

## The Changing Pattern of International Trade: Import Substitution Policy and Digital Economy in Nigeria. A Review

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### **Abstract**

*The volume of global trade keeps dwindling in the last two decades, from the economic recession, insecurity to changing trade policies, and general environmental turbulence. However, despite these challenges, some developed economies and major emerging economies have recorded a substantial record of trade and investment across the world. Developing countries suffer unfavorable balance of trade, the digital economy, which most of these countries are still at the infancy stage, contribute to the severity of the scenario. This paper examines the current situation and status of international trade in Nigeria when the government re-introduced a policy that appears to be like import substitution, which many countries used in the 1950s, 1960s, and 1970s as replaced by the more successful export-oriented policy. The paper is a review of related literature on the subject matter and, therefore, it critically reviewed the concept of international trade, theories and other related concepts. Additionally, the study used secondary data as evidence-based for discussion and conclusion. The paper revealed the recent foreign trade policy and the establishment of ministry for the digital economy and its potential contributions to the GDP. It also highlights how Nigeria's foreign exchange can be used to invest in industrialization for job creation and economic growth. The paper recommended that, Nigeria should be proactive in responding to changing business climate across the globe by formulating policies that match with changing global trade policies. Similarly, Nigerian government should provide internet infrastructures that will facilitate easy access and connectivity to support the digital economy.*

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**Keywords:** *Digital markets, Economic growth, Import substitution policy, International trade.*

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### **Introduction**

Countries across the world establish trade relations with one another as a survival strategy to earn the necessary foreign exchange for development and sustainability. International trade is significant in many ways as no country that can produce all its needs in terms of goods, services, and other requirements by the citizens. Thus, it engages in the production and export in exchange for what they cannot produce and earn foreign exchange through trade and investment relations with other parts of the world (Lawal and Ezeuchenne 2017). In recent times, major economies are trying to review their trade relations with less developed economies, particularly the African countries. The global international trade keeps changing in the last three decades. For example, in the last few years, international trade patterns have been characterized first by anaemic growth (2012-2014), followed by a downturn (2015 and 2016) and then, by a strong rebound (2017 and 2018). However, the anaemic growth period emerged from the great recession of 2009, especially the surprising was the downturn of 2015 and 2016 occurred against the projected positive global real GDP growth (UNCTADa 2019). The world has been witnessing series of challenges that pose a threat to its trade, growth, and

sustainable development. These challenges include rising insecurity, economic recession resulting in budget deficits, political instability in the Middle East region, and many others, which recent literature called global turbulence. Global trade and the overall economy has been “zigzagging” over the years, before the late 1990s, trade’s role in the world economy has increased dramatically. The volume of global trade has grown much faster than output, and most countries have achieved the fastest economic growth and prosperity by increasing their activities in the world trade. However, there has been a replacement of the popular import substitution policies, widely used in the 1950s, 1960s, and 1970s, to export-oriented policies as responsible for East Asia’s high-growth economies. As a result of the above scenario, policymakers in many developing economies introduced more open trade policies during the 1980s to remedy the situation. Additionally, towards the end of the 1980s, many centrally planned governments that avoided market-based trade had either collapsed or made dramatic reforms that gave foreign trade and investment a significant place in their development programs (Martin 2003).

Nigeria’s trade performance on a global scale and its impact have been unfavorable, like many developing countries due to insincerity from the leaders, corruption, mismanagement, internal contradictions, and counterproductive measures. However, the country is rich with more than thirty-seven solid minerals and a population of approximately 200 million people, and it also has one of the substantial gas and oil reserves in the world, but, the economic prosperity of the country is rather miserable when compared to the emerging countries like China, Brazil, India, South Korea, Indonesia, Malaysia, and Turkey. Nigeria’s economy, in terms of GDP per capita, was either ahead or at par with these countries in the 1970s, but, in the last forty years, these countries were able to transform their economies the top and highly competitive on a global scale. In comparison, for example, Nigeria had a GDP per capita of US\$233.35 and ranked 88th in the world, while China had US\$111.82 GDP per capita and ranked 114th in the 1970s (Sanusi 2010). China’s economy is the second-largest in the world after the United States, mainly owing to her self-esteemed trade position (Lawal and Ezeuchenne 2017).

