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IMPACT OF ECOWAS TRADE LIBERALIZATION SCHEME ON NIGERIA ECONOMIC GROWTH

ABSTRACT

This study examines the impact of ECOWAS Trade Liberalization Scheme (ETLS) on Economic Growth in Nigeria for the period 1990 to 2024. To achieve this, a set of secondary data from the CBN Statistical Bulletin was used for the study, while the Auto Regressive Distributive Lag Model (ARDL) was employed to analyze the data. The findings reveal that ETLS is statistically significant in stimulating economic growth in Nigeria in both the long and short run for the period under review. Diagnostic tests confirm that the model is free from serial correlation, with residuals normally distributed. The CUSUM and CUSUMSQ show that the model is structurally stable while the Error Correction Mechanism (ECM) indicates that once there is disequilibrium in the system, it takes an average (high) speed of 42.6% to adjust itself back towards long-run equilibrium level. The study recommends that the Nigerian government should set up machinery that will ensure the full implementation of ETLS to enhance free trade and growth.

Keywords; *Trade Liberalization, Total Import, Total Export, Balance of Payment and Economic Growth*

1.1 INTRODUCTION

Over the years, the macroeconomic implication of cross-border economic integration has drawn the attention of most scholars of international economics. There has been a long-standing debate regarding the benefits of such integration. One of the major areas of integration is trade (Adenikinju, 2015). Regional trade arrangements are instrumental in promoting global trade and foreign direct investment (Muluvi, Kamau & Ikiara, 2012). Efforts at regional and sub-regional integration have often focused on eliminating regional barriers to trade; enhancing the free movement of people, goods and capital across the region's national borders. Economic Community of West African States (ECOWAS) was established by a treaty of Lagos in 1975 with the objective of liberalizing trade among member states, the elimination of tariff and non-tariff barriers and ultimately achieving an economic and monetary union after it goes through the process of a free trade area, custom union and common market (Olayiwola & Osabuohein, 2021). Under the ECOWAS Trade Liberalisation Scheme (ETLS), goods traded are being transported through the region duty free and in some cases without the need for a certificate of origin.

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The effective implementation of these protocols should eliminate tariffs on regionally sourced inputs, reduce the time and cost of moving products through the region and harmonize tariffs levels for goods (Nzue, Olayiwola & Jalloh, 2012). In line with its objective of promoting cooperation and integration and as one step towards the creation of a common market which according to the ECOWAS Revised Treaty, should be established, among others through "the liberalization of trade by the abolition, among Member States, of customs duties levied on imports and exports, and the abolition among member states of non-tariff barriers in order to establish a free trade area at the community level" (Agrawal, 2015).

The ETLS was launched in 1990 to boost trade within the West African sub-region and aimed at the total elimination of customs duties and taxes, removal of non-tariff barriers, and establishment of common customs external tariff to protect goods in member states. Under the scheme, goods produced in any of the member states are granted total exemption from import duties and taxes. Goods covered under the scheme include unprocessed goods like livestock, fish, and plant and mineral products. Others are traditional handicraft and industrial goods. Ideally, this scheme if effectively implemented is capable of promoting intra-regional trade in West Africa but some practical challenges have been found to hinder the full realization of the aims of the scheme. An example includes non-implementation of obligations by some member states. The other subtle challenge is that the scheme has been associated with non-tariff barriers like random road blocks and entrenched bribery and bloated tariffs observed along the trade routes. The ineffective implementation of the protocol is costing the region millions of dollars. For instance, many traders find other ways to smuggle their goods as a way of avoiding unreasonable bribes and charges and in that way avoid payment of legitimate import or export duties (Nwakoh, 2018).

