



DEPARTMENT OF INTERNATIONAL RELATIONS

RESEARCH REPORT

**RESEARCH TITLE: US-NIGERIA BILATERAL
RELATIONS**

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DECLARATION OF ORIGINALITY

The author hereby declares that the content of this dissertation, unless specifically indicated to the contrary, is his work, and that the dissertation has not been submitted simultaneously, or in any form for any degree or diploma to any other university or organisation. Where use has been made of the work of others it is duly acknowledged in the text.

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17th May, 2019.

ABSTRACT

This study is guided with the aim of understanding the bilateral relationship between the United States of America and Nigeria. Starting from a broad exploration of the nature of the North-South Relations, the study shows that evidence abounds to support the claim that the relationship between the North and the South (Nigeria – US in particular) is skewed to be more beneficial to the US than to Nigeria. By using Patrick Bond's adaptation of the Dependency Theory, the study argues that the history of colonialism, neo-colonialism and the associated exploitation that comes with it, still shapes the nature of the Nigeria – US bilateral relationship. Among other things, the study using qualitative data was also able to explore the role of Multinational Corporations (particularly US owned MNCs) in promoting and sustaining corruption in Nigeria; thereby affirming the existence of an imbalance relationship between the two countries.

TURN IT IN REPORT

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Table of Contents

CHAPTER ONE: GENERAL INTRODUCTION TO THE RESEARCH	1
1.1 BACKGROUND OF THE RESEARCH.....	1
1.2 RESEARCH PROBLEM	3
1.3 RESEARCH PROPOSITION:	4
1.4 AIM AND RATIONALE OF THE STUDY:	4
1.6 SIGNIFICANCE OF THE STUDY	5
1.7 RESEARCH METHODOLOGY:	5
1.9 DATA ANALYSIS:	7
1.9 SCOPE OF THE STUDY:.....	7
1.10 THEORETICAL FRAMEWORK.....	7
1.11 RESEARCH LIMITATIONS	10
1.12 STRUCTURE OF THE RESEARCH	11
CHAPTER TWO.....	12
LITERATURE REVIEW	12
2.1 INTRODUCTION.....	12
2.2.1 Relationship between Economic Globalization and North-South Divide	12
2.2.2 US-Nigeria Bilateral Relations.....	17
2.3 CONCLUSION	18
BACKGROUND, DYNAMICS AND ANALYSIS OF NIGERIA RELATIONS WITH THE US	20
3.1 INTRODUCTION	20
3.2 THE BACKGROUND OF NIGERIA’S TRADE RELATIONS WITH THE US	20
3.3 US-NIGERIA EXPORT AND IMPORT EXCHANGE.....	23
3.4 FACTORS THAT FACILITATE TRADE IMBALANCE	25
3.4.1 Tariffs and Non-Tariffs Trade Barriers	25
3.5 US FOREIGN DIRECT INVESTMENT (FDI) INFLOW INTO NIGERIA.....	27
3.6 PATRICK BOND’S HYPOTHESIS AND THE ASYMMETRICAL NATURE OF THE US- NIGERIA BILATERAL TRADE RELATIONS.....	32
3.7 CONCLUSION	36
CHAPTER FOUR	38
4.1 INTRODUCTION.....	38
4.2 BILATERAL RELATIONS, MULTINATIONAL CORPORATIONS, COLONIALISM AND NEO- COLONIALISM	40
4.3 CORRUPTION AND MULTINATIONAL CORPORATIONS IN NIGERIA.....	42
4.4 CONCLUSION	43
CHAPTER FIVE.....	45
SUMMARY AND CONCLUSION OF THE STUDY	45
5.1 SUMMARY	45
5.2 CONCLUSION	48
5.3 RECOMMENDATIONS	48
BIBLIOGRAPHY	50

List of Tables**page**

Table 1: Exports and Imports Exchange between Nigeria and US	24
Table 2: Cumulative Inflow of US FDI to Nigeria, 1998-2012.....	28
Table 3: Sectoral composition of overall FDI into Nigeria, 1998–2012	30
Table 4: Percentage Growth of Different Products Imported by Nigeria	33
Table 5: US imports of Nigeria’s Agricultural Products	36

CHAPTER ONE

GENERAL INTRODUCTION TO THE RESEARCH

1.1 BACKGROUND OF THE RESEARCH

The history of Nigeria's foreign policy towards United States since the 1960s has constantly been evolving and changing. While the change in the relationship between Nigeria and the US can be said to be affected by a plethora of external factors (Adebajo and Mustapha, 2008:22), the principles guiding the relationship between the two countries remains the same. Importantly, Nigeria's foreign policy is deeply rooted in Africa with an emphasis on political and economic cooperation, peaceful resolution of conflict, promotion of Africa's development, and global nonalignment. Historical antecedents affirm that Nigerian leaders began to conduct her foreign relations under the political and governmental leadership of its Prime Minister, the late Alhaji (Sir) Abubakar Tafawa Balewa. His administration emphasized Africa to be the centrepiece of Nigeria's foreign policy. In spite of this, Sir Abubakar Tafawa Balewa still pursued foreign relations that was pro-West; particularly relations with Britain, Nigeria's erstwhile colonial master.

Several coups and counter coups in Nigeria led to the government of General Yakubu Gowon, who like Tafawa Balewa also had a pro-West outlook in his foreign policy. General Gowon entered into agreement with Britain, the United States and other Europeans countries. However, his administration reluctantly allowed the Soviet Union to open its embassy in Lagos (Ofoegbu, 1979: 135). The General Gowon-led Military Government was overthrown in a bloodless coup that led to the late General Murtala Ramat Mohammed and the retired General (now Chief) Olusegun Obasanjo's ascent to power. The assumption of power by these two strongmen served as a catalyst in the history of international relations as far as Nigeria was concerned. Their government injected new innovations and dynamism into the nation's foreign affairs. General Mohammed was prepared to counter the imperial moves of Western Powers especially the United States who had emerged as a major power broker in Africa particularly in Angola (Robert, 1991: 57). Britain and Portugal also became targets of the new military administration while not leaving Cuba, a surrogate of the Soviet Union both of whom were present in Angola, challenging the United States' (US) presence there. These Western Powers, Cuba as wells as South Africa became the focus of the Mohammed/Obasanjo military regime in Africa. Arguably, the clamour for power between the US and the Soviet Union during the peak of the cold way, made these super powers to

seek for allies and support from different countries. The polarization of the world between capitalists and communism can be described as the catalyst for the General Muhammed/Obasanjo regime to pursue confrontational diplomacy in its resolve to emancipate African countries that were still under the tyranny of colonial masters. The government also had conflict with the US in its bid to eradicate neo-colonialism, racism and apartheid on the African continent particularly in Southern African colonies (Davies, 1978: 15). With all these involvements in international politics, Nigeria became a regional power and centre of influence, particularly in Africa. The foregoing in addition to a viable economy up until the mid-1980s, emplaced Nigeria as a toast of many states seeking either the country's influence or support on global issues or financial assistance (Ate, 1987: 93).

The annulment of the June 12, 1993 Nigerian presidential election and the ensuing human rights abuses and the failure of the country to embark on a meaningful democratic transition can be described as a watershed moment in Nigeria's foreign policy. As a consequence of the foregoing, the United States imposed numerous sanctions on Nigeria. These sanctions included the imposition of Section 212(f) of the Immigration and Nationality Act to refuse entry into the United States of senior government officials. The act also barred others who formulated, implemented, or benefited from policies impeding Nigeria's transition to democracy; suspension of all military assistance; and a ban on the sale and repair of military goods and refinery services to Nigeria. The U.S. Ambassador was recalled for consultations for four months, after the execution of the Ogoni Nine on November 10, 1995. After a period of increasingly strained relations, the death of General Abacha in June 1998 and his replacement by General Abubakar Abdulsallam opened a new phase of improved bilateral relations. As the transition to democracy progressed there was also the removal of visa restrictions. The caused increased high-level visits of U.S. officials, discussions of future assistance, and the granting of a Vital National Interest Certification on counter-narcotics, effective in March 1999, paved the way for reestablishment of closer ties between the United States and Nigeria, as a key partner in the region and the continent (Adebajo and Mustapha, 2008: 80-120).

When the new democratically elected government in Nigeria took power in 1999, the United States (US) pictured a bright future with a strategic country in the African sub-region. They envisioned a strong partnership in political, economic and security realms. Although, the US has consistently labelled their bilateral relationship with Nigeria as 'excellent', however, a number of recent events have meant that Washington has been challenged to take a fresh look

at its relations with Abuja. Nigeria was at the forefront of African countries that publicly opposed the US invasion of Iraq in 2003 (This Day Newspaper, 2003).

The growing influence of Islam in northern Nigeria has also been a cause of concern to some policymakers in Washington, particularly in light of America's war on terrorism. Diplomatic relations between the two appear threatened over the foiled attempt by a Nigerian, Umar Farouk Abdulmutallab to blow up a Northwest Airlines jet on Christmas Day (December 25, 2009) which led to the inclusion of Nigeria on US terrorism watch list. As a consequence, the Nigerian Senate gave the United States authorities a seven-day ultimatum to remove Nigeria from their watch list (Tell Magazine, 2012). Despite the challenges that marred Nigeria-US relationship in the turn of the 21st century, the bilateral relationship continued to improve, and cooperation on many important foreign policy goals, such as economic collaborations and regional peacekeeping has been good.

The Nigerian government has also lent strong diplomatic support to the U.S. Government counter-terrorism efforts in the aftermath of the September 11, 2001 attacks. The Government of Nigeria, in its official statements, has both condemned the terrorist attacks as well as supported military action against the Taliban and Al-Qaeda between 2007 and 2012. More so, Nigeria plays a leading role in forging an anti-terrorism consensus among states in Sub-Saharan Africa (Tell Magazine, 2012). Given this, it is the general aim of this research to explore the ties between the two nations and to identify the merits and demerits of the relationship. Of particular focus to this study is the nature of Foreign Direct Investments between the two countries from the year 1998 to 2012.

1.2 RESEARCH PROBLEM

Arguably, the trade relations between Nigeria – a developing nation, and the US – a developed nation, are expected to stimulate socio-economic development in the former. Bilateral trade relations in the foregoing view are expected spur sustainable economic, industrial and technological development in a said developing country. Since Nigeria's independence, poverty and inequality levels continue among other such social malaise. According to the United Nations Human Development Report (2015), Nigeria is rated among the poorest nations in the world based on the number of people living on less than US1\$ per day. Given this high levels of poverty and the poignant underdevelopment in Nigeria, there is very little to show for the FDI that has been accruing to the country. That is to say it is difficult to ascertain the positive socio-economic benefits of the Nigerian – US bilateral trade

relations; despite the over three decades of trade relationship between the two countries. Against this background, this study using Patrick Bond's revisionist version of the Dependency Theory intend to examine what it views as the skewed nature of the relationship between the two countries.

1.3 RESEARCH PROPOSITION:

An unequal balance of trade relation between Nigeria and the US could be fingered for the socio-economic and developmental challenges in Nigeria. The study proposes that the US as a super power should have a moral responsibility to ensure that developing nations achieve their developmental goals.

1.4 AIM AND RATIONALE OF THE STUDY:

The aim of this research is to examine the US bilateral trade relationship with Nigeria with the aim of ascertaining who is at the benefiting side in the relationship as well as the impact of the relationship on the economic development of Nigeria. This study is motivated by the rising level of poverty in Nigeria as it continues to loosen her trade boundaries with the US. As such, this study seeks to analyze and establish a correlation between this loosening of trade boundaries and Nigeria's high level of poverty. That is, to analyze if the former could be a contributing factor to the latter.

I. 1.5 RESEARCH OBJECTIVES AND RESEARCH QUESTIONS

This study is significant, as it will come up with possible solutions that could inform Nigerian policy makers on what approach to adopt in enhancing Nigeria's benefit in its trade relation with the US. One reason why a country such as Nigeria trades with the US is to maximize profit while reducing the cost. However, some factors, such as trade imbalance may yield an opposite effect. Thus, the investigations in this research could point out the existence of such imbalance in US and Nigeria's case and as well point out the factors that contribute to such imbalance, as well as proffer suggestions that will help enhance Nigeria's benefit in the relations. Owing to the fact that, the bilateral relations between Nigeria and the US from 1998 to 2012 had a dual character: acrimony and friendship.

