Journal of Agriculture and Food Science
Volume 2, Number 2, October 2004. pp 103-124

ISSN 1579 - 1074

NIGERIA NATIONAL TRADE POLICY: A strategic Review and Recommendations for Action

J. A Aremu
Covenant University, Canaan Land, Ota, Ogun State, Nigeria

INTRODUCTION

Nigeria became a member of World Trade Organization (TWO) as a result of Uruguay Round (UR) trade negotiations, among others, which she became interested in as a possible way of restructuring her economy under structural adjustment programme (SAP) recommended by the Washington Consensus. However, the implementation process of WTO rules involves significant challenges of the social-economic development in Nigeria particularly because of the lack of technical capacity domestically. This is revealed in the current trade policy, which many see as not congruent with the emerging realities the economy finds itself.

While there are compelling evidences to believe that trade liberalization can be associated with increased growth and development, it is equally a truism from traditional trade theory the benefits from trade liberalization do not randomly spread across the globe. It is therefore the duty of individual nation state to engage the opportunities offered by the current trade liberalization within the WTO to adjust its own trade policy. For Nigeria, the problem is how to design an appropriate trade policy, particularly under its present deficit technical capacity, that will afford the nation an effective negotiation strategy with respect to the complexities in the multilateral trading arrangement. Even if the economy succeeds at fashioning a goof trade policy, it is yet doubtful whether a good trade policy can make a poor country like Nigeria to become rich. For instance, evidences of positive relationship between trade liberalization and economic development is not convincing enough to justify wholesale liberalization of the economy. For one thing, inspite of the past economic and trade liberalization polices since 1986, when the prescriptions of the SAP were recommended by the International Monetary fund (IMF), not much has been achieved in terms of social and economic development of the country. On the contrary, nearly all socio-economic indicators backlashed into worsening the welfare standard of living of Nigerians.
Few unanswered questions still remain:

- What linkage (s) can be drawn between trade liberalization and economic development of Nigeria, particularly in relation to the implementation of WTO's rules?
- What are current WTO agreements that correctly diagnose the development problems of Nigeria, as well as provide appropriate remedies?

J. A Aremu Ph.D. is Acting Vice-Chancellor, Covenant University, Canaan Land, Ota, Ogun State, Nigeria
As in other countries, it had been discovered that the implementation of WTO agreement in Nigeria involves significant financial cost, excessive social costs (in terms of rising unemployment), and adverse impact even on the non-trade sectors within Nigerian economy.

- What are the cost/gains associated in terms of socio-economic development of Nigeria with the implementation of the WTO agreements? And
- Does the implementation of WTO agreements guarantee that Nigeria would be able to increase its foreign market share, so that it can transfer the stated welfare and developmental benefits/gains to the various sectors of the economy?

Since, answers to these four questions are central to further strategic review of the existing trade policy of Nigeria, it is important to revisit the orthodox trade policy upon which theoretical foundations of WTO operational modalities are premised in **Part I** of this paper while **Part II** briefly reviews the existing trade policy in Nigeria. Attempt is made to suggest strategies at improving Nigeria's trade policy in **Part III** within the provisions of the existing WTO arrangements. **Part IV** concludes the paper by providing structure of what a good trade policy should contain towards meeting Nigeria's macroeconomic policy objectives.

PART I: THEORETICAL ISSUES IN TRADE POLICY

A. What is a Trade Policy

Though the doctrine of international specialization is well known in orthodox trade theory to accelerate growth, the classroom where it flourishes no longer exist in practice. Today's trade issues god beyond the traditional mechanisms of tariffs and quota to include **"behind the boarder"** issues. Consequently, developing countries will have to acquire quickly the needed expertise on these and many other complex issues so that they can negotiate more effectively as well as ensure that trade agreements they are being 'dragged' into serve their macroeconomic policy objectives, particularly at reducing poverty. This is important because the present day trade agreements under WTO suggest that trade negotiations are frequently driven by interest groups, particularly of high income countries in which the outcomes of such negotiations do have significant costs for developing countries (in terms of both resource-use and in opportunity costs senses). A more fundamental concern is that the rules of the WTO are not always compatible with national efforts of developing countries towards economic development. The challenges facing Nigeria as well as many developing countries therefore remains how to use the existing international negotiations within the WTO as instruments for improving their terms of trade, their export markets, and as mechanisms for adopting and implementing domestic policy reforms necessary to raise their existing macroeconomic policy objectives performance.

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countries, there appear to be no close substitute in sight at moment. It is therefore important that developing country policy makers' understanding about the international trading system is enhance to be able to implement appropriate trade and commercial policy that is globalization and particularly WTO compliant. Good policy making with respect to the current international trade arrangements demand solid grounding in facts and analysis about multilateral trading environment. In the absence of government intervention,

international trade would dance to the tune of market – determined prices based on factor endowment of each country. However, prevailing phenomenon on the global scene shows that the foreign trade barriers and other economic interventions are facts of reality just like facts of nature, technology, institutions and consumer tastes. Their existence and changes in them must therefore be recognized. Such interventions are channeled through **Trade Policy** of nation states.

As illustration will assist in justifying the need for trade policy used by governments to intervene in the direction of tradables affecting their countries. Suppose that commodity A is imported into Nigeria from Malaysia at a cheaper price than Nigerian producers, some questions are likely to emerge. How does it matter to us just why foreigners offer us their goods as cheaply as they do? Particularly, now does it matter, why commodities delivered in Nigeria are as cheap as they are? Perhaps Malaysia's climate and resources are ideal for A's production. Perhaps the industry producing commodity A enjoys the special skills that it workers have develop over generations in Malaysia. Perhaps, a mass market in Malaysia affords scope for economies of large – scale production. Perhaps, Malaysian manufacturers are selling below current costs in an effort to expand sales and production, take advantage of the learning curve, and get costs down. Perhaps, A is an agricultural commodity that grows wild on bushels and can be harvested at low cost in Malaysia. Perhaps, on the other hand, Malaysian employers scandalously underpay their workers. Perhaps Malaysian authorities subsidize the dumping of the product into Nigerian market at prices below the home price or the cost of production. Perhaps, the Malaysian government, using all manners of policy instruments, has deliberately being fostering a large and efficient industry – producing commodity A. How does the effect of importing commodity A into Nigerian economy depend on nay of these reasons for their cheapness? If cheap foreign goods either benefit or harm Nigerians, how could the nature and degree of that benefit or harm hinge on something more recondite than the prices of the goods themselves? If a detailed investigation of costs and prices reveals that dumping is taking place, does that very necessity not indicate the reason why the imports are so cheap? An atrocity case might sometimes be envisaged in which the foreigners dump their goods to destroy Nigerian domestic producers initially while afterwards they swift to exploiting the economy through monopolistic prices.

