TRADE POLICIES, INTERNATIONAL TRADE AND ECONOMIC DEVELOPMENT

Sanusi Muhammad Lawal
Sunday Adejoh

Abstract
The nature of the international Political Economic system is such that reflects interactions between and amongst states. These relationships are precipitated by the need to promote, protect and project their national interest. It is also important to note that the uneven distribution of natural resources has ensured that no state is a state of autarky. Hence, the need for trade relations. International trade is an integral aspect of international economic relations and there are contending perspectives as to whether or not international trade is a driver of economic growth and development. This paper, therefore, is an attempt to interrogate contending perspectives on trade policies and the nexus between international trade and economic development. Methodologically, this paper is a product of desk research that relied basically on secondary data. It identified the increasing role of Transnational Corporations (TNCs) in Foreign Direct Investment (FDI), globalization and the quest for states to meet up with basic economic needs as major drivers of international trade. It also examined the impact and influence of competitiveness and regional trade agreements, pandemics and diseases, capital flows and exchange rates, politics, policies and state of nations as factors affecting international trade. It is the position of this paper that international trade is an inevitable venture by states and this venture contributes to the economic growth and development of countries. It recommends amongst others the need for states to maximise their trade relations by enhancing the technical and technological capacities as far as production processes are concerned.

Key Words: Development, Economic Growth, Foreign Direct Investment, International Trade, Trade Policies,

Introduction

International trade has been and will remain the bridge between peoples. Trade has existed since ancient times, and the historical development of nations is the result of ensuring their needs physical and moral as well as intellectual. Due to the fact that no country has all the available human and material resources so as to ensure an easy life standard, the exchange of surplus goods with scarce goods has become a particularly important practice (Terzea, 2016). The basic propositions about the gains from trade are not the end of the story. First, the divergence between autarky and free trade prices is only an approximate explanation of the gains from trade. In particular, countries trade to achieve economies of scale in production or to have access to a broader variety of goods. Also, if the opening-up of trade reduces or eliminates monopoly power or enhances productivity, there will be gains from trade additional to the usual ones (Schott, 1996).

Trade policies determine the size of markets for the output of firms and hence strongly influence both foreign and domestic investment. Over time, the influence of trade policies on the investment climate is growing. Changes in technology, liberalisation of host country policies towards trade and investment and the growing organisation of global production chains within multinational enterprises (MNEs) have all served to make trade policies in home and host countries alike a crucial ingredient in encouraging both foreign and domestic investment and in maximising the contribution of that investment to development (Organization of Economic Cooperation and Development, 2012). One of the most debated topics in the area of development economics is the relationship between international trade and economic development, particularly economic growth (Singh 2010, Salvatore 2011).

From a theoretical perspective, trade liberalization could allow the reallocation of resources from the areas of comparative disadvantages (where resources may be redundant) into the areas of comparative advantage, thereby facilitating the movement of the income toward its steady -state level. Thus, even if in the short-term

trade liberalization could negatively affect economic growth, in the medium to the long term, its impact could become positive (Gnangnon, 2018). Papageorgiou, Michaely, and Choksi (1991) have reported that trade liberalization results in the more rapid growth of exports and Gross Domestic Product (GDP), without significant transitional costs in terms of unemployment. Greenway (1998) concluded that the impact of trade liberalization on economic growth can be positive or negative, although the cases for positive impact tend to dominate those over negative impact.

This paper, therefore, attempts to examine an important component of international political economy which is international trade, and trade policies vis-à-vis the nexus between international trade and economic growth and development. This paper is divided into four sections; section one looks at conceptual issues, section two examined contending trade policies, section three identified and interrogates the factors promoting and factors affecting international trade and the last section looked at perspectives on trade and economic growth.

