IMPACT OF AFRICAN CONTINENTAL FREE TRADE AGREEMENT'S RULES OF ORIGIN ON TRADE DEVELOPMENT IN NIGERIA 2021 – 2025

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GOU/U22/IRE/598

DEPARTMENT OF POLITICAL SCIENCE AND

INTERNATIONAL RELATIONS

FACULTY OF MANAGEMENT AND SOCIAL SCIENCES

GODFREY OKOYE UNIVERSITY, ENUGU

JULY 2026

TITLE PAGE

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IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc.) DEGREE IN INTERNATIONAL RELATIONS

SUPERVISOR:
DR. KINGSLEY EZECHI

JULY 2026

APPROVAL PAGE

This is to certify that this research project entitled "IMPACT OF AFRICAN CONTINENTAL FREE TRADE AGREEMENT'S RULE OF ORIGIN ON TRADE DEVELOPMENT IN NIGERIA, 2021 – 2025" submitted in partial fulfillment of the requirements for the award Bachelor of Science (B.Sc.) in International Relations has been examined and approved by the Department of International Relations, Godfrey Okoye University.

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DECLARATION

I hereby, declare that the project entitled," IMPACT OF AFRICAN CONTINENTAL FREE TRADE AGREEMENT'S RULE OF ORIGIN ON TRADE DEVELOPMENT IN NIGERIA, 2021 – 2025"presented by me to Godfrey Okoye University, Enugu State, in partial fulfillment of the requirements for the award of the degree (B. Sc.) in International Relations is a record of a bona fide project work carried out by me and has not been submitted anywhere for the purpose acquiring degrees in International Relations or any other program under the guidance and supervision of DR. KINGSLEY EZECHI.

UCHE CHINEMEMA EMMANUELLA

DEDICATION

I dedicate this work to God Almighty for giving me the strength, wisdom, grace, knowledge and making it possible for carrying out this work.

ACKNOWLEDGMENTS

First and foremost, I return all glory, honor and praise to God Almighty for His grace, wisdom, strength, protection, and guidance throughout the course of this research work and my academic journey.

I wish to express my deepest gratitude to my project supervisor, Dr.Kingsley Ezechi for his patience, diligence, and invaluable suggestions throughout the course of this research. He is a teacher and father par excellence. I pray that God Almighty rewards him richly. Sir, I remain eternally grateful for the wisdom and guidance you so generously shared with me.

I am equally thankful to the Head of Department, Prof. Ugwuozor Samuel, for his consistent support throughout my academic journey. I also extend heartfelt appreciation to the Dean of the Faculty of Management and Social Sciences, Prof. John Odo, whose leadership I deeply respect.

To my distinguished lecturers, Dr Alex ogbonna, Dr. N.C. Mbaeze, Dr. (Mrs.) Ifedi F., Mr. Okonkwo Willy O., Dr. Roland Okolie, Rev. Fr. Ikenna Ogbuka, Mr Anthony Onyishi, Rev. Sr. Dr. Umeh Lucy, and Dr. Ossai, I sincerely appreciate your intellectual guidance, mentorship, and dedication. Each of you has played a vital role in shaping my academic experience, and I am grateful for the knowledge and inspiration you imparted.

Special thanks go to my dear friends Akueme Angel, Chelsea Anicho, Agwuncha Zuwena, Uchenna Blessing, Anita Emmanuel, Chioma Lucky, Nicole Pulife and Agbo Innocent for their constant encouragement, support and wise counsel. I also appreciate Mrs Chioma, the ever-helpful Secretary of the Department of Political Science and International Relations, for her administrative support and kindness.

From the depths of my heart, I thank my loving mother, Mrs. Uche Theresa, who made countless sacrifices to ensure I received a quality education. She bore financial burdens, offered unending prayers, and provided emotional strength throughout my university years. Mom, you are one in a million. May the Almighty God bless you with long life and good health.

Though you are no longer with us, I remember my late father, Mr. Uche Obiora, with great affection. I am deeply grateful to have you in my life though we are apart I am very happy

for all your sacrifices and support in my life. Dad, your memory remains alive in our hearts. May God grant you eternal rest until we meet again.

To my beloved siblings, Angel Uche, Irene Uche, victor Uche, Kenneth Uche ,Emmanuel Uche and Treasure Uche and divine Uche thank you for your prayers, love, and unwavering moral support. Your encouragement helped me persevere through the challenges of this academic journey.

Finally, I express my appreciation to all the lecturers and staff who contributed, directly or indirectly, to my academic growth. May the Almighty God reward each of you abundantly.

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ABSTRACT

This study examined the impact of the African Continental Free Trade Agreement (AfCFTA) Rules of Origin on trade development in Nigeria between 2021 and 2025. The study specifically focused on how poor implementation of Nigeria's local content policy and the country's import-oriented consumption pattern affected compliance with AfCFTA Rules of Origin and regional trade integration. The research was guided by two objectives: to analyze how weak implementation of local content policy undermined Rules of Origin compliance, and to assess how Nigeria's consumption pattern weakened the enforcement and benefits of AfCFTA Rules of Origin. The study adopted the Inter-governmentalism theoretical framework, which emphasizes the central role of sovereign states and domestic institutions in the implementation of regional agreements. A qualitative research design was employed, while qualitative content analysis served as the method of data analysis. Data were obtained mainly from secondary sources, including AfCFTA policy documents, National Bureau of Statistics reports, Nigerian Export Promotion Council publications, Manufacturers Association of Nigeria reports, academic journals, and international trade reports. The findings revealed that weak industrial infrastructure, inconsistent policy implementation, bureaucratic inefficiency, and heavy dependence on imported products significantly limited Nigeria's compliance with AfCFTA Rules of Origin. The study further found that institutional weaknesses and low local value addition reduced Nigeria's competitiveness within the continental market. The study concluded that strengthening domestic industrial capacity, improving institutional coordination, and reducing import dependence are essential for Nigeria to maximize the benefits of AfCFTA.

