

An Assessment of ECOWAS Trade Liberalization Scheme (ETLS) and Manufacturing Capacity Utilization in Nigeria (2005 – 2015)

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Abstract: *This paper is an assessment of ECOWAS Trade Liberalisation Scheme (ETLS) and Manufacturing Capacity Utilisation in Nigeria (2005 – 2015). The major objective of the study is to examine the impact of the scheme on manufacturing capacity utilisation in Nigeria, and to do this, the study hypothesized that the ECOWAS Trade Liberalisation Scheme (ETLS) has no significant impact on manufacturing capacity utilisation in Nigeria. Documentary analysis was the major source of data collection in which the researchers mainly relied on statistical data or tables supplied by the Central Bank of Nigeria. These statistical data or tables were subjected to further statistical analyses by the researchers using statistical tools called Error Correction Model (ECM) and Co-integration Tests. After data analyses, the findings revealed that the scheme has not made any significant impact on capacity utilisation in Nigeria. Consequently, the study recommended among others the need for government to improve physical infrastructure, create an agency called Border Defence and Management Agency (BODMA) to deal with issues of smuggling, as well as grant tax holidays, grants and subsidies to indigenous manufacturers, local scientists and entrepreneurs to encourage indigenous technological growth. These measures the researchers believe will help in no small measure to protect and promote the local industries.*

Keywords – Trade Liberalisation, Manufacturing Capacity Utilisation, Infrastructure and Industrialisation

I. INTRODUCTION

The relationship between trade liberalisation and manufacturing is very strong. Trade liberalisation means the dismantling of all trade barriers or walls or tariffs against imported goods and services. In a liberalised economy, the commercial and industrial policy vis-à-vis its limitations on the role of foreigners in the economy is removed (Nwankwo, 1992). Trade liberalisation also implies that the market forces of demand and supply are allowed to play a much greater role in the allocation of resources. Theoretically speaking, trade liberalisation in developing economies like Nigeria is a measure intended to help diversify the export structure or base by encouraging production of non-oil exports (Okereke, 2003).

Manufacturing on the other hand, is a type of industry which involves the conversion of raw materials into finished consumer goods or intermediate or producer goods. Manufacturing, like other industrial activities, create avenues for employment, helps to boost agriculture, and to diversify the economy, while helping the nation to increase its foreign exchange earnings, enabling local labour to acquire skills. In addition, it minimizes the risk of overdependence on foreign trade and leads to the fullest utilisation of available resources (Anyanwu, Oikhenan, Oyefusi, & Dimowo, 1997).

The link between trade liberalisation and manufacturing or industrialisation is that as the market for goods and services widens, it is expected that this would lead to increased productivity particularly in the

manufacturing industry. The increased productivity in manufacturing will therefore act as a catalyst that will accelerate the pace of structural transformation and diversification of the economy. Consequently, since manufacturing in comparison to other sectors of the economy have greater spillover effects, it offers a ready market for agricultural as well as providing intermediate goods for further production (Kanang, 2014). This logic was the major reason Nigeria embraced the idea or policy of ECOWAS Trade Liberalisation Scheme (ETLS).

The ECOWAS Trade Liberalisation Scheme (ETLS) came into existence first in 1979 and only covered agricultural goods, mineral products and artisan handcrafted goods. However, in 1990, it was expanded to also include industrial goods. This expansion created the need for rules defining the notion of ECOWAS “originating products” in which “rules of origin” were clearly spelt out. An industrial good which complies with these rules of origin is eligible to benefit from the scheme (ECOWAS Commission, 2015).

