Stifling Trade Policy; Case of Nigeria and the Infant Industry Argument: A Review Article

Kishore G. Kulkarni, Dr., Metropolitan State University of Denver
Camden Bowman, Mr., University of Denver

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Mr. Camden Bowman,
Josef Korbel School of International Studies,
University of Denver. 2201 South Gaylord Street, Denver, CO 80208
E-mail Contact: Camden.bowman6@gmail.com

Kishore G. Kulkarni, Ph.D.,
Distinguished Professor of Economics,
CB 77. P. O. Box 173362, Metropolitan State University of Denver
Denver, CO 80217-3362.

Second author would serve as the corresponding author. Authors would like to blame each other for the remaining errors. The paper was presented in Academy of Business Disciplines (ABD) meetings in Fort Myers, FL in November 2014.
Abstract

Nigeria is Africa’s largest country by population and one of the continent’s largest economies. Still, growth in the West African nation has been mostly fueled by the oil sector, and has proven incredibly unreliable. This paper looks at the implementation of the Infant Industry Argument as a justification for restrictive trade policies in Nigeria, and the negative impacts that those restrictions have had in terms of the diversification of the Nigerian manufacturing economy. The paper looks at relative literature around the topic, as well as data important in understanding the effect of trade restrictions on Nigeria’s economy.
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Introduction:

Throughout the twentieth century, arguments in favor of protectionism gradually gave way to theories favoring freer trade in international markets. Although economists going as far back as Adam Smith had advocated free trade, Heckscher-Ohlin’s theorem in the beginning of the 20th century seemed to have finally eradicated protectionism as a viable option from a theoretical standpoint. Still, the Infant Industry argument, first proposed by Alexander Hamilton in the early nineteenth century, has remained very popular among developing nations, with varying degrees of success (Miravete, 2009). Miravete (2009) points out that, despite mixed results in practice (the successful use by Japan, considerably less success in Latin America), the policy has mostly been debated on ideological rather than empirical grounds, leaving the field open for heated debate based more in politics than in countries’ actual experiences.

One place where the infant industry argument has been vigorously applied, Nigeria, provides an interesting case study into the policy’s effectiveness. As Africa’s most populous country, Nigeria seems set up for success in regional and even global markets. In addition to its enormous labor market and potentially large number of consumers as the economy grows, the country sits on large oil reserves, and in fact has seen incredible economic growth in recent years, having recently overtaken South Africa as the continent’s largest economy. Still, Nigeria’s growth has been highly concentrated and overwhelmingly
dependent on its oil exports, and other parts of the economy have remained somewhat stagnant, even when compared with Nigeria’s comparably resource-poor neighbors.

This paper will look at Nigeria’s experiences with protectionism in the context of the infant industry argument, and will evaluate the effectiveness of Nigeria’s policies in successfully promoting the growth of industry in West Africa’s largest economy. First, the paper will review the literature around the infant industry argument and Nigeria’s history with protectionism in the context of global ideological paradigms, followed by a discussion of the infant industry argument and arguments in favor and against trade protection. The next section of the paper will look at the Nigerian economy more in depth, delving into Nigeria’s struggling industrial sector and looking for the effects that protectionism may have had on the sector’s development (or lack thereof). Finally, the paper will conclude with a summary of the findings and conclusions as to the impact that the infant industry argument has had on Nigeria’s economic wellbeing.

**Literature Review**

**The Infant Industry Argument**

The infant industry argument has a long history, stretching back at least to the early nineteenth century, when the U.S. statesman Alexander Hamilton first articulated the argument (Miravete, 2009). Miravete states that the argument remained very influential in the country's policy decisions, and that it became a serious point of contention between the agriculture-based and import-dependent southern states, and the emerging industrial states in the north, eventually contributing to the outbreak of the American Civil War. The argument is relatively simple, and can be very well summed up using the following graph
Looking at the graph, one can see that AC represents the cost that society faces as a result of infant industry protectionism in the form of tariffs placed on the import of foreign manufactured goods. Under the theory, these tariffs would give domestic industry time to develop, and by the time the domestic producers reach point B, a point where they can compete with the market prices of the goods. Once that happens, then society no longer faces costs associated with the tariffs, but rather begins to reap the benefits of a homegrown industrial sector, which, under the argument, far outweigh the earlier costs. At
this point, the tariffs can be removed, as the national firms now have international competitive abilities.

