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TRADE RESTRICTIONS AND INFANT INDUSTRY DEVELOPMENT IN NIGERIA: ECONOMIC IMPLICATIONS AND POLICY PERSPECTIVES

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ABSTRACT

Trade restrictions are important policy instruments used by developing economies to protect infant industries from external competition. The infant industry argument suggests that newly established domestic industries may require temporary and strategic protection until they develop sufficient productive capacity, technological capability, economies of scale, and international competitiveness. This study examines the economic implications of trade restrictions for infant industries in Nigeria, with particular emphasis on industrial development, employment generation, productivity, consumer welfare, economic diversification, and competitiveness. The study adopts a qualitative descriptive research design and relies on secondary evidence obtained from academic literature, policy documents, and publications of relevant national and international institutions. The evidence indicates that trade restrictions can provide temporary support to domestic industries by reducing import competition, stimulating local production, conserving foreign exchange, and encouraging domestic value addition. However, prolonged protection without clear performance targets may encourage inefficiency, rent-seeking, higher consumer prices, smuggling, and technological stagnation. The study therefore recommends strategic and time-bound protection complemented by infrastructure development, institutional reforms, access to finance, technological upgrading, policy consistency, and export-oriented industrial development. The paper concludes that trade restrictions should serve as temporary instruments for building competitiveness rather than permanent substitutes for productivity-enhancing industrial policies.

Keywords: *Trade Restrictions; Infant Industries; Trade Policy; Industrial Development; Protectionism; Nigeria.*

JEL Classification: F13; F14; L52; O14; O5

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1. INTRODUCTION

Predominantly, in today's globalized world, nothing can be done without an exchange of value for value, which involves money, ideas, products, and technology. As a result of this, there is a direct effect on the economy of any nation, either positively or negatively. Trade can be traced back to the need for exchange, which evolved from the barter system to the monetary system. Trade in Nigeria became popular with the advent of colonial rule, which brought in their wares and made Nigerians their middlemen (Nicks, 2008). By this, Nigerians understood the need for trade both domestically and internationally.

Trade restrictions are among the major policy instruments used by developing economies to protect infant industries from external competition. The infant industry argument, which originates from the works of classical economists such as Alexander Hamilton and Friedrich List, posits that newly established domestic industries require temporary government protection until they become sufficiently efficient to compete internationally. Such protection may take the form of tariffs, import quotas, import bans, exchange controls, subsidies, and local content requirements. The central objective is to encourage industrial growth, employment generation, technological development, and economic diversification.

In many developing countries, including Nigeria, trade restrictions have historically been used as instruments for promoting industrialization. Following independence in 1960, Nigeria adopted import substitution industrialization (ISI) strategies aimed at reducing dependence on imported manufactured goods and promoting domestic production. Iyoha and Oriakhi (2002) posit that the Nigerian government introduced high tariffs and quantitative restrictions to protect local industries from foreign competition and stimulate industrial growth. The protectionist strategy was expected to create a strong manufacturing base capable of supporting sustainable economic development.

The Nigerian government further strengthened trade restrictions through policies such as the Nigerian Enterprises Promotion Decree of 1972 and the amended 1977, which sought to increase indigenous participation in industrial activities. Ajakaiye and Fakiyesi (2009), these policies encouraged domestic ownership of enterprises and provided protection for local manufacturers against foreign dominance. Infant industries such as cement, textiles, food processing, footwear, automobile assembly, and agro-allied industries benefited from government protection during this period.

The justification for protecting infant industries in Nigeria was linked to the structural weaknesses of the economy. Scholars such as Todaro and Smith (2021) argued that developing countries often lack the technological capability, capital base, managerial expertise, and infrastructure needed to compete effectively with industries from advanced economies. Therefore, exposing infant industries to unrestricted international competition would lead to the collapse of local firms before they attain maturity.

Despite the intended benefits of trade restrictions, the Nigerian industrial sector has continued to face numerous challenges. Several studies revealed that many protected industries failed to become globally competitive even after decades of protection. Okedowo (2023) observed that persistent structural problems such as poor infrastructure, unstable electricity supply, high production costs, inadequate technological development, corruption, and policy inconsistency weakened the effectiveness of trade protection policies in Nigeria.

The introduction of the Structural Adjustment Programme (SAP) in 1986 marked a major shift in Nigeria's trade policy from protectionism to liberalization. Under SAP, import licensing was abolished, tariffs were reduced, and exchange rates were deregulated. Anyanwu, Oyefusi, Oaikhenan, and Dimowo (1997), the liberalization policy aimed at integrating Nigeria into the global economy and improving economic efficiency. However, the sudden

exposure of local industries to international competition led to the collapse of many manufacturing firms that lacked the capacity to compete with imported goods.

Although trade liberalization was expected to improve industrial productivity and efficiency, the performance of Nigeria's manufacturing sector remained relatively poor. National Bureau of Statistics (2024), the manufacturing sector continues to contribute less significantly to Gross Domestic Product (GDP) compared to the oil sector. Recent evidence indicates that many manufacturing firms operate below capacity due to high production costs, foreign exchange instability, and infrastructural deficiencies.

