



## THE EFFECT OF GLOBALIZATION ON INTERNATIONAL TRADE: THE NIGERIAN PARADOX

By

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### Abstract

*There is an increase in availability of goods and services that can be traded at the global market. There is also a significant increase in transport efficiency, due to innovations and improvements in the modes and infrastructures, bringing about ease and improvement in transferability of commodities. This paper seeks to look at the impact of globalization on international trade and how it affects the Nigerian economy. This research reveals that Nigerian political leaders need to develop the political will to break away from total dependence on the international capital system whose predominant interest is to continue in their Neo-colonialism of the country. Since independence Nigeria has without success, experimented with various models, with the aim of achieving sustainable development. However, Nigeria still pursues policies aimed at the general improvement of standard of living of her citizens, and one of such policy is that of globalization which Nigeria has pursued vigorously in line with the demands of the International Financial Institution of the World Bank and International Monetary Fund (IMF). This work critically examines the effect of globalization on international trade and the apparent effect of same on Nigeria's economy. The main feature of the current economic situations in the contemporary world system is globalization, which is led by a new age of Information Technology (IT), contrary to the history of humankind. Countries have continually intensified various efforts towards engaging in business across borders and distributing networks and production on a global scale. Therefore, with these trends of political, economic, social and technological forces, the world is becoming a 'global village'. Consequently, this work recognizes the existence of a global environment that is deeply embedded in interdependency and the necessity for Nigeria to minimize the negative effects of globalization while tapping its inherent benefits for national development and economic growth.*

**Keywords:** *Globalization, global market, international trade, commodities, economy.*

### 1.0 Introduction

Globalization in different spheres, such as; political, social and economic processes is often associated with trans-national companies and investment, international trade and regionalism, global finance and money. Globalization process reduced activity and control of national governments on their economy and trade their place with the change in economic system by deregulating the international trade barriers through regional trade agreements and economic integrations, such as the AFCTA (African Continental Free Trade Agreement) and the Black Sea Economic Cooperation Organization (BSEC).

Globalization is widely perceived as an irreversible force, which is being foisted upon the world by certain countries and institutions, creating an increasingly unfettered flow of ideas, people, goods,



services, and capital, which leads to the integration of economies and societies.<sup>1</sup> Reference is made to the economic angle of globalization to have enhanced and boosted interdependence of world economies, due to the increasing scale of cross-border trade of goods and services, flow of foreign exchange capital and expanded and fair growing spread of technologies. This reflects the increasing expansion and mutual integration of market frontiers, making it an irreversible trend for the economic development in the whole world at the turn of the millennium.<sup>2</sup>

The foregoing impact of globalization on world economy and the inevitable result of the process can be observed in the benefits accruing to global trade flows, while according to WTO data, merchandise exports grew more than 8% a year by 1950s. Despite the fact that fluctuations and recession were experienced in this expansion period, the increase went on to a degree and the average expansion of world merchandise exports averaged 6% by 2000.<sup>3</sup> Though the global figures appear impressive, however, it is unclear and not easy to determine the performance of the countries, since the deepening of globalization process has resulted to governments losing control of their economy and trade, which they (the government) have tried to control by deregulating their international trade barriers through regional trade agreements and economic integrations.

The aim of the regional integration which involves a multitude of steps, is to increase the competition of participating countries, not just preferential trade access, and also to help small and remote countries increase supply capacity in regional production networks which as a result, allows these countries to have unfettered access to global markets.<sup>4</sup>

However, the effects of globalization, along with the free trade agreements or economic integration varies from country to country due to their geographical position, natural resources, economic development, etc. This paper will examine how globalization affects international trade, and the effects on the Nigerian economy.

## 2.0 Globalization and Trade

Globalization brings about a radical transformation of economic life which results in the generalization of market economy, increase in production, circulation of information, products, people and capital with efficient implementation of technical systems.<sup>5</sup> Countries are no longer self-sufficient in the global economy and they are included in trade at different levels to sell what they produce to obtain what they are in need of. The Nations usually produce more efficiently in some economic sectors than its trade

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<sup>1</sup> International Monetary Fund (IMF) 2002. Globalization: A Framework for IMF Involvement 02/01, <https://www.imf.org/external/np/exr/ib/2002/031502.htm>. Accessed 08 November 2023.