Miravete (2009) outlines the argument’s popularity over time, pointing out its effective use first by the British and the Americans, and its waning popularity as free-trade economic politics became more and more common. Its popularity waned until the 1950s, when Japan successfully recovered from the devastation of World War II using heavily targeted, restrictive trade policy to become a world leader in the electronics and automotive industries. At the same time, the decolonization period was in full swing, and the infant industry argument had a strong impact on policy for aspiring, newly decolonized governments, Nigeria among them. Still, the argument remained very controversial, and Miravete points out one of the biggest questions surrounding the argument: will trade protections actually ever be dropped once self-sufficiency is achieved? Miravete argues that governments may have little incentive to lift the tariffs, and the result could be a system with high tariffs despite the fact that the industry may fail to develop, putting a serious drag on the economy and potentially killing off industries not protected by the tariffs meant to protect government-chosen industries with no foreseeable long-run economic viability.

Unfortunately for these infant nations in search of a viable industrial sector, the vast majority of the countries that implemented industry protection policies did not reap the benefits in the same way Japan did. As a result, the infant industry argument has become significantly more nuanced in recent years, trying to explain why a few countries succeed while the majority end up stifling their own economies. In their 1984 article, Bell et al. come to the conclusion that infant industry promotion often fails because of government
missteps, either failing to support the correct industries, or failing to address market failures that result from their policies. Bell et al. conclude that the factors that contribute to rapid growth are too complex to be understood at the moment, and fail to make any useful recommendations for governments.

Kaneda (2003) further explains that, in practice, outcomes in cases where the infant industry argument has been used have been incredibly mixed. To explain the inconsistency, Kaneda turns to market expectations, and the fact that perceptions of stability or instability can unduly influence government policy and lead to poor implementation of the policy. What’s more, Kaneda challenged the argument that all an industry needed to do was reach a competitive level in the international market, as any domestic firm also has to deal with the fact that it needs to be able to attract labor and resources from other, possibly more profitable, sectors. Even if an industry could possibly produce at an internationally competitive price, it may not be able to compete for resources domestically, which could seriously undermine a potentially viable industry. Kaneda’s argument adds an extra lair of complexity to infant industry protection, making it much more difficult for governments to determine whether or not an industry has the potential to become competitive, and also making unclear when exactly a government should remove its protections and allow the industry to go it alone in the international market.

Melitz (2005) also offers a more nuanced understanding of the infant industry argument, contending that the success of an infant industry may very well be related to a particular industry’s learning curve. Melitz suggests that, given that an industry has a fast rate of learning, and that subsidies (which he considers superior to tariffs or quotas) are impractical because of budget constraints imposing tariffs can make sense as long as they
are gradually removed as the industry matures. If, however, the learning rate is slow, imposing tariffs could very well have higher costs than benefits. Melitz (2005) provides the following graph to demonstrate the difference between industries with slow and fast learning curves.

It becomes important, then, for governments to analyze the learning rate of an industry before deciding to implement tariffs or quotas as trade protection, and should prefer subsidies over trade protections if the budget allows. Still, the majority of countries considering this argument, and Nigeria in particular in our case, suffer from a chronic shortage of government funding. This makes tariffs and quotas an attractive option, but learning rates create yet another complicating variable in determining the effectiveness of an infant industry protection scheme, and it is unlikely that Nigeria would have done in-depth analysis of the learning rates of the industries under protection, especially considering the fact that most of Nigeria’s policies were implemented decades ago, long before Melitz published his paper in 2005. What’s more, a blanket protection of all (or
most industries, such as the types of protection implemented by Nigeria in the 1970s and 1980s would inevitably include both fast and slow learning industries. These would likely cancel each other out in the larger economy.