Keywords: AfCFTA, Rules of Origin, Trade Development, Local Content Policy, Inter-governmentalism

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The African Continental Free Trade Agreement (AfCFTA) represents a historic step toward Africa's economic integration, designed to create a single market for goods and services across 54 countries. Officially launched on January 1, 2021, it marked the beginning of a transformative phase in intra-African trade, with expectations of boosting industrialization, regional value chains, and sustainable development (Okeke, 2025). The agreement's central mechanism, the Rules of Origin was established to determine the economic nationality of products and ensure that the benefits of tariff preferences accrue only to goods produced within Africa. However, in Nigeria, the poor implementation of the local content policy and prevailing consumption patterns have posed serious obstacles to fully realizing these objectives.

The Rules of Origin (RoO) are the legal requirements that specify the country of origin of a product, which is the basis for providing preferential treatment to a product under FTAs. The rules when implemented in AfCFTA are to prevent trade deflection, protect local industries, and promote value addition in the region (Ajibo & Kaime, 2025). The success to a large extent depends however on domestic production and the coherence of the industrial policy. Nigeria, the biggest economy on the continent of Africa, is in a paradoxical situation as although it is one of the most important actors in the continental trade system, its reliance on imported raw materials and finished products frustrates its capability to abide by the provisions of the RoO. This means that the proposed trade-led industrialization is limited.

The local content policy, which was initially formulated to enhance domestic production and technology transfer, is one of the important factors that affect the competitiveness of Nigeria in trade. According to Okafor and Obiora (2025), by definition, local content is the percentage of goods, services, and labour sourced locally during the manufacturing process. It is important to note that a successful implementation of local content should ensure that Nigeria is able to meet the RoO of AfCFTA, thereby ensuring value-added operations are undertaken in Nigeria. However, challenges such as nonchalance or laxity in the implementation, bad infrastructure, and non-uniformity in policy implementation have hindered the effectiveness of the policy, thereby diluting the industrial base of Nigeria and the opportunities it can avail itself of using AfCFTA.

African countries' ability to diversify their production and establish competitive value chains in the region is seen as a key driver of the ambition of AfCFTA to boost intra-African trade. Establishing competitive regional value chains and diversifying production is seen as a key driver of the ambition of AfCFTA to boost intra-African trade, through the capacity of member states to establish such chains. A commitment to market integration was reflected by more than 30 countries in Africa providing tariff reduction schedules as shown at the beginning of 2021 (Ajewumi et al., 2024). But the delay in policy implementation and dependence on oil production in Nigeria reduced its ability to engage intensely in manufacturing-led trade. The export profile of the country is still dominated by major products that do not satisfy the transformative requirements laid down under the RoO thus restricting the availability of preferential trade treatment.

The development of trade in a country can be defined as the process of increasing its products, exports and world market competitiveness. The AfCFTA will bring about trade development following greater investment, industrialisation and knowledge sharing. But its success will depend on compliance with RoO which would ensure the circulation of value-added products instead of transshipment imports on the continent (Traoré et al., 2025). This is the case with Nigeria as it has not been able to establish robust manufacturing linkages with foreign countries, which continues to constrain industrial development in the country.

Nigerians' consumption pattern is a problem in this situation. Local needs are being neglected by local products, with the middle class growing and a high level of propensity towards imported products (Adebimpe & Badru, 2025). This consumerism has not only affected the local industry but has also dissuaded companies from entering the market for producing values – which would be necessary to meet the RoO. In this respect, while AfCFTA is a visionary trade agreement for Africa, the consumption pattern in Nigeria is more likely to create trade diversion movement towards other non-African sources which militates against the developmental objective of the AfCFTA agreement.

In theory, the tension between the consumption-led economy of the Nigerian states and the production-led logic of AfCFTA can be set in the context of the structuralist theory of the development of trade. This perspective suggests that structural transformation towards industrialization and value chain participation, a move towards disconnection from primary production and consumption requires sustainable development. This is one of the viewpoints that suggests that sustainable development requires structural change in the direction of disconnection from primary production and consumption towards industrialization and participation in the value chain (Agu, 2025). The enforcement of local content and the externalization of consumption in Nigeria have resulted in a sluggish transformation to such an extent that the economy is susceptible to exogenous shocks and the payoffs of preferential trade under AfCFTA are reduced.

Furthermore, the AfCFTA model also makes the assumption that institutions have intimate organizational coordination between customs authorities, the trade ministries, and players in the private sector. However, Nigeria's policy environment is not conducive to good coordination between the Ministry of Trade, the Nigerian Export Promotion Council, and industrial regulators. This institutional incoherence makes trade facilitation more complicated, leading to misunderstandings over the certification of RoO and low uptake of the AfCFTA preferences, Africa (2025) notes. The result is a lack of implementation and ability for Nigeria to add value and contribute to value chains across the continent.

