ROLE OF ECONOMIC INTEGRATION IN NATIONAL DEVELOPMENT: NIGERIA'S EXPERIENCE

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ABSTRACT

Regional organizations have generally grown as a consequence of internal and external push in growing nations, particularly those that are devoted to regional economic integration. This came about as a result of the notion that certain obstacles needed to be removed for their nations to advance. Global growth in development cooperation has also been spurred by the anticipated advantages of regional cooperation for trade and economic development, notably the advantages of economies of scale and expertise brought about through commerce. Thus, this paper examined the significance of economic integration to the development of Nigeria. The study gave credence to the concepts of economic integration, the need for economic integration, economic integration and the Nigeria economic development, and Nigeria's readiness to fully leverage on integration. Data was collected from published academic articles. Based on the data reviewed, it was concluded that economic integration significantly contributed the development of Nigeria, making it a crucial first step in realizing its full economic potential. Despite this, however, it was revealed that Nigeria is not fully ready for full economic integration. It was, therefore, recommended that for integration to fully benefit the nation, the private sector's productivity growth must be increased. Also, to fully reap the tangible opportunities of regional integration, the country would require a strong collaboration of reforms and programs that set it up for international commerce.

Keywords: Economic Integration, National Development, Cooperation, Trade Union, Trade Organisation, Trade Barriers

1. INTRODUCTION

Regional organizations in emerging nations, particularly those that are committed to regional economic integration, have developed primarily as a result of internal and exterior drive. Upon their independence, African nations realized they needed to cooperate. This resulted from the idea that some barriers must be eliminated in order for their countries to grow. In order to benefit from economies of scale in manufacturing and use, which are the results of successful and effective development cooperation, regional bodies were established (Agbonkhese & Adekola, 2014). These economies thought that joining forces under a regional organization would be a powerful way to express their economic freedom on the international front. On the other side, economic grounds for the creation of regional groups have been introduced, including the benefits of scale, low resource allocation, and backwardness, to name a few. These issues, which plague isolated and underdeveloped economies in Sub-Saharan African (SSA) nations, are thought to be eliminated through development cooperation, paving the way for long-term development and improvement. In fact, the treaty that was signed in Abuja in 1991 viewed the continent's existing regional entities as foundations, assuming that there existed a strong basis upon which it could grow (Chilleh, 2013).

West Africa has a large number of regional organizations. The Economic Community of West African States (ECOWAS), Communuaute Economique de l'Afrique de l'Ouest (CEAO), and MANO River Union (MARIUN) can be named as three of them that are specifically interested in promoting intra-regional commerce (Agbonkhese & Adekola, 2014). Regional cooperation has gained significant speed in recent years as a result of globalization and rising uniformity in concerns pertaining to trade-related fiscal, financial, and technological constraints (Ayokhai & Wilfre, 2015). These and the quickening pace of scientific and technical advancement are a few of the driving forces behind the necessity and significance of the different regional cooperation programs that have emerged following World War II.

The adoption of a monetary union by the European Union and the formation of the Union's interdisciplinary approach to also include nations in East Europe are a more classic case of this kind of partnership. Other well-known instances of this tendency would include creation of organizations like the Association of South East Asian Nations (ASEAN), the Caribbean Community and Common Market (CARICOM), the Southern Common Market (MERCOSUR), and the Asia-Pacific Economic Cooperation (APEC) agreement between the United States, Japan, China, Canada, Mexico, Australia, and a dozen other Pacific-ocean-bordering nations (Agbonkhese & Adekola, 2014). To improve the lot of their regions, each of these organizations had a similar ambition to create free trade zones, customs unions, and maybe unified currencies.

The expected benefits of regional cooperation for commerce and economic expansion, particularly the advantages of efficiencies of scale and expertise brought about by commerce, have also fueled the global increase in development cooperation. Although being rich in natural resources, Africa still struggles with a poor industrial foundation, reliance on foreign loans and money, and a continuous reliance on the production and sale of basic commodities (with trade directed mostly towards EU markets) (Jooji & Oguch, 2017). Reducing these dependencies, which over time have been made worse by the fast increase in integrating regions among her main trade partners in Europe and elsewhere, is consequently a problem (Jooji & Oguch, 2017). Indeed, unification has the ability to significantly contribute to the growth and prosperity of African nations like Nigeria (Okoro, et al., 2020). Yet given the glaring failures of preceding African integration initiatives, it is crucial to learn from past mistakes in order to guarantee success. Thus, this paper examined the significance of economic integration to the development of Nigeria.