Suaré (2007) noticed another problem with trade protections under the infant industry argument. While Kaneda had looked at competition for labor and resources from other industries in the domestic market, Suaré looked at competition from less efficient production techniques within the same industry. Under Suaré’s argument, the trade barriers may well remove incentives for domestic companies to adopt more efficient production techniques, simply because the trade restrictions protect them from more efficient producers abroad. Because of this, they may stick to more traditional production techniques merely because they are less expensive in the short run, and because the government protects them from the negative effects of exposure to global markets. In other words, instead of the intended effect of allowing the infant industry to grow in a protected environment, trade restrictions could actually end up stunting the industry’s growth and hurting its competitiveness once restrictions are finally lifted.

This idea that protecting infant industries merely causes them to remain in an infant stage presents an important concept that anyone analyzing the practice must consider. Infant industries can mature under protectionism, but there must be some motivation for them to do so. In a free-market system, that motivation is competition with foreign firms. In well-established industries, however, entry costs can be prohibitive, and well-established companies can take advantage of economies of scale not available to nascent enterprises. Theoretically, if a country were able to protect an industry while simultaneously providing motivation to improve and invest in research and development, then a sector could achieve
great success both domestically and internationally as long as the industry’s learning rate was relatively fast and the industry did not face excessive domestic competition for labor and resources. The combination of these disparate variables can rocket an economy to the top of the pack. The absence of one of them, however, can cause stagnation and inefficiency. The proper application of the Infant Industry Argument, then, requires an incredible amount of planning, an impeccable execution, and a good deal of good fortune. This combination of complications likely accounts for the fact that few countries have been able to replicate Japan’s unparalleled success with the policy.

**Nigeria’s Country Profile**

According to Oshikoya (2008), Nigeria is the largest country in Africa, and in many ways is poised to become a serious player in the global economy. That said, Nigeria has, as of yet, been unable to capitalize on its many advantages. The economy, according to Oshikoya, has shown dramatic growth in recent years. That said, most of the growth is due to changes in commodity prices, and Nigeria’s economy remains primarily based in agriculture and oil exports. In order to truly unleash its potential, Nigeria would need to overcome years of poor governance and serious infrastructural constraints. The country has consistently been unable to overcome its reliance on oil, and as Ezema and Ogujiuba (2012) outline, it has been very susceptible to shocks related to changes in the oil price:

Production of petroleum started in 1958 and expanded briskly during the 1960s. By 1972 Nigeria was exporting nearly 2 million barrels a day of high-quality crude oil. Nigeria was therefore ideally situated to capitalize on the large oil price increase
that the Organization of Petroleum Exporting Countries (OPEC) engineered in late 1973 and the subsequent, comparably large increase that followed the supply disruptions generated by the 1978 revolution in Iran. As a result of increases in the price of petroleum, the dollar value of Nigeria’s exports increased six fold between 1972 and 1977 and doubled again by 1980. Adjusting for inflation, the value of Nigeria’s exports more than tripled between 1972 and 1977 and rose another 50 percent by 1980. Although oil prices fluctuated widely during the period, the decade after 1972 was one in which Nigeria’s international purchasing power was increased beyond the wildest dreams of the most unreasonably optimistic planner (Gavin, 1993, para. 25)

By the early 1980s, however, oil prices had dropped, and the Nigerian economy had failed to diversify. Wright (1998) outlines how increase dependence on the oil sector, as well as a false sense of security that it created with multiple Nigerian regimes, led a catastrophic 8.4% decrease in the Nigerian GDP in 1981 alone, followed by tepid growth in 1982, and economic contraction in three out of the next four years (p. 111). Growth returned to stay in 1987, but the damage had long-lasting consequences. At the time Ezema and Ogujuiba wrote their article in 2012, the Nigerian private sector remained very weak. As for Nigeria’s per capita income, it had deteriorated despite growth in the oil sector. Oshikoya (2008) claims that the per capita income in Nigeria was 20 percent lower in 2008 than it had been in 1975.
Review of Empirical Findings for Nigeria

