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PROTECTIONIST TRADE POLICIES: AN EMPIRICAL SURVEY OF THEORY, EVIDENCE AND RATIONALE FOR ECONOMIC DEVELOPMENT IN NIGERIA

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ABSTRACT

This study seeks to investigate empirically the survey of theory, evidence and rationale of the impact of protectionist trade policies on Nigerian economic development, using secondary annual time series data from 1988 to 2024 from the Central Bank of Nigeria Statistical Bulletin, World Development Indicators (WDI) and World Trade Organization (WTO). The dependent variable is economic development proxied by human development index (HDI), while tariff rates (TAR), import bans or quotas (QUOTAS), non-tariff barriers (NTB), trade openness (TOP), foreign direct investment (FDI),government expenditure (GOVEXP), exchange rate (EXR), and inflation rate (INFL) were the independent and control variables respectively. The test mechanisms adopted were the unit root test, co-integration test and Autoregressive Distributed Lag (ARDL) technique. Findings revealed that there is a positive and significant relationship existing between non-tariff barriers (NTB), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), government expenditure (GOVEXP) and inflation rate (INFL) in both long and short run period, suggesting that these factors of protectionist trade policies jointly strengthen economic development in Nigeria. However tariff rate (TAR) and import bans or quotas (QUOTAS) exhibited an expected negative but significant relationship with economic development in both periods, showing that protectionist trade policies have constrained economic growth by increasing production costs, discouraging investment, limiting technology transfer, and reducing market efficiency. Therefore, for policy, the study recommended that government and policy makers should pursue a balanced trade strategy that emphasizes gradual trade liberalization, export promotion, infrastructure development, industrial competitiveness, and strategic temporary protection for genuinely infant industries. Such an approach is more likely to foster sustainable economic development and structural transformation in Nigeria than broad-based protectionist measures.

Keywords: *protectionist, trade, tariff, quotas, human development index*

INTRODUCTION

1.1 Background to the Study

Trade protectionist policies have remained a central feature of economic policy in many developing countries, particularly those seeking to accelerate industrialization and reduce dependence on imports. Protectionism refers to deliberate government actions such as tariffs, import bans, quotas, and subsidies designed to shield domestic industries from foreign competition. While classical trade theory emphasizes free trade and efficiency gains,

developing economies like Nigeria have historically relied on protectionist strategies to address structural weaknesses, promote local industries, and achieve economic development.

From a theoretical perspective, protectionism is often justified by the infant industry argument, which posits that newly established industries require temporary protection to grow and become competitive. Development economists argue that without such protection, domestic firms in developing countries may be unable to compete with established foreign producers due to technological gaps, limited capital, and weak infrastructure (Todaro and Smith, 2020). However, mainstream economic theory cautions that prolonged protectionism can lead to inefficiencies, reduced innovation, and welfare losses.

In Nigeria, the adoption of protectionist trade policies is deeply rooted in its post-independence development strategy. The country initially embraced import substitution industrialization, using high tariffs and quantitative restrictions to promote domestic production. Although this approach led to some industrial expansion, it also resulted in inefficiencies and overdependence on imported inputs. Subsequent reforms, particularly under the Structural Adjustment Programme (SAP) of 1986, introduced trade liberalization. Nevertheless, protectionist tendencies have persisted due to recurring economic challenges, including foreign exchange shortages, unemployment, and overreliance on oil exports. Recent developments indicate a strong resurgence of protectionist policies in Nigeria. Between 2019 and 2024, approximately 79.7% of Nigeria's trade-related policy measures were restrictive, reflecting a clear shift toward protectionism. These measures include import bans, increased tariffs, foreign exchange controls, and targeted subsidies aimed at supporting local industries.

Nigeria's tariff structure further demonstrates this trend. While the country operates under the ECOWAS Common External Tariff framework, it imposes effective duties of 50% or more on many products, with some agricultural goods such as rice, sugar, and wheat attracting tariffs as high as 70–85%. These high tariffs are intended to encourage domestic production and reduce import dependence, particularly in agriculture and manufacturing. At the same time, Nigeria's trade policy environment has become increasingly dynamic and reactive. Policies often shift between restriction and liberalization in response to economic pressures. For example, import bans on commodities like maize have been implemented to boost local production but later relaxed to curb rising food prices. Similarly, recent government actions include plans to reduce import duties on essential goods such as food and vehicles to address inflation and cost-of-living pressures.

Globally, Nigeria's trade policies also interact with external protectionist measures. For instance, increased tariffs imposed by trading partners have adversely affected Nigeria's exports. In 2025, Nigeria's exports to the United States declined by over 20%, partly due to higher tariffs, leading to a significant trade deficit. This highlights the interconnected nature of protectionism and its implications for global trade relations.

One of the key stylized facts is the increasing reliance on restrictive trade measures in recent years. Between 2019 and 2024, approximately 79.7% of Nigeria's trade policy measures were restrictive, indicating a strong shift toward protectionism (Intelpoint, 2025). These measures include import bans, high tariffs, and foreign exchange controls. However, rather than achieving sustained industrial growth, these policies have often coincided with rising production costs and limited competitiveness among domestic firms. Another major concern is the inflationary impact of protectionist policies. Empirical evidence suggests that import restrictions and bans significantly increase domestic prices. For instance, studies show that Nigeria's import bans have led to an average 9.9% increase in consumer prices, particularly affecting essential goods such as food (ScienceDirect, 2025). This has contributed to high inflation rates, which have exceeded 25% in recent years, thereby eroding household purchasing power and worsening poverty levels.

Furthermore, protectionist policies have not effectively addressed unemployment, one of Nigeria's most pressing socio-economic challenges. While these policies are intended to promote job creation through local industry support, unemployment and underemployment remain high. The manufacturing sector, which is expected to benefit from protectionism, contributes less than 10% to GDP, reflecting its limited capacity to absorb labor and drive economic growth (World Bank, 2024).

Another critical issue is policy inconsistency and uncertainty. Nigeria's trade policy environment is characterized by frequent changes, including sudden import bans, tariff adjustments, and foreign exchange restrictions. For example, the government has alternated between banning and allowing the importation of certain commodities such as maize and rice in response to domestic supply shortages and price pressures

(Intelpoint, 2025). This unpredictability creates an unstable business environment, discouraging both domestic and foreign investment.

In addition, protectionist policies have contributed to the proliferation of smuggling and informal cross-border trade. High tariffs and import bans create incentives for illegal trade, particularly along Nigeria's porous borders. This undermines government revenue, weakens policy effectiveness, and exposes local industries to unfair competition from smuggled goods (ScienceDirect, 2025).

Nigeria's protectionist stance also poses challenges for its participation in global and regional trade systems. As a member of the World Trade Organization and a signatory to the African Continental Free Trade Area, Nigeria is expected to promote trade liberalization and regional integration. However, persistent use of restrictive trade measures may limit its ability to fully benefit from these agreements and could strain relationships with trading partners.

Moreover, recent global economic developments have intensified the complexity of trade policy decisions. External shocks such as global inflation, supply chain disruptions, and fluctuating commodity prices have prompted Nigeria to adopt reactive protectionist measures. For instance, in 2026, the government announced plans to reduce import duties on essential goods to curb inflation, highlighting the contradictory nature of its trade policy approach (Reuters, 2026). This oscillation between protectionism and liberalization reflects the absence of a coherent long-term trade strategy.

In summary, the problem confronting this study is that while protectionist trade policies are widely used in Nigeria as tools for economic development, their actual impact remains ambiguous and often counterproductive. Persistent import dependence, rising inflation, weak industrial performance, policy inconsistency, and limited integration into global trade systems all point to the need for a critical empirical assessment of these policies. Therefore, this study seeks to address the gap by systematically examining the theoretical foundations, empirical evidence, and practical rationale for protectionist trade policies in Nigeria, with a view to determining whether these policies have effectively contributed to sustainable economic development or merely exacerbated existing economic challenges. The study will therefore answer the following questions: what is the impact of protectionist trade policies on Nigeria's economic development and what is the relationship between protectionist policies and macroeconomic indicators such as inflation, employment, and trade balance?

