



No. 1 University in West Africa  
& 1-of-10 in Africa

**THE** WORLD  
UNIVERSITY  
RANKINGS  
2019 TOP 800

Covenant University

**20<sup>th</sup>** INAUGURAL LECTURE

# Sequencing and Negotiating Nigeria's Regional and International Trade Agreements

Jonathan A. Aremu

**INAUGURAL LECTURE SERIES**

*Vol. 9, No. 3, April 2019*

Covenant University  
20th Inaugural Lecture



No. 1 University in West Africa  
& 1-of-10 in Africa

**THE** WORLD  
UNIVERSITY  
RANKINGS  
2019 TOP 800

---

# Sequencing and Negotiating Nigeria's Regional and International Trade Agreements

---

**JONATHAN A. AREMU, Ph.D**

*Professor of International Economic Relations  
Department of Economics and Development Studies,  
College of Business and Social Sciences,  
Covenant University, Canaan Land, Ota*

*Directorate of Media & Corporate Affairs,  
Covenant University, Km. 10 Idiroko Road, Canaan Land,  
P.M.B 1023, Ota, Ogun State, Nigeria  
Tel: +234-9033550046  
[www.covenantuniversity.edu.ng](http://www.covenantuniversity.edu.ng)*

*Covenant University Press,  
Km. 10 Idiroko Road, Canaan Land, P.M.B 1023, Ota, Ogun State, Nigeria*

**ISSN: 2006-0327**

Inaugural Lecture Series. Vol. 9, No. 3, April 2019



**JONATHAN A. AREMU, Ph.D**

*Professor of International Economic Relations  
Department of Economics and Development Studies,  
College of Business and Social Sciences,  
Covenant University, Canaan Land, Ota*

## **Introduction**

Since Adam Smith (1776) published *The Wealth of Nations*, the vast majority of economists have accepted the proposition that free trade among nations improves overall economic welfare. Free trade, defined as the absence of tariffs, quotas, or other governmental impediments encourages each country to specialize in the production of goods it has comparative advantage (i.e. where it can produce cheaply and efficiently relative to other countries). Such specialization enables all countries to achieve higher real incomes. There are ample evidences to justify that no country has achieved economic success in terms of substantial increases in living standards for its people, without being open to the rest of the world via trade (Vijayasri, 2013).

The possible inter-relationship of trade and development policy sets a challenge for the task of policy making and negotiating prioritization for countries like Nigeria. This is because, trade can lead to growth which can in turn lead to development and poverty reduction in the economy. However, the relationship from trade to structural change and increased income, and thus to growth and then from growth to poverty reduction does not occur automatically. The main intervening variable controlling the relationships between increased income or structural change and growth and between growth and poverty is effective and appropriate government policy (including, but not limited to, policy on trade).

In spite of the current globalization (which is the opening of people and nation states to a more interconnected and interdependent world with relatively freer movement of capital, goods, and services across the globe), there are still a proliferation of bilateral and regional trading arrangements simultaneously accompanying the multilateral trading system under the World Trade Organization (WTO). The multiplicity of such trade and investment agreements has resulted in

(a) continuous reduction of tariff and non-tariff barriers, (b) fewer restrictions on inward foreign direct investments (FDI) and (c) the narrowing of regulatory differences on trade and investments across Member States engaged in the various pacts beyond the WTO provisions.

While most economists support free trade, they differ on how best to make an economy transit from tariff and quota regimes to free trade regime (Coughlin, 2002). Under these circumstances, they have recognized three basic approaches to trade reform as: unilateral, multilateral, and bilateral or regional.

(a) **Unilateral tariff reductions** are made independently and without reciprocal action by other countries. The advantage of unilateral free trade is that a country can reap the benefits of free trade immediately. Countries that lower trade barriers by themselves do not have to postpone reform nor do they try to persuade other nations to follow suit.

(b) **Multilateral, Regional or Bilateral** approaches—dismantling trade barriers in concert with other countries—have two advantages over unilateral approaches. **Firstly**, the economic gains from international trade are reinforced and enhanced when many countries or regions agree to a mutual reduction in trade barriers. **Secondly**, regional or multilateral reductions in trade barriers may reduce political opposition to free trade in each of the countries involved (that is because groups that otherwise would oppose or be indifferent to trade reform might join the campaign for free trade if they see opportunities for exporting to the other countries in the trade agreement). Free trade agreements between countries or regions are a useful '*stepping stone*' for liberalizing multilateral trading system.

Perhaps, the best possible outcome of trade negotiations is a multilateral agreement that includes all major trading countries. Such

approach would widen the coverage of participants so as to achieve the greatest possible gains from international trade. That was why immediately after World War II, the General Agreement on Tariffs and Trade (GATT) became the world's most important multilateral trade negotiation arrangement. GATT was set up in reaction to the waves of protectionism that crippled world trade during—and helped extend—the Great Depression of the 1930s. However, in 1995, the GATT became part of the WTO, charged with overseeing four international trade agreements: (a) the GATT, (b) the General Agreement on Trade in Services (GATS), (c) agreements on Trade - Related Intellectual Property Rights (TRIPS) and (d) Trade-Related Investment Measures (TRIMS).

Although the WTO embodies the principle of nondiscrimination in international trade, Article XXIV of the GATT permits the formation of free-trade areas (FTAs) and customs unions (CU) among WTO members (Kamal Saggi, 2005). An FTA occurs when a group of countries eliminate all tariffs on trade with one another but retain autonomy in determining their tariffs with non-members; while a customs union is formed when a group of countries not only eliminate all tariffs on trade among themselves, but go further to maintain a common external tariff (CET) on trade with countries outside the union. While it is true that such regional arrangements promote greater trade among the contracting parties, critics quickly point out that regional approaches to trade liberalization may undermine the efficiency of multilateral approach under the WTO. Nigeria's economic development depends, among others, on how the country can make use of opportunities presented by trade liberalization at national, regional and multilateral levels. Such opportunities include: enhanced domestic productivity, efficiency, improved quality and low prices of goods and services that will ultimately lead to improved consumer welfare and higher export revenue.

With the globalization of the world economy and the multiplication of

international agreements that are ever-expanding in scope and depth, the question of appropriate sequencing Nigeria into the various trade negotiations is becoming a serious challenge. The effective participation of the country in these trade negotiations and agreements would not only depend on: (a) the long-term development of the domestic capacity to identify trade and development objectives, (b) formulate policy positions (c) establish appropriate negotiation strategies; as well as (e) appropriately sequencing the order of negotiating these increasing number of agreements in line with the objectives of the **National Trade Policy and the National Economic Recovery Growth Plan (NERGP)** of Nigeria.

This lecture is examining how Nigeria can sequence her trade negotiation towards the growth of the economy. This lecture is divided into six parts. Part I briefly examines the historical antecedences leading to the current global trading arrangements. Part II looks into the various issues faced by developing countries (DCs) and least developing countries (LDCs), particularly Nigeria, while Part III examines the various global architecture to address these issues. With an aid of practical approach, Part IV attempts to look into how Nigeria can formulate national trade policy to answer to the demands of the current multiplicity of trade negotiations at regional, continental and multilateral levels. With a national trade policy, the lecture looks into how an appropriate sequencing of Nigeria's trade negotiation should be pursued to make the country ready to be integrated into the globalized trading environment in Part V. Part VI concludes the lecture with recommendations.

## **Part I**

### **Historical Antecedences Leading to the Current Global Trading Arrangements**

Since Adam Smith emerged with the benefits of the division of labour and David Ricardo built on it through the theory of comparative advantage of international trade among nations, the modern world has become increasingly more economically integrated. Consequently,

the volume and value of international trade have expanded, and trade agreements have equally increased in complexity across the globe. Initially, the doctrine of **mercantilism** dominated the trade policies of the major European powers for most of the 16th century through to the end of the 18th century. Under mercantilist doctrine, the main objective of engaging in international trade was to obtain a “**favourable**” **balance of trade**, by which the value of a country's exports should exceed the value of her imports vis-a-vis others. The mercantilist approach to international trade discouraged trade agreements between nations as each government assisted its own domestic industry through the use of tariffs and quotas on imports, as well as the prohibition of exporting tools, capital equipment, skilled labour or anything that might help foreign nations compete with such domestic production of manufactured goods.

### **A. Development of Multilateral Trading System**

According to Morrison (2017) **mercantilist trade policy** occurred with the establishment of the British Navigation Act of 1651. Under the Act, foreign ships were not allowed to take part in coastal trade in England, and all imports from continental Europe were required to be carried by either British ships or ships that were registered in the country where the goods were produced. However, with the writings of both Adam Smith and David Ricardo, in which both argued for the desirability of imports that can only be acquired through exports, a re-thinking emerged towards a freer trade. The foundational theories of international trade of both economists gained increasing momentum and helped to spread a trend towards more liberalized trade. Unfortunately, the trend towards a more liberalized multilateral trading system slowed down by the late 19th century when the world economy fell into a severe depression in 1873. The depression which lasted until 1877, served to increase pressure for greater domestic protection. One good thing was that most of the protectionist measures were mild compared to the earlier mercantilist period thus international trade flows continued to grow.



Unfortunately again, the rise of nationalist ideologies and dismal economic conditions following the World War I served to disrupt world trade and thus dismantled the trading networks that had characterized the previous century. The new wave of protectionist trade barriers moved the newly formed League of Nations to organize the First World Economic Conference in 1927 that targeted how to have a better multilateral trade agreement. Despite this, the economic insecurity and persistence of nationalism of the period created the conditions for the outbreak of World War II. Immediately, the United States (US) and Britain emerged from World War II as the two great economic superpowers, both of them felt the need for a more cooperative and open international trading system. They initiated the establishment of International Monetary Fund (IMF), World Bank, and International Trade Organization (ITO) as an outcome of the 1944 Bretton Woods Agreement. While the IMF and World Bank were established and they played the pivotal roles assigned to them under the new international framework, the ITO failed to materialize (it was blocked by USA), and its plan to oversee the development of a non-preferential multilateral trading order was later taken up by the GATT Article in the ITO in 1947.

Since the foundation of GATT in 1947, negotiations have become important part of the international trading system, though the interest of developing countries were not factored in from the beginning. These negotiations have become more complex, and expanded to encompass previously excluded areas like agriculture, **investment**, services, intellectual property issues, and regulatory standards (See **Table 1**). GATT remained in effect until the signature by 123 nations in Marrakesh, Morocco was achieved on 14th April, 1994; thus, concluding the Uruguay Round Agreements that established the WTO on 1st January, 1995. The WTO, therefore, not only became the successor of GATT, the original GATT text (GATT 1947) still remained under the WTO framework under the organogram in **Figure 1**.

With the ushering in of a new era of multilateral trade negotiations, many developing countries, including Nigeria, enlisted not only in the WTO but have been participating in the various Ministerial Conferences (Table 2) of the organization for the following reasons:

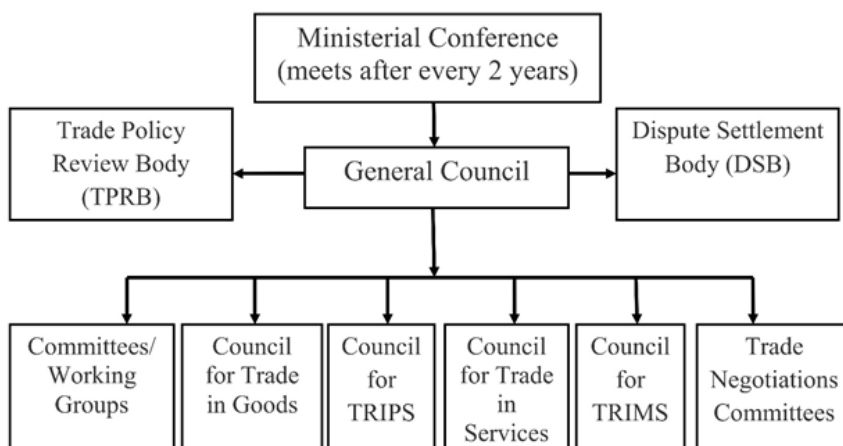
- i. **beggar-thy-neighbour reason** – this occurs when a country knows that its domestic policies can be nullified if they do not belong;
- ii. Nigeria believes that a good government should implement economic policy that is time consistent to be relevant to emerging world affairs, and being a member of WTO satisfies this desire;
- iii. membership of WTO provides a way of mitigating the undesirable trade and investment actions coming from other countries;
- iv. to allow Nigerian products to have secured and improved international market access in spite of her limited power within the global space;
- v. WTO permits a nation to operate predictable, secure and transparent trade and commercial policy;
- vi. membership of WTO signals to the world that a nation operates **best practices** in trade policy;
- vii. it allows weaker countries, like Nigeria, to be shielded from unfair treatment under most favoured nation (MFN) and national treatment (NT) principles of WTO;
- viii. membership of WTO allows a nation to participate in the shaping global trade rules;
- ix. the Dispute Settlement Body (DSB) of the WTO provides an acceptable way of resolving trade disputes which has always littered human history;
- x. the fact that a single set of rules apply to all countries within the WTO simplifies the entire global trading system;
- xi. by lowering tariff and non-tariff barriers, WTO allows cost of production across the world to be reduced and therefore beneficial to Nigerian economy as well;

- xii. the basic principles of WTO make the system economically efficient to operate than individual national trading principles; and
- xiii. membership of WTO provides a good basis for government to defend its trade policy domestically.