With this illustration, most trade policies to the extent that they have any analytical content at all and are not mere naked demand for unmerited favour at the expense of other people, may be interpreted on the premises of externality arguments. For instance, suppose a particular industry is desired in the Nigerian economy partly for its own sake and not merely for the products that it currently provides, it might be providing a "service of availability", standing ready for conversion to military production in war time; o it might be providing new knowledge or experience or worker training beneficial to other sectors of the economy that it nevertheless cannot collect payment for. Such an industry might be a plausible candidate (a) for protection against import competition, (b) for a subsidy, or (c) for other governmental favours. In real world therefore, trade and commercial policy

interventions do occur when: such and such a customs duty or import quota is applied to a product defined with adequate precision; such as such a kind and rate of subsidy on another kind of a product and tax on yet another; and such and such a job – retaining program with specific features and incentives and disincentives (whether intended or not).

By trying to set out rules and constraints on people's activities and transactions via trade policy, government is in fact ensuing that it is sensitive to the broadly accepted notions of morality and justice and hoping that the results will be more satisfactory than the pattern of activities hitherto observed before the policy is established. Operationally, the introduction of trade policy is premised on the choice that lies between alternative sets of institutions and rules in directing, controlling and monitoring of production, resource allocation, gains as well as losses in an economy. Controlling a market economy through trade policy would however require that the controllers have the same knowledge of wants, resources, technology, and all sort of local and fleeting details that planners would require as well as instruments employed in any trade and commercial policy.

A. Role of Trade Policy

No doubt, trade liberalization is capable of creating winners and losers. While the losers are likely to include those people previously working in protected sectors, the winner will include consumers, and those who are able to take advantage of market opportunities. These of course justify the need for national sectoral strategies, fiscal and trade policies.

1) **Trade Policy and The Fundamental Macroeconomic Balance** – The direct link between trade policy and development financing is principally through the savings – investment mechanism. The fundamental macroeconomic identities state that a country's savings investment imbalance must be exactly equal to the difference between exports and imports of goods and services. This can be expressed as:

$Y - E = S - Id = X - M = If$ .... (1)

Where Y = Net National Product
E = National Expenditures
S = Domestic Savings
Id = Domestic Capital Formation (Investment)
X = Exports of goods and Services
M = Imports of goods and Services
X –M = **Current Account Balance**
If = Net Foreign Investment

These identities make it clear that the excess of expenditures over domestic production is mirrored by a saving shortfall and a current account deficit that need to be finance by a net capital inflow. Thus, when restrictive trade policies are used to reduce imports so as to improve a negative current account balance, this must correspond to a reduction of a negative domestic output gap (either by increasing production or decreasing spending or

both). This must also be reflected in decrease in the domestic savings – investment balance – i.e. the domestic resources gap (by saving more or investing less) and in a reduction of the net capital inflow. In other words, a restrictive trade policy reduces the current account deficit in the short run without necessarily forcing up the domestic savings rate (that is, maintaining domestic consumption) or without forcing reduction in national investment.

2) **Trade Policy and Allocative Efficiencies** – The indirect link between trade policy and domestic resource mobilization operates through the efforts of trade policy on economic efficiency. These effects originated from two sources. First, efficiency occurs in the reallocation of resources towards the sectors in which the country in question has comparative advantage. When trade policy is liberalized, domestic relative prices will change, and consequently affect the pattern of production. The efficiency gains derive from inter-sectoral shift, and the later are made possible by changes in the structure of protection away from sectors with comparative disadvantage to the sector with comparative advantage. The second efficiency gains come from increased competition.

3) **Trade Policy and Foreign Investment** – Under certain conditions, restrictive trade policies act as an incentive for foreign investment. How? It is known that foreign affiliates of TNCs have a choice between sales of their products as exports or through production by their foreign affiliates. If they opt for the latter instead of direct exports that means they would have to establish foreign direct investment (FDI). With this choice, they may be able to avoid paying tariffs (i.e tariff jumping). This is common among horizontal FDI – where TNCs produce final products of homogeneous type at multiple locations across the world. Apart from tariff jumping reason, trade policy can equally have a role to play in vertical FDI (when TNCs geographically split stages of production and integrate the production from the various unit under one administrative and production headquarters); this could be complementary to attracting FDI also. In any of the cses, using trade policy to protect firms should only be permitted if the firms demonstrate that they would soon become competitive and eventually earn a normal rate of profit on production at world prices.

C. Instruments of Trade Policy

In the area of goods, trade policy instruments include price – based or non-price based measures, which may be applied at the frontier (e.g. tariffs, import restrictions of export subsidies); while in area of services they are usually in form of domestic regulations, which may be applied to foreign service providers or suppliers. Essentially, instruments of trade policy essentially include tariff and non-tariff barriers (NTBs).

1. Tariff Barriers

Tariff is a type of customs duty imposed on the imports of a recipient economy. The effect of a tariff is to raise the price of goods on which the import duty is impose for reasons earlier discussed. The effects of a tariff may be examined either on the microeconomic analysis level, or at the macroeconomic analysis level. At the micro level, its impacts o the market for a particular good, say cloths, which is one among may products in an economy can be examined using a partial equilibrium approach. In such as case we must assume

that demand and supply relationships of clothes are given and they remain constant. On the demand side, technological change, externalities, and other changes in cost conditions are ruled out. For the meantime, tariffs imposed on raw material input are assumed to be out of the issue. On the international front, we assume that foreign producers and suppliers are ready to supply at constant price any amount that the domestic consumers may wish to purchase.
We can put the outcome of this development together in Figure 1 below: From Fig. 1. O A is the (constant) price at which foreign produces are willing to sell their products in the domestic market, and at that price domestic suppliers can not supply at all (due to low price). Before imposition of nay tariff, and at price OP, Oq^5 is demanded and consumed in the domestic economy. Out of this amount Oq^1 is produced and supplied by domestic firms while the balance q^1q^5 is imported.