Objective of the Study

The main objective of this study is to empirically examine the impact of protectionist trade policies on Nigeria's economic development. The specific objectives are to:

i) Evaluate the impact of protectionist trade policies on Nigeria's economic development (using indicators such as GDP per capita or HDI).
ii) Investigate the relationship between protectionist policies and key macroeconomic variables such as inflation, employment, and trade balance.

Research Hypotheses

The study will test the following hypotheses stated in null form:

i) Protectionist trade policies have no significant effect on economic development in Nigeria.
ii) Protectionist trade policies do not significantly affect Nigeria's trade balance.

LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 The Concept of Economic Development in Nigeria

Economic development refers to a sustained improvement in the economic, social, and institutional well-being of a country, typically measured through indicators such as income per capita, poverty reduction, employment generation, infrastructure development, and human welfare outcomes. Unlike economic growth, which focuses primarily on increases in output (GDP), economic development is broader and emphasizes structural transformation, improved living standards, and equitable distribution of resources (Todaro and Smith, 2020).

In the context of Nigeria, economic development is understood as the process of transforming the economy from a predominantly low-income, primary-product-dependent structure into a diversified and industrialized

economy capable of providing improved welfare for its population. Nigeria's development agenda has historically focused on reducing dependence on crude oil exports, expanding the manufacturing and agricultural sectors, and improving human capital outcomes such as education, health, and employment. Despite being one of Africa's largest economies, Nigeria continues to face significant development challenges. These include high levels of poverty, unemployment, income inequality, inadequate infrastructure, and weak institutional capacity. According to development literature, these challenges indicate that Nigeria's economic growth has not fully translated into inclusive development (World Bank, 2024). For instance, while GDP growth has fluctuated over the years, poverty levels remain high, with millions of Nigerians living below the international poverty line.

Economic development in Nigeria is also closely linked to structural transformation. A key aspect of development theory is the shift from low-productivity sectors such as subsistence agriculture to high-productivity sectors such as manufacturing and services. However, Nigeria's economy remains heavily dependent on crude oil, which accounts for a significant share of government revenue and foreign exchange earnings. This dependence has made the economy vulnerable to external shocks such as fluctuations in global oil prices (Iyoha and Oriakhi, 2002).

In recent years, Nigeria's economic development strategy has emphasized diversification, particularly through agriculture, manufacturing, and digital economy initiatives. Government policies, including import substitution and protectionist trade measures, aim to support domestic industries and reduce reliance on imports. However, debates continue regarding the effectiveness of these policies in achieving sustainable development outcomes. Overall, the concept of economic development in Nigeria goes beyond economic growth to include structural transformation, poverty reduction, improved human welfare, and institutional strengthening. Achieving sustainable development requires coordinated policies that address both economic and non-economic constraints, including trade policy frameworks, governance reforms, and investment in human capital.

2.1.2 The Concept of Trade Protectionism in Nigeria

Trade protectionism refers to government policies and strategies designed to restrict or regulate international trade in order to protect domestic industries from foreign competition. These measures may include tariffs, import quotas, import bans, subsidies for local industries, and foreign exchange controls (Krugman and Obstfeld, 2018). In the Nigerian context, protectionism has been used intermittently as part of broader economic policy aimed at industrialization, import substitution, and foreign exchange management.

Nigeria's trade protectionist policies are largely rooted in the Import Substitution Industrialization (ISI) strategy adopted after independence. The goal was to reduce dependency on imported goods and promote local production. Over time, the country has implemented various protective measures such as import bans on certain goods (e.g., rice at different periods), high tariffs on luxury and non-essential imports, and foreign exchange restrictions on selected products (Central Bank of Nigeria, 2020). One key justification for protectionism in Nigeria is the need to support infant industries. Many local firms are considered not yet competitive enough to survive without government protection. Therefore, policies such as tariffs and import restrictions are used to give domestic producers time to grow and develop capacity (Todaro and Smith, 2020).

However, critics argue that excessive protectionism in Nigeria has led to inefficiencies, higher consumer prices, smuggling activities, and reduced competitiveness of local industries. It is also argued that protectionist policies sometimes encourage rent-seeking and corruption due to import licensing and foreign exchange allocation systems (World Trade Organization, 2022). In recent years, Nigeria has shown a mixed approach liberalizing some sectors while maintaining protection in strategic areas such as agriculture, manufacturing, and foreign exchange regulation. This reflects an ongoing policy tension between promoting free trade and protecting domestic economic interests. Trade protectionism in Nigeria is a policy tool aimed at strengthening domestic industries and managing external economic pressures. While it has contributed to industrial development goals, it has also generated inefficiencies and trade distortions. The challenge for Nigeria remains balancing protection with gradual integration into global trade systems.

2.1.3 History of Trade Protectionist Policies in Nigeria

The history of trade protectionist policies in Nigeria reflects the country's changing economic priorities, colonial legacy, and responses to both domestic and global economic pressures. From the colonial era to the present day, Nigeria has alternated between strong protectionist policies and periods of trade liberalization, with protectionism remaining a persistent feature of its economic strategy.

Colonial and Pre-Independence Era (Before 1960)

During the colonial period, Nigeria's trade structure was designed primarily to serve the interests of the colonial power, United Kingdom. Trade policies were not aimed at protecting local industries but rather at facilitating the export of raw materials (such as cocoa, palm oil, and groundnuts) and the import of manufactured goods. Although some tariffs existed, they were mainly for revenue generation rather than industrial protection. Consequently, there was little development of indigenous industries, and Nigeria entered independence with a largely agrarian and import-dependent economy (Oyejide, 1995).

Post-Independence and Import Substitution Era (1960–1985)

Following independence in 1960, Nigeria adopted a strongly protectionist trade regime as part of its industrialization strategy. The government implemented import substitution industrialization (ISI), which aimed to reduce dependence on imported goods by promoting domestic production.

Key protectionist measures during this period included: High tariffs on imported goods, Import licensing systems, Quotas and outright bans on certain imports, Exchange control regulations. These policies were intended to nurture domestic industries under the infant industry argument. Initially, some progress was recorded in manufacturing sectors such as textiles, cement, and food processing. However, over time, these industries became inefficient and heavily reliant on imported inputs.

The oil boom of the 1970s further reinforced protectionism, as increased government revenue reduced the urgency for export diversification. However, this also led to neglect of agriculture and increased import dependence, ultimately weakening the economy (Iyoha and Oriakhi, 2002).

Structural Adjustment and Trade Liberalization (1986–1999)

In response to economic crisis, declining oil revenues, and mounting external debt, Nigeria adopted the Structural Adjustment Programme (SAP) in 1986 under the guidance of the International Monetary Fund and the World Bank. SAP marked a significant shift from protectionism to trade liberalization. Key reforms included: Reduction of tariffs, Elimination of import licensing, Devaluation of the national currency, Promotion of export-oriented policies.

The goal was to integrate Nigeria into the global economy and improve efficiency through market forces. While these reforms led to increased trade openness, they also exposed domestic industries to intense foreign competition, resulting in the collapse of many local firms that were previously protected (Todaro and Smith, 2020).

Democratic Era and Policy Fluctuations (1999–2015)

With the return to democratic governance in 1999, Nigeria pursued a mixed trade policy approach, combining elements of liberalization with selective protectionism. The government introduced tariff reforms, including the adoption of the Common External Tariff (CET) under the Economic Community of West African States. At the same time, protectionist measures persisted in strategic sectors. For example: Import bans on certain goods (e.g., textiles, poultry, and rice), Tariff increases to protect local industries, Incentives and subsidies for domestic producers.

This period was characterized by policy inconsistency, as the government frequently adjusted trade measures in response to economic and political pressures. While some industries benefited, overall industrial growth remained constrained by infrastructure deficits and weak institutional capacity.