Conceptualizing International Trade

The concept of international trade is nebulous in nature as there is no single generally accepted definition. It however important to note that international trade has been and will remain the bridge between peoples. Trade has existed since ancient times (Terzea, 2016). The nature of the international political economic system is such that no state is a state of autarky hence the need for trade between and among nations. Economics Concept (2012) adds that the difference between international trade and domestic trade is that, this type of trade is more costly than domestic trade. This is so because trade across the international border requires other charges or costs such as tariffs and other costs associated with country differences such as language, the legal system or culture are also incurred. Factors of production such as capital and labour typically move more freely within a country than across countries. International trade is described as an exchange of goods and services between the residents of a given country and those of the rest of the world (Mannur, 1995). International trade is the

exchange of commodities, products, services, and capital between people and companies in different countries. International trade has existed for a long time, but trade has increased hugely in the past few hundred years and has had a major impact on the economies of many countries (James, 2014).

International Trade is classically perceived as an exchange of goods and services across national borders. But this definition was adequate in the past when it included most of the trade flows between nations. Nowadays international trade flows became so diverse and complex that made simply defining international trade is impossible. International Trade has become the most important economic activity in the world economy (Predrag, 2008).

Factors Promoting International Trade

There are many factors responsible for promoting international trade. Apart from the fact that no state is a state of autarky, Transnational companies (TNC), the quest for Foreign Direct Investment and the globalization of the international system amongst several other factors have promoted international trade.

i. Transnational Companies (TNC)

TNC conducts international business through foreign direct investment (FDI). These investments represent a part of the international transfer of private capital and usually are defined as ”an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (investor or parent enterprise) in an enterprise resident in an economy other than that of the investor (FDI enterprise or affiliate enterprise or foreign affiliate)”(UNCTAD, 2007.).

ii. Technology

Technology has become a very important factor of production in the 20th century and especially at the beginning of the 21st century. The economic development of some countries that do not have much of traditional resources, like Japan or Switzerland, can be explained only if we consider technology as the leading factor of production. The most

important subjects in international technology transfer are transnational corporations(Predrag, 2008.
Technological progress is determined not only by domestic innovation but also by international technology spill-overs. In developing countries, where domestic innovation is low, spill-overs acquire relatively greater importance. Understanding their geographical extent – i.e. whether the spill-overs are localized or global – is crucial to determining their nature and impact. Indeed, the prevalence of international technology spill overs is a major determinant of the world's income distribution (World Trade Report, 2013).

iii . Globalization
Globalisation refers to the growing interdependence of countries resulting from the increasing integration of trade, finance, people, and ideas in one global marketplace. International trade and cross-border investment flows are the main elements of this integration. Globalization is driven by two main factors. One involves technological advances that have lowered the costs of transportation, communication, and computation to the extent that it is often economically feasible for a firm to locate different phases of production in different countries (Boskov, and Lazaroski, 2011.p.2). Globalization of the markets and internationalization of production present the most significant features of world economic development during the last decades. Globalization impacts have changed the rules of world competition. Global strategy is based on the search for a balance between local adaptation and global standardization (Dubravska and Sira, 2015).

Factors Affecting International Trade
Growth of the international trade has been influenced by many factors followed-up by globalization, such as the development of technology, government decisions, institutional activities, consumer behaviour, increasing competition, and new trade agreements(Dubravska and Sira, 2015). Various factors, such as political, economic, and practical factors can affect the growth of international trade. Exchange rates,

competitiveness, growing globalization, tariffs and trade barriers, transportation costs, languages, cultures, and various trade agreements affect companies through their decision to trade internationally (Dubravska and Sira, 2015.p.1211).

i. Politics, Policies and State of Nations

Political policies and other government concerns, such as the relationships between trading nations, are highly important to the growth of international trade. A politically stable nation with few policies restricting international trade will likely be able to expand its worldwide trade rapidly. Political instability, however, particularly when it leads to violence, can be a major barrier to trade growth. Many nations place steep tariffs on exports or imports from certain nations or industries for such reasons. While such tariffs can be used to protect fledgling industries or to place political pressure on some nations, their overall effect on international trade is often negative (Dubravska and Sira, 2015). There is also a need to draw another distinction between the factors affecting international trade: policy factors and non-policy factors. In as much as policy factors are important, they only provide an explanation of the observed variations in international trade flows.