Tamuno and Edoumiekumo (2012) analyzed the trajectory of Nigeria’s industrial sector from the 1970s to the present day. They point out that from the beginning of the period they studied, the federal government made infant industry protection a priority in policymaking decisions. They contend that Nigeria made the mistake of primarily protecting capital-intensive industries, and failed to address market failures related to foreign exchange crises. The authors observed that Nigeria’s industrial sector is unable to compete with foreign firms, and that domestic investment is weak. Still, they argued that neither the previous protectionist policies nor more recent economic openness have produced an industrial revolution in the Nigerian economy. Their recommendations moving forward are vague and somewhat unhelpful, saying, “Nigeria should encourage the production of non-primary export commodities and formulate policies that would attract foreign direct investment” (para. 37). Looking at Tamuno and Edoumiekumo’s evaluation of the Nigeria’s performance, one can use the theoretical framework above to hypothesize about what has gone wrong in Nigerian policy. For one, their insistence that Nigeria supported the capital-intensive industries suggests that perhaps domestic factors prevented their industries from becoming competitive, in line with Kaneda’s (2003) argument about domestic competition. Capital is expensive in Nigeria, and so capital-intensive industries are likely to have to compete with labor-intensive industries where a small amount of capital goes much further in producing the desired effect because of the low cost of labor. What’s more, Capital-intensive industries likely have much slower learning rates, which Melitz (2005) speculates would make the infant industry argument less effective. In other words, Nigeria may have put the cart before the pony by promoting
the emergence of capital-intensive industries before a labor-intensive industrial sector ever materialized.

Tamuno and Edoumiekumo (2012) suggested that Nigeria should try to attract foreign direct investment. One thing that remains clear, however, is that traditional industrial protectionism does not, according to Görge and Labonte (2012), encourage foreign direct investment. In fact, their 2012 study found that trade restrictions had serious negative effects on the inflows of foreign direct investment. For developing nations like Nigeria where domestic investment remains unreliable, a reduction in FDI could have devastating consequences. What’s more, according to Ng and Yeats (1997), trade barriers could be having a negative effect on more than just FDI. In fact, Ng and Yeats concluded that high trade barriers could also be affecting Sub-Saharan Africa (including Nigeria) when it came to exports. They argued that in the period between the 1960s and the 1990s, OECD countries had actually given Sub-Saharan Africa preference when it came to trade, but that internal policies had stymied export growth.

Adenikinju, Söderling, Soludo, and Varoudakis (2002) compared the economic situations in four neighboring countries: Nigeria, Cameroon, Cote d’Ivoire, and Senegal. Of the four countries, Nigeria and Senegal had the most protectionist policies surrounding imports, and both suffered serious economic consequences because of their protectionism. To be fair, Nigeria did have the largest manufacturing sector of the four countries, and the authors found a significant but relatively small level of elasticity of productivity to trade protection, as can be seen in the following table:
As can be seen in the table, multiple factors determine Nigeria’s production function, some with more influence than others. Although Nigeria’s Average Tariff rate does correlate negatively with the production function, it has less of an influence than, say, labor or the number of phone lines. That said, Adenikinju et al. clarify that the table may be somewhat deceptive, and that tariff rates may indeed have a stronger influence than the initial raw data from their study suggests, as they explain shortly after revealing the relatively small part that Nigeria’s trade barriers appear to play in determining its economic success,

According to our results, a complete liberalization of imports would only imply less than a 1% productivity gain. This is probably an understatement of the importance of trade liberalization, given the connection between openness and the REER. For instance, Khalid Sekkat and Aristomène Varoudakis showed that protectionism