It can further be ascertained that between 1999 and 2003, the relationship between Nigeria and the US was cordial. Between 2003 and 2004, the relationship degenerated into a full-scale diplomatic tussle where Nigeria regarded the invasion of Iraq by the US government as

inappropriate. Between 2005 and 2009, diplomatic relations were cordial with an increase in economic activities. From 2009 and 2010, the relations between the two countries turned sour because of Nigeria's inclusion on the terrorists' list by the US government. Between 2011 and 2012, their relations became stable and entered a new phase of strategic partnerships in the fight against terrorism. The steps taken by these two countries to stabilize their relations during these periods call for careful study. Moreover, since the focus of the research is on Nigeria-U.S bilateral trade relations, it is being proposed that their relationship is primarily driven by economic motives. This in turn shapes other areas of the relationship between the two countries. Nigeria's economy represents hope, not only for West African countries, but also for foreign powers such as the US who believes that Nigeria has a leading role in the Africa Growth and Opportunity Act (AGOA), as it is believed that the country's role would provide the motivation for other African countries to follow. As such, the research seeks to respond to the following questions:

- i. How does AGOA influence Nigeria-US economic relations from 1999 to 2012 particularly on the FDI?
- ii. What are the roles of US owned MNCs in the Nigeria-US bilateral relations?

1.6 SIGNIFICANCE OF THE STUDY

This study is significant, as it will come up with possible issues that could inform Nigerian policy makers on what approach to adopt in enhancing Nigeria's benefit in its trade relation with the US. One reason why a country such as Nigeria trades with the US is to maximize profit while reducing the cost. However, some factors, such as trade imbalance may yield an opposite effect. Thus, the investigations in this research will point out the existence of such imbalance in US and Nigeria's case and as well point out the factors that contribute to such imbalance. The study will also provide suggestions that will help enhance Nigeria's benefit in the relations.

1.7 RESEARCH METHODOLOGY:

This research adopts a qualitative method, with a descriptive approach. Qualitative method is applicable when variables involved in the research are not controlled (Henning, 2004:1). Unlike quantitative research which measures the variables involved in a study and draws inference from there, without the researcher's own views or opinions (Henning, 2014),

qualitative research is biased: it is open to the researcher's own interpretation or views. In qualitative research, the researcher wants to understand and explain, with arguments and with the use of data from literature, what a study's phenomenon or phenomena are about (Henning, 2004). Qualitative research takes its inquiries further from the question of what happens, to question how and why it happens. This point justifies the use of qualitative method for this study, as the study involves understanding not only what the nature of US-Nigeria trade relations is, but also why the widening US-Nigeria divide. Besides, a qualitative research approach involves allowing for an open-ended views on the themes studied, in order to allow for better understanding and explanation of the phenomenon under discussion.

This study will primarily rely on a qualitative analysis of secondary data. Some researchers doubt the credibility of secondary data on the ground that the facts therein can be easily manipulated for polemical motives. Hopkins (1980) asserts that when using secondary data, researchers can easily attach meanings and interpretations to the phenomena (cited in Miriago, 2014). However, while sourcing data from a primary source may be more credible for an academic research such as this one, secondary data could also be useful. This is because the study could not engage in collecting primary data due to time constraint and other factors. Any rigorously tested and accepted data from academically accepted sources can be used for an academic work such as this one. What also matters is whether the sources of the secondary data are genuine, or have undergone the criteria required to establish their truth-value.

1.8 DATA COLLECTION

Secondary data will be derived from academic journals, policy documents, newspaper articles, *inter alia*. Additionally, data that contain statistical or numerical values will be sourced from dossiers and publications and particularly from the Central Bank of Nigeria's Statistical Bulletin (2014), the United States Census Bureau (USCB) of 2015, and the US Department of Commerce (2014). The research design used is therefore a documentation review of the literature on economic globalization and its impact on the North-South divide and most especially, those on the US-Nigeria bilateral trade relation. To reiterate, data will be sourced from published books, articles in academic journals, newspaper articles and theses and dissertations. Due to a lack of primary data, the research will be limited to making inference and analysis from an array of literature. With the data from these sources, the study

will be able to draw reasonable conclusion and make suggestions based on the research problem and questions it seeks to address.

1.9 DATA ANALYSIS:

This adopts a qualitative analysis of secondary data, in the form of a thematic content analysis in order to make some evaluations and thereafter, draw inferences. Thematic content analysis is apt for a descriptive presentation of qualitative data (Anderson (1997), an approach that this study seeks to use. Anderson also suggests that a thematic content analysis is used when the study involves identifying, examining, and reporting patterns or themes within a data (1997). This study involves identifying the trade patterns in US-Nigeria relations. Specifically, it involves analyzing the dynamics of import and export exchanges between the US and Nigeria. This will help to understand as well as determine the impact the relationship has on Nigeria's economy, development rate and poverty rate, which are all determined largely by Nigeria's GDP.

1.9 SCOPE OF THE STUDY:

According to Reuveny and Thompson (2007:108), economic globalization involves multiple dimensions. It involves transnational dissemination of goods and services (trade) transfer of physical capital (Foreign Direct Investments), transfer of financial capital (portfolio investments) and transfer of labour. Though economic globalization comprises these many facets, this research will not address all these facets. Due to time constraint, the statistical examination in the research will concentrate mainly on trade and Foreign Direct Investments.

The research will deal essentially with the correlation between Nigeria's trade openness with the US and Nigeria's rate of economic growth. Since economic globalization anticipates that openness of the South to import, and investments from the North will help boosts the South's economy. The import/export exchange between Nigeria and US will be analyzed to understand how the financial accrument of such has not translated to significant socio-economic development in Nigeria. The study will engage in an analysis of import/export exchange between the countries from 1998 to 2012 through the fulcrum of the FDI flow.

1.10 THEORETICAL FRAMEWORK

It is apparent that there has been some form of disputations in the academic world over the use of the Dependency Theory particularly in this century and age. This study however adopts Patrick Bond's improved and revised version of the Dependency Theory, which

engages with the primary questions this research seeks to answer. For Patrick Bond (2017: 67), the simplest explanation of the Dependency Theory is that the North gets richer the more it exchanges with the South; and the South in turn gets poorer because of a value transfer. This value transfer happens as African countries import capital and consumer goods with high surplus value while they export local products with low value. A more complex version of the Dependency Theory, which was worked out in Brazil among other places, articulates the problems related to dependent and weak economies without the ability to form backward-forward linkages.

For Bond (2017: 68), the 1980s brought in new ways of understanding uneven development. Bond's (2017) work contributes interesting insights into extreme inequalities in Africa, among other things. A core understanding of the improved Dependency Theory has also been developed based on an examination of colonial power relations in Africa, dating from King Leopold's Congo, the plantation systems, and settler colonial taxes, to exploitation related to multinationals of this day. Bond believes the theory remains relevant even more so today because the North-South system of extraction is extreme and complex, because of international trade.

The explanatory power and the relevance of the Dependency Theory hinges on its ability to show and explain power relations. A number of examples can further demonstrate how the theory remains relevant. Take for instance Bond reference to HIV/AIDS; Bond considers this to be one of the biggest threats to Africa. He notes that drugs for HIV/AIDS, which were developed in the North, were heavily priced in the 1980s and 1990s at 15000 USD per person per year. African countries depended on the North for HIV/AIDS medication and this siphoned off their financial resources. Today, however, most African governments have facilities with the United Nations that allow for access to HIV/AIDS medicines for free after some heavy advocacy.

Bond (2017: 70) also draws on other examples to which the Dependency Theory can be applied. He refers to the Zimbabwean migrant labour system. Northern capitalist systems with sophisticated extraction systems like mining houses or big plantations, and how they attract African labour that is ultra-cheap, and they usually depend on women who are reproducing labour power and subsidizing the capitalist system through their social production. Dependency continues to manifest itself in a variety of forms, including the manner in which medical and pension systems are developed and executed, with greater

benefits accruing to big multinationals rather than to workers. For Bond, such cases underscore the continued relevance of the Dependency theory.

Further still, the Dependency Theory is even more relevant if we are to understand the relationship of Africa with the BRICS countries (Brazil, Russia, India, China and South Africa). Bond (2017: 71) notes that this relationship can be contextualized within the Dependency Theory in two ways. Firstly, the systems of exploitation are more amplified because when the Chinese, Brazilians, Indians, Russians and South Africans work in Africa they are more extreme and exploitative than Western countries. The same scenario appeals to the US-Nigeria relations, which is seen as more exploitative in nature than collaborative. The latter have systems of accountability, shareholders, corporate responsibility and there is the World Bank and other international institutions impose even groups that campaign against systems seen as unjust. Such involvement is limited when it comes to BRICS and their relations with Africa. It seems BRICS countries' main objective is simply extraction and maximum exploitation, and in this vein, the US relations with Nigeria has similar tenets.

Bond (2017) again gives the example of a manager of an Indian company based in Zambia who is on YouTube at a publicized event boasting that they bought a copper company for 25 million and now they were making 500 to 1000 million dollars a year. Bond also referred to the case of the Zimbabwean diamond production, which was dominated by Chinese capital and operated under shady deals and connections between the Chinese and corrupt government ministers. The country lost some \$15 billion and was only able to account for \$2 billion. Bond is of the opinion that the exploitation of Africa and her resources by the BRICS countries is much more amplified by the companies (FDI) from these countries which are desperate because the rate of poverty is worsening in their countries of origin and in some cases there is an extreme dependence on raw materials from Africa. The second way in which the Dependency Theory can be contextualized is by the manner in which the BRICS countries have operated in relation to both the North and South. According to Bond (2017: 68), the BRICS countries have become "sub-imperial deputy sheriffs for world imperialism," through their role in the World Trade Organization, the IMF, and the Paris Club. For Bond, this is well articulated in the manner in which the countries that make up BRICS have been helping to propel multilateral imperialism as sub-imperialists with a regional accumulation agenda. South Africa, for example, has helped legitimize multilateral institutions in the region that reflect the interests of the North.

Another aspect of the Dependency Theory that Walter Rodney and other scholars refer to is the aspect of the petit bourgeoisie in Africa. Dependency analysts observe that there was a problem in the corporate world when the African elite make alliances with the Global North. Bond refers to South Africa's former president Thabo Mbeki as one extreme case because of his New Partnership for Africa's Economic Development (NEPAD), which is a brainchild of the West seeking to promote and legitimize neo-liberalism. For Bond, Mbeki is not critical of the nature of the relationship between the West and Africa and sees nothing illicit in the trade relations. What Mbeki advocates for is a fairer trade relationship between the Global North and the South without attention to structural relations that make the latter poorer and poorer.

As such, the Dependency theory has its greatest strength in the effort it makes in understanding the material conditions of Africans. This is in stark contrast with other theories such as economic globalization and post colonialism. These theories like the Dependency Theory also make little effort to understand the material conditions in which the reproduction of African poverty occur. Such theories are satisfied with simple descriptions of some other contingencies associated with development without getting to the root of the causes of Africa's underdevelopment; in this context Nigeria's underdevelopment.

Despite its explanatory power in understanding the operations of multinationals, there has been a very low subscription to the theory by scholars over the years. This can be attributed, explains Bond, to how mainstream economics conceptualizes the theory. For Bond, the discipline of economics is so censorious that it is impossible to have a healthy discussion on issues of global power relations and their impacts on Africa's economic development. Broadly, Bond explains that these issues are discussed on the sidelines and not in mainstream economic discussions. To increase interest among economists in the Dependency Theory, Bond proposes that the theory should be discussed in relationship to structural inequalities as well as the concept of uneven and combined development. In this way, the Dependency Theory would be more robust to changing trends.

1.11 RESEARCH LIMITATIONS

Empirical data on the differences between the demand for manufactured products from US and primary products from Nigeria would have served to further underscore the claim of an asymmetrical interdependency between the two countries in their trade relations. Nevertheless, data on the actual measure of change in such demands were not easily accessible during this research. However, the unavailability of such data does not invalidate

the claims in this research as the fact of differences in export and import quantity and the decline in the US imports of Nigeria's agricultural products have served to cover up such unavailability.

1.12 STRUCTURE OF THE RESEARCH

The research is divided into four chapters as follows:

Chapter One gives an overview of the research: background /introduction and statement of research problem, research objectives and questions, research methodology: data analysis, data collection, research limitation, research proposition and theoretical framework.

Chapter Two gives a survey of the existing literature on impact of economic globalization on North-South divide as well as the US-Nigeria bilateral trade relations.