<sup>2</sup> G. Shangquan, "Economic Globalization. Trends, Risks and Risk Prevention", Economic and Social Affairs, 2000, CDP Background Paper No. 1. ST/EFA/2000/CDP/United Nations.

<sup>3</sup> WTO, "World Trade Report 2008, Trade in a Globalizing World", [https://www.wto.org/english/reg\\_e/booksp\\_e/anrsp\\_e/world\\_trade\\_report08\\_e.pdf](https://www.wto.org/english/reg_e/booksp_e/anrsp_e/world_trade_report08_e.pdf). Accessed 08 November 2023

<sup>4</sup> U. Deichmann, "The Economic Geography of Regional Integration", Finance and Development, 2008, vol. 45, No. 4, 45-47.

<sup>5</sup> D. Daianu "The impact of Globalization through International Trade, Annals Economic Science Series", International Conference, The Knowledge society in the space of United Europe, May 29<sup>th</sup>- 30<sup>th</sup> 2009, vol. xv/2009. Pp. 211-215



partners. In line with conventional economic theories, eventually trade promotes economic efficiency and it can be concluded that the globalization of production is contributing to the globalization of trade.<sup>6</sup>

A number of factors resulted from this increased process and expansion of globalization such as; advances in the liberalization of world trade and capital movements, technological progress that implied a significant decrease in transport and communication and co-ordination costs. The expanding openness of developing and emerging market economies with special emphasis on large economies such as; China and India and countries of Central and Eastern Europe is also reflected by the acceleration in globalization process. This strong increase in both activity and international trade flows practiced by the developing and emerging economies reflected this phenomenon at a global level.<sup>7</sup>

It is interesting to note that within the last period, three trends in the world economy has shaped globalization flows, these are; increase in the value of international trade, which has grown by a factor of 16 times since the late 1970s, meaning that the ongoing growth of international trade, both in absolute terms and in relation to global national income can be taken as first trend, while the growing role of multi-national corporations is the next, since they are taking the lead in international trade especially in terms of the share of trade taking place within corporations. And the last is higher relative growth of trade in Pacific Asia as many economies developed an export-oriented development strategy that has been connected with imbalances in commercial relations.<sup>8</sup> In depth research shows that globalization has significantly boosted economic growth in East Asian economies such as China, the Republic of Korea, and Singapore. However, not all developing countries are equally engaged in globalization and consequently, they cannot all benefit equally. As a matter of fact, apart from most countries in East Asia and some in Latin America, developing countries have been rather slow to integrate with the world economy.<sup>9</sup>

The foregoing observed inequalities between the developed, developing, and less developed Nations of the influence of globalization gives rise to some pertinent questions with aim of unravelling the factors or cause.

In explaining the foregoing, current globalization literatures cites that, pressure of capital mobility, technological progress and intense market competition describes an irreversible force beyond the influence of domestic policy makers. In this policy context, globalization is often used as a synonym for greater openness and closely linked to the liberalization of domestic and foreign transactions.<sup>10</sup> Trade between the countries considering comparative advantage promotes growth, which is attributable to a strong correlation between the openness to trade flows and the effect on economic growth and

<sup>6</sup> J. Rodriguez and C. Comtois. *The Geography of Transport Systems* (Rutledge, 2006)

<sup>7</sup> C. Manteu, "Economic Effects of Globalization; Lessons from Trade Models", 2008, *Economic Bulletin*, Banco de Portuga.

<sup>8</sup> J. Rodriguez and T. Notteboom, *The Sage Handbook of Transport Studies* (SAGE Publications, 2013).

<sup>9</sup> T. Soubbotina, *Beyond Economic Growth, an introduction to Sustainable Development*, (The World Bank, 2000).