Nigeria has participated in the ECOWAS Trade Liberalisation Scheme (ETLS) for over forty years (40 years). The expectation when she joined the scheme was that through the scheme, she will achieve increased productivity in her manufacturing industry which would act as catalyst that will accelerate the pace of structural transformation and diversification of her economy through the export of products that are lacking in other countries. But up till today, the manufacturing sector has failed to undergo the critical structural transformation needed for it to play a leading role

in economic growth and development (Onwualu, Olife, Obasi and Inyang, 2013). The sector is structurally weak and basic industries such as iron, steel and petrochemicals are not fully in place. The technological base for manufacturing is lacking largely due to the near absence or inadequacy of research and development efforts and light manufactures, which depend entirely on imports for machinery, equipment and spare parts are prevalent. In addition, the skilled manpower necessary to guarantee competitiveness in the modern day, dynamic and globalised world is lacking. Consequently, the sector is unable to attract the necessary investment for economic growth and remains an insignificant player in the economy. In recent years, the sector's share of GDP has remained less than 5 percent of the annual average, contribution to foreign exchange earnings have been minimal and share of employment and government revenue generated have been low (Onwualu et al, 2013). For example, in 2011 alone, the manufacturing sector contributed only 4 percent to GDP (Chete, Adeoji, Adeyinka and Ogundele, 2015). Between 2011 and 2015, the primary sector, in particular oil and gas dominated her GDP by accounting for over 95 percent of export earnings and about 85 percent of government revenue (Chete et al, 2015).

The Index Mundi Report of 2018, which shows Nigeria Manufacturing Value Added (MVA) annual percentage growth, 1982 – 2016, indicated that the MVA reached a maximum value of 26.22% in 1985 and a minimum value of -30.93% in 1983. However, throughout the 1990s and 2000s, the MVA dropped significantly from a percentage point of 26.22% in 1985 to 7.57% in 2010 and to 4.32% in 2016 confirming the views of the World Bank (2007) that the Nigerian economy is undergoing de-industrialisation.

The foregoing factors have clearly shown that a major feature of Nigeria's industrial development is the unstable and/or unpredictable manufacturing capacity utilisation trends. For example, the manufacturing capacity utilisation in the late 1970s and early 80s was as high as 78.70 percent. Between 2000 and 2005, it oscillated around 34.60% and 52.78% (Simon-Oke and Awoyemi, 2010). It increased to 55% in the fourth quarter of 2018 from 54.60 percent in the third quarter of the same year 2018. Capacity utilisation in Nigeria averaged 55.36 percent from 2009 until 2018. It reached an all-time high of 60.50 percent in the first quarter of 2015 and a record low of 48.50 percent in the third quarter of 2016 (CBN Annual Report, 2018). On this premise, it can therefore be rightly argued that the ECOWAS Trade Liberalisation Scheme (ETLS) have not made any appreciable or significant impact on Nigeria's industrial growth and employment opportunities after over forty years of her active participation in the scheme because there is manufacturing capacity under-utilisation in the country now, contrary to what it was in the early 1970s when the scheme had not started (over 78 percent).

II. STATEMENT OF PROBLEM

The ECOWAS Trade Liberalisation Scheme (ETLS) at its inception was expected to help stimulate the industrial expansion or growth of countries within the West African sub-region so that they can become more productive and competitive in global trade. In Nigeria for example, the scheme was expected to stimulate increased productivity in her manufacturing capacity and also act as a catalyst that will accelerate the pace of structural transformation and diversification of the economy through the export of products that are lacking in other countries (Kanang, 2014). However, after over 40 years of active participation in the scheme, this objective has not yet materialised. Instead, average capacity manufacturing rates have been generally below average over the years (Madueme, 2009). According to the National Bureau of Statistics (NBS, 2014) and the Central Bank of Nigeria (CBN) Statistical Bulletin, Volume 23 (2012), average manufacturing capacity utilisation in 1981 was 73.3 percent, the unemployment rate same year was 5.2 percent while the contribution of manufacturing to real gross domestic product (RGDP) was 6.8%. In 1985, average manufacturing capacity utilisation declined to 38.3%, unemployment rate was 6.1% and the contribution of manufacturing to real gross domestic product also declined to 6%. In 1990, average manufacturing capacity utilisation rate was 40.3%, unemployment rate was 5.4% while the contribution of manufacturing to real gross domestic product was 5.5%. In 1995, average manufacturing capacity utilisation was 29.3%, unemployment rate was 7.5% while the contribution of manufacturing to real gross domestic product (RGDP) was 4.9% only. In 2000, average manufacturing capacity utilisation was 36.1%, unemployment rate was 13.1% while the contribution of manufacturing to real gross domestic product further depreciated to 4.2%. In 2005, average manufacturing capacity utilisation was 54.8%, unemployment rate was 11.9% while the contribution of manufacturing to real gross domestic product was 3.8%. In 2010, average manufacturing capacity utilisation was 56.2%, unemployment rate was 21.1% while the contribution of manufacturing to real gross domestic product was 4.1%. In 2015, average manufacturing capacity utilisation was 60.5%, unemployment rate was 9.0% while the contribution of manufacturing to real gross domestic product was only 4.2%.