With the imposition of the initial tariff t^1, the domestic price is increased to $Op+t^1$. Consequently, domestic consumption fell to Oq^4 and domestic suppliers position improved as they accounted for Oq^2 of the domestic consumption while the balance of q2q4 was imported. Note that the level of importation had fallen from q^1q^5 when no tariff was introduced to q^2q^4 after tariff t^1 was imposed on overseas suppliers. The increase in the domestic price is traceable to the tariff as we assumed a constant price for the foreign supplier in this partial equilibrium analysis.

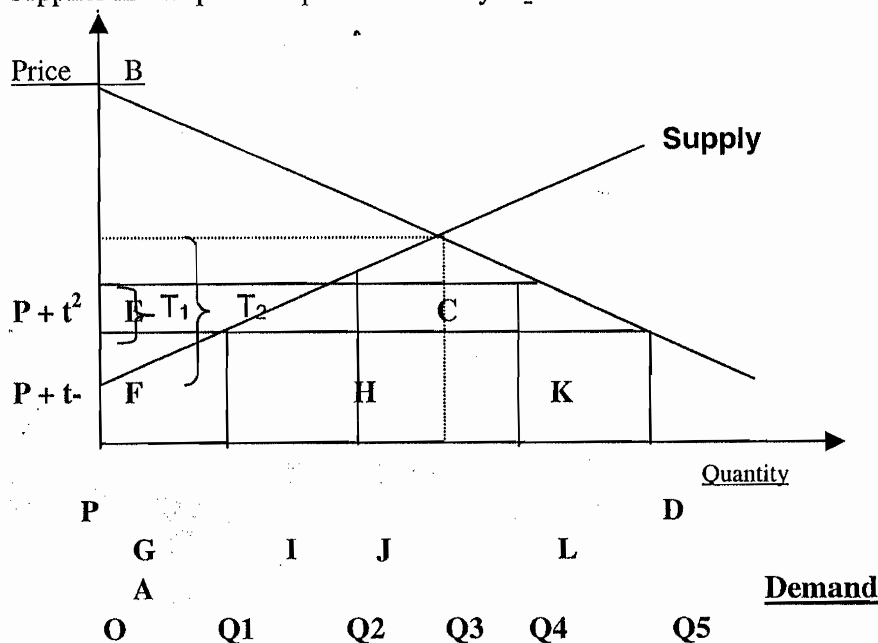

Figure 1: Effects of Tariff in a Partial Equilibrium

a) **Domestic Supply Effects** – The domestic supply effects can be addressed under: (i) the import substitution effect; (ii) protective effect; and (iii) transfer effect. In case of the import substitution effect, domestic producers now reacting to he higher price **Op + t₁**, are able to cove their rising marginal costs of producing additional output by expanding their

production from **Oq_1 to Oq_2**. This replacement of foreign producer with domestic one is called the import substitution effect of tariff. For protective effect, it is the level of inefficient production that is permitted to the domestic supplier by the virtue of tariff imposed on import. This is represented by triangle **HIJ.** On the issue of transfer effect, higher price is paid to producers on each unit of the entire output (i.e. **Oq_2**) while the protective effect applies to only that part of increased receipts (i.e. q_1q_2) necessary to pay for the increasingly inefficient production. This is shown by **FGHI.** (i.e. transfer effect). In other words, the higher per unit costs arising form the expansion of domestic production (i.e. **FGJH**) is divided into two: protective effect (represented by triangle **HIJ**) and transfer effect (represented by **FGHI**).

b) **Revenue Effects** – On each unit of the commodity that is imported after the imposition of **t_1**, domestic government is able to collect a duty of **P (p + t_1)** over the quantity imported of **q_2q_4** (represented in rectangle by **HJKL** known as the revenue effect.

c) **Consumption Effect** – As the consumers faces a higher level of prices, the quantity of the commodity they are ready to purchase reduces due to lower ability to pay as well as ability to substitute for other competing products (i.e. whether demand for the product is elastic or inelastic). The welfare implications are very crucial here. Net consumer satisfaction is measured by the difference between total satisfaction and the total cost of obtaining that satisfaction. Total consumer satisfaction is thus measured by the area to the left of the equilibrium quantity demanded and below the demand curve (i.e. **$OBCq^3$**). However the total cost of obtaining the satisfaction is the value of the outlay (i.e. price times quantity demanded – **$OECq^3$**). The net consumers' **"satisfaction" or "surplus"** then is the triangular area bounded by the equilibrium price, the demand curve and the vertical axis i.e. **BEC**).

The imposition of a tariff created a net loss of consumers' satisfaction amounting to area FGKD. The consumer may not know this, as they are likely not to be aware of a tariff imposition. The consumption effect (and in this case loss) is the different between the enjoyment consumers would get from having a greater quantity of the commodity (like clothes) at a lower price and he enjoyment actually obtained from a smaller quantity due to higher price (in the case of tariff imposition).

d) **Net Loss to the Country** – From our illustration, when the loss of consumers is partially offset by the revenue received by the domestic economy government and the surplus transferred to the domestic producers, the net loss to the entire economy as a result of the tariff is measured in triangles **HIJ** (less efficient use of resources) and **KLD** (loss to consume not offset or otherwise accounted for).

e) **Is Tariff for Protection or Revenue?** - From the above explanations, one is not sue what duties on imports are specifically targeted at achieving at an appointment time. Is it possible to direct it to produce a singular effect or do all effects have to occur

simultaneously? It is important to note that tariff can either be used for **protective purposes** as well as for revenue generation purpose (i.e. when it is used to raise money for the government, much like other taxes do). A protective tariff will reduce import substantially only if demand for such a product is price elastic (in which a given percentage increase in price causes a large percentage reduction in quantity of the goods demanded). So if government put a tariff on a product that has an elastic demand, it will succeed substantially reducing imports of that product. This is particularly so when the product has close domestic substitutes. However, a revenue generation tariff can raise substantial amount of money for the government only if the demand is price inelastic for the product in question. When demand is price inelastic, a given percentage increase in price causes a smaller percentage reduction in quantity demanded. In such as case, the increase in price to the consumer (due to tariff) has little effect on the amount purchased. Particularly when the product has no close substitute that is produced in domestic economy.