<sup>10</sup> P. Bairoch and K. Wright, *Globalization Myths: Some Historical Reflections on Integration, Industrialization and Growth in the World Economy*, 1996 UNCTAD/OSG/DP/113.

economic performance. Similarly, capital flows and their impact on economic growth stick to each other with a significant relationship.<sup>11</sup>

Generally, international trade is regarded as the engine of growth. However, during the 20<sup>th</sup> century, it has not been a very popular one as protectionist theories became dominant and the majority of the developing countries implemented industrialization policies based on a very limited degree of international openness for a long time.<sup>12</sup> Conversely after the end of the Second World War, international trade got into a new era in which world merchandise exports grew more than 8% a year. Consequently, by 1973 this expansion and inadequate macroeconomic adjustment policies, by 1990s the developments in information technology sector led world trade to a second expansion period. The average expansion of world merchandise exports averaged 6% in 2000-2007 period.<sup>13</sup>

### 3.0 Globalization and Economic Integration

Although globalization influence world economy, both direct and indirect ways, some of the most common impression is connected with international trade. This assertion according to Rodriguez<sup>14</sup> is summarized as follows;

- a. Production systems are more flexible and embedded, which encourages exchanges of commodities and services. Foreign direct investments are commonly linked with the globalization of production as corporations invest abroad in search of lower production costs and new markets.
- b. There is growing availability of goods and services that can be traded in the global market.
- c. Transport efficiency has increased significantly because of innovations and improvements in the modes and infrastructures. As a result, the transferability of commodities has improved.
- d. Integration processes, such as the emergence of economic blocs and the decrease of tariffs at a global scale, promoted trade. The higher the level of economic integration, the more likely the concerned elements are to trade. The transactional capacity is consequently facilitated with the development of transportation networks and the adjustment of trade flows that follows increased integration.

Appreciating the foregoing collectively, shows clearly that globalization is enhancing formation of economic integrations. A vast amount of capital is circulated within the investment system in the globalizing market system in a relatively short amount of time. This happens, since states lose control over exchanges and economic development, they hold a reduced role in their own economy. Regional trade agreements help nations gradually work towards global free trade through allowing countries to increase the level of competition slowly and give domestic industries time to adjust. The increasing membership of less economically developed countries within the European Union, Asia, Africa, and Asia-Pacific Economic Cooperation

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<sup>11</sup> N. Pologorgis, "How Globalization Affects Developed Countries", <http://www.investopedia.com/articles/economics/10/globalization-in-developed-countries.asp>. Accessed 9 November 2023.

<sup>12</sup> S. Edwards "Openness Trade Liberalization and Growth in Developing Countries", *Journal of Economic Literature*, 1993, vol. 31, No. pp. 1358-1393.

<sup>13</sup> World Trade Organization (WTO) Report, *supra* (n3).

<sup>14</sup> Rodriguez, *supra* (n6).

testifies to the economic stability offered by regional economic integrations.<sup>15</sup> Another good example of this, is the establishment of the African Continental Free Trade Agreement (AFCFTA) in 2018.

#### **4.0 Impact of Globalization on Economic Development**

Globalization has both positive and negative effects on economic development. Through globalization, access has been created for new and emerging markets, trade has been enhanced, improved investments and enhanced cross-border technology and knowledge transfers, which development has contributed to greater economic growth, improved productivity and job creation in many areas around the world. However, the phenomenon has also given rise to intense competition, income disparity, and environmental damage in certain regions.<sup>16</sup>

##### **4.1. Positive Impacts of Globalization on Economic Development**

- a. **Boosts Trade and Investment Opportunities:**  
Countries through this phenomenon have better opportunities to trade and invest across border thereby, enhancing improved economic activity and better economic growth.
- b. **Expanded and Improved Access to New Markets and Consumers:**  
Through globalization, businesses expand their customer base and have access to new markets, thereby boosting their sales and improving their profit margins.
- c. **Enhances Greater Efficiency and Productivity:**  
The increase of competition in businesses through globalization drives innovation and improves efficiency, giving rise to increased productivity.
- d. **Improved Spread of New Technologies and Knowledge:**  
Spread of new technology and knowledge across borders is facilitated by globalization, enabling countries to learn from one another and adopt and implement global best practices.
- e. **Competition is Increased:**  
Businesses experience increased competition amongst themselves, this in turn brings about lower prices of goods and higher product quality for consumers.
- f. **Improved Potential for Economic Growth and Development:**  
The potential to drive economic growth and development is inherent in globalization, most especially for developing countries that have attracted foreign direct investment and accrued benefit from increased trade opportunities.

