



NIGERIA AND THE DYNAMICS OF GLOBAL TRADE

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Abstract

Nigeria, often described as “Africa’s giant” due to its large population, vast landmass, and abundant natural resources including solid minerals, water, and crude oil, as well as its extensive human capital, is expected to exemplify socio-cultural, political, and economic prosperity. It should function as a major reservoir of wealth comparable to the world’s most economically advanced nations. However, its historical and contemporary realities contrast sharply with this potential. Using historical and analytical approaches, this paper examines the gap between Nigeria’s vast potential and its actual performance in trade with neighbouring countries and the wider international community. It also assesses Nigeria’s participation in global trade from independence in 1960 to the present. This paper discovers that despite its significant economic endowments, Nigeria has struggled to effectively harness its resources to strengthen its position in the global economy. The emergence of the “Dutch Disease,” characterized by dependence on a mono-product oil economy, particularly following the oil boom of the 1970s and 1980s, alongside persistent failure to diversify the economy, recurring balance of payments deficits, global trade inequalities between the Global North and South, widespread corruption, and other structural challenges, contributed to an economic decline from the mid-1980s that continues today. Consequently, Nigeria remains heavily dependent on oil revenues and external borrowing to finance its annual budgets, raising serious concerns about long-term economic sustainability and the welfare of future generations.

Keywords: Nigeria, Global, Trade, Economy, Doom

1.0 Introduction

By landmass and population, Nigeria is one of the largest countries on the African continent. In terms of economic potentials, it is widely regarded as one of the most promising nations with the capacity to achieve significant progress for itself, Africa and the black race. This optimism predates Nigeria’s independence from British colonial rule in 1960. The expectation of national prosperity intensified in the decade following independence when Nigeria began exporting crude oil, often referred to as

black gold, in commercial quantity to the global market. As a result of the oil boom of the 1970s, Nigeria shifted away from its traditional agro-based economy, which had formed the foundation of its trade relations with other countries before independence. This development inadvertently led to over reliance on oil revenue at the expense of the country’s previously diversified export trade in the global market. This situation proved detrimental to the economy from the late 1970s onward as crude oil prices declined in the international market.



Nigeria's image of development effectiveness has variously been described unfavourably by many observers at home and abroad. Its pace of economic performance and immediate future prospects, which look bleak, were very early characterized, in the words of a Nigerian economist as 'a tale of false hope'.¹ In another vein, it can also be argued that the country's global trade and its public sector constituted from the beginning, the fulcrum of change and defined the path of overall development. In overall perspective, it can be demonstrated that even though at some point the growth path was a positive one, its most characteristic features were and remain those of distortion and uncertainty.²

Nigeria's international trade has, for the most part, been characterized by balance of trade and payments deficits as a result of her mono economy which exports largely only a single commodity which is crude oil sold in exchange for goods, from foreign economies, that never made it successfully in their domestic markets of origin.³ The people now Nigerians were known from pre-colonial times to be blessed with a remarkable propensity for commerce.⁴ This is attested to by the belief that the first phase of British colonial administration which lapsed in 1914 was, for the most part, a period during which Nigeria's economy could be said to have developed.⁵ Little wonder Africa and the world looked up to Nigeria at independence in 1960. It is therefore surprising why Nigeria's global trade has not been illustrious.

The first decade after independence saw Nigeria exporting many agricultural produce like palm oil, palm kernel rubber, timber, gold, groundnuts, cocoa, coal to mention but a few. But with the discovery of crude oil and its exploration and commercialization, the country gradually drifted into an era of

dependence on the export of mainly one product, crude oil, and the importation of many products for consumption from the international market. This paper will be surveying Nigeria's trade practices and standing as far as the global economy is concerned with a view to ascertaining if any benefits have accrued to the country during the period under review.

The Structure of the Nigerian Economy Geography;

Nigeria is bounded on the west, north, east and south by Benin Republic, Niger, Chad, the Cameroons and the Atlantic Ocean respectively. It is structurally a populous country of dominant socio-economic import in the tropics of Africa. Blessed with the Atlantic territorial waters of some 48 km off-shore,⁶ where promising fishery, energy and oil resources abound in unimaginable quantity.

The country is physiographically traversed by three drainage system viz., the Niger-Benue rivers with their numerous tributaries, the Komandugu –Yobe rivers with their tributaries draining into lake Chad, and the numerous coastal north-south flowing rivers, all of which speak volumes of an existence of abundant water resources.⁷ From the southern coastline, the land rises to an undulating territory with scattered hills that gives place to the hilly range at an elevation of some 610m. This range attains heights of about 1,830m above sea level on the eastern frontier with the Republic of Cameroon.