Recently, the Nigerian government had introduced a series of trade policies aimed at improving their performance internally and also to expand the country's participation and gain on both regional and global scales. This development is coming amidst dwindling global oil prices, rising internal security challenges, rising political instability, rising inflation, unemployment, budget deficits, and massive debt servicing as well as fluctuating exchange rate of the Naira. While trying to remedy the situation, the government closed the land borders to curtail the smuggling and importation of foreign rice and other related goods. That is in response to Nigeria's 2017 economic recovery and growth plan designed to expand investments in agriculture and increase the sector's contribution to economic growth from 5% in 2017 to 8.4% by 2020. The aim is to revive local production and save on food imports (over \$22 billion a year). However, this policy of replacing the importation to revive the agricultural sector appears to be like the import substitution policy (Leidong 2019).

Similarly, trading over the internet and other digital technologies continue to change the patterns of international trade across the world. Countries with high technology have progressively taken over this platform at the detriment of teeming developing countries that are battling with internet access, connectivity, and generally limited internet infrastructures. During the third quarter of 2019, the Nigerian government created a ministry of communication and digital economy to expand its share of digital activities on a global scale to increase the country’s foreign exchange and generate more employment to the rapidly

increasing population. The current paper will critically examine the changing patterns in global trade with a focus on Nigeria's new trade policies and prospective share of the digital economy.

### **Objectives**

The general objective is to examine the changing patterns of international trade with focus on the import substitution policy and digital markets in Nigeria, while the specific objectives are:

- i.** To identify the changing patterns of global trade concerning developing economies like Nigeria.
- ii.** To examine the recent Nigeria's trade policy and its link with import substitution policy
- iii.** To evaluate foreign trade over the internet and other digital technology in Nigeria and the prospect of the digital economy platform.

### **Conceptual Review**

#### **Changing Patterns of International Trade**

Previous studies have reported and projected the proliferation of trade volume from developing countries as there are more expectations in economic prosperity in the form of changing global trade dimensions. Many emerging economies have realized the importance of trade as an element of the dynamic development of their national economy. However, the prospects of imbalance between exports and imports have remained a severe challenge as it presents a negative aspect of the process. While the international division has provides countries with opportunities to improve their export potentials, yet the overdependence on imports results in unfavorable trade balances (Chervinski 2015). Moreover, developing countries are currently playing an increasing role in global trade. In 2006 alone, exports from these countries rose from 19.5 percent to 30 percent, while the share of exports from the BRIC countries (Brazil, Russia, India, and China) was slightly more than doubled (from 6 percent to 12.4 percent). China alone has tripled its share of world export from 2.7 percent to 7.6 percent. Thus, the share would have been higher if India, another large economy in the group performed as expected, instead it is share was a little above 1 percent in the year 2006 (Shimelse Ali 2009).

However, the global trade expansion is on the increase primarily due to increasing non-commodity exports, particularly the high-technology products like computers and electronics. Three significant trends characterize this paradigm shift: the rise of emerging market economies EMEs that remain symbolic trading partners; the increasing role of global supply chains; and the continuous shift in technology content toward dynamic EMEs. These developments in global trade have been linked with increased trade interconnectedness and have significant implications for trade patterns, particularly on how they affect the relative price changes (Riad, et al. 2012). Additionally, studies reported many other reasons responsible for the expansion in global trade and increased interconnectedness. Besides, the trade liberalization in the early 1950s has indeed contributed to reducing the trade barriers, starting from advanced economies to developing countries in more recent times. Another significant factor was the increasing vertical specialization in production and the subsequent emergence of global supply chains. Similarly, technology-led decreases in transportation and communication costs, which allowed for the fragmentation of production processes along vertical trading chains, which further stretch across several countries across the globe (Riad et al. 2012).

It is important to note that global trade is characterized by significant disparities between high- and low-income economies, mainly in regulatory areas that are central to doing business like company registration, trading across borders, credit delivery system, and enforcing contracts. That is, in addition to other variables of international trade that determines growth-seeking company to focus on one or the other of developed or developing economies, like infrastructure, culture and currency issues (World Bank 2017). The challenge posed by this trade financing is the most severe to importers and exporters, particularly SMEs in developing countries. After the 2008-09 global economic crisis, many SMEs in the developing countries have persistently faced challenges of accessing finances as the poorer the country, the more severer the challenge (WTO 2016). The unequal trade relations between developed and less-developed countries remain the subject of great concern, particularly among the developing countries. Many critics refer to the exploitation of foreign labor, environment, and that of abandonment of native labor needs as multinational corporations from developed countries establish businesses in countries with cheaper labor pools and relatively little economic or political clout. Thus, the practice becomes more evident after 1999, as trade talks were disrupted by globalization (Robinson 2020).