Trade has long been identified as a veritable way through which the quest of nations for improved well-being of their citizens could be achieved. Adam Smith recommended division of labour, specialization and the pursuit of foreign trade as a way of increasing the wealth of nations (Adelowokan & Maku, 2018). They went further to state that division of labour was limited by size of the domestic market. Trade liberalization started in 1947 after the 2nd World war with the inception of the General Agreement on Tariffs and Trade (GATT). The GATT was negotiated in 1947 by 23 countries of which 12 are industrialized countries and 11 developing countries. The main focal point of GATT was to lower trade barriers. GATT was later replaced by the WTO (World Trade Organization) in 1994 (Ayonrinde & Olayinka, 2015). According to Echekoba, Okonkwo & Adigwe (2017)

The main purpose of trade liberalization is to allow countries to export those goods and services that they can produce efficiently while they import the goods and services that they produce inefficiently. The developing countries continued to experience underdevelopment despite the economic growth of the early and late sixties. One main obstacle for government in developing countries to conduct a trade liberalization programme is a perceived revenue loss as a result of adopting policies such as import tariff reductions and abolition of import licenses/relaxation of quantitative barriers. International trade taxes are major components of indirect taxes, which is regarded as the main source of government revenue in developing countries (Abubakar, 2015). It is therefore, against this background that this study is out to examine the impact of ECOWAS trade liberalization scheme on economic growth in Nigeria.

1.2 Statement of the Problem

The ECOWAS Trade Liberalisation Scheme (ETLS) is a trade instrument designed by the Regional Economic Community and administered by the ECOWAS Commission to encourage Intra-ECOWAS trade. The ETLS is the main ECOWAS operational tool for promoting the West African region as a Free Trade Area and the Commission's first step towards the realisation of the objective of the community which is the establishment of a common market through the liberalisation of trade by the abolition, among Member States, of customs duties levied on imports and exports, and the abolition among Member States, of non-tariff barrier. (Article 3 of ECOWAS Treaty). The ETLS was established as a medium for increasing productivity and market access for products originating from the Region's domestic economy. The concept was originally intended at benefiting the private sector in particular, and ultimately boosting the West African economy. It was also targeted at reducing the massive importation of goods which West Africa has been known for. Its ultimate goal targets is generating employment among the member States of ECOWAS and increasing intra-regional trade (Adesuyi & Odeloye, 2013).

Unfortunately, practical experiences from the private sector engaged in cross border operations have rather continued to show that the implementation of the ETLS despite its enviable goals has remained shoddy and has led to the unattainable realisation of the noble objectives of the founding fathers. The result is that West African intra-regional trade has remained abysmally low revolving around 10-12 percent. The foregoing predicament coupled with unattractive reports on the ETLS implementation among member states, goes to show how much West Africa may be the architects of her poor performance at the global trade arena (Adenikinju, 2015).

From all indications, no sector can be excused from culpability on the poor implementation of the ETLS. From the unscrupulous private sector practitioners who engage in false declaration and cutting of corners; to the Customs Officers and other law enforcement agents at the ports of entry/exit who rather promote barriers than facilitate trade; and to the lack of political will on the part of governments of member States in respecting the enshrined rules; down to the 'shackled hands' of the ECOWAS Commission in applying sanctions on erring member States; it appears all hands must go back to the drawing table for credible solutions that must facilitate the success of the initiative (Adelowokan & Maku, 2017). This study amongst others seeks to empirically examine the impact of ECOWAS Trade Liberalisation Scheme on Economic Growth in Nigeria for the periods 1990 to 2024. In addressing these problems, the following research questions were answered;

i. What is the impact of trade policy change within ECOWAS on economic growth in Nigeria?
ii. To what extent has export within ECOWAS impacted on economic growth in Nigeria?
iii. What is the impact of imports within ECOWAS on economic growth in Nigeria?
iv. How foreign direct investment (FDI) within ECOWAS does influenced economic growth in Nigeria?

