

Globalisation's Impact on National Sovereignty and Economic Development in Liberia

John Saah Morlu

BSc. Biology, MSc. Applied Psychology

Abstract

This article examines the impact of globalisation on national sovereignty and economic development in Liberia. As a small, resource-dependent West African state, Liberia's engagement with global markets, foreign direct investment, and international institutions has had profound effects on its policy autonomy and development outcomes. While globalisation offers opportunities for growth through increased trade, investment, and access to global networks, it also poses significant challenges to national sovereignty by exposing Liberia to external influences and constraints that limit independent economic policymaking. National sovereignty is the supreme authority of a state to govern itself without external interference. It grants a nation exclusive control over its territory, laws, and political systems. Globalization refers to the increasing interdependence of the world's economies, cultures, and populations. Driven by cross-border trade, technology, and investment, it facilitates the rapid flow of goods, services, and information. While it promotes economic growth and cultural exchange, it also creates challenges regarding wealth inequality and the erosion of local industries. This principle, foundational to the United Nations Charter, ensures all states have equal legal standing and the right to self-determination in the global international system. Drawing on secondary sources, historical evidence, and contemporary discussions on Liberia's monetary policy, this study highlights the complex interplay between external integration and domestic policy. The findings suggest that globalisation has had both enabling and constraining effects on Liberia's sovereignty and development, reinforcing the need for strategic governance frameworks that balance international engagement with robust domestic institutions.

Keywords: Globalisation; National Sovereignty; Economic Development; Liberia; Foreign Direct Investment; International Institutions.

1. Introduction

The concept of globalisation is not new. It has existed for a long time. However, by the turn of the current millennium, it had become more ubiquitous and applied to almost everything. It gained popularity in the 1990s with the introduction of the term in the print media. Jan Scholte (2000) finds evidence that it was first employed in the social sciences during the Second World War, but notes that it was increasingly used in the 1960s and 1970s and became pervasive by the 1990s not only in the social sciences but in everyday discourse. The concept's social science formulation and popularization owe much to the theorists who studied the economic stagnation and high inflation caused by protectionist (socialist) economies in the 1960s and 70s, and highlighted the importance of a globalizing world and international trade. They are also called Neo-Marxist dependency theorists. Some classical neo-Marxist dependency theorists important to remember when discussing dependency theory are Paul A. Baran and Andre Gunder Frank, who

examined the way international economic and power relations impeded domestic development efforts. Their focus on global economic exchanges paved the way for the adoption of a wider perspective, which was subsequently augmented by Immanuel Wallerstein (1980) in his 'world systems theory'. By conceptualizing contemporary international economic exchange as the result of a historic process that began with European mercantile expansion in the 15th century and which had, by the 20th century, produced a unitary, integrated world capitalist system, Wallerstein paved the way for the adoption of a global perspective in social science analysis.

Globalisation refers to the increasing integration of economies, politics, cultures, and societies across national borders. Globalization is the process of increasing integration and interdependence among nations, driven by international trade, investment, and digital technology. It allows for the seamless exchange of goods, services, capital, and cultural ideas across borders. While it fosters economic growth, lowers consumer prices, and promotes global cooperation, it also faces criticism for causing job displacement in certain sectors and increasing wealth gaps. Ultimately, it transforms the world into a "global village," where local events can have immediate worldwide impacts. National sovereignty is the fundamental principle that a state has supreme, independent authority over its own territory and domestic affairs. It establishes that a nation-state is the highest power within its borders, free from external interference by other countries or international bodies. This concept, rooted in the Westphalian system, allows governments to create laws, manage resources, and determine political structures. While central to international law, it is increasingly balanced against global obligations like human rights and environmental treaties. Driven by advances in communication, transportation, and market liberalisation, globalisation has reshaped how states interact with each other and with global economic forces. For developing countries like Liberia, globalisation presents a dual reality: it promises economic growth and development through access to international markets and capital, yet it also challenges traditional conceptions of sovereignty by limiting the autonomy of national economic and political decision-making.

