



## Examination of the impact of international trade agreement on Nigeria's economic growth

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### Abstract

This paper examines the impact of international trade agreements on Nigeria's economic growth, focusing on the interplay between legal frameworks, institutional capacity, and economic diversification. Drawing upon theoretical principles of international trade law and empirical data on Nigeria's trade performance, it analyzes the conditions under which these agreements act as a catalyst for or a constraint on growth. The paper adopts a doctrinal and analytical approach, reviewing legal texts, economic theories, and secondary data to achieve its objectives. The paper finds that while trade agreements under the WTO (such as GATT), ECOWAS, and AfCFTA provide a platform for market access, foreign investment, and technological transfer, their benefits for Nigeria are significantly undermined by structural challenges. These include a heavy reliance on crude oil exports, non-tariff barriers, poor negotiation capacity, and weak domestic institutions. The paper concludes that the net impact of international trade agreements on Nigeria's economic growth is sub-optimal and recommends strategic negotiation, robust domestic industrial policy, and institutional strengthening to harness the potential benefits of global trade integration.

**Keywords:** International trade agreements, nigeria, economic growth, national treatment, trade barriers, economic diversification

### Introduction

No country can exist in isolation, as evidenced by the nature of the relationships that exist among the various nations of the world. This suggests that the degree of integration with other economies around the world determines the growth and development of any economy. In light of this, trade's importance in fostering global growth cannot be overstated. Trade is possible both locally and internationally. The exchange of goods and services among nations is referred to as international trade. International trade coordinates socio-economic success and provides opportunities for less developed countries; it is concerned with the interaction between nations in an economic and financial sense. However, its contribution to economic growth can be influenced by several factors such as exchange rate and governance.

Trade agreements, in various forms, have been a fundamental component of international relations for centuries. One of the earliest known trade agreements is the Silk Road, established during the Han Dynasty in China around 130 BCE, which facilitated trade between China and the Mediterranean region. Throughout history, trade agreements have played a crucial role in shaping the economic fortunes of nations, influencing their growth, prosperity, and power.

This paper is divided into six parts. The first part is the Introduction, which provides the background, objectives, and significance of the study. The second part discusses the Concept of International Trade, examining its definitions, theories, and relevance to global economic integration. The third part focuses on the Concept of Economic Growth, highlighting the indicators, determinants, and linkages between trade and growth. The fourth part presents the Institutional Framework, outlining the major international and national institutions that regulate trade and economic

development. The fifth part examines the Legal Framework for International Trade Law, emphasizing Nigeria's participation in international trade agreements and their legal implications for the economy. The sixth part analyzes the Barriers to International Trade and Development in Nigeria, identifying challenges such as policy inconsistency, infrastructural deficits, and non-tariff barriers. The final part provides the Conclusion and Recommendations, summarizing key findings.

### Concept Of International Trade

According to Abebefe, trade is fundamentally a series of product exchanges that take place within markets. When such a transaction crosses the borders of a sovereign state, it is classified as international trade. Elaborating on this, Nordhaus described international trade as the framework through which nations import and export goods, capital, and services. Domestic and global trade are differentiated by three key elements: a greater scope for trade, the involvement of sovereign nations, and the role of exchange rates distinctions that carry substantial economic and practical consequences.

Mannur defines international trade as the exchange of goods and services between the residents of different countries. Consequently, it acts as a mechanism that connects global flows of services, merchandise trade, and movements of production factors. As established, the foundation of foreign trade lies in the reality that no country, due to resource constraints and variations, is self-sufficient in producing all the goods and services required by its population. Foreign trade is a crucial component of economic growth. Historically, classical and neo-classical economists recognized its role as both a catalyst for a nation's development process and a direct source of growth. In recent decades, globalization and foreign trade have led to

increasing inter-connectedness among the world's economies. In the view of Afolabi, Danladi, and Azeez, a country's foreign trade constitutes the most significant and enduring feature of its international economic relationships.

### Concept Of Economic Growth

According to Lipsey, economic growth is characterized by a sustained, long-term increase in a country's overall production. This implies a consistent and prolonged expansion in its Gross Domestic Product (GDP), which is the most common indicator for measuring the total value of goods and services an economy produces. To accurately serve as a measure of economic growth, GDP must be adjusted for inflation and expressed in real terms. This process, such as the rebasing Nigeria undertook in 2015, eliminates the distorting effects of price changes and provides a true reflection of output growth over time. Ultimately, economic growth is quantified by the rising volume of goods and services generated within an economy.