Chapter Three gives an analysis of the US-Nigeria bilateral trade relations. It explores the import and exchange between these two countries as well as the Foreign Direct Investment inflow into Nigeria from the US.

Chapter Four explores the role of multinational corporations operating in Nigeria and the role promoting the negative impacts of the US-Nigeria bilateral relations.

Chapter Five presents the summary and conclusion of the study. This chapter also presents policy recommendation based on the research findings as well as suggestion for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This research explores trade relations between Nigeria and the US. This is done in the context of economic globalization and its effects on the North-South divide. This chapter explores a vast array of expositions on economic globalization, the North-South divide, and US-Nigeria bilateral relations. The review is intended to emplace this study within the context of other studies that address the above-cited issues. Through the review, the study also seeks to uncover gaps in extant literature and further provide insight into how to address these gaps. In so doing, the study will make its own contribution to current and future studies on the US-Nigeria bilateral relations.

2.2.1 Relationship between Economic Globalization and North-South Divide

Several scholars have examined the North-South trade relation from the purview of globalization. Sarkar (2001) refers to the resurgence of Presbisch-Singer's hypothesis in the contemporary age of globalization. The foregoing hypothesis suggests that on the long run, prices of primary goods such as crude oil, cocoa and coffee will decline when compared to that of manufactured goods (e.g. automobiles and computers). Due to this difference, Sarkar (2001) opines that revenue gains from the North will overweigh and threaten the macroeconomic stability of the exporters of agricultural products (ergo, Southern countries). The suggestion here is that as globalization and technology advance, and as population increases, there is likely going to be a fall in global demand for primary products of the South, a situation that will automatically lead to a rise in their trade deficit.

Several criticisms have been levelled against Presbisch-Singer's hypothesis. Sakar for instance records one of such criticisms; this line of criticism suggests that the hypothesis was based on myths rather than facts (Sarkar, 2001). Another contrary hypothesis to Presbisch-Singer's view is the classical position – the law of diminishing returns in primary products and the law of increasing returns in manufactures – which states that in a free and competitive market economy, and as population and industrialization rise, exchange values of manufactured goods fall compared to those of products from agriculture and natural resources like mines. In response to such criticism, Sarkar (2001) drawing from the United Nations (1948) statistical analysis of trade exchange and price changes between primary products and manufactures during the 60 years preceding 1938, observes that prices of primary products of

the South had fallen more than those of manufactured goods from the North. The resultant effect of such is the ensuing development enjoyed by the North at the expense of the South. This is also said to be due to the trade imbalance between the two regions.

Spence (2011) also observes that globalization has led to a reduction in transaction costs as well as a loosening of tariffs and other international trade barriers (all of which have been the instigated by economic globalization) over the past three decades. Spence (2001) studies the positive impact of globalization in the US, and he was able to accredit it with creating jobs and boosting the US GDP growth. He specifically focuses on the roles of US Multinational Corporations (MNCs), in helping to boost the US economy. He finds that the challenge for the US economy is to secure a stable position in the rapidly evolving global economy. Securing such a stable position would help the US maintain its dynamism and openness while providing its citizens with satisfying prospects for employment and a considerable higher quality or standard of life.

According to Samimi and Jenatabadi (2014), globalization has also had substantial effects on the economic, social, environmental and political lives of people. Drawing from empirical data, these authors examine the connection between economic globalization and the development of certain organizations. A case in point is the formation and the subsequent growth of the Organization of Islamic Corporation (OIC) between 1980 and 2008. They also investigate the connection between economic globalization and some set of complementary policies, as well as the income levels of OIC member states (Nigeria is a member state). Through a comprehensive review of a corpus of literature and drawing on some correlations, Samimi and Jenatabadi (2014) express that: (a) economic globalization affects economic growth of OIC countries positively; (b) the progressive effects of globalization on development increases in countries that maintain a higher level of human capital and profounder financial developments; and (c) economic globalization certainly affects growth. The benefit of such growth is however dependent on the level of income each group. This view is in consonance with Spence's (2011) view that economic globalization certainly appears to have a positive impact on the growth and development of a nation.

According to Munck (2010), the new international labour studies of the 1980s have been largely superseded by globalization. Munck (2010) studies the emergence of labour movements in South Africa. He importantly analyzes Polanyi's counter-movement theory as well as the World Bank's analysis of the banking crisis of 2008. He finds that globalization

seems to decrease labour opportunities in Southern countries. Munck suggests that there is a need to re-adopt the Marxist approach to economic practices and develop a new paradigm for considering globalization, labour and development. In contrast to Pologeorgis (2010), Munck seems to see globalization as posing a negative effect to developing nations. However, Munck's point of view is in line with Moon (2006) as they both see the exploitative character of economic globalization on the South.

Additionally, Pologeorgis (2010) opines that globalization aims to provide organizations with an outstanding competitive position by curtailing operating costs. Globalization also helps achieve huge production outputs, delivery of services and consumers' satisfaction. Pologeorgis (2010) further studies the components of globalization and its economic impacts on developed nations by looking at both its beneficial and harmful consequences. Through a comprehensive review of the effects of Gross Domestic Products (GDP), Foreign Direct Investment (FDI), and Human Development Index (HDI), on economic growth, Pologeorgis discovers that financial integration aids a nation to diversify its production base, and as well lead to an increase in specialized production (2010). In both Pologeorgis (2010) and Spence (2011), there is the assertion that globalization bears positive effects, in the sense that it increases employment opportunities as well as promote economic growth and development.

A converse argument that addresses the negative impacts of globalization is conveyed in the work of Moon (2006). Moon argues that the development gap between the North (developed countries) and the South (developing countries) seems to be widening as a result because of globalization. He posits that capital flows from the North to the South because of trade liberalization seems to be detrimental rather than provide positive benefits to the South. Moon conducts a quantitative analysis of the GDP per capita of OECD (Organization of Economic Cooperation and Development) countries in the early 1960's. He also examines statistical data from the World Bank and IMF on capital inflows into different countries and such countries' level of development.

By comparing the effects of capital flows into the North and South, Moon finds out that capital flows into the South causes trade deficits which seems to thwart the development of the South. He suggests that the North-South divide could be narrowed if the South emulates the economic policies of the North, that is, by prudently avoiding trade deficits. In contrast to Spence's view that economic globalization causes equity among nations, Moon is of the opinion that it poses a negative effect on developing nations. Akingbolu (2013) shares a view

akin to Moon's, as he maintains that globalization and its attendant economic liberalization exploits African countries.

There is also the suggestion that the introduction of the liberal formula for peace and prosperity in the 21st century was anticipated to facilitate a convergence of the North-South divide (cited in Reuveny and Thompson, 2008). Such convergence is expected to improve the development of countries in the South and effectually breach the development gap between the North and South. However, Reuveny and Thompson (2008) aver that the long-term growth of the world's economy, stimulated primarily by the West seems to be causing an opposite effect – that is increasing the development gap. By using time series data dating back to 1870 on systemic leadership growth, Northern economic growth, and Southern economic growth. Reuveny and Thompson (2008) discover that technological gains in the North only succeeds in expanding the North-South gap rather than narrowing it. These authors also established that the developmental problems in the South are underpinned by this uneven technological development. So poignant is the uneven technological development between the North and South that such problems are not anticipated to disappear soon.

An early study carried out by Reuveny and Thompson (2007), engages in an investigation into the extent to which economic globalization has been a global process. In other words, these authors investigate the extent to which its predicted effects – economic growth – have equally affected countries in both North and South. Despite the many facets of economic globalization, the authors focus mainly on trade and study the export openness between the North and the South from 1870 to 2003. Since development or economic growth is dependent or measured by the growth of a country's GDP, Reuveny and Thompson use the method of measuring the ratio of export value to GDP of both Northern and Southern countries. National GDPs of Northern and Southern countries are aggregated to form combined GDPs of North and South respectively. The authors also looked at the effect of systemic leadership of a country on its economic growth rate. They found that innovations in the lead economy create technological spurts and capabilities which improve its production, leads to new products and new and better goods distribution methods. All these factors add to increase trade openness and export rate in the North and the speedy development of the North other than the South.

Though the authors do not deny that economic globalization brings development, they assert that such development is not evenly distributed and they further suggest that due to this

unequal structure, the rate of development between the North and the South cannot be equal. This implies that the development gap between the North and the South is likely to keep widening than narrowing. They also found that since trade globalization works more strongly in the North than in the South, and since the former is more integrated into the world economy than the later, the former will keep experiencing more development than the later and their developmental gap will keep enlarging.

There has been a controversy between the World Bank and the United Nations regarding the North-South gap in the era of globalization. While the former asserts a narrowing gap, the later asserts the opposite. The United Nations suggests that the North-South gap is continuously widening except in a few Southern countries. Broad and Landi (2010) are of the view that, widening North-South gap is very conspicuous and as such, the World Bank's viewpoint is wrong. These authors discovered that the reason the World Bank thinks the North-South gap is narrowing is because it bases its research on aggregate data of both North and South; and the World Bank also establishes its result based on data from a specific but short period. The authors try to disaggregate the data in order to study the particular experiences of individual Northern and Southern countries. They discovered that while the North-South gap is closing between a few developing countries, the ten Big Emerging Markets, which form the large majority of Southern nations, are slipping backward. Of pertinence is Broad and Landi's (2010) findings that any conclusion that shows whether the aggregate North-South gap is declining or widening is determined by the particular period analyzed.

Besides the impact of economic globalization on among-countries inequality, its impact on within-country inequality is examined. Goldberg and Pavnik (2007) observe that despite the promise that globalization would help less-skilled citizens of a developing country to meet up with the skilled ones; current evidence show that countries with less-skilled citizen still lag behind. Inequality, low skills and similar factors that are attributed to underdevelopment are still rife in many of these countries. Reuveny and Thompson (2007) also measure the level of globalization (integration into world market) in a country by that country's degree of trade protection, its share of exports and/or imports in GDP as well as the magnitude of capital flows Foreign Direct Investment (2007) into the country. One difficulty encountered by these authors is how to measure within-country inequality due to changes in household income within short periods. This in a manner of speaking makes it difficult to establish a direct

causal link between globalization and inequality. As such, the authors shift their focus on the effects of globalization on the economic growth of a country since there are many channels to determine a country's level of economic growth (Golberg and Pavnik, 2007). It came to the fore that common understanding or widely accepted view of globalization does not conform to the experiences of many in developing countries because for two reasons. Firstly, the ambit used to investigate globalization and inequality in developing countries has expanded to include things such as trade in intermediate products, international capital flows, short-run factor mobility and firm heterogeneity. Secondly, several effects of globalization on inequality are based on country-and time-specific factors such as a country's trade protection pattern before liberalization, the country's system of liberalization and the different sectors affected, how a country adjust to changes in the global economic environment as well as other concurrent trends (Goldberg and Pavnik, 2007). Owing to this, it is recommended that when policy makers attempt to alleviate the negative distributional effects of globalization on a country, they should take cognizance of the nature of globalization and situation of individual countries.

2.2.2 US-Nigeria Bilateral Relations

According to Oluabunwa (in Akingbolu, 2013), the United States of America and Nigeria have strengthened their bilateral ties in a fresh move to expand the economic frontiers of the two countries. Oluabunwa made this statement in Lagos, Nigeria during the 2013 Trade Mission to the US. He makes a comparative review of balance of trade between Nigeria and the US and finds that such relationship is not in Nigeria's favour. He also notices the US tremendous investments in Nigeria especially in the area of Information Technology and other economic areas and doubts the consequences of such investments to Nigeria's future. Such a strong view of that the relationship between the US and Nigeria is lopsided in favour of the United States echoes in the work of several scholars (see Moon, 2006), who argue that African countries are always short-changed when it comes to relating with Western countries.