In response to these challenges, the Nigerian government has reintroduced several forms of trade restrictions in recent years. Policies such as border closures, import prohibitions, and restrictions on access to foreign exchange for certain imported goods were implemented to promote local production and reduce imported dependence. For instance, the restriction on rice importation and the closure of land borders in 2019 were designed to stimulate domestic agriculture and manufacturing. Eke and Alieze (2024) opined that these measures temporarily increased local production in some sectors but also contributed to inflationary pressures and increased smuggling activities.

Supporters of trade restrictions argue that protectionist measures are necessary for developing economies like Nigeria, where industries are still emerging. Krugman and Obstfeld (2018) maintained that strategic protection could help infant industries acquire technical knowledge, improve productivity, and achieve economies of scale. Proponents also contend that unrestricted imports can undermine local industries, reduce employment opportunities, and increase dependence on foreign goods.

Conversely, critics argue that prolonged protectionism may create inefficiency, corruption, rent-seeking behaviour, and poor-quality production. Bhagwati (2002) described how excessive trade restrictions often reduce competition and discourage innovation among domestic firms. In Nigeria, some industries that benefited from protection for decades remained dependent on government support without becoming internationally competitive. Ojo (2022) revealed that trade restrictions in Nigeria increased production costs and reduced consumer welfare due to higher prices of locally produced goods.

Furthermore, globalization and regional economic integration have intensified debates regarding the effectiveness of trade restrictions in Nigeria. The implementation of the African Continental Free Trade Area (AfCFTA) has increased concerns about the competitiveness of Nigerian infant industries within the African market.

Odijie (2024) indicates that there is uncertainty regarding whether Nigerian industries possess the productive capacity and technological capability required to survive under regional free trade arrangements. Additionally, Nigeria's persistent dependence on imported goods continues to expose the economy to external shocks, exchange rate volatility, and balance of payments pressures. Recent studies indicate that rising import bills and currency depreciation have negatively affected domestic industries and economic stability. Gold and Tregenna (2024) show that Nigeria's trade structure remains heavily import-dependent despite decades of trade protection policies.

Given these developments, there is an increasing need to examine the economic implications of trade restrictions on infant industries in Nigeria. Therefore, this study seeks to understand whether trade restrictions have effectively promoted industrial growth, employment generation, technological advancement, and economic diversification, which remain critical for policy formulation and sustainable economic development.

Research Questions

To achieve the stated objectives, the study seeks to answer the following research questions:

a) What are the implications of trade restrictions for industrial development, domestic production, employment, and industrial productivity in Nigeria?
b) What are the implications of trade restrictions for consumer welfare, prices, and inflation in Nigeria?

c) What are the implications of trade restrictions for economic diversification, import dependence, and the competitiveness of Nigerian infant industries?

Objectives of the Study

The broad objective of the study is to examine the economic implications of trade restrictions for infant-industry development in Nigeria. Specifically, the study seeks to:

a) Examine the implications of trade restrictions for industrial development, domestic production, employment, and industrial productivity in Nigeria.
b) Assess the implications of trade restrictions for consumer welfare, prices, and inflation in Nigeria.
c) Examine the implications of trade restrictions for economic diversification, import dependence, and the competitiveness of Nigerian infant industries.

2. LITERATURE REVIEW

2.1 Conceptual Literature

Concept of Trade Restrictions

Trade restrictions refer to government-imposed measures designed to regulate the flow of goods and services across national borders. These measures are often implemented to protect domestic industries, improve the balance of payments, conserve foreign exchange, and promote national economic interests. Paul Krugman and Maurice Obstfeld revealed that trade restrictions include tariffs, import quotas, import bans, exchange controls, subsidies, licensing requirements, and non-tariff barriers intended to reduce foreign competition and encourage domestic production.

In the context of Nigeria, trade restrictions have historically been used as instruments for promoting industrialization and protecting infant industries from foreign competition. The Nigerian government has implemented policies such as import prohibition, high tariffs on imported manufactured goods, foreign exchange restrictions, and border closures to stimulate local production. Ibeh (2024) notes that Nigeria's trade policy has alternated between protectionism and liberalization since independence, reflecting attempts to balance industrial growth with integration into the global economy.

Trade restrictions can be classified into tariff and non-tariff measures. Tariffs are taxes imposed on imported goods to increase their prices and make locally produced alternatives relatively cheaper. Non-tariff restrictions include import quotas, embargoes, import licensing, exchange controls, and technical regulations. Oshodi (2025) noted that non-tariff restrictions in Nigeria significantly influenced manufacturing employment and industrial activities, especially in the short and long run.

Supporters of trade restrictions argue that developing countries require strategic protection to nurture domestic industries until they attain competitiveness. However, critics maintain that prolonged protectionism can encourage inefficiency, smuggling, corruption, and higher consumer prices. Recent evidence from Nigeria indicates that some protectionist measures increased inflation and reduced household welfare despite supporting certain domestic industries.

Infant Industry

The infant industry concept refers to newly established domestic industries that lack the experience, technological capacity, and economies of scale required to compete effectively with established foreign firms. The infant industry argument was first popularized by Alexander Hamilton and later expanded by Friedrich List. The theory suggests that temporary government protection is necessary to allow young industries to develop productive capacity and competitiveness.

Todaro and Smith (2021) explained that infant industries in developing countries often face structural disadvantages such as inadequate infrastructure, technological backwardness, limited capital, and low productivity. Therefore, exposure to unrestricted foreign competition may result in the collapse of domestic firms before they mature. Trade allows nations to focus on sectors where they have comparative advantage, thereby increasing total world production and economic welfare.