### **Import Substitution and Nigeria's Trade Policy**

The global economic development and sustainability require an increasing volume of trade and investment, increasing participation of countries and other relevant players amidst challenging global connectedness of the global economy. Therefore, trade remains a significant element in the dynamic development of the national economy. However, as earlier mentioned and supported by many studies on international trade, there is growing concern about the prospects of global trade concerning the tradeoffs and imbalance between exports and imports, which many times are a negative aspect of the process. Many developing countries continue to record a negative balance of trade due to increasing dependence on imports despite the supports of the international division of labor, which provides them with opportunities to increase their exports (Chervinski 2015).

Countries across the world develop trade policies to support their economic wellbeing. Thus, the first attempts of import substitution came as a result of the crisis of the western economy, referred to as the "Great Depression." The crisis saw many countries with the decline of the purchasing power of foreign markets, which results in a decline in the world trade. The most affected areas are countries of Latin America, whose economy largely depends on exports of raw materials to the United States and Europe. However, to close the gap created by this crisis, many countries adopted a new policy called "import substitution industrialization." Apart from the Latin American and Southeast Asian countries, many less developed countries (LDCs) have replaced primary-exports-led growth strategies with import substitution (IS) development strategies. The policies attempt to promote speedy industrialization and, therefore, start by creating high barriers to foreign goods to promote domestic production. The range of policies referred to as import substitution (IS), involves a package of control measures, restriction, and prohibitions, like import quotas and high tariffs on imports (Anushree 2000; Chervinski 2015).

The policies of trade restrictions, as adopted by many developing countries, are intended to support domestic industries to achieve comparative advantage and substitute domestic goods for previously imported goods. The implementation of IS policies is primarily believed to be a strategy for economic growth. Thus, it can be speedily achieved by actively substituting the economic activity from traditional agriculture and resource-based sectors to the manufacturing sector of the economy (Adewale 2017). These policies were prevalent in

the 1950s, 1960s, and 1970s, however, many studies considered the import substitution policy by many developing countries, as counterproductive. It is pertinent to note that while economic development involves series of government activities and policy directions aimed at achieving economic wellbeing, that is, to improve the inflow of trade, investment, as well as job creation (Shafaeddin, 2006; Adams, 2009). Similarly, countries operate in a dynamic and turbulent global environment, and therefore these policies, initiatives, and interventions are formulated and packaged based on specific consideration, which reflects the country's cultural background, leadership style, global events, economic philosophy, and natural phenomenon (Hill, 2014). Therefore, to achieve the goals of these initiatives, governments' should review, revisit, and amends the macroeconomic policies regularly (De Souza, Burlamaqui and Barbosa-Filho, 2005). There are lessons to learn from the long road map of industrialization achieved by the developed countries, that is, the series of policy initiatives and interventions that leads to the great industrial revolution (Sugihara, 2007).

Nigerian government realized the inconsistent impact of a series of trade policies and economic measures taken by both current and previous regimes coupled with global trade challenges and came up with measures to address the problems. The federal government established the Nigerian office for trade negotiations (NOTN) in 2017. The Nigerian office for trade negotiation coordinates the global trade policies at the domestic level. The agency attached much importance to trade relations by establishing a tightly inter-linked among significant trade-related policies. That includes the coordination of the "growth-development bond" between trade and investment policies, technology policy, industrial and competitiveness policies, and Nigerian Foreign Policy. The development of these policies will achieve the country's central agenda for modernization, diversification, job creation, and growth. Moreover, the trade and investment policies must reflect a market-based industrial policy, for it to achieve long-term development priorities (NATPOR 2018).

Nigeria, like many other countries across the world, is committed is using acceptable benchmarks of trade and investment to measure their contributions to GDP growth and job creation, which determine its growth and economic wellbeing. Since inception, the Nigerian office for trade negotiations has been working with relevant agencies to ensure a fertile ground for trade and investment policies, and that includes a critical assessment of the economy, particularly the macroeconomics aspects. Additionally, the NOTN provides statistics of major macroeconomic indices and that provide the academics, researchers, and other stakeholders with relevant data about the economy. For example, in the third quarter of 2017, the NOTN released the following statistics, in terms of employment, 14% (which represents 10.8 million natural persons) of the Nigerian workforce that engaged in trading. Also, trade accounted for 18% of the fourth quarter of 2018 recorded a growth rate of 2.38%, while in the fourth quarter of 2019, the economy grew by 2.55%. Thus, the figure is the highest and strongest since 2016, when the economy slipped into a recession. Similarly, the figure surpasses the projection of IMF, which projected 2.1% during the same period (NBS 2020).