Recent Era: Renewed Protectionism and Economic Nationalism (2015–Present)

In recent years, Nigeria has witnessed a resurgence of protectionist policies, driven by the need for economic diversification, foreign exchange management, and food security. The government has implemented several restrictive trade measures, including: Foreign exchange restrictions on the importation of certain goods, Border closures (notably in 2019 to curb smuggling), increased tariffs and import bans on agricultural products. These policies were aimed at encouraging local production, reducing import dependence, and conserving foreign reserves. For instance, restrictions on rice imports were intended to boost domestic agriculture and achieve self-sufficiency.

However, these measures have also generated significant challenges, including rising food prices, increased smuggling, and tensions with neighboring countries. Nigeria's protectionist stance has raised concerns regarding its commitments under the World Trade Organization and the African Continental Free Trade Area, both of which emphasize trade liberalization and regional integration. Recent data indicate that a large proportion of Nigeria's trade policies between 2019 and 2024 have been restrictive, highlighting a clear trend toward economic nationalism and inward-looking policies.

The history of trade protectionist policies in Nigeria reveals a cyclical pattern: strong protectionism during early development phases, liberalization during economic crises, and renewed protectionism in response to contemporary challenges. While protectionist policies have been used to promote industrialization and economic stability, their effectiveness has been limited by structural constraints and Converging Evidence such as: Protectionism can provide short-term industrial relief, Trade liberalization improves long-term efficiency and growth, and Institutional quality determines policy success. While Diverging Evidence include; foreign studies largely support liberalization and Nigerian studies show mixed results due to structural constraints.

2.1.4 Empirical Survey of Trade Protectionism in Nigeria and Its Effects on Economic Development

Empirical studies on Nigeria show mixed but increasingly critical evidence regarding their effectiveness for long-run economic development. The following empirics is evidence in Nigeria

Tariffs and Import Restrictions

Recent econometric studies using time-series and ARDL models show that Nigeria's trade protection policies have a complex and often negative long-run relationship with economic growth: A study covering 1988–2022 found that tariffs and trade protection show short-run responsiveness to employment and industry pressures but weak long-run growth benefits. The findings suggest that protectionism in Nigeria is often reactive (politically driven) rather than strategically developmental. Another empirical analysis (1970–2006) found that: Tariffs and trade barriers may show some positive statistical association with GDP in certain periods, but results are inconsistent and context-dependent

Import Bans and Border Closures

Recent microeconomic evidence shows more negative welfare effects: Import bans in Nigeria raise consumer prices by about 9.9% on average, reducing real incomes. Household welfare declines, with estimated real income losses of about 1.85 percentage points, especially for richer households due to consumption structure effects. Weak enforcement leads to informal trade expansion and policy evasion, reducing effectiveness of protectionism.

Industrial and Manufacturing Effects

Sectoral studies show mixed outcomes: Nigeria's shift from protectionism (pre-1986) to liberalization (post-1986) led to moderate improvements in agriculture and manufacturing, but persistent structural weaknesses remain. Border closure policies (2018–2021) show short-term industrial protection but reduced efficiency and competitiveness in manufacturing. Long-term evidence suggests protectionism often fails to build globally competitive industries.

Synthesis of Findings (Empirical Pattern)

Across multiple empirical studies, a consistent pattern emerges: Positive short-term effects: Temporary protection of local industries, Short-term employment retention in some sectors, increased government revenue from tariffs in some periods

Negative long-term effects: Higher consumer prices and inflation, Reduced household welfare, Lower productivity and weak industrial competitiveness, increased informal trade and smuggling, Weak integration into global value chains.

Effects on Economic Development in Nigeria

Empirical literature generally concludes that trade protectionism in Nigeria has: (a) Limited contribution to sustainable growth - Protectionist policies have not consistently translated into long-run GDP growth or industrial transformation. (b) Reduced efficiency and innovation - Domestic firms often become less competitive due to reduced foreign competition. (c) Welfare losses - Households face higher prices and reduced real income, especially in consumer goods markets. (d) Structural dependency - Protectionism has not reduced import dependence significantly; instead, it sometimes increases inefficiency in production systems.

The empirical survey indicates that while trade protectionism in Nigeria occasionally provides short-term relief for domestic industries, it generally has weak or negative long-term effects on economic development. The dominant conclusion from recent ARDL, OLS, and welfare studies is that: Nigeria's protectionist trade policies have not been effective as a long-term strategy for sustainable economic growth and structural transformation. Instead, the evidence supports a balanced trade policy approach, combining moderate protection with openness, competitiveness, and productivity-enhancing reforms.

2.2 Theoretical Framework

This study is based on the following theories:

2.2.1 Infant Industry Argument (Protectionist Theory)

The infant industry argument was developed by Alexander Hamilton (1791) early formulation and Friedrich List (1841) systematic development. The infant industry argument states that newly established domestic industries in developing countries should be protected from international competition until they become mature, efficient, and competitive globally through tariffs, quotas, or subsidies (List, 1841). The key ideas behind this theory are that temporary protection will lead to learning plus economies of scale which result in long-term competitiveness. The theory was criticize based on the following ground; Governments may fail to identify true "infant industries", the theory encourages inefficiency and dependency on protection, risk of permanent protectionism and rent-seeking behavior and retaliation from trade partners (List theory abuse problem). The theory therefore explains Nigeria's import substitution industrialization (ISI) policies in manufacturing, agriculture, and steel sectors. Nigeria's Ajaokuta Steel Company and textile industry protection policies reflect infant industry reasoning but often failed due to weak institutions and corruption. Over-reliance on protection without productivity gains has limited industrial competitiveness.

2.2.2. Mercantilism Theory (Early Protectionism)

The Mercantilism theory was propounded by Jean-Baptiste Colbert (17th Century France, 1600s) and Economic nationalism thinkers of early modern Europe. The theory argues that that national wealth is built by maximizing exports and minimizing imports, often through strong state intervention, tariffs, and accumulation of foreign reserves (gold/silver historically). Therefore, state should protect domestic production and restrict imports. The Mercantilism theory of protection was criticized based on the fact that it; Ignores mutual gains from trade, Leads to trade wars and inefficiency, Encourages monopolies and state distortion of markets. The theory reflects modern economic nationalism and import restriction policies. Nigeria's foreign exchange restrictions, import bans, and "buy Nigerian" policies reflect neo-mercantilist tendencies aimed at conserving foreign reserves. Protectionist trade theories provide strong justification for Nigeria's economic strategy, especially under conditions of: weak industrial base, dependency on imports and need for diversification. However, empirical evidence suggests that protectionism alone is insufficient without strong institutions, infrastructure, and productivity enhancement policies.

2.3 Empirical Literature

In Nigeria, protectionism has been widely implemented through import restrictions, border closures, and tariff escalation policies aimed at reducing import dependence and strengthening domestic production capacity However, empirical evidence suggests that these measures have produced mixed economic outcomes, particularly in manufacturing and agriculture.

Akpan and Akinbode (2026) investigated an empirical analysis of trade protection and the Nigerian economy and found that tariff policies have a positive short-run relationship with industrial productivity, but negative effects emerge in terms of unemployment and long-term efficiency. However, their studies using ARDL models confirm that protectionist policies may temporarily stabilize domestic industries but fail to generate sustained economic growth. Empirical studies show that Nigeria's manufacturing sector has been significantly influenced by shifts between protectionism and trade liberalization.

Also, Ibeh (2024) Assessed the impact of trade policies on growth and development in Nigeria from 1960–2022 and found that protectionist policies moderately improved output in agriculture and manufacturing in the short run, but overall industrial development remained weak due to structural bottlenecks such as infrastructure deficits and policy inconsistency. However, other studies argue that premature liberalization exposed Nigeria's weak industrial base to foreign competition, leading to deindustrialization in some sectors. Overall, evidence suggests that Nigeria has not fully benefited from either extreme protectionism or full liberalization due to weak institutional capacity.

Sowrov, (2024) examined the impact of trade openness, tariffs and economic growth: Evidence from G20 Countries using a cross-country study of G20 economies and found out that tariffs are negatively associated with GDP growth, while trade openness enhances economic performance. This aligns with neoclassical trade theory, which argues that protectionism distorts resource allocation and reduces efficiency.