2. LITERATURE REVIEW

2.1 Concepts of Economic Integration

Economic cooperation refers to the relationship of neighbors and governments in which they collaborate and come to development agreements through their shared institutions and rules. It is a type of economic and political initiative centered on interests around the world to achieve their economic progress, which also involves security (Offorma, 2018). The slow process of economic unification is aided by clearly stated goals for reducing trade barriers between partners (Omolehinwa, et al., 2020). An agreement including the harmonization of trade, fiscal, and monetary policies among agreeing nations is known as economic integration. Yet in addition to promoting environmentally friendly development, financial cooperation aims to raise the standard of living for individuals across all member nations. It is either structured through international judgment, multinational institutional arrangements, or a combination of the two. Mutual understanding and cooperatively maintaining common assets and capabilities are used to handle unification. Most crucially, it is a method for international trade liberalization and the development of a global market for commodities, people, money, and services (Kwaba, 2019). Regional integration is promoted by the European Union as a powerful instrument for achieving prosperity, peace, and security. The Union sees regional cooperation as a tool that will be used more and more to resist globalization's drawbacks and reap its benefits.

In the past, efforts at regional economic integration frequently included removing trade restrictions within the area, promoting cross-border trade in people, labor, goods, and assets, reducing the likelihood of armed confrontation within the region, and taking a unified regional position on important policy concerns like the surroundings, border control, and climate change. Intra-regional commerce, which focuses on business transactions between nations inside the area or economic zone, is a component of regional integration (Kwaba, 2019). Nations that are part of economic trading regimes benefit from increasing commerce and product exchange among themselves; the Economic Community of West African States is one example (ECOWAS). Inflation and tariff obstacles brought on by international markets are decreased as a result. Economic integration concerns the decision of many nations to reduce trade restrictions between them. Due to constraints at the boundaries and limitations on the number of items that may be received, tariffs and taxes levied on imports into a nation may act as a barrier. For instance, the ECOWAS countries may choose to establish a free-trade pact to lower obstacles between the states. Moreover, nations may decide to erect their own trade restrictions on commodities coming from other nations (Souare, 2013).

Economic interdependence is both a process and a governmental concern, claims Jhingan (2009). It is a procedure that comprises steps meant to reduce prejudice towards other country' economic entities. It stands for the lack of different types of prejudice between nations as a condition of affairs. In addition, the method of economic unification may involve different relationships between states at various phases. The favourable trade arrangement, which grants member countries special consideration by lowering customs duties from one another while maintaining higher duties on imports from out of the group, is the first step (Kwaba, 2019). It represents a loose kind of economic unification. The next step is a free trade zone, where members maintain their own tariffs, restrictions on trade, and economic guidelines with non-member nations while doing away with tariffs and other trade obstacles among members. Nonetheless, steps are being done to stop importation from elsewhere in the region through the nation with the cheapest external tariff. The member nations of a free trade area are not required to have a shared border (Kolawole, 2019). Trade within the region is the only foundation for the economic interdependence. The third stage is the customs union, in which all tariffs and other trade obstacles are removed between the participating nations and a common foreign tariff and economic policy on shipments from outside the world is adopted. So, under a customs union, all members conduct business with non-member nations as a single entity.

In actuality, the freedom to move goods among the participants of a free-trade zone and a cus toms union is identical. Yet, both are different in that a customs union imposes a single external tariff against non-members, whilst a free trade area allows each member to maintain their own tariff against non-members (Mevel & Karingi, 2012). The common market, which depicts an integrated common market region among states, comes next in the process. Since the commodity and factor markets are interconnected, there is unrestricted mobility of products, activities, and productive resources. In essence, the common market expands on the idea of the customs union by enabling free movement of people, capital, and goods among its members. An economic union, the maximum level of economic cooperation, is a subsequent step (Kolawole, 2019). In addition to the integration of the labor and product markets as in the free trade area, this also entails the coordination of financial, fiscal, as well as other measures including the rate of exchange, commercial, social, and other policies. As a result, the adoption of a common external tariff and internal economic policy involves a large amount of planning among the parties of an economic union.

2.2 The Need for Regional Economic Integration

Economic interdependence is advantageous in several ways because it enables nations to trade and concentrate without government interference, which is advantageous for all economies. Costs are decreased as a result, and eventually, wealth is increased. The following is a list of the requirements for economic interdependence.

2.3 Reduction in Trade Cost: A more productive economy results from lower trade expenditures and more access to commodities and services. An effective economy allocates resources, products, and services to the regions where there is the greatest need.

2.4 Factors Movements: Components of production like labor, equipment and entrepreneurial skills are willingly moved from where they are less used to areas where they can be more successfully used. After all, when asked a few years ago why so many nations lacked development, " Auhor Lewis said “such countries lack or have few capitalists”. It is safe to say that those nations will struggle to achieve or bring about true growth in their various nations if they lack genuine entrepreneurs (Sheriff & Nwokedi, 2016).