If a higher tariff, t_2, was imposed on the goods, the domestic price will go further higher to $p + t_2$. This will further encourage domestic producers to supply Oq_3 while domestic consumers will not be able to buy more than Oq_3. At the level, the tariff, $p + t_2$ had succeeded in diverted the entire domestic consumption to the home economy thus fully protecting domestic producers. This is an example of prohibitive tariff and it is purely protective.

It may be accepted to argue that when a tariff is levied on imports, foreign suppliers may attempt to recapture the market by shifting their supply curve downward, thus reducing their prices and improving the terms of trade of the domestic economy. When series of terms of trade are drawn with trade indifference curves, the offer curves emerge. Offer curve is also known as: willingness to trade curves, total expenditure curve, o reciprocal demand curve. Further analysis about offer curve is beyond the demand of this paper.

2. Non – Tariff Barriers

Up till now, we have used tariff to show the effects protection has on production and consumption in a given domestic economy. Tariff is not the only instrument of trade and commercial policy. There are other NTBs that tend to restrict imports. These NTBs are government actions, which directly or indirectly, intentionally or unintentionally, discourage imports in favour of domestic import substitutes. Most NTBs are however intentional and are far more obvious in their implications. Sometimes, they can be as crude as severe slowdowns in customs clearance procedures that seriously delays imports, thereby imposing sizeable interest payments and other costs on importers. Occasionally, government adopt investment rules that discourage trade patters and consequently impose a barrier to trade. For instance, when sometimes ago, Canadian government allowed US investors, only if promises were made that parts and components would not be imported but purchased from existing Canadian firms constitute a type of NTB.

The range of NTBs is wide and is limited only by the imagination of politician and government bureaucrats that established them. They became popular because they often provide a way to severely limit imports without appearing to violate commitments made through the World Trade Organization – WTO – previously the General Agreement on Tariffs and Trade (GATT). The WTO have brought average tariff levels down sharply and have made it difficult or impossible for member countries to impose higher tariff rate without encountering legal problems or retaliation. If tariff rates are basically unavailable as a mechanism for limiting imports, NTBs becomes an irresistibly attractive option for government that are under intense political pressure to provide protection for beleaguered domestic industries.

a) **Effects of Quotas** – Quota occur when domestic government imposes limit on either the quantity or in other cases the value on the goods and services that are permitted to be imported over a specified period of time. In situation when the domestic demand is not sensitive to imposition of tariff (inelastic demand) imposition of quota on value or quantity permitted to be imported may be employed. For the fact that the effects of quotas may not be offset by a domestic currency's devaluation, its use is more disturbing to correct balance of payment problems.

It may be important to separate tariff quotas from import quotas. In case of a tariff quota, permission to import of a cêrtain quantity or value of a commodity is granted either duty free or at a concessional rate while further quantities or value exceeding the quota ceiling are subjected to higher rate of duty. For import quota, on the other hand, restriction as to quantities or value is placed on imports absolutely.

If the actual quantity or value of a particular commodity under import quota ceiling is lower than would have been imported in the absence of quota ceiling, the domestic price of such a commodity would increase. The importation of such commodity will be very lucrative to those that secured the import-licensing quota from the government. That is why it may be advisable for government to further impose some level of taxes on such commodities to transfer part of the possible profits from the quota holders to the country's purse.

Essentially, the impacts of quotas are very similar to that of tariff earlier discussed. Employing the same partial equilibrium analysis (using **Fig. 2**), we have the following in which the world market price of the commodity is **p**. At that level, the level of demand within the domestic economy is $\mathbf{Oq_5}$ while domestic suppliers can only meet op1 of this requirement. There is the tendency for the country to wanting to import the balance (which is $\mathbf{q_1\ q_5}$. However, if the government decides that it would have to reduce the import level from $\mathbf{q_1\ q_5}$ **to** $\mathbf{q_2\ q_4}$ through a quota allocated to some companies. The effects of the government decision will resemble that of the tariff imposed earlier discussed. The effects on the domestic production and consumption will remain the same; so also will be on home market price and the international terms of trade. The differences will however be that

under tariff, revenue accrue to the government while monopoly profit goes to the quota holders in case of quota on imports.

Price B
Supply
P1 E C
P1 F I K H
P D
Quantity
G J L
Demand
A
O Q1 Q2 Q3 Q4 Q5

Figure 2: Effects of Quotas in a Partial Equilibrium

b) **Quantitative Restrictions** – Quantitative Restriction (Ors) are other ways to control imports into a domestic economy. May I point out the while quota itself is a type of quantitative control however, in this context, it is seen as an expenditure – switching policy. QRs can come inform of restricting the quantity or though foreign exchange allocation. Under the first option, it may be done through import licensing. With the foreign exchange option, government may compel exporters to return their export proceed to the nation's central bank for re-purchase by importers. This will allow the government to have full control of all imports and consequently trade. Again government can redefine goods to be imported and those not permitted through QRs. The main disadvantage of this method is that, the tendency to circumvent the restrictions is high and thus encouraging black market, if not well policed. Also, importers may engage in diversion to other more lucrative imports other than those stated in the approvals they secured.

c) **Voluntary Export Restraint (VER)** – International trade relations have added yet another term, Voluntary Export Restrain (VER) Agreement to it tool of trade policy. VER is designed to remedy **'import disruption'** particularly during crisis conditions and disorderly international market. It differs from the other types of imports controls (such as tariffs, quotas, and other quantitative restrictions) in three respects: It restricts trade by artificially limiting supply rather than demand; it is a discriminatory device in so far as export restraint is selective; and it is a bilaterally negotiated restriction on trade rather than a unilateral measure applied by importing government. According to Jones (1982) VER is

a bilateral agreement that provides for an exporting country to restrict deliveries of a commodity to an importing country to a certain quantitative level over a specified period. Through export restraint, trade is restricted by artificially restricting supply.