Resources;

From the discussion above on Nigerian geography and resource endowment, it is evident that the country possesses abundant resources and should be a major player in global trade, with minimal exposure to balance of trade and balance of payment difficulties, unemployment, and poverty. The country is endowed with abundant



natural and human resources that may be classified into four broad types. First is the class of natural resources. This is made up of land covering 98.321 million hectares of which about 74.036 million hectares maybe classified as arable, water from the extensive drainage systems, livestock whose population gives high density per capita, forest products covering about 35.8 million hectares with about 9.00 million hectares in forest reserves, substantial wildlife and great fishery resources.⁸ Within the first two decades after independence, Nigeria was involved in tapping natural resources without any significant or meaningful approach to efficiency and conservation.

The second lies in the class of human resources with labour embodying the most important aspect. The Nigerian census of 1963 posited that the country had a population of 55.670 million with an estimated growth rate of 3 percent per annum, the country is today peopled by not less than 200,000 million citizens. With a predominately youthful population lopsided distribution of resources, and a continuous circle of poor leadership occasioning a steadily declining economy. The burgeoning labour force today constitutes serious unemployment problems in the country.

The third class is that of industrial resources made up of products of natural resources for basic agro-industries, and mineral resources for other manufacturing enterprises. It is a known fact that Nigeria has a very high level of abundance of resources which ought to naturally make Nigeria a heavy weight in production, export and in the dynamics of global trade but as we shall see in this survey, this potential has not been harnessed for positive result. The fourth class of resources consists of infrastructure made up of access roads, power, railways, water

supply, gas turbines, petroleum pipelines among others. These resources experienced progressive expansion within the first two decades of the country's independence but have witnessed massive decline ever since indicating a lack of progress in the internal socio-economic and political situation which would have otherwise served to bolster the country's foreign trade position. And even though Nigeria has remained open to international trade to an unusual degree, exports, which is derived mainly from crude oil products, constitutes less than 20 percent of gross national product.⁹ Oil, which is Nigeria's economic mainstay today, provides the wherewithal with which government budgets are funded. This is augmented by external borrowings from China and Western credit agencies.

The proceeds from oil that has been invested on infrastructural development, has not borne fruit. In spite of the country's riches in crude oil, Nigeria now imports refined products because the government has not invested on the maintenance of its refineries and the setting up of modern ones.¹⁰ The net effect of this is that even oil which constitutes the bulk of Nigeria's global trade as far as exports are concerned, is in turn imported from foreign refineries in the form of finished products. No one needs an expert to show that this is not good footing as far as global trade is concerned.

The above scenario sharply contrast with the country's foreign trade during the period of 1960-75 when Nigeria's foreign trade, was made up of exports and import comprising largely basic commodities, manufactured goods, minerals and capital goods. The imports at this time could be broken down into seven classes thus:

1. Food products such as sugar, confectionaries, salt, wheaten flour, biscuits and cakes, fish and milk.



2. Drinks and tobacco, beer, brandy, gin, whisky, wine, cigarettes among others.
3. Textile and footwear, cotton-piece goods, rayon-piece goods, bags and sacks, boots and shoes, and cotton yarn-thread.
4. Iron and steel and cement, corrugated iron sheets, joists and angles, steel tubes and fittings, sewing machines, and steel doors and frames.
5. Road vehicles such as cycles, private cars and commercial vehicles.
6. Petroleum oils, aviation spirit, motor spirit, fuel oil, diesel oil, kerosene, and lubricating oil.
7. Industrial machinery items such as domestic radios, television sets, industrial machinery, tools implements, household utensils, electric motors and generators.

While the exports within the same time frame could be classified into four groups thus;

1. Oil, cocoa, palm kernel, palm oil, groundnut oil, groundnuts, groundnut cake and benniseeds.
2. Minerals such as columbite, tin, ore, coal and petroleum
3. Fibre and wood products, timber logs, sawn timber, plywood and veneers, raw cotton and rubber.
4. Animal products, goatskin, cattle hides, and other hide-skins.

from the above we can see that the export trade was structurally fairly diversified and so did contribute in no small measure to economic growth of the country at this period.¹¹ The same cannot be said of Nigeria's global trade today where we have the bulk of the country's exports and imports which consist mainly of petroleum products being coordinated and handled by the government and the private sector with a few other products such as cement, cocoa, beans, gold among a few others being

handled by the private sector by business concerns such as Dangote Group of Companies and others. It is pertinent to note that Nigeria in the 21st century has moved away from a fairly balanced import/export global trade position of the mid and late 20th century to a mainly consuming, that is, import oriented economy. It is common knowledge that trade is the life blood of any developing/developed economy.¹² This is apparently true because a favourable balance of trade and payments standing for any country, translates into a prosperous economy characterized by massive employment opportunities, economic development and improved living standards for the citizenry.