2.5 Specialization Will Flourish: Specialization will become more important. This means that rather than becoming jacks of all crafts, the nations in the bloc will engage in innovative specialization. A more effective use of resources will result from this, which will inevitably improve product quality and the quantity available on the local market. Clearly, the price paid by consumers will decrease, ceteris paribus, when more items are made accessible to them. Of course, this will increase manufacturing efficiency. In other words, less effective producers will have to make room for those who are more effective (Agbonkhese & Adekola, 2014).

2.6 Encouragement of Political Cooperation: And last, there are less political disagreements and more political collaboration. Political disputes typically result in severe financial losses for all parties involved as a result of trade wars or even armed warfare (Dheeraj, 2022).

2.7 Economic Integration and the Nigeria Economic Development

Economic interdependence is essential for Economic development in Nigeria, making it a crucial first step in realizing its full economic potential. Nigeria has had a growing difficulty in recent years. Nigeria had an exceptional average real growth rate of GDP of 6% in the ten years leading to 2014. This took place in the era of the products super period, which was characterized by a prolonged period of higher commodity prices assisted by new markets like China's increase in population and infrastructural facilities, which in turn fueled demand for both industrial and agricultural goods and services from African countries (Okpanachi, 2022). The Nigerian economy entered a recession in 2016, and the restoration has been sluggish. The economy expanded on average between 1.9% and 2.4% in 2019, with a similar growth estimate for 2020. A large increase in private investment and Foreign Direct Investment (FDI) inflows is required to restart Nigeria's development pace. FDI to Nigeria has indeed been falling; in contrast to a year earlier, it fell by 43% to $2 billion in 2018 (Okpanachi, 2022). Hence, cooperation offers a chance to accomplish both goals.

In 2017, Nigeria's trade in products was valued over $75 billion, with just 8% coming from commerce inside Africa. Throughout the seasons, oil and gas exports have ruled Nigeria's commerce; in the previous five years, they made up over 90% of all exports from Nigeria (Aderemi, et al., 2018). Around $40 billion in exports from Nigeria were made up mostly of crude oil and natural gas in 2017. Just 2% of the export earnings were manufactured goods, as 50% of the other 5% of exported goods were agricultural commodities in its raw form. The prospects are considerably higher when it comes to commerce in services. Nigeria ranked fourth in Africa in terms of trade volumes in 2017 with a $23.2 billion worldwide trade in goods and services (Aderemi, et al., 2018). Nigeria purchased services worth $18.2 billion, but only exported 21% of its overall services trade, creating a significant $13.2 billion imbalance. Around 86% of its service imports and 76% of its service exports are made up of transportation, travel, and other business services. Nigeria's trade in services increased by $1.7 billion as an outcome of the financial services sector, which includes insurance and retirement trade.

Most of Nigeria's imports of transport services go to its educational and medical establishments. The value of the import of transport systems might increase as our local transit sector is developed, which could benefit the Nigerian economy. The country has been using borrowing to try to close the private investment shortfall since 2016. Nigeria has improved its ranking on the World Bank's Ease of Doing Business Index as a result of several measures made to facilitate doing business there (Adeyeye, Akinuli & Ayodele, 2016). The MSME segment has received a variety of intervention funding, but despite these efforts, economic growth has not been able to rise over 2.5%. The capacity for prosperity and growth would be unlocked via business and investment integration in the following ways:

- It provides easy passage of businesspeople and enterprises in addition to privileged access to a much larger single continental market for products and services valued at $416 billion and $121.8 billion, respectively.
- As a result, there is more possibility to develop and expand non-oil exports, enhance export performance, and implement the recommended reforms.
- It results in the liberalization of key industries that make up the majority of the nation's top imports of goods and services. As a result, there will likely be a decrease in the price of imports from African nations, which will result in reduced product prices for individuals and cheaper input costs for companies. Also, it will lower the cost of manufacturing Nigerian goods, raising demand for them.
- It raises the country's investment appeal to overseas investors.
- It results in the settlement of a number of trade-related concerns, such as trafficking, violations of rules of origin, and other exploitative trade practices, that Nigeria is now facing in ECOWAS.
- Together with all trade-related issues, it also offers assistance on investment, intellectual property protection, competition laws, customs issues, and the execution of trade facilitation strategies.

Although strong economic ties between nations are a positive indicator of progress and a prospective engine of growth prospects, they also pose hazards and difficulties to that growth. So, while we examine the beneficial effects of development cooperation on the Nigerian economy, we also need to be mindful of all the hazards that may occur if the nation is not prepared to fully profit from its achievements.