Liberia's historical and contemporary experience with globalisation is shaped by its unique past as a state founded by freed American slaves and its position as a resource-rich but institutionally fragile economy. Liberia's economic sectors, notably agriculture and mining, have long been integrated into global markets through exports of rubber, timber, iron ore, and other commodities. However, foreign investment and international economic engagement have often come with policy prescriptions and external dependencies that influence domestic governance and economic strategy. Understanding how global forces interact with national policy priorities is essential for analysing Liberia's development trajectory and sovereignty in the 21st century.

Methodology

This paper adopts a qualitative, descriptive approach, drawing on secondary data from academic articles, historical records, policy documents, and credible media sources. Specifically, Thematic review of literature on globalisation's effects on national sovereignty and development in developing countries. Contextual analysis focusing on Liberia's economic history, including its reliance on foreign investment and involvement with international institutions. Critical synthesis of theoretical perspectives on globalisation, sovereignty, and economic development to frame Liberia's experience within broader global dynamics. This methodology enables an in-depth exploration of the underlying trends and mechanisms shaping Liberia's sovereignty and development within an interconnected global system.

Literature Review

Theoretical Perspectives on Globalisation and Sovereignty

Theoretical perspectives on globalization and sovereignty within the context of Liberia's economy are dominated by the tension between formal independence and practical economic dependence. Historically described as "sovereignty without power," Liberia's economic trajectory illustrates how globalization has often constrained state sovereignty rather than enhancing it. The theoretical perspectives on globalization and sovereignty explore the changing nature of the nation-state in an increasingly interconnected world. While traditional Westphalian sovereignty implies absolute authority over a territory, contemporary globalization, driven by economic, technological, and political forces, challenges this by transferring power to non-state actors, international organizations, and global markets. Scholars widely acknowledge that globalisation reshapes the traditional Westphalian notion of sovereignty, defined as the supreme authority of a state to govern its territory without external interference, by increasing interdependence among nations and creating universal norms and economic obligations.

Global economic integration through trade liberalisation, international financial flows, and multinational corporations limits the autonomy of states to control their economic policies independently. Countries often align domestic legislation with international standards to attract investment and participate in global markets, which can dilute policy autonomy. In the context of developing countries, globalisation can weaken sovereignty more acutely, as international financial institutions such as the International Monetary Fund (IMF) and the World Bank often condition financial assistance on policy reforms. This pressure constrains policy choice and can undermine state capacity to pursue independent development strategies. It is believed that globalization creates a borderless world where economic force and transnational corporations TNCs render nation-states largely obsolete. They see this as a positive shift toward global efficiency and economic growth. Realists argue that sovereignty is not eroding but being redefined to serve state interests. They contend that international relations are still driven by a struggle for hegemony, with states using globalization to advance their own power. The transformationalists argue that globalization has fundamentally altered the context of states' action, shifting from absolute territorial sovereignty to pooled sovereignty. States now engage in regional, global, and multi-level governance, adapting rather than disappearing. Risk Society Ulrich Beck suggests that, in a globalized world, states can no longer protect themselves from economic, environmental, and social issues that are global in nature, thus forcing a transformation of the state's traditional role¹.

The Impact of Globalisation and Economic Development in Africa

Globalisation has significantly shaped economic development in Africa by increasing trade, foreign investment, and integration into global markets. It has expanded access to technology, improved infrastructure, and stimulated sectors such as telecommunications, mining, and agriculture. According to the World Bank, global integration has contributed to GDP growth in several African economies through exports and foreign direct investment. However, the United Nations Conference on Trade and Development notes that benefits are uneven, with continued dependence on primary commodities, vulnerability to global shocks, and inequality. Overall, globalisation presents both opportunities for growth and challenges requiring strong governance and diversification strategies.

¹ An Introduction to the Theoretical Perspectives of Globalisation | Last Visited February 11, 2026.

https://www.researchgate.net/publication/316939428_An_Introduction_to_the_Theoretical_Perspectives_of_Globalisation

Globalization offers African nations opportunities for economic growth through increased foreign investment, technology transfer, and access to export markets, yet its impact remains mixed due to limited infrastructure and reliance on primary commodities. While social and political integration can foster development, many countries face marginalization, requiring strengthened institutions, economic diversification, and better regional integration to benefit fully. Globalization has facilitated increased Foreign Direct Investment (FDI) and improved trade access, which are critical for economic growth in various African nations.