The Character of Nigeria's Global Trade

Nigeria has always, especially at inception when government was a little bit more visionary, appreciated the importance of foreign trade (exports and to some extent imports) for her development. As Olufemi Fajana puts it, "The importance of the contribution of the external sector to the Nigerian economy cannot be over-emphasized. Not only has the sector been the main driving force of the economy, its contribution has been a *sine qua non* to the growth of the economy".¹³ It is against this backdrop that successive governments in Nigeria since 1960 did adopt as a crux of economic policy, the need not merely to promote exports but to diversify its base. As mentioned earlier, before the exploration, exploitation and commercialization of crude oil, over 80 percent of Nigeria's export earnings derived from agricultural raw and associated commodities. However, oil drastically altered the export structure and came to constitute over 95 percent of export earnings.

The country's shortsighted leadership, among whom, one claimed that 'Nigeria's



only problem was how to spend her money'¹⁴ not having understood the fickle and even elusive nature of oil revenue, actually turned away from promoting commodity exports until the mid-1970s when there appeared a dramatic downturn in the earnings from oil exports. The albatross here is that at this time, the habit and even culture of over-dependence on imports for almost every necessity and luxury of life had become well entrenched in society. This led successive governments from the Presidency of Shehu Shagari (1979-83) to the President Ibrahim B. Babangida junta (1985-93) to initiate austerity measures and policies that tilted back to commitment by governments and the country to increasing non-oil exports to counter-balance the waywardness of depending on oil as a predominant foreign exchange earner. The non-oil exports were to be diversified by promoting production and external marketing of other than the traditional commodities. But there has always been, and there remains in existence, a deep gap between policy formulation and implementation in Nigeria.

The monopoly of Nigeria's external trade by Britain which has its origins in the colonial era, was reversed in the 1970s and 80s when the United States of America became the major consumer of Nigeria's oil exports and the source of her petrol-dollars, technology, consumer items and luxury goods. But public policy was to diversify the markets further afield, thus consciously attempting to change, not only the pattern, but also the direction of trade. The connection between international politics and trade came increasingly to influence national policies. With Africa being the centre-piece of Nigeria's foreign policy, government policy embarked on a deliberate move for fostering trade with other Africa countries. The above is not itself a bad idea, for 'it has been

argued by many students of International economics that it would be more advantageous for developing countries within the same region to do more trade with themselves to enable added gains from greater specialization that accrues to individual trading partners'.¹⁵ But again, the often haphazard fashion of implementing government policies in Nigeria is the bane of her socio-economic and political development.

The Nigeria government took a leading role in the negotiations leading to the formation of the Economic Community of West African States (ECOWAS) in 1975, the headquarters of which is located in Abuja with Nigeria shouldering about 35 percent of its running cost. This has had the effect of heightened international trade with Nigeria, unfortunately, the country has not benefited maximally because she has a limited number of exports and a humongous number of imports. Take for instance how 'Nigeria's merchandise imports surpassed her exports every year until 1966 with an attendant balance of payments deficit on current account of £621m by the end of that year'.¹⁶ This deficit often indicates a loss for the country it affects vis-à-vis international trade. If it was this bad in the first decade after independence when the country had a lot of exports on the global market, one can only leave to imagination what the situation became with the advent of oil boom of the 1970s and its eventual doom as from the 1980s.

Nigeria's global trade position has not been helped since the end of the cold war, a situation which seemed to have made vanish, the spirit of accommodation on the part of the developed nations of the west, with respect to their relations with the underdeveloped and developing countries of the world, a group which Nigeria belongs to.