Recent empirical evidence supports this position. A 2025 study by Wang and Sulg found that trade openness and efficient logistics systems significantly improved economic growth across G20 economies through increased productivity and trade competitiveness. Similarly, Sowrov (2024) found a positive and significant relationship between trade openness and economic growth among 5-20 countries, concluding that reduced tariff barriers improved economic performance.

Trade encourages technology transfer and innovation from developed to developing countries. Through international trade, technical knowledge and innovation, foreign direct investment, and multinational corporations, developing countries gain access to modern production methods and advanced technologies. According to the OECD (2025), international trade has accelerated digital transformation, technology diffusion, and industrial modernization in many developing economies. Chen et al. (2023) further argued that globalization and trade integration contribute positively to sustainable development through innovation, industrial upgrading, and technological advancement. In developing economies like Nigeria, trade openness enables domestic firms to access imported machinery, intermediate goods, and modern industrial technologies necessary for productivity growth.

Trade and Economic Development

International trade enlarges market opportunities beyond domestic boundaries. Firms can export goods to larger international markets, increase production, achieve economies of scale, and improve profitability. The OECD (2025) reported that South-South trade increased significantly from 9.8 per cent of global trade in 1995 to 24.6 per cent in 2022, thereby stimulating industrial expansion and economic growth in developing countries.

Large export markets also encourage industrial investments. Onum (2025) found that trade openness positively influenced GDP growth in Nigeria through increased exports and exchange rate improvements.

Trade and Employment

International trade contributes to job creation by stimulating industrial production, export activities, and investments. Export-oriented industries often require more labour, thereby increasing employment levels. Empirical evidence suggests that countries actively involved in international trade tend to experience higher industrial employment.

According to Udegbule et al. (2025), oil exports and imports significantly contributed to economic growth and industrial activities in Nigeria between 1980 and 2023.

Trade-related sectors such as transportation, logistics, manufacturing, agriculture, and financial services also benefit from increased international trade activities.

Trade and Foreign Exchange Earnings

Exports generate foreign exchange earnings that can be used to finance imports, industrial projects, infrastructure development, and capital investments. For developing economies, export revenues constitute an important source of government revenue and balance-of-payments stability. Countries with strong export sectors generally maintain better foreign reserve positions and greater macroeconomic stability. Accordingly, the IMF observed that global trade remains a major facilitator of growth and investment despite rising geopolitical tensions and trade fragmentation.

Trade, Competition and Consumer Welfare

Trade liberalization increases competition by exposing domestic firms to foreign producers. Competition encourages firms to improve product quality, reduce prices, and increase efficiency. Consumers also benefit through access to a wider variety of goods at lower prices. Bhagwati (2002) argued that free trade enhances consumer welfare by improving product availability and reducing monopoly power among domestic firms. Trade openness also contributes to higher living standards and improved welfare.

Arguments Against Unrestricted Trade

a) Trade may destroy infant industries –One of the strongest criticisms against unrestricted international trade is that it can destroy infant industries in developing countries. Young domestic industries often lack the capital, technology, managerial expertise, and economies of scale needed to compete with established foreign firms. According to Friedrich List's infant industry theory, developing countries require temporary protection to nurture domestic industries before exposing them to international competition. In countries like Nigeria, unrestricted imports have contributed to the collapse of textile factories, manufacturing firms, and local industries. Critics argue that excessive trade openness exposes weak industries to unfair competition from advanced economies. Odigie (2024) observed that African economies may struggle under free trade arrangements because many local industries remain technologically weak and uncompetitive.

b) Trade can increase economic dependency –Critics argue that international trade often perpetuates dependency relationships between developed and developing countries. Developing economies usually export primary commodities while importing manufactured goods from industrialized countries. Structuralist economists such as Raúl Prebisch argued that this unequal trade structure weakens industrial development in poorer countries and reinforces global inequality. Chen et al. (2025) also observed that developing countries still face major challenges such as limited diversification, unfavourable trade conditions, and dependence on commodity exports despite increased participation in global trade. Nigeria's dependence on crude oil exports illustrates how trade can expose economies to commodity price fluctuations and external shocks.

c) Trade may worsen income inequality –International trade may benefit highly skilled workers and multinational corporations more than low-income households. Globalization often leads to wage disparities and unequal distribution of trade gains. Recent debates suggest that some countries pursue export-led

growth strategies through wage suppression and persistent trade surpluses, thereby creating social and economic imbalances. Critics argue that globalization has contributed to rising inequality both within and between countries.

d) Trade exposes economies to external shocks –International trade increases vulnerability to global economic crises, pandemics, geopolitical tensions, and supply chain disruptions. The COVID-19 pandemic and recent trade wars demonstrated how global supply chain disruption can negatively affect domestic production and economic growth. According to the World Bank, rising protectionism and global trade fragmentation are slowing global growth and increasing economic uncertainty. Similarly, the UNCTAD warned that financial volatility and geopolitical tensions continue to threaten global trade and economic growth.

e) Trade liberalization may lead to unemployment –Trade liberalization may result in job losses in industries unable to compete with cheaper imports. Domestic firms may shut down due to import competition, thereby increasing unemployment. In many developing countries, local manufacturing industries have suffered from import surges after trade liberalization. Critics argue that free trade can de-industrialize weak economies rather than stimulate growth. Studies on Nigeria revealed that some industries experienced structural decline following liberalization reforms introduced under the Structural Adjustment Programme (SAP).

f) Trade can cause trade deficits and currency pressure –Countries that import more than they export may experience persistent trade deficits and exchange rate instability. Excessive import dependence can weaken domestic industries and deplete foreign reserves. Nigeria's heavy dependence on imported manufactured goods and machinery has contributed to balance of payments pressure and exchange rate depreciation. According to recent studies, trade openness without strong domestic industrial capacity may worsen macroeconomic instability in developing economies.