### Institutional Framework

The effectiveness of government policies in maximizing the benefits of trade agreements relies on strong institutions that can implement and enforce these policies. In Nigeria, several institutions play a vital role

#### a. Nigerian Customs Service (NCS)

The NCS is responsible for enforcing customs regulations and facilitating trade at the borders. By ensuring efficient customs clearance processes, the NCS reduces trade costs and enhances the competitiveness of Nigerian businesses.

#### b. Nigerian Investment Promotion Commission (NIPC)

The NIPC promotes and coordinates investments in Nigeria. It provides information, guidance, and support to both domestic and foreign investors, facilitating investment inflows and contributing to economic development.

#### c. Standards Organization of Nigeria (SON)

The SON is responsible for setting and enforcing product quality standards. By ensuring compliance with international standards, the SON enhances the competitiveness of Nigerian products in global markets, thereby maximizing the benefits of trade agreements.

### Legal Framework For International Trade Law

The legal framework of international trade includes global trade regimes, the General Agreement on Tariffs and Trade (GATT) (1947), and its successor, the World Trade Organization (WTO). It also includes regional trade regimes such as NAFTA and the EU. Bilateral investment treaties (BITs) and free trade agreements have proliferated in recent years and pose a systemic risk to the WTO. The reasons for this development include difficulties during the Uruguay, Seattle, and Doha rounds of multilateral trade negotiations. In addition, bilateral trade agreements may extend to subject areas beyond WTO competence, i.e., foreign investment law.

#### a. General Agreement on Tariffs and Trade (GATT)

The non-discrimination principles enshrined in the General Agreement on Tariffs and Trade (GATT), provides a critical lens through which to analyze the impact of trade agreements on Nigeria's economic growth, as these foundational rules Most-Favoured-Nation (MFN) treatment under Article I, which obligates Nigeria to extend any trade

advantage granted to one WTO member to all others, thereby stabilizing and potentially expanding its export market access for commodities like crude oil and agricultural goods, and National Treatment under Article III, which prohibits discriminatory internal measures against imported goods, thereby fostering a more competitive domestic market that can enhance efficiency, lower consumer prices, and spur innovation among local industries collectively structure the very environment in which Nigeria's trade-related growth occurs, influencing key macroeconomic indicators by ensuring that once foreign goods enter the Nigerian market, they compete on an equal legal footing with domestic products, which theoretically should lead to a more optimal allocation of resources and drive productivity gains, a fundamental source of long-term economic expansion as explained by classical trade theory. However, this legally binding framework also constrains Nigeria's policy space for protective industrial strategies, creating a complex relationship where the benefits of increased market access, foreign direct investment (FDI) inflows due to a predictable rules-based system, and enhanced consumer choice must be continually balanced against the challenges of nurturing vulnerable non-oil sectors and achieving the structural transformation necessary for sustainable, diversified growth beyond primary product exports,

#### b. Implication

Trade agreements encourage countries to specialize in the production of goods and services that they can produce more efficiently. This specialization leads to increased productivity and efficiency, as resources are allocated to areas where they are most productive. As a result, nations can achieve higher levels of economic development.

Trade agreements often involve the elimination or reduction of trade barriers such as tariffs and quotas. This allows countries to access larger markets for their products, increasing their export opportunities. By expanding their customer base, nations can experience higher levels of economic growth and development.

**Technological Transfer:** Trade agreements often facilitate the transfer of technology between countries. Through international trade, nations can gain access to new technologies and knowledge that can enhance their productive capacity. This technological transfer can contribute to economic development by improving productivity and competitiveness.

Trade agreements encourage countries to specialize in specific industries or sectors where they have a comparative advantage. This specialization promotes innovation as firms strive to improve their products and processes to maintain a competitive edge in international markets. As a result, trade agreements can foster technological advancements and spur economic development.

Trade agreements promote economic interdependence among nations. By engaging in international trade, countries become reliant on each other for goods and services. This interdependence can lead to greater cooperation and collaboration, fostering peace and stability among nations. Additionally, economic interdependence can create opportunities for investment and capital flows, further contributing to economic development.

## **Barriers To International Trade And Development In Nigeria**

The import of international trade to the economic welfare and development of a nation has been dealt with in so many economic literatures. Global markets offer vast commercial opportunities which far outweighs opportunities that exist within a domestic domain. It is against this background that nations always enter into agreements with other nations internationally for trade purposes. International trade agreements have tremendous economic, social and developmental advantages on countries that are parties to them. Nigeria as a country is in search for better economic growth and development and like other developing states, belongs to a good number of international trade agreements. The country has signed many international trade agreements in an effort to attain economic growth and development. However, despite being signatory to that agreement, the country is yet to gain meaningfully from her numerous trade engagements and agreements. According to Dr. John Isemede, an international trade expert with United Nations Industrial Development Organization (UNIDO), while responding to Newsmen in Lagos on 6th October, 2016.