The spirit of the General Agreement on Tariffs and Trade (GATT), which emphasized development of a world of mutual international economic interest, bridging the gap of the so-called north-south divide, and promoting global free trade now trudges along ambiguously and wearily within the framework of its successor, the World Trade Organisation (WTO). The point being made is that it's as if the underdeveloped countries served out their usefulness to the developed world during the Cold War. And the latter suddenly realized the need for cooperation with their white brethren with whom they had earlier had ideological differences and quarrels during the war. With the end of that war, the developed world did switch its political concerns and also economic interests, along with trade to the countries of Eastern Europe, China and the Asian tigers. The underdeveloped countries of the world, including Nigeria, have been making feeble attempts to counter these new developments, by organizing their own trade blocs and to stem the rigid trade stance and economic discrimination against them by the advanced economies. But the reality is that it is the advanced countries that call the shots as far as international trade is concerned.

One of the weaknesses of the Nigerian global trade dynamics is that the country lacks diversified production with export output (mainly an oil exporting economy) that looms large in total production but which does not represent domestic production surpluses. Indeed, Nigeria, like many African countries, is reliant on one or two primary commodity exports. The prices of mineral and oil exports are greatly influenced by the trade cycle in the industrialized world and those for agricultural commodity exports are in addition aggravated by the size of the

harvest. Where the concentration of commodity exports is high changes in prices exert a disproportionately large impact upon export receipts.¹⁷

What Benefits Have Accrued?

Not much has been gained from Nigeria's global trade since the 1960s generally and particularly from the 1970s, the era of the oil boom. As observed above, the country derailed from agro-based multi-commodity export oriented economy to, as from the 1970s, a major oil producing nation according to the Organisation of Petroleum Exporting Countries' (OPEC) statistics.¹⁸ This led the country astray as agriculture, which is the productive base of any viable economy, was relegated to the background. The result of this was the over reliance on oil exports from the late 1960s until oil prices crashed in the 1980s which turned the boom into a doom.

It is also pertinent to state that all the proceeds in billions of United States dollars derived from the sale of Nigeria's crude oil has not translated into an improved standard of living for the average Nigerian, as majority of Nigerians still live below the poverty line. Neither did these petrol-dollars bring about development in the country's international trade capacity, human capital and critical infrastructural development for the country. The proceeds have not been judiciously used for the overall development of the country. Instead it has been frittered away by corrupt, shortsighted and inept leadership from 1960 till date.

Suffice to say, the oil sector which is the mainstay of Nigeria's export earnings in the global market has induced the nation's policy makers into embarking on unsustainable investment programmes and at the same time stimulated consumption and imports without contributing substantially towards raising internal productivity in oil



related and other sectors of the economy. This has launched the nation into a vicious economic circle from which it will be difficult to breakaway,¹⁹ all that one needs to do to understand that Nigeria is negatively positioned in global trade, is to take a look at the country's balance of payments problems and the widespread unemployment and poverty that pervades the land. There are no jobs for the country's teeming youths because there is little or no production of goods and rendering of services going on in the country and when you do not produce, what do you sell? What do you export into the international market? If you have no substantial quantity of valuable exports how can you earn? How can you become rich as a people and as a country?

Conclusion

This paper has examined the realities of Nigeria's global trade from 1960 to the present. It shows that the country began on a relatively stable footing at independence, largely because its economic structure remained largely unchanged from that which existed under British colonial rule and administration. But with the discovery of crude oil and its sales in the international market, Nigeria's economic dynamics took a nose dive to become excessively reliant on crude oil sales and choked with imports of all kinds of commodities, especially consumables and luxury goods including, but not limited to, foodstuff, toiletries, toothpicks, handkerchiefs and even pencils. This is certainly not only retrogressive but shameful. It is not a relief of good global or international trade footing and so drastic actions need to be taken by the government in order to draw, map out and execute a new and more progressive internal and external trade blue print.

The administration of President Muhammadu Buhari (2015-2023)

accumulated a whopping 32.2 trillion naira debt for the country,²⁰ the current Presidency of Bola Ahmed Tinubu is not only towing the same path of relying excessively on foreign loans to fund the country's annual budgets, but has surpassed his predecessor's record of borrowings, and this is in spite of crude oil revenue that still accrues from exports and the removal of petrol and foreign exchange subsidies. If the country was harvesting enough from her foreign trade to fund her annual national budgets, there would have been no need for external borrowings.

Normally, free trade between two or more countries is based on the principles of comparative cost advantage and specialization which leads to gains for the trading partners,²¹ but the reverse is Nigeria's case as the country is more of a consuming than a productive trade partner. The time has therefore come for the diversification of the country's economy in such a way as to make it to become productive enough to generate jobs, develop the economy and have multiplier effects on Nigeria's global trade.

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