In broader African literature, globalisation's economic effects are viewed as mixed. Proponents argue that global integration fosters economic growth through increased trade, technology transfer, and foreign direct investment (FDI). Critics, however, contend that such integration can lead to dependency, with developing economies remaining suppliers of raw materials rather than gaining full value from industrialisation. African countries' policy space is sometimes constrained by global market pressures and structural adjustment programs, limiting domestic development planning. Globalisation has had a mixed, often uneven impact on economic development in Africa, driving growth through increased trade and foreign direct investment (FDI) while simultaneously fostering inequality, fostering deindustrialisation, and deepening reliance on raw material exports. While integrating into the global economy has offered opportunities such as technology transfer and infrastructure development, it has not yet facilitated the structural transformation needed for sustainable poverty reduction. Economic Growth and Investment: Globalisation has promoted growth through increased FDI, particularly in extractive industries (oil and minerals) and infrastructure projects. However, this has often led to an "enclave economy" where profits are exported rather than reinvested locally. Trade and Structural Issues, Africa's share of global trade has decreased significantly from roughly 15% in the 1960s to about 3% in recent decades. Many nations suffer from "premature deindustrialisation," becoming importers of finished goods and exporters of raw materials. Inequality and poverty, evidence suggests that while some economic growth occurred, globalization has often widened intra-country income disparities and failed to significantly reduce poverty levels. Technology and knowledge transfer, improved, albeit limited, access to technology, communication networks (e.g., telecommunication), and global knowledge have helped improve business efficiency. Environmental and Social Costs, foreign investment has brought jobs but also environmental degradation, and in some cases, violated the rights of local communities. This debate is relevant to Liberia, where engagement with global markets is both an opportunity and a challenge.

Globalisation and Economic Sovereignty

The most notable examples of globalization in economics are the networks created by multinational corporations and the relationships between markets, currencies, goods, and services. Even though the world's capitalist economy has existed for centuries, there has been a significant growth in the scope and level of trade and investment globalization in recent years. The changes in information technology have brought about changes in the way money moves, which have expedited economic globalization. A popular argument is that policy norms have altered as a result of the market's ability to move money around the world at the touch of a button, leaving economic decisions far more vulnerable to market forces than they were in the past. Karky argues that economic globalization is a historical phenomenon that arises from technological and inventive breakthroughs. The statement suggests that the increasing fiscal and logistic flows have resulted in the worldwide integration of economies. These days, changes in the economic landscape of a nation like the United States or Japan affect nations everywhere. Nation-states' freedom of

action is subject to increasing restrictions as a result of the globalization of financial markets, technology, and some industries and services. The creation of organizations like the World Bank and the International Monetary Fund also brings with it additional requirements and limitations.

Globalisation and Cultural Sovereignty

The relationship between globalization and cultural sovereignty is multifaceted. While globalization can promote cultural exchange and diversity by allowing societies to share ideas, values, and traditions, it also presents risks to cultural sovereignty. This exchange has the potential to enrich societies, expand viewpoints, and encourage greater understanding. Yet, dominant global cultures, especially those from affluent nations, can overshadow or even displace local customs and identities. The widespread popularity of Western products, media, and lifestyles can exemplify this dominance, often at the expense of regional cultural expressions. Additionally, the global flow of ideas and customs may lead to cultural homogenization, in which distinct cultural identities are replaced by a more uniform global culture. This process can weaken unique traditions and diminish cultural diversity. To navigate these complexities, it is important to find equilibrium. Protecting and advancing local traditions and identities is vital for maintaining cultural diversity, even as societies engage with global cultures. Through meaningful dialogue between global and local cultures, communities can gain the benefits of globalization while defending their cultural sovereignty².

The Impact of Globalization on National Sovereignty in Liberia

Globalization has influenced national sovereignty in Liberia by increasing economic openness, foreign investment, and participation in international institutions. Engagement with organizations such as the International Monetary Fund and the World Bank has supported post-conflict reconstruction and economic reforms, but has also required policy adjustments that limit full domestic control over fiscal and monetary decisions. Foreign aid, multinational corporations, and international agreements have shaped Liberia's governance and natural resource management. While globalization has strengthened development capacity and global integration, it has simultaneously raised concerns about external influence over national policy priorities and long-term economic independence.