It is a bitter truth that Nigeria has gained almost nothing from trade agreements that we are into.... Nigeria is not really doing business with the world, but just trading.

Speaking further on this issue, Dr. John Isemede noted that:

Nigeria currently has signed more than 100 trade policies in the last decade, none of which has impact, because we lack adequate capacity unlike our other countries in these agreements

There are so many factors that have made it almost impossible for Nigeria to achieve development through her international trade agreements or dealings. Some of the factors have been identified and carefully discussed below

### **a. Nigeria's Gross Inability and Lack of Capacity to Negotiate Beneficial International Trade Agreements**

The major challenge why Nigeria and indeed all other African states are not getting the best out of their international trade agreements is their failure to harness and utilize available capacity needed to negotiate with the developed nations beneficial trade agreements. Usually, the international trade agreement always involves nations whose development and sophistication are not in the same level and pace with Nigeria and other African nations, and sometimes, the agreement involves mere reduction in current tariffs and non-tariff import controls. This type of agreement affords little or no economic and developmental gain or benefit to Nigeria and other Africa states. Nigeria, it is advised, should always think of more beneficial trade agreements than entering into a deal for just mere reduction of tariffs and non-tariff import controls. More so, given the low production capacity and technical shortcoming or deficiencies, the volume of export goods from Africa is very low and often, it can be of very doubtful quality.

For this reason and many more, more advanced countries that enter into such minimal approach Free Trade Agreements with Nigeria and by extension African states, stand a good chance to gain more while African states

continue to lose heavily. These advanced countries who usually enter into trade agreement with Nigeria and Africa states, find it easy to access ready markets for their goods produced at very low cost, while that of Nigeria and African nations produced at high cost lie waste without a market to sell them as they are always considered inferior.

### **b. Poor Export Capacity in non-oil and low Industrial Capacity**

Nigeria lacks the adequate export capacity in non-oil and industrial sector of the economy. This is very obvious. The country more so is not utilizing her vast natural resources and sadly she lacks what it takes to process and export those natural resources like other countries that she entered into international trade agreements with. Most of Nigeria's farm produce have been unfortunately rejected in the European Union Countries because of the high number of pesticides, poor storage methods and other defects, yet Nigeria is the highest producer of most of those foods.

### **c. Economic and Political Instability**

This is another serious challenge facing international trade agreement and development in Nigeria and other African countries. Economic and political instability account for most of the problems faced by Nigeria and her performance in international trade. The International Monetary Fund (IMF) reported that several studies have found that the declining share of African products in global trade can be attributed and explained by its income level or growth, population size, geography and economic policy Widespread of conflicts and crisis of all manners, terrorism robbery, banditry, kidnapping and hostage-taking affects international transactions or trade and development.

### **d. Poor Marketing Capacity**

Nigeria lacks the marketing skill to export her goods and gain from her international trade deals. The country lacks or has poor marketing capacity to convince and make her goods attractive to other nations. That's why most countries reject her goods thereby making the country not to gain from her numerous trade engagements

## **Conclusion And Recommendation**

International trade is one of the core determinants of economic growth, especially in developing countries like Nigeria that is endowed with abundant resources – human and natural. But whenever export is less than import, the impact always becomes disastrous and negative to the growth of the economy. Government policies and institutions play a crucial role in maximizing the benefits of trade agreements for economic development. Effective implementation and enforcement of trade agreements, as well as the provision of supportive infrastructure and institutions, are essential for realizing positive outcomes.

The Africa continent has played the beggar role at the international community for a long time while under-utilizing harvest natural and human resources. There is every big need for Nigeria and indeed other African states to adopt the view that they can be equal partners with other developed countries rather than object of aids and exploitation. Nigeria as the supposed giant of Africa needs to demonstrate her potentials for sustained growth by showing readiness to make concerted efforts to improve and become worthy force in the global market.

To enhance the positive outcomes of trade agreements on Nigeria's economic development, policymakers should consider several recommendations. Firstly, there is a need to prioritize domestic capacity building and industrial development to ensure that local industries can effectively compete in international markets. This can be achieved through targeted policies that promote innovation, technology transfer, and skills development. Secondly, policymakers should focus on improving trade facilitation measures such as customs procedures and logistics infrastructure to reduce transaction costs and enhance efficiency in cross-border trade. Thirdly, efforts should be made to diversify the economy and reduce dependence on a few key sectors by promoting value-added activities and exploring new export markets. Fourthly, policymakers should strengthen institutions responsible for implementing and enforcing trade agreements to ensure compliance and address any disputes that may arise.

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