The value chains, which are the interdependent network of development processes such as production, distribution, and marketing across various countries are at the heart of the developmental vision of AfCFTA. In line with Ajibo and Kaime's (2025) opinion, the success of the integration of Africa can be achieved through regional specialization where nations can add value-added products in a unified production system. If that is the case for Nigeria, it means it is no longer an exporter of raw materials; rather, the region would have its manufacturing base there. But in the absence of a robust local content policy and a shift in consumer behaviour, Nigeria may become a passive market rather than an active producer in such chains.

One more aspect of this issue is the trade governance political economy. The AfCFTA Agreement demands that country policies should be in accordance with continental trade goals. Domestic considerations in Nigeria, however, range from protectionism to liberalism, making the country unstable (Fakoya and Omitola, 2024). This mismatch reduces the likelihood of sustainable value linkages within the local and regional producers and the performance of trade development does not meet the RoO requirements.

The manufacturing sector in Nigeria, which is expected to be the driving force of trade-led development has been weak due to problems of low access to finance and infrastructure deterioration. The studies of Okafor and Obiora (2025) reveal that while AfCFTA has a market of one and a half billion people, Nigerian manufacturers are confronted with high production costs and energy crises which limit their competitiveness. In Nigeria's case, therefore, the continental framework is not just an export base, but is increasingly being imported by Nigeria and its ability to upgrade industries is being impaired.

Drawing on the analysis of the two-level game, Adebimpe and Badru (2025) explain how Nigeria's involvement in the AfCFTA is affected by domestic actors, such as consumer groups and bureaucrats. Their research shows that the problem of internal interests, as well as the lack of coordination between the actors has been limiting the country's integration with the norms of continental trade. This goes along with Bour-Donkor's (2025) argument that to successfully engage in AfCFTA, producers and consumers need to learn historically, engage in institutional reforms, and change their behaviors.

The idea of trade diversion, the relevance of which can be emphasized by Traoré et al. (2025), applies to the case of Nigeria especially. The importation trends in Nigeria are not driven towards trading among the African countries, but are still biased towards non-African investors like the European Union and China. This is an opposite direction to AfCFTA which aims at intra-African industrial interdependence and solidarity. It also illustrates how the local preferences of consumption, based on experiences of foreign quality, undermine the economic self-sufficiency of the region.

The Nigerian economic structure is also a reflection of the old colonial trade pattern which does not influence the extraction industries and manufacturing is underdeveloped. Agu (2025) argues that it is necessary to reform the law and institutions to end this cycle and put local content practices into line with the aims of continental integration. Nonetheless, these reforms need a long-term political commitment and policy presence which has been volatile in Nigeria's post-2021 trade environment.

However, AfCFTA's trade development opportunities for Nigeria are enormous as rules of origin can be implemented and harmonized with Nigeria's policies. Ajibo (2024) considers the AfCFTA system as a developmental policy that can alter the economic geography of Africa besides being a juridical instrument. The solution to Nigeria's use of the opportunity is to improve industrial capabilities, employ local content, and change consumer behaviour to favour buying African products.

In other words, the lacklustre implementation of the local content policy in Nigeria, and the reliance on imports in the nation are linked as structural issues that would impede the implementation of the AfCFTA's objectives over the next five years (2021-2025). Theoretically, the research has been placed between institutionalist and structuralist paradigms, where the emphasis is on the significance of local production systems and behavioral adaptation to sustain regional integration. Nigeria's experience illustrates the dangers of liberalisation in a country with no capacity development within its own borders, of becoming dependent rather than empowered. So, the extent to which AFCTA would stimulate the development of trade in Nigeria will depend on its capacity to harmonize the national economic development with AFCTA's continent's vision of value addition, industrialization, and self-reliant economic growth. In the end, the research will determine the relationship between the action of local content and consumer behavior and operationalization of the Rules of Origin to come up with sustainable measures to enhance the trade development of Nigeria within the framework of the AfCFTA.

1.2 Statement of the Problem

African Continental Free Trade Agreement (AfCFTA) aims in its essence to expand industrialization and boost intra-African trade through the creation of several channels, such as promoting the production of goods mainly in our member countries, including Rules of Origin. Even so, in Nigeria, this trade advantage has been limited due to an improper implementation of the local content policy. But, a lot of the industries still depend on imported raw materials, also the capacity of the law enforcement authorities to properly verify the origin of the products has been limited. Not closing this gap will provide the chance of the importation of products with false regional labels into the Nigerian market Because of this the intent of AfCFTA will be undermined and that means the local industries which the agreement aims to raise will be stifled.

And, the pattern of consumption in Nigeria is heavily import-dependent, which is a sign of a low level of support for locally produced products. This kind of consumer behaviour is not in line with AfCFTA and is also disadvantageous for the competitiveness of local producers in the regional markets.Although Nigeria possesses a large population base and has potential in industries, the country has not been able to translate AfCFTA opportunities into tangible trade development between 2021 and 2025. This study seeks to fill this gap by examining the impact of the combination of the poor implementation of local content and import bias in consumption patterns on the Rules of Origin and Nigeria's growth in trade within the AfCFTA framework. In

1.3 Research Questions

This study will be guided by the following research questions:

1.How has the poor implementation of the local content policy of Nigeria undermined the African Continental Free Trade Agreement (AfCFTA), 2021-2025 Rules of Origin?

2. In what ways have the consumption patterns of Nigeria reduced the effectiveness of the implementation of the Rules of Origin in the AfCFTA 2021 – 2025?