An analysis of the above findings clearly shows that the contribution of manufacturing to Nigeria's real gross domestic product is still very low or negligible and because of this, the level of unemployment has been excessively high as shown above. However, this is not surprising considering the unstable, and/or declining trends in the country's manufacturing capacity utilisation. The foregoing situation in Nigeria's manufacturing or industrial sector has been attributed to the pressure to liberalise international trade particularly at the West African sub-regional level (Nwabueze, 2009). According to Nwabueze, the ECOWAS Trade Liberalisation Scheme (ETLS) did not in any way favour the industrial sector in Nigeria particularly the textile industry because the scheme opened the flood gate for the

dumping of all sorts of foreign products thus bringing about the shutting down of industries with its attendant job losses and manufacturing capacity under-utilisation.

III. REVIEW OF RELATED LITERATURE

The Concept of Manufacturing Capacity Utilisation

Capacity utilisation is the extent to which an enterprise or a nation uses its installed productive capacity. It is usually expressed as a percentage. For example, if a car could produce 1000 cars per week but output was 600, then capacity utilisation would be 60 percent. Capacity under-utilisation as phenomenon is when for one reason or the other, an industry or enterprise is unable to fully utilise its installed scale of plant on a sustained basis (Fabayo, 1982). Manufacturing capacity utilisation is one of the determinants of the level of industrial development of a country (Simon-Oke and Awoyemi, 2010).

The Concept of Trade Liberalisation and ECOWAS Trade Liberalisation Scheme

Trade Liberalisation according to Nwankwo (1992) means the dismantling of all trade barriers or walls otherwise known as tariffs and non-tariff barriers (NTB's) against imported goods and services. The subject of trade liberalisation over the years has been a contentious issue particularly in the developing world or countries. While some argue that it is good for an economy, others argue against it due to the poor manufacturing/technological capacity of these countries. For example, Aja-Akpuru (2001) contends that trade liberalisation is counter-productive for developing countries like Nigeria. It assumes what it is not because in most of these countries, there is actually no productive technology for standardised goods of international recognition. There is no diversification of the economy. National economies are primarily monocultural, so what obtains in these countries is just buying and selling of the dominating foreign goods.

The above scenario is the situation in Nigeria where goods produced in other countries are daily smuggled into the country illegally under the guise that they were produced in West Africa contrary to the protocols of the ECOWAS Trade Liberalisation Scheme (ETLS). The categories of goods that can benefit from the scheme provided they originate from ECOWAS region are: agricultural goods, livestock, unprocessed goods, artisan handicrafts and industrial goods. Agricultural goods and artisan handicrafts do not require an ECOWAS Trade Liberalisation Scheme (ETLS) certificate of origin to be traded duty free within the region, however, appropriate sanitary certificate must be procured from the respective agricultural quarantine services of ECOWAS member states (ECOWAS Commission, 2015).

The ECOWAS Trade Liberalisation Scheme (ETLS) certificate of origin is a certificate that proves that an industrial product originates from the ECOWAS region. To get this certificate, the product must comply with one of the following rules called "rules of origin" (ECOWAS

Executive Secretariat, 2004). These rules determine whether an industrial product can be classified as originating from the ECOWAS region.