Evidently, most of the concerns that have been brought forth in the wake of the slowdown of international trade have been pointed at the rise of nationalism and populism that has been gradually translating into protectionist behaviour in some regimes, thus exerting dramatic consequences on the world trade and economic integration. Currently, there is no concrete evidence to show that governments have been indulging in the implementation of policies to drive themselves away from open trading. By applying the protectionist policies, from their traditional perspective, has merely been usual and not widespread enough to cause a substantial effect on the weakness of international trade (Antunes, 2012).

In recent time, the Nigerian government shut its land borders with neighbouring states of Benin Republic, Cameroon, Chad and Niger over what was observed to be; an increase in smuggling activities, alleged security breaches, trafficking, incidence of illegal cross-border

activities, undocumented migration, among others in the West African sub-region. However, the continual closure of these borders appeared to have affected the activities of border communities, and regional and national economies. the closure led to economic hardship for people in border communities, the West African sub-region and the Nigerian state at large (Abiodun, 2021). border closure for over a year by the Nigerian state has actually heightened the state of unease or suffering as nearly all the border communities are worst hit with millions of residents losing their gainful jobs while a very large percentage of small and medium enterprises (SMEs) have been grounded and even relocated elsewhere (Oguntoye, 2020).

ii. Capital flows and Exchange Rate

Capital flows and exchange rates are other factors that affect global trade. Capital inflows can lead to an appreciation of the exchange rate in recipient countries, thereby hurting their export competitiveness (Corden and Neary, 1982; Agenor, 1998; Lartey, 2008). Under a flexible exchange rate mechanism, both the nominal and the real exchange rate appreciate as a reaction to the increase in the relative price of non-traded goods. Under a fixed exchange rate arrangement, the expanding money supply increases domestic prices, thereby leading to a real appreciation of the currency. It is worth noting that in most countries, exchange rate appreciation is sporadic, volatile and short-term in nature. Appreciation over a longer period occurs only in relatively few numbers of cases (Sy and Tabarraei, 2010).

The exchange rate is the price of one currency in terms of another. Exchange rates fluctuate depending on the demand for a particular currency. If there is a high demand for a country's currency then its price will tend to rise. Because currencies fluctuate in price it can often be cheaper to buy goods in one country and sell them in another. Because of this exchange rates have a major impact on international trade (James, 2014). Exchange rate volatility determines the overall dynamics of pass-through effects and the associated absorption capability of the exchange rate. The ability of exchange rates to transmit external (price) shocks to the national economy represents

one of the most discussed areas relating to the current stage of the monetary integration in the European single market. New European Union (EU) member countries that accepted the obligation to adopt the euro have to consider many positive and negative aspects of the euro adoption, especially in the view of time they need for the implementation of all necessary actions to be ready to give up their monetary sovereignty (Mirdala, 2014; Kotulic et. al., 2013).

If policy-makers choose to dilute the effect of real exchange rate appreciation by sterilizing incoming resources through open market operations, it will lead to an increase in domestic debt along with a possible increase in the domestic interest rate. This, in turn, may further attract more inflows from abroad and create a vicious circle of expected devaluation and capital flight, thereby affecting investment and trade in the future (Calvo et. al., 1993).

iii. Competitiveness and Regional Trade Agreements

Competitiveness takes into account the efficiency, costs of employment, level of government regulation and the ease of doing business. Competitiveness affects international trade because the more competitive countries will tend to attain a higher level of global trade (James, 2014).

International trade system since the General Agreement on Trade and Tariffs was formed in 1947. However, the new wave of bilateral trade agreements that have been sweeping across many regions in international trade is likely to cause a lot of distortions in the international trade if it strictly becomes a closed bilateral trade agreement (Chang, Kaltani, and Loayza. (2019). Multilateral, mega-regional, regional and bilateral trade agreements have existed.