Okeowo, (2023) examined industrialization and industrial output nexus in Nigeria and show that infant industry protection in Nigeria has had limited effectiveness in promoting industrial growth, especially in sectors like textiles and steel. For example, tariffs had only a weak effect on industrial output in Nigeria between 1987 and 2022.

Similarly, examined Ajoje and Adegboyo (2022) examined the relationship between trade protectionism and the performance of Nigeria's manufacturing sector, with particular emphasis on the country's border closure policy introduced in 2019 by employing monthly secondary data covering January 2018 to June 2021 and adopted the traditional theory of protectionism as its theoretical framework and used econometric techniques, including a Chow breakpoint test and regression analysis, to examine changes in manufacturing sector performance following the implementation of the border closure policy in July 2019. The findings revealed that the border closure initially produced some positive effects on manufacturing output in the short run by reducing import competition and encouraging local production. However, the long-run effect became negative, suggesting that prolonged restrictions created challenges for the manufacturing sector. The study also found that inflationary pressures increased during the protectionist period, indicating that restricting imports could raise production costs and consumer prices. They recommended the use of carefully designed protectionist measures that support domestic industries while maintaining competitiveness and preventing excessive market distortions.

Furthermore, Onuosa et al., (2024) examined the relationship between trade liberalization and manufacturing sector performance in Nigeria using time-series data from 1990 to 2023 employing Autoregressive Distributed Lag (ARDL) model with a nonlinear approach, to investigate whether there is a threshold level beyond which increased trade openness may reduce manufacturing performance. The findings suggested a nonlinear relationship, meaning trade liberalization may support manufacturing growth up to a certain point, but very high levels of openness may produce diminishing benefits and therefore conclude that Nigeria's manufacturing sector has experienced fluctuating performance due to inconsistent trade policy direction between openness and protectionism.

Obi-Egbedi, Akin-Olagunju, and Oluwatayo (2021) examined the relationship between rice trade policy and productivity in Nigeria's rice subsector using annual time-series data covering 1961–2017 and estimated a Vector Error Correction Model (VECM) to examine both the short-run and long-run effects of rice trade policy on productivity. The findings showed that protectionist trade policy significantly reduced rice productivity in the short run, although its long-run effect was statistically insignificant. Producer prices and domestic rice consumption positively influenced productivity in the short run, whereas fertilizer consumption and exchange rate initially exerted negative effects. However, exchange rate had a positive long-run effect on productivity, suggesting that macroeconomic conditions become more influential over time. The authors concluded that reliance on protectionist trade policies alone is insufficient to improve rice productivity in Nigeria. They

recommended a more liberalized trade regime supported by stable exchange rate management, effective fertilizer policies, and interventions that improve incentives for rice producers.

Effiom and Ebi (2020) observed that trade liberalization negatively affected agricultural value-added in Nigeria, suggesting that exposure to global markets without adequate support systems may harm domestic agricultural competitiveness. However, infrastructure and institutional quality were found to be more important determinants of agricultural productivity than trade policy alone.

METHODOLOGY

3.1 Research Design

The design adopted in this study is an ex post facto (after the fact) design. Therefore, secondary information and time series data was sourced from various publications of Central Bank of Nigeria Statistical Bulletin and world development indicators (WDI) were used. The models for this study were estimated using data on human development index (HDI) as dependent variable and tariff rates (TAR), import bans or quotas (QUOTAS), non-tariff barriers (NTB) and macroeconomic indicators, which include: trade openness (TOP), exchange rate (EXR), foreign direct investment (FDI), inflation rate (INFL), and government expenditures (GOVEXP) for the period 1988-2024 as independent and control variables. A multiple regression analysis was used, predicated on various data diagnostics including Augmented Dickey-Fuller (ADF) and Philip-Peron (PP) unit root tests as well as the autoregressive distributed lag technique (ARDL.) was employed in this study to determine the effect of trade protectionism policies on Nigeria's economic development within the specified time frame.

3.2 Model Specification:

Following the theories and the empirical literature reviewed, the model for this study will be anchored on the infant industry argument developed by Alexander Hamilton (1791) early formulation and Friedrich List (1841) systematic development. The theory posit that newly established domestic industries in developing countries should be protected from international competition until they become mature, efficient, and competitive globally through tariffs, quotas, or subsidies. The theory therefore explains Nigeria's import substitution industrialization (ISI) policies in manufacturing, agriculture, and steel sectors. Hence, the model specified for this study is as follows:

3.1.1 Protectionist trade policies and economic development in Nigeria:

ED= F (PTP) Equation 3.1

Equation 3.1 states that economic development is dependent upon on protectionist trade policies. In demystifying the above model, the economic development and protectionist trade policies will be capture by the following variables listed below. It follows that Equation 3.1 will be the formula presented by Equation 3.2 as follows:

HDI = F (TAR, QUOTAS, NTB, TOP, EXR, FDI, INFL, GOVEXP) Equation 3.2

Therefore, the econometrics form will be:

$$\mathbf{HDI_t = a_0 + a_1TAR_t + + a_2QUOTASt + a_3NTBt + a_4TOP_t + a_5EXR_t + a_6FDI_t + a_7INFL_t + a_8GOVEXP_t + Ut}$$ Equation 3.3

Where:

$\mathbf{HDI_t}$ = Human Development Index in time t
$\mathbf{TAR_t}$ = Tariff Rate in time t
$\mathbf{QUOTAS_t}$ = Import Bans or Quotas in time t
$\mathbf{NTB_t}$ = Non-Tariff barriers in time t
$\mathbf{TOP_t}$ = Trade Openness in time t
$\mathbf{EXR_t}$ = Exchange Rate in time t
$\mathbf{FDI_t}$ = Foreign Direct Investment in time t
$\mathbf{INFL_t}$ = Inflation Rate in time t
$\mathbf{GOVEXP_t}$ = Government Expenditure in time t

Where; a_0 is the constant of regression $(a_0 \neq 0), a_1$ to a_8 are the parameter estimates of the explanatory

variables to capture their direction and magnitude of effect on bank performance, and U is the stochastic term.

Table 1: Data Description and Sources

S/N	Variables	Description of Data	Expected Source
1	HDI	This is the summary measure of average achievement in key dimensions of human development; along healthy life, being knowledgeable and having a decent standard of living. It is a statistic composite index of life expectancy, education and per capita income indicator, which is used to measure economic development. It serves as a dependent variable in the model. A priori expectation: positive (+)	CBN Statistical Bulletin (2024)
2	TAR	Tariff rates are the taxes or duties that a government charges on goods imported into (and sometimes exported from) a country. It used as an explanatory variable in the model. A priori expectation: negative (-)	WDI (2024)
3	QUOTAS	These are trade restrictions used by governments to control goods entering a country. It serves as an explanatory variable for the model. A priori expectation: negative (-)	CBN Statistical Bulletin (2024)
4	FDI	Foreign direct investment on renewable energy. This represents the net investment made by individuals, firms and governments in one country into business located in another country in the renewable energy subsector. The growth rate of net foreign direct investment in renewable energy is used to represent foreign direct investment in this study. It serves as explanatory variable for the model. A priori expectation: positive (+)	WDI (2024)
5	INFL	Inflation rate is the persistent rise in the general price level. It serves as a control variable for the model. A priori expectation: negative (-)	CBN Statistical Bulletin (2024)
6	NTB	Non-tariff barriers are restrictions on international trade that do not involve import or export taxes (tariffs). They are measures used by governments to control the quantity, quality, or conditions under which goods and services can be traded. It serves as explanatory variable for the model. A priori expectation: positive (+)	World Bank Indicator (2024)
7	EXR	This is the price of one country's currency expressed in terms of another country's currency. It served as control variable and an explanatory variable for the model. A priori expectation: negative (-)	World Bank Indicator (2024)
8	TOP	Trade Openness is the rate of import plus export divided by the GDP. It serves as a control and explanatory variable for the model. A priori expectation: positive (+)	World Bank Indicator (2024)
9	GOVEXP	This is simply the total amount of money a country spends on procurement of goods, services, and developmental project. It can be current, capital or transfers accruable to goods and services. It serves as a control and explanatory variable for the model. A priori expectation: positive (+)	World Bank Indicator (2024)