IV. ECOWAS TRADE LIBERALISATION SCHEME (ETLS) AND MANUFACTURING CAPACITY UTILISATION IN NIGERIA: AN ASSESSMENT

Many similar studies that relates to this study have been carried out in the past. For example, Okunade (2018) in a study titled: "effect of capacity utilisation on manufacturing firms in Nigeria" concluded that there is significant under-utilisation of capacity in Nigerian manufacturing firms and this under-utilisation makes positive effect of capacity less significant in explaining manufacturing firms output growth in Nigeria. According to him, a number of factors have been identified for the present under-utilisation in Nigerian manufacturing firms. Prominent among them is the uncoordinated imports of goods and services, lack of access to modern machines with affordable cost implications and lack of stable power supply. The findings of Okunade is also in line with the views of Nwabueze (2009) who is of the opinion that the present state of affairs in Nigeria's manufacturing sector, particularly the textile sector could be attributed to the pressure to liberalise international trade by bilateral and multilateral interests particularly in the West African sub-regional level. He particularly noted that the ECOWAS Trade Liberalisation Scheme (ETLS) have not in any way favoured the textile industry in Nigeria because the scheme opened the floodgate for the dumping of all sorts of textile materials into Nigeria by foreign manufacturers from Asia, Europe and other parts of the world. This according to him necessitated the decline in the sector from 124 firms in the 1980s to about 10 factories in 2004 with its attendant loss of jobs.

In the same vein, Ekundayo (2018) has also corroborated the views of Nwabueze that at its peak, the textile industry employed nearly 700,000 people (making it the second largest employer of labour in Nigeria after government) and had a turnover of about \$8.95 billion US dollars, but the industry witnessed a catastrophic collapse from 175 firms in the mid 1980s to ten factories by 2004 while employment in the sector plunged from 700,000 to 40,000 at the moment. Ekundayo in his analysis tries to underline the fact that this situation arose as a result of certain internal contradictions within the economy such as poor infrastructure and frequent policy changes but also noted that the problems got out of hand as a result of the high rate of smuggling of foreign goods into Nigeria through her immediate neighbours.

In another study by Simon-Oke and Awoyemi (2010) titled: "Manufacturing Capacity Utilisation and Industrial Development in Nigeria: An Assessment (1976 – 2005)" they concluded that there is still some relatively high rate of capacity under-utilisation or idle capacity and this has greatly affected the contribution of manufacturing to industrial development. According to them, the different

components of the industrial sector suffer weak technical and functional linkages not only with each other but also with the rest of the economy. They noted that productivity in the Nigerian industrial sector has been low because of a variety of factors which include serious infrastructural problems (electricity, water, transport and communication), lack of raw materials, excessive and uncoordinated importation, smuggling and so on. The empirical results of their study show that there is long-run positive relationship between the present value of manufacturing capacity utilisation and industrial productivity, but the magnitude of the influence is relatively low; about 4.3%. This simply means that the government should ensure that infrastructure inadequacies are rectified. Moreover, necessary actions to objectively reduce to the barest minimum the uncoordinated, uncontrolled importations and smuggling must be put in place.

Table 1.1: Manufacturing Contribution to Real Gross Domestic Product (RGDP), Average Manufacturing Capacity Utilisation and Unemployment rates, 1981 – 2015.

Year	Contribution to RGDP	Av. Manufacturing Capacity Utilisation %	Unemployment Rate
1981	6.8	73.3	5.2
1985	6.0	38.3	6.1
1990	5.5	40.3	5.4
1995	4.9	29.3	7.5
2000	4.2	36.1	13.1
2005	3.8	54.8	11.9
2010	4.1	56.2	21.1
2015	4.2	60.5	9.0

Source: NBS (2014); CBN (2012) Statistical Bulletin Vol. 23

The table above has clearly shown that average manufacturing capacity utilisation in Nigeria has been on the decline and this could be one of the reasons why Nigeria

compared with her contemporaries is far behind in terms of industrial development as shown in table 1.2 below:

Table 1.2: Average Annual Growth of Industry: (Percent of GDP, 1980 – 2002)