The ECOWAS region includes 15 countries in West Africa. It can be subdivided in two groups: The eight Union Economique et Montaire Ouest Africaine (UEMOA) members (Benin, Burkina Faso, Cote d‟ Ivoire, Guinea Bissau, Mali Niger, Senegal and Togo), who adopted the CFA franc as a common currency, and non-UEMOA members Cape Verde, Ghana , Guinea, The Gambia, Nigeria, Liberia and Sierra Leone (Uexkull, 2012). Regional trade in West Africa is largely informal and

beset with considerable insecurity to traders and goods from corrupt law enforcement agencies or cross-border gangs or syndicates. The insecurity of traders is compounded by inadequate border infrastructure (such as warehousing facilities and reliable transport) and that traders often do not have valid travel documents or certificates of origin for their wares. Overall, aggregate levels of intra-regional trade are typically low relative to other regions of the world economy due to the prevalence of trade barriers, undiversified and underdeveloped production structures and poor infrastructure (Vickers and Games, 2015).The African Continental free trade area is another regional framework that will affect international trade in different dimensions.

iv. Pandemics and Diseases

The current global situation with the COVID-19 pandemic can be seen as a torn in world economies as every country including large economies such as Germany, China, the US, Norway, France, and the like have all experienced a shakeup in their economies. Various industries with economies have practically been brought to a halt (Dwumfour and Weiqing, 2020). Dwumfour and Weiqing, (2020:658) further analysed the impact of COVID on international trade using Ghana as a case in point when they claimed that:

> In the first five months of 2020, Ghana recorded a reduction in imports and exports trade, which is predominantly caused by the pandemic. The reduced economic activity on the domestic front has led to a decline in imports and exports. By the close of the first quarter of 2020, the total balance of payment summed up to a surplus of $ 1.48 billion, representing approximately 49% of the balance of payment recorded in the first quarter of 2019. The mid-year budget submitted by the Finance Minister indicated the country's gross international reserves are $ 9.17 billion, equivalent to 4.3 months of import cover. In as much as the COVID-19 pandemic has had a negative effect on the global economy with Ghana not being an exception, the

situation in the country does not look bad as might have been anticipated.

COVID-19 has had an immediate and strong impact on international trade. The first signs of the trade downturn were already evident in January, with most of the major economies recording negative trends. Still, the sharpest drop in international trade occurred in the second quarter of 2020, with global merchandise trade falling by more than 20 per cent relative to the same quarter of 2019. Trade trends for the third quarter, although still negative on a year-over-year basis, are significantly better than during the second quarter (UNCTAD, 2020).

The trade trends of some of the world's major trading economies further illustrate the extent of the downturn in international trade resulting from the COVID-19 pandemic. For most of the major economies, the months that recorded the sharpest drop were April and May of 2020. A slow recovery took hold in July and August, with a further improvement in September, when trade in some of the economies returned to growth on a year-over-year basis. Importantly, China's trade patterns have been notably different relative to other economies. China's economy was the first to be affected by COVID-19 and after falling in the early months of the pandemic, Chinese exports were already stabilizing in Q2 2020 and then rebounding strongly during Q3 2020, with year-over-year growth rates of almost 10 per cent (UNCTAD, 2020:2).

The ebola virus disease (EVD) in some parts of Africa is another pendemic that greatly affected the international trade, particularly among African countries. Several restrictions were put in place by neighbouring countries as a way to prevent and protect their citizens from being infected. The traditional niche of the Ebola Virus Disease on the African continent can be traced to Central Africa notably Yambuku in Zaire (now the Democratic Republic of Congo) and Nzara, South Sudan in 1976. The first case was reported in a village near the Ebola River in Zaire which influenced the name of the virus. The devastating nature of the disease accounted for a mortality rate of 88% and 66%

respectively during its maiden outbreak in Zaire and Nzara (Adegun, 2014).