**Table 1: GATT Trade Rounds 1947 -1994**

| <b>Name</b>    | <b>Start</b>   | <b>Duration</b> | <b>Countries</b> | <b>Subjects covered</b>   | <b>Achievements</b>  |
|----------------|----------------|-----------------|------------------|---|--|
| <b>Geneva</b>  | April 1947     | 7 months        | 23               | Tariffs   | Signing of GATT, 45,000 tariffs concessions  |
| <b>Annecy</b>  | April 1949     | 5 months        | 34               | Tariffs   | Countries exchanged some 5,000 tariffs concessions   |
| <b>Torquay</b> | September 1950 | 8 months        | 34               | Tariffs   | Countries exchanged some 8,700 tariffs concessions,  |
| <b>Geneva</b>  | January 1956   | 5 months        | 22               | Tariffs, admission of Japan   | \$2.5 billion in tariff reductions   |
| <b>Dillon</b>  | September 1960 | 11 months       | 45               | Tariffs   | Tariff concessions worth \$4.9 billion of world trade  |
| <b>Kennedy</b> | May 1964       | 37 months       | 48               | Tariffs, anti-dumping   | Tariff concessions worth \$40 billion of world trade   |
| <b>Tokyo</b>   | September 1973 | 74 months       | 102              | Tariffs, nontariff measures, "framework" agreements   | Tariff reductions worth more than \$300 billion achieved   |
| <b>Uruguay</b> | September 1986 | 87 months       | 123              | Tariffs, nontariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc. | The round led to the creation of WTO, and extended the range of trade negotiations, leading to major reductions in tariffs (about 40%) and agricultural subsidies, an agreement to allow full access for textiles and clothing from developing countries, and an extension of intellectual property rights |

**Source: World Trade Organization**



**Figure 1: Organogram of the World Trade Organization**  
**Source: World Trade Organization**

**Table 2: World Trade Organization Ministerial Conferences since Inception**

| Serial No of M/C | Date                          | Host City               |
|------------------|-------------------------------|-------------------------|
| 1                | 9-13 December, 1996           | Singapore               |
| 2                | 18-20 May, 1998               | Geneva, Switzerland     |
| 3                | 30 November -3 December, 1999 | Seattle, United States  |
| 4                | 9-14 November, 2001           | Doha, Qatar             |
| 5                | 10-14 September, 2003         | Cancun, Mexico          |
| 6                | 13-18 December, 2005          | Hong Kong               |
| 7                | 30 November -2 December, 2009 | Geneva, Switzerland     |
| 8                | 15-17 December, 2011          | Geneva, Switzerland     |
| 9                | 3-6 December, 2013            | Bali, Indonesia         |
| 10               | 15-18 December, 2015          | Nairobi, Kenya          |
| 11               | 11-14 December, 2017          | Buenos Aires, Argentina |

**Source: World Trade Organization**

ECOWAS Member States are all Members of the WTO, though they joined at individual dates (Table 3).

## **B. Emergence of Multilateral Regionalism**

Though the GATT was established to lower the tariffs among Member States, thereby providing a foundation for the expansion of multilateral trade, the period that followed it saw the prediction of Bhagwati (1993), just before the WTO, becoming self-fulfilled as there were increasing waves of more regional trade agreements (RTAs). In less than five years after the GATT was established, Europe began a programme of regional economic integration through the creation of the European Coal and Steel Community in 1951, which eventually evolved into what we know today as the European Union (EU). Europe's regionalism not only helped to push the GATT agenda forward, but other countries were also encouraged to put in place similar economic integration arrangements for further tariff reductions among their own groupings as well so as to compete with the preferential trade that European partnership engendered (Bergsten, 2002).

Arashiro, Marin and Chacoff (2005) questioned the rationale for the current rush towards RTAs under multilateral environment, in which some pair or group of countries announce their intention to enter into one form of regional arrangement or another all the time. In spite of the presence of WTO, virtually all countries of the world are members of one form of economic integration or another; and many belong to more than one. Current world trade situation is to a large degree characterized by trade policy initiatives that are simultaneously being pursued at the global, regional and bilateral levels with a number of governments adopting a trade policy that moves on multiple fronts of negotiations. This is best known as **competitive liberalization**, in which global, regional and bilateral trade negotiations are seen as complementing one another towards multilateralism. Over a third of the world trade takes place within RTAs varying widely in their depth

of phases (Table 4) and principles, but all having the objective of reducing barriers to trade between member countries but discrimination against non-member countries.

**Table 3: ECOWAS Member States with the Dates they joined the World Trade Organisation**

| Serial No ECOWAS | Countries         | Dates                                 |
|------------------|-------------------|---------------------------------------|
| 1                | Benin             | 22 <sup>nd</sup> February, 1996       |
| 2                | Burkina Faso      | 3 <sup>rd</sup> June, 1995            |
| 3                | <b>Cape Verde</b> | <b>23<sup>rd</sup> June, 2008</b>     |
| 4                | Cote d'Ivoire     | 1 <sup>st</sup> January, 1995         |
| 5                | Gambia            | 23 <sup>rd</sup> October, 1996        |
| 6                | Ghana             | 1 <sup>st</sup> January, 1995         |
| 7                | Guinea - Bissau   | 31 <sup>st</sup> May, 1995            |
| 8                | Guinea            | 25 <sup>th</sup> October, 1995        |
| 9                | <b>Liberia</b>    | <b>16<sup>th</sup> December, 2005</b> |
| 10               | Mali              | 31 <sup>st</sup> May, 1995            |
| 11               | Niger             | 13 <sup>th</sup> December, 1996       |
| 12               | <b>Nigeria</b>    | <b>1<sup>st</sup> January, 1995</b>   |
| 13               | Senegal           | 1 <sup>st</sup> January, 1995         |
| 14               | Sierra Leone      | 23 <sup>rd</sup> July, 1995           |
| 15               | Togo              | 31 <sup>st</sup> May, 1995            |

**Source: World Trade Organization**

Initially, most of these agreements were targeted merely at removing tariffs on intra-bloc trade in goods in line with Jacob Viner (1950) basis for economic integration, but many of them go beyond the Viner's model to cover non-tariff barriers (NTBs) and in fact to extend liberalization to investment and to other socio-political and economic policies (Krishna, 1998). At their deepest phase many of the economic integrations have the goal of an **economic union** involving the construction of shared executive, judicial, and legislative institutions.

Consequently, regionalism did not necessarily grow at the expense of multilateralism, but in conjunction with it. In addition, the push for regionalism was equally due to a growing need for countries to go beyond the GATT of WTO's provisions, and at a much quicker pace. After the breakup of the Soviet Union, the EU extended its economic integration to include Central and Eastern European nations; and in the mid-1990s, it established some bilateral trade agreements with Middle Eastern countries. The U.S. also pursued its own trade negotiations, forming an agreement with Israel in 1985, as well as the trilateral North American Free Trade Agreement (NAFTA) with Mexico and Canada in the early 1990s. Many other significant regional agreements also took off in South America, Africa and Asia. While the WTO seeks to extend the multilateral trade initiatives of the GATT, recent numerous economic integrations are ushering in a stage of what Ethier (1998) called “**multilateralizing regionalism.**” This has made the history of international trade to look like a struggle between protectionism and free trade, in which both of them are growing side by side.

**Table 4: The Phases of Economic Integration**

|                    | Free Trade<br>Between<br>Member State | Common<br>External<br>Tariff | Free<br>Movement<br>of Factors of<br>Production | Harmonization<br>of Economic<br>Policy | Centralization<br>of Economic<br>& Monetary<br>Policy |
|--------------------|---------------------------------------|------------------------------|---|--|---|
| Free Trade<br>Area | Yes                                   | No                           | No  | No                                     | No  |
| Customs<br>Union   | Yes                                   | Yes                          | No  | No                                     | No  |
| Common<br>Market   | Yes                                   | Yes                          | Yes   | Yes                                    | No  |
| Economic<br>Union  | Yes                                   | Yes                          | Yes   | Yes                                    | Yes   |

While regional agreement between countries of homogeneous economic development level is understandable, those among North-South appear confusing. As a second-best option, RTAs provide an

alternative route to ensuring greater market access in key economies of the world. In addition, RTAs are also attractive since they offer a possibility of incorporating commitments on participating members that are far in excess of those found or being negotiated under the WTO Agreements. Despite their global popularity, the following emerging questions, among numerous others, confront increasing expansion of RTAs:

- i. Are there distinct characteristics to (a) North-North, (b) North-South and (c) South-South RTA?
- ii. What does the trend to regionalism mean for the multilateral trading system of the WTO?
- iii. If increasing emergence of RTAs implies a weakening of the WTO, what are the developmental implications for the various economic integrations among developing countries including Nigeria and between developed and developing countries?
- iv. Beyond issues of trade creation and trade diversion as outcomes for such increasing number of economic integrations, what are the implications of the rules-based elements of the current RTAs particularly with respect to: investment, intellectual property rights, competition policy, trade facilitation, etc. in their protocols, particularly on developing countries such as we have under the African Continental Free Trade Area-AfCFTA?
- v. Are countries using RTAs as they were used in the past, to strategically negotiate their positions better at the multilateral level; if so, can Nigeria engage RTAs for the same purpose?
- vi. Since provisions in an RTA clause are stricter than the WTO rules, especially in North-South RTAs, to what extent are the North-South RTAs developmentally oriented, particularly when one considers the economic negotiations between the European Union (EU) and the African, Caribbean Pacific (ACP) under the economic partnership agreement (EPA)?

In spite of these unresolved issues confronting the continuous



emergence of RTAs, (a) many countries are increasingly making RTAs a central objective of their trade policy which may take priority over multilateral trade objectives; (b) RTAs are becoming more complex, in many cases establishing regulatory regimes that go beyond multilaterally agreed trade regulations; (c) the emergence of trade agreements among developing and least developed countries, like the Economic Community of West African States (ECOWAS) may be evidence of strengthened “South-South” cooperation; (d) RTAs are generally expanding and consolidating, on one hand, there are a growing number of cross-regional RTAs which account for a large proportion of the total increase in RTAs, while on the other hand, regional trading blocks that span continents are becoming common phenomenon; and (e) lastly, there are regional blocks with overlapping jurisdictions.

### C. Regionalism in World Trade Organization Agreement

Perhaps, the WTO already envisaged regionalizing of multilateralism as Article XXIV of the GATT plus the Understanding on Interpretation of the Article (Understanding RTAs) of WTO sets forth the basic principles for RTAs. The provisions of the GATT in the WTO apply to **customs** territories, which are any territory with respect to which separate tariffs or **other regulations of commerce** are maintained for a substantial part of the trade of such territory with other territories. Thus, for the purpose of the WTO, customs territories could be sovereign states or non-sovereign entities such as the European Union (EU), ECOWAS with the implementation of common external tariff (CET). As can be understood from the language of Article XXIV (5) and (8), GATT deals with RTAs as exceptions but only with FTAs and Customs union and not with common market (a higher level of economic integration). Let us examine FTAs and Customs Union of WTO further.

## **1. Free Trade Areas**

Article XXIV (8) (b) defines FTAs to mean:

*“a group of two or more customs territories in which the duties and other restrictive regulations of commerce (except, where necessary, those permitted under Article XI, XII, XIII, XIV, XV and XX) are eliminated on substantially all the trade between the constituent territories in products originating in such territories”*

Hence, an FTA brings together two or more customs territories to form a group that eliminates duties and ORRCs on SAT among the constituent territories. To this extent, FTAs are similar to customs unions; but they do not require liberalization for products that do not originate from the constituent territories like customs union. In addition, FTAs do not require a CET as in customs union. Furthermore, and legally, FTA does not entail the substitution of a single customs territory for two or more customs territories in the sense of customs union.