Having considered that crude oil constitutes the main export of Nigeria to the US, a study conducted by Odularu (2008) sheds some lights on the dynamics and the consequences of Nigeria's export to the US. Odularu (2008) attempts to particularly understand the US-Nigeria trade relations in the non-oil sector; he however delves significantly into the oil sector too. The author notes that in the 1960s and the early 1970s, Nigeria's export was mostly agricultural products. However, this trend changed after the 1970s, and crude oil became 96 percent of Nigeria's total export to the US. Using Difference in Difference

approach, the author observes that the massive increase in the primary export of crude oil causes a temporary appreciation in the exchange rate of the Nigerian currency while reducing world demand for other export products in the country. This led to the ‘de-agriculturization’ of the economy. However, the later effect is that the massive oil export caused a massive influx of foreign exchange as well as surplus of foreign currency into Nigeria. This moves drive down Naira (Nigerian currency) price of foreign exchange, which now leads to extraordinary increase in imports while export greatly declines. The massive influx of foreign currency into Nigeria is said to have a negative effect to the Nigerian economy as the prices of the imports became relative stabled since they depended on the entire world markets. The oil-boom economy then resulted in high prices for other utilities such as transport. Odularu (2008) suggests that in order for Nigeria to benefit from liberalization of the economy, she has to diversify her exports to non-oil goods.

According to Nnia (2013), Nigeria is among the African countries that are at the forefront of US – Africa trade partnership. This booming trade partnership between the US and Nigeria began in 1973 (Odularu 2008), and most of US imports from Nigeria since then has been oil and gas. However, US oil and gas import from Nigeria has experienced a considerable downtrend in the past few years. This downtrend reached its peak in June 2014, as US totally stopped importing oil and gas from Nigeria and this was because of the discovery of oil and gas in larger quantities in the US. During the presentation of Petroleum Industry Bill, Alison Madueke, the former Nigerian petroleum minister issued a statement thus: ‘I know many of you must have heard the Shale gas and the Shale oil revolution. This has literally knocked out Nigeria from the export to the US’. She predicted that due to such change in the global economy, Nigeria might experience economic stress in the future, suggesting that ‘Nigeria must adopt sustainable economic strategy’ (2014).

2.3 CONCLUSION

From the literature on economic globalization and North-South socio-economic divide, this chapter argues that cumulative evidence point to the fact that liberalization of trade between the North and the South because of globalization seems to be widening the North-South developmental gap. Several reasons have been expended to describe why the foregoing is the case. Reuveny and Thompson (2007) for instance analyze the trade openness between Northern and Southern countries by correlating the GDPs of both groups with the trade imbalance arising from their products exchange. They find that the North-South trade relations reduces the South’s GDP and growth rate; hence, it widens the North-South gap by

decreasing the South's rate of development. Another study by Reuveny and Thompson (2008) discover that the trade imbalance between the North and the South is due to a high technological advancement in the North. This facilitates the North's production of goods in larger quantities and with superior quality, when compared with those from the South who are still struggling with industrialization. However, these authors do not consider any case study of specific Northern and Southern countries in their analysis. Broad and Landi (2010) study the experience of individual Southern countries in their trade relations with the Northern countries. They discover that the North-South trade relations favours only a few developing countries while dragging back the development of majority others.

Similarly, literature on US-Nigeria bilateral trade relations suggest that such relationship benefits the later at the cost of former. Akingbolu (2013) assert that the tremendous amount of US import into Nigeria pales in comparison to Nigeria's exports to the US. In addition, it is assumed that such an imbalance is likely to be detrimental to Nigeria as it is likely to affect Nigeria's GDP and rate of development negatively. However, his study fails to substantiate its assumption. The study does not associate the dynamics of this imbalance of trade exchange with the dynamics of Nigeria's GDP and the country's rate of development to confirm its assumption. Such substantiation is important, as it would vividly point to the validity of the claim regarding the effect of imbalance trade exchange on Nigeria's development. Scholars like Odularu (2008) study the US and Nigeria trade in the oil sector from 1980 to 2004, and ascertain that a massive influx of Nigeria's oil into the US later led to a decline in oil prices, posing a negative effect on the Nigerian economy. This study covers not only the oil exports but also on the commodities Nigeria exports to the US. Covering Nigeria's net export to the US is important since Nigeria does not only export oil, but a few other products to the US. Besides, Odularu's study analyzes the trade exchange between these two countries between 1960 and 2004. This study will take its analysis from 1985 to 2015, a period that has extended away from where Odularu stopped. By extending Odularu's argument into a more recent period, the study will be able to assess the validity of Madueke's (2014) prediction that the cessation of US oil import from Nigeria (which started in June 2014) is likely to cause Nigeria future economic stress. In addition, the available literatures have not really identified area(s) that can enhance Nigeria's benefits from its trade relation with the US; and the areas where the country needs to engage in trade protectionism. Such areas can help to reduce the unequal trade terms. Part of the contribution of this study will be to look at such areas of benefits.

CHAPTER THREE

BACKGROUND, DYNAMICS AND ANALYSIS OF NIGERIA RELATIONS WITH THE US

3.1 INTRODUCTION

The assertion that the North-South relationship is lopsided in favour of the North pervades an extensive number of literatures. Essentially, several arguments have been propounded to show that the North enjoyed the fruits of the industrial revolution and they have also immensely benefited from globalization. One of such benefit is the advancement in the field of technology, which gave the West the capacity to produce goods at an improved quality and exponential quantities. There is thus a stark difference in the rate of technological advancement and production capacity between the two divides. Another important benefit of globalization to the West is also visible in the fact that over time, the West has enjoyed tremendous employment growth rates, socio-economic development; and when considered as a unit, they are a global hegemony. In global economics too, the South dictates a lot and their power is both *de facto and de jure*. This chapter focuses specifically on the US-Nigeria bilateral trade relations.

The chapter will give an overview of Nigeria's trade relations with First World countries, specifically, Britain during Nigeria's immediate post-independence era before the U.S. overtook Britain to become Nigeria's largest trading partner. The impact of the US-Nigeria relations on the agricultural sector of Nigeria will be also be discussed; and this will narrow down to an analysis of the import/export exchange between the two countries.

This chapter will also highlight the dynamics of the U.S. Foreign Direct Investment in Nigeria in order to assess its impact on the industrial development of Nigeria. The trade barriers that exist between the two countries will s be broadly explored. This is in order to assess their influence on the trade imbalance that exists between and U.S. and Nigeria.

3.2 THE BACKGROUND OF NIGERIA'S TRADE RELATIONS WITH THE US

Ojedokun (1972) notes that, prior to the 1960s Britain was Nigeria's major trading partner. As Nigeria's former colonial masters, it follows a logical course that the UK became Nigeria's leading trade post-independence. Prior to Nigeria's independence on the 1st of October 1960, raw materials were already being extracted from Nigeria to Britain. Due to the fact of colonialism, and the fact that a lot of raw materials were transported from Nigeria to the British's industries, there was also the exportation of some Nigerians abroad as slaves to

work in the Europeans factories. However, the post-independence era herald a new turn in Nigeria's trade relations with the First World nations as United States replaced Britain in the 1970s as Nigeria's leading trading partner. From the literature on US-Nigeria bilateral trade relations, Odularu (2008) notes that during the colonial years up until the early 1970s, Nigeria's exports were mostly agricultural products. Though crude oil was one of the export commodities during that era, agricultural products such as cocoa, rubber, palm kernels, palm oil and groundnut equally formed large part of Nigeria's export. However, some studies observe a change in this trend. This happened in the late 1970 when crude oil became 96 percent of Nigeria's total export, and this export was to the US.

The export of crude oil brought huge foreign capital influx into Nigeria. This resulted in a decline in the production and exportation of other raw materials. This shift to crude export is described as 'deagriculturization of the economy' (Odularu 2008). It is again observed that Nigeria's dependence on oil and only few other commodities for export render her vulnerable to fluctuations in world oil price. Such huge export also points to the visible influence the US could have on Nigeria's economy as it appears to be the controller of much of Nigeria's source of revenue. Of equal importance is the observation that the US only prioritizes its oil and gas imports from Nigeria, at the expense of other commodities or resources the country has to offer (a case in point is the fact that there is low export of agricultural produce to the US).

The prioritization and the singular focus on exporting oil and gas is culpable for the decline of other vibrant sectors of Nigeria's economy, specifically agriculture. Such situation, where a country abandons its backbone and main source of revenue to depend on a single resource like oil is described as the 'Dutch Disease'. (Ekundare, 1973). More than just crippling its agricultural sector, Nigeria's over reliance on oil export and revenues has also been fingered for the high rate of unemployment in the country. Ekundare (1973:32) notes that 'in 1970, about 70 percent of Nigeria's workforce was employed in agricultural sector'. The ability of the sector to create such jobs is underscored by the Nigeria's rich and arable land. Nigeria has very vast portion of land that can grow almost, if not all types of tropical crops.

As mentioned above, before the era of 'deagriculturization', Nigeria had been producing different and almost enough food capable of feeding the domestic population as well as serving as major part of export commodity. Ekundare notes that before 'deagriculturization' era, Nigeria had been self-sufficient as far as food production was concerned except in fish

and dairy products. The author also notes that ‘agricultural exports crops earn an average of between 65 and 75 percent of Nigerian foreign exchange, and provided the most important source of revenue for federal as well as state governments through export produces and sales taxes’ (1973:32). Nigeria constituted the top of the table of world’s exporters of agricultural goods such as groundnut, cocoa, vegetable oils and cotton. It is noted that at independence, the agricultural sector accounted for more than fifty percent of Nigeria’s GDP, and was the primary source of foreign earnings and government revenue.

Agriculture as a source of revenue steadily declined in the late 1960s due to government’s poor policies and inattention in that area. The role of petrol export in leading to the demise of export from the agricultural sector of the country cannot be overemphasized. The effect that the US has on ‘deagriculturization’ of Nigerian economy is not only matter of assumption. But it is also to be noted that following the assassination of Murtala Mohammed, and the subsequent ascent into power by Olusegun Obasanjo in 1967 heralded the adoption of US policies and styles of governance in Nigeria. So the influence that US might have had on the ‘deagriculturization’ of Nigerian economy and the change of other policies cannot completely be taken for granted. Today, Nigeria is said to have moved considerably from being a net exporter of food to close to being absolutely an import-dependent economy. Williams (2012:33) notes that ‘today, Nigeria still needs to import most of its food and only about 12 percent of the land is cultivated.’ The negative impact of such import dependency on the Nigerian economy is large and will be further discussed in the course of this paper.

More than just having a vibrant agricultural sector for a few decades after independence, Nigeria also exported some minerals such as tin ore and columbite (a by-product of tin ore). Ekundare (1973:33) notes that during that pre-1980s era, Nigeria served as the world’s largest producer of columbite, and was supplying a significant amount of the world’s columbite need. Limestone was, and is still being produced in large quantity, though it only serves local needs for the production of cement. It is of pertinence to further express the implication of Nigeria’s sole dependence on oil export. In terms of export earnings, crude oil exports account for about 85 percent of total government revenue of about 445 billion US dollars in 2011 (Williams, 2012). This places Nigeria among the eleventh largest producers of crude oil in the world, and the largest in Africa (Williams, 2012). Nigeria is also a member of the Organization of Petroleum Exporting Countries (OPEC) (William, 2012:34).

The British/Dutch firm, SHELL (of which the US has shares) is said to be the largest joint-venture oil company, producing about 50% of Nigeria's crude oil together with the Nigerian National Petroleum Corporation (NPC), the state-owned firm that has only 55% of the interest from SHELL. Williams (2012) thinks that such massive oil wealth should lead to a very wealthy country with a healthy economy, high standard of living of the citizens, and low poverty and unemployment rate. But this has not been the case as greater percentage of Nigerians are still suffering from abject poverty, the country has high unemployment rates and the standard of living keeps deteriorating. In 2012, it is recorded that about 57% of the populace live below poverty line as compared to the 43% in 1985. It appears that the rate of poverty in Nigeria increases as the loosening of trade boundaries increases.

Arguably, the early 70s was an era of tremendous growth and development for Nigeria as the country's economy expanded considerably (Ekundare 1973:34), and a lot of development projects were executed. Small industries were established which focused on import-substitution goods such as textiles industry in Kaduna, beer and soft drink industry, and building construction materials industries. The value of external trade was also expanding considerably, increasing from 152.1 million Pounds in 1950 to 385.6million Pounds in 1960 and to 571.9 million Pounds in 1969 (Ekundare 1973:35). This author also notes that during this period, increased in domestic exports was more than increase in merchandise imports.