The virus is transmitted to humans either through contact with the bodily fluids of infected animals or humans. These include contact with blood, mucus, saliva, vomit, sweat, urine, breast milk, and the deceased body among others. The virus invasion in humans appears to occur through mucosal surfaces, breaks, and abrasions in the skin, or parenteral introduction (Alexander et. al., 2015).

Trade and transport infrastructure were affected during the Ebola epidemic due to increased prices and hitherto limited distance coverage (AGOA, 2015). Therefore the quality of trade and transport infrastructure was a good proxy. Additionally, the decline in economic activities will affect currency performance which would increase the cost of international trade. In this context, exchange rate volatility was introduced in the model. Therefore, understanding the efficacy of and motives behind the response to disasters is of paramount policy relevance to provide the right incentives for governments to act appropriately in times of crisis (Maffioli, 2018).

Ebola virus has resulted in movement restrictions and a high-level mortality rate of over 2,000 people, which has affected trade in West Africa. The major individuals affected in the region are those employed in the agricultural and mining industry. These sectors employ a large amount of West Africa's populace, e.g. In Sierra Leone, the rate of agro workers is about 66%, Liberia the figure is more than one-half of the population, in Guinea (80%), while in Nigeria (70%) (African Economic Outlook, 2014). The Ebola Virus Disease reduced trade export shares of affected countries to their intra-regional partners by two folds. Ebola was found to have a negative and statistically significant effect on trade in West Africa. In a nutshell, poor regions are most likely to have greater repercussions on trade hence economic growth when there is an outbreak (Abban, 2020).

Disruption of transport, and export difficulties have impacted several sectors that contribute to trade in the region. In particular, trade in the informal sector has been affected regionally, given the wide-reaching effects of the EVD outbreak. Trade in the informal sector is

estimated to account for 20-72% of GDP in West African countries (Kenya.Sy, Amadou, and Amy Copley, 2014). Expensive marine insurance costs, compounded by air travel bans, contributed to the instability associated with shipping goods to and from the affected areas. Travel limitations for passengers to and from West Africa have impeded international businesses to conduct their operations as before (USAID, 2015).

The World Bank has estimated the virus has cost these nations more than US$2 billion over 2014-15. Since mid-2014, the three affected countries have experienced flat or negative income growth. The World Bank has further lowered the prognosis for 2015 based on continuing new infections, second-round effects and investor aversion: -0.2 percent in Guinea, 3 percent in Liberia and -2.0 percent in Sierra Leone (down from pre-Ebola estimates of 4.3 percent, 6.8 percent and 8.9 percent respectively). The World Bank also estimates foregone income in 2015 of about US$1.6 billion: US$540 million in Guinea, US$180 million in Liberia, and US$920 million in Sierra Leone. This is more than 12 percent of their combined GDPs (World Bank, 2015).

Climate Change

The direct consequences of climate change on trade could become manifest in damages to trade from more frequent extreme weather events or rising sea levels. Supply, transport and distribution chains might become more vulnerable to disruptions due to climate change. Maritime shipping, which accounts for around 80% of global trade by volume, could experience negative consequences, for instance from more frequent port closures due to extreme events. At the same time there could also be positive economic impacts on maritime shipping through the potential further opening of Arctic shipping routes, albeit at the cost of environmental degradation (Dellink, et. al. 2017).

One key direct effect of climate change is that supply, transport and distribution chains might become more vulnerable to disruptions due to climate change, thereby affecting future international trade patterns. Extreme weather events, for instance, may lead to the temporary shutdown of ports and transport routes; they might also

damage infrastructure critical to trade and thus have longer-lasting effects. These and other interruptions can lead to delays, increase the costs of international trade and could lead to a shift in trade patterns as companies involved in trade seek alternatives to increase reliability of shipping (WTO, 2009,P.7). According to reports surveyed by the IPCC (2014,p. 1132), climate change will affect all forms of transport relevant for international trade, including seaborne transportation, land-based transport modes, and aviation. There is only a small amount of research that points to the potential positive consequences of climate change on trade infrastructure, and supply, transport and distribution chains (Hansen et al. (2016), Heininen et al. (2015), Liu et al (2010,p.22), Maddocks et al. (2010). Higher temperatures will likely contribute to the melting of permafrost, shortening the availability of transportation routes through zones of cryotic soil (WTO, 2009; IPCC, 2014).