## **2. Customs Union**

Article XXIV (8) (a), in the same fashion, defines customs union to mean:

*“the substitution of a single customs territory for two or more customs territories, so that duties and other restrictive regulations of commerce (except, where necessary, those permitted under Articles XI, XII, XIII, XIV, XV and XX) are eliminated with respect to substantially all the trade between the constituent territories of the union or at least with respect to substantially all the trade with respect to substantially all the trade in products originating in such territories”.*

Accordingly, a customs union substitutes two or more customs territories with one customs territory and eliminates duties and other restrictive regulations of commerce (ORRCs) on substantially all the

trade (SAT) between the constituent territories either: Irrespective of origin of products, i.e. whether products originate from the member territories or not, or Only for products originating from such territories. In addition, paragraph 8 (a) (ii) requires each member of a customs union to apply substantially the same duties and other regulations of commerce (CET) to the trade of third parties to the customs union.

### 3. Interim Agreement in an FTA

Article XXIV of the GATT does not expressly define an interim agreement for the formation of an FTA and customs union. However, sub-paragraphs 5(a) and (b) put it as a transitional agreement leading to the formation of an FTA or a customs union. Paragraph (c) requires interim agreements to include a plan and schedule for the formation of a customs union on free-trade areas within a reasonable length of time. Evidently, the formation of such RTAs on interim entails significant trade policy coordination among the parties as well as extensive changes to domestic regulations affecting trade. In addition, such interim agreements provide members of an RTA with a breathing space to prepare properly because of the understanding that it is impossible to form an RTA overnight.

### 4. Internal and External Requirements of an RTA

The definitional provisions of an RTA (whether FTA or customs union) presented above are based on some internal and external requirements. **Internal requirements** in the case of customs union are provided in Article XXIV: 8 (a) (i) while for an FTA, the internal requirements are conditioned on Article XXIV: 8 (b). **External requirements**, however, refer to the obligation of an RTA not to raise barriers to the trade of other WTO members which are not members of the RTA (Article XXIV: 4 – 5). For customs union, the requirements of “substantially the same duties and other regulations of commerce” in respect of third parties as well is regarded as an external trade

requirement.

## **5. The Role of Transnational Corporations in the Multilateral/Regionalism of Trade**

From the traditional economic theory, international trade was conducted through arm's-length trade by trading firms located in different countries, which did not involve foreign direct investment (FDI). In reality, trade has been increasingly conducted by transnational corporations (TNCs) in the form of intra-firm trade at the global level. The WTO (1996) estimates that intra-firm trade conducted by TNCs at the global level accounts for about one third of annual world trade, and exports by TNCs to non-affiliates account for another third of world trade. Intra-firm trade has become an important international business mode for TNCs to distribute or allocate intermediate goods, materials and/or final goods around the world for production and/or distribution purposes.

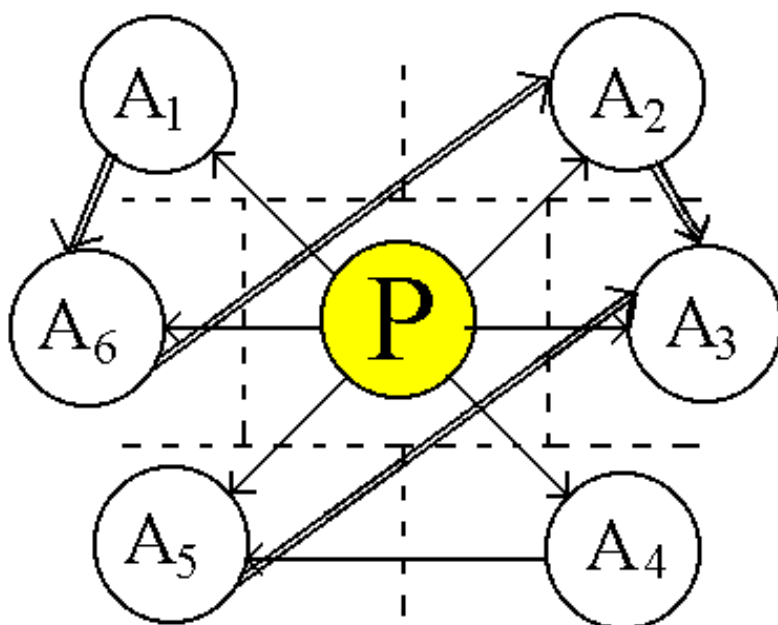
As global production and corporate structures of TNCs have evolved over the years, their investments have become a sophisticated set of financial transactions that are hard to monitor both by the home and host countries. The increasing fragmentation of production and the creation of global value chains (GVCs) result in TNCs governing such chains to break up their businesses in smaller parts. In so doing, they take advantage of the most favourable production locations for each production part of their final product as well as disposing of certain parts deemed non-core and focus on others. As a result, TNCs and their affiliates (that is: their branches, subsidiaries and associates) often have multiple passports across multiple jurisdictions.

According to Aremu (2005), the legal structures surrounding the intra-firm relationships, including trade within the various affiliates of TNCs could be very tedious. For instance, it is often doubtful that if enterprise **A** has a partial ownership of subsidiary **B**, which itself has a subsidiary **C** whose existence depends on **B**, not **A**, that **C** should not

be included as part of A's FDI. While company **A** could be said to have complete control over its subsidiaries, it may be for this reason that it decided to invest in **C** through **B**. It is common to see a TNC build some “intra-enterprise transactions” in the area of transferring of products, capital resources, personnel and in fact technology among its affiliates via an established sophisticated numerous links and trade.

In a typical TNC – system where the economic ambition is merely upstream integration (i.e. vertical backward integration), the parent firm is likely to constitute an important market for the products from its affiliates while in the case of a TNC – system that is pursuing a complex integration, the flow of goods and services can be seen to be multidirectional (i.e. from the parent firm to affiliates and from affiliates to the parent company or among the affiliates) as shown in **Figure 2**.

The parent company (denotes by the **P** circle) is the decision centre for the TNC system, while the affiliates (i.e. associates, subsidiaries and branches – to be defined later) are located in different countries as indicated in the broken lines (denoted by the **A** circles). All the affiliates are directly connected to the parent company and in some cases to other affiliates by variety of cross – national transfers of products, capital management and technology. Affiliate **A1** may manufacture and transfer its products to affiliate **A6** which uses the products as inputs. As a marketing strategy, affiliate **A4** may transfer certain finished goods to affiliate **A5**. Technology may be transferred to affiliate **A2** through the parent company from any of the affiliates to assist in the expansion drive; while the unsold stock in affiliate **A2** may be diverted to affiliate **A3** where strong and effective demand for the product exist. Host government policies in affiliate **A2** may force affiliate **A1** to sell its output to affiliate **A2** only through affiliate **A6**.



**Figure 2: Transnational Strategy of TNCs**

The integrated production network systems of the TNCs have been facilitated by the current wave of trade liberalization with consequent reduction in trade barriers between countries that are members of WTO, leading to specialization by different parts of a TNC production system. This development is practically more noticeable among European Union countries where components, sub-assemblies and semi-finished products particularly in the automobile industry have built closely knit supply chains across several countries. No doubt, the growing role of international production in the world economy is enlarging the geographical spread of TNCs. Apart from **trade mispricing** between their affiliates to strip off the capital of an affiliate located in a high tax jurisdiction to a low tax jurisdiction, TNCs move capital abroad and conceal it through the seemingly **process of international trade**, with the help of secrecy jurisdictions, and accountants and lawyers. Price mispricing is most effectively

exploited by the TNCs because: (a) TNCs operate through affiliates scattered across the globe, which enable them to exploit **transfer pricing**; and (b) having multiple affiliates that can front for the TNCs provides opportunity for their unlimited number of registration in multiple tax havens and secrecy jurisdictions in order to conceal their operations in trading activities. The activities of TNCs within the global setting have made trade negotiation extremely complex, particularly for DCs and the LDCs.

For Nigeria, effectively managing the interface between both regional and multilateral trade initiatives requires greater synergy between national development objectives and external commitments. Central to this challenge facing the country is how to design and implement an appropriate and **strategic pacing and sequencing** of national, regional and multilateral trade liberalization, so as to maximize development gains from all of them. It should be noted that simultaneous participation in a web of RTAs while at the same time engaging in the evolving multilateral trading system (MTS) of the WTO could lead to overlapping agendas that could affect sensitive development policies of the country as well as overload the limited negotiating capacity of the national economy.

## **Part II**

### **Various Trade Negotiations Facing Nigeria**

Today, Nigeria is faced with many trade cooperation arrangements that have assumed increasing importance as the building block for the creation of larger markets and increasing trade flows, (inflow and outflows) into and from the country. The essence of these trading arrangements includes: (a) providing the required solidarity in forging bargaining power under the current globalization of economic activities; (b) creation of larger more viable markets through merging of relatively weak and fragmented markets of DCs and LDCs; (c) preservation of regional markets from unnecessary incursions from the global market place; and (d) locking-in of national trade

liberalization of the country into international best practices at regional and multilateral levels. Such regional and international agreements are expected to stimulate productivity and competitiveness of Nigerian economy through economies of scale and lower transaction costs. Most important among the trade agreements Nigeria is currently faced with are: ECOWAS-Common Trade Policy; EPA with EU; AEC with AU Members- AfCFTA; and Multilateral Negotiations at WTO. While the goal of Nigeria's participation in these arrangements are for the maximization of advantages of inherent opportunities in them, the sequence of engaging in them is yet to be agreed upon, neither does the country have a current trade policy that could address the sequence of negotiating them.

### **A. ECOWAS Economic Integration Agreement**

ECOWAS was established in Lagos, on May 28, 1975 to integrate economic activities of Member States as a borderless region where the entire population has access to its abundant resources and is able to exploit same through the creation of opportunities under a sustainable environment. A revised version of the Treaty was agreed to on July 24, 1993 in Cotonou. Considered as one of the pillar regional blocs of the continent-wide African Economic Community (AEC), the goal of ECOWAS is to achieve “collective self-sufficiency” for its Member States by creating a single large trading bloc through the building of a full economic union.

The community has achieved some level of success with respect to ECOWAS Trade liberalization Scheme (ETLS) i.e. the regional FTA. The customs union phase was established with common external tariff (CET) with 5-bands since 2015, and it is on its way to becoming a Common Market by allowing the Inter- regional flow of factors of production in the emerging ECOWAS Single Market Economy. Currently, substantial harmonization of policies on trade, investment, finance, agriculture, are ongoing in preparation for the emerging



common market by 2020. There is no Common Trade Policy (CTP) yet, as Nigerian Government declined from its take -off a year ago (2018) due to inadequate consultation in the country. Nigeria is a party to so many regional agreements. As the largest economy and market in the African sub-region, it is important for the country to position itself for mutually beneficial trade within and beyond the ECOWAS community.

### **B. EU/ECOWAS Economic Partnership Agreement**

ECOWAS has been negotiating an EPA with the European Union (EU) since 2004. As presented by EU, the EPA intends to foster the gradual integration of the ACP countries into the global economy on the basis of an open, transparent, and predictable framework for trade and investment. Towards the end December 2007 (deadline for conclusion of EPA) when it appeared that the negotiations cannot be concluded as scheduled, EU sent individual national draft to Ghana and Cote d'Ivoire (the 2 non-LDCs) to initial an interim EPA each; a decision against the objectives of CPA. Cote d'Ivoire and Ghana signed an interim agreement each with EU on the 7<sup>th</sup> and 13<sup>th</sup> December respectively.