With the above analysis, Nigeria emerged as the biggest economy in Africa, overtaken South Africa whose GDP shrank by 1.4% in the fourth quarter of 2019 as revealed by statistic South Africa (Asu 2020). The report further stated that Nigeria's economic growth surpasses all forecasts in the fourth quarter, helping the economy to expand with the increase in oil production coupled with the central bank steps to boost credit growth (Asu 2020). Nigeria recently introduced some policies to reduce dependence on imported goods and

improves domestic investment toward industrialization to expand its foreign exchange earnings and achieve a favorable balance of trade. Reports show that towards the end of the third quarter of 2019, the Nigerian government partially closed its border with Benin Niger and Cameroon to contain the smuggling of rice and other illegal import activities. Although Nigeria's action did not go well with governments and people of the neighboring countries, spectators within and outside the continent show great concern about the prospects of regional integration in Africa. Many believed that, is contradictory for Nigeria to take such action barely three months after the country signed the African Continental Free Trade Agreement. The agreement involved 55 member countries, with a combined GDP of \$2.4 trillion and a population of 1.2 billion. Thus, the agreement has the prospect of creating the world's largest free trade area. Moreover, the agreement is capable of improving intra-Africa trade, which is currently abysmally low at 16% (Liedong 2019).

The major problem facing the economy remains a historic monoculture nature of the economy as the oil sector remains the primary source of foreign exchange earnings in the country. Thus, crude oil alone accounts for over 95% and 90% of Nigeria's total exports and foreign exchange earnings, respectively. That means Nigeria continues to neglect other sectors of the economy, and the best practice across the world is to have structural linkages among the sectors of the economy. However, Nigeria attempts to respond to the dwindling oil prices on the world market, and, is ready to diversify and restructure the economy towards reviving other complementary sectors to achieve industrialization, employment, and sustainable growth and development. The country is directing its efforts towards policies that will support the agriculture sector, which suffers significant neglect since 1960 after the discovery of crude oil in Nigeria. The policies include the 2017 Economic Recovery and Growth Plan towards achieving sustainable investments in agriculture and improve its contribution to the country's economic growth from 5% in 2017 to 8.4% by the year 2020. The government plans to improve domestic farming and save on food and other raw materials imports with a projection of over \$22 billion a year (Liedong 2019).

### **Digital Economy in Nigeria**

Another significant influence on the global economy and trade is the emergence of the digital economy, which keeps evolving at breakneck speed. The system allows one to collect, use, and analyze large amounts of machine-readable information (digital data), as practically everything it is done in this way. The practice enables people to share information using the internet and other digital technologies almost instantaneously across the world. The digital data emerge from the digital footprints of business, personal, and social activities on different applications through various digital platforms. Moreover, there is also a significant increase in the Global Internet Protocol (IP) traffic, a proxy for data flows, from about 100 gigabytes (GB) per day in 1992 to more than 45,000 GB per second in the year 2017. However, the world is still in the early days of the data-driven economy, and by projection, the global IP traffic will reach 150,700 GB per second in 2020. That could be possible as there is an increasing number of first-timers getting connected online, by and large, the expansion of the Internet of Things (IoT). The concept of a digital economy is reported in the literature as that aspect of economic output derived primarily from digital technologies (ICT) using a business model based on digital goods or services. The digital economy involves various components, like a gig economy, platform economy, an industry 4.0, a digital economy, data analytics, robotics and Artificial Intelligence (AI), e-commerce, machine learning, and 3-D printing, among others. (Ernst & Young: Nigeria, 2018; NCTADB 2019).