Perspectives on Trade Policies

Economic policies leading to economic growth and development have been studied many economists for a long (Zestos, and Tao, 2002.P.859)Trade policies determine the size of markets for the output of firms and hence strongly influence both foreign and domestic investment. Over time, the influence of trade policies on the investment climate is growing. Changes in technology, liberalisation of host country policies towards trade and investment and the growing organisation of global production chains within multinational enterprises (MNEs) have all served to make trade policies in home and host countries alike a crucial ingredient in encouraging both foreign and domestic investment and in maximising the contribution of that investment to development (OECD,2012.p.2).

Ratnaike (2012) and Gnangnon (2017), sees "*multilateral trade policy liberalization*" as all trade-related decisions—including those adopted under the auspices of the WTO—that ultimately contribute to reducing tariff and non-tariff barriers to trade for all countries, or at least for the overwhelming majority of them. There has always been a theoretical controversy between the growth of the economy and the openness of trade. In as much as many researchers predict that growth

in the economy comes in handy when there is trade openness, recent data depicts that openness sometimes does not bring about economic growth. Increased international trade brings about growth in the economy when there is the facilitation of technology knowledge diffusion from the direct importation of goods that are technologically advanced (Amiti,1996). The transition from communist economies to market-based ones by many countries in the early 1990s further accelerated the trend toward global trade liberalization. All of these changes have resulted in one striking fact about the period since 1980: There has been a far-reaching liberalization of trade barriers across the globe (WTO 1996, Rodrik 1994).

From an economic perspective, the case for freer trade rests on the existence of gains from trade and most economists typically agree that there are gains from trade (Djankov, Freund, and Cong, 2007). The definition of liberalization implies gradual reduction or elimination of cross-border barriers, including tariff and non-tariff measures, with the aim to promote the free flow of capital, goods, services as well as technology and human resources. The trend is moving away from a world in which national economies were relatively self-contained entities, isolated from each other by cross-border barriers to trade and investment; by distance, time zones, and language, even though there are national differences in government regulation, culture and business environments((Boskov, and Lazaroski, 2011).

From this point of view, the underlying assumptions of trade liberalization in light of competition are that global economy entails market competition, liberalization is required to attract capital, production, skilled labour and technology, also, the importance of continuing peddling so as to keep the liberalization momentum going (Haas, 1957). Free trade fosters economic freedom. The ability to trade freely increases opportunity, choices, and standards of living. Countries with the freest economies today generally have adopted a capitalist model of economic development, remaining open to international trade and investment. Free trade policies can foster development and raise the level of economic freedom (Sengupta, 2007). It fosters competition, spurring companies to innovate and develop better products and to

bring more of their goods and services to market, keeping prices low and quality high in order to retain or increase their market share. Also, free trade spurs innovation. Free trade promotes innovation because, along with goods and services, the flow of trade circulates new ideas (Boskov and Lazaroski, 2011).

In any freely organized market, for any given internationally traded commodity, demand will be partly from residents of the country of the market in question, and partly from residents of other countries. . . . The price of any freely traded good is unaffected by the national origin of sellers or buyers and there is, in consequence, no occasion for grouping buyers or sellers into more or less antagonistic sectors (Graham, 1948, p. 158). The efficiency gains from market integration are maximized by ignoring the boundaries of the nation-state; for private transactions in goods and factors of production, the optimum size of the integrated area is the world. By implication, the economic justification for the nation-state must lie in the existence of public or collective goods—including stabilization targets, the distribution of income, and the regulatory climate—and of differences in national consumption preferences for such goods (Whitman, 1977).