The objective of the regional EPA negotiators was to conclude negotiations before October 2014, to ensure the continuity of the trade preferences to Côte d'Ivoire and Ghana, to guarantee a single trade regime for the region with the EU and thus safeguard regional integration achievements. At the conclusion of the negotiation of the EPA agreement in 2014, Nigeria declined signing the EPA with the EU, though it is an intra-regional process, establishing a CET in West Africa as a prerequisite to the signature of the EPA between the EU and ECOWAS. The Nigerian position has had a strong impact on the implementation of the EPA in the region. In fact, the EPA talks have led to the application of several different tariff regimes in the region that are much less advantageous for Nigeria. For instance, non-reciprocal market access applied to “everything but arms” (EBA) for

the thirteen LDCs in West. For not signing EPA, Nigerian government is concerned about the following questions:

- i. How to manage the expected losses of fiscal revenue when Nigeria finally ratifies the EPAs the way it is now;
- ii. Will Nigeria's trade liberalization with a more economically powerful and homogeneous EU not be in the larger interest of the EU alone?
- iii. How to curb deflection of EU products from entering Nigerian market through the LDCs and the non-LDCs that acceded to either EBA or interim EPA respectively even if Nigeria does not accede to EPA;
- iv. How to cope with more competition against Nigerian products in ECOWAS intra – Community trade (ETLS), particularly as Morocco comes;
- v. How to deal with limited negotiation capability of Nigeria to negotiate on the matter, since ECOWAS negotiation appears not acceptable to Nigeria; and
- vi. Can Nigeria not look for separate EPA with EU?

## **C. African Economic Community Treaty**

Among the objectives of Organization of African Union (OAU) Charter was to address Africa's peculiar situation of underdevelopment. In 1980 the OAU Extraordinary Summit adopted the **Lagos Plan of Action**, as a major step towards that goal. The commitments in the Lagos Plan of Action translated into Abuja Treaty, in June 1991 when the OAU Heads of State and Government established the **African Economic Community (AEC)**. The AEC Treaty has been in operation since May 1994 when the required number of instruments of ratification for its coming into force were deposited with the Secretary General of the OAU/AEC. According to UNECA (2017), when AEC entered in force in 1994, a roadmap of six phases economic integration was agreed upon as follows: Stage I

Creation of regional blocs (that is, the Regional Economic Communities or RECs); Stage II Strengthening of intra-regional integration and the harmonization between the blocs; Stage III Establishment of free trade areas and customs unions in each the RECs; Stage IV Creation of a continental free trade area and customs union; Stage V Creation of an African common market; Stage VI Establishment of an African economic monetary union and a parliament. Among the objectives of AfCFTA are to:

- i. create a single continental market for goods and services, with free movement of business persons and investments, and thus pave the way for accelerating the establishment of the Customs Union;
- ii. expand intra-African trade through better harmonization and coordination of trade liberalization and facilitation and instruments across the RECs and across Africa in general; and
- iii. enhance competitiveness at the industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources.

Nigeria is a signatory to the Treaty establishing the AEC, during the 18th Ordinary Session of Assembly of the African Union (Addis Ababa, Ethiopia, 23-30 January, 2012), the summit adopted a “Decision on boosting intra-African trade and fast tracking the Continental Free Trade Area”. Negotiations were subsequently launched by the Assembly in June 2015 and effective negotiations started in July 2016 after a preparatory phase. The AfCFTA Agreement and its Protocols were negotiated by all the membership of the African Union. The signing of **Stage 1** comprising the following protocols of the AfCFTA took place during the 10th Extraordinary Summit of the Assembly of the AU on 21 March, 2018 in Kigali

- ✓ *the Agreement Establishing the AfCFTA,*
- ✓ *the Protocol on Trade in Goods,*
- ✓ *the Protocol on Trade in Services, and*
- ✓ *the Protocol on Rules and Procedures for the Settlement of Disputes*

Paradoxically, Nigeria, which was instrumental in garnering support to finalize the AfCFTA in the build-up to March 2018, did not sign for reasons linked to the need to consult with its domestic stakeholders. Guinea Bissau did not sign as well.

## **D. World Trade Organization Agreement**

Nigeria has been participating well in all the Ministerial Conferences of WTO, since it was created in 1995. However, the country has never had a decisive role in the WTO system and this may be much more damaging now than ever before, because of these reasons: (a) the WTO is increasingly spreading its coverage to new areas and thus reducing national sovereignty of Member States; (b) the impact of the WTO agreements (as compared to the GATT) and their operation is much wider and deeper for Nigeria's economy to fully comprehend; (c) thirdly and perhaps the most important, Nigeria's economy is much more vulnerable to external shocks due to her weakness. Consequently, Nigeria as well as the other DCs and LDCs have raised issues of inadequacies and inequities in the WTO agreements, including the timeframes in which they have to implement the agreements into national laws.

Along with other developing countries, Nigeria, has questioned certain aspects relating to the implementation of agreements in the WTO Agreement. The challenges confronting Nigeria in its bid to comply with the WTO agreements are multi-dimensional and cover policy, legal and economic terrains. In the area of policy making for example, the challenges range from bad government policies to lack of political will. In addition, it is becoming difficult for the DCs and LDCs to negotiate effectively with the mechanisms of “*green room meetings*”, which are being used to reduce the number of countries actively participating in many important deliberations of the WTO. ***“The WTO is an organization in which all decisions are taken by consensus; where every member government, holds the equivalent***

***of a UN Security Council veto. But there is also no denying that some members are more equal than others when it comes to influence”(WTO/D.G, 2016).***

From this statement, discussions and negotiations at the WTO do not take place on a level playing field in terms of both power and negotiating capacity among WTO Members. The decision-making is theoretically on the basis of equality, with each Member being entitled to one vote (in the event of decision-making by voting) or with the effective right to veto (in the case of consensus decision-making). However, both power and capacity imbalances may essentially negate this fundamental legal equality to participate in decision making provided for in WTO law. From the outcome of the 11<sup>th</sup> World Trade Organization (WTO) Ministerial Conference (MC 11), it is clear that the credibility of various International Trade Theories about the benefits of free trade is put in doubt, while the negotiating function of the WTO to guarantee efficient and effective trading among its Member States is gradually being questioned. We are now facing the inability of both the Trade Theories and the multilateral trade arrangements, under the WTO, to adapt and adjust to emerging global trade priorities as expected.

According to Grassley and Wyden (2019), the negotiating process at the WTO has largely broken down. Under the old GATT system, from 1947 to 1994, there were eight negotiating rounds – each of which led to lower tariffs and fewer trade barriers among all GATT members. To this day, the basic rules that govern global trade were negotiated under the GATT. But in the 24 years since the WTO began operation, there has been no new significant multilateral market access agreement. Much work of WTO remains to be done in terms of lowering tariffs – primarily in countries that consider themselves developing. Numerous WTO members continue to have very high “bound” tariff rates that allow them to maintain tariffs significantly above the bound rates that apply to the United States. For example, the average bound tariff rate for all goods in the United States is 3.4%. In Brazil, it is 31.4%. In India, it is 48.5%. In Indonesia, it is 37.1%. Too many

WTO members are not living up to current obligations.

The ultimate questions facing Nigeria as well as other LDCs and DCs under these webs of negotiations coming at the same time are numerous (Odell, 2003); among them are: **firstly**, what determines the outcome of a trade negotiation involving these group of nations? **Secondly**, how can they gain more or lose less in future from these negotiations? **Thirdly**, what should shape the negotiation process to make them beneficial to these group of nations? **Fourthly**, how can we use international rules (designed by developed countries) of WTO to shape better strategies or responses to these nations plight? **Fifthly**, could changes in the domestic institutions of Nigeria as well as in these group of countries permit them to use a wider range of external strategies to achieve better deals in both regional and multilateral trade negotiations?

### **Part III**

## **Resolving Issues Confronting LDCs and DCs in Global Trade**

As expected, the position of Nigeria, as well as other DCs and LDCs under the existing global trade arrangements can be summed up as less favourable than those of their developed economies (DEs) counterparts. The competitiveness of the Nigerian economy and that of the other DCs and LDCs in the global markets is very low compared to that of the DEs since DCs and LDCs tend to export products with less value added, less technologically advanced, lower quality and definitely lower price. During the second half of 20th century, when GATT was established, only a few DCs participated in the trade rounds while majority of them are unable to use the significant liberalization in global trade regime to their own advantage.

When Nigeria, along with other DCs and LDCs engaged in trade

cooperation with other countries, through trade agreements, they always believed that the trade concessions they granted should be reciprocated with trade concessions that they will receive. Despite their expectations, in the last century, it became apparent that they have not been able to compete with DEs with equal level of exchange of trade concessions. For this reason, there emerged many unilateral and international initiatives to grant asymmetrical trade concessions to these DCs and LDCs with most of these favourable concessions designated for LDCs.

### **A. General System of Preferences**

The first of such programmes was developed by the United Nations Conference on Trade and Development (UNCTAD), known as **Generalised System of Preferences** (GSP). The GSP is a generalized, non-reciprocal and nondiscriminatory preference scheme beneficial to developing countries (also known as preference receiving countries or beneficiary countries) extended by developed countries (also known as preference giving countries or donor countries). It involves reduced MFN Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries. The main objectives of granting trade preferences to developing countries are to: (a) enhance their export earnings; (b) promote industrialization, and (c) encourage the diversification of their economies. The idea of GSP was proposed at the first meeting of the UNCTAD with a view to assisting the developing countries in their exports and development efforts. In 1971, the GATT enacted two waivers to the MFN that permitted tariff preferences to be granted to developing country goods.

Most of the GSP product coverage includes agricultural and industrial exports with a few but often notable exceptions. The exceptions established by the United States GSP include textiles and apparel, certain footwear, certain leather products (handbags, luggage),

certain watches and watch parts, canned tuna, petroleum and petroleum products. From the perspective of developing countries as a group, GSP programmes have been a mixed success. On one hand, most rich countries have complied with the obligation to generalize their programmes by offering benefits to a large swath of beneficiaries, generally including nearly every non-OECD member state. Criticism has been raised noting that most GSP programmes are not completely generalized with respect to products, and this is by design. That is, they do not cover products of greatest export interest to low-income developing countries lacking natural resources.

While this appeared to be a welcome idea as it was adopted by multilateral initiative, however, its application is a unilateral option by each DE. That is, each DE decides on its own whether it is willing to extend GSP trade concessions to the DCs and LDCs and to what extent the trade concession will be given. Also, each DE has the prerogative of making its own list of countries to benefit from such GSP initiative; that is, it is an exception in the Most Favoured Nation (MFN) principle in international trade. According to Pomfret (1986) sometimes DEs have used the GSP preferences as a tool of political pressure on LDCs and DCs beneficiaries. Under Lome Conventions (I-IV), the European Union (EU) has a non-reciprocal specific trade regime for African, Caribbean and Pacific (ACP) countries that were once colonies of European metropolis, granting them significant trade benefits in the framework of the four Conventions and later Cotonou Partnership Agreement (CPA). For a specific group of LDCs the EU put in place a programme of trade concessions known as “Everything but Arms” (EBA) meaning that these LDCs can export their products tariff and quota free to EU market, except arms. Also, United States of America (USA) also put in place Africa Growth Opportunity Act (AGOA) giving the countries from Africa special and preferential access to US market.

But the problem of Nigeria as well as other DCs and LDCs is that they cannot fully use the granted trade concessions of the GSP since they



do not have what to export to DEs markets. In addition, trade liberalization under international bilateral and multilateral trade agreements refers only to domestic products (i.e. products that have been mostly produced by domestic inputs of a country). In order to benefit from such trade concessions, the exporters from beneficiary countries that have been granted these concessions have to prove domestic origin of products with Certificates of Rules of origin (ROO). Usually domestic content of product inputs required for a product to be recognized domestic origin is 50%. Such condition has been very hard for many LDCs and DCs with limited natural resources to produce. In fact, in many situations, the level of technological development is also a limiting factor to produce products that can be sold on DEs markets. This is why International Trade Center (ITC), the joint organ of WTO and UNCTAD, is a focal organ established to assist DCs and LDCs to build better export products so that these countries can fully benefit from the various regional and global trade liberalization.

## **B. Doha Development Agenda**

The Doha Development Agenda (DDA) which was adopted during the IV WTO Ministerial Conference, held in Doha in 2001, was among the initiatives to solving some problems facing LDCs and DCs in multilateral trading environment. After the establishment of the WTO, LDCs and DCs discovered that to be integrated appropriately in the multilateral liberalization process, there must be further adjustment to the global trading system. These countries see DDA as the main way for them to find their place in modern international trade and to increase their part in the volume and value of the international trade, working that way for its overall development. While DDA negotiations were very optimistic and dynamic in all areas, however, 2005 - 2006 were years of crisis in the negotiating process and by 2008 the Great Global economic crisis came, which negatively affected negotiating process. And all these had negative implications on the expected outcome from Doha negotiations. Accordingly, both

Bjornkor and Kim (2002) raised an alarm of where the developing countries could go, should DDA fail. As it appears, DDA has not totally died but under **intensive care**.