The world has received the most dramatic shift with radical digital transformation reshaping

the entire global economy, transfusing almost every sector and aspect of daily life. Also, using big data storage, the system is changing the way people work, learn, socialize, trade, and access private and public services and information. The volume of global trade has witnessed an influx of shares from the digital economy. In 2016 alone, the global digital economy recorded USD 11.5 trillion, representing 15.5% of the world's overall GDP. It is projected at 25% in less than a decade, as it rapidly surpassing the growth of the overall economy. However, developing countries like Nigeria are still behind as they are currently capturing a small share of this growth. Therefore, they need to invest strategically in the foundational elements of their digital economy for them to catch-up and take a competitive advantage (The World Bank Group: Nigeria 2019). The situation in other African countries is quite similar, as the digital economy provides rewarding opportunities, it also proffers the risk of being left behind. Developing countries in Africa like Nigeria should redouble their efforts towards improving digital connectivity to achieve the desired transformational impact on economic opportunity and inclusive growth. Additionally, they should improve their digital skills and literacy, access to digital payments, and other related financial services. There should be an enabling environment for digital markets to operate with digital identity schemes and other digital supports for venture growth and the sustainability of businesses (The World Bank Group: Nigeria 2019).

The digital inclusive in Nigeria starts with the emergence of mobile services experience introduced in 2001. The enthusiasm of the customers has sparked the growth of the market rapidly by extending connectivity to over 83 million unique subscribers, representing 45% of the entire population. The major players in the mobile market are four – MTN, Globacom, Airtel, and Etisalat – and the market is quite dynamic and competitive, offering both 2G and 3G services and 4G services. There are other new entrants into the mobile services market with a small portion of market shares like Smile, Spectranet, and Swift. The mobile services market has reduced the market for fixed telephone lines sharply to only 0.2% in Nigerian. Therefore, a considerable number of people see it as an opportunity to have access to modern communications services (GSMA 2015).

However, authorities should provide the necessary internet infrastructure and operational laws to support internet access, and connectivity as the mobile services promotes digital inclusion. Thus, it will enable the teeming Nigerian population to benefit from the exchange of information for business and social interactions as well as improved productivity and access to information. The disruptive innovations brought by the digital economy enable mobile subscribers to use mobile services to reduce communication, transportation, and transaction costs. The development in digital inclusive has a significant influence on the recent policies of the Nigerian government, especially those related to the agricultural sector. That facilitates the use of mobile to improve the efficiency of agricultural production and distribution. A recent study reveals that in Nigeria, an increase in mobile penetration by at least 10% will lead to corresponding increases in Total Factor Productivity. Thus, a measure of an economy's long-term technological dynamism and will have 4.2 percentage points in the long run. The business owners should develop strategies towards integrated digital marketing to maximize full business potentials available to them. Therefore, it is sacrosanct that businesses in Nigeria should review their current capabilities and make a realistic comparison. Thus, developing a road-map for digital transformation.

There are indications that the Nigerian government is set to achieve favorable results from the digital economy, the country's minister of the industry reveals that the country projected investments in the digital economy to generate \$88 billion with job creation to three million

Nigerians before the end of 2021. There is a considerable prospect as the technology sector contributed 9% to the GDP within nine years (Okafor 2018). However, the best way to implement and achieve the targets of the digital economy, the federal government in October 2019, established the ministry of communication and the digital economy. Moreover, the new ministry will capture and function beyond communication affairs as the name under communication ministry will limit the scope of its functions on the digital economy aspect, as expressed by the minister in charge of the ministry. The minister also cited examples of countries already using the name of the new ministry in line with world best practices, like Tunisia, Scotland, Thailand, and Benin Republic (Paul 2019).

### **Theoretical Review**

International trade is one of the areas with standard theories for several centuries, and that shows the importance of trade and investment to economic development and prosperity of nations. The literature traced and recognized early international trade theories like the classical theory since 1776 and 1826. Thus, notably Adam Smith's wealth of nations and David Ricardo's principles of economics (1951). Therefore in the course of history, there have been international trade theories that addressed and explained the nature and practice of global trade at different times in history, thus, changing the pace of trade. It is essential that, among the theories of international trade, the comparative advantage remains a significant concept for explaining the patterns of trade. The theory of comparative advantage was developed by David Ricardo (1817), who proposes the theory with stringent assumptions; as such, it was referred to as the Ricardian model. Literature reported that in the course to time, many stringent assumptions are replaced with the more realistic ones to reflect the current realities of economics thoughts.