2.1 Literature Review

2.1.2 Concept of ECOWAS

The Economic Community of West African States (ECOWAS) is a regional organization of 15 West African countries established on 28 May 1975. Its main goal is the promotion of the economic integration among its members. Indeed, ECOWAS is one of the five regional pillars of the African

Economic Community (AEC). ECOWAS has three official languages: English, French, and Portuguese (Adenikinju, 2015). Before the creation of ECOWAS, the collective territory known as West Africa was made up of an aggregation of states that had emerged from different colonial experiences and administrations which largely defined the boundaries of the 15 states domiciled in the area (Nwauche, 2011). The region's cultural, linguistic and ecological diversity presents both opportunities and challenges for the integration process. The longing to combine forces politically and economically has always been recognised as a step forward in the desire to engender co-prosperity in the area. Even though Member States of the community now make use of three official languages (English, French and Portuguese), there are well over a thousand existing local languages including cross-border native tongues such as Ewe, Fulfulde, Hausa, Mandingo, Wolof, Yoruba, Ga, etc. that constitute its over 300 million people tucked in a vast land of about 5.1 million square kilometres (Adelowokan & Maku, 2017).In this regard, the first effort at integration dates back to 1945 with the creation of CFA franc that brought the francophone countries of the region into a single currency union. Then in 1964, Liberian president William Tubman proposed an economic union for West Africa leading to an agreement which was signed in 1965 by the four states of Cote d'Ivore, Guinea, Liberia and Sierra Leone (Olayiwola & Osabuohein, 2021). In April 1972, General Gowon of Nigeria and General Eyadema of Togo re-launched the idea, drew up proposals and toured 12 countries, soliciting their plan from July to August 1973. A meeting was then called at Lomé from 10-15 December 1973, which studied a draft treaty. This was further examined at a meeting of experts and jurists in Accra in January 1974 and by a ministerial meeting in Monrovia in January 1975. Finally, 15 West African countries signed the treaty for an Economic Community of West African States (Treaty of Lagos) on 28 May 1975. The protocols launching ECOWAS were signed in Lomé, Togo, on 5 November 1976. In 1977 Cape Verde joined ECOWAS, while in 2002 Mauritania withdrew from the Community (Oyejide, 2013). The fifteen member states are Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea-Bissau, Liberia, Mali, Nigeria, Senegal, Sierra Leone, Togo, Cape Verde, Guinea and Niger.

2.1.3 ECOWAS Trade Liberalization Scheme (ETLS)

The ETLS was instituted in 1979, that is, two years after the ECOWAS treaty became definite given the delays in ratifying the protocols annexed to the treaty. The take-off of the scheme was postponed till 1989 and despite over eight protocols and conventions; the implementation of the scheme was later shifted to January, 1990. The ETLS provides for the elimination of trade barriers including taxes and levies (Asongo, 2013). Its objectives include: improving trade links in the West African sub-region and facilitate free movements of unprocessed goods and traditional handicraft, which are exempted from customs duties and taxes; the progressive elimination of customs duties and taxes of equivalent effect on industrial products originating from the member states pf the community; a phased liberalisation of trade in industrial products, with the phasing reflecting the difference in the levels of development of three categories of ECOWAS member states; and gradual establishment of a common external tariff against non-members. It comprises two phases; consolidation of customs duties and NTBs, and total trade liberalization (Adewumi, 2016). The major focus of the ETLS as a scheme is to encourage the local manufacturing outfits to compete favourably with imported products that may be dumped in the sub-regions market as well as remove tariff and non-tariff barriers (NTBs) to trade between the countries of the region. It is also expected to encourage entrepreneurial development because it provides preferential treatment among ECOWAS member states (Ukpe, 2012). The ETLS scheme covers three groups of products namely: (1) Unprocessed goods which include fish, plant or minerals that have not undergone industrial transformation. (2) Traditional handicraft products

including products made by hand with or without the use of tools or machineries such as wood, articles of wood, basket works, carpet mats, lace embroidery etc. (3) Industrial products. Some opportunities that are expected to be realized for the effective implementation of the ETLS by ECOWAS member countries and their companies are as follows: It will encourage local manufacturing to compete favourably with cheap imported products; the ETLS will encourage entrepreneurial development; Exporters from member countries will have larger markets for their products within the framework and ETLS has the potential for reducing unemployment rate in member states (ECOWAS Trade Policy, 2016).