1.4 Objectives of the Study

The broad objective of this study is to examine the impact of the African Continental Free Trade Agreement's Rules of Origin on trade development in Nigeria between 2021 and 2025. The specific objectives are:

1. To determine how whether the poor implementation of the local content policy has undermined the Rules of Origin under AfCFTA in Nigeria.
2. To assess the extent to which Nigeria's consumption pattern has weakened the enforcement and benefits of AfCFTA's Rules of Origin.

1.5 Significance of the Study

There is both a theoretical and a practical nature to the research. On a topical level, it reveals what policymakers, trade enforcers, and economic planners in Nigeria could do to adapt the regional local content system to the Rules of Origin policy of the AfCFTA to stimulate industries and gain competitiveness in trade. It has identified the effects of ineffective implementation of local production and biased imported consumption on the trade balance of Nigeria and offers recommendations for sustainable economic diversification.

Also, this paper intends to make the business community and possible investors aware of the significance of local value addition and other origin criteria for practical trade performance. While on the theory side, the paper makes new contributions to the literature on African regional integration and trade governance, addressing new dimensions of the linkages between trade policy implementation, local production capacity, and consumer behavior in a developing country.

In studying Nigeria's experience from 2021 through 2025, this study brings further understanding of the role of domestic economic policies in driving the application of the continental trade agreements and offers a setting for future studies on coordination of industrial policy among AfCFTA member countries.

1.6 Scope of the Study

1.6.1 Scope

This study has both geographical and content scope. Geographically, this study focuses on Nigeria and the activities relating to Nigeria and its implementation of the country content wise. The study focuses on the impact of the African Continental Free Trade Agreement’s Rules of Origin on trade development in Nigeria between 2021 and 2025. It specifically examines how poor implementation of the local content policy and Nigeria’s consumption pattern have undermined the effectiveness of AfCFTA’s Rules of Origin. The research covers government trade policy documents, manufacturing sector reports, and data on Nigeria’s import and export trends during the study period. Attention is given to the roles of key institutions such as the Nigerian Export Promotion Council (NEPC), Manufacturers Association of Nigeria (MAN), and the Federal Ministry of Industry, Trade and Investment.

1.6.2 Limitations

This research has a number of drawbacks. To begin with, concentrating only on Nigeria means that the results cannot be applied to other parts of Africa or to African countries at large.

1. Time limits: The period for this study is only 2021-2025 which means that the study can only reflect the initial phase of AfCFTA implementation. This excludes the results of ongoing policy reforms in the future. 2. Data limitation: The unavailability of detailed government records, trade databases, and confidential policy documents may limit the level of primary data analysis.

2.Policy changes: The process of implementing AfCFTA is ongoing, and any future changes in trade or industrial policies might change the long-term significance of the findings. This study is in line with previous research that has identified several limitations of the Impact of the African Continental Free Trade Agreement.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The chapter aims to review the literature relevant to the study to address the aim and objectives. The following subheadings are used in the chapter: conceptual review, thematic review, theoretical review, empirical review, summary \ gap in literature

2.1 Conceptual Review

2.1.1 African Continental Free Trade Agreement (AfCFTA)

The African Continental Free Trade Agreement (AfCFTA) is one of the most ambitious regional integration projects on the African continent. The agreement, which was signed by 44 heads of state from Africa on 21 March 2018, is to establish a single liberalized market for goods and services on the African continent (Asiedu, 2022). AfCFTA is seen as the largest trade bloc since the creation of the World Trade Organisation (WTO) in 1995, both in terms of size and market potential. It has been created as a flagship of the African Union's Agenda 2063, a vision of a prosperous and integrated Africa. The agreement aims to promote intra-African trade through the abolition of tariffs, ease transport modalities, and encourage the development of value chains within the continent. AfCFTA aims to boost Africa's collective bargaining power in global markets by connecting markets. This is a platform that can be used to improve trade and industrialization in a transformative manner.

AfCFTA's journey started in 2012 when the African Union (AU) finally took the step and announced its intention to create a free trade area for Africa (Kyerematen, 2019). This is the result of several years of debate on how to tackle Africa's fragmented markets and the disproportionate share in global trade. In 2018, the agreement was finally endorsed, with detailed negotiations and technical meetings and consultations taking place beforehand. They were key in developing the ground for consensus on tariff liberalisation, rules of origin, investment procedures and dispute settlement procedures. The process involved balancing the needs of the various economies, such as those of resource-rich states and industrialised economies along with small island economies, Kyerematen said. The lengthy negotiation process reflects the challenges in operationalizing the process of continent-wide integration. It also shows the political will of the African states on economic cooperation.

AfCFTA officially started trading on 1 January 2021, thus ushering in a new era in the integration process of the continent of Africa (Ndubuisi & Nwanolue, 2025). Although the official launch took place, implementation is progressive with the member states yet to harmonise domestic regulations with continental ones. This incremental process is expected, as Africa has a wide range of economic capacities and countries are at different degrees of readiness. Okafor and Obiora (2025) reported that Nigeria and other nations required time to adapt the tariff schedules and regulations before optimal participation. The fact that trading has already started, despite the lack of readiness of the member states, is a testament to the political importance of the agreement. It also embodies the notion that it is better to get something done than to wait any longer. However, the staged approach has implications for uniformity of benefits between countries.

The AfCFTA agreement is meant to tackle the current low level of intra-continental trade in Africa which stands at 15 percent compared with the 45 percent achieved in Europe and

Asia. Failing to invest in proper trade facilities and non-tariff barriers have inhibited Africa's capacity to trade among themselves (Ajewumi et al., 2024). The agreement thus will not only aim at eliminating tariffs, but also at fostering customs cooperation, trade facilitation and harmonised rules. These are the broader objectives that are essential in making Africa's industrial and agricultural potential a reality. AfCFTA aims to boost economies of scale and foreign direct investment by promoting integrated markets.AfCFTA will help to create better economies of scale and foreign direct investment through integrated markets. The agreement also aims at creating a more robust value chain for the region that can make the region more competitive. In the end, it is a continental approach to market expansion and productivity.