3.3 US-NIGERIA EXPORT AND IMPORT EXCHANGE

The implementation of trade liberalization as well as Nigeria's continuous trade openness to the US has been at an increase over the last decades. A statement by the US department of Commerce explains that Nigeria is open for businesses, and call upon any US firms that is interested in investing in Nigeria to do so. This continuous reduction of export barriers to the US by Nigeria has ushered in lots of US multinationals such as Exxon Mobile, Chevron, Texaco, and so on. Trade liberalization has also facilitated a lot of export and import exchanges between these two countries. Nigeria exports to the US are mostly raw materials, majorly petroleum and gas products. US export to Nigeria includes lots of manufactures such as automobiles, computers, weapons, amongst other products. According to the globalization theory, the essence of trade openness between a developed and a developing nation is to facilitate the development of the economy and culture of the former (Reyes, 2001). A country's development is determined by her GDP rate. The GDP rate of a country can only grow when there is beneficial or equal trade balance. In the case of Nigeria and US, development of Nigeria would only occur when her trade terms with the US is either mutual

or more favourable to her. One criterion for determining a mutual trade relation between two countries is when the ratio of their exports and imports exchange is balanced. The table below illustrates the imports and exports exchange (in goods and services) between Nigeria and US.

Table 1: Exports and Imports Exchange between Nigeria and US (All amount in USD Million)

Year	Exports	Imports	Balance
1985	675.7	3001.9	-2,326.2
1986	408.8	2530.3	-2,121.5
1987	295.2	3,573.5	-3,275.3
1988	356.8	3,278.6	-2,921.8
1989	490.3	5,283.9	-4,793.6
1990	553.2	5,982.1	-5,428.9
1991	831.4	5,168.0	-4,336.6
1992	1,001.1	5,102.4	-4,101.3
1993	894.7	5,301.4	-4,406.7
1994	509.0	4,429.9	-3,920.9
1995	602.9	4,930.5	-4,327.6
1996	818.4	5,978.3	-5,159.9
1997	813.0	6,349.4	-5,536.4
1998	816.7	4,194.0	-3,377.3
1999	627.9	4,385.1	-3,757.2
2000	721.9	10,537.6	-9,815.7
2001	955.1	8,774.9	-7,819.8
2002	1,057.7	5,945.3	-4,887.6
2003	1,016.9	10,393.6	-9,376.7
2004	1,554.3	16,248.5	-14,694.2
2005	1,619.8	24,239.4	-22,619.6
2006	2,233.5	27,863.1	-25,629.7
2007	2,777.9	32,770.2	-29,992.3
2008	4,102.4	38,068.0	-33,965.6
2009	3,687.1	19,128.2	-15,441.1

2010	4,060.5	30,515.9	-26,455.4
2011	4,904.8	33,854.2	-28,949.4
2012	5,029.3	19,014.2	-13,984.9

Source: Based on Figures from the United States Census Bureau (2015)

From table 1 above, the trade exchange of 2012 has been calculated until August, 2012. The data reveal that the period between 1985 and 2013 experienced a very unequal balance of trade between Nigeria and US. From 1985, the unequal trade balance has been at the expense of Nigeria. The inequality in trade appears enormously between 2003 and 2012 as the US exports to Nigeria keeps increasing at an enormously huge difference compared to that of Nigeria. These trend only changes between 2014 and 2015 as the balance of trade started being in Nigeria's favour.

3.4 FACTORS THAT FACILITATE TRADE IMBALANCE

3.4.1 Tariffs and Non-Tariffs Trade Barriers

According to Pettinger (2012), tariffs serve as an important barrier to free trade. Tariffs are taxes that the government places on all imports into its state. Tariffs can come in form of taxes or regulations on the requirements pertaining the types and specification of goods to be imported into a country. It can be in form of payment of a certain amount per unit of goods imported. This payment is made to the receiving country by the importer of the products. Tariffs are imposed by a country to protect its industries from being overwhelmed by foreign competition. It is important to note that tariffs can impede the rate of international trading as they can scare away potential importers into a country that imposes high tariffs on their imports. Hence, the international community through its implementation of trade liberalization seeks to encourage more international trade cooperation through the regulation of tariffs demands of countries.

However, despite that tariffs could impede a free international trading cooperation, they are advantageous to the receiving countries. Tariffs raise revenue for countries that impose such tariffs on their import. A country that does not produce what its partner imports would either lower or increase tariffs for such imports, depending on the necessity of such goods to its citizens. For instance, a country that may not be able to produce Anti-retroviral drugs, but may need them for the emergency relieve of its citizens. Such a country would tend to lower tariffs on the importation of such drugs so as to avoid scaring away the producers and importers of such essential products. On the other hand, a country would impose greater

tariffs on similar import goods that are also produced by its local producers so as to protect its local industries from being threatened by the foreign products. A country can also use tariffs to guard against the influx of adulterated goods into its territory, as high tariffs on such goods have the potential to scare away their importation. Besides, in trade partnerships between two countries, the entire removal or lowering of tariffs brings about more welfare gains between the trading partners since it lowers the prices of such import products in the receiving country and as well lowers the cost of exportation for the exporting country.

The revision of Nigeria's tariffs levy on imports during the 2005 Trade Policy Review of the World Trade Organization (WTO) marked another era of Nigeria's openness to imports and tariffs gain as well. According to 2006 National Trade Estimates Report, tariffs on external imports are the second largest source of revenue for Nigeria after oil and gas. During the 2005 tariffs review, Nigeria adopted the common tariffs regulations used by the Economic Community of West Africa States. Accordingly, the new tariffs plan includes: zero duty on capital goods, machinery, and essential drugs not produced locally; 5 percent duty on imported raw materials; 10 percent duty on intermediate goods; 20 percent duty on finished goods; 50 percent duty on goods produce by local industries that governments seeks to protect; and zero percent duty on necessary items such as anti-retroviral drugs (National Trade Estimates Report, 2006). One important event that happens in the last decade, and which should stimulate Nigeria's export to the US is the introduction of the African Opportunity Growth Act (AGOA) by the United States. It is one event which should give Nigeria a great avenue and opportunity to enhance its export to the US.

According to Aganga (2014), the African Growth and Opportunity Act (AGOA) allow some African countries to export their products to the United States duty-free. The opportunity covers about 6,000 products from some eligible Sub-Saharan African countries into the US (2014). Nigeria is a beneficiary of the U.S. African Growth and Opportunity Act (AGOA), Generalized System of Preferences (GSP), and a signatory to the United States Trade and Investment Framework Agreement (TIFA) (Aganga, 2014). These different programs were put in place to foster, as well as expand the manufacturing and exporting sector of the Sub-Saharan African countries as they increase the quantity of their exports to the USA. Since trade is a major catalyst for development, the opportunity provided by the AGOA was also stipulated to help spur socio-economic development and reduce unemployment and poverty in Sub-Saharan Africa. Nigeria, being one of the Sub-Saharan African countries and an

eligible beneficiary of AGOA is not an exception to these benefits. Essentially, the opportunity of AGOA should help boost Nigeria's export into the US.

The effect of AGOA is noticeable in Nigeria's export rate, as Nigeria's exports to the US increased at a later time after the establishment of AGOA, the effect is still very minimal compared to the US enormous exports to Nigeria. The period beginning from the year 2000 which is the year AGOA was enacted – shows some significant improvement in Nigeria's export to the US. But this improvement only began few years after AGOA's establishment. There was no change in the export status of Nigeria to the US until after 2006. Despite such delay, AGOA can still be seen to have had, though too minimal, some significance on Nigeria's export capacity. The significance is too minimal as there is still huge trade imbalance between Nigeria and US. Such persistence of trade imbalance therefore calls for suspicion of some other trade barriers apart from tariffs that still hinder the full realization of the objectives of AGOA. There is evidence that apart from tariffs, there are still other conditions and criteria to be met by the exporting countries before they are fully eligible to benefit from the opportunity of GSP and AGOA. Some of these conditions and criteria, as listed by the office of The United States Trade Representative (2004) include: adoption of market-based economy, respect for the rule of law, respect for workers' rights, fighting corruption, and elimination of all barriers to US trade and investment in the country (cited in Didia, Nica, & Yu, 2015). These criteria are referred to as non-tariffs barriers.

Non-tariffs barriers (NTBs) constitute prohibitions, conditions, or market requirements that make international exchange of goods and services challenging. Non-Tariffs barriers include measures such as quality prescription given by the importing country to the exporting country, import bans, unjustified sanitary and phyto-sanitary conditions, fixing a minimum import price, demanding documents like certificate of origin from the exporter, demanding a certain standard of the imported products, lengthy custom procedures, putting quotas on imports, and so forth. Even though these measures are not seen as constituting export or import duty, they can pose some obstacles to the free flow of international trade as they are taken by governments and other authorities in a country to protect its industries from foreign competition.

3.5 US FOREIGN DIRECT INVESTMENT (FDI) INFLOW INTO NIGERIA

Another contribution to a country's ability to grow towards the level of its developed counterpart is the foreign direct investment (FDI) that enters into it. FDI helps a country's economic development and integration into the world economy. According to Ajayi

(2006:155), ‘FDI also has the capacity to improve a country’s development by crowding in other types of investments. Such diversity, according to Ajayi (2006), increase the overall investment, and hopefully creates positive spill over effects from the transferral of technology, knowledge, skills and expertise to a country’s domestic firms. When a lot of FDI, especially from technologically advanced nations, flow into developing nations, it can help spur development in the latter by boosting the quality of its production, thereby boosting its export capability. Though sometimes FDI could pose a negative effects to a country by causing more pollution due to influx factories and machines, (Ajayi, 2006), in overall sense, FDI, when handled properly with efficient states policy framework brings economic development (UNCTAD, 1999) (cited in Ajayi, 2006). At this juncture, this study will use the US FDIs in reference to FDIs which are as a result of the Nigeria’s bilateral relations with the US because most large US companies that operate in Nigeria, operate largely in the oil sector. Additionally, most multinational corporations are usually vehicles for establishing bilateral relations between countries.

The positive benefits of FDI in a country provide a motivation for why nations usually strive for diplomatic relations with other nations; this is in order to attract investors into their countries. In the case of US-Nigeria trade relations, the US FDI inflow into Nigeria is supposed to have a dual effect. In that, revenues generated from the FDI that flows from its relationship with the US, Nigeria’s economy and per capita growth is supposed to increase. A vibrant economy and healthy per capita income would on the same wavelength attract more FDI from not only the US, but from a lot of countries around the globe. The table below shows cumulative percentage of the US FDI inflow into Nigeria within the period of 1998 to 2012. As a *caveat*, it will almost be a herculean task to actually provide a sound synthesis of the way the money that accrues from all forms of US FDI in Nigeria. Reason being that corruption, lack of accountability and transparency, among similar social ills that plagues Nigeria can be blamed for the failure of such significant amount of FDI to translate into any tangible developmental achievements or improve any aspect of the country’s export or production capacity (Okon et al, 2008; Awolusi, 2012; Adeleke et al, 2014)

Table 2: Cumulative Inflow of US FDI to Nigeria, 1998-2012, (in percentage)

1998-2002	55.6
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2003-2007	43.6
2008-2012	36.6
1998-2012 (average)	33.4

Source: Based on figures from CBN's Statistical Bulletin (2012)

According to table 2 above, US FDI inflow into Nigeria has not been constant between the period of 1998 and 2012. The highest inflow was recorded between 1998 and 2002 at 55.6 percent, while the lowest was recorded between 2008 and 2012 at only 36.6 percent. The overall (average) FDI inflow from US into Nigeria between 1998 and 2012 is quite low, recorded at 33.3 percent.

Another important factor in promoting the optimal use of FDI in a country is argued to be in the ability of a country to diversify the money from FDI into different sectors of its economy (Awolusi, 2012). This is because diversifying the FDI wealth different sectors of a country's economy can have far much greater impact on the country's development. According to Adam Smith's concept of division of labour (which aims at enhancing specialization and development), and Heckscher-Ohlin Samuelson (HOS) model of international trade, a country is said to be improving if it specializes on the sector(s) of the economy on which it has comparative advantage (Sannasse, *et al*, 2014). It is also argued that 'for poor countries to grow rich, it is important that they modify their exports quantity and quality to meet the standard and need of the development countries' (2014). Thirlwal (2011:430) argues that it is only by increasing exports that the development rate of a country is upturned, without causing any deterioration in the balance of payments.