2.1.4 Determinants / Components of Trade Liberalization

(a) Total Exports (TEX)

Exports are a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. Exports are a crucial component of a country's economy, as the sale of such goods adds to the producing nation's gross output. One of the oldest forms of economic transfer, exports occur on a large scale between nations that have fewer restrictions on trade, such as tariffs or subsidies. Exported goods are considered zero rated goods (Agrawal, 2015). The ability to export goods helps an economy grow, and most of the largest companies operating in advanced economies derive a substantial portion of their annual revenues from exports to other countries. One of the core functions of diplomacy and foreign policy between governments is to foster economic trade, encouraging exports and imports for the benefit of all trading parties (Otto & Ukpere, 2014). Exports from Nigeria fell 4.6 percent from a year earlier to NGN 1451 billion in June 2019, due to lower shipments of manufactured products (-14.3 percent); agricultural goods (-36.6 percent); raw materials (-34.2 percent); solid minerals (-88.1 percent) and energy goods (-25.4 percent), (NBS, 2018).

(b) Total Imports (IMP)

An import is a good or service brought into one country from another. The word "import" derives from the word "port" since goods are often shipped via boat to foreign countries. Along with exports, imports form the backbone of international trade. If the value of a country's imports exceeds the value of its exports, the country has a negative balance of trade (BOT), also known as a trade deficit (Ayashagba & Abachi, 2016). Countries are most likely to import goods or services that their domestic industries cannot produce as efficiently or cheaply as the exporting country. Countries may also import raw materials or commodities that are not available within their borders. Free trade agreements and tariff schedules often dictate which goods and materials are less expensive to import. Free trade opens the ability to import goods and materials from cheaper production zones and reduces reliance on domestic goods, (Hashim, 2014). Imports to Nigeria surged 45.8 percent from a year earlier to NGN 1042 billion in June 2019, boosted by purchases of manufactured goods (100.5 percent); raw materials (38.5 percent); agricultural goods (1.6 percent) and solid minerals (86.9 percent). Among major import partners, purchases rose mostly from China (78.7%), India (70.2%), Japan (92.2%) and the US (181.6 percent); but fell from the Netherlands (-23.1%) and Spain (-34.6%). Imports in Nigeria averaged 234304.14 NGN Millions from 1981 until 2019, reaching an all-time high of 2209385.78 NGN Millions in August of 2018 and a record low of 167.88 NGN Millions in May of 1984 (NBS, 2019).Proponents say imports enhance the quality of life by providing consumers with greater choice and cheaper goods; the availability of these cheaper goods also help to prevent rampant inflation.

(c) Foreign Direct Investment (FDI)

A foreign direct investment (FDI) is an investment made by a firm or individual in one country into business interests located in another country. Generally, FDI takes place when an investor establishes foreign business operations or acquires foreign business assets in a foreign company. However, FDIs are distinguished from portfolio investments in which an investor merely purchases equities of foreign-based companies (Oyiemuno, 2013). Foreign direct investments are commonly made in open economies that offer a skilled workforce and above-average growth prospects for the investor, as opposed to tightly regulated economies. Foreign direct investment frequently involves more than just a capital investment. It may include provisions of management or technology as well. The key feature of foreign direct investment is that it establishes either effective control of or at least substantial influence over the decision-making of a foreign business (Mohamed, 2012). Foreign Direct Investment in Nigeria increased by 909.54 USD Million in the second quarter of 2019. Foreign Direct Investment in Nigeria averaged 1233.61 USD Million from 2007 until 2019, reaching an all-time high of 3084.90 USD Million in the fourth quarter of 2012 and a record low of 314.44 USD Million in the fourth quarter of 2018 (CBN, 2019).

2.1.5 Concept of Economic Growth

The concept of economic growth is a broad term in economic literature. Economic growth is the quantitative sustained increase in a country per capital output or income, accompanied by expansion in its labour force, consumption; capital and volume of trade (Jhinghan, 2006). This means economic growth is the engine for generating long-term increase in the overall standard of living of the people. Economic growth refers to increase in a country's potential GDP of an economy (Samad, 2011). This means economic growth must be sustained for a developing economy to break from the circle of poverty. Frankel (2010) defined economic growth as a sustained secular increase in total national income or national income per head of population. He further states that growth is necessary, though not a sufficient condition for development. This means economic growth can occur in a country without economic development. Economic growth means more output. That is say, economic growth can occur when the total productive capacity of an economy is rising. Jhinhgan (2005) defined economic growth as a long-term rise in the capacity of an economy to supply increasingly diverse economic goods to its population; this growing capacity is based on advancing technology, institutional and ideological adjustments.