4.0 DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive statistics and matrix of correlations

Table 4.1: Descriptive Statistics

	HDI	TAR	QUOTAS	NTB	TOP	FDI	EXR	GOVEXP	INFL
Mean	0.50	17.79	29.78	7.57	0.37	1.73	179.38	387.99	20.09
Median	0.46	12.10	30.00	8.00	0.35	1.55	129.36	193.80	12.90

Maximum	1.82	91.27	43.00	10.00	1.19	5.79	126.59	291.62	72.80
Minimum	0.39	9.34	17.00	5.00	0.16	0.50	4.54	57.80	5.40
Std. Dev.	0.25	13.91	8.14	1.34	0.18	1.19	232.91	552.19	17.28
Skewness	4.55	4.13	0.34	-0.49	2.82	1.74	3.16	2.99	1.68
Kurtosis	23.88	22.28	2.11	2.59	13.77	5.95	14.48	13.51	4.61
Jarque-Bera	799.75	678.63	1.94	1.76	228.09	32.04	264.78	225.69	21.39
Probability	0.00	0.00	0.38	0.41	0.00	0.00	0.00	0.00	0.00
Sum	18.67	658.32	110.20	280.00	13.77	64.14	663.72	143.56	743.35
Sum Sq. Dev.	2.18	696.89	238.43	65.08	1.12	51.47	195.29	1.10	107.46
Observations	**37**	**37**	**37**	**37**	**37**	**37**	**37**	**37**	**37**

Source: Researcher's computation (2026), using E-Views 9.

The descriptive statistics of the variables are presented in Tables 2 above. This table highlights key trends in protectionist trade policies indicators and economic development in Nigeria during the review period. The data reveal a high level of tariff rate (TAR), import bans or quotas (QUOTAS), exchange rate (EXR), government expenditure (GOVEXP), and inflation rate (INFL). For tariff rate (TAR), the mean, median, and maximum values are 17.79, 12.10, and 91.27. For import bans or quotas (QUOTAS), the mean, median, and maximum values are 29.78, 30.00, and 43.00. For exchange rate (EXR), the mean, median, and maximum values are 179.38, 129.36, and 126.59. For government expenditure (GOVEXP), the mean, median, and maximum values are 387.99, 193.80, and 291.62. For inflation rate (INFL), the mean, median, and maximum values are 20.09, 12.90, and 72.80 respectively.

In contrast, human development index (HDI), non-tariff barriers (NTB), trade openness (TOP), and foreign direct investment (FDI) made relatively low contributions to protectionist trade policies and economic development in Nigeria, with a statistics of 0.50 (mean), 0.46 (median) and 1.82 (maximum) for human development index (HDI). A statistics of 7.57 (mean), 8.00 (median) and 10.00 (maximum) for non-tariff barriers (NTB). A statistics of 0.37 (mean), 0.35 (median) and 1.19 (maximum) for trade openness (TOP) and a statistics of 1.73 (mean), 1.55 (median) and 5.79 (maximum) for foreign direct investment (FDI) respectively.

The response of tariff rate (TAR) and inflation rate (INFL) to economic development has been volatile, showing fluctuations during the period. Tariff rate (TAR), statistics includes a mean of 17.79, a median of 12.10 and a maximum of 91.27 with a standard deviation of 13.91 and inflation rate (INFL) statistics includes a mean of 20.09, a median of 12.90 and a maximum of 72.80 with a standard deviation of 17.28 respectively.

Skewness and Kurtosis Analysis:

The skewness results indicate that three variables; human development index (HDI), tariff rate (TAR) and exchange rate (EXR) are positively skewed, suggesting right-tailed distributions. The kurtosis results show that human development index (HDI), tariff rate (TAR), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), government expenditure (GOVEXP) and inflation rate (INFL) are leptokurtic (kurtosis > 3), and indicating peaked distributions. Conversely, import bans or quotas (QUOTAS), and non-tariff barriers (NTB) are platykurtic (kurtosis < 3), reflecting flatter distributions.

Normality and Variability:

The Jarque-Bera test confirms that all variables are normally distributed over the analysis period. The standard deviation values highlight the extent of variation in the data, with most variables showing significant deviations from their true values. Exception of human development index (HDI), non-tariff barriers (NTB), trade openness (TOP) and foreign direct investment (FDI) with deviation of 0.25, 1.34, 0.18 and 1.19 respectively.

	HDI	TAR	QUOTAS	NTB	TOP	FDI	EXR	GOVEXP	INFL
HDI	1								
TAR	-0.23	1							
QUOTAS	0.16	0.17	1						
NTB	0.44	-0.42	0.15	1					
TOP	0.59	-0.59	-0.09	0.26	1				
FDI	0.28	-0.29	-0.05	0.78	0.26	1			
EXR	0.81	0.23	0.26	0.32	0.33	0.24	1		
GOVEXP	0.84	-0.06	0.27	0.32	0.45	0.23	0.89	1	
INFL	0.01	0.52	-0.01	-0.22	-0.08	0.02	0.20	0.09	1

Table 4.3: correlation Matrix:

Source: Researcher's computation (2026), using E-Views 9.

The correlation matrix of the variables is as shown in Table 3 above. The correlation matrix is a statistical tool that measures the relationship between multiple variables. It provides a table of correlation coefficients which describe the strength and direction of the linear relationships between each pair of variables. From the table above therefore, HDI has a positive correlation coefficient with QUOTAS, NTB, TOP, FDI, EXR, GOVEXP, and INFL. This therefore indicates that the variables tend to move in the same direction. Meanwhile, TAR has a weak negative correlation (-0.23) indicating that as HDI increases, TAR tends to decrease. Also, from the table, there exist positive correlation coefficient between TAR and QUOTAS, EXR, INFL; QUOTAS and NTB, EXR, GOVEXP; NTB and TOP, FDI, EXR, GOVEXP; TOP and FDI, EXR, GOVEXP; FDI and EXR, GOVEXP, INFL; EXR and GOVEXP, INFL; GOVEXP and INFL respectively. While there exist a negative correlation between TAR and NTB, TOP, FDI, GOVEXP; QUOTAS and TOP, FDI, INFL; NTB and INFL; as well as TOP and INFL respectively.

4.1.2 Unit Root Test

The Augmented Dickey Fuller and the Philip-Perron unit root tests were conducted to examine the stationarity condition of the variables. As indicated in Table 4 below, FDI, INFL and TAR were stationary at level in ADF, and PP, while EXR, HDI, GOVEXED, NTB, QUOTAS and TOP, were stationary after first differencing in both ADF and PP. In other words, the variables are integrated of order zero and one (i.e., I (0) and I(I)). Where some of the variables are I (0) while others are I (1) one suggests the problem of unit root-= in the equations. It becomes imperative to perform co-integration tests to determine the presence of equilibrium relationship amongst the variables in each equation. The study adopts the ARDL bound testing technique for co-integration, as the variables are integrated of diverse orders (i.e., order zero and order one).

Table 4.4: ADF and Philip-Perron Unit Root Test Results

Variables	ADF Level	1st Difference	Order of integration	Level	PP 1st Difference	Order integration
HDI	1.437007	3.725324	I(1)	-	-	I(1)
TAR	-4.310749	-	I(0)	-	-	I(0)
QUOTAS	-1.857035	-5.493918	I(1)	-	-	I(1)
NTB	-1.555850	-5.754242	I(1)	-	-	I(1)
TOP	0.107573	-3.642062	I(1)	-	-	I(1)
EXR	2.682434	3.471054	I(1)	-	-	I(1)
FDI	-4.140492	-	I(0)	-	-	I(0)
INFL	-3.579983	-	I(0)	-	-	I(0)
GOVEXP	2.538512	4.048044	I(1)	-	-	I(1)

Source: Researcher's computation (2026), using E-Views 9.