Liberia declared independence on July 26, 1847, becoming Africa's first republic to establish sovereign control over its territory and commerce, largely to escape the oversight of the American Colonization Society (ACS). While maintaining formal independence throughout the colonial "*Scramble for Africa*," Liberia's sovereignty was frequently tested by economic pressures, foreign debt, and internal challenges. Founded by free people of colour from the US, Liberia declared independence in 1847 with a U.S.-modelled constitution. Great Britain was the first to recognize its sovereignty in 1848, followed by others, while the U.S withheld recognition until 1862. Despite political independence, Liberia faced significant economic constraints, often described as "*Sovereignty without power*" in the 19th and early 20th centuries due to reliance on foreign trade and loans. Liberia maintained its independence while surrounded by British and French colonies, serving as a buffer state within the American sphere of influence. In recent years, Liberia has focused on strengthening its sovereignty through regional cooperation (ECOWAS) and aligning domestic laws with international rights.

² The Impact of Globalisation on National Sovereignty April 04, 2024 | Last Visited February 11, 2026.

<https://www.ijfmr.com/research-paper.php?id=16388>

Liberia's Historical Engagement with Globalisation

Liberia's historical engagement with globalisation is defined by a deep, long-standing, and often unequal integration into the global capitalist economy, characterized by early reliance on foreign direct investment, particularly for rubber and iron ore. Founded in the 19th century, it operated as an independent republic with strong ties to the U.S., later adopting an "Open Door" policy in the mid-20th century that prioritized resource extraction, which often undermined long-term, sustainable development. 19th and Early 20th Century Dependence. Following its founding, Liberia's economy was heavily dependent on international trade, despite attempting to assert sovereignty. The "Open Door" Policy (1940s-1970s): Initiated under President Tubman, this policy actively encouraged foreign investment, notably bringing in the Firestone Corporation and foreign mining companies, leading to an economic boom based on raw material exports. Monetary Integration: The U.S. dollar became legal tender in 1943, deeply anchoring Liberia's economy to American financial systems. International Diplomacy and Membership, as a founding member of the UN and an early member of the OAU (now AU), Liberia has long participated in global and regional political structures. Resource Extraction and Neo-colonialism, critics argue that this integration facilitated "unequal integration," where foreign companies (e.g., in the timber industry) enjoyed extensive rights, leading to exploitation of labor and natural resources with limited benefits for the local population. Post-War Re-engagement: Following two civil wars, modern Liberia has re-engaged with the global economy through peacekeeping partnerships, debt relief, and renewed foreign investment in resources. External relations have deeply influenced Liberia's economic and political development since its founding. Historical studies show that the country's sovereignty and economic strategies have been shaped by interactions with foreign powers and commercial interests long before modern globalisation. Scholars highlight how governance and labour policies in Liberia were often influenced by the need to consolidate territorial control and respond to external pressures for economic integration. In the post-Civil War era, Liberia's dependence on international aid and foreign direct investment has continued to shape its economic policies. Contemporary discussions underline the government's efforts to strengthen natural resource governance, yet question whether legal reforms translate into sustainable economic development and greater national control over resources.

Economic Development in Liberia

Monrovia, Liberia - The International Monetary Fund (IMF) has officially confirmed that Liberia's economy expanded by 5.1 percent in 2025, after the successful completion of discussions under the Third Review of Liberia's Extended Credit Facility (ECF) Arrangement. An IMF staff team, led by Mr. Daehaeng Kim, visited Monrovia from January 7 to 20, 2026, and reached a staff-level agreement with the Government of Liberia concerning the third review of the nation's economic reform program supported by the ECF. The ECF arrangement, which received approval from the IMF Executive Board on September 25, 2024, provides total access of SDR 155 million (approximately US\$210 million) over a 40-month duration. According to the IMF, macroeconomic stability in Liberia continues to strengthen, supported by robust economic activity, sharply declining inflation, and a stable exchange rate. It reports that program performance has been relatively strong since the second review. Real GDP growth is estimated at 5.1 percent in 2025, up from 4.0 percent in 2024, driven by strong mining activity and moderate expansion in the agriculture and services sectors. Inflation declined significantly, averaging 4.4 percent in the fourth quarter of 2025, compared to 12.5 percent in the first quarter, while the exchange rate remained broadly stable. The IMF emphasizes that steadfast implementation of reforms will remain essential to

consolidating macroeconomic stability, reducing debt vulnerabilities, and strengthening the banking sector. Continued prudent fiscal policies, enhanced domestic revenue mobilization, improved public financial management, and stronger monetary policy effectiveness will be critical to sustaining stability and supporting development priorities³.