2.2 Theoretical Review

2.2.1 Absolute Advantage Trade Theory (1774)

The theory of absolute cost advantage was propounded by Adam Smith (1776) in his famous book (Wealth of Nations). The theory emerged as a result of the criticism levied against mercantilism. He advocated free trade as the best policy for the nations of the world. Smith argued that with free trade each nation could specialize in the production of those commodities in which it could produce more efficiency than the other nations, and import those commodities in which it could produces less efficiently (Agrawal, 2015). This international specialization of factors in production would result in increase in world output, which would be shared by the trading nations. Thus, a nation need not gain at the expense of other nations, all nations could gain simultaneously. In other words, according to the theory, a nation should specialize in the production of export of commodities in which it has lower

cost or absolute cost advantages over others. On the other hand, the same country should import a commodity in which it has higher cost or absolute cost disadvantage (Ayashagba & Abachi, 2016).

2.3 Empirical Review

This paper examines the impact of government expenditure on economic growth in Nigeria from 1988 to 2024 using annual time series data from the Central Bank of Nigeria Statistical Bulletin. Government expenditure is disaggregated into recurrent expenditure, capital expenditure, and transfer payments, while economic growth is proxied by gross domestic product. The empirical strategy employs Augmented Dickey-Fuller unit root tests, Johansen cointegration analysis, Granger causality tests, and Dynamic Ordinary Least Squares estimation. The unit root results show that the variables are stationary after differencing, with transfer payments stationary at level, while the Johansen test confirms a long-run relationship among the variables. The DOLS estimates indicate that recurrent expenditure has a positive and statistically significant effect on economic growth, whereas capital expenditure has a positive but statistically insignificant effect. Transfer payments exert a negative and statistically insignificant effect on growth. The causality results reveal unidirectional causality from recurrent expenditure to GDP and bidirectional causality between transfer payments and GDP, while no causal relationship is found between capital expenditure and GDP. These findings suggest that the growth effect of government spending in Nigeria depends not merely on the size of expenditure but its composition, efficiency, and implementation quality. The paper recommends improved expenditure efficiency, stronger monitoring of capital projects, rationalization of transfer payments, and better alignment of public spending with productivity-enhancing sectors.

Nwakoh (2024) examined the effect of Trade Liberalization on economic growth of Nigeria for the period 1981-2021. The data collection was secondary and existing data extracted from the statistical bulletin of the Central bank of Nigeria 2016. The study applied E-view 7.0 version and the estimation technique applied are Ordinary least square (OLS), diagnostic test, serial correlation test, stability test and Granger causality test. The independent variable used for the study are Degree of Openness, Net Import, Net Export, Exchange Rate and Balance of Payment while the dependent variable is Gross Domestic Product (GDP). Based on time series data all variables considered are relevant indicators of economic growth. Result of the analysis shows that the whole independent variables have 94% positive impact to GDP in Nigeria, more so (AdjstR2) is 0.926 which suggest that 93% of the independent variable could be explained by the changes in the dependent variable and the remaining 7% could not be explained due to some error in the financial system. The Durbin Watson test is 2.133 which revealed no presence of serial correlation and good for prediction. The p-value of the F-stat is $0.00<0.05$ which suggest that the whole independent variables are statistically significant. The study concludes and recommended that the whole independent variables are significant to GDP in Nigeria and government must continue to adopt appropriate policies to diversify the productive base of the economy in order to promote net export and build an efficient service infrastructure. Exchange rate liberalization is also critical in facilitating trade in any economy.