VER represents the successful effort of the importing country's government to induce export restraint as an alternative to unilateral import control. Usually, the threat of alternative action is used by the importing country and as such the word 'voluntary' is reflected in a somewhat projectionist motives of importing government and in its intention to ensure the exporter's adhere to the quota levels. For trade authorities in the importing countries, it allows them to achieve protectionist end at low political cost. Since VER restraints trade on the exporting side, it allows trade authorities under protectionist pressure to circumvent GATT restrictions on quantitative (Article XI) and discriminatory (Article II and XIII) trade barriers. It equally provides an alternative to raising tariff levels.

d) **Regional Economic Integration** - Economic-trading blocs are fast becoming part and parcel of many countries' trade and commercial policy. According to Aremu (1998) the theory of economic integration in as up shoot combination of elements of free trade as presented by the mercantilist, the classical economist, and the modern trade theories with various commercial policies that deal with the effects of government interference with free trade through various quantitative import controls, customs tariffs, quotas and other restrictive measures'. That is economic integration combines elements of free trade with foreign trade protection (Osagie, 1978). Different levels of economic integration can be recognized depending upon the extent of cooperation among member states. Since European Community championed the idea in 1957, it has spread like wide fire to Less Developed Countries (LDCs). The different levels are; **Preferential Tariff** – This form of economic integration occur in which participating countries levy lower rates of customs duties on one another than non-members of the system. **Free Trade Area** – Member agree to complete elimination of tariffs among themselves while each member state is free to impose its own tariffs on imports from non-members. **Customs Union** – It is like Free Trade Area, only that members agree to elimination among themselves but a common tariff regimes against non-members **Common Market** – As an extension of customs union, common market provides for free movement of factors of production (such as capital and labour) among participating member nations. **Economic Union** – It is a higher level of economic integration that the common market because of its additional features such as the coordination and harmonization of various economic policies in planning, industrialization, monetary, fiscal and exchange rage determination. **Monetary Integration** – A monetary integration is the final phase of economic integration as it involves the pursuit of a common economic policy by member states which includes a singular currency.

PART II: BRIEF SURVEY OF NIGERIA'S TRADE POLICY

A. Objectives and Strategies of Nigeria Trade Policy

The current Nigerian Trade Policy was released in 2002. The policy intends to promote production of goods and services to meet domestic and international markets so as to achieve economic growth and development. The objectives of the policy include:

- Integration of the Nigerian economy into the global market through the establishment of a liberal market economy;
- Promotion and diversification of exports in both traditional and non traditional markets;
- Progressive liberalization of the import regime to enhance competitiveness of domestic industries;
- Effective participation in trade negotiations to enhance the achievement of national economic gains in the multilateral trading system, as well as regional and bilateral agreements;
- Promotion and development of domestic trade including intra state trade and inter state commerce;
- Achievement of accelerated economic growth and development through trade within a network of public-private sector partnership;
- Promotion of the transfer, acquisition and adoption of appropriate and sustainable technologies to ensue competitive export oriented industries;
- Attraction of foreign capital inflow into export oriented production through special incentive packages and domestic support;
- Promotion of regional integration and cooperation; and
- Effective utilization of information and communication technology in electronic commerce.

A closer look at the policy revealed readiness of the government to redefine it role by assigning greater prominence to the private sector as the engine growth. In addition, the government appear ready to dismantle unnecessary controls as well as provide full protection for private rights in line with the demand of the moment. To this end, the policy strategies are:

The policy lists the export promotion strategies and objectives of Nigeria to include: (a) enhance the marketability of exportables through product diversification, standardization and quality improvement; (b) strengthen and improve the institutional framework for providing better support services to exporters and export oriented industries; (c) establish backward linkages between export oriented industries and primary sectors for the utilization of local raw materials; (d) attract an increased number of entrepreneurs for setting up export oriented industries and encourage them through the provision of suitable incentive packages, as well as appropriate human resource development programmes for the promotion of entrepreneurial and management skills in the context of a competitive international environment; (e) expand and consolidate existing export markets as well as create new markets for Nigerian exportables; (f) ensue the removal of procedural and

regulatory bottlenecks incompatible with the attainment o the objectives of a dynamic export promotion policy; (g) promote programmes for developing export-oriented knowledge based resources, including computer software, electronic commerce engineering and consultancy services; (h) diversity and increase export of high value added manufactured product that depend on the natural resources where Nigeria has comparative advantage; (I) encourage the acquisition and adaptation of environment friendly technologies to ensue that Nigerian products meet the required international standards; (j) establish border markets to promote legal trading across Nigeria borders and so discourage smuggling; and (k) export house strategy and through NEXIM give lift to local entrepreneurs with high export potential.

In other words, the regulatory environment is to be enhanced through: liberalization that recognizes the need to protect domestic industries from unfair trade practices; promotion of conducive investment for foreign investment; control of dumping and the establishment of the anti dumping commission; control of smuggling; rt term bills, retention of export proceeds, export credit guarantee and insurance scheme, manufacture-in-bond scheme, counter trade arrangements/buy back scheme were recognized to be employed in promotion of programme.

B. Division of Responsibilities

To guarantee effective execution of the existing policy, the three tiers of government are assigned different roles to play.

1. Federal Government -

(a) provision of the general policy framework within which trade will develop and provide guidance.

(b) Coordination that joint Federal and State, State and other specialized projects and by creating conditions which facilitate resource flows from other sources;

(c) training of manpower for trade development (inspectors, export developer and import management experts); and

(d) promotion of appropriate technology in preservation, processing, packaging, quality control, standardization, storage, financing, risk-bearing, market intelligence, transportation and market structures, through the development of prototypes and pilot projects as a follow-u to research inventions.