### **C. South-South and North- South Economic Integrations**

Bhagirath (2002) suggested that one of the ways to strengthen developing countries position is through South-South economic integration or cooperation. The importance of this idea was further stressed with the Accra Accord (UNCTAD, 2008) which was adopted during the XII UNCTAD's Conference. To this end, the ***Economic Cooperation and Integration among Developing Countries (ECIDC)***, a specialized unit, for coordinating activities oriented towards developing relations between LDCs and DCs, was established by UNCTAD's Secretary General in July 2009. The inability to answer to the demands of the DDA equally provoked the loss of confidence in the multilateral trading system of the WTO, thus leading to increase in the number of RTAs mostly in the form of the FTA. Today, RTAs are no longer along geographical contiguity of contracting parties nor among countries of homogeneous economic development levels. Today, RTAs are wider and deeper integration in contents beyond the multilateral trading system of the WTO; and they consist of trade liberalization for the goods, and services; investment, competition and intellectual properties protocols in addition to regulatory harmonization as a part of the broader scope of behind the border measures.

Two different directions of such RTAs are recognized, namely: (a) the **North-South RTAs** and (b) the **South-South RTAs**. The major differences in these two directions are in the reasons for engagement in such agreements. With the transformation of ECOWAS Secretariat to a Commission in 2007, Nigeria and Member countries are becoming oriented towards increasing among themselves under an

**intra-regional trade** through many protocols. However, the share of such intra-trade is still not as high as it could be. With the recent desire under the African Continental Free Trade Area (AfCFTA) initiative, another similar term became important in international trade, known as **inter-trade**, or inter-regional trade, meaning the existence and the increasing role of trade between regional economic communities (RECs) within Africa in line with the African Economic Community (AEC) Treaty of 1991. In addition to this is the development of trading initiatives between the RECs of Africa and different RTAs (e.g EU) under the economic partnership agreement (EPA). Under such North-South economic integration (that is EPA) however, Zartman and Zartman (1987) maintained that such arrangement might be likened to “David *and Goliath*” relationship if the capacity of negotiation of DCs are not improved.

Along the intra-regional and inter-regional economic integration is also the rising role of transnational corporations (TNCs) from DCs, or South countries investing their capital in other South countries (for instance, South African companies investing in Nigeria like Shoprite and DSTV). The South countries are not waiting only for TNCs investments from DEs, thus the need for common investment protocols within a REC (e.g ECOWAS Common Investment Code and Policy} and among the RECs (e.g Pan African Investment Code of AU).

#### **D. World Trade Organization's Trade Facilitation Agreement**

Recall that during the XII Session of UNCTAD which was held in Accra, Ghana in April 2008, among those issues that were deliberated upon as constraints to sustainable expansion of South-South economic integration were (a) inadequate transport infrastructure and (b) lack of trade-facilitation measures (UNCTAD, 2008). The Session would be remembered as UNCTAD pointed out that the

complex field of **Trade Facilitation** was a new battle-field for DCs conquering the competitiveness and a better position in the international trade engagement. It is discovered that only some of DCs from South-East Asian economies and China had good opportunities to attract FDI and to produce and export manufactured goods to DEs.

The main reason why the other DCs, including Nigeria are not able to take the leading role is due to lack of effective trade and transport facilitation structure; that is, *hard and soft infrastructure*, which mainly consists of developed transport infrastructure and logistics services. Hitherto, about thirty years ago, most DCs and LDCs exported mostly raw-materials and semi-finished goods, but at the beginning of the new century, this structure has been changed as there is a greater demand for just-in-time deliveries of these products which has provoked the increase of the share of air transportation together with the increase of transportation costs (UNCTAD, 2004) demanding that the DCs and LDCs need more effective and efficient transport and trade capacity as well to be integrated into the modern trading system.

While the increasing South- South economic integration is important in economic sense, also of importance is the improvement of these countries political position for strengthening their trade negotiating position, especially with DEs and in the multilateral trading system of the WTO. To this end, WTO has joined its efforts to facilitate trade for its members by, providing a multilateral platform for negotiations and launching a multilateral initiative for building trade capacity in these countries. After nearly two decades, the Agreement on Trade Facilitation was adopted at the WTO's 9th Ministerial Conference in Bali, Indonesia, in December 2013. However, the Trade Facilitation Committee was created on 22 February, 2017, 2/3 of WTO Members ratified the TFA. Given the current integrated and global nature of the supply chain, Table 5 shows that the WTO Trade Facilitation has some characteristics and benefits in addition to the following:

- i. provide a framework for addressing crosscutting trade issues;
- ii. garner support and cooperation of the international trading community and border agencies (in terms of resources and expertise);
- iii. provide an impetus for capacity building;
- iv. increase predictability for business and governments; and
- v. help locks in domestic reforms.

**Table 5: Characteristics and Benefits of WTO Trade Facilitation**

| Characteristics of Trade Facilitation Agreement of WTO | Benefits for Exporters & Importers  | Benefits for Government Regulatory Agencies   |
|--|---|---|
| Transparency + Fairness                                | <ul style="list-style-type: none"> <li>• Predictability</li> <li>• Reduced time/costs</li> </ul>                          | <ul style="list-style-type: none"> <li>• Better compliance</li> <li>• Better quality decisions</li> </ul>   |
| Good Governance  | <ul style="list-style-type: none"> <li>• Reduced costs</li> <li>• Reduced delays</li> <li>• Reduced complexity</li> </ul> | <ul style="list-style-type: none"> <li>• Better compliance</li> <li>• More effective government</li> <li>• More efficient government</li> </ul>                   |
| Modernization  | <ul style="list-style-type: none"> <li>• Reduce clearance times and costs</li> </ul>                                      | <ul style="list-style-type: none"> <li>• Align with modern business practice</li> <li>• More effective government</li> <li>• More efficient government</li> </ul> |

Both LDCs and DCs are included in the process of the Trade Facilitation negotiations involving “*a group of different policies with the main aim to reduce trade transaction costs*” via two main groupings: (a) *Hard infrastructure* – related to Physical infrastructure and Information and Communication Technologies (ICT); and (b) *Soft infrastructure* - related to soft infrastructure consists of Border and transport efficiency and the Business and regulatory environment. (Portugal-Perez and Wilson, 2010).

The development of quality maritime ports, airports, roads and rail infrastructure, increased use of *Information and Communication Technologies* (ICT), as a part of hard infrastructure would enable the

improvement of efficiency and reduction of transaction costs. *Border and transport efficiency*, as *soft infrastructure* consist of efficiency of customs and other border agencies, single window port operation system as well as the transport quality, not quantified with the quality of roads and ports, but with time, costs and number of documents which are necessary for export and import procedures. One important contribution to increase the level of Border and transport efficiency is **multimodal transport**, which will enhance the realization of *just-in-time* deliveries and *door-to-door* concept of trade. Yet another component of soft infrastructure is *Business and regulatory environment*, which is very important to show the presence of irregular payments, corruption, or favouritism. All these elements of the hard and soft infrastructure have an important impact on freight costs as a percentage of import values in many countries.

Nigeria's instrument of acceptance of WTO/ TFA was submitted to the Director-General, WTO, Roberto Azevêdo in Davos on 16<sup>th</sup> January, 2017. The Trade Facilitation Agreement entered into force on 22<sup>nd</sup> February 2017 when the WTO obtained acceptance of the Agreement from two-thirds of its 164 Members. Nigeria was the 107<sup>th</sup> Member to ratify. Since 10<sup>th</sup> of November 2014, Nigeria submitted its Category A notification to the WTO outlining the substantive provisions of the TFA it intends to implement upon entry into force of the Agreement. Nigeria's ratification of the Trade Facilitation Agreement is a reflection of the economy's commitment to the WTO and a rules-based economy as well as evidence of the country's commitment to rapidly implement the creation of an enabling environment for business.

### **E. Aid for Trade Initiative**

Trade liberalization is a key ingredient for economic success and for improved living standards. For developing countries, the reductions of trade barriers have enabled them to integrate into global markets and to share in the prosperity generated by the multilateral trading

system. However, simply opening an economy to international trade is not enough, these nations require additional assistance to help them build trade-related capacity in information, policies, procedures, institutions and infrastructure. That is why at the beginning of the 21st century, particularly since the Doha Negotiation and the 3<sup>rd</sup> Ministerial Conference at Cancun, WTO realized the need to assist LDCs and the DCs on trade capacity issues.

At the WTO's 2005 Hong Kong Ministerial Conference, Member countries agreed to increase aid to support developing countries in expanding their trade and benefit from improved market access, the Aid-for-Trade Initiative was launched as an integral part of regular official development assistance to help developing countries overcome the supply-side and trade-related infrastructure constraints that inhibit their ability to benefit from market access opportunities. When trade liberalization is accompanied by regulatory reform and supported by aid for trade, it will help attract domestic and foreign investment, thereby stimulating economic growth and poverty alleviation. Though it is not a development agency, like the World Bank Group, it was stressed at the launching that:

***“Aid for Trade should aim to help DCs and particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade”*** (WTO, 2005).

It is important to note that Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, but it can be a valuable complement to it (WTO, 2006). EU (EC, 2009) defines it as the “development assistance provided in support of partner countries’ efforts to develop the basic economic infrastructure and tools they need to expand their trade”. It is an initiative to assist DCs and LDCs to increase export of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. The funds

are not completely new, rather they are a part of Official Development Assistance (ODA), which are now channeled for trade needs of LDCs and DCs under the following components:

- i. Technical trade-related assistance** - assistance to develop trade strategies, negotiation of trade agreements etc.;
- ii. Trade related infrastructure** - assistance in building infrastructure to connect to global economy;
- iii. Productive capacity building** - trade development assistance to industries to build on their competitive advantages;
- iv. Trade related adjustment assistance** - assistance to DCs and LDCs with costs of tariff reductions etc.; and
- v. Other trade related needs** - assistance with areas defined in development strategies of Dcs.

#### **Part IV**

### **Formulating Nigeria's Trade Policy**

When appropriately harnessed, developments in the international environment provide, to a large extent, unique opportunities for the achievement of national macroeconomic policy objectives. Such opportunities, among others, include: (a) benefits arising from globalization and liberalization; (b) trade expansion and rapid economic growth; and (c) technological innovation summed up in the digital revolution that is transforming the means and reducing the costs of human interaction as well as declines in the cost of production. In spite of these, if internal weaknesses in a domestic economy are not well addressed so that such opportunities can make positive contributions, the benefits from openness to international environment would become a *dreamlike contemplation*. Therefore, the process of national economic transformation via an open market system poses new challenges on the need to have national domestic policy that will be sensitive to the demands of emerging international settings. Economists believe that countries that are open to



international trade tend to grow faster, innovate, improve productivity and provide higher income and more opportunities for their people.

Trade is not an end in itself but a means for achieving higher welfare to society, than would be possible without trade. The function of the trade sector, therefore, is to integrate a country into the global economy through trade, through structural transformation of the national economy, and product/market diversification. This is why trade theory recognizes that effective integration of any country into the global economy through trade and global value chains would involve an appropriate **Trade Policy** that defines standards, goals, rules and regulations that pertain to trade relations of a country with the rest of the world. Nigeria's trade policy has evolved and been shaped by changes in its socio-economic regime and political philosophy since independence to transform the economy from a supply constrained one into a competitive export-led economy that is responsive to integrating the productive sector into the global economy through appropriate trade liberalization sequence.

With globalization, international business environment has been subjected to radical shifts in relationships resulting from technological changes and emphasis on good political and corporate governance; with consequent effects on global economic interactions, particularly trade and investment. Today, economies are opening up to trade and previous small national markets are merging into larger entities through various shapes of economic integration schemes. Competition is intensifying as transnational corporations (TNCs) as well as even smaller firms are becoming more innovative. In addition, rapid developments in Information and Communication Technology (ICT) have led multiplicity of communication media with wide and instantaneous outreaches at relatively low cost. The ultimate result of these developments is the increasing awareness of customer expectations, at the touch of a button, that are forcing the business world to strive for higher quality, lower prices, quick and better services.