Nigeria's path to joining AfCFTA was characterized by a careful and thorough consultation process within the country. The authors (Adebimpe and Badru, 2025) point to domestic manufacturing, labor unions, and trade policy analysts as the main sources of resistance that led to Nigeria's late signing. They feared that a liberalisation without adequate preparations would expose Nigeria's industrial sector, which is already struggling, to competition from the more industrialized economies in Africa.The government thus decided to carry out a two-pronged assessment, both through an internal examination and by regional diplomacy. Through this process, Nigeria was able to identify some risks and opportunities, and come up with a negotiation stance. The agreement was signed and ratified by Nigeria after a commitment was made to safeguard key sectors in the transition period. This is all done with caution and with a sense of strategy, reflecting Nigeria's desire to ensure balance between integration benefits and national interests.

AfCFTA has tremendous potential for Nigeria, particularly with respect to diversification of exports and manufacturing. According to Okafor and Obiora (2025), the agreement may have the potential to boost Nigeria's manufacturing industry by tapping into a wider market and promoting value addition within the country. But they add that the effects largely depend on Nigeria's domestic competitiveness. A well-exploited AfCFTA can ultimately lead to a decrease in Nigeria's reliance on crude oil exports by fostering agro-processing, textiles, petrochemicals, and other industrial developments. Production capability within the manufacturing sector could create jobs and industrial productivity on the continent. However, they warn that these achievements could be unfulfilled if structural weaknesses are not tackled. Thus, domestic policy alignment is necessary to maximise the benefits of AfCFTA.

The institutional performance of participating countries is crucial to the outcomes of AfCFTA. The results of the study by Omeje and Chukwu (2025) show that this agreement is more likely to benefit countries with better institutions based on the concept of increased trade competitiveness. Governance, effectiveness of regulations, customs efficiency, and legal stability are all part of institutional quality. In Nigeria, poor institutions could affect the proper implementation of some of the critical protocols of the AfCFTA, including rules of origin and trade facilitation. Doing business efficiently has been restricted for many years for different reasons like poor border control, corruption, and bureaucratic delays. Strengthening institutions is So an imperative rather than a choice if Nigeria is to benefit fully from the agreement. In fact, institutional inefficiency often means trade diversion, which in effect could jeopardize the continental market.

AfCFTA aims to harmonize African markets by implementing a common rules-based trading system. Based on Nagu, without a consistent system of domestic laws, regulations, and institutions that are aligned with continental standards, it will be difficult to make the agreement work effectively (Nagu, 2023). Countries will have to reform customs codes, regulatory structures, intellectual property rights, and competition laws. The reforms will ensure that cross-border transactions are carried out in a legally and transparently regulated environment. For Nigeria, extensive reforms and inter-agency coordination will be necessary to align domestic laws with AfCFTA regulations. Legal and institutional incompatibilities, which result from non-harmonization of these structures, can further complicate trade. That is why legal and institutional preparedness remains a critical factor for the implementation.

The agreement identifies the elimination of non-tariff barriers as a major focus. Perhaps, these barriers might even be more detrimental than tariffs. Among these are weak logistics systems, poor transport infrastructure, jammed borders, long administrative procedures, etc. Africa Insight points out that if these domestic hurdles are not removed, the pact's effectiveness will remain limited (Nanjira, 2020). This problem of lack of sufficient transportation systems exists in several African countries, including Nigeria, where it complicates and raises the costs of doing business. Such obstacles at the structural level limit competitiveness and prevent enterprises from transacting across borders. Removal of non-tariff barriers is Because of this imperative for the effective integration of AfCFTA. Increases in infrastructure and logistics can further lead to economic opportunities in large countries like Nigeria.

Tariff liberalization is also a key aspect of AfCFTA, to remove 90% of tariffs on traded products. To date, more than 30 countries have submitted their first tariff reduction schedules (Ajewumi et al., 2024). This is a clear sign of a high level of political will within the continent. But Nigeria's tariff liberalization has been slow because of the need to safeguard vulnerable industries. Policymakers think that such quick liberalization may jeopardize businesses already suffering from high production costs in the area. This is an approach that has been adopted by Nigeria over the years in its policy of gradual trade liberalization. However, there are policy challenges to keep tariff reduction and industrial protection in balance.

The AfCFTA has an ambitious long-term vision, encompassing trade in services, investment regulation and protection of intellectual property, in addition to goods. Nanjira argues that the purpose of the Phase II negotiations was to strengthen integration, increasing the regulatory scope of the agreement (Nanjira, 2020). The added components are necessary to develop a complete continental market with a harmonized legal and economic environment. In Nigeria, the growth in services is especially important, given the power of the entertainment, banking, and telecommunications industries. There is a possibility that if Nigeria participates in continental service markets, the nation's influence would be enhanced in the region. But the country has to harmonise its regulatory and institutional measures with those of the continent. This alignment is still a process of development.