Countries	Industry			Manufacturing	
	1980 – 90	1990 – 95	1990 – 2002	1980 -90	1990 -2002
Nigeria	-1.0	-1.2	0.9	0.7	1.2
Botswana	11.4	1.4	4.3	11.4	4.0
Singapore	5.4	9.2	7.3	6.6	6.9
Malaysia	7.2	11.0	7.5	9.3	8.8
Sub-Saharan Africa	0.6	0.2	1.9	1.7	1.9

Source: Ekpo U.N (2015). Nigeria industrial policies and industrial sector performance: “Analytical Exploration”, *IOSR Journal of Economics and Finance* (IOSR-JEF).3(4), 01-11

The table above suggests or depicts that while other countries were having positive growth rate, Nigeria was experiencing negative growth. In a similar view, the growth of the manufacturing sub-sector considered as engine of growth showed very little contribution to gross domestic product which reflect poor economic activity and lack of

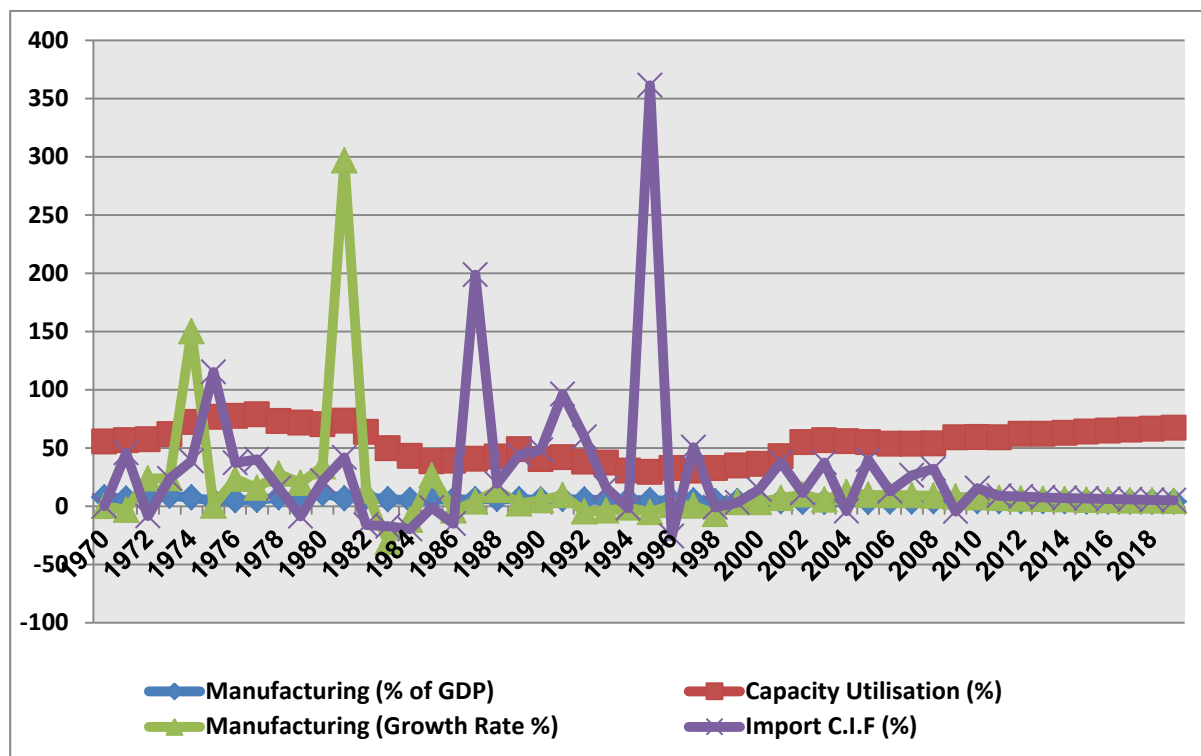
realistic industrial policy capable of efficient utilisation of endowed resources. This poor performance over the years contributed to the high level of unemployment and poverty in the country. However, for further empirical analysis, it is necessary to consider table 1.3 and figure 1.1 below:

Table 1.3: Manufacturing Capacity Utilisation (%), 1970 – 2019.