## **A. Importance of a Trade Policy for Nigeria**

The last trade policy for Nigeria was that of 2001/2. An attempt was made to develop one in 2001, but could not be concluded. Nigeria urgently requires a good trade policy that will go beyond the traditional focus on tariffs and quantitative restrictions and changes in relative prices but (a) captures the deeper transformational and production issues in the economy; (b) emphasizes the role of the government as implementer of trade policy and that of the private sector as the engine of growth as well as partners in the formulation and implementation process; (c) sets new and modern rules on how to increase competitiveness of the economy at national, regional and multilateral levels; (d) establishes how these trade rules are developed, coordinated and implemented; (e) elevates the role of the private sector from its dormant level to that of a partner in the formulation and implementation processes; (f) creates opportunities for the development of the private sector to perform its assigned role; (g) and promotes a new philosophy of economic management based on serious commitment to openness as dictated by the emerging realities at regional, continental and multilateral trading environment.

Nigeria's trade policy is expected to address the critical issues facing the country as highlighted in the National Economic Recovery Growth Plan (NERGP) particularly at:

- i. highlighting the central role and contribution of Nigeria's trade policy towards the attainment of the objectives of the NERGP Vision;
- ii. harmonizing and consolidating consensus of opinions from relevant stakeholders on trade development issues that will entrench sustainable policy shift from the current protected and controlled market economy towards a competitive market economy at regional, continental and multilateral levels;
- iii. identifying appropriate measures for the development of the domestic production at the various sectors as well as marketing strategies as a tool of inclusion and broad-based

- participation in economic activity based on improved market-infrastructure, technology diffusion and access to market information;
- iv. aligning national trade policy development agenda with those of regional, continental, and international trade obligations of the Nigerian economy, in addition to maximizing the benefits of participation in such regional and international trade arrangements;
  - v. adopting an appropriate framework of measures for the interim safeguarding of domestic industry and economic activity threatened by liberalization including identification of sectors to be protected, the rationale and costs of protection, and the maximum duration for protection;
  - vi. developing the strategy of how best to address the national supply-side constraints that inhibit expansion of trade within the domestic and global market as the route towards rapid economic development.
  - vii. stimulating and encouraging value-adding activities on primary exports as a means of increasing national earnings and income flows even on the basis of existing output levels. Stimulating of investment flows into export-oriented areas in which Nigeria has comparative advantages as a strategy for inducing the introduction of technology and innovation into production systems as the basis for economic competitiveness.
  - viii. attaining and sustaining long-term current account balance and balance of payments through effective utilization of complementarities in regional and international trading arrangements as a means of increasing exports combined with initiatives for higher efficiency in the utilization of imports.

## **B. Strategies in Nigeria's Trade Policy Formulation**

Given the importance of trade to Nigeria's economic well-being, the emerging questions are: How should Nigerian government get itself

organized? What objectives need to be set, what institutional arrangements are desirable, what are the relevant timeframes for different negotiations and how often should reviews be built in to ensure continuing coherence in the light of evolving events in each of the fora? What is the regional dimension to Nigeria's trade strategy? Are current regional arrangements at ECOWAS level supportive of our national strategy? How might the regional trade arrangements be realigned or changed to suit Nigeria's need? What are the domestic and external obstacles that need to be overcome – and what is a realistic approach and timetable for achieving this? Having outlined the above prerequisites to guide Nigeria's Trade Policy formulation, the next agenda is to appropriately synchronize them within the NERGP. At both the national and international levels, the mechanics of trade policymaking are fairly straightforward. What is less clear is how national and international policies should be designed in a mutually supportive way that does not overly restrict national policy space yet respect regional and international trade obligations. This is usually through **negotiation** of trade agreements at regional and multilateral levels. In economic negotiations, like trade, countries tend to take **mercantilist approach** (*seeking 'gains' for their exporters and minimizing 'losses' for their domestic suppliers*). However, before developing national negotiation objectives, there is need to understand the areas and limit to negotiate, and these areas can be grouped into four (two of them primarily domestic and two primarily international).

- i. **Wholly domestic.** Some policies fall wholly within a government's competence, such as those on domestic markets that determine how far any change in import or export prices are passed on to consumers and producers.
- ii. **Largely domestic.** Other policies are largely a domestic preserve but **within parameters set externally**; this would be the case, for example, with domestic arrangements that are influenced by WTO rules such as on allowable domestic subsidies, or changes to tariff rates agreed with

aid donors as part of policy-based lending.

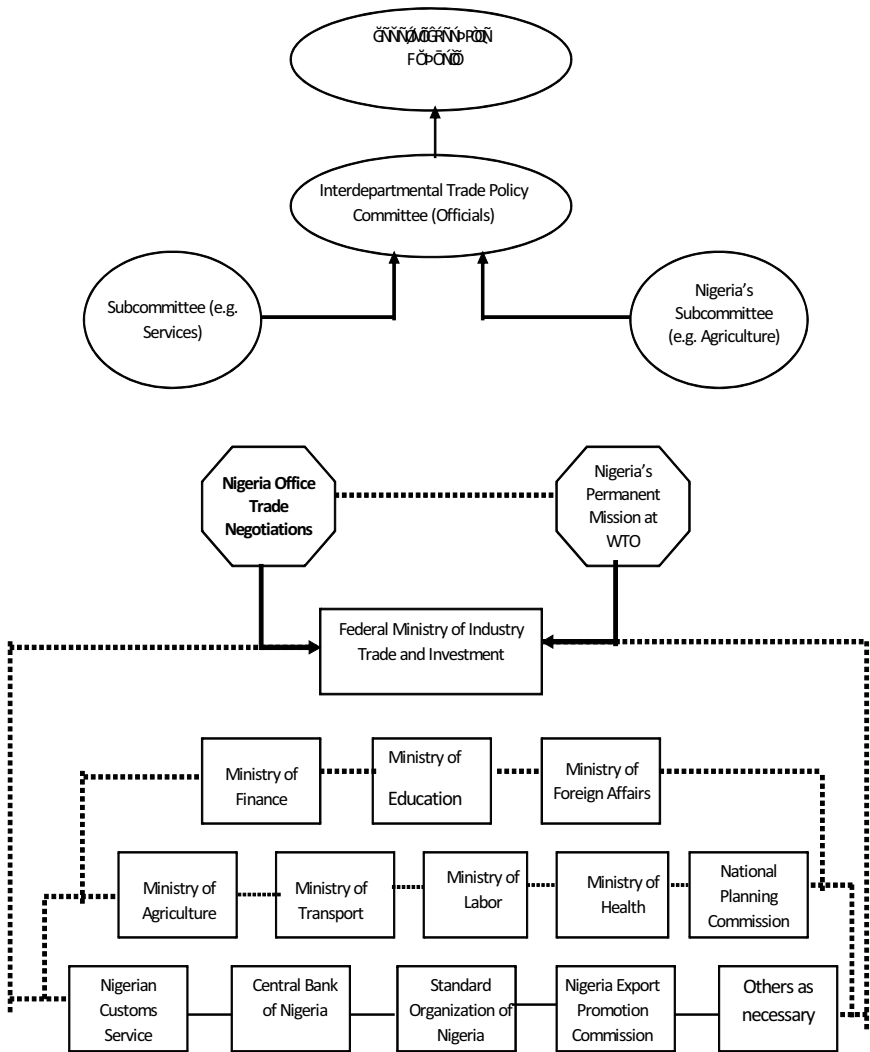
- iii. **Externally negotiated.** These are policies that are negotiated externally between the developing countries' governments and other countries or actors – with the European Union (EU), for example on EPAs; or with other countries as part of the WTO negotiations.
- iv. **Externally non-negotiated.** These are policy changes in which a developing country's government, like Nigeria's, is not a negotiating party and hence, has no direct control such as preferences. For instance, the EU's changes to its agricultural policy and autonomous changes to private sector practice (if Nigeria is able to influence them at all, it would only be through persuasion).

Clearly, of high priority must be to ensure that the policies set domestically are the right ones as Nigeria will have the greatest degree of control, within the bounds of her existing international commitments. For this reason, priorities must be established in which high impact domestic policies have the highest priority followed by high impact changes in the external areas. In addition, while attempting to influence the external areas, the federal government must be ready to adjust to the consequent resulting outcomes, through possible changes as some domestic policy may also require governments to initiate dialogue in yet other areas as well. The next question is: Which are the high impact domestic and external policies? In getting this done therefore, OECD (2001) brought out some key elements of how to arrive at an effective trade policy formulation process for developing countries to include the following:

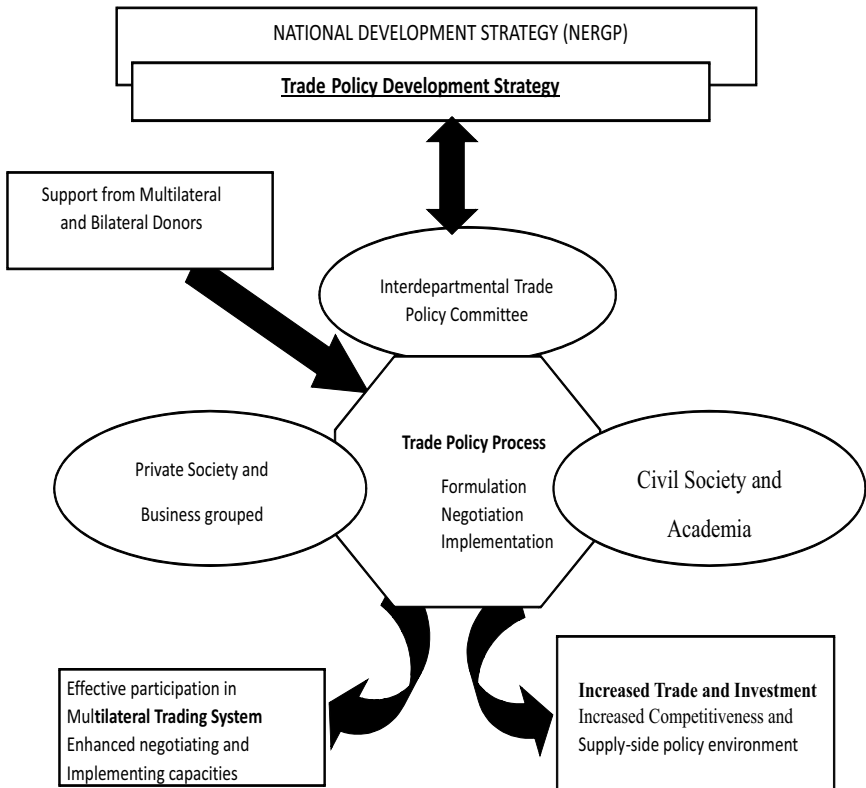
- i. a coherent trade strategy that is closely integrated with a country's overall development strategy;
- ii. effective mechanisms for consultation among three key sets of stakeholders: government, the enterprise sector and civil society;

- iii. effective mechanisms for intra-governmental policy coordination;
- iv. a strategy for the enhanced collection, dissemination and analysis of trade-related information;
- v. trade policy networks, supported by indigenous research institutions;
- vi. networks of trade support institutions; and
- vii. a commitment by all key trade stakeholders to outward-oriented regional strategies.

Based on the OECD guidelines, the process of trade policy formulation in Nigeria could therefore be as follows: Putting in place an executive trade policy organogram comprising all the relevant Ministries, Departments and Agencies of the Federal Government (Figure 3). Designing domestic trade and external trade policies and strategies from the NERGP (Figure 4). Establishing a trade policy dialogue and consultation process (Figure 5); and Developing trade negotiation strategy and capacity for Nigeria (Figure 6).