Of course, there have been concerns about the potential for trade diversion under AfCFTA. Africa cautions that some of the countries could gain from more trade under the agreement, but others could lose out if the deal channels trade towards more competitive economies in Africa (Africa, 2025). Trade diversion is the result of the substitution of imports from more efficient international producers for less efficient domestic producers as a result of preference tariffs. For Nigeria, this could happen when other countries in Africa are able to produce manufactured goods that are cheaper than the country's own. If domestic competitiveness is not good, Nigeria could be a net importer under the agreement. This option has helped to temper policy responses in Nigeria. It also highlights the importance of a complementary strategy of industrial upgrading.

At the heart of AfCFTA is the vision of a single African market that creates a conducive environment for cooperation, minimizes fragmentation, and increases the negotiating power of Africans. The deal is part of a larger continental vision of industrializing Africa and achieving shared prosperity, as explained by Asiedu (2022). AfCFTA aims to enhance economic interdependence, which helps to mitigate risks of relying solely on external markets. It also seeks to place Africa on global value chains by improving the ability of African producers. This is an opportunity for Nigeria to diversify away from oil and embark on competitive manufacturing. Targeted investments in industrialisation are required to realise these opportunities. AfCFTA is not only a trade pact, but also a developmental plan.

To wrap up, the AfCFTA offers opportunities and challenges to Nigeria in the period between 2021 and 2025. The agreement provides a framework to increase market access, improve competitiveness and boost industrial development. However, these benefits are dependent on Nigeria's policy reforms, institutional development, and infrastructure development. Lack of institutional quality, low level of industrial capacity, and lack of consistency in policy implementation have been identified as possible constraints to the gains under AfCFTA in Nigeria (Omeje & Chukwu, 2025). The success of the outcome of the agreement for Nigeria will therefore be hinged on meaningful synergy between structures in Nigeria and the need for the continent. AfCFTA is still a promising, yet challenging instrument for national development. The effect of the agreement on Nigeria's trade will depend on policies, capacities, and institutional preparedness as the agreement is implemented.

2.1.2 Trade Development

Trade development involves structural mechanisms, policies, and processes which pave the way for the country's expansion, diversification, and improvement of trade activities. It is about increasing trade volumes, enhancing competitiveness and strengthening and optimizing trade-related institutions to stimulate economic growth. Modern scholarship has focused on the importance of trade development as a process that involves more than just product exchange, but also the adaptation of technology and the efficiency of regulation and sustainability. In numerous countries, trade development is a part of a larger development planning and regional integration process. The transition to new technologies and green development in the world has opened new possibilities in the field of improving trade systems. The transformations reflect the importance of countries such as Nigeria linking trade development to modern economic realities (Rippa, 2025).

There has been a lot of interest in the issue of whether trade development and environmental sustainability can coexist. There is evidence from transition economies that the expansion of trade can generate environmental stress if deforestation and resource exploitation are meant to grow. Meanwhile, trade development can reduce degradation, provided it is development that is sensitive to the environment. There is a growing trend among policymakers to take a more holistic approach and incorporate sustainable land use considerations in trade development policies. This way, benefits do not cost the environment. Such knowledge is of critical importance to the countries that are dependent on natural resources for their trade expansion (Chi et al., 2024).

Digitalisation is a driving force in the development of modern trade and is a key theme of recent research. Digital technologies help trade to be more efficient by making logistics easier, facilitating data transfer, and lowering transaction costs. Research has indicated that digital trade can contribute to structural modernization and efficient development of national trade systems. Additionally, the digital economy fosters growth based on innovation, increasing the competitiveness of global markets. The adoption of digital tools is therefore critical for countries to become more closely involved with regional agreements like AfCFTA. These innovations have changed the ways trade is done and regulated on a cross-border scale (Siyu, 2025).

Clean and sustainable energy is also an agenda item on the international trade agenda. As the world is shifting towards green technologies and adopting hydrogen-based energy systems, new business opportunities in the trade of renewable energy equipment, research, and technology transfer are opening up. Policy measures for energy generally emphasize sustainable development, which Later creates new incentives for sustainable production and trade. This is also a step toward meeting the Sustainable Development Goals that aim at affordable and clean energy. In fact, integrating issues of sustainability in the development of trade can be a means for countries to realize growth that is both inclusive and resilient to the effects of climate change. Countries can, in effect, achieve growth that is climate-sensitive and socially inclusive by engaging in trade development that integrates issues of sustainability. These factors reflect how the global sustainability landscape nowadays, impacts national trade planning (Martins et al. 2024).

Digital trade is now essential in economic restructuring, driven by the power of data, artificial intelligence, and automation. Studies have shown that new mechanisms of digital trade boost investment in industries with high-quality production and export to the markets. These mechanisms also help to upgrade industrial structures and to ensure long-term competitiveness. Thus, nations with a positive attitude towards digital transformation generally enjoy more diversified and resilient trade systems. These developments change the economic landscape and the economic priorities for development (Bian & Zhang, 2025).

The same complex relationship between the pressures of growth and development, and the trade-offs can be seen in the global agricultural systems. There is a conflict between efforts to increase agricultural productivity and needs for ecological preservation. Studies of the development of crops point to growth – defense trade-offs that are similar to other economic trade-offs. Nations have to develop plans that allow for the expansion of production, but do not result in irreversible harm to the environment. The challenge is also relevant to trade and expansion can create unexpected environmental costs. Solving these compromises is integral to modern trade planning (Gao et al., 2024).

Geopolitical tensions and international trade frictions also have an impact on trade development. The empirical evidence for Sino-US trade disputes shows the impact of political conflicts on industrial policy and the quality of industrial development. The conflicts that arise frequently push countries to make policy changes in an attempt to make their trade balances more stable. Such changes could promote innovation, diversification, and better institutional frameworks. The ability of a country to meet world shocks is essential to high-quality trade development. Such adaptability helps to make sure that there is some continuity in the face of changing global economic conditions (Leihua & Fan, 2024).