Note: Mackinnon critical values for ADF at 1, 5 and 10% levels are -3.60, -2.93 and -2.60 respectively, and for PP are 3.605, 2.936 and 2.606, respectively. ** means significant at 5% level.

4.1.3 Lag Length Selection

Table 4.5: lag length criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-918.0698	NA	8.22e+11	52.97541	53.37536	53.11348
1	-675.7433	346.1807	94403455	43.75676	47.75623	45.13737
2	-512.7434	149.0285*	2437020.*	39.07105*	46.67004*	41.69422*

* indicates lag order selected by the criterion

Source: Researcher's computation (2026), using E-Views 9.

The efficiency and validity of an error correction model depends on the lag structure. The study used VAR lag order selection criteria to determine the lag lengths. The study employed the Akaike Information Criterion (AIC) and Schwarz Criterion (SC) and the result shows two optimal lag lengths in the protectionist trade policies and economic development models as shown in Table 5 above. In order to reduce the possibilities of underestimation whilst maximizing the likelihood of recovering the true lag (Venus, 2004), the study used two maximum lag lengths.

4.1.4 Co-integration Test Results

From the bound testing result reported in Table 6 below, long run relationship exists amongst the variables in all the estimated equations, given that the values of the F-statistic are greater than the critical values at five per cent level in both the upper and the lower bounds. Therefore, the null hypothesis of absence of co-integration is rejected, while the study proceeds to estimate the long run coefficient of each of the equations.

Table 4.6: Co-Integration Test Results

Equations	K	F-Stat	5% critical value I (0)	I (1)	Outcome
HDI=(TAR, QUOTAS, NTB, TOP, EXR, FDI, INFL, GOVEXP)	8	4.21	2.22	3.39	Co-integration

Note: K =number of parameters

Source: Researcher's computation (2026), using E-Views 9.

4.2 PRESENTATION AND INTERPRETATION OF EMPIRICAL FINDINGS

4.2.1 Findings, Presentation and Analysis of Econometric Results of the Long run coefficients of Economic Development and Protectionist Trade Policies Equation Results

Table 4.7: Dependent variable: HDI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TAR	-0.000483	0.000981	-0.492246	0.6314
QUOTAS	-0.001052	0.001634	-0.643996	0.5317
NTB	0.011570	0.006962	2.662015	0.0224
TOP	0.169787	0.077194	2.199469	0.0482
FDI	0.006102	0.007566	0.806440	0.4357
EXR	0.000158	0.000187	0.844322	0.4150
GOVEXP	0.000013	0.000005	2.397111	0.0337
INFL	0.000136	0.000538	0.252036	0.8053
C	0.279900	0.061405	4.558278	0.0007

Source: Researcher's computation (2026), using E-Views 9.

Long Run coefficients of Economic Development and Protectionist Trade Policies Equation

The long-run relationship between poverty reduction and entrepreneurship variables is presented in Table 4.7 above. Based on the ARDL long-run estimates, the findings reveal the following insights:

The coefficient for tariff rate (TAR) is negative and statistically insignificant, indicating that a unit increase in TAR results in a -0.48% decreases in HDI. This finding is not in line with a priori expectation in the long run, indicating that tariff-based protectionist policies have not significantly promoted Nigeria's long-run economic development. While tariffs may have been intended to protect domestic industries, the empirical evidence indicates that their contribution to economic development has been weak or negligible. Consequently, sustainable economic development may depend more on complementary policies such as industrial upgrading, infrastructure development, technological innovation, export promotion, and institutional reforms than on tariff protection alone.

Similarly, the coefficient for import bans or quotas (QUOTAS) is negative but statistically significant, indicating that a unit rise in QUOTAS results in a -0.10% decreases in HDI. This result is not in line with a priori expectation, suggesting that import bans and quotas have hindered rather than promoted Nigerian economic development over the period studied. While such policies may have been introduced to protect domestic industries, the empirical evidence indicates that they have reduced economic efficiency, constrained industrial competitiveness, and slowed long-run development. Consequently, policymakers should complement any protective measures with productivity-enhancing reforms, infrastructure development, technological upgrading, and export-oriented industrial strategies.

Conversely, non-tariff barrier (NTB) exhibits a positive and statistically significant relationship with HDI. Therefore, a one-unit increase in NTB is associated with a 11.57% increases in HDI. This result is in line with a priori expectations, showing that protectionist measures contributed positively to Nigeria's economic development during the period under review. This suggests that non-tariff barriers provided a protective environment for domestic industries, promoted local production, enhanced employment generation, and supported industrialization. The finding lends support to the infant industry argument that carefully designed trade protection can foster long-run economic development in developing economies such as Nigeria. However, the sustainability of these benefits depends on the efficiency and competitiveness gains achieved by protected industries over time.

The coefficient for trade openness (TOP) is positive and statistically significant, indicating that a one-unit increase in TOP will lead to a 16.97% increases in HDI. This finding is in line with theoretical expectation, implying that increased integration into the global economy contributes positively to economic development in Nigeria in the long run. This finding suggests that trade openness facilitates access to larger markets, promotes technology transfer, attracts foreign investment, enhances productivity, and improves resource allocation efficiency. The result supports trade-led growth theories which argue that economies that are more open to international trade tend to experience higher levels of economic development. Therefore, while protectionist measures may provide temporary support to domestic industries, sustained economic development in Nigeria appears to benefit significantly from greater trade openness and global economic integration.

The coefficient for foreign direct investment (FDI) is positive and statistically insignificant, indicating that a one-unit increase in FDI will lead to a 61% increases in HDI. This finding is in line with theoretical expectation, implying that FDI contributes positively to economic development in Nigeria; however, its impact is not sufficiently strong to be considered a significant determinant of long run economic development during the study period. This finding suggests that although foreign investment may facilitate capital inflow, technology transfer, and employment creation, structural constraints such as sectoral concentration in extractive industries, weak domestic linkages, inadequate infrastructure, and limited absorptive capacity may have reduced its developmental effectiveness. Consequently, FDI appears to play a supportive rather than a decisive role in promoting economic development in a protectionist trade regime in Nigeria in the period under review.

The coefficient for exchange rate (EXR) is positive and statistically insignificant, indicating that a one-unit increase in EXR will lead to 0.15% increases in HDI. This finding is in line with theoretical expectation,

indicating that exchange rate movements contributed positively to economic development in Nigeria during the period under review; however, the effect was not sufficiently strong to be considered a significant determinant of long run economic development. This finding suggests that while exchange rate adjustments may improve external competitiveness and support economic activity, structural challenges such as export concentration, import dependence, exchange rate volatility, and weak industrial capacity may have limited their overall developmental impact. Consequently, exchange rate policy appears to play a supportive rather than a decisive role in promoting economic development in Nigeria under protectionist trade regime.

The coefficient for government expenditure (GOVEXP) is positive and statistically significant, indicating that a one-unit increase in GOVEXP will lead to a 0.13% increases in HDI. This finding is in line with a priori expectation, indicating that public spending plays a vital and reliable role in promoting economic development in Nigeria. This suggests that increased government expenditure enhances aggregate demand, improves infrastructure and public service delivery, and supports productive activities in the economy. In the context of protectionist trade policies, government spending may also complement domestic industrial development by strengthening the capacity of protected sectors. The finding supports the view that fiscal policy is an effective instrument for long run economic development in Nigeria.

Finally, the coefficient for inflation rate (INFL) is positive and statistically insignificant; hence, a unit rise in INFL will lead to a 0.14% increases in HDI. This result is not in line with theoretical expectation, indicating that inflation has a weak and non-robust relationship with economic development in Nigeria over the study period. This suggests that while inflation may occasionally rise alongside economic expansion, it does not constitute a significant determinant of long run economic development. The result reflects the structural nature of inflation in Nigeria, which is largely driven by supply-side shocks and external factors rather than productive economic activity. Consequently, inflation appears to play a neutral role in the country's long term development process within the context of protectionist trade policies.