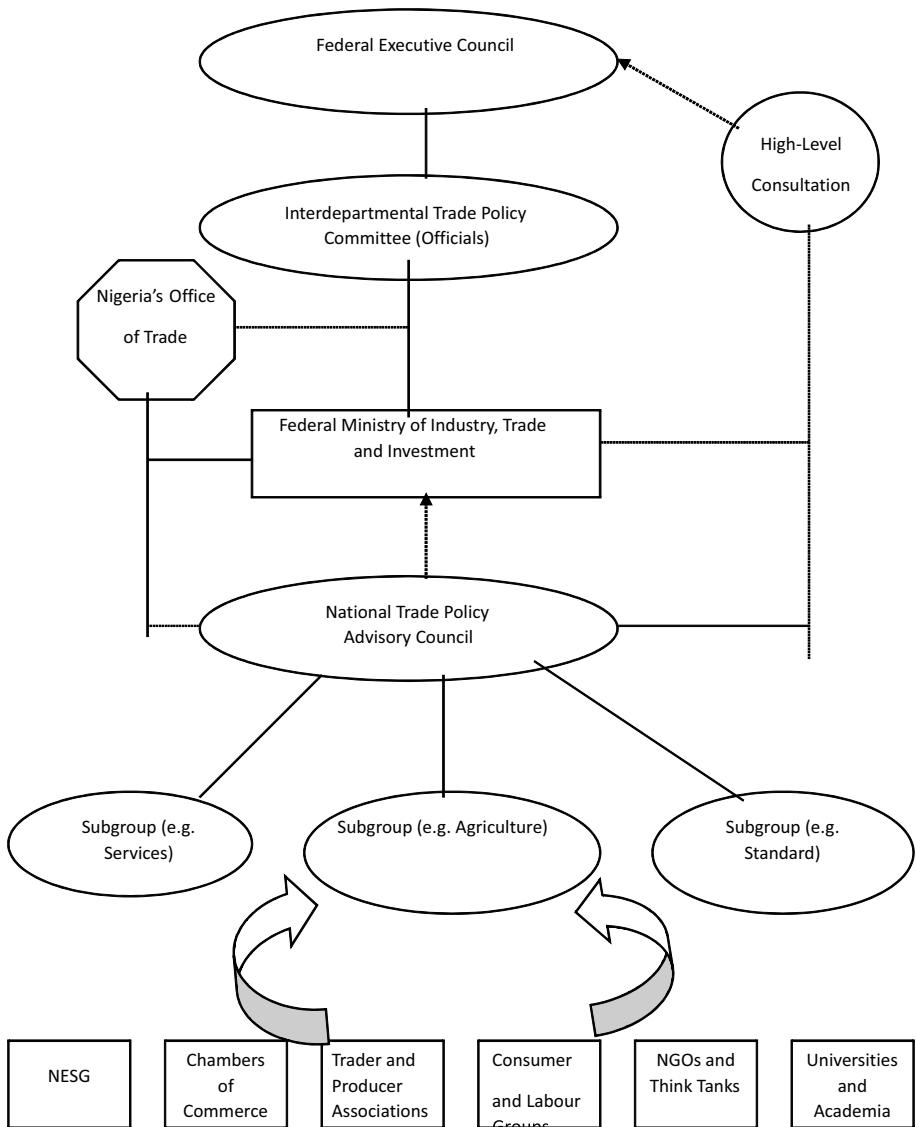


**Figure 3: Executive Trade Policy Formulation Organogram**

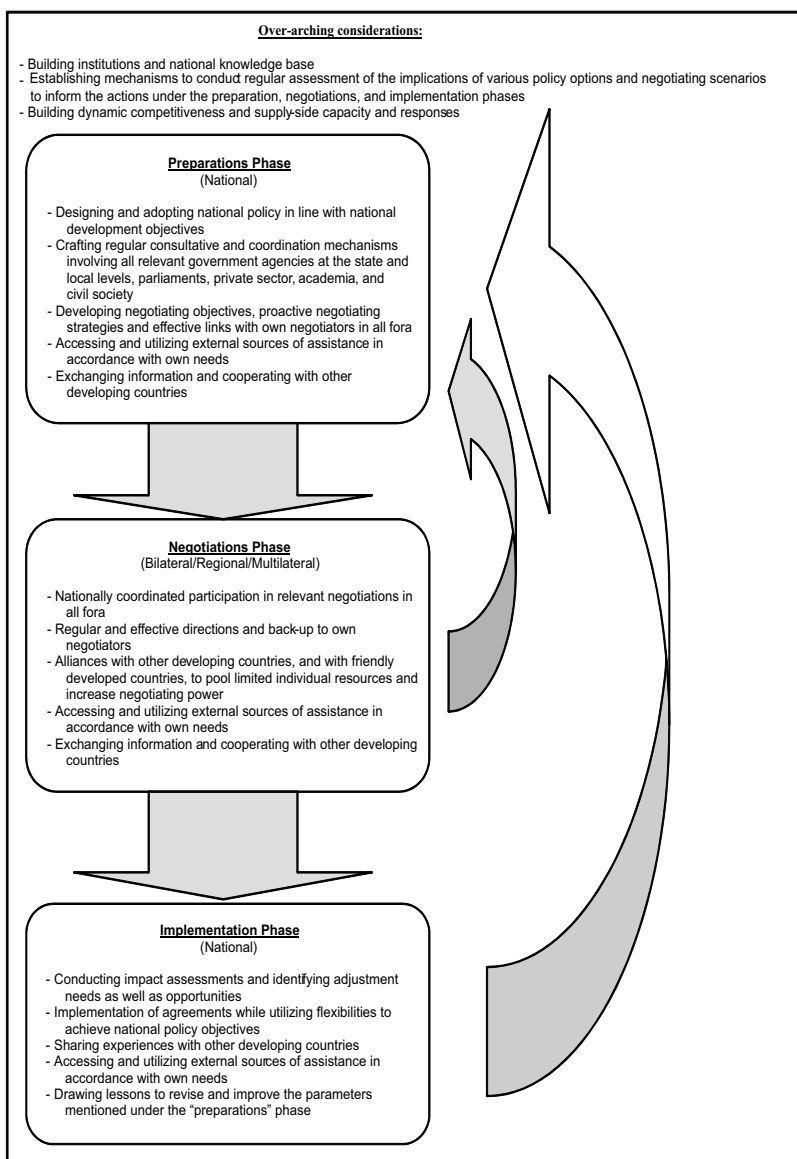


**Figure 4: Trade Policy Development Strategy**





**Figure 5: Trade Policy Dialogue and Consultation Process**



**Figure 6: Developing Trade Negotiations Capacity in Nigeria**

## Part V

### Sequencing and Negotiating the Various Trade Agreements Facing Nigeria

Nigeria's ability to effectively participate in both the various regional and the multilateral trading processes is largely constrained by the technicalities and the volume of negotiations she faces. While benefits in terms of trade expansion through enhanced access to the world market are apparent, the nation has not been able to benefit from these opportunities as the appropriate sequence in these negotiations has not been followed. As at now, Nigeria has the NERGP, but the trade objectives and strategies within the NERGP are yet to be thoroughly identified, neither is the trade policy dialogue and consultation process at arriving at a *New Trade Policy* put in place. Without such a policy and effective trade negotiation sequence how best can Nigeria defend her trade interests in negotiating at ECOWAS, the AfCFTA, EPA and at WTO levels?

Effective policy making on trade faces two problems: (a) tracking the complex effects of changes to trade policy; and (b) participating in multiple negotiations most often at the same time. This makes it difficult to ensure that what is proposed and agreed in the multiplicity of negotiations is mutually consistent and, even more importantly, in line with a country's (say Nigeria) broader NERGP development strategy. This becomes even more difficult as negotiations move into highly technical areas such as intellectual properties, competition, investment, as well as plant and animal health. Further challenges exist in making sure that such a strategy has been formulated in conjunction with all the relevant public and private sector institutions and stakeholders. If the relationship between trade and development is weak, countries may wish to allocate a minimum amount of their scarce resources to negotiating and designing trade policy. However, if the relationship is strong, trade policy and its negotiations could be an important tool towards

creating national development strategies.

## **A. Sequencing the Trade Negotiation of Nigeria**

Trade Negotiation remains one of the most complex, challenging, and, sometimes, controversial issues in contemporary trade policy. This is more serious for Nigeria which has no current trade policy. Despite this, the country is negotiating the following agreements: (a) ECOWAS Common trade policy with the rest of the Member States; (b) ECOWAS/ EPA with European EU; (c) AfCFTA with the AU Member States; and (d) continuous engagement with WTO. The administrative burden of handling and negotiating multiple trade agreements, without a trade policy is a serious concern. Even as at now, the country still faces serious resource and technical constraints on the negotiation of multiple agreements that will serve her trade interests. Confronted with generally weak negotiating, regulatory, and implementation capacities, the country is handicapped in her ability to engage meaningfully in all these negotiations.

To tackle these issues, an **effective sequencing and coordination strategy is urgently required**. Based on the varying degree of complexities involved in each of these negotiations, it makes sense to introduce the least complex and least costly/high benefit elements first, while leaving the more difficult, more costly and less benefit elements to a later time. It is advisable that Nigeria urgently concludes the domestic trade policy that will serve as a radar to other trade agreements to be negotiated in this order:

- i. Conclude ECOWAS CTP;
- ii. the AfCFTA;
- iii. the EPA with EU; and
- iv. WTO

This order of sequencing Nigeria's trade engagement permits progressive harmonization of various trade agreements that will avoid possible contradictions and discouragement that may occur if

this order is not embraced. Due to lack of domestic trade policy, the country may insert either interim provision in her regional and continental engagements as found in the Article XXIV of GATT or transition periods like it was done under the ETLS of ECOWAS when sequencing these trade negotiations; particularly for some of the more difficult issues. This means that some provisions of these agreements do not need to be applied fully until when the domestic trade policy is concluded. Such transition periods would allow Nigeria to phase the more difficult items of these agreements successively over time and to stagger their entry so that all difficult issues do not need to be dealt with at the same time. Given the timelines attached to these agreements, interim or transition periods of varying length will greatly facilitate the benefits of sequencing as well as implementing the provisions of these multiplicity of trade agreements.

While Nigeria may end up formulating its trade policy, equally important is the implementation initiatives of each stage of the sequence. In addressing the trade negotiation sequence, therefore, a matrix comprising 6 interrelated questions comes up:

- i. What?* This question highlights the issue of fundamental premises and challenges that serve as prerequisites towards achieving the objectives of trade policy and its sequential arrangement of negotiation;
- ii. Why?* Seeks the specific objectives for following a particular sequence of trade negotiation;
- iii. Where?* Aims at the definition of targets underlying trade policy objectives as the basis for the sequence selected;
- iv. How?* Once the sequence has been agreed upon it is necessary to determine the activities through which the sequence of negotiation can be achieved for the purpose their prioritization;
- v. When?* Refers to the benchmarks and time frames for the implementation of the negotiation sequencing.
- vi. By Whom?* The final question refers to the line of responsibilities on the major issues involved in the sequence

of trade agreement negotiated (that is, who does what in the trade negotiation sequence?). This calls for clear division of labour among various stakeholders at all stages, from trade policy and sequencing formulation, through implementation to monitoring and evaluation.

## **B. Capacity Improvement and Formation of Coalition**

To complement the sequencing, the power imbalances in trade negotiations, particularly at WTO, could equally be attended to through: capacity improvements of the Nigerian Negotiators, and coalition-building among other countries in the world. Because of their deficiency in negotiation capacity, Page Sheila (2003) said it is difficult to ascertain whether developing countries are victims or participants in the current international trade negotiation. Therefore, availability of efficient negotiating capabilities through capacity improvements as well as coalition at the national level is the foundation of effective participation in the various negotiations confronting the country. Such coalition building will facilitate Nigeria's ability to work together with other countries on common interests, influence agenda-setting and decision-making in their favour, and substantially affect the negotiating outcomes.

### **1. Capacity Improvement**

Complex trade negotiations (whether at the bilateral, regional, or multilateral levels) require Nigeria to develop and improve human, technical, financial, and physical infrastructural resources necessary to have sufficient capacity at the various negotiations. The country, like many developing countries continue to face challenges and resource limitations towards developing negotiating capacity for effective and substantive participation in trade negotiations. Such negotiating capacity has two aspects: the first – its institutional and technical mechanism to achieve the policy objectives through the negotiations; and second – its political competence – which comes from being able to use negotiating capacity to address and influence

the balance of economic and political power among the negotiating partners and to shape the negotiating outcomes.

To this end the country requires well-organized and coordinated institutional mechanisms that can provide: negotiating experience; technical expertise both on the issues and on negotiating tactics; policy research and analytical preparation and support for appropriate negotiation strategy; the physical and financial infrastructure necessary to ensure that the country's negotiators have sufficient information about their negotiating counterparts' positions and interests; technical resources, and actual physical negotiating presence to enable national trade negotiators to effectively develop and carry out their negotiating strategy.

Nigeria Office for Trade Negotiation (NOTN) was set up in August, 2017. Up till now, the legal statute to back up its establishment is yet to be put in place. The lack of appropriate institutional and technical aspect of negotiating capacity often result in a diminished negotiating capacity at the technical and institutional levels particularly in the areas of:

- i. difficulties in defining and promoting a clear national negotiating policy position in trade negotiations due to lack of coherence in both national policies and national policymaking institutions;
- ii. lack or insufficiency of coordinated involvement of relevant MDAs and stakeholders in the policy-making and consultation processes;
- iii. lower level of technical preparation with respect to trade negotiations due to the limited resources made available to support national trade negotiators;
- iv. lack of coordinated national policymaking institutions and mechanisms and coherent national policies as well as inadequate preparations;
- v. incoherent national economic and trade policies making

- identification of negotiating needs and priorities unclear; and
- vi. poor inter-agency coordination in policymaking which often is the result of unclear, conflicting, or uncoordinated lines of decision-making authority within and among agencies over a given issue.