Year	Manufacturing (% of GDP)	Capacity Utilisation (%)	Manufacturing (Growth Rate %)	Import C.I.F (%)
1970	7.527850201	55.3	n.a	n.a
1971	6.525288941	56.4	-3.117128463	45.6835512
1972	7.788996076	57.3	23.85440364	-8.42134779
1973	8.902071563	61.6	24.03568617	23.61706471
1974	7.424894908	72.2	150.0573291	38.86228534
1975	4.366737818	76.6	0.381465761	115.2981747
1976	5.021494862	77.4	23.35044205	37.17378697
1977	5.379326973	78.7	15.85075055	40.22588178
1978	7.424894908	72.9	27.92023968	15.58008987
1979	8.67887672	71.5	19.83227216	-8.752251413
1980	11.04980537	70.1	34.11538388	21.71143087
1981	6.742899522	73.3	296.9729134	41.91683071
1982	7.829089072	63.6	12.97608311	-16.02632305
1983	5.817634987	49.7	-30.93426057	-17.11215392
1984	5.193176185	43	-11.71270544	-19.66552306
1985	5.98518775	38.3	26.22170937	-1.316438569
1986	5.623411794	38.8	-3.738073867	-14.99535814
1987	5.879505777	40.4	3.962747634	198.8305666
1988	6.237113168	42.4	13.88751172	19.41895509
1989	5.918773994	48.8	2.170062615	44.08184981
1990	5.495197159	40.3	4.931024466	48.50202932
1991	6.058672292	42	9.359356296	96.34646827
1992	5.659223446	38.1	-4.485942364	59.45346201
1993	5.380763539	37.2	-3.705432898	15.83067242
1994	5.297269274	30.4	-1.3305942	-1.911177805
1995	4.916764804	29.3	-5.175802667	361.5338266
1996	4.750174811	32.5	0.847635251	-25.71876329
1997	4.638710692	30.4	0.405133652	50.63197057
1998	4.196434689	32.4	-6.878325761	-1.088701963
1999	4.322662793	34.6	3.436529897	2.997124361
2000	4.240499157	36.1	3.439736073	14.35276178
2001	4.183568197	42.7	6.994000926	37.84317552
2002	3.794835453	54.9	10.07197809	11.26811608
2003	3.63736747	56.5	5.658796936	37.52577583
2004	3.684166831	55.7	11.90094435	-4.43497984
2005	3.791396957	54.8	9.612034504	40.01885975
2006	3.911551713	53.3	9.391294552	12.71150187
2007	4.026086829	53.4	9.566817287	26.486014
2008	4.120197947	53.8	8.894530046	32.11133526
2009	4.174515927	58.9	7.937135493	-4.514447092
2010	4.155987488	59.2	7.498032984	15.39433197
2011	4.137139975	59.03	6.941152711	8.981184397
2012	4.133601451	61.9	6.490628289	8.241041283
2013	4.102960796	61.965	6.095023002	7.61360126
2014	4.093106033	62.848	5.744871748	7.074943289
2015	4.073539296	63.731	5.432766292	6.60746863
2016	4.062811658	64.614	5.152825334	6.197941584
2017	4.051529181	65.497	4.900320384	5.836216307
2018	4.041308146	66.38	4.671406499	5.442623184
2019	4.032005494	67.263	4.462925125	5.056997022

Source: CBN (2009 & 2017)

Figure 1.1: Manufacturing Capacity Utilisation (%) Trends, 1970 – 2019



From table 1.3 above, it could be observed that in 1970, manufacturing capacity utilisation was 55 percent and the increase continued steadily till 1981 where it stood at 73 percent. Observe also from the table that the increasing trend was sustained over a period of 10 years. Part of the reason for the increasing trend in manufacturing capacity utilisation was because in the 1970s, the Federal Government of Nigeria promoted her local industries by giving them incentives, protection and concession to virtually all the infant or local industries (Anyanwu et al; 1997).