Thus, the debate over whether international trade serves as an engine of economic growth remains unresolved because the impact of trade differs across countries and economic conditions. Supporters argue that trade promotes specialization, efficiency, innovation, employment, investment, and technological advancement. Critics maintain that unrestricted trade may destroy infant industries, worsen dependency, increase inequality, and expose the economy to external shocks. Recent evidence suggests that international trade can significantly promote economic growth when supported by strong institutions, industrial capacity, infrastructure, technological development, and effective government policies. However, trade liberalization without adequate domestic preparation may produce adverse economic outcomes, particularly in developing economies like Nigeria. Therefore, many economists now advocate strategic trade policies that combine openness with selective protection for infant industries, institutional reforms, and industrial development programmes capable of promoting sustainable economic growth.

2.2 Theoretical Literature

Infant Industry Theory

The Infant Industry Theory is associated with Alexander Hamilton (1791) and was subsequently developed by Friedrich List in the nineteenth century. The theory argues that newly established industries require temporary protection from foreign competition until they develop sufficient productive capacity to compete effectively in

domestic and international markets. It assumes that emerging industries initially face high production costs due to limited economies of scale, inadequate technological capabilities, insufficient managerial experience, and inefficient production systems. Consequently, government intervention through tariffs, import quotas, and subsidies is considered necessary to support industrial growth, technological advancement, and competitiveness.

The theory is relevant to Nigeria's industrialisation efforts, particularly the adoption of protectionist trade policies aimed at promoting domestic production and reducing dependence on imported goods. Nigeria has employed tariffs, import restrictions, and foreign-exchange controls to protect domestic industries, particularly manufacturing, textiles, and agriculture. Ibeh (2024) observes that Nigeria's pre-Structural Adjustment Programme (SAP) policies were largely influenced by infant industry protection strategies. However, the theory has been criticised because prolonged protection may encourage inefficiency, rent-seeking, corruption, and dependence on government support, particularly where protected industries fail to achieve international competitiveness. Thus, the effectiveness of infant industry protection depends on appropriate policy implementation, institutional capacity, and the gradual withdrawal of protection as domestic industries become competitive.

Theory of Comparative Advantage

The theory of comparative advantage, developed by David Ricardo (1817)**,** explains that countries can gain from international trade by specializing in goods and services in which they have a lower relative opportunity cost and exchanging them for goods produced more efficiently elsewhere. Specialization and international exchange can therefore improve resource allocation and increase overall economic welfare (Ricardo, 1817; Bernhofen & Brown, 2018).

The theory is relevant to this study because trade restrictions such as tariffs, quotas, and import bans can alter relative prices and influence resource allocation. Prolonged protection may shield inefficient domestic firms from competition, increase production costs, and reduce incentives for efficiency and innovation. However, the comparative-advantage perspective provides a useful counterpoint to the infant-industry argument, which supports temporary protection where emerging industries require time to develop productive capacity and competitiveness.

Structuralist Theory

Structuralist economists such as Raúl Prebisch argued that developing countries require state intervention and protectionist policies to industrialize successfully. The theory emphasizes that developing economies face structural disadvantages in global trade due to dependence on primary commodity exports. The structuralist perspective supports trade restrictions because unrestricted trade may perpetuate dependence on imported manufactured goods and hinder industrialization. In Nigeria, protectionist policies were implemented to reduce import dependence and diversify the economy away from crude oil exports. Gold and Tregenna (2024) argued that Nigeria's continued dependence on imports and weak industrial infrastructure remain major constraints to sustainable economic growth.

2.3 Empirical Literature

Arogundade, Obalade and Ogumakin (2015) – The study, titled “The Infant Manufacturing Industry Argument on Tariff: The Nigeria Hypothetical Example,” had as its major objective to establish whether the infant industry argument in favour of tariffs still holds for the Nigerian manufacturing sector because of its strategic importance to economic growth. Methodology: The study employed the Ordinary Least Squares (OLS) regression technique

using secondary data from the Central Bank of Nigeria Statistical Bulletin from 1988-2010. The findings show that tariffs have a positive impact on the growth of the manufacturing sector, while inflation, interest rates, and imports have a negative impact. • However, the effects of tariffs and imports were statistically insignificant. • Inefficiency in manufacturing was mostly caused by high interest rates. The authors concluded that Nigerian manufacturing can thrive even with foreign competition if monetary policy and infrastructure, especially power supply, are fixed.