2. The State Governments

The State Governments would however be expected to be responsible for the following activities:

(a) The promotion of primary production of all items of export-oriented agricultural and industrial products through: the maintenance of a virile and effective trade extension service which can deal with problems of production, preservation, storage, processing, financing, risk – bearing, standardization, quality control and other marketing functions; and the promotion of buying and selling using private operators;

(b) The training of manpower for trade growth and development
(c) The establishment of appropriate institutions for administering credit to traders;
(d) The maintenance of buffer stocks of tradable products for purposes of price stabilization;
(e) Investments in access roads, water supplies and electricity in the localities where these tradable products are obtained.

3. Local Governments

On the part of the local government, they were to:

a. provide effective trade extension service;
b. provide site infrastructure;
c. mobilize traders for accelerated trade development through cooperative organizations and community associations;
d. assist in data collection at the primary level; and
e. construct, manage and maintain of local markets to enhance trade.

The rest of the policy displays how it would be implemented through establishment of institutional framework as well as the strategy and action plan.

C. Appraisal of the Nigerian Trade Policy

A good trade policy regime should be predictable, transparent and uniformly applied. In particular, such trade policy must: have no licensing or other approvals, except for health, safety and environmental reasons; have low and uniform tariffs (or little dispersion with only a small number of bands): and have an efficient customs clearance process with little or no red-tapism. In addition, a good trade policy must ensure that where non-tariff barriers becomes inevitable, they must not be applied in a manner that encourages lobbying (rent seeking); and should be made transparent, else protection may continue to exist unnoticed. For a good tariff regime, excessively high ones are capable of discouraging the development of the exporting of intermediate products for developing countries to integrate themselves into the modern global economy.

The current trade policy for Nigeria failed to address these issues, instead it was expected to increase governmental agencies and allotted them functions that possesses jurisdictional overlaps. It is not in the multiplicity of governmental agencies that effectiveness of trade has to be measured; rather it is in developing the technical capabilities of the existing agencies. Secondly, the enabling environment was not well addressed in the policy. Prevailing poor infrastructures with respect to power and water supply, among others, do increase the costs of Nigerian products making them uncompetitive in international market. The policy has not addressed solution to the problems. Thirdly, the ambition of the policy to reduce poverty by half this year 2005 from 2002 level is clearly unattainable as available indicators show negative development. Fourthly, the policy does not appear to view its implementation strategies within the limitation imposed by WTO practices, among others.

PART III: STRATEGIES TO IMPROVE NIGERIA TRADE POLICY

A. WTO provision to Nigeria's Trade policy

About 2/3 of the WTO is made up of developing countries, yet their weight of numbers has not given significant rightful position in the organization. WTO has responded by dealing with developing countries especially in some areas. First, Part 4 GATT has a special section, which includes provisions on the conception of non-reciprocity in trade negotiations between developed, and developing countries. This section of the agreement provided that when a developed country grants trade concessions to another developing country, it should not expect the latter to reciprocally make matching offers in return. GATT equally enables developed countries to grant special concessions to developing countries without having to do the same for the entire WTO members. This is known as "special and differential treatment". In part 5 of GATS, WTO allows developing countries some preferential treatment under 'Economic Integration'. Other measures include; extra time for developing countries trading opportunities through greater market access (e.g. in textile, services, technical barriers to trade); provisions requiring WTO members to safeguard the interests of developing countries when adopting some domestic or international measures (e.g in anti-dumping, safeguards, technical barriers to trade); and provisions for various means of supporting developing countries (e.g. in helping them deal with commitments on animal and plant health standards, technical standards, and assisting them in strengthening their domestic telecommunication sectors). Nigerian Trade Policy should clearly explain how its wants to benefit from these provisions within the WTO.

Secondly, the WTO Secretariat has special legal advisers for assisting developing countries in any WTO dispute and for giving them legal counsel. WTO's Technical Cooperation Division offers this kind of service. A number of developing countries are already benefiting from the use of it, but Nigeria has never.

Thirdly, when the Uruguay Round ended in Marrakesh in 1994, ministers suggested that the lower tariff and lower non-tariff barriers committed on products of interest of developing countries could be introduced ahead of schedule. With that development, WTO recognized that some of the commitments could have negative effects on developing countries. For example reducing agricultural export subsidies could raise the prices of some food that these countries import. Infact at the Ministerial Conference in Singapore in 1999, WTO members agreed to a plan of Action for developing countries: to assist them in participating more markets for imports. There is nothing wrong for our trade policy to examine how we can benefit from these statutes. In addition, developing countries are granted the opportunity to use conciliation, mediation and good offices to settle their disputes if the Dispute Settlement Body (DSB) alternative approach appears expensive for them. Many countries dumping their products into Nigeria market go free, yet we could use the conciliation, mediation and good offices options to call them to order if the DSB looks unattractive.

Fourthly, WTO do organizes joint meetings of the UNCTAD and the Internal trade Center (ITC) with IMF, World Bank and UNDP to develop integrated approach foe assisting poor nations to make more effective use of the existing multilateral trading system. Nigeria's trade policy should recognize patronizing such joint meetings.

Fifthly, having permanent office of representatives in Geneva can be expensive for some countries. Currently, only about 1/3 of the entire developing countries have their offices there. Swiss government has recently agreed to provide free office space for delegates from least developed countries in what is known as "maison universal" A number of WTO members had at one time of the other being providing financial assistance to ministers from least developed countries to attend Ministerial Conferences. It is doubtful whether Nigeria has ever used this method to boost the understanding of its technical contingents within WTO.

Six, Trade and Development Committee (TDC) has the mandate to monitor how provisions favouring developing countries are being implemented such as: guidelines for technical cooperation; increase participation of developing countries in the trading system; and the position of least developed countries. Our government has not invited the TDC to examine WTO policies affecting us negatively.

Seventh, technical cooperation is an area of WTO activities that is devoted entirely to helping developing countries. The objective here is to help build the necessary institutions and to train their officials. Subjects covered deal both with trade policies as well as effective negotiation. This is usually done in Geneva. The funding for such programs comes from: WTO regular budget, voluntary contribution form WTO members, and cost-sharing either by the host country of an event or by other countries. The existing agencies created by the trade Nigeria policy can avail themselves to these training opportunities.