## **2. Coalition Building**

In trade negotiation today, the need for strategic and united collective action, known as coalition building, (Kahler and Odell, 1989) on the part of Nigeria as well as other LDCs and the DCs in the regional international arena is very important. Both of them see coalition building as an effective means of countering the negotiating strength of the developed countries in the WTO, when it is pursued through the elaboration and articulation of common positions by the countries of the South. The establishment of South-South political and economic cooperation mechanisms such as the G-77, the Non-Aligned Movement (NAM), the various Southern regional cooperation and economic integration organizations, are all reflections of this recognition of the need for South-South unity and cooperation. However, a major challenge on this strategy remains the need to agree on the content of such strategy for South-South so that it could serve as a basis for elaborating more specific regional, sub-regional, and national programmes of co-operation that is equally sustainable.

However, collective South-South action presupposes that individually, developing countries have already identified their own individual strategic national developmental policies, priorities, and negotiating interests which could then serve as the basis for their individual engagement in South-South coalitions and groupings in the WTO negotiations as well as in the other negotiations like the EPA between EU and the ACP countries. To this end, significant resources and political will may, therefore, need to be invested in establishing such coordinating mechanism for trade policymaking and negotiations at the national level.

Having an effective and coordinated trade policymaking and



negotiations mechanism at the national level that has the support of the country's political leadership as well as trade stakeholders in Nigeria is necessary before engaging in such coalition. Such an approach will provide a clearer match between the country's strategic objectives in trade, the negotiating strategies and tactics used by its negotiators, and their engagement in and use of South-South coalitions or groups in the WTO negotiations. It must be noted that the weaknesses in Nigeria's technical preparedness in trade negotiations can to some extent be mitigated, **but cannot be substituted** even with coalition. Southern-defined, and technically-sound negotiating positions might need to be adopted and put forward by Nigeria with other developing countries through their coalitions and groupings. This would however need to be discussed, agreed upon for all to be aware of their individual as well as group “*walk-away*” negotiating positions.

## Part VI

### Conclusion and Recommendations

Trade governance has been subjected to multilateralism and regionalism over the years. While the structure of multilateral trading system had been governed by the GATT since 1947, this was later reinforced with the establishment of WTO in 1995. Despite this development, regionalism has deepened over the years in the form of different categories and phases of economic integration. The phenomenon of economic integration agreements since the end of 20<sup>th</sup> century has implied a partial shift of political and economic power in trade negotiations from individual nation states to regional institutions. Further is a myriad of new bilateral trade negotiations and establishment of new inter-regional institutions and partnerships, like EPA between the EU and the ACP.

Simultaneously with multilateralism, regionalism and bilateralism, the global production system has been substantially restructured with the activities of TNCs and their affiliates networked across continents

and operating in various economic integration arrangements. Their activities are shifting production across the world based on factor-determined endowments; and this is currently changing the pattern of international production, international trade structure, direction of trade as well as negotiation with them through their home countries and developing countries. These developments are having repercussions on national, regional and even international trade policy formulation processes and contents.

Most multilateral and regional trade agreements make all signatories treat one another the same based on the content of such agreements. Such **level-playing fields** may be critical for LDCs and DCs because many of them are smaller in economic size, and in most cases less competitive. In spite of this, such agreements still have some advantages like: (a) they are expected to increase trade for every contracting participants as their companies would enjoy low tariffs; (b) they do standardize commerce regulations for all the trade partners, making companies to save legal costs since they follow the agreed common rules and procedures across all Member States in the agreements; and (c) countries can negotiate trade deals with more than one country at a time, as the trade negotiation agreements do undergo a detailed approval process that are synchronized into national trade policies of Member States.

However, accompanying these benefits are other cautions which DCs and LDCs must understand in these negotiations, they include: (a) multilateral and regional trade agreements are complex and time-consuming to negotiate; (b) most times the details of such negotiations are particular to trade and business practices, most of which are often misunderstood by the public leading to lots of press controversies, and protests; (c) if the trade negotiations are not properly entrenched into national trade policy, some companies, countries and even regions may experience negative consequences arising from trade liberalization; and (d) lastly, many multilateral and regional trade agreements give competitive advantages to the TNCs who are already familiar with operating in a global environment,

making small firms unable to compete and thus lay off workers to cut costs, while others move their factories to other countries.

Nigeria's experience within the various regional economic groupings as well as the multilateral trading system of the WTO has been less than satisfactory because of the lack of competitiveness of its manufacturing sector. This has resulted in little enthusiasm for adopting a more activist trade policy posture within the government, think tanks, and the trade policy community. Notwithstanding these challenges and doubts, joining RTAs such as AfCFTA could bring immeasurable benefits to Nigeria, in terms of making the economy more competitive, in the production and exportation of goods and services; as well as expanded **trade creation** in line with the foundational theories of economic integration.

In addition, the real challenges in Nigeria with respect to AfCFTA are: (a) the lack of full understanding of the benefits of trade liberalization at continental level in line with the Abuja Treaty of 1991; (b) domestic policy paralysis on trade; and (c) consequently the lack of political will. Crafting a successful trade policy for Nigeria requires an understanding of geopolitics and global economic trends (particularly on trade) and the ability to negotiate to the advantage of the country. Again, effective/efficient trade negotiation under the NOTN is possible only if the government has the confidence and capacity to execute the necessary corresponding domestic reforms—some of which require painful adjustments as well as engagement of competent staff and intensive /extensive training for them.

With various regional and sub-regional FTAs within the same multilateral trading system currently facing Nigeria, to maximize opportunities within them, Nigeria will have to do the following:

1. establish an appropriate “Trade Policy Development Strategy” that agrees with the ERGP of the country, as

- suggested in **Figure 4**;
2. urgently use the strategy to formulate an acceptable trade policy (Nigeria currently has no trade and investment policy), that will take note of issues in this lecture, among others, using Executive Trade Policy Formulation Organogram in **Figure 3**;
  3. review the existing Enlarged National Focal Point on Trade Matters (ENFP) of the country in line with the “Trade Policy Dialogue and Consultation Process” as shown in **Figure 5**;
  4. put in place an effective/efficient trade negotiation strategy and sequence to enhance a better economic relationship within these multiplicity of trading agreements;
  5. conclude the legal issues confronting NOTN, put in place technically competent negotiators in the Office, and develop their trade negotiations capacity in line with **Figure 6** to answer to the demand of current and emerging trade negotiation realities facing the country;
  6. ensure that both the trade policy and the sequence of negotiating the numerous trading agreements facing the country are synchronized with the country's development strategy under the ERGP;
  7. review the country's position in the various economic integration such as ECOWAS, EPA, AGOA, AfCFTA and develop an appropriate sequencing road map that will not marginalize the country;
  8. carry out an extensive sensitization on future trade negotiations to secure the buy-in of the relevant stakeholders;
  9. sign without delay the AfCFTA Treaty and use the Readiness Study the President constituted to ratify Nigeria's position (currently, 22 countries minimum ratification required was achieved on the 2<sup>nd</sup> of April, 2019 without the country); and
  10. engage in appropriate coalition with other countries in future trade negotiations at regional level as well as at multilateral level.

## References

- Adam S. (1776); **The Wealth of Nations**, Reprinted by Global Grey, 2018.
- Arashiro Z, Marin C, and Chacoff A. (2005); **Challenges of Multilateralism: The Explosion of PTAs**, Sao Paulo: Institute for International Trade Negotiation, 2005.
- Bergsten C. F. (2002); “A Competitive Approach to Free Trade”, **Financial Times**, 5 December. 2002.
- Aremu J. (2005); **Attracting and Negotiating Foreign Direct Investment with Transnational Corporations in Nigeria**, Marketlink Communications, Lagos, 2005.
- Bhagwati J. (1993); Regionalism and Multilaterals: An Overview in de Melo, J. Panagariya, A (Eds), *New Dimension of Regional Integration*, New York, Cambridge University Press.
- Bjornkor C. (Kin L. M (2002); Where do Developing Countries go After Doha? An Analysis of WTO Position and Potential Alliance, **Journal of World Trade**, 2002.
- Cletus C. (2002); The Controversy over Free Trade: The Gap Between Economist and the General Public in **Federal Reserve Bank of St. Louis, Review** 84 February, 2002.
- Das B. L. (2002); Strengthening **Developing countries in the WTO, Trade and Development Series, No 8**, Third World Network, Viewed at [www.twinside.org.sg/title/td8.htm](http://www.twinside.org.sg/title/td8.htm)
- Ethier W. J. (1998); Regionalism in a Multilateral World, **Journal of Political Economy** 106 (6), 1214–1245
- European Union Commission (2009); **Aid for Trade Fact Sheet**, September 2009

Grassley C. R. Wyden (2019); Approaching 25: **The Road Ahead for the WTO**, Tuesday 12<sup>th</sup> March 2019, Chairman Us Senate Committee on Finance.

Odell J. S; (2003); Developing Countries and the Trade Negotiation Process, **UNCTAD, Conference Paper**, Palais des Nations, Geneva, 6–7 November, 2003.

Kahler M and J.S. Odell (1989); Developing Country Coalition – Building and I Trade Negotiations in **Trade Policy and the Developing World** (ed) John Whalley and Ann Arbor, University of Michigan Press, 146–170.

Kanal S. (2005); Article **XXIX of GATT: Good, Bad, or Both**, Department of Economics, Southern Methodist University, Dallas, 2005.

Krishna P. (1998); Regionalism and Multilateralism: A Political Economy Approach Quarterly Journal of Economic 113 (1), 227 – 251.

Morrison S. P. (2017); Mercantilism in Economic Nationalism, **National Economic Editorial**, March, 30<sup>th</sup> 2017

Page S. A. (2003); **Developing Countries: Victims or Participants: Their Changing Role in International Negotiations**, London: Overseas Development Institute viewed at [www.odi.org.uk/iedg/index.html](http://www.odi.org.uk/iedg/index.html)

Pomfret, R. (1986); “The Effects of Trade Preferences for Developing Countries”, **Southern Economic Journal**, Vol.53, No.1, 18-26.

UNCTAD (2008); Accra Accord, Addressing the Opportunities and Challenges of Globalization for Development, UNCTAD, 12<sup>th</sup>

Session, Accra, Ghana, 20 – 25 April, 2008.

UNECA (2017); **Brief on Regional Integration and the Continental Free Trade Area**, Prepared by African Trade Policy Centre, 18<sup>th</sup> March, 2018.

Vijayasri (2013); The **Importance of international Trade in the World, Research Scholar** Department of Economics, Andhra University, India

Viner, J. (1950); **Customs Union Issues, Endowment for International Peace, Carnegie**, UN: New York 1950.

Wang Z.K. and L.A. Winters (1997); Africa's Role in Multilateral Trade Negotiations **Policy Research Working Paper**, 1846, Washington DC, World Bank

WTO (2006); Operationalizing Aid for Trade, **Panel Discussion at WTO Public Forum**, Geneva, 26<sup>th</sup> September 2006

WTO (2005); **WTO 5<sup>th</sup> Ministerial Declaration**, December 13-18 2005, Hong Kong

Zartman I and W. Zartman (ed) (1987); **Improving North – South Negotiation**, New Brunswick, NJ, Transaction Books







Covenant University

**RANKED = 151<sup>st</sup>**



[www.thewur.com](http://www.thewur.com)



Covenant University

**RANKED 501+**

FOR BUSINESS & ECONOMICS



[www.thewur.com](http://www.thewur.com)



Covenant University

**RANKED 501+600**

FOR ENGINEERING & TECHNOLOGY



[www.thewur.com](http://www.thewur.com)



Covenant University

**RANKED 601-800**



[www.thewur.com](http://www.thewur.com)



*Produced by:*

*Directorate of Media & Corporate Affairs,  
Covenant University, Km. 10 Idiroko Road, Canaanland,  
P.M.B 1023, Ota, Ogun State, Nigeria  
Tel: +234-9033550046  
Website: [www.covenantuniversity.edu.ng](http://www.covenantuniversity.edu.ng)*