Liberia's economy is rebounding with a positive medium-term outlook, driven by mining exports (gold, iron ore), infrastructure improvements, and moderate inflation. Despite growth, it remains heavily dependent on resource extraction and subsistence agriculture, with significant challenges in infrastructure, energy, and human capital. Key focus areas include diversification, regional trade, and improving agricultural productivity. GDP Growth: Economic performance has improved, with a projected 5.4% real GDP growth for 2026. The backbone of exports includes iron ore, gold, and diamonds. Increased mining earnings have driven recent growth, despite Liberia holding a small share of global production. While vital, it faces low productivity, producing only one-third of the necessary rice needs. Significant, long-stalled projects like the John Davies Town's Wedger Road and solar electrification in

Buchanan and Greenville are being enhanced, connecting remote areas for trade and improving local commerce. Economic development in Liberia relies on mining, agriculture, and forestry, with iron ore and rubber as key exports. Growth has been constrained by infrastructure gaps and external shocks. The World Bank and African Development Bank emphasize diversification, governance reforms, and human capital investment for sustainable progress. Liberia has experienced various growth episodes over the last 30 years with varied implications for inclusive growth and structural transformation. Economic growth in Liberia can be characterized by four phases, with phase one being part of the civil war period. In 1996, the Abuja Peace Accords were signed, marking the end of Liberia's brutal civil war that lasted from 1989 to 1996. The transitional government was set up with the help of the United Nations and ECOWAS (Economic Community of West African States), and it oversaw a period of peacebuilding and preparations for democratic elections.

Focus Areas for Future Development

The African Continental Free Trade Area (AfCFTA) aims to create a single, integrated market to reduce reliance on volatile commodity markets. Infrastructure Investment is essential to connect trade networks, boost productivity, and diversify economies away from raw material exports. Structural Transformation, shifting labour and capital toward more productive, high-growth sectors. Agriculture is a major sector of the Liberian economy, accounting for 34.9% of GDP in 2023 and employing more than half of the workforce. Yet, 15% of the population is food insecure, and most rural people remain impoverished. Notable challenges include limited adoption of technology and weak private sector participation.

Economic Development in African Countries

Economic development in African countries has accelerated in parts of the continent over the past two decades, driven by structural reforms, improved governance, commodity exports, and a growing services sector. According to the World Bank, sub-Saharan Africa experienced sustained growth during the 2000s, though progress has been uneven and vulnerable to external shocks. Resource-rich countries such as

IMF Confirms Liberia's Economic Growth at 5.1% for 2026 Following Third ECF Review | Last Visited February 28, 2026. <https://mfdp.gov.lr/index.php/media-center/press-release/imf-confirms-liberia-s-economic-growth-at-5-1-for-2026-following-third-ecf-review#:~:text=Real%20GDP%20growth%20is%20estimated%20at%205.1,to%20sustaining%20stability%20and%20supporting%20development%20priorities>.

Nigeria and Angola benefited from oil exports, while others, such as Rwanda and Ethiopia, achieved growth through public investment, agricultural modernization, and infrastructure expansion. However, development challenges persist. The United Nations Development Programme notes that many African countries face high poverty rates, youth unemployment, income inequality, and climate vulnerability. The COVID-19 pandemic further disrupted growth, increasing debt burdens and reversing poverty reduction gains. Nevertheless, the African Development Bank highlights opportunities in digital transformation, renewable energy, and regional integration under the African Continental Free Trade Area (AfCFTA). Long-term economic development depends on diversification away from primary commodities, investment in human capital, stronger institutions, and expanded intra-African trade. While progress varies by country, the continent's demographic growth and expanding urban markets present significant potential for sustained economic transformation⁴.