In summary, the long-run analysis highlights the complex interplay between protectionist trade policies variables and economic development in Nigeria. While certain factors such as non-tariff barriers (NTB), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), government expenditure (GOVEXP) and inflation rate (INFL) positively influenced economic development in Nigeria, others such as tariff rate (TAR), and import bans or quotas (QUOTAS) posed significant challenge. This finding suggests that in Nigeria, persistent reliance on tariffs, import bans, and quotas exhibits a statistically significant negative relationship with long-run economic development through reduced productivity growth, distorted resource allocation, weakened institutional quality, and limited technological diffusion. Therefore, these findings underscore the need for Nigerian government to focus on a shift toward rules-based trade openness combined with targeted, performance-based industrial policy is more consistent with sustained economic transformation."

4.2.2 Findings, Presentation and Analysis of Econometric Results of the Short run coefficients of Economic Development and Protectionist Trade Policies Equation Results

Table 4.8: Dependent variable: HDI

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(HDI(-1))	2.118309	0.653476	3.241602	0.0071
D(TAR)	-0.000742	0.000575	-1.290484	0.2212
D(TAR(-1))	-0.000813	0.000588	-1.382235	0.1921
D(QUOTAS)	-0.000431	0.001568	-0.274714	0.7882
D(QUOTAS(-1))	-0.004117	0.002704	-1.522655	0.1538
D(NTB)	0.016036	0.010282	1.559664	0.1448
D(TOP)	0.106420	0.091945	1.157431	0.2696
D(TOP(-1))	-0.214471	0.087705	-2.445378	0.0309
D(FDI)	-0.006772	0.007479	-0.905508	0.3830
D(FDI(-1))	-0.007189	0.006120	-1.174548	0.2630

D(EXR)	0.000494	0.000231	2.135691	0.0540
D(EXR(-1))	0.000437	0.000231	1.891551	0.0829
D(GOVEXP)	0.000009	0.000013	0.681827	0.5083
D(GOVEXP(-1))	-0.000057	0.000013	-4.210783	0.0012
D(INFL)	0.000188	0.000759	0.247358	0.8088
CointEq(-1)	-1.385975	0.600596	-2.307664	0.0396

R-squared	0.957864	Mean dependent var	0.511143
Adjusted R-squared	0.933949	S.D. dependent var	0.251814
S.E. of regression	0.019588	Akaike info criterion	-4.783952
Sum squared resid	0.004604	Schwarz criterion	-3.761866
Log likelihood	106.7192	Hannan-Quinn criter.	-4.431128
F-statistic	25.48630	Durbin-Watson stat	2.172350
Prob(F-statistic)	0.000000		

Source: Researcher's computation (2026), using E-Views 9.

Short Run coefficients of Economic Development and Protectionist Trade Policies Equation

The short-run dynamics of the relationship between Economic Development and Protectionist Trade Policies Equation Results is as presented in Table 4.8, reveal several significant findings.

The coefficient for tariff rate (TAR) is negative and statistically insignificant in current and first period lags of the short run, indicating that a unit increase in TAR results in an -0.74% and -0.43% decreases in HDI in the short run. This finding is not in line with a priori expectation in the long run, indicating that protectionist trade policies do not exert a robust short-run influence on economic development in Nigeria. While the negative sign is consistent with potential contractionary effects of tariffs, the lack of statistical significance implies weak and unreliable transmission from tariff adjustments to development outcomes within the short-run horizon."

Similarly, the coefficient for import bans or quotas (QUOTAS) is negative but statistically insignificant in both current and first period lags of the short run, indicating that a unit rise in QUOTAS results in a -0.43% and -0.41% decreases in HDI in the short run. This result is not in line with a priori expectation, suggesting that quantitative trade restrictions do not exert a significant short run influence on economic development in Nigeria. Although the negative sign suggests potential contractionary effects, the absence of statistical significance implies weak unreliable transmission from import restrictions to development outcomes. This finding reflects structural constraints such as import dependence, limited domestic productive capacity, and weak policy enforcement, which hinder effectiveness of protectionist measures in the short run.

Conversely, a non-tariff barrier (NTB) exhibits a positive and statistically insignificant relationship with HDI in the short run. Therefore, a one-unit increase in NTB is associated with a 16.03% increases in HDI. This result is in line with a priori expectations, showing that while quantitative trade restrictions may exert a mild positive influence on economic development in Nigeria, the effect is not statistically robust. This implies that any observed gains from protectionist non-tariff measures are weak, unstable, and likely constrained by structural inefficiencies such as limited productive capacity, dependence on import inputs, and weak institutional enforcement. Consequently, non-tariff barriers do not constitute a significant a significant driver of short run economic development in Nigeria.

The coefficient for trade openness (TOP) is positive and statistically insignificant in current period, negative but significant after a period lag, indicating that a one-unit increase in TOP will lead to a 10.64% increases in HDI in current period and -21.44% decreases in HDI after a period lag. The finding of the current period is in line with theoretical expectation, while the result of the first period lag does not align with theoretical expectations, indicating that trade openness exerts a positive but statistically insignificant effect on economic development in both the current and first lag periods. This indicates that although increased openness to international trade is associated with improvements in economic development, the magnitude of the effect is insufficient to exert a significant influence in the short run. The findings suggest that the potential benefits of trade openness, including technology transfer, market expansion, and efficiency gains, may be constrained by structural and

institutional limitations within the Nigerian economy. Consequently, while trade openness remains theoretically beneficial, its contribution to economic development appears weak and statistically indistinguishable from zero in the short run.

The coefficient for foreign direct investment (FDI) is negative and statistically insignificant in both current and first period lag of the short run, indicating that a one-unit increase in FDI will lead to a -67.7% and -71.8% decreases in HDI in the short run. This finding is not in line with theoretical expectation. The empirical findings reveal that foreign direct investment exerts a negative but statistically insignificant effect on economic development in both the current and first lag periods. This suggests that FDI does not significantly influence economic development in Nigeria in the short run. The negative coefficients may reflect structural constraints, profit repatriation, sectoral concentration of foreign investments, and the limited transmission of FDI benefits to the domestic economy. Furthermore, the protectionist trade environment may weaken the potential developmental gains from foreign investment by restricting market efficiency and technology spillovers. Consequently, while FDI is theoretically expected to promote economic development, the empirical evidence indicates that its short-run impact in Nigeria is weak and statistically indistinguishable from zero.

The coefficient for exchange rate (EXR) is positive and statistically significant in both current period but became insignificant at first periods lag of the short run, indicating that a one-unit increase in EXR will lead to a 0.49% and 0.43% increases in HDI in both current and first period lags of the short run. These finding is in line with theoretical expectation, indicating that exchange rate movements contribute positively to Nigeria's economic development in the short run and that the effect persists beyond the immediate period. The positive relationship suggests that exchange rate adjustments may enhance the competitiveness of domestic industries, encourage import substitution, stimulate exports, and support productive economic activities. Within a protectionist trade policy environment, exchange rate management appears to reinforce domestic production incentives and promote economic development. The statistical significance of both the contemporaneous and lagged coefficients further demonstrates that exchange rate constitutes an important channel through which short run economic development outcomes are influenced in Nigeria. .

The coefficient for government expenditure (GOVEXP) is positive and statistically insignificant in current period, negative but significant in first period lag of the short run, indicating that a one-unit increase in GOVEXP will lead to a 0.9% increases in HDI in current period and -0.57% decreases in HDI after a period lag. This finding is in line with a priori expectation, indicating that that government expenditure exerts a positive but statistically insignificant effect on economic development in the current period, indicating that public spending provides only a weak immediate stimulus to development outcomes. However, the first-period lag coefficient is negative and statistically significant, suggesting that the delayed effects of government expenditure adversely affect economic development in the short run. This finding implies that while government spending may initially support domestic economic activities under a protectionist trade regime, inefficiencies in public resource allocation, fiscal imbalances, crowding-out effects, and excessive government intervention may subsequently undermine economic development. Consequently, the evidence suggests that the short-run costs of government expenditure outweigh its initial benefits in Nigeria.