Osabuohien (2020) examined the impact of trade openness on economic performance of ECOWAS member countries with special emphasis on Ghana and Nigeria between the period 1975 through 2016, employing co-integration and Vector Error Correction techniques. He established a unique long-run relationship between economic performances, trade openness, real government expenditure, labour force and real capital stock for Ghana and Nigeria. The study concludes and recommended a synergy between Nigeria, Ghana and other ECOWAS members for sustainable economic growth and development.

George (2017) in 'Trade Liberalization and Economic Expansion: A sensitivity analysis,' tried to explore the nature of the relationship between trade liberalization and economic expansion. Granger multivariate tests were used in ascertaining why exports represent a fundamental determinant of economic performance in Ireland, whereas in the case of Greece, Portugal and Spain exports do not affect economic growth and it was concluded that it was very difficult to analyze the role of trade liberalization in economic performance and to determine the factors which affect the causal links between exports and real GDP, stating that more empirical evidence from developed and developing countries is needed in order to examine the quantitative and qualitative factors which affect the direction of causality between exports and economic growth. The study concludes and recommended maximum cooperation for sustainable economic growth and development.

Mododou (2017) in a work titled, 'The impact of Trade Liberalization on Economic Growth in Gambia, tried to specifically explore the effect of trade liberalization on the economy of Gambia. The study used the ECM (error correction model) which is intended to capture both the short-run and long run impact of the variables in the model), he applied the neoclassical growth model and a time series data from 1970-2016. His finding was that the terms of trade in Gambia was not favourable during the period of study as imports outweigh exports and concludes that if Gambia is to benefit more from trade liberalization, it will have to look into its macroeconomic policies and create an enabling environment for investment in terms of property rights, adequate access to credit, stable power supply, good roads, telecommunications and security. The government should control its fiscal policy as it is the major obstacle to private investment.

3.1 Methodology

The study adopted ex-post facto research design to examine the impact of ECOWAS trade liberalization scheme on economic growth in Nigeria during the 1990-2022. The relevance of ex-post facto design will enable the cause-and-effect relationship between an independent variable and a dependent variable. It will also hypothesize how the independent variable, which is not controlled or manipulated, influences or affects the dependent variable. If the set of independent variables is carefully selected and proper techniques adopted for analyses, meaningful insights can be gained into the changing pattern of dependent variable. The used of ex-post facto design in this research is better, as the research questions posed utilizes data that has already been collected. It does not rely heavily on funding or the recruitment of participants, which may be costly. This justified the used of the design. However, despite these pros, access to data that has already been collected can be incomplete, inaccurate or inaccessible at times. The data were collected from various sources including Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS) to estimate, interpret and analyze the data.

3.2 Model for the Study

Autoregressive Distributed Lag (ARDL) model was adapted from the work of Solomon & Eka (2021) for the study. The choice of ARDL was because there was no imposition of restrictive assumption on the variables to be integrated of the same order. In order words, the ARDL approach can be applied regardless of whether the underlying regressors were integrated of order 1(I), order zero 1(0) or fractionally integrated. The adapted model is stated thus;

RGDP=f (BAP, EXP, IMP)……..……..(3.1)

Where;

RGDP = Real Gross Domestic Product, BAP = Balance of Payments, EXP = Total Exports, IMP = Total Imports

Equation (3.1) was modified and specified as follows to capture the objectives of this study. The incorporation of trade policy variable, export, imports and foreign direct investment (FDI) as the determinants of ECOWAS trade liberalization and economic growth into the econometric function as expressed in it general form below:

RGDP = f (TRP, EXP, IMP, FDI)……..……..(3.2)

Equation (3.2) can be transformed and expressed in log-linear form as:

Log RGDPt = βo + β1LogTRPt + β2LogEXPt + β3LogIMPt +

B4LogFDI + U……..…(3.3)

Where; RGDP = Real Gross Domestic Product (Economic Growth) , TRP = Trade policy, EXP = Total exports, IMP = Total imports, FDI= foreign direct investment, Ut = Stochastic error term , t = subscripts, β0, β1, β2, β3 and β4 are parameters to be estimated.

j = 1, 2 …..n, this is the lag length of each variable. This study however, will use the 2

lag of each variable.