### TABLE A4

ESTIMATION OF A PRODUCTION FUNCTION, NIGERIA (Sectoral Data)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>.59</td>
<td>.22</td>
</tr>
<tr>
<td>log(Capital stock)</td>
<td>.19</td>
<td>2.41</td>
</tr>
<tr>
<td>log(Labor)</td>
<td>.82</td>
<td>15.18</td>
</tr>
<tr>
<td>log(FOROWN)</td>
<td>.15</td>
<td>1.98</td>
</tr>
<tr>
<td>log(HEDU)</td>
<td>.32</td>
<td>1.80</td>
</tr>
<tr>
<td>log(PHONE)</td>
<td>.31</td>
<td>1.58</td>
</tr>
<tr>
<td>log(EFLAB)</td>
<td>.68</td>
<td>5.90</td>
</tr>
<tr>
<td>ATR</td>
<td>-.004</td>
<td>-1.58</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.70</td>
<td></td>
</tr>
<tr>
<td>Number of observations</td>
<td>231</td>
<td></td>
</tr>
</tbody>
</table>

Note.—Dependent variable: log(value added). Variables: FOROWN = share of foreign ownership in capital structure of the sector; HEDU = public capital in health and education as a ratio of total capital stock; PHONE = number of phone lines; EFLAB = labor defined in efficiency units as an indicator of human capital present in each sector weighted by sectoral labor units. ATR = average tariff rate by sector. Estimation method = ordinary least squares.
tends to lead to an appreciation of the REER. As demonstrated from the study on Cameroon, the REER is one of the most important factors determining export performance, which, in turn, affects productivity. In view of the high degree of protectionism in Nigeria during the studied period, one would expect higher potential gains from trade liberalization. (Adenikinju et al., para. 40)

Essentially, then, Adenikinju et al. argue that by liberalizing their trade regime, the Nigerian government could not only remove the small negative effect that tariffs have on the economy directly, but could also influence their Real Effective Exchange Rate in a favorable way, leading to more exports, more capital flowing into the country and increasing factor productivity, allowing for more exports. In other words, the authors argue that liberalization could lead to a feedback loop that continuously strengthens the Nigerian export economy.

Another study by Onakoya, Fasanya, and Babalola, (2012) seems to corroborate Adenikinju et al.’s conclusion that trade liberalization brings important, if small, improvements to the economy. What’s more, Onakoya et al. demonstrated that these improvements benefited the manufacturing sector most strongly. Put simply, Nigeria’s protectionist policies may not be single-handedly responsible for Nigeria’s surprisingly poor economic performance, but they are impacting the country in real ways in the area where the greatest amount of growth could occur: the manufacturing sector. With that said, Nigeria has made strides to reduce the levels of protectionism in their economy in recent years, and little growth has resulted. This is primarily because the country faces a host of other issues limiting its growth, such as infrastructural deterioration, a weak private sector, and growing unrest, especially in the north.
The Nigerian government has not been completely deaf to calls for increased trade liberalization. Umoh and Effiong (2013) outline the development of Nigerian trade policy over time. Following independence, Nigeria pursued a highly restrictive trade regime from the 1960s to the 1980s. In the 1960s, import tariffs on certain commodities were as high as 120 percent. Civil war in 1970 forced a brief period of marginal liberalization (import surcharge reduced from 7.5 to 5 percent). The oil boom of the 1970s allowed for a favorable balance of payments, and the government began slowly relaxing tariffs and import restrictions, but developed an incredibly dependency on the oil sector. In the late 1970s, however, the government returned to heavily restrictive tariffs on clothing, batteries, and electric filament. By 1978, the government had put heavy restrictions on 82 items, and in 1982 the government placed an outright ban on the import of “non-essential” items (p. 154). Policies became even more restrictive until 1986, when the government once again began to relax import restrictions and tariffs and move toward a more liberal system.

Umoh and Effiong (2013) contend that the manufacturing sector that did emerge has remained very import dependent, and that it has mostly consisted of the final assembly of relatively simple products. They provide the following table demonstrating the contribution of industry to the Nigerian Economy:
Umoh and Effiong attribute the decline in manufacturing around 1986 to a collapse in the global oil market, and the subsequent rise of the sector in the early nineties to a basket of policies including trade liberalization. The authors suspected that trade openness had a positive effect on the economy, but the initial graphs and tests such as the one above failed to show a clear correlation. The authors decided to run a multivariate analysis, controlling for certain other factors that have an effect on the economy.

