Garment Industries

S/No.	Factors	Relative Contribution (Response)	Percentage (%)
i.	Management Problems	14	9
ii.	Inadequate Electricity	21	15
iii.	Globalization – Imports	36	25
iv.	Inadequate Technology	21	15
v.	Inadequate Skills	10	7
vi.	Inadequate Finance	18	13
vii.	Inadequate Cotton Supply	23	16
	Total	**143**	**100**

Source: Field Survey, 2016

The table above shows the relative factors causing the crisis of survival and development of the Nigerian Textile and Garment industries. The overall investigation found that imports of cheap textile products, both inferior and superior ones superseded all the available strategies employed to revive the industries. Globalization accounted for 25%, compared to 16% for inadequate cotton raw material, and 15% each for inadequate electricity supply and inadequate application of the right technology. Other critical but relatively less significant factors accountable for the crisis in the sector were inadequate capital 13%, management problems 9% and 7% for inadequate skills.

Discussion of Major Findings

The Nigerian Textile and Garment industries are characterized by low capacity, dwindling fortunes of income, declining employment generation to approximately 16%, low contribution to the GDP of about 7% only, annually.

First, the low textile capacity utilization in the average of 30% for the last 3 decades ago resulted to not just the lack of indepth understanding of the dynamics of demand and social shift of consumers but also the shortage of energy or power supply, shortage of cotton material, and other similar deprivation inimical to the progress of the industry (Njoku, 2004). The trend of the crisis of the sector which starting from the mid' 80s became aggravated with the last phase withdrawal of quota on textile materials among members of the World Trade Organization (WTO) by 31st December, 2004 (Volpe, 2006). This led to the low contributions of the Nigerian textile and Garment industries to the overall employment (of 15%), total income (of 7%), Gross Domestic Product, GDP (of 5%) and to foreign exchange earn (of 0.58%). Thirdly, infrastructural deficiency like the epilectic power supply (Eneji, etal, 2012) incessant fuel shortages were significant factors accountable for the crisis. Again, poor incentives for local production of cotton, a critical raw material for the industries continued to aggravate the rising cost of domestic textile production. Added to this problem is the scarcity of import licences and the high cost of foreign exchange for import of cotton.

Paucity of investiable funds, both in the commercial banks and in the Nigerian stock Exchange market for local manufacturers of textile and garment production has not helped to stir up the sector. Not even the introduction of the second Tier Security Exchange market (SFEM) in 1986 could suffice due to scarcity of funds and high cost of the available credit (NCEM, 2002). On the other hand, the dire need for government to create the enabling environment for the textile and garment industries has never been satisfactorily attended to. There is lack of clear cut legislation for a state of emergency for this deserving sector taken over by foreign textile imports ('Okirika') of all manner of qualities. Having consented to the total removal of quota on textile and garment imports, the government is in a dilemma, and out of feasible strategy to revive the sector. Globalisation paved the way for trade liberalization in the textile industries by the World Trade Organisation, which accounting for about 25% of the crisis in the Nigerian Textile and garment industries (Aina, 1996).

The textile and garment industries are capital intensive requiring heavy subsidy for raw materials, advance technology, and management. The lack of political will could be responsible for lack of real investment in research and for suitable technology. Again, the lack of adequate investment in neither plantation, cotton firms nor peasant cotton production leading to instances of peasant resistance like in the case of Bakolori crisis of 1979/80 (Andrae, and Bechman, 2013) can hardly be justified.

Conclusion and Recommendations

The unabated disintegration and sorry state of the Nigerian Textile and Garment industries was largely due to the overwhelming propensity of demand for imports of textile products over the home made ones. There is apparent relative cost advantage for the more skilful, stronger foreign counterpart producers who incidentally enjoy the economics of large scale production, turning out large supplies into the quotaless Nigerian Textile market, from their technologically advanced factories.

The poor performance of the Nigerian Textile and Garment industries was certainly aggravated and by the withdrawal of the phase of quota on textile trade on December 31st 2004. This singular act paved the way for the overloaded imports of foreign textile products into the vulnerable Nigerian market fraught with consumers ever filled with special nostalgia for foreign goods.

1. The government should declare a state of emergency for the revival of the textile and garment industries in Nigeria.
2. Proven subsidy investment should be provided urgently for the sector.
3. The 'change' slogan should make textile and garment industries a priority for revitalization which will equally cater for a big number of young graduates in the ongoing plan for job creation.

4. To stir up the 'nest' for the Nigerian Textile and Garment industries, Textile industrial zones with adequate facilities be created in several parts of the country which have the potentials for cotton production.
5. Holistic approach should be employed for reviving the sector with dual strategy of promoting both peasant and plantation production of cotton in designated parts of the country.
6. Membership of the World Trade organization should be revisited in the interest of essential industries like textile so as to introduce reasonable quota on selected imports.
7. Government policies like empowering the capital market to generate more long term funds and revisiting the decision for partnership like the 2000 partnership for African Growth and Opportunity Act (AGOA) with the USA and other countries like China for allowing exports of Nigeria into the these countries should be urgently considered.

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