Eight, the WTO agreements which were the outcome of the 1986 – 94 Uruguay Round of trade negotiations provide numerous opportunities for developing countries to make gains. These gains include; fundamental reforms in agricultural trade; the decision to phase out quota on developing countries' export or textiles and clothing; reductions in customs duties on industrial products, expanding the number of products whose customs duty rates are "bound" under the WTO, making the rates difficult to rise; and phasing out bilateral agreements to restrict trade quantities of certain goods – these "Grey area" measures are not really recognized under GATT/WTO. Ministry of commerce should be ready to re-align its assignments with these arrangements.

B. Other Proposals

1. General Review of Nigeria's Problem – While Nigeria and many developing countries did not adequately understand the implications when they signed on to the Uruguay Round agreements, their understanding has however improved significantly now. If it is not the intention of WTO to have a multilateral trading system that would continue

to negatively impacts the majority of its members, then a general review of the organization is necessary now that many members are well informed about its operational modalities. A good starting point should be that those proposals put forward by Nigeria and other developing countries at the various Ministerial Conferences should be given adequate consideration. The proposals touched on changing the rules on anti dumping, subsidies, safeguards, sanitary and phytosanitary measures, technical barriers, textiles, TRIMS, TRIPS, Article VII of GATT 1994, rule of origin, balance of payment provision of GATT 1994, agriculture, services, and special and differential treatment and Singapore issues, etc. (WTO 1999).

2. **The Agriculture Agreement –** Many developing countries including Nigeria have made proposals that the Agriculture Agreement should be amended to allow greater flexibility to take into account their problems on implementation, especially the effect on rural livelihoods, food security and incomes of the poor. The following measures could be examined and implemented by the WTO: (a) food production in developing countries for domestic consumption, as well as products of small farmers and household farmers in developing countries to be excluded from the discipline of the Agricultural Agreement; (b) a decision that the special safeguard mechanism can be utilized by developing countries, whether or not they have taken to tariffication; and (c) an agreement to effectively and directly assist net food-importing developing countries. Nigeria should pursue this along with other developing countries.

3. **Services and GATS -** Despite a lack of data and assessment with guard to trade in services, qualitative analysis shows that there is a relative lack of benefits to Nigeria as well as other developing countries; and that there are justifiable potential problems if they are to further commitments, the issue of lack of data need to be addressed and agreement reached for data collection and collation at national and international levels I all four methods of supply in Nigeria's future negotiations should select the services sector and transactions that are of export interest to them, as opposed to the earlier wholesale approach in Uruguay Round.

Articles IV and XIX.2 of GATS have special provisions for developing countries, but these provisions have not being given special consideration, developing countries have in fact been targeted for obtaining more concessions, as in financial services. There is need foe implementation of this special provision to the letter; and GATS should have a specific provision for monitoring such commitments to favour Nigeria and other developing countries.

4. **Intellectual Property and TRIPS Agreement -** As the imbalances and problems generated by Trade Related Intellectual Property (TRIPS) become more obvious, there have been increased requests from developing countries in the WTO to address the problems, and mounting public demand worldwide for a reassessment of the nature and effects of TRIPS on the public interest in several areas as well as overall Nigeria is among

the many developing countries facing difficulties in implementing the TRIPS agreement at the national level, the transition period for her and the other developing countries should be extended until a review of the agreement is carried out and appropriate changes are made to the agreement. In implementing TRIPS through national legislation, Nigeria and other developing countries should be permitted to fully make use of the flexibility to choose among different options, without being subjected to undue the inappropriate influence. Nigeria should argue that pressures should not be applied on her and other developing countries to give up the use of options available to them under TRIPS, or undue pressurizing on them either through bilateral means or regional arrangements or through the process of accession to the WTO to get them agree to implement IPR standards even higher than those in TRIPS, high IPR standards constitute a form of protection that prevents or constrains the international transfer of technology. It is therefore a paradox that **TRIPS is inserted in an organization that is supposed to promote trade liberation,** making intellectual property protection an aberration in the WTO. WTO must about mutually gainful trade whereas intellectual property protection is a tax on poor countries' use of knowledge, constitute an unrequited transfer to the rich producing countries. This of course o turning the **WTO into a royalty – collection agency,** by pretending that it is trade related. Nigeria should continue through its trade policy and subsequent policy pronouncement to negotiate these positions.

5. The TRIMS Agreement – Nigeria is among the countries that have difficulties in implementing the TRIMS Agreement. The problems of developing countries on the agreement should address together, and not on a case-by-case basic, so that a systematic solution is developed and implemented. In addition, the transition period for developing countries should be extended for a period that is in consonance with their developmental needs. In the review of the TRIMS Agreement, no attempt by the developed countries should be permitted at including more items on the illustrative list of prohibited investment measures, or to extend the mandate of the agreement to cover investment rules perse. Instead, provisions should be included on the agreement to provide developing countries with flexibility needed to meet social, economic and development objectives.

C. ECOWAS As an Option

Because of the inadequacies In the pure trade theory to offer random benefits to all, economists have carried out further intensive studies as to the likely impact of economic integration on trade. The pioneering study on the subject matter started in the middle of this century when and economist Jacob Viner, (195) questioned the efficacy of economic integration within an imperfect world that is full of trade restrictions. His submission was that the trade creating effects due from the elimination of internal barriers within the regional trading blocs must outweigh the trade diversion effects in terms of discrimination against non-member exports for an economic integration to be beneficial to members.

The expectation about the sub-regional economic community (ECOWAS) is based on the following perceived benefits that are shown in Table 2. The domestic producer's price will be the cheapest.

Table 2: Production Cost of Commodity A with 100% Tariff

Country	Cost of Production
X	50
Y	80
Z	60

And there will not be any need to import the product from their country **Y** or country **Z.** However, if country **X** imposes a 50% non-discriminatory import duty instead, the situation would have been different from **Table 2** as it appears in **Table 3** country **X** would prefer importing the product from county **Z** (the lower-cost source) and the price in country **X** country will be 45.

Table 3: Production Cost of Commodity A with 100% Tariff

Country	Cost of Production
X	50
Y	60
Z	45

If we assume that countries X and Y agree to have a customs union as earlier defined, the resultant effect will be as shown in Table 4 country X will now import product A from country Y and the price in X's market will be 40. From this development, import is switched from the low-cost supplier (country Z) to the high-cost supplier (country Y). This situation is referred to as Trade Division [1)] - in which imports from a more efficiently producing country are switched to a less efficiently.