Another significant milestone in these series is the Heckscher-Ohlin (and later Samuelson), abbreviated as HOS. It is a version of free trade doctrine that played down the much overwhelming role of demand on market prices to bring resource endowments of nations to the center stage, and that determines the factor for a mutually profitable trade. Therefore, this device, free-trade theory, is expected to move away from the skill-or technology-based interpretations of the Ricardian comparative cost advantage to an endowment-based explanation that is, for nations with similar access to technology. Another critical approach to international trade theories is the modernization theory that emerged in the 1950s. The primary focus was on progressive transition from "traditional" or "underdeveloped" societies to a more Western society's way of life (Dhlamini, 2014). Similarly, the dependency theory came as a critique of modernization theory and the global capitalist system that addresses the issue of underdevelopment and poverty, particularly among developing countries. The theory focused on how developing countries are dependent on developed countries and the much emphasis on the idea of the Global North exploiting the Global South through the concept of dependency (Rice, 2012). While both theories address issues relating to the relationship between the developed and developing world, there is also an attempt to identify the different causes regarding the under-development of the third world with suggestions for possible solutions. Thus, it offers an opportunity for developing countries to embrace (McAvoy 2015). However, the changing environment brought different theories under different circumstances to reflect the environment full of uncertainties. Similarly, while some theories came with a very rigid framework, attempts were made to change the concepts and methods from the old and out of fashion theories to a framework that accommodates the current trade policies and changing business methodology. Thus, it brought the new trade theory (NTT) to bring the scale economics in production. There are changes and benefits due to these modifications,



like the impact of increasing returns to scale on the pattern and the mutual benefits from international trade. Moreover, the concept is about the size of firms and the market structure, which either way are intricately associated with the possible economies from the scale. Therefore it calls for attention in the literature.

While many new trade policies can be packaged under this platform, including the concept of the digital economy, some challenges are facing the NTT in more recent times, especially incorporating the increasing returns to scale as it becomes a bit complex. That is particularly with its point of departure in defining the terms of the neo-classical HOS formulation. They are thus making it binding on the part of some of these theorists to modify the HOS theory, with focusing on its “predictive power” as well as the pattern of the trade when increasing returns, mainly when imperfect competitions are common (Helpman 1981 and 1984).

### **Discussion**

From the preceding discussion, developing countries have been going through different trade policies. Nevertheless, they are not yielding any favorable results as their economies remain backward with evident challenges through counterproductive measures and policies. Nigeria is not an exception, as many trade policies were initially imposed on countries’ by their trade partners and other international organizations, which confirmed the persistent dependency, a common feature identified with importer country. Another major problem with the international trade system of Nigeria is the mono-cultural nature of the economy, relying heavily on the oil sector to the tune of more than 80% of it is total foreign exchange earnings. While the country depends on only one sector, the persistent importation of consumer goods kept an unfavorable balance of trade over the period. Nigeria’s import in 2019 was about \$47billion, which could not achieve sustainable economic development, with 200 million people importing almost all the country’s requirements (Alhassan 2020). The best way to amend this problem is to embark on economic diversification, as recommended by Dangote. The government should create an enabling environment, review the cost of doing business in the country through the provision of adequate foreign exchange, long term credit delivery with a single-digit interest rate. Additionally, there should be policies that will encourage the establishment of more small and medium scale businesses for empowerment and sustainable growth (Alhassan 2020).

Reports from the Nigerian authorities reveal that the 2017 agricultural policy is yielding positive results with a large number of farmers benefited with government subsidy and interventions, particularly rice farmers. Similarly, there has been an increase in the number of medium and large scale rice milling industry in the country. The government had closed it is a border and stopped the importation of rice and other agricultural goods that could be produced locally. Thus, the value of imported agricultural goods declined by 2.8% in the fourth quarter of 2019. However, the overall value of agricultural imports in 2019 stood at 12.7% higher than in 2018, while the solid minerals imports declined in value by 6.98% in the fourth quarter 2019 against that of the third-quarter same year. However, the value of manufactured goods increased by 40.74% in the fourth quarter of 2019 against that of the third quarter in the same year and 77.50% higher than the fourth quarter of 2018 (NBS 2020b). Nigeria’s economy is currently the largest in Africa, based on the recent rating (NBSa 2020). However, the country’s fortune, which is driven mainly by the oil sector, is not always felt by the generality of Nigerians. That is because the contribution of oil revenue to GDP is only about 14% as the government used the bulk of the money to finance budget instead of injecting more resources to develop industrialization and SMEs to generate more jobs and improve economic growth and development.