Akpan and Akinbode (2025) wrote: An Empirical Analysis of Trade Protection and the Nigerian Economy. Their major objective was to analyze the co-integration relationship between trade protectionism policy and economic growth in Nigeria from 1988 to 2022. Methodology: Autoregressive Distributed Lag (ARDL) modeling examining tariffs, quotas, export taxes, and import taxes, with transmission through local industry productivity, unemployment, and net trade outflow was used. The findings revealed that higher industry productivity is associated with higher tariff rates, and lower unemployment is linked to higher tariffs. However, in the long run, trade protectionism is ineffective in promoting economic growth due to a mono-product structure – Nigeria does not have enough industries to cater for commodity needs and job capacity.

Ibeh (2024) examined the impact of trade policies on manufacturing and agricultural growth in Nigeria from 1960–2022. The study used historical and policy analysis approaches and found that protectionist policies moderately improved industrial and agricultural outputs, although structural challenges such as poor infrastructure and policy inconsistency limited overall success. Akpan and Akinbode (2026) investigated trade protection and the Nigerian economy using ARDL estimation techniques with data from 1988–2022. The study found that tariff protection positively influences industrial productivity in the short run. However, the effect on unemployment reduction was statistically insignificant.

Oshodi (2025) analyzed the impact of non-tariff trade restrictions on manufacturing jobs in Nigeria using ARDL methodology. The findings revealed that non-tariff restrictions significantly promoted manufacturing employment both in the short and long run. However, the study observed that the effectiveness of restrictions depended on the type of trade measures implemented.

Omoju et al. (2023) reviewed youth-employment policies in Nigeria and found that industrial and employment programmes were constrained by weak institutional implementation, poor co-ordination, and inadequate funding. The study recommended stronger industrial support policies linked to long-term development plans. Faderikumo and Zachaeus (2025) examined trade liberalization and economic growth in Nigeria using FMOLS and cointegration techniques. The study found that unrestricted trade openness had an inverse and insignificant relationship with GDP growth, suggesting that excessive liberalization may weaken domestic industries. The study recommended smart tariffs and strategic industrial protection for infant industries.

Gold and Tregenna (2024) studied trade openness, hydroelectric power production, foreign direct investment, and economic growth in Nigeria using data from 1988–2022. The study found that trade openness alone could not guarantee sustainable growth without industrial infrastructure and electricity development.

Bisong, Joshua, Adofu, and Obadiah (2025) examined institutional quality, trade openness, and economic performance in Nigeria. The study found that weak institutions reduced the effectiveness of trade policies and constrained economic growth. The authors concluded that institutional reforms are necessary for trade policies to achieve sustainable industrial development.

Omoresbee et al. (2025) investigated trade openness and sectoral performance in Nigeria. The study revealed that while trade openness improved some sectors, manufacturing industries remained vulnerable due to infrastructural and policy constraints.

Haberler (1961) saw free trade as the output of social products. However, the desirable benefits of free trade are laudable; they are, to some extent, hypothetical, effective only under the conditions of full employment, full allocation of resources, and free competition in the economy.

Salik & Aras (2020) – They wrote on Trade Restriction and its Implications on Domestic Production of Rice in Nigeria. The main objective of their research is to ascertain whether rice trade restriction policies between 2007 and 2019 (tariff increase + land border closure) have empirical justification to boost domestic production. Time series data on domestic rice production, border closure (dummy), rice import tariff, volume of imports, and food price deflator. Analyzed using descriptive, bivariate, and OLS regression models. Findings show that trade restrictions (proxied by rice import tariff and border closure) alone were not effective in stimulating domestic rice production. • A combination of other non-trade factors (measures to enhance local productive capacity, infrastructure, credit) matters more. • The policy also fueled food inflation after the 2019 border closure.

3. METHODOLOGY

The study adopts a qualitative descriptive research design**.** This design is appropriate because the study seeks to examine the nature, implementation, and economic implications of trade restrictions in Nigeria through systematic review and interpretation of existing evidence rather than through primary data collection or econometric estimation. The analysis is organized around the three research objectives, focusing on industrial development, domestic production, employment and productivity; consumer welfare, prices and inflation; and economic diversification, import dependence and industrial competitiveness.

The study relies primarily on secondary sources of evidence**,** including peer-reviewed journal articles, books on international trade and development economics, reports from the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS), and publications of the World Bank, International Monetary Fund (IMF), World Trade Organization (WTO), and United Nations Conference on Trade and Development (UNCTAD). Relevant conference papers and policy briefs were also considered where they provided directly relevant evidence on trade restrictions, infant industries, and industrial development in Nigeria.

The literature and documentary evidence were selected based on their relevance to the study objectives, focus on Nigeria or comparable developing economies, and contribution to understanding trade restrictions and industrial development**.** The selected evidence was reviewed thematically and organized according to the three research objectives. Particular attention was given to areas of convergence and divergence among studies, the direction and nature of reported effects, the contextual conditions influencing outcomes, and limitations in the existing evidence. The findings were subsequently synthesized qualitatively to identify the major patterns, benefits, costs, and policy implications of trade restrictions for infant-industry development in Nigeria.

4. RESULTS AND DISCUSSION OF THE FINDINGS

4.1 Results

The qualitative synthesis of the reviewed literature reveals that the economic implications of trade restrictions for infant-industry development in Nigeria are mixed and highly dependent on the broader industrial environment. The evidence does not support the view that trade restrictions, by themselves, are sufficient to generate sustainable industrial development. Rather, their effects appear to depend on the interaction between protection measures and

complementary factors such as infrastructure, electricity supply, access to finance, institutional quality, technological capability, and policy consistency. The findings are discussed under three broad themes corresponding to the objectives of the study.