From a theoretical perspective, trade liberalization could allow the reallocation of resources from the areas of comparative disadvantages (where resources may be redundant) into the areas of comparative advantage, thereby facilitating the movement of income toward its steady-state level. Thus, even if in the short-term trade liberalization could negatively affect economic growth, in the medium to the long term, its impact could become positive (Gnangnon, 2018,p.1262). This perspective was also shared by Greenway (1998) when he concluded that the impact of trade liberalization on economic growth can be positive or negative, although the cases for positive impact tend to dominate those over negative impact. Using a dynamic panel model, Greenaway *et al*. (1998, 2002) obtained that there exists in the short-term and long-term, a J-curve effect, whereby economic growth declines in the first instances, and then increases after liberalization.

Today, the world is a place where barriers to cross-border trade and investment are tumbling; perceived distance is shrinking due to advances in transportation and telecommunications technology; national economies are woven into an interdependent global economic system(ESCAP, 2006). Over the last few years, the world has experienced a backlash against trade. It could translate into a strong appeal to trade protectionism, lowering multilateral cooperation and delaying further trade liberalization at both domestic and international levels (Gnangnon, 2018). In parallel to the impact of trade liberalization, another discussion has recently resurfaced in light of recent years' backlash against international trade. This trade backlash has manifested in a strong appeal for the adoption of restrictive domestic trade measures amid the world economic slowdown (United Nations 2017, WTO 2017). In addition, governments of developing countries often argue that recently established industries require temporary protection until they become more competitive and less vulnerable to foreign competition (UNCTAD, 1994).

Thus governments often prohibit or reduce selected imports by introducing quotas, or making imports more expensive and less competitive by imposing tariffs (Satapathy, 2001). Such protectionist policies can be economically dangerous because they allow domestic producers to continue producing less efficiently and eventually lead to economic stagnation. Wherever possible, increasing the economic efficiency and international competitiveness of key industries should be considered as an alternative to protectionist policies (USITC, 2005).

For instance, Singh (1985) argued that the applicability of free trade is limited in the case of a developing economy, where a vast segment of the productive resources are still unexploited, with the acute problem of unemployment. A free trade regime will further compound these problems by weakening the domestic industries, especially those that lack sufficient competitive powers. Falvey et al. (2017) brought forth an argument that upon the export increase, there is an overall improvement in the growth of the economy in the developing countries. However, Ulasan (2015) uses a dynamic data panel framework to argue that openness of trade does not have a robust association with the

economic growth of a given country and this eventually informs readers that trade openness alone cannot boost the progress of growth of an economy. The adoption of trade protection measures would likely trigger a trade war, which would undermine the possibility of greater cooperation among WTO Members to make further progress on multilateral trade liberalization. As a result, countries' economic growth and development prospects would be adversely affected (Gnangnon, 2018).

Perspectives On International Trade, Economic Growth And Development

Contending perspectives and arguments abound on the relationships between international trade, economic growth and development. These perspectives hinge on the gains and pains or pros and cons of international trade. There are comprehensive empirical studies on the impact of trade on economic growth. So far, the discussions in this area have been generally divided into two categories. One focuses on the causality relationship between international trade and economic growth to examine whether economic growth is propelled by international trade or vice versa. The other mainly discusses the contribution of foreign trade to economic growth (Peng and Almas, 2010.). Maurer (1994 surveys the empirical literature on the relationship between international trade and economic growth. He distinguishes between the Market Expansion Hypothesis, which postulates a positive relationship between international trade on economic growth, and the Trade Hysteresis Hypothesis, which pronounces the possibility of a negative relationship between international trade and economic growth. The main conclusion is that, though the empirical observations are not unequivocal, there seems to be more empirical evidence against the Trade Hysteresis Hypothesis than against the Market Expansion Hypothesis (Maurer,1994).