More than just being a source of FDI, Western countries have an ethical role to ensure that the countries where they practice or do business with are capacitated or aided with infrastructure, the human capital and the necessary tool that can lead to their development. This corresponds to Patrick Bond's view and the argument that the developing world needs to start making their mark in the field of technological development. It is argued that on the long run, a diversified economy and one that is not solely reliant on the production and export of primary commodities, stands a chance to match the West's pace and level of development. Similarly, the Food and Agriculture Organization of the United Nations (FAO) (2004) observes that lack of export diversification in developing countries causes a decline and fluctuating export earnings which negatively affects a country's level of income, level of

investment, and level of employment rate (cited in Sannasse, *et al* 2014). If more US investment in Nigeria is done in the area of industrialization, it has the potential of boosting its export capability, since the transfer of equipment, knowledge and skills into Nigeria will help boost the quality of its production. It will also help Nigeria to concentrate not only in oil for its revenue, but to be able to meet the world standard in producing technological equipment such as machines, computers, and so on and so forth. However, the flow of FDI into Nigeria for period of 1998-2012 suggests that most of its foreign investment happens in the area of mining, with very minimal in other areas. The table below shows the sectoral composition of FDI into Nigeria.

Table 3: Sectoral composition of overall FDI into Nigeria, 1998–2012, (in %)

	Mining & quarrying	Manufacturing	Agriculture	Transport & communications	Building & construction	Trading & business services	Miscellaneous Services
1998–2002	43.5	23.6	0.9	0.4	1.8	4.5	25.3
2003–2007	34.7	27.4	0.7	1.1	2.5	7.6	26.0
2008-2012	44.6	31.7	0.4	2.1	2.2	8.2	23.9
1998–2012	33.0	31.9	1.4	1.4	4.1	15.2	15.2

Source: Based on figures from CBN’s Statistical Bulletin (2012)

According to table 3 above, much of FDI inflow into Nigeria goes into the mining and quarrying sector, recording its average between 1998 and 2012 at 33.0 percent. This marks the highest of all the FDI inflows between the period of 1998 and 2012. Manufacturing sector ranks second highest among the recipient sectors of the FDI. The lowest sectors to receive FDI are the agricultural and transport and communication sectors with their average between the periods being recorded as only 1.4 percent for each of them.

Besides the fact that the most voluminous FDIs goes into the mining and quarrying sector, Nigeria is also seen to relying solely on oil for its revenue. But despite the voluminous export of Nigeria’s oil to the US, Nigeria’s GDP shows no considerable improvement and the poverty level keeps increasing year after year. Martin and Subramanian (2003), on their report gathered from The Nigerian National Bureau of Economic Research maintain that the revenue Nigeria gets from oil within the period of 1965 to 2000 has amounted to US\$350

billion. This is after payments to foreign oil companies have been deducted. This research also notes that in 1965, when Nigeria's oil revenue per Capita was about US\$33, the overall per Capita of GDP was US\$245 and in 2000 when the oil revenue rose to US\$325 per Capita, the overall Nigeria's per Capita remained unchanged from the 1965 level. Though there may be other factors that contribute to the ever increasing poverty rate in Nigeria, the fact seems to remain that the US relations with Nigeria creates no positive impact on poverty and development rate of Nigeria.

According to the report on the World Economic Forum on Africa (2014), FDI in mining and quarrying sector produces the least employment opportunities among all sectoral FDI. From this report, the US FDI in Nigeria between 2007 and 2013 (measured in US\$M dollars) together with the employment opportunities were as follows: 58 million Dollars invested in business services provided 154 jobs, 45 million Dollars invested in financial services provided 160 jobs, 243 million Dollars invested in retail and consumer products provided 1491 jobs, 1224 million Dollars invested in technology media and communication provided 951 jobs, and 1662 million Dollars invested in mining and quarrying sector provided 710 jobs.

The above stated report illustrates how minimal the contribution of FDI investment into some significant sectors of the Nigerian economy like the mining and quarrying sector of the economy; and the ability of these sectors to provide employment to Nigerians when compared to other sectors. The report can also be interpreted as demonstrating the inability of Nigeria to use the enormous amount of money from FDI to achieve optimal developmental progress. While Nigeria as a country faces myriads of socio-economic and political challenges, one would expect its relations with the US to provide an opportunity for the country's development. This is however not the case. Firstly, most of US/US owned companies are concentrated at where her (the US) national interest is, which is the oil and gas sector. Precisely, the implication of this is that the technological and industrial advancement of U.S. adds no significant impact to the less-industrialized Nigeria when the two involve in bilateral trade relations. Proponents of globalization anticipated that trade interaction between a highly industrialized nation and less-industrialized one will help advancement the industrial development of the latter. However, such anticipation seems not to manifest in the case of Nigeria and US trade relations. There is no significant improvement in the industrial and employment rate of Nigeria as a result of her bilateral trade relations with the US.

3.6 PATRICK BOND'S HYPOTHESIS AND THE ASYMMETRICAL NATURE OF THE US-NIGERIA BILATERAL TRADE RELATIONS

One important insight offered by Bond's hypothesis is that the world market place is not characterized by uniform market transaction. The world economic system comprises of powerful economies and relatively weaker ones. The powerful economies (the First Worlds) are industrially and technologically equipped, enabling them to enhance the quality and quantity of their export products, unlike the weaker economies (the Third Worlds), which deal mainly with primary products. The business transaction between these two economies work in favour of the former as the prices of their products constantly grow higher, leading to a decline in prices of the primary products of the later. This imbalance transaction keeps the weaker economies in an underdeveloped state, especially as they cannot rely on a steady flow of income, while continually raising the stronger economies whose products keep increasing in value as globalization unfolds. The reality of this hypothesis is found in the trade relations between Nigeria and US.

From table 1 above, the trade imbalance between Nigeria and the US is visible. The relationship works against Nigeria for a longer period of time, between 1998 and 2012. Nigeria's imports from the US for the period stated above greatly exceeded Nigeria's exports to the US. This can be explained in terms of the industrial gap between these two countries. With its higher industrialized system, the US is able to produce in larger quantity, and with low labour efficiency. This is not the case with Nigeria which is less developed in terms of industries, modern technology and management skills. Also, globalization has caused a lot of social changes and nature of demands in Nigeria. More and more Nigerians are keen catching up with the modern, especially in terms of information technology. This dynamics seems to generate an increasing demand of products such as computers, cellular phones, automobiles, and other forms of sophisticated machines. However, due to Nigeria's low level of industrial and technological capability, most of such products as mentioned above are not produced in Nigeria. As a result, Nigeria seems to increase their importation to meet the increasing demands of its citizens. Table 4 below illustrates the increasing growth in the importation (which also points to increasing demands) of varieties of products (both primary and secondary) in Nigeria.

Table 4: Percentage Growth Nigeria's Import Products (between 1998 and 2012)

Products	Trade value (Thousands)	Share in total imports (%)	Growth (%)
Passenger vehicles	751.058	1.27	185.40
Cell phones, video recorders and radio transceivers	749.061	1.27	446.84
Air craft engines	581.123	0.98	600.66
Telephones, fax and switching apparatus	416.696	0.71	244.16
Motor cycles	400.801	0.68	183.83
Computers, printers and storage units	222.263	0.38	22.13
Electric storage batteries	66.534	0.11	97.80
Cement	132.167	0.22	98.54
Refrigerators and freezers	95.879	0.16	148.34
Fruits and Vegetable Juices	11.110	0.02	-44.24
Prepared and preserved Fish	12.473	0.02	18.60
Bread, pastry and cakes	987	0.00	-88.79
Chickens	1,963	0.00	-3.60
Coffee	271	0.00	-14.60
Locust Beans	13	0.00	-99.03
Tomatoes	39	0.00	-32.89
Potatoes	38	0.00	-21.09
Flour and meal of oil seeds	35	0.00	0.00
Sun flower oil	1	0.00	0.00
Cocoa powder	29	0.00	-97.87

Source: Based on Figures from African Growth and Opportunity Act info (2013)

From the table 4 above, Nigerian importation of manufactured goods from the US shows a very high growth rate. Products such as vehicles, cements, refrigerators, freezers, printers and electric storage batteries show higher growth rate in import. On the other hand, primary products such as cocoa powder, flour, sun flower oil, locust beans, and chickens show backwardness in import rate. However, though the backwardness in import rate of the primary products may be due to other factors such as increase in domestic production of

those products, it is not out of point to say that the demand of such products in Nigeria has experienced a relative decline compared to the demand for technological equipment.

Moreover, not only do the demands of US products in Nigeria increase due to the differences in the products, it also increases due to the higher prestige and trust some Nigerians place on US products over their domestic products. A study conducted by Agbonifo and Elimimian (cited in Singh, 2010), it is discovered that Nigerians prefer US cars and spare parts to the cars assembled in Nigeria and spare parts made in Nigeria. In the study interview, 72 people were discovered to prefer Nigerian cars/spare parts while 74 preferred those of the US. The reasons for such preference were based on reliability, durability and fashionableness (2010).

As a matter of fact, the main export commodity that Nigeria has to offer to the US is crude oil, and other few primary commodities. Nigeria exports very few technological or finished goods. This implies that even if the demand and/or prices of Nigeria's products/exports to the US increases, the increase rate is most likely not to proportionate with the rate of demand of the enormous US products/imports into Nigeria. The US, with her relatively more technological and industrial advancement is in a better position to produce and as well supply more to Nigeria than Nigeria is capable of exporting to the US. Also, due to the tendency of higher quality and higher demand, the US now stand in an advantageous position to increase the prices and supply of her products to Nigeria. It also stands the chance of being the superior dictator of the terms of trade in the relationship.

The concept of asymmetrical interdependence in Patrick Bond's hypothesis posits that due to large expanse of market, alliances, and customers of the North, any threat posed by the North to withdraw from trading with the South is likely to arouse uncertainties in the South. Such fears arise because the South has relatively smaller market, few alliances and few trading partners, which makes it to want to cling unto the North. Such vulnerability gives the North more power to dictate the terms of trade in the relationship. In such circumstance, the North is most likely to dictate the terms of trade in its favour, even at the cost of the South. This is so, taking into consideration that the priority of any nation in its dealing with other nations is its own interest (Measheimer, 2005). This asymmetry depicts the situation of US-Nigeria trade relations in the petroleum sector in the year 2014. The US had been the largest buyer of Nigeria's oil and gas products since 1967. Nigeria had been enjoying the benefits of the transaction until the US withdrew from importing Nigeria's oil in June 2014. This withdrawal has been a serious blow to Nigerian economy, as Madueke (2014) reports that US cessation

to import oil from Nigeria will cause Nigeria a future economic stress. As said before, the reason for the United States to cease its importation of Nigeria's oil was because of the US Shale oil and Shale gas boom which has revolutionize oil production in the US, putting her in a somewhat self-sufficient position. This is the danger of incorporating the developing nation into the world economy, as dependency theorists anticipated that such incorporation works at the expense of the developing nations. Additionally, such incorporation in the form of bilateral relations has been argued, usually works in favour of the West; and when the West perceives that their interests are no longer being served, they can easily withdraw from such partnerships. Such withdrawal not only leave the Northern country in limbo, but the skewed benefit of such partnership is further visible in the inability of a said developing country to move forward because of a lack of capacity among other things.

Furthermore, low level of industrialization in Nigeria as compared to the highly industrialized US gives Nigeria a disadvantageous position in their trade relation. With the introduction of trade liberalization majority of Nigerian elites, instead of investing in their home country, fly their capital abroad for investment. One of the reasons for such abroad investment could be the exchange rate difference, whereby investments in the Dollar economy are likely to be of more advantage than investing locally. Another reason could be the corrupt situation of Nigeria that scares investors away. In whatever case, the point is that economic globalization, in this case, the liberalization of trade exchange between Nigeria and US tends to cause domestic capital flows from Nigeria abroad, primary due to failing domestic investment opportunities in Nigeria. This situation keeps Nigeria at a dependent position on the US. As illustrated in table 3, the greater percentage of US investment in Nigeria goes into mining and quarrying sector, a situation which works in favour of the US. This is because the essence of their investment in Nigeria is mainly to boost the oil, gas and other mineral production, of which greater percentage still goes back to the US.

Again, due to neo-colonialism, old patterns of exploitations still subsist. This is visible in the case of Nigeria and US relations. In this case, one can say that Nigeria serves the interest of US oil. US imports only very smaller percentage of Nigeria's finished products, such as apparel, shoes, clothing, automobile spare parts, and so on. *Prima facie*, the failure of Nigeria to develop its other industry and improve its export capacity has been blamed on corruption, conflict and bad governance. While this is true, the problem of Nigeria and the

inability of the country to develop at the expected pace can also be explained as a consequence of the nature of the country’s relationship to the West; particularly America.