The Significance of Economic Development in African Countries

Economic development is highly significant for African countries as it improves living standards and promotes overall national progress. Many African nations face challenges such as poverty, unemployment, low industrial growth, and limited infrastructure. Economic development helps address these issues by increasing income levels, creating job opportunities, and improving access to education, healthcare, and basic services. It also encourages industrialization, technological advancement, and better use of natural resources. With stronger economies, African countries can reduce dependence on foreign aid and strengthen their position in global trade. Economic growth also supports political stability and social development by reducing inequality and improving the quality of life. Furthermore, development enables governments to invest in infrastructure such as roads, energy, and communication systems, which support business and investment. Overall, economic development plays a vital role in achieving sustainable growth, reducing poverty, and improving the well-being of people across African countries.

Foreign Direct Investment

The Foreign Direct Investment (FDI) refers to cross-border investments in which an investor from one country acquires a lasting interest and significant control (typically at least 10% ownership) in a business located in another country. Unlike portfolio investment, FDI implies long-term involvement in management, technology transfer, and operational decision-making. FDI can take several forms: greenfield investment (establishing new operations), mergers and acquisitions (M&A), joint ventures, and reinvestment of earnings. It is driven by factors such as market size, labor costs, natural resources, political stability, infrastructure quality, and regulatory frameworks. The IMF's *Balance of Payments and International Investment Position Manual, Sixth Edition* (BPM6) provides the international standard for compiling comprehensive, comparable, and updated data on a nation's cross-border transactions and financial positions. Released in 2009, it addresses developments in globalization, financial innovation, and economic crises, serving as the current guide for external sector statistics. The purpose Balance of Payment and International Investment Position Manual, Sixth Edition (BPM6) is to provide a conceptual framework and standardized, harmonized rules for recording international economic transactions and positions (assets/liabilities). The framework is structured into the Current Account, Capital Account, and Financial Account.

⁴ World Bank (2023); UNDP Human Development Report (2022); African Development Bank African Economic Outlook (2023).

According to the International Monetary Fund (IMF), FDI promotes economic integration and can enhance productivity through capital formation, innovation diffusion, and managerial expertise. Similarly, the World Bank highlights FDI's role in job creation, export growth, and poverty reduction, particularly in developing economies. Multinational enterprises (MNEs) are key agents of FDI, expanding global value chains and facilitating knowledge spillovers.

However, FDI also presents challenges. Host countries may face concerns about profit repatriation, crowding out of domestic firms, environmental degradation, and overdependence on foreign capital. Regulatory frameworks, including investment treaties and national policies, are designed to balance investor protection with national interests. Institutions such as the United Nations Conference on Trade and Development (UNCTAD) monitor global FDI trends and advise on sustainable investment policies. Recent global FDI flows have been influenced by geopolitical tensions, supply chain restructuring, digital transformation, and sustainability goals. Governments increasingly screen foreign investments in strategic sectors such as technology, energy, and defence. FDI is a critical component of globalization, fostering economic development, technology transfer, and international cooperation. While it offers substantial benefits, its impact depends on sound governance, transparent regulation, and alignment with long-term development strategies⁵.

Factors Influencing Foreign Direct Investment

Foreign Direct Investment (FDI) is influenced by several economic, political, and social factors. Market size and growth potential attract investors seeking higher demand. Political and economic stability increases investor confidence. Government policies, such as tax incentives, trade openness, and investment-friendly regulations, also encourage FDI. Availability of natural resources and skilled, low-cost labor can make a country more attractive. Good infrastructure, including transportation, communication, and energy supply, supports business operations. The ease of doing business, protection of property rights, and stable exchange rates further influence investment decisions. Together, these factors determine how attractive a country is for foreign investors looking for long-term profitability and expansion opportunities.

How Does Globalization Impact International Institutions

Globalization has significantly transformed international institutions by increasing the need for collective action, enhancing the influence of financial organizations (IMF, World Bank), and compelling reforms for better representation of developing economies. It shifts power toward intergovernmental organizations, drives the creation of global standards, and necessitates, yet often challenges, multilateral cooperation on global issues. Increased demand for multilateralism, as nations become more interdependent, global problems (e.g., climate change, financial crises) require collaborative solutions, making institutions like the UN and WTO central to global governance. Strengthened financial governance, economic globalization has empowered institutions such as the International Monetary Fund (IMF) and the World Bank to regulate global financial markets and facilitate capital flows. Pressure for structural reform, developing nations are leveraging globalization to advocate for reforms, aiming to make international institutions more representative of the current global economic landscape. Increased global

⁵ International Monetary Fund (IMF) – Balance of Payments Manual.
United Nations Conference on Trade and Development (UNCTAD) – World Investment Report.

interconnection often leads to a perceived erosion of national sovereignty, with institutions sometimes implementing policies that clash with local interests or national autonomy.