##### **4.2. Negative Impact of Globalization on Economic Development**

- a. **Job Losses and Depletion of Industries in Some Regions:**  
Due to globalization, some industries are economically compelled to relocate to countries with lower labour costs, this development leads to job losses and depletion of industries in some regions.
- b. **Expanding Income Inequality:**  
Globalization has also brought about disparity in income between and within countries, since some countries and individuals tend to benefit more than others.

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<sup>15</sup> B. Collins, "Does Regionalism Challenge Globalization or Build upon it?", E-International Relations, <http://www.e-iv.info/2010/07/29/does-regionalism-challenge-globalization-or-build-upon-it>. Accessed 9 November, 2023.

<sup>16</sup> B. Takefman, The Effects of Globalization on Economic Development (FDI insights, opinions, 2023)



- c. Cultural Homogenization:  
Western cultures and values have become widespread through globalization, which has brought about the homogenization of cultures, thereby causing the loss or extinction of traditional cultures.
- d. Degradation of The Environment:  
Increased trade and economic activities, such as; exploitation and exploration of natural resources, create high levels of pollution, deforestation and climate change, which are all resultant effects of globalization.
- e. Dependence on Foreign Markets and Investors:  
Vulnerable and developing countries have the tendency of becoming dependent on foreign markets and investors, as a result of globalization, which trend can leave such countries vulnerable to economic woes and downturn.
- f. Vulnerability to Global Economic Downturn:  
The interconnectedness of world economies due to globalization makes the economies vulnerable to global economic crisis.

### **5.0 The Impact of Globalization on the Nigerian Economy**

Developed nations have been the beneficiaries of globalization as their share of world trade and finance has continually expanded at the expense of developing countries. Developing countries with particular emphasis on the Nigerian economy, have for years experimented with various development strategies and programmes with the ultimate aim of attaining self-reliance from dependence on other countries.<sup>17</sup>

There are factors that have mitigated against Nigeria's economic potential and prosperity, which are of a structural nature, such as; inadequate infrastructure, limited foreign exchange capacity, tariff and non-tariff barriers to trade, currency devaluation and obstacles to investment. Other factors such as; inflation, unemployment, and other vices have continually been on the increase, thereby, hampering foreign trade investment. Though, in the 1970s, Nigeria had made visible progress in closing the income gap relative to developed economies, but this is not the situation in the country today, in this era of globalization.<sup>18</sup>

However, the Nigerian economy has derived some positive effects from globalization, these effects can be observed in the area of more welcomed foreign investments, that have helped in providing resources, capital and technology that will support economic development, which creates for improved employment, increases exports, thereby, increasing foreign reserve and ease in repayment of foreign debt.

Modern day banking, such as; e-banking or mobile banking, Automated Teller Machine services (ATM) and internet banking, have been made smooth and easy through globalization.

Globalization also creates availability of job opportunities to people from different countries within the global economy. Which has created the concept of outsourcing.

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<sup>17</sup> A. Onoja, Globalization and its Impact on the Nigerian Economy (Sahara Reporters, 2023)

<sup>18</sup> A. Umaru and A. Hamidu, Globalization and its impact on the Nigerian Economy, 2013 Interdisciplinary Journal of Research in Business vol. 218, Pp 1-16.





Globalization has also made access to higher learning institutions easier. Creating for free and unfettered access to quality education around the world.

Technology and managerial capabilities have also been improved as a result of globalization.

Globalization has also created and expanded foreign trade in the world, which is achieved through international trade, allowing for quality products at a reduced cost. It has also led to reduction of tax of importation of goods.

Consequently, globalization of markets in Nigeria is fast growing, which growth has brought appreciable benefits, which are economies of scale in production, reduced prices, distribution, marketing and management.

Conversely, globalization also has some negative impact on the Nigerian economy, these negative impacts can be observed in the areas of trade, such as the area of high importation of goods, without reciprocal exports of our own products, creating unfavourable terms of trade and deficit balance.