2.8 Nigeria's Readiness to Fully Leverage on Integration

The potential of Nigerian commodities and services to enter global markets with few tariff and non-tariff impediments is a basic preparedness condition for trade capacity. Nigeria has engaged in extensive both bilateral and multilateral trade negotiations with a number of African, European, and Asian nations, but has yet to reap the rewards of these accords (Agbonkhese & Adekola, 2014). As compared to other African nations, Nigerian products have lower margins of choice and higher tariffs in international markets, demonstrating this (Okpanachi, 2022). This is credited to the ineffective interplay seen between financial sector, the private sector's inability to capitalize on prospects, and inadequate resources for the application of treaties, such as upgrading to follow guidelines, regulatory frameworks, and sanitary requirements of export markets.

Nigeria continues to fall well short of meeting the demands of the African market in terms of productivity. With the exception of agriculture and oil and gas, which are considerably below the requirements of the potential African market size, the Economic Recovery and Growth Plan (ERGP) set productive capacity objectives for Nigeria's main sectors. For illustration, whereas the predicted national energy requirement for 2025 is 15,255MW, the actual transmission and distribution capabilities are around 5,300MW and 5220MW, accordingly. This demonstrates how severe Nigeria's power distribution crisis is and highlights how difficult it will be for the nation to compete effectively. In the Enabling Trade Index, Nigeria ranks 93rd out of 136 nations in terms of transportation system (score of 3.8/7) in terms of the access to and quality of road network. Nigeria trails behind comparable nations like South Africa (5.8/7), Morocco and Cote d'Ivoire (5.1/7), Kenya (4.3/7), Egypt (4.2/7) and Ghana (4.0/7), in part because it relies so heavily on its road system for trade owing to the insufficient capacity of other transportation systems.

A similar gloomy picture may be seen in the current situation of the trade environment. The frequency spectrum of informal commerce, which results from a lack of a coordinated system for controlling products in transit, is a significant barrier to intra-African trade (Alabi,2020). The Inter-State Road Transport of Goods (ISRT) system, which is intended to close this gap, has been largely implemented in Ghana and other ECOWAS nations, but Nigeria has not yet done so (Ojeme,2019; Alabi, 2020). The cost of funds is yet another factor that influences the trading climate. Nigeria's cost of financing, or the cost of borrowing, is high due to a number of factors, such as a lack of funding for the real sector, inadequate facilities that makes it difficult for businesses to operate, non-performance of loans and debtors' incapability to repay loans, systemic constraints in the economy, and a shortage of adequate securities for MSMEs to obtain credit, to mention a few (Umunna, 2022).

3. CONCLUSION AND RECOMMENDATION POLICY

This paper examined the significance of economic integration to the development of Nigeria. The study substantiated the ideas of economic integration, the requirement for economic integration, economic integration and the growth of Nigeria's economy, and Nigeria's preparedness to fully benefit from integration. Based on the evaluated data, it was resolved that economic integration made a substantial contribution to Nigeria's growth, making it a necessary first step in achieving the country's full economic potential. However, it became clear that Nigeria is not yet fully prepared for complete economic integration. It was concluded that Nigeria’s capacity for prosperity and growth would be unlocked via business and investment integration since it will result in the settlement of a number of trade-related concerns, such as trafficking, violations of rules of origin, and other exploitative trade practices; and offer assistance on investment, intellectual property protection, competition laws, customs issues, and the execution of trade facilitation strategies.

In order for integration to benefit the nation, the private sector's productivity growth must be increased. To fully reap the tangible opportunities of regional integration, the country would require a strong collaboration of reforms and programs that set it up for international commerce. In addition to that, as a matter of priority, Nigeria needs to:

1. Implement the terms of current trade treaties that deal with trade restrictions and dispute resolution. Predatory trade agreements, particularly with regard to commodities imported from other continent, pose a serious danger to Nigeria's progress in regional cooperation. ECOWAS and the African Union must work together at the highest level to combat this menace.

2. Adopt policy, operational/technical, governance, and financial reforms to enhance provision of services, minimize losses, and reestablish the financial viability of the electricity industry. Electricity is the biggest contributor to production costs for companies (both in manufacturing and services), hence tariffs for big customers and strategic industries should be in line with those in important comparable nations.
3. To maintain and improve the efficiency of the country's transportation networks, in especially those in the export routes, create an environmentally friendly financing plan.
4. All pertinent MDAs should get technical support and capacity training to promote organizational changes and make conducting business in the nation easier.
5. In order to fully execute current customs cooperation agreements, problems must be resolved. Data needs must also be standardized, and existing international treaties between Nigeria and its neighbors must be updated to incorporate integrated border control.
6. To overcome supply-side restrictions faced by firms, particularly in the strategic industries, goods, and services, current rules and initiatives should be updated. Maintain agricultural financing incentives and increase mining, manufacturing, and services industry funding and investment incentives.
7. Boost its productivity along the whole value chain in the industrial, agricultural, service, and other industry sectors.

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