Arguably, every country is responsible for its own development. This however begs the questions as globalization enjoyed success because of the promise it held to promote and help development in third world countries such as Nigeria. The promise is that the opening of the markets to Western markets, the exchange of trade between industrialized and developed nations will spur the industrial development of the less-developed nation. Globalization has brought about modernization, which in turn leads to growing demands for products such as computers, automobiles, and other finished products and modern facilities (Confirmed in table 4). However, the industrial status of Nigeria does not facilitate the production of all these needs. This renders Nigeria an import-dependent nation, since import of all these products is necessary to meet the growing demand of the ever-increasing population. This possibly explains the reason behind the trade imbalance between the US and Nigeria. Also, according to the AGOA (2015) report, US imports of agricultural products from Nigeria experience a perpetual decline within the period of 2011 and 2015. The table below shows US imports of Nigeria’s agricultural products.

Table 5: US Imports of Nigeria’s Agricultural Products (in 1000 US Dollars)

Year	2009	2010	2011	2012
Imports	83,910	80,827	57,172	66,503

Authors computation based on data from The US Department of Commerce (cited in AGOA, 2015)

From the table 5 above, US demand of Nigeria’s agricultural products experienced a considerable decline from 83,910 in 2011 down to 57,172. However, there was an increase, though little, in 2012.

3.7 CONCLUSION

This chapter has presented the analysis of trade dynamics between Nigeria and US. It first gave an overview of Nigeria’s trade relation with Britain in the pre-1960s era, before the emergence of US as Nigeria’s largest trading partner. Thereafter, an analysis of the export

and import exchange between these two Nigeria and US, between 1998 and 2012 was presented. The presentation and effects of US FDI in Nigeria were also explored. The existence of trade imbalance between these two countries was discovered to be detrimental to Nigeria. Consequently, the factors responsible for this trade imbalance, which include the differences in industrial level, the existence of non-tariff barriers were discussed. The chapter ended with a discussion of application of Patrick Bond's hypothesis (including the asymmetrical interdependence) to the explanation of trade imbalance between Nigeria and US.

CHAPTER FOUR

MULTINATIONAL CORPORATIONS AND NEGATIVE EFFECTS OF THE US-NIGERIA BILATERAL RELATIONS

4.1 INTRODUCTION

Over the course of this study, one of the arguments that was underscored is the fact that the US-Nigeria bilateral relationship has benefited the US more than it has Nigeria. Globalization, ergo, North-South bilateral relations rode on the promise of promoting socio-economic development and the improvement of human lives in Africa. This is not to deny the fact that Nigeria has accrued a lot of financial and other benefits from its relationship with the US. US import of Nigeria's crude has for over three decades been the major source of revenue to Nigeria. Additionally, all US owned multinational corporations (combined) are the largest source of FDI into the country.

In spite of the trillions of oil revenues that has accrued to Nigeria, the rate of poverty and underdevelopment in the country is appalling and is likely going to further tilt the scale against Nigeria. While Nigeria can and should be blamed for its failure to develop. There is another line of argument that can be established that places some significant blame on the US. The foregoing is based on the premise that since it is evident in an abundance of literature that US business companies (especially those in oil exploration) operating in Nigeria, the terms of, the nature and content of the US-Nigeria bilateral relations has always being favourable to the US. Again one would expect that the length of the bilateral relations Nigeria would have enjoyed a sustained level of growth.

This chapter will argue that the current socio-economic and security crisis facing Nigeria, among other challenges can be traced to the US-Nigeria bilateral relations, which takes the form of multinational corporations operating in the country. The aim of this chapter is to make a critical exploration of an often ignored aspect of the Nigeria-US bilateral relations, the operations of US owned MNCs in Nigeria. The supposition here is that, MNCs can be viewed as manifestations of globalization and the US-Nigeria relations. Importantly, MNCs, operate in a manner that fits the exploitative nature of the North-South relations. This thus makes them people of interest, as their role and impacts are also often cited as negative.

To further explicate, in broaching the issue of underdevelopment in Nigeria, the endemic nature of corruption in the country pervades an extensive array of literature. While the role of subsequent Nigerian governments in allowing the institutionalization of corruption in the country cannot be over emphasized, there seems to be a downplaying of how the US-

Nigerian relations can be connected – through the role of US owned Multinational Corporations (MNCs) – in the sustenance of corruption in Nigeria. At different points, this study has shown that inherent in the US-Nigeria relations is a business dimension. The argument here is that since the primary objective and aim of all MNCs is the maximization of profit at the lowest cost possible (see Amaeshi & Amao, 2008; Otusanya *et al*, 2012; Udoka, 2015:108); *ipso facto*, the socio-economic and political development of their host communities comes second to profit. The fact that the institutional instability, pervasive socio-political risks, ethno-religious restiveness *inter alia* that characterises Nigeria (Maiangwa, 2014; Okolie-Osemene, 2015) has not deterred the growing number and the continuous presence of MNCs – therefore the continued bilateral relations – in the country is a cause for concern and calls for more examination.

To argue to the aforementioned end, this chapter is divided into three sub-sections. The first section of this chapter engages in an analysis of the historical ties of MNCs and Colonialism. The aim here is to assert that the historical nature of the exploitative and predatory nature of colonialism still shapes the nature of the bilateral relationships between the West and third world countries. This is particularly visible in the exploitative relationship that exist between MNCs and their host communities. Essentially, the first section of the chapter supports the view of the North-South relations as a form of neo-colonisation and this effectually props the argument the trade imbalance and the underdevelopment in Nigeria and in Africa at large is as a result of the negative impact of MNCs businesses in the country.

In the second subsection, the chapter will show how MNCs have played a role in creating “bilateral” relations in Africa. The subsection also explicates the argument that the institutionalized nature of corruption in Nigeria should pose as deterrence for the US-Nigeria relations. Because for the US to continue doing business with Nigeria in spite of the US’s gospel of transparency and accountability begs the question, and further points to the fact that such bilateral relations are solely for profitability. The state of chaos in Nigeria could in a manner of speaking be described as a factor that seems to make Nigeria an attractive setting bilateral relations and for MNCs to invest in (the number of MNCs operating in Nigeria grew significantly since the exploration of Oil began in the late 1950s). Additionally, by leveraging some of the Anti-Corruption policies of MNCs¹ in Nigeria, and by citing examples of some MNCs corruption scandal, this chapter will further demonstrate that a lack of implementation

¹ Most MNCs are supposed to be guided by business ethics, and other legal parameters that seeks to promote transparency and accountability, in their home countries and in their country of business.

of the Anti-Corruption Policies of MNCs suggests that the interests of MNCs are best served as long as the vicious circle of corruption in Nigeria is maintained. The last sub-section of the paper will be a summary of the major arguments in the chapter.

4.2 BILATERAL RELATIONS, MULTINATIONAL CORPORATIONS, COLONIALISM AND NEO-COLONIALISM

A historical investigation of the origins of bilateral relations in the form of MNCs in Africa at large and Nigeria in particular has a strong link to colonialism. Udoka (2015:107) for instance asserts that the first multinational corporations were established to engage in “colonial expeditions at the behest of their European monarchical patrons. Prior to the era of New Imperialism, a majority of European colonies not held by the Spanish and Portuguese crowns were administered by chartered multinational corporations”. Udoka (2015) further stresses that through the deployment of MNCs, colonization was formally established and the end result of that “was the enrichment of the colonizer and the impoverishment of the colonized” (*ibid*).

A similar view is recorded in Folarin (2006) who emphatically states that the roots of MNCs cannot be divorced from colonialism; according to him, MNCs “constituted instruments of colonialism”. While (Folarin 2006; Awolusi, 2012; Akanegbu 2014) trace the origins of MNCs to the 15th and 16th century. These authors however concur that MNCs were quite instrumental in the establishment of colonialism in Africa. As Hopkins (1973) avers that the economic and commercial exploits of the Royal Niger Company in Nigeria, emplaced and fortified the establishment of Britain as the formal political power in Nigeria. Of equal importance is the view by Udoka (2015:107) that some MNCs like the Royal African Company provided “logistical component of the Atlantic Slave Trade, maintaining the ships and ports required for this vast enterprise. During the 19th century formal corporate rule over colonial holdings largely gave way to state-controlled colonies, however corporate control over colonial economic affairs persisted in a majority of colonies”.

Tenably, a pertinent conclusion that can be derived from (Hopkins, 1973; Folarin 2006; Awolusi, 2012; Akanegbu 2014; Udoka, 2015) analyses is that the role of MNCs in formally establishing colonialism in Africa set precedence for the predation and exploitation that nurtures the nature of the relationship between the West and African countries till date. In affirmation is the argument submitted by Moruku (2012) that any analysis of the political and

socio-economic issues in Africa has to take into cognisance the impacts of colonialism on the current political and socio-economic structures of ex-colonies. As Udoka (2015) sees it:

the economic impact of corporate colonial exploitation has proved to be lasting and far reaching, with some commentators asserting that this impact is among the chief causes of contemporary global income inequality. Contemporary critics of multinational corporations have charged that some present day multinational corporations follow the pattern of exploitation and differential wealth distribution established by the now defunct colonial charter corporations, particularly with regards to corporations based in the developed world that operate resource extraction enterprises in the developing world, such as Royal Dutch Shell, and Barrick Gold (107-108).

Again, similar to the North-South, MNCs are described as exploitative, predatory and imperialist. This is a common *leitmotif* that also pervades the Neo-Colonialist's argument in their assessment of the role of West in Africa. Osuagwu and Obumneke (2013) for instance, writing in the Nigerian context simply describe MNCs as "agents of imperialism". Their description of MNCs in this manner hinges on their examination of the nature, objective and *modus operandi* of MNCs in Nigeria. According to these scholars, the fact that the primary objective of MNCs is the maximization of profits and their (MNCs') view of Africa as a resource rich continent only serves to cement their role as neo-colonial agents. Some other quarters laud the positive role of MNCs in the development of Africa. These authors nonetheless concede that despite the presence of MNCs in Africa and the resultant increase in FDI (Tirimba & Macharia, 2014), creation of employment, technological transfer and development (Udoka, 2015; Mthombeni 2006); the fact that Africa still has high rates of poverty, inequality and underdevelopment begs the question.

The above reality in Udoka's (2015:108) view is as a result of the fact that "the operations of multinational corporations in the developing world take place within the broader context of neo-colonialism". Since it has been established that the *raison d'etre* for colonialism is economic exploitation, the same argument has been extended to describe the Nigeria-US bilateral relations, and equally the operations of MNCs in Africa. Take for instance Rise's (2005) exploration of the nature of MNCs in Africa; he finds evidence to support the argument that MNCs are agents of neo-colonisation. Rise ascertains a congruence between how colonial political and economic mechanisms were structured based on administrative convenience and economic exploitation with the current administrative and economic objectives of MNCs. He concludes that the reality of administrative convenience and economic exploitation that shapes MNCs is a modern extension of colonial rule through economic means – capitalism.

The broad understanding of MNCs as organizations that own or control “productions of goods or services in one or more countries other than the home country” (Udoka, 2014:109), the widely accepted fact that MNCs are driven by the “capitalist motif” – maximizing profit at the lowest possible cost (Onimode, 1982) has often led them to be fingered in “destructive activities such as damaging the environment, complicity in human rights abuses, and involvement in corruption” (Udoka, 2014:109). The preceding *inter alia* are factors that further cements the position of MNCs as Neo-Colonisers and further serves to affirm the negative effects of the Nigeria-US bilateral relations. As Udoka (*ibid*) tellingly states, “It is not in the nature of the MNCs to solve social or economic problems of the host countries”.

4.3 CORRUPTION AND MULTINATIONAL CORPORATIONS IN NIGERIA

Broadly construed, corruption can be described as the acquiring of illegal advantages through unlawful means. While illegal speaks of corruption as an action that contravenes a set of rules and principles; unlawful emphasizes that corruption is an immoral activity. The immorality of corruption stems from its negative effects which usually includes but not limited to promoting poverty, inequality and underdevelopment (Rogow and Laswell, 1963; Amusden, 2006; Rose-Ackerman, 2004). Again, corruption is defined as “Corruption is the abuse of entrusted power for private gain. It hurts everyone who depends on the integrity of people in a position of authority” (*ibid*). Corruption in this study will thus be construed as any act or practice that intentionally seeks to promote unlawful competitive advantage for personal enrichment and to enhance profit (Rose-Ackerman, 1999).