In the area of security, the issue of Boko haram and activities of IPOB (Indigenous People of Biafra) has brought about fears and uncertainties leaving industries, businesses and professionals unable to function properly. Nigeria as a developing economy is yet to adequately tackle these insecurity problems.

There is the problem of weak economy caused by the continuous opening of the Nigerian economy in competition with other advanced countries in the global market. This has led to the economy remaining stagnant and if not checked, is likely to worsen. Globalization has allowed for developing countries like Nigeria to be at the mercy of the developed countries with respect to military economic manipulations and in the health sector.

The foregoing shows that Nigeria still remains at the peripheral level with high rate of unemployment and poverty, and entirely dependent on the oil sector for export, suffers the inability to attract increased foreign investments, and indebtedness. To tap into the inherent benefits of globalization, Nigeria needs to remove these outlined impediments and strengthen the economy to foster globalization. If things that ought to be done are put in place, Nigeria could join the League of Nations enjoying the innumerable benefits of globalization.<sup>19</sup>

## **6.0 Conclusion and Recommendations**

Globalization has paved the way for nascent markets, brought about flourish in trade and investment, and encouraged cross-border technology and knowledge transfers. These developments have contributed to greater economic growth, improved productivity, and job creation in numerous areas globally.

Balancing the opportunities and challenges of globalization for economic development is essential for taking advantage of the opportunities of the phenomenon, while also mitigating its negative impacts on

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<sup>19</sup> Onoja, supra (n17).

society and the environment. This balance must take into cognizance a comprehensive approach that will deal with the various aspects of the global economy.

Consequently, Governments and businesses must apply a comprehensive approach that gives priority to inclusive economic growth, encourage innovation and technological advancements, promote sustainable development, focus on international cooperation, invest in education and skills acquisition, and implement effective regulatory and implementation frameworks.

The ability of the Nigerian government to effectively apply and implement the aforesaid comprehensive approach, will no doubt make the Nigerian economy highly competitive and well positioned to reap the benefits of a globalized economy, especially with the nations' advantage of size, human capital and resources.

As expressed in this work, globalization has generated both favourable and adverse effects on the economy, both at the international level, and domestic (national) economy.

However, the Nigerian Government and businesses can apply certain strategies in order to take advantage of a globalized economy. Consequently, hereunder are some recommendations;

i. Investment in Education and Training:

There is need for the Nigerian government to invest in education and training to improve the skills of the workforce, in order to improve their competitiveness in a global economy. The training can range from training programs for employees to vocational or specialized technical education, and also encourage research and development, by investing in that area.

ii. Diversification of Industries:

Reliance on a single Industry or market should be discouraged through diversification. The Nigerian government should encourage diversification into other sectors, instead of the dependence on the single oil sector. Diversification will no doubt reduce the impact of economic shocks and improve resilience to global economic downturns.

iii. Development of Infrastructure:

There is need for investment on infrastructure by the Government, such as roads, make the sea ports functional, upgrade the airports to facilitate trade and attract foreign direct investment (FDI). This in turn can help to enhance the efficiency and competitiveness of local businesses, increase trade flows, and generate employment opportunities.

iv. Support for Small and Medium Sized Enterprises (SMEs):

SMEs can effectively compete with larger firms in the global market, if given the needed support by the Government. This support can include (but not limited to); providing access to finance, facilitating access to market and providing adequate training and guidance.

v. Maintenance of Environmental and Social Standards:

Sustainable economic development can be ensured by Government and businesses implementing requisite environmental and social standards. This can be achieved through implementation of environmental regulations to reduce pollution and waste, promoting sustainable use of resources, and protection of rights of workers.

vi. Attraction of Foreign Investment:





Through offering of economic incentives such as reduced tariffs, tax breaks, low-interest loans, and less complex business regulations, Government can attract foreign investment, thereby creating new employment opportunities, and generally boost the economy and quality of life of the citizens.

vii. Networking and Collaboration with Other Countries:

Government should encourage collaborative efforts with other countries for exchange of knowledge, expertise, and global best practices. These collaborative efforts will improve competitiveness, access to new markets, and create new business opportunities.

The foregoing recommendations will help the Nigerian government to leverage on the benefits inherent in a global economy.