Over the last four decades, economists have produced a large quantity of statistical evidence on the relationship between international trade and economic growth. They have used datasets covering a large variety of countries, time periods, and economic

variables. The results largely support the hypothesis that keeping all other factors constant openness to international trade provides higher incomes and higher economic growth rates. The research is even more definitive in its rejection of the alternative hypothesis that trade reduces economic growth. There is no convincing statistical evidence suggesting that trade and economic growth are negatively correlated (Hendrik and Lewer, 2007). In the 19th century, international trade contributed powerfully to the transformation of Canada, Australia, New Zealand, Sweden, and Denmark from underdeveloped to developed countries, and in the second half of the 20th century, it acted as an engine of growth and development for the newly industrializing countries (NICs) of Southeast Asia" (Minford et al., 1995). International trade has contributed greatly to the global economic system. Emerging market economies (EME) were a result of international trade activities. The international trade programme has encouraged many countries in the world to adopt international economic policies that promote greater trade and investment (Hassan, Audu, and Aboki, 2014).

In sum, most empirical studies support the positive effects of openness on economic growth. From the comprehensive literature, both static and dynamic gains from trade could be found. The static gains from international trade refer to the improvement in output or social welfare with a fixed amount of input or resource supply. They are mainly the results of the increase in foreign reserves and national welfare. Firstly, opening up to the global market offers an opportunity to trade at international prices rather than domestic prices (Peng and Almas, 2010.p.5). The significance of international trade in economic development is vital. The neo-classical and classical economists attributed so much relevance to external trade in a development process of a nation which is regarded as an engine of growth nations of the world have been immensely linked together through globalization and external trade.

Foreign trade has been recognized as the most crucial and longstanding part of a nation's international economic relationships. Its role in the development process of a contemporary global economy is very crucial and central (Afolabi, Danladi, and Azeez, 2017).

Historically, trade has proven to be an engine for development and poverty reduction by boosting growth, particularly in developing countries. Rapid growth greatly contributed to the unprecedented reduction of poverty levels which led to the early achievement of the Millennium Development Goal is to reduce poverty by half by 2015 (WTO, 2018). First, trade provides material means (capital goods, machinery, raw materials, and semi-finished materials) which are indispensable for economic development. Second, trade is the means and vehicle for the dissemination of technological knowledge, the transmission of ideas, the importation of know-how, skills, managerial talent, and entrepreneurship.

Third, trade is also a vehicle for the international movement of capital, especially from the developed to underdeveloped countries.

Finally, free international trade is the best anti-monopoly policy and the best guarantee for maintaining free competition (Harbeler, 1988).

Trade works for developing countries because opening up to trade increases a country's economic growth as it allows each country to use its resources more efficiently by specializing in the production of the goods and services it can produce more competitively. By increasing growth, trade can also make available the necessary resources to implement other development targets in the social and environmental sphere. Trade also contributes directly to poverty reduction by opening up new employment opportunities, and reducing the prices of goods and services for poor consumers, including foodstuffs (WTO, 2018). International interactions not only improve incentives for creating new knowledge, but also those of technological diffusion, with analogical implications for productivity growth (Grossman and Helpman, 2015).

The impact of foreign trade on a country's economy is not only limited to the quantitative gains but also structural changes in the economy and facilitating of international capital flow. Trade enhances the efficient production of goods and services through the allocation of resources to countries that have a comparative advantage in their production. Foreign trade has been identified as an instrument and driver of economic growth (Frankel and Romer, 1999). Seeing trade as

an enabler and understanding its role as a catalyst is to think of trade as being the oil in an engine which propels various sectors of socio-economic activity. Because of its special role in development, more and more governments are adopting strategies which aim to mainstream trade into their national development strategies (WTO, 2018). According to Robertson (1938) "since the 19th century up to now, international trade has been an engine of growth for the global economy." In addition, "international trade has also acted as an elixir of growth and economic development for particular national economies.

Conclusion

International trade is a major component of international economic relations which reflects the unequal distribution of resources. TNCs are major drivers of international trade and are also major promoters of FDI and technology transfer. The impact and implications of international trade on economic growth and development have necessitated the need for trade policies by states. Perspectives exist on whether or not international trade promotes economic growth and development or not. Empirical evidence however shows that international trade promotes development.

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