Having run their statistical tests, Umoh and Effiong concluded, “The significance of the long-run coefficient of trade openness clears any ambiguity of whether trade openness promotes growth in manufacturing, especially in the case of Nigeria” (p. 166). The authors go on to specify the various ways in which trade openness aids the Nigerian manufacturing sector:

With the available market in Nigeria, opening to trade will allow manufacturing firms in the sector to enjoy economies of scale with significant expansion in their
scale of production to achieve growth. In addition, with the focus of the government’s industrial policy on encouraging private sector involvement in the sector, openness to trade will encourage new entrants into the sector with significant technology transfer from abroad. The embedded technologies and technical know-how remain invaluable towards resuscitating and spurring the export performance of the manufacturing sector, and as viable options from tapping into the global market and learning from other countries via open trade policy (p. 166).

Umoh and Effiong’s observations about the positive influence of trade openness fits well with Panagariya’s more broadly applied 2004 paper looking at what the author called “miracles” and “debacles” in economic development, miracles being those countries whose GDPs grew at 3 percent, and debacles being those that experienced a decrease in GDP. Panagariya placed the protectionist Nigeria in the “debacle” category, showing the country had actually lost GDP in the period between 1980 and 1999. He argued that sustained growth couldn’t be possible without a rapid growth in trade sustained either by low barriers to trade or by a decline in trade barriers. Indeed, this is exactly what Umoh and Effiong (2013) noticed in their study, that as trade barriers in the Nigerian economy were lowered, manufacturing actually increased, benefiting the country. Panagariya (2004), however, makes it clear that trade liberalization does not guarantee economic growth; rather that it creates a better environment for it. In answering critics of trade liberalization, Panagariya highlights the fact that there are many factors that contribute to a growing economy, of which trade liberalization is merely one. This line of argumentation fits neatly with Adenikinju et al.’s (2002) observations that although trade barriers do have a negative
impact on Nigeria’s production function, various other factors such as infrastructural constraints exert perhaps a stronger force on Nigeria’s economy, mitigating much of the possible benefit retrieved from lowering barriers to trade.

The Nigerian government has not been unaware of policy implications of these recent studies, and to make further changes toward greater trade liberalization. Okonjo-Iweala, in her 2012 book *Reforming The Unreformable: Lessons From Nigeria*, recounts how she, as the economic advisor to the President of Nigeria starting in 2000, and in various other positions in the Nigerian government over the next decade, went about trying to reform Nigeria’s economy. Okonjo-Iweala cited cleaning up Nigeria’s trade regime as the most difficult reform the new government pursued, as the area was plagued by corruption and various vested interests of powerful people. In describing the trade regime before she was invited to participate in reforms, Okonjo-Iweala said, “For two decades before economic reform, Nigeria’s trade regime was viewed as complex, restrictive, and opaque” (Okonjo-Iweala, 2012, p. 61). The author stated that even after structural adjustment in 1988, the system had remained unwieldy and complex, with tariffs ranging between 2.5 and 150 percent, with rates applied at the ports often differing widely from those on the books. In addition to the inconsistent figures, many waivers were granted to individuals, and the requirements for obtaining a waiver were opaque and often led to abuse. In other words, infant industry argument may have been used to justify the tariffs initially, but it became clear with time that the main motivation for high tariffs was corruption.