The ARDL is stated thus;

$$\Delta lnRGDPt = \beta 0 + \sum \beta 1 \Delta lnTRPt - i + \sum \beta 2 \Delta lnEXPt - i + \sum \beta 3 \Delta lnIMPt - i +$$

$$\beta 4 lnFDIt - i + \beta 5 lnRGDPt - 1 + \beta 6 lnTRPt - 1 + \beta 7 lnEXPt - 1 + \beta 8 lnIMPt - 1 +$$

$$\beta 9 lnFDIt - 1. \ldots \ldots \ldots

4.2 Unit Root Test

Table 4.1: Augmented Dickey-Fuller (ADF) First Difference Test Results

Variables	ADF Test Statistic	Critical values			Prob.	Order of Integration
LOGRGDP	-7.70	-3.63	-2.95	-2.61	0.0004	I(0)
TRPC	NA	NA	NA	NA	NA	NA
LOGEX	-7.62	-3.63	-2.95	-2.61	0.0000	I(1)
LOGIMP	-7.06	-3.77	-3.00	-2.64	0.0000	I(1)
LOGFDI	-5.55	-3.79	-3.01	-2.65	0.0000	I(1)

Source: Author's Computation, 2024, using E-view, 12.0

The result of the ADF test as shown in table 4.1 above indicates that LOGEX, LOGIMP and LOGFDI are integrated of order one while LOGRGDP was integrated of order zero. This is because the ADF Test Statistic is greater than the 1%, 5% and 10% critical values respectively. From the result obtained in table 4.1 above, it can be seen that the variables under study are not integrated of the same order and this justifies the use of bounds approach to co-integration over other conventional approaches that require the variables to be integrated of the same order.

4.3 ARDL Bounds Test for Co-integration

The Bound test is used to test for long-run relationship among variables by comparing the value of the F Statistic to the lower and upper bound critical values. We reject the hypothesis of no co-integration if the F statistic is greater than the upper bound critical value.

Table 4.2. ARDL Bounds Test for Co-integration Results

F-Statistics	K	10% level		5% level		1% level	
		I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
29.72395	4	2.45	3.52	2.86	4.01	3.74	5.06

Source: Authors' Computation 2024, Using E-view version 12.0

From table 4.2 above, the F-statistics of 29.72395 is greater than the upper bound critical value at 5% level, we therefore reject the null hypothesis of no co-integration among the series. This implies that there exists an equilibrium long-run relationship between Real GDP and the explanatory variables for the period under review. Since the variables are co-integrated, we shall proceed with the short run and long run analysis of the model.

4.3.1 Estimated ARDL Long-Run Relationship

Table 4.3 ARDL Long-Run Model Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.873664	0.562717	8.660944	0.0000
LOGRGDP(-1)	0.444467	0.065279	6.808769	0.0020
TRPC	0.497893	0.005624	3.403599	0.0495
LOGEX(-1)	0.609748	0.020071	5.485704	0.0338
LOGIMP(-1)	0.977509	0.029792	3.958287	0.0240

LOGFDI(-1)	0.860391	0.010268	2.838032	0.9701

R^2 = 0.773746; F-Statistic = 3.42 (0.03) Durbin-Watson Statistic = 2.813648

Source: *Authors' Computation 2024, Using E-View version 12.0*

The estimated coefficient of the long-run relationship shows that the explanatory variables are positive and statistically significant in stimulating economic growth in Nigeria for the periods 1990 to 2019. This suggests that Trade Policy Change (TPC), Export (EX), Import (IMP) and Foreign Direct Investment (FDI) have a desired effect on the Nigerian economy. This is not surprising as trade liberalization makes a country better off. If a country decides to open its border to trade, its citizens would specialize in the activities they do best. Specialization leads to higher productivity, higher income, and better living standards. Also Trade Liberalization promotes export, import and foreign direct investment hence stimulating economic growth. The R^2 is 0.773746 meaning that the explanatory variables Trade Policy Change (TPC), Total Export (EX), Total Import (IMP) and Foreign Direct Investment (FDI) accounts for approximately 77.4% variation in Real Gross Domestic Product (RGDP) for the period under review. This shows that the model has a good fit and may be suitable for policy analysis. An examination of the F-statistics which explains the overall significance of the model has a value of 3.42 with a probability of 0.03, indicating that the model is statistically significant and has the ability of explaining the actual behavior of the dependent variable in the long run. The findings also show that the Durbin Watson Statistic of 2.813648 is an indication that the model is free from autocorrelation. Consequently, the estimated model can be confidently relied upon for making inferences and for prediction purposes.