Notice also from the table that manufacturing capacity utilisation started slowing down from 1982 where it stood at 64 percent and from then the decreasing trend moved to 50 percent in 1983, 43 percent in 1984, up to year 2000 where it stood at 36 percent. Between 2001 and 2011, manufacturing capacity utilisation ranged from between 43 to 59 percent, further indicating the high level of negative fluctuations and volatility within the system. Figure 1.1 above also confirms this fluctuating trend and volatility (the red line).

Notice also from the table that beginning from 2012, manufacturing capacity utilisation maintained an upward trend (see figure 1.1) from 62% to 62% in 2013, 63 percent in 2014, 64% in 2015, 65% in 2016, 65% in 2017, 66% in 2018 and 67% in 2019. Several policy measures implemented by the Buhari administration since 2015 may

have been responsible for this development. Some of them may include: the ban on the importation of some products as well as the withdrawal of access to foreign exchange (FOREX) for the importation of certain products (CBN, 2017). These policies were aimed at enhancing the productivity of the economy as well as serve as a stimulus to encourage the production of certain products locally thereby helping to improve the manufacturing capacity utilisation of the local firms.

From the foregoing analysis, certain inferences could be drawn. First in the 1970's upto 1981, manufacturing capacity utilisation grew steadily because the policy of government was mainly directed towards the protection and promotion of local industries. Secondly between 1981 upto 2010 when the Federal Government experimented with trade liberalisation, it could be observed that manufacturing capacity utilisation collapsed from 73.3% in 1981 to 64% in 1982, 50% in 1983, 43% in 1984, 38% in 1985, 38% in 1986, 40% in 1987, 42% in 1988, 49% in 1989, 40% in 1990, 42% in 1991 (when the second phase of the ETLS was introduced). Between 1991-2001, the trend in the poor performance of manufacturing capacity utilisation continued as could be vividly seen from both table 1.3 and figure 1.1 above. Between 2002-2012, there was a slight improvement from 55% in 2002 to 62% in 2012, but

generally speaking, manufacturing capacity utilisation did not surpass the 1970-80 levels which were more than 70%.

However, in order to ascertain the validity of the findings above, the researcher subjected table 1.3 above to further statistical test and analysis. Using Co-integration and

Table 1.4: Error Correction Model Estimation

Dependent Variable: D(LNGDP)

Method: Least Squares

Date: 02/06/20 Time: 10:08

Sample (adjusted): 1986- 2018

Included observations: 33 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.226616	0.225913	1.003112	0.3244
D(CAPACITY_UTILISATION)	0.000336	0.001345	0.249908	0.8045
D(INDUSTRIAL GROWTH)	0.219729	0.114993	1.910797	0.0463
D(MANU_RATE)	0.018750	0.027921	0.671541	0.5074
ECM(-1)	-0.619025	0.187064	-3.309162	0.0026
R-squared	0.394182	Mean dependent var	0.002727	
Adjusted R-squared	0.307637	S.D. dependent var	1.366200	
S.E. of regression	1.136793	Akaike info criterion	3.233026	
Sum squared resid	36.18433	Schwarz criterion	3.459769	
Log likelihood	-48.34493	Hannan-Quinn criter.	3.309318	
F-statistic	4.554626	Durbin-Watson stat	1.843646	
Prob(F-statistic)	0.005847			

The result shows that the coefficient of manufacturing capacity utilisation is 0.000336 or 3 percent. This means that the capacity utilisation in Nigeria has some positive impact on the economy but generally speaking, it is not statistically significant on the current real gross domestic product (RGDP) has been grossly low or inadequate.

Theoretical Discourse

The theoretical framework applied in this study is the economic protectionist theory of international trade otherwise called the neo-mercantilist or modern economic nationalist theory. This theory actually dates back to the mercantilist writers of the 15th and 16th Centuries (Aja-Akpuru, 2001). Mercantilism cannot be classified as a formal school of thought, but rather as a collection of similar attitudes towards domestic economic activity and role of international trade that tended to dominate economic thinking and policy during this period (Appleyard and Field, 1998). Mercantilism is often referred to as the political economy of state building mainly because the proponents subscribed to the doctrine that economic activity should be regulated and not left to individual prerogative. Mercantilists also stressed the need to maintain an excess of exports over imports (Appleyard and Field, 1998).