Table 4: Production Cost of Commodity A with 50% Tariff and X and Y in a customs Union

Country	Cost of Production
X	50
Y	40
Z	45

Producing country because of an economic integration. This development reduces the efficiency of world production, since to produce the same output as before, a larger quantity of resources had to be used.

Three corollaries emerge from the above explanations:

- if neither of the two countries that engage in economic integration produces commodity A, the customs union would be of no importance to this analysis as both

of the countries would still have to import the product from the third country (i.e the rest of the world);

- one of the countries in the union must be a producer of the product inefficiently, i.e. the country is not the lowest-cost in the world, so that by the union partner, a case of trade diversion would occur; and
- that both countries engaging in the union produce the product with one of them better than the other in terms of costs so that the market is secured for the more efficient producer thus leading to **Trade Creation** [2)]

in judging the desirability of ECOWAS economic regionalism, the principal measuring rod is the volume of trade creation without much trade-off from the trade diversion side effects. Within the sub-region, political success is equally crucial, and with the prevailing political unrest in many of the countries in the sub-region, it is doubtful for any economic integration to succeed without **"political guarantee",** if we compare the pre-union or ECOWAS countries with the post-union income per capital, it will be sad to note that it has consistently been that of a downward trend. While the **in-built synergy** of economic integration is not in doubt the constraints facing the sub-region are so numerous for it to benefit from the theoretical basis surrounding economic integration. In spite of these short comings:

- the establishment of ECOWAS is put in place to improve the efficiency of local industries within the region via heightened competitiveness;
- the economic union is a sort of an insurance policy against possible reversion to the global interventionist and protectionist polices;
- the regional pact is capable of assisting the existing multilateral trade and possibly complemented the World Trade Organization (WTO) reforms in several ways such as generating trade creating as regional industries take the inherent advantages made available; as well as serving as a model for strengthening multilateral discipline;
- the community is a sort f negotiating laboratory for new issues that have not yet been taken to the multilateral issues for the entire ECOWAS nations; and
- it is a home base opportunity to produce a deeper liberalization that is easier to manage than the current tedious ones available under the WTO multilateral arrangements.

Trade Creation occurs when there is a swift from a higher real-cost producer in on member country, which had formerly been protected by customs duty to a lower real-cost producer with the economic community

CONCLUSION

The concern of this paper is to examine Nigeria's Trade Policy for the purpose of emerging with a better strategy that satisfies Nigeria's interest. However, a care look at the current **Trade Policy of Nigeria** release in 2002 revealed that the lack the expected materials of a country that is among the WTO member nations. The Nigeria Trade Policy did not address clearly the following issues in line with her current positions at the WTO.

1. Nigeria's Commitments on Accession to WTO
    a) Adapting to the WTO trade regime,
    b) Commitments made by Nigeria on trade in goods
    c) Commitments on trade in services
    d) Commitments on trade-related intellectual property regime, and
    e) Nigeria and the WTO Dispute Settlement mechanism.

2. Impact of WTO Accession on Nigeria
    a) Economic impact of WTO membership,
    b) Socio-political impacts
    c) Impact on industrial enterprises,
    d) Impact on financial services,
    e) Impact on distribution, transportation, logistics and tourism, and
    f) Impact on professional services.

3. Structure of Nigerian Tariff
    a) General Introduction
    b) Types of Tariff Nigeria is implementing
    c) Classification of the Tariffs
    d) Economic Categorization of goods
    e) Position of tariff quotas
    f) Cascading of customs tariff and anomalies

4. Tariff Protection Measures and Reforms
    a) What tariff protection is in Nigeria context,
    b) Measuring Different Forms of protection,
    c) What Nigeria's tariff policy is all about

5. Nigeria Trade Policy and Macroeconomic Policy Objectives
    a) WTO and Poverty alleviation in Nigeria
    b) Market access negotiations-opportunities and challenges
    c) Standards under WTO regime
    d) Nigeria and GATS
    e) Position of the economy under the Singapore Issues
    f) Technical barriers to trade in Nigerian context.

It is therefore crucial foe these issues to capture the attention of a good trade policy. Perhaps is good to end this paper with the findings by Papageorgio, Choksi and Michaely (1992), which identified some golden rules for sustainable trade and commercial policy reforms.

First, the research discovered that any trade policy design that operates for about six years is most likely to be sustained for many years to come. Perhaps, this precondition is based

on the fact that six-year span normally involves a transition from one government to another. Such a policy reform would have been tested and if not accepted rejected by the incoming administration. The major flaw with this precondition is its lack of respect for possibility of a totalitarian government entrenching itself in power even over decades.

Secondly, trade and commercial policy reforms that decisively reduced or eliminated non-tariff barrier usually succeeds. As earlier discovered, non-tariff barriers to trade are very subjective and open to fraudulent manipulations and lobbying. Such trade reforms does not have to cut tariffs substantially, it may infact raise tariff or leave them unchanged.

Thirdly, a good trade and policy design maintains a strong link with the real exchange rate. It is common for such a policy at the initial stage to be accompanied by exchange rate depreciation and later a gradual appreciation. It is not a good thing to have a trade and commercial policy reform to begin with appreciation of domestic currency.

Fourthly, successful trade and commercial policy reforms is usually operated in the field of prudent macroeconomic policy design and management. In such situation, budgetary deficits are kept low in relation to the GDP, inflation rate low and sustainable, fiscal and monetary policies are tune to appropriate targets.

Fifthly, trade and commercial policy reform must equally be accompanied alongside of deregulation of international capital flows. Extensive capital market liberalization should be left until trade and commercial policy reforms are implemented. If capital market liberalization occur before, say trade liberalization, the direction of the effect may be difficult to forecast but definitely it might aggravate capital flight.

Lastly, the level of political stability has a lot to do with the success of trade and commercial policy design. The main concern here is not the type of government in place or its duration in office, it is how consistent the policy put in place are allowed to be consistently operated. Others preconditions closely related to political stability are: the economic size of the country, the income level, geographic size and the income level, geographic size resource endowments.

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