Okonjo-Iweala (2012) admit to having been relatively unsuccessful in liberalizing Nigeria’s tariff policies, although she does claim a precious few victories in making the system more consistent and less prone to corruption. She was able to reduce tariffs to an
extent, mostly by enforcing the rules accepted by Nigeria on its acceptance to ECOWAS, but the reduction, though an improvement still left tariffs at relatively high rates. The story highlights the incredible amount of inertia present in Nigeria’s trade regime, and the fact that even those at very high levels of government have a hard time changing the current practices due to the incredible number of special interests involved in the system. It also clarifies the main purpose of the tariffs in today’s Nigeria: lining pockets. The infant industry argument may well be more or less debunked, but those who benefit from the policies implemented because of it remain very powerful in the domestic economy, making moves toward a more free market system incredibly slow and difficult. Overcoming this incredible inertia created by past policies may very well be one of the greatest challenges to Nigerian growth in the coming decades.

**Conclusion and Summary**

Although popular for a surprisingly long period of time, the infant industry argument has to a large extent fallen out of favor among theoretical economists. Even among those who still favor the argument, it now comes with an incredibly long list of caveats, making the actual application of the argument to policy quite complex. Most economists still recognize the argument’s validity in certain very specific circumstances, and some countries, especially in Asia, have used the argument to inform incredibly effective policies. That said, the dominant consensus remains that sustained growth cannot be achieved without a liberalized or at least liberalizing trade regime, and free market economists regularly point out the fact that even in the most successful cases involving trade protection, protectionism was eventually phased out in favor of more open trade
policies that permitted growth of the export sector. Stubbornly sticking to a restrictive policy, on the other hand, leads to a lower standard of living for the population and in the end cripples the very manufacturing sectors it seeks to protect.

From its independence onward, Nigeria regularly used the infant industry argument as a justification for incredibly restrictive trade policies, including a very high import restrictive regime. Despite Nigeria’s intense protectionism, a robust manufacturing sector has failed to materialize, and even those gains that have been made in that area have taken place during rare moments of trade liberalization. The effect, rather, seems to have been ever-increasing dependence on oil reserves. Even after decades of failed protectionism, significant barriers remain in place, likely not intended to foster manufacturing enterprise, but rather to serve special interests among Nigeria’s economic and bureaucratic elites. Elements in the Nigerian government have had limited success in liberalizing trade policies, with significant progress from the 1988 structural adjustment process, and also recently under the management of Finance Minister Ngozi Okonjo-Iweala, who led a marginally successful but ultimately ill-fated effort to liberalize large swaths of Nigeria’s trade policy.

Nigeria boasts a large workforce, a substantial reserve of natural resources, and one of the largest economies in Africa. If, however, the country desires to move past its current economic position and rise as a global economic force, and if the country wants to see its income more evenly distributed across its enormous population, then it must find a way to improve its economy that is not dependent on the country’s formidable oil sector. Infant industry protectionism has thus far failed to create a robust multi-industry manufacturing
sector, and Nigeria needs to seriously consider dropping those tariffs and import restrictions that remain in place.

Nigeria faces bigger problems than just a restrictive trade regime. Opening up trade could very well give Nigeria's economy quite a boost, but the country is also plagued by an insufficient and crumbling national infrastructure pertaining to both transportation and communications. What's more, recent events have contributed to serious doubts around the government's ability to maintain peace and ensure the security of its citizens, even in states far away from the strongholds of Nigeria's militant elements. In order to create and sustain real growth in the coming years, the government needs lower trade barriers while simultaneously investing in infrastructural and security projects. Nigeria will need to attract a good amount of foreign direct investment, as the domestic investment climate is unstable and unreliable. Reducing trade barriers will also contribute to Nigeria's attractiveness to foreign investors, causing a multiplier effect on the positive influence of greater trade liberalization. Though not a panacea, further trade liberalization could go a long way in moving Nigeria toward a more robust and equitable economic system. In terms of the resources, Nigeria has the potential to become one of the world's economic leaders. Policy decisions during the next ten to twenty years could be key in determining whether or not that potential becomes a reality. If Nigeria is to rise up and realize its full growth potential, then its leaders must prioritize the long-term wellbeing of the national economy over individual special interests. This is true not only in the case of trade liberalization, but also in a general sense. The way forward is littered with obstacles, but with substantial investments in infrastructure and lowering of barriers, Nigeria could very well become one of the powerful economies in the world.
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