Error Correction Model (ECM) estimates that comes with the long-run speed of adjustment known as the error of correction coefficient. The result of the ECM estimates is summarised below:

The foundation of modern economic nationalism (neo-mercantilism) was laid by Alexander Hamilton in a Report on the subject of manufacturing presented to the United States House of representatives in 1792. According to Aja-Akpuru, Hamilton modernised the mercantilist theory by placing premium on the superiority of manufacturing over agriculture as well as the need for America to protect its domestic economy.

Modern economic nationalism is a weapon that emphasizes economic protectionism, rapid industrialisation, legislation on foreign direct investment (FDI) and foreign portfolio investment (FPI) and the activities of multinational corporations (MNCs), enforced quota system, fiscal and monetary policies including value added tax (VAT) and other forms of state intervention to support and protect local industrial growth.

The theory of neo-mercantilism is very relevant to this study because it is concerned about state building and industrial power. This theory argues that the primary purpose of tariffs, monetary and fiscal policies should be to promote and protect certain industrial sectors as a shield against adverse foreign competition. The theory also argues that even among highly developed countries the advocacy for free trade is strongly mediated by differing forms of

economic protectionist measures or policies. No country cherishes any openness that erodes national values and interest. Therefore, this study relying on this theory argues that the ECOWAS Trade liberalisation Scheme so far has no significant impact on manufacturing capacity utilisation in Nigeria in view of its continuous decline leading to persistent unemployment situation over the years and as a result, the theory makes a case for the reversal of this trend through appropriate use of both fiscal and monetary policies to promote and protect the local industries from adverse foreign competition.

V. CONCLUSION

From the data and analysis presented, it is very clear that manufacturing capacity utilisation in the country has been on the decline particularly when compared to its levels in the 1970s, and consequently Nigeria's industrial growth has been on the decline or at best epileptic. The result in table 1.4 above show that the coefficient of manufacturing capacity utilisation is 3 (three) percent which means that though capacity utilisation in Nigeria has some positive impact on the economy but generally speaking, it is not statistically significant on the current real gross domestic product (RGDP) thus confirming the findings of the researcher in table 1.1 that due to poor capacity utilisation in Nigeria, unemployment has been on the rise.

In conclusion, this paper therefore emphasizes that the ECOWAS Trade Liberalisation Scheme (ETLS) has no significant impact on manufacturing capacity utilisation in Nigeria. To reverse this trend, the Federal Government of Nigeria must take drastic actions to protect and promote her local industries to become more efficient and competitive.

VI. RECOMMENDATIONS

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

1. There is the urgent need for the Federal Government of Nigeria to put in place an agency called Border Defence and Management Agency (BODMA) in order to decisively deal with the excessive smuggling of foreign goods into Nigeria through her immediate neighbours. This arrangement is the right thing to do rather than the total and complete closure of Nigeria's borders, with her neighbours. This closure is against the ECOWAS Trade protocols or agreement.
2. The Federal and state governments in Nigeria must seek for ways to reform and mechanise agriculture in Nigeria. This will help to boost industrial production and growth in Nigeria in view of the fact that no industrialisation process can be sustained without a formidable agricultural base.
3. The federal government of Nigeria must consider such innovative ways as public-private partnerships (PPPs) in order to reduce the infrastructure gap in Nigeria. This view has become

very urgent considering the drastic fall in the prices of crude oil in the international oil market.

4. The federal and state governments in Nigeria must also consider the use of tax holidays, subsidies and grants to encourage out indigenous manufacturers, scientists and entrepreneurs to venture into the domestic development and acquisition of high technology oriented industries or sectors so as to widen and diversify the productive capacity or base of the economy.

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