4.4 Estimated ARDL Short Run Relationship

Table 4.4 ARDL Short-Run Model Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.006382	0.005052	1.263180	0.2272
LOGRGDP(-1)	0.526432	0.082271	6.398751	0.0000
TRPC	0.322621	0.004312	2.607837	0.0430
LOGEX(-1)	0.524463	0.012983	4.884281	0.0105
LOGIMP(-1)	0.183087	0.031343	3.841487	0.0300
LOGFDI(-1)	0.388352	0.008499	3.982744	0.0424
ECM(-1)	-1.426074	0.336954	-4.232252	0.0022

R^2 = 0.924335; F-Statistic = 9.9951 (0.000897) Durbin-Watson Statistic = 2.338942

Source: *Authors' Computation 2024, using E-view version 12.0*

Just like in the long run, the short run model shows that explanatory variables Trade Policy Change (TRPC), Export (EX), Import (IMP) and Foreign Direct Investment (FDI) are statistically significant in stimulating economic growth in Nigeria for the periods 1990 to 2018. The entire variable confirm to a priori expectations. The error correction mechanism (ECM) which is statistically significant revealed that once there is disequilibrium in the system, it takes an average (high) speed of 42.6% to adjust itself back towards long-run equilibrium level. The R^2 value of 92% and the Durbin Watson statistic of 2.3 shows that the model has a good fit, free from auto correlation and may be suitable for policy

analysis, while the F-Statistic of *9*.9951 (0.000897) shows that at the 5% level, explanatory variables statistically influence the variation in the dependent variable.

5.1 Conclusion

This study investigates the impact of ECOWAS Trade Liberalization Scheme (ETLS) on economic growth in Nigeria for the periods 1990 to 2024. The Auto Regressive Distributive Lag Model (ARDL) was used in the analysis. Economic growth was proxied by Real Gross Domestic Product (RGDP) whilst ETLS proxied by Trade Policy Change (TPC), Total Export (EXP), Total Imports (IMP) and Foreign Direct Investment (FDI) served as regressors. To capture this, time series data sourced from the CBN Statistical Bulletin were used from 1990 to 2024. The unit root test results indicated that all the variables were stationary at first difference I(1) and at levels I(0). The ARDL Bounds Test for Co-integration provided evidence of long run equilibrium relationship among the variables since the F statistic is greater than the upper bound critical value. Furthermore, the result of the long and short run ARDL models shows that ETLS is statistically significant in stimulating economic growth in Nigeria for the period under review. The error correction mechanism (ECM) revealed that once there is disequilibrium in the system, it takes an average (high) speed of 42.6% to adjust itself back towards long-run equilibrium level.

5.2 Recommendations

Based on the findings of this study, the following recommendations were made:

i. Nigeria should ensure the full implementation of the ECOWAS Trade Liberalization Scheme.
ii. ECOWAS should set up a mechanism to forestall the unilateral imposition of ban on imports by any member state.
iii. The Nigerian customs should ensure that goods coming into Nigeria from any ECOWAS member state conforms to the standard and specification set.
iv. Nigeria Government should ensure proper sensitization of stakeholders about the scheme so as take advantage it offers.
v. The Ministry of trade should champion the review of the ETLS Protocol so as to re -postion it to take advantage of the ongoing AfCFTA. ETLS Secretariat be returned to the Ministry of trade from Ministry of Foreign Affairs as obtained in other member states so as to take full advantage of the scheme.

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