Finally, the coefficient for inflation rate (INFL) is positive and statistically insignificant in the short run; hence, a unit rise in INFL will lead to a 0.18% increases in HDI in the short run. This result is not in line with theoretical expectation, indicating that inflation rate exerts a positive but statistically insignificant effect on economic development in the short run. This suggests that increases in inflation are associated with improvements in economic development; however, the magnitude of the effect is insufficient to exert a statistically significant influence. The positive relationship may reflect increased economic activity, higher aggregate demand, and enhanced domestic production arising from protectionist trade measures. Nevertheless, the insignificant coefficient indicates that inflation is not a major determinant of economic development in the short run, as its potential benefits may be offset by adverse effects such as reduced purchasing power, increased production costs, and macroeconomic uncertainty. Therefore, inflation appears to have only a limited and inconclusive influence on Nigeria's short-run economic development..

The ECM coefficient (-1.385975) is correctly signed and statistically significant, indicating that approximately 138% of short-run disequilibria adjust to the long-run equilibrium within a year. The t-statistic (-2.307664)

confirms the significance of the ECM at the 5% level.

The R-squared value (0.957864) and adjusted R-squared (0.933949) demonstrate that approximately 95% of the variation in HDI is explained by the included variables (both current and lagged), with 5% attributable to factors outside the model. The F-statistic (25.48) confirms the joint significance of the model's variables, ensuring a good overall fit. Additionally, the Durbin-Watson statistic (2.17) indicates no autocorrelation, affirming the reliability of the results for forecasting and policy formulation.

The stability test using the cumulative sum (CUSUM) test in figure 4.1 below further shows that the variables included in the HDI equation were stable within the period of the study. This is evidenced by the swing of the trends within the CUSUM bound at the ± five percent significance level. The study, therefore, infers that the equation is stable and consistent to be adopted for economic policies and forecasts.

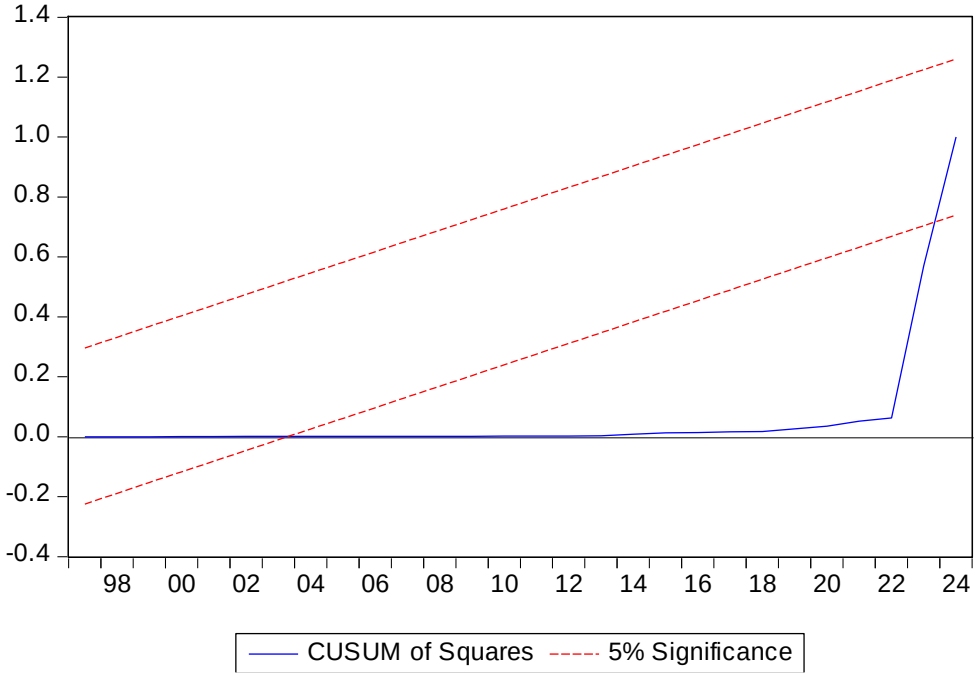

Figure 4.1: HDI and Protectionist trade policies equation CUSUM.
Source: Researcher's Computation (2026).

4.3 DISCUSSION OF FINDINGS

The short run and the long run ARDL dynamics shows an intriguing insight as the regression result offers a positive and significant relationship between the six key variables of protectionist trade policies; non-tariff barriers (NTB), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), government expenditure (GOVEXP) and inflation rate (INFL) which interacted with dependent variable economic development proxied by human development index (HDI). The result suggest that increases in the under listed variables in essence will lead to corresponding increases in economic development in Nigeria. This finding therefore suggests that these factors of protectionist trade policies jointly strengthen economic development in Nigeria. The empirical findings therefore mean that protectionist trade measures, when properly implemented alongside trade liberalization policies, can stimulate domestic industrial growth while maintaining the benefits of global economic integration. The results further suggest that attracting foreign investment, maintaining a competitive exchange rate, and increasing productive public expenditure are essential for sustaining long-term economic development in Nigeria. This finding is in line with views of Akpan and Akinbode (2026) and Ibeh (2024) who jointly assert that protectionist trade policies have a positive relationship with industrial productivity, but negative effects emerge in terms of unemployment and long-term efficiency.

However, tariff rate (TAR) and import bans or quotas (QUOTAS) exhibited an expected negative but significant

relationship with the economic development in both short and long run period under review, reflecting that when this variable increases, economic development tends to increase, suggesting that in both the short and long run, protectionist trade policies have constrained economic growth by increasing production costs, discouraging investment, limiting technology transfer, and reducing market efficiency. While such policies may provide temporary protection for domestic industries in the short run, their long-run effects appear detrimental to sustainable economic development. This finding is in line with the view of Sowrov, (2024) and Okeowo (2023) shows that tariffs are negatively associated with GDP growth. This aligns with neoclassical trade theory, which argues that protectionism distorts resource allocation and reduces efficiency. The models were estimated using the error correction mechanism (ECM) and the outcome of the key urbanization and economic development equations revealed positive and significant relationship among the variables in both the short run and long run.

The Error Correction coefficients in all the estimated models met the three criteria for its acceptability given that it is negative, fractional and statistically significant. Consequently, the estimated result confirms the presence of long run relationship among the variables in the models. It also shows that the speed of adjustments is moderate in all the estimated models. The value of the adjusted R-squared implies that the models have good fit as the independent variables have high explanatory powers. The Durbin-Watson Statistic connotes absence of autocorrelation in the estimated equations. The study, therefore, accepts the null hypotheses of no serial correlation in the models. This further implies that the error terms of different periods are not serially correlated. The stability test using the cumulative sum tests showed that the variables included in all the models were stable within the period of the study.

CONCLUSION AND RECOMMENDATION

The study examines the impact of an empirical survey of theory, evidence and rationale of protectionist trade policies on Nigerian Economic Development, using secondary data from 1988-2024 adopting the autoregressive distributive lag model. The study observed that changes in the ratios of non-tariff barriers (NTB), trade openness (TOP), foreign direct investment (FDI), exchange rate (EXR), government expenditure (GOVEXP) and inflation rate (INFL) interacted with dependent variable economic development in Nigeria. In addition, the study revealed an expected negative relationship between tariff rate (TAR) and import bans or quotas (QUOTAS) implying that the ratios of this variable do not contribute to economic development in Nigeria. It means that prolonged protectionist trade policies may reduce economic efficiency, increase production costs, discourage competitiveness, and limit technology transfer.

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Recommendations

Therefore, we recommend that:

i) Government and policy makers should pursue a balanced trade strategy that emphasizes gradual trade liberalization, export promotion, infrastructure development, industrial competitiveness, and strategic temporary protection for genuinely infant industries. Such an approach is more likely to foster sustainable economic development and structural transformation in Nigeria than broad-based protectionist measures.

ii) Government and policy makers should adopt smart trade protection strategy, non-tariff barriers reform and trade facilitation, deepen integration, infrastructure-linked investment promotion through FDI reorientation policy, export diversification to reduce foreign exchange vulnerability, fiscal restructuring and inflation containment strategy.

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