Looking at the borderland infrastructures is a way to understand how different aspects of trade development and security, mobility, and control of the state can be interconnected. In fact, a trade corridor infrastructure might serve various objectives, like safeguarding the sovereignty of the state and also encouraging trade. Such initiatives are usually expected to alter the possibilities of the communities as well as how they conduct cross-border trade. In fact, in many places, development and policing go hand in hand, leading to changes in trade results. These factors illustrate the political dimensions of trade development and highlight the need for just governance mechanisms. Such understandings may be of value for nations aiming at enhancing their trading environment and at the same time, keeping social stability (Rippa, 2025).

There has also been much research on the relationship between trade openness and environmental outcomes. Results show that the interplay of trade openness and financial development yields a U-shaped relationship with carbon emissions and that environmental policies play a role in this relationship. Trade openness can be associated with rising emissions at lower levels of development; however, better policy design can lead to sustainable results at higher levels of development. This would indicate that trade development needs to grow with environmental regulation in order to be sustainable over time. Environmental aspects should be included in countries' trade policies, particularly in resource-poor economies. This indicates that advancing environmentally balanced trade growth is multifaceted (Wang et al., 2024).

Foreign trade development should be structurally optimized and governance frameworks should be strengthened in order to provide high-quality foreign trade development. There are clear findings that countries with robust institutional and regulatory frameworks are better able to reap the benefits of digital innovation. Various dimensions of trade development, including diversification, increasing the sophistication of exports, and strengthening domestic productive capacities, are also key components of high-quality trade development. These components are critical to countries improving their diversification from low-value products to more competitive industrial products. This is a big step towards sustainable long-term development. The study results point out the necessity for activity-wide reforms to kick-start trade development (Siyu, 2025).

Trade development is still being fuelled by innovation and digital inclusion-oriented policies. Investing in facilities, including broadband expansion, and data modernization systems is a step towards more capable market functioning, these investments cut transaction costs and make the connection and integration with the world market even stronger. Economies that use digital trading platforms find trade processes clearer and less prone to corruption. These advantages hugely contribute to a country's development.

That's why, trade development through innovation continues to be one of the main points of focus for countries in pursuit of competitive advantage (Bian & Zhang, 2025).

Another crucial factor for the development of regional trade is the creation of collaborative setups that unify countries through shared economic goals. Such cooperation can cause a rise in investments, greater market access, and enhancement of supply chain networks. Usually, regional agreements have integrated features meant to build trust in the business community and reduce trade barriers. These systems allow countries to enjoy joint benefits from bigger market setups. Regional integration is a means of economic development in two ways: helping to industrialize and also enhancing export capabilities. A thriving domestic trade sector is an important element for successful participation in regional trade schemes like AfCFTA (Ajewumi et al. 2024).

Lastly, new technological trends, sustainability requirements, and a reshaping of global value chains are predicted to be among the factors influencing the future of trade development. Countries that adjust to these changes will become more competitive, and countries that don't 'modernize' may be forced to the margins. Digital tools, environmental governance, and institutional capacity need to be continuously invested in high-quality trade development. These priorities enable trade to play a significant role in long-term national development. Countries need to be flexible and forward-thinking in their approach in the evolving global economy. These strategies will shape how well they will operate in a constantly evolving international trade landscape (Siyu, 2025).

2.1.3 Rules of Origin

The rules of origin form key elements in assessing the place of origin of a product in international trade, particularly in free trade agreements where tariff preferences are given. The rules serve as a screening device that separates goods eligible for the lower tariff from goods ineligible for that lower tariff. Head et al. (2024) describe the process whereby companies can decide to abide by the rules of origin or face a tariff penalty, depending on the rigor of the requirements. The underlying principle of such rules is to curb trade deflection, or the importation of goods into a free trade zone through the member state with the lowest tariff. The difficulty of the certification process, however, often deters firms from meeting the full requirements of the certification. Because of this, it may happen that even if companies qualify for the preferential treatment, they can decide not to get it, which will make the expected advantages of the pact lower.

Rules of origin have this central idea of encouraging local sourcing and increasing production in the member states, for which Ornelas and Turner (2024) write that governments are quite literally making use of these rules to promote investment, supply chain upgrading, and domestic industry protection by mainly giving the benefits to the legitimate members. In essence, these rules are aimed at domestic value addition but apart from facilitating it, they may have administrative and compliance burdens that are, in particular difficult for small businesses, and in developing countries, these costs may even be a deterrent to regional trade, thereby limiting the economic benefits. So, the ways of policy to strike a balance between the two extremes of strictness and flexibility are a very important task. This balance is very important for the free trade agreement's rules of origin to be effective.

For regional blocs, rules of origin have, besides economic, geopolitical and strategic aspects as well. The paper by Sukhanav (2025) on Korea illustrates how countries adopt their own methods of assessing if the product originates from their country in line with their national trade policies. Perhaps they even tweak the rules to satisfy the industrial priorities, export capacities, and value chain targets in the region.

In doing so, the states try to use the FTA to gain competitive advantage and not just to reduce tariffs. Rules of origin are often used to organize industrial policy, giving countries the opportunity to define incentives for production that align with long-term development objectives. This demonstrates the fact that a regulation that seems to be economic has a political aspect.