The economic prosperity of countries among the comity of nations depends on how a country is ready to focus its attention towards investing in the digital economy. The digital economy is essentially a new economic system and a platform that is gaining momentum, particularly among developing countries. There is an increasing shift towards ICT technologies that are developing rapidly and are becoming integrated into more verticals. Thus, the digital economy has become the fastest-growing, widest-reaching economy, and most innovative. The concept is unlocking the potential of economic development; it also brings about changes in traditional industries, promotes sustainable economic development, enhances social management and services, and drives innovation. Many studies on the digital economy reveal favorable forecasts, as one study reported that effective use of digital skills and technologies has the potential of generating an additional \$2tn of global economic output by 2020. The study also shows that digital technologies play a significant role in economic activity, with approximately one-fifth of the world's GDP coming from digital skills, capital, goods, and services (Punch 2018).

Nigeria has many prospects in the digital economy as domestic and foreign investors see it as the largest market in Africa. That is true with a country of about 200 million people, which remains the largest mobile market in Africa. In recent times, Nigeria has witnessed a dramatic rise in the growth of e-commerce businesses, particularly with the increasing number of small and large scale enterprise SMEs. Moreover, there is a considerable rise in mobile-based services that meet the requirements of a wide range of daily needs for people. In Nigeria, the National Bureau of Statistics projected that the e-commerce sector is expected to contribute significantly to the nation's GDP. Similarly, the report added that the London based Economist Intelligence Unit, reveals that, Nigeria's e-commerce market value is predicted to increase by \$50bn (N15.45tn) over the next decade (Punch 2018).

The interconnectedness of the global economic cycle has created inseparable links among the global trade network. The concept of globalization has turned the entire world into a global village where economic prosperity in some regions can have an impact on other regions. Equally, an economic recession in major economic powers can affect the global economy. For example, the financial crises of 2008 that started from the United States and spread to Europe eventually led to a global recession. Similarly, the devastating impact of COVID-19 that started around November 2019 in China and spread to become a pandemic virus has paralyzed the global economy, which the world could not assess the impact at present. The global pandemic wipes \$1.7 trillion in US stock market in just two days as the equity benchmark lost \$810 billion and another \$927 billion the next day according to firm's senior index analyst Howard Silverblatt (Fitzgerald 2020)

Like China, the initial epicenter locked down its economy for nearly a month already, there are signs of a global recession. In Nigeria, the finance minister announced that the government considers reviewing the 2020 budget as the global oil price fell from \$34 to \$32 against the benchmark of \$57 per barrel. The government had a budget of N10.59 trillion for 2020 based on the projected revenue from crude oil with a benchmark of \$57 and a production capacity of 2.18 barrels per day (Yakubu 2020). Some analysts suggested that Nigeria should have pegged the benchmark from \$30 to \$35 irrespective of what the market could dictate. Thus, an increase in the production quota can cover-up the difference, but the current dilemma brought a significant difference that may require authorities to review the budget (Hassam 2020).

## Conclusion

A critical review of the current literature reveals that there are considerable changes in the patterns of international trade relations among countries, from boom, recession, changing environment, and general trade policies. Nigeria has passed through different experiences and had implemented various trade policies at different times to achieve favorable trade and investment. However, Nigeria emerged as the largest economy on the continent, but, the gains of trade and economic prosperity remains a dream for the giant of Africa. Many challenges are facing the country like trade policies, the overdependence on oil revenue, and the importation of a large number of manufactured goods. Thus, it further cripples domestic production and reduced employment opportunities as many industries could not cope with the unfavorable business climate in the country. The emergence of the digital economy with a lot of prospects and the way developed economies took advantage that created the gap between countries with high technology drive and those with limited access. Nigeria, with a large population and rising market for mobile market supporting e-commerce businesses, there is a prospect in achieving the goals of the digital economy. Therefore, there is a need to diversify the economy to incorporate other sectors of the economy to invest more in manufacturing industries and create more jobs, to achieve economic growth and prosperity.

## Recommendations

Based on the preceding discussion, the following recommendations are offered:

- i. Nigeria should be proactive in responding to changing business climate across the globe by formulating policies that match with changing trade policies of their partners and other related international trade agencies.
- ii. The ban on the importation of some goods should be reviewed while taking measures to support the domestic production of those goods. The Nigerian government should provide policies and an enabling environment to support industrialization for job creation and economic prosperity.
- iii. Nigerian government should provide internet infrastructures that will facilitate easy access and connectivity to support the digital economy. Additionally, there should be relevant laws to support online transactions for all-inclusive mobile businesses.

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