Trade Restrictions, Industrial Development, Domestic Production, Employment and Productivity

The reviewed evidence indicates that trade restrictions can provide some degree of protection to domestic industries by reducing the intensity of import competition and creating opportunities for local production. This is consistent with the infant-industry argument, which holds that emerging industries may require temporary protection while developing economies of scale, productive capacity, and competitiveness. In the Nigerian context, historical protectionist policies were introduced partly to encourage domestic production and reduce dependence on imported manufactured goods.

Evidence from Arogundade, Obalade and Ogumakin (2015) provides some support for this argument. Using Nigerian data for 1988–2010, the study found that tariffs had a positive effect on manufacturing-sector growth, although the effect was statistically insignificant. The finding suggests that tariff protection may provide some support to manufacturing, but that protection alone does not necessarily produce a sufficiently great improvement in industrial performance. The authors identified high interest rates and infrastructural deficiencies, particularly inadequate electricity supply, as important constraints on manufacturing efficiency.

Similarly, Akpan and Akinbode (2025) found that higher tariff rates were associated with higher industry productivity and lower unemployment in the short run. However, their findings also indicate that trade protection was ineffective in generating sustained economic growth in the long run because of Nigeria's mono-product economic structure and inadequate industrial capacity. This provides an important qualification to the infant-industry argument: protection may create short-term opportunities for domestic firms, but its developmental effect is constrained when the economy lacks a sufficiently broad industrial base. Ibeh (2024) likewise found that protectionist trade policies moderately improved industrial and agricultural output over the period examined, although poor infrastructure and policy inconsistency limited their effectiveness. The evidence therefore suggests that trade restrictions can influence domestic production positively, but the magnitude and sustainability of the effect depend on the productive environment in which protected firms operate.

The evidence on employment provides a similar pattern. Oshodi (2025) reported that non-tariff trade restrictions significantly promoted manufacturing employment in both the short and long run. This suggests that restrictions which reduce import competition can create opportunities for domestic production and employment. However, Omoju et al. (2023) identified weak institutional implementation, poor coordination, and inadequate funding as constraints affecting employment-related industrial programmes. Consequently, employment gains from protection cannot be assumed to persist where industrial-support institutions are weak.

Overall, the evidence indicates that trade restrictions can contribute to domestic production, industrial activity, employment and productivity, particularly in the short run. However, the evidence does not establish that protection automatically produces sustainable industrial transformation. The persistence of structural constraints means that protection must be accompanied by measures that reduce production costs, improve infrastructure and electricity supply, facilitate access to finance, and promote technological and managerial upgrading.

Trade Restrictions, Consumer Welfare, Prices and Inflation

The second major finding concerns the trade-off between protecting domestic producers and protecting consumers. Although trade restrictions may support local producers by reducing competition from imported goods, they can simultaneously increase the prices of imported products and, where domestic supply is inadequate, raise the prices of locally produced substitutes.

The evidence reviewed in the study indicates that this trade-off is particularly important in Nigeria. Ojo (2022) found that trade protection increased production costs and reduced consumer welfare through higher prices of locally produced goods. This suggests that the benefits accruing to protected producers may impose costs on consumers, especially where domestic producers lack the capacity to supply goods efficiently and competitively. Salik and Aras (2020) provide a specific illustration. Their analysis of rice trade restrictions between 2007 and 2019 found that restrictions, including increased import tariffs and the 2019 land-border closure, were not sufficient on their own to stimulate domestic rice production effectively. At the same time, the policy was associated with food-price pressures following the border closure. This finding demonstrates the potential danger of restricting imports before domestic productive capacity has expanded sufficiently to replace the restricted supply.

The implication is that the welfare effects of trade restrictions cannot be assessed solely from the perspective of domestic producers. Where restrictions reduce imports without a corresponding increase in domestic supply, shortages and higher prices may emerge. The burden may be particularly significant for households that depend on affected goods for consumption. The evidence therefore suggests that trade restrictions create an important policy trade-off. Temporary protection may benefit domestic producers and provide opportunities for infant industries to expand, but prolonged or poorly sequenced restrictions may impose costs through higher prices and reduced consumer choice. Consequently, decisions to restrict imports should consider domestic production capacity, market supply conditions and likely inflationary effects.

The findings also reinforce the importance of sequencing. Where domestic industries are not yet capable of meeting demand at competitive prices, immediate or extensive import restrictions may generate welfare losses before the expected industrial benefits materialize. Trade restrictions should therefore be accompanied by measures that expand productive capacity and reduce production costs.

Trade Restrictions, Economic Diversification, Import Dependence and Industrial Competitiveness

The third finding concerns the capacity of trade restrictions to support economic diversification and reduce Nigeria's dependence on imported manufactured goods. The literature indicates that Nigeria has repeatedly used protectionist measures as part of broader efforts to reduce import dependence and strengthen domestic production. However, the persistence of structural weaknesses suggests that trade restrictions alone have not been sufficient to achieve broad-based diversification.

Gold and Tregenna (2024) found that trade openness alone could not guarantee sustainable economic growth in Nigeria without adequate industrial infrastructure and electricity development. Although this study focuses on trade openness rather than protection specifically, its finding is relevant to the present synthesis because it demonstrates the importance of domestic productive conditions in determining the outcome of trade policy.