Globalization significantly reshapes international institutions by expanding their scope, increasing their influence, and challenging their structures. As economic, political, technological, and cultural connections intensify across borders, institutions such as the United Nations, World Trade Organization, International Monetary Fund, and World Bank play increasingly central roles in global governance. One major impact of globalization is the growing need for coordinated responses to transnational issues. Problems such as climate change, terrorism, pandemics, financial crises, and cyber threats do not respect national borders. This has strengthened the importance of international institutions as platforms for negotiation, cooperation, and rule-making. For example, global trade expansion has enhanced the authority of the World Trade Organization in regulating trade disputes and setting trade standards.

Globalization also increases interdependence among states, making cooperation more necessary but also more complex. Institutions must balance the interests of developed and developing countries, often facing criticism over unequal power structures. Emerging economies demand greater representation and voting power, challenging traditional dominance by Western states in institutions like the International Monetary Fund and World Bank. At the same time, globalization exposes weaknesses in international institutions. Rapid technological and economic change can outpace institutional reforms, making decision-making processes slow and less responsive. Additionally, rising nationalism and populism in some countries have led to skepticism toward multilateralism, weakening institutional authority and funding.

Non-state actors, including multinational corporations, non-governmental organizations, and civil society groups, also gain influence in a globalized world. International institutions increasingly engage with these actors, broadening participation but complicating governance structures. In the digital era, globalization both strengthens and strains international institutions. It enhances their relevance by increasing global interdependence and shared challenges, yet it also pressures them to reform, adapt, and become more inclusive to remain effective and legitimate in an interconnected world⁶.

Recommendations

Liberia should enhance transparency, accountability, and regulatory frameworks to better manage foreign investments and negotiate fair contracts, particularly in extractive industries.

Reducing dependence on primary commodity exports by investing in agriculture processing, manufacturing, and services will minimize vulnerability to global price volatility.

Improving tax systems and reducing corruption can decrease reliance on foreign aid and external borrowing. Policies should encourage local participation, technology transfer, and skill development to ensure global investments generate sustainable employment.

Deepening cooperation within regional bodies such as ECOWAS can improve bargaining power and expand market access. Education, vocational training, and digital infrastructure should be prioritized to enable Liberia to compete effectively in the global economy.

Conclusion

Globalisation's impact on Liberia's national sovereignty and economic development is multifaceted. On one hand, global economic integration provides access to markets, capital, and international frameworks

⁶ Why we need international institutions February 23, 2026 | Last Visited February 28, 2026.
<https://www.lowyinstitute.org/the-interpretor/why-we-need-international-institutions>

that can support growth. In this light, external pressures, investment patterns, and policy conditions restrict autonomous decision-making and can reinforce dependency on global actors.

Globalisation has had a mixed but transformative impact on national sovereignty and economic development in Liberia. However, the integration into the global economy has created opportunities for foreign direct investment (FDI), international trade, development assistance, and post-conflict reconstruction. Engagement with institutions such as the International Monetary Fund, World Bank, and World Trade Organization has supported macroeconomic reforms, debt relief, and governance restructuring. These efforts have contributed to economic stabilization, infrastructure rebuilding, and improved public financial management after years of civil conflict.

In addition, globalisation has posed significant challenges to Liberia's national sovereignty. Heavy reliance on foreign aid, external loans, multinational corporations, and commodity exports, particularly in mining, rubber, and timber, has limited domestic policy autonomy. Conditionalities attached to loans and donor funding often influence national economic priorities. Moreover, vulnerability to global market fluctuations exposes Liberia's economy to external shocks, affecting growth, employment, and fiscal stability. Weak regulatory capacity can also reduce the government's ability to negotiate equitable contracts with multinational companies, leading to capital flight and limited value addition domestically. Overall, while globalisation offers pathways for development, it requires strategic management to ensure that Liberia retains policy independence and maximizes national benefits.

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