While MNCs’ operations in their host communities are supposed to be guided by the implementation of socially responsible practices, the fact that they are driven by profit and self-interest, makes the attainment of that quite difficult (Bakan, 2004; Otusanya, 2012). As Otusanya (2012:6) records, MNCs in principle are supposed to abide by codes of business conduct which usually includes “statements rejecting the payment or acceptance of bribes, collusion, pressure or illegitimate favour, either directly or through third parties whether public officers or private individuals”. In spite of the preceding, cumulative evidence (See for instance the Halliburton Scandal; Sagem SA) points to MNC’s engaging in illegal activities spanning from massive bribery to total neglect of socially responsible practices in their bid to secure competitive advantages and enhance their profits.

The divergence between MNCs supposed codes of conduct and their actually business practices is irreconcilable (Bakan, 2004). Similarly, Transparency International (2010) also

affirms that in spite of the “reported the strategies, policies and management systems they had in place to fight bribery and corruption... measures and initiatives to combat corruption in business have developed mostly in parallel” (:2).

More than just paying lip service to their supposed codes of conduct, MNCs’ have also been accused of proactively creating mechanisms that foster corruption. Okafor (2012) for instance describes the ability of MNCs to launder and provide safe havens for corrupt proceeds as one of such proactive role played by MNCs in sustaining the vicious cycle of corruption. Udoka (2015) goes further to express that MNCs will stop at nothing to maintain a status quo that is beneficial to their maximization of profit. As Otusanya *et al* (2012) view it; Western countries through MNCs have often been inculcated in providing infrastructures that aids corruption in developing countries. According to AAPPG (2006:20), “in many cases western companies and western agents have been guilty of offering bribes to government officials to secure contracts and other advantages”.

An extensive example of the role of MNCs in different bribery and corruption scandal in African abounds, Hackett (2016) for instance links the discovery and the extraction of oil as a major factor that contributed to the embeddedness of corruption in Nigeria. For Ades and Di Tella (1999:892), “Nigeria’s oil income created extraordinary opportunities for corruption”. Both Hackett and Ades & Di Tella’s analyses is derived from the fact that MNCs that are in oil exploration in Nigeria are quite quick to pay bribes in order to secure competitive advantage and it follows that as long as there are willing receivers (government officials), there will be willing givers (MNCs).

4.4 CONCLUSION

The aim of this chapter was to draw explore how the US-Nigeria relations negatively impact the country through the roles of MNCs practicing in the country, due to word and time constraints, the chapter speaks broadly of MNCs. Given the arguments in chapter 2 and 3 that affirm that majority of Nigeria’s FDI comes from oil exports to the US; and the fact that most US owned MNCs work in the oil sector supports such broad use.

The chapter argued that the colonial ties of MNCs have always left to be regarded as agents of neo-colonialism. Their objective (profit) their exploitation without implementing socially responsible practices further supports the commonly held view that they are agents of imperialism. MNCs desire for profit has often led them to be inculcated in different corruption scandal. However, their financial muscles and their global ties, MNCS are

important and dominant actors in the governance system and this places an onus on them to become important players in the fight against corruption in a country like Nigeria. As Hackett (2016:6) suggests, the endemic nature of corruption points to a weakness of institutions and leadership ineptitude, MNCs “as a dominant actor within the governance system, can act as a gatekeeper on government in the absence of strong accountability from the state”. While MNCs have played an active part in embedding corruption in Nigeria, it is time for them to play an active part in providing solutions to the malaise.

CHAPTER FIVE

SUMMARY AND CONCLUSION OF THE STUDY

5.1 SUMMARY

Aiding the poor nations to catch up with the standards of wealth and development of the rich industrialized nations was the general objective of economic globalization and the Third World Development Project. Narrowing the industrialization gap between the North and the South was seen as an effective means to achieve such objective of economic globalization. This was postulated with the hope that economic globalization and the North-South convergence would be a matter of direct proportionality. Trade interaction or relation between the North and the South was postulated to help transfer technological know-how, finance and other modern methods from the developed and industrialized North to help enhance the development and industrialization of the less-developed and less-industrialized South. This was hoped to gradually create a global and equal society as income gap was seen to be indirectly associated with rising industrialization gap. Investigation into the effectiveness of this proposition is what this study embarked upon.

The focus of this study was the US-Nigeria bilateral trade relations; to investigate the impact of this relations on Nigeria economy and rate of development. Following the postulations of economic globalization, the trade interaction between these two nations should be able to enhance the industrial and economic development of Nigeria. Such development should be able to reduce the poverty and employment rate of Nigeria. However, the findings so far during the course of this study shows very little development effect on Nigeria in her bilateral trade relations with the US.

This study has looked at Nigeria's experience of trade relations with the First World country, specifically, Britain during Nigeria's pre-independence era. It has considered the nature of Nigeria's trade relations with Britain during this era, before the advent of the US as Nigeria's largest trading partner in 1967. Before the coming of the US, Nigeria maintained a balance trade terms with Britain. However, the experience was different with the US, as Nigeria experience an imbalance trade terms with the US. Analysis of the export and import exchange between the two countries reveals that Nigeria's export to the US is relatively very small compared with US enormous import into Nigeria. This imbalance renders Nigeria more of an import-dependent nation, a situation which relaxes industrial and productive creativity of Nigeria.

The emergence of US as Nigeria's largest trading partner has also been found to render a diminishing effect to Nigeria's agricultural sector. This is because the US seemingly selfish interest in Nigeria is mostly Nigeria's petroleum and gas products. Such biased and selective importation appears to be one of the reasons behind the trade imbalance between these two nations, as US interaction with Nigeria seems to render Nigeria incapable of producing agricultural products to feed the teeming populace, with any surplus for export.

The effectiveness of AGOA on Nigeria has also been analyzed. The advent of AGOA was supposed to boost Nigeria's export to the US thereby facilitating a bridge of the trade imbalance between them. However, a closer analysis reveal that despite the cessation of tariffs barriers that impeded free export of Nigeria's good to the US, there also exist some non-tariffs barriers, which still makes AGOA not very beneficial to Nigeria. An example of these non-tariff barriers is the US anti-dumping policies which still put strict prescription on the goods to be imported into the US. These prescriptions, some of which Nigeria is not able to meet due to its industrial and technical know-how laxity, still make Nigeria's products incapable of competing in the US market.

The sectoral inflow of US FDI into Nigeria was also assessed. The analysis reveals that US FDI inflow into Nigeria shows some signs of US national selfish interest. Following the postulation of economic globalization, US interaction with Nigeria should be able to boost all sectors of development in Nigeria, most especially, the industrial and manufacturing sector. This would enhance the quality and quantity of Nigeria's products to compete in the world market. However, analysis shows that US huge investment in Nigeria happens only in the mining and quarrying sector, giving the industrial manufacturing sector a lower priority.

Based on the available literature and results, it can be shown clearly that terrorism looking at it from different perspectives is a serious threat to any country's national interest and foreign policy especially international business. The question is, what can be done to address the problem? Having known the genesis and the immediate cause of the activities issues of neglect, poverty, marginalization, underdevelopment, and youth unemployment in the Niger Delta region and northern part of the country, government should brace up to its responsibilities by addressing the problems. The government's intention to draw foreign investments into Nigeria was good, but it was noted that investors should be first assured of safety throughout the country and not just in selected locations and that government should do everything possible to arrest these sectarian killings; otherwise they will go all over the

country because we have very porous borders and our security is not as good as we expect it to be. From all indication, the security situation in the North has negatively impacted on the businesses activities nationwide. Although business operators were optimistic of an improved operating environment, the government still had a lot to do to boost the confidence level of investors and business owners. The fact still remain that despite the fact that the security situation is affecting northern branches, it is also affecting other business arms because most businesses are inter-twined and interconnected that whatever is happening in the North is almost grounding operations in the South and other regions-banking, communication sectors and so forth, No banking operations in the affected areas, even they have been disconnected from all network.

Generally, the research was done using the framework of dependency theory, which states that the South dependence on the North causes and underdevelopment in the South while boosting the development of the North. Greater focus was given the aspect of new dependency theory, the Patrick Bond's hypothesis which suggests that North-South trade relations is characterized by an unfavourable terms of trade on the side of the South. This hypothesis states that as globalization progresses, the primary products of the South will gradually lose value, giving priority to the finished products of the North. To an extent, the reality of this theory is revealed in US-Nigeria trade relations. As globalization progresses and as Nigeria's population increases, the demand for modern technological products such as computers, automobiles, foreign clothing, and other foreign (higher quality products compared to Nigeria's products) increases. But the foreign demand for Nigeria's primary products such as petroleum products is growing at a much slower rate compared to that of the finished goods, specifically from the US. At the same time, Nigeria's industrial sector is not growing, a sector which would help to enhance the quality and quantity of Nigeria's products and which would also help Nigeria's products to compete in world market in general and the US market in particular. Therefore, such differences in technological advancement greatly contribute to difference in the quality and quantity of products, which leads to an imbalance in trade terms. These differences makes the US and Nigeria bilateral trade relations a non-mutual one, with Nigeria at a losing side.

Again, to explore the negative impact of the Nigeria-US bilateral relations, chapter four delved into understanding the role of MNCs, particularly US owned MNCs, and how their operations is a form of neo-colonialism and how that also stands as a negative effect of the Nigerian-US bilateral relations

5.2 CONCLUSION

This research studied the impact of US-Nigeria trade relations on Nigeria's economy and development. It used the Patrick Bond's hypothesis to investigate the existence of imbalance trade terms as well as income differences between these two countries. It research has found that the US-Nigeria trade relations has no significant beneficial effect on Nigeria's economy and rate of development. Such conclusion disproves the proposition of economic globalization in this particular case. US exports to Nigeria have been very high compared to Nigeria's export to the US. This situation has created a trade imbalance between the two countries. Such imbalance is due to US dominance in technology, industrial development and management know-how, which gives the US a relative advantage in the production and/or exportation of modern technological products and other finished goods which, in this era of rising globalization and societal change, are in high demand in Nigeria. This gives the US an advantage of exporting voluminously to the teeming populace of Nigeria. The US protectionist policies such as imposition of non-tariffs barriers and the conditions of importation to the US are also drawbacks to Nigeria's export to the US.

Furthermore, the research has also found that US FDI in Nigeria concentrates solely on the mining and quarrying sector, a sector that serves the US interest. Very little investment is done in the industrial and business services sectors. At the same time, statistics shows that mining and quarrying sector provides the least employment opportunities, unlike the industrial sector which even a minimal investment has the potential of providing much more employment opportunities, but also enhancing the development, skills in Nigeria. With the above findings, this study has attempted responses to the research questions on: the effects of economic globalization on the US-Nigeria divide, the nature of US-Nigeria bilateral relations, and the impact of this relationship on Nigerian economy and rate of development.

5.3 RECOMMENDATIONS

It is true that as globalization expands, the nature of societal demands change. For a country to catch up with the changing nature of society caused globalization, it has to be able to produce goods that is in demand. For Nigeria to benefit from its trade relations with the US, it has to meet up with the industrial and technological of the US to be able to compete in trade. Therefore, it becomes pertinent that before engaging in trade with the US, Nigeria should first of all enhance its industrial development. This can be achieved first with competition with countries of same level of industrial development. More industrial advancement will relieved Nigeria from its import-dependent status. However, if Nigeria is

still keen at trading with the US, it should improve on its protectionism policies to enhance effective sectorial allotment of US FDI in Nigeria. Much of FDI should go into the industrial sector. Also, for Nigeria to benefit from economic integration with the US, each should negotiate their trade barriers to favour each other equally or each should reduce their barriers to zero.

Finally, this research used dependency theory to explain US dominance in its trade relations with Nigeria. This framework was able to explain how Nigeria occupies a subordinate or dependent position in the relation. However, other theories such as realism could be used to further explain this relation. Realism elaborates the interest-seeking nature of nations in their relation with each other. Realism also highlights the dominant nature and attitude of great powers in subordinating other nations. The combination of realism with dependency theory in a research like this would be able to highlight the US national interest in its relationship with Nigeria, which will help to further explain the reasons behind the imbalance trade relations. Therefore, such approach is recommendable in future study of this nature. Additionally, the study was able to establish that an equally important negative impact of the Nigeria-US bilateral relations is the promotion of corruption and underdevelopment as seen in the role played by MNCs in the country.

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