Bisong et al. (2025) similarly found that poor institutional quality reduced the effectiveness of trade policies and constrained economic performance. This indicates that the success of trade restrictions depends not only on the design of tariffs or other restrictions but also on the institutions responsible for implementing and monitoring them.

Omoresbee et al. (2025) further found that although trade openness improved some sectors, manufacturing remained vulnerable because of infrastructural and policy constraints. This supports the broader finding that Nigeria's industrial vulnerability cannot be addressed through trade restrictions alone. Domestic industries require productive capacity, reliable infrastructure, and stable policies if protection is to result in sustained competitiveness.

The evidence also raises an important distinction between reducing imports and achieving genuine industrial diversification**.** Import restrictions may reduce the quantity of certain imported goods, but this does not necessarily mean that the domestic economy has developed competitive industries capable of producing those goods efficiently. Sustainable diversification requires domestic firms to move beyond protected domestic markets towards productivity improvement, product quality, technological upgrading and access to wider markets.

The competitiveness dimension is therefore particularly important. The infant-industry argument provides a justification for temporary protection, but the ultimate objective of such protection should be to enable firms to become competitive without continued government support. Where protection becomes permanent, firms may have limited incentives to improve productivity or meet international standards. The evidence reviewed in the study therefore supports a transition from temporary protection towards competitiveness and export readiness.

Synthesis of Findings

The overall qualitative synthesis shows that trade restrictions have neither uniformly positive nor uniformly negative effects on Nigerian infant industries. Their effects differ according to the objective considered and the conditions under which the restrictions are implemented.

Table 1: Synthesis of the Literature Reviewed

Analytical Dimension	Evidence from the Reviewed Literature	Overall Finding
Industrial development and domestic production	Tariffs and other restrictions provided some support to domestic production and industrial activity, but effects were often limited by structural constraints.	Mixed, with potential short-run benefits
Employment	Some evidence indicates that protection, particularly non-tariff restrictions, can support manufacturing employment.	Potentially positive, but institutionally dependent
Productivity	Tariff protection was associated with higher industrial productivity in some studies, particularly in the short run.	Positive but not sufficient on its own
Consumer welfare and prices	Protection was associated with higher production costs and inflationary pressures in some cases.	Potentially adverse
Diversification and import dependence	Protection seeks to reduce import dependence, but persistent structural	Limited without complementary policies

	weaknesses limit its contribution to broad-based diversification.	
Competitiveness	Long-term competitiveness remains constrained where protected industries face poor infrastructure, weak institutions, and inadequate technological capacity.	Requires transition from protection to productivity and competitiveness

Source: Arthor's Compilation 2026.

The central finding is therefore that trade restrictions can create temporary policy space for infant industries, but they do not constitute a complete industrial-development strategy. Their effectiveness depends on whether protection is linked to measurable improvements in productivity, productive capacity, infrastructure, institutional quality and competitiveness. Where these complementary conditions are absent, protection may simply shift the cost of industrial weakness from producers to consumers through higher prices and reduced competition.

The findings also suggest that the duration and design of protection matter significantly. Temporary and selective protection is more consistent with the infant-industry rationale than indefinite protection because the ultimate objective is for protected industries to develop the capacity to compete without continued protection. Melitz (2005) argues that the case for infant-industry protection depends on the industry's potential for learning and that protection should not continue once the conditions justifying it no longer exist. Similarly, Ederington and McCalman (2011) show that the duration of protection has important implications for firms' technology-adoption decisions, with temporary protection producing different technology-adoption incentives from permanent protection. Therefore, protected firms should be subject to clearly defined performance criteria relating to productivity improvement, technological upgrading, domestic value addition, and competitiveness, with protection progressively reduced as firms become capable of competing without government support.

In summary, the evidence supports a conditional interpretation of trade restrictions in Nigeria. Protection can assist emerging industries during their early stages of development, but sustainable industrialization requires a transition from protection to competitiveness. The ultimate measure of success should therefore not be the extent to which imports are restricted, but whether domestic industries acquire the capacity to produce efficiently, generate employment, meet domestic demand, diversify the economy and compete in wider markets.

4.2 Discussion of the Findings

Policy Implications of Trade Restrictions on Infant Industries in Nigeria

The findings indicate that trade restrictions can provide temporary support to domestic industries, but their effectiveness depends on complementary industrial policies, institutional capacity and the productive conditions of protected firms. While protection may stimulate domestic production and employment, prolonged restrictions can increase prices, encourage smuggling, and weaken incentives for efficiency and competitiveness (Arogundade et al., 2015; Akpan & Akinbode, 2025; Oshodi, 2025; Salik & Aras, 2020). The following policy implications emerge.

Strategic and Time-Bound Protection

Trade protection should be selective, strategic and time-bound**,** rather than permanent. Protected industries should be subject to clear performance criteria relating to productivity, domestic value addition, technological upgrading

and competitiveness. Evidence suggests that tariffs alone have limited effects when underlying industrial constraints remain unresolved (Arogundade et al., 2015). Protection should therefore be periodically reviewed and gradually withdrawn where firms fail to develop sustainable productive capacity.

Complementary Industrial Policies and Infrastructure

Trade restrictions should be accompanied by investment in electricity, transport infrastructure, industrial finance, technology, skills and research and development. Evidence from Nigeria indicates that infrastructure deficiencies and weak productive capacity constrain the effectiveness of trade and industrial policies (Ibeh, 2024; Gold & Tregenna, 2024). Thus, protection should form part of a broader industrial-development strategy rather than operate as a stand-alone policy.

Policy Stability and Institutional Quality

Nigeria requires a predictable and coherent trade-policy framework**.** Frequent changes in tariffs, import restrictions, border measures, and foreign-exchange policies can create uncertainty for investors and industrial producers. Weak institutions can further reduce the effectiveness of trade policies (Bisong et al., 2025). Greater policy coordination, regulatory transparency, effective monitoring and institutional accountability are therefore necessary to improve policy implementation and investor confidence.

Consumer Welfare, Inflation and Border Management

Trade restrictions should be designed with careful consideration of their effects on prices and consumer welfare. Evidence from rice-trade restrictions indicates that restrictions alone were insufficient to increase domestic production effectively and were associated with food-price pressures (Salik & Aras, 2020). Import restrictions should therefore be introduced where domestic productive capacity can adequately respond to demand. At the same time, effective customs administration, border management and regional cooperation are necessary to limit smuggling and tariff evasion.

Competitiveness, Local Content and Export Development

Protection should ultimately enable Nigerian infant industries to become competitive rather than permanently dependent on government protection**.** Policies should encourage local sourcing, domestic value addition, backward integration, product quality, technological upgrading and participation in regional and international markets. This is particularly important as Nigerian firms face increased competition under regional economic integration. Evidence that trade openness alone does not guarantee sustainable industrial development further highlights the need to strengthen domestic productive capacity and competitiveness (Gold & Tregenna, 2024; Omoresbee et al., 2025).

Diversification and Sustainable Industrial Development

Trade policy should contribute to economic diversification and reduced dependence on imported manufactured goods and crude-oil exports**.** Protection should therefore be targeted towards sectors with potential for domestic value addition, employment creation and participation in industrial value chains. However, restrictions should not become permanent substitutes for productivity-enhancing reforms. The

evidence suggests that sustainable industrial development requires a combination of selective protection, infrastructure, institutional reform, technological upgrading and competitiveness (Ibeh, 2024; Bisong et al., 2025).

Overall, the policy implication is that Nigeria should pursue a balanced trade and industrial policy framework in which temporary protection is linked to measurable improvements in productivity and competitiveness. Trade restrictions can create policy space for infant industries, but their long-term effectiveness depends on complementary infrastructure, institutional quality, technological upgrading, policy stability and access to wider markets.

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The study concludes that trade restrictions have both positive and negative implications for infant industries in Nigeria. Temporary and strategically targeted protection can reduce import competition and provide domestic firms with an opportunity to develop productive capacity, economies of scale, and market capability. However, prolonged protection without performance requirements may encourage inefficiency, rent-seeking, higher prices, and dependence on government support.

The evidence also indicates that the effectiveness of trade restrictions depends on complementary industrial policies. Infrastructure, reliable electricity, access to finance, technological upgrading, institutional quality, policy consistency, and export orientation are necessary if protected industries are to become competitive. Consequently, protection should be treated as a temporary instrument for capability building rather than as a permanent substitute for productivity-enhancing industrial policy.

Poor performance of infant industries cannot be attributed solely to external competition. Internal structural weaknesses—including inadequate infrastructure, unstable electricity, limited industrial finance, weak institutions, policy inconsistency, insecurity, and corruption—also constrain industrial performance. Conversely, trade liberalization without adequate domestic preparation may expose weak industries to intense competition. The appropriate policy approach therefore requires a balance between strategic protection and progressive integration into domestic, regional, and global markets.

Overall, the study concludes that Nigeria requires a coherent trade and industrial policy framework that combines selective and time-bound protection for strategic infant industries with industrial modernization, export promotion, institutional reform, and productivity enhancement.

5.2 Recommendations

Based on the findings and conclusions of the study, the following recommendations are made:

a) **Strengthen strategic industrial protection and complementary productive capacity.** The government should adopt selective and time-bound protection for viable infant industries while strengthening complementary industrial policies, including infrastructure, industrial financing, local-content development, technological upgrading and institutional capacity. Trade protection should be subject to periodic review and linked to improvements in productivity, domestic production, employment and

competitiveness rather than maintained indefinitely. Policy consistency should also be ensured to provide a predictable environment for industrial investment and expansion.

b) **Promote competitive, diversified and welfare-conscious industrial development.** Government should strengthen measures to control smuggling and illegal trade, expand domestic value chains, improve local sourcing, and promote economic diversification and export competitiveness. At the same time, the inflationary and consumer-welfare effects of trade restrictions should be monitored to ensure that protection does not impose high costs on consumers. These measures should enable infant industries to progress from protected domestic production towards sustainable competitiveness and broader participation in regional and international markets.

c) Strengthen Monitoring, Evaluation and Accountability of Trade Restrictions

Government should establish clear monitoring and evaluation mechanisms for trade restrictions to assess their effects on domestic production, employment, productivity, prices, consumer welfare and industrial competitiveness. The continuation of protection should be based on measurable evidence of improvement in the performance of protected industries, with periodic reviews to determine whether specific restrictions should be maintained, modified, or phased out. This would help ensure that trade restrictions support genuine industrial development rather than creating prolonged dependence on protection.

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