Empirical evidence on African, Asian, and European trade blocs suggests rules of origin have a strong effect on manufacturing growth. In the study of SADC by Zuze and Dlamini (2024), it is found that rules of origin play a major role in promoting the development and success of the manufacturing sector, provided that they are properly designed in line with the industrial sector. Rules that facilitate regional value chains have a strong impact on the expansion of production and employment opportunities, they conclude. Misaligned rules, however, can instead encourage companies to import finished goods since the local industries do not meet compliance requirements. This is a way of diminishing the transformative force of free trade agreements. Thus, the ability of AfCFTA's rules of origin depends on the domestic production capacity of Nigeria.

Though the economic form is recent, the concept of rules of origin has developed throughout the centuries. In Get'man-Pavlova (2024), the concept of "origin" is traced back to the earliest legal concepts that emerged in primitive societies where fundamental rules governed exchange relationships and social order. Eventually, these mechanisms matured into more codified systems of law establishing classification, conflict resolution, and commerce. Although distant from the current concept of 'trade law', the prehistory shows that societies have had to rely on norms that codified what is legitimate in exchange. Today's complex rules of origin are thus a part of a historical sequence of control of trade conduct. History makes it clear that rules are essential to sustaining trust and avoiding exploitation in economic systems.

The increasing prevalence of preferential trade agreements in global trade has made the rules of origin more relevant in today's trade governance system. Following Brexit, the rules of origin have been crucial to renegotiating post-Brexit trade relations and enforcing new trade agreements, according to Zaidan's (2025) study of the UK. The transition to new rules after changes in the political or economic landscape – as in the UK – is a challenge even in a highly industrialized economy. The negotiation of origin conditions can be a fine dance that requires market access, compliance with regulations, and cross-border supply chains. The experience of the UK shows that policy responses such as rules of origin can have a dramatic impact on trade patterns when political changes occur. The implications of this are for Nigeria as AfCFTA is continually evolving.

In the era of globalization, supply-chain interdependence especially increases the importance of preferential rules of origin. Surano (2024) examines the challenge faced by countries in dealing with extended preferential networks that set origin rules and entry requirements for markets. Multijurisdictional firms must conform to disparate regulations, a process that might entail considerable administrative costs. Besides, such complexity might cause overlapping or conflicting obligations, which in turn might hamper trade efficiencies. Here, the imperative of rule simplification and harmonization emerges as a key factor capable of ensuring trade flows. The case of AfCFTA pretty much reflects what it would be like if a diverse African economy were to be unified under a single trade setup.

One more dimension is the impact of rules of origin on innovation. Zhou and Wu (2025) demonstrate that the adoption of the rules of origin in CAFTA affects firms' input sourcing and innovation practices in China. Their results indicate that types of inputs firms select are affected by origin requirements, which consequently influences technological upgrading. Policies that promote locally-sourced inputs will support local industries and could hinder access to high-tech foreign inputs. Industrial protection vs innovation flexibility is thus a recurrent policy dilemma. Firms are experiencing similar restrictions under the AfCFTA as Nigeria.

The movement towards harmonizing preferential rules of origin has become stronger worldwide. Consistency and rule use in international trade are highlighted as essential by Mabrouk (2024), which points to the need for harmonisation efforts that must be done as soon as possible. Harmonization helps to eliminate trade barriers, compliance costs and promotes cooperation between various trade blocs. Lacking this alignment, differences in the rules can drive firms to divert trade through the least restrictive systems, thereby distorting fair competition. Harmonization also enhances market transparency and enables businesses to base their decisions on predictability. Standardization efforts are key to achieving a successful long-term outcome of AfCFTA.

Conceptual parallels can even be drawn in emerging regulatory areas like AI governance. According to Migliorini (2024), China's regulatory strategy with generative AI consists of specific regulations that outline the "origin" of algorithmic content and the boundaries for its utilization. While the concept of origin is not discussed in the context of trade in goods, the example suggests that the principle is still key to the modern process of rule-making. Origin, of goods or digital content, influences accountability and eligibility for policy benefits. This is an example of the wide range of usage of origin principles in contemporary governance. The concepts strengthen the role of rules in creating order in complex systems.

ROO can establish the advantages of integration of the value chain by promoting the localization of inputs in many free trade areas. The net effect of moderate stringency in rules is to encourage regional sourcing as shown in the Laffer curve model by Head et al. (2024), whereas excessive stringency reduces compliance. Such a connection really highlights the need for careful adjustments to rules that would encourage domestic manufacturing, but not at the expense of excessive burdens. In fact, companies would rather pay tariffs than have to navigate complex rules. This evidence may cast doubt upon the development benefits of free trade agreements. As such, legislators should attempt to identify at what stages rules become counterproductive measures.

In fact, the benefits of the rules of origin may largely hinge on the extent to which the government effectively communicates and enforces these rules. The advantages that the governments claim - like increased investment and growth of the industrial sector - are only realized when the enterprises are fully aware of the requirements and procedures, Ornelas and Turner (2024) note. The lack of knowledge In particular impacts the preference utilization of small and medium-sized businesses. This is why there is a low preference use rate despite the existence of preferences in countries that have such access. That means, information dissemination assumes a big role in the rules of origin. Nigeria's successful implementation of AfCFTA can be mostly attributed to the efforts to reduce information asymmetry.

The nature of rules of origin is such that they have to do with domestic industry protection from foreign competition. A case in point is Korea which as Sukhanov (2025) points out, uses strategic origin rules in a bid to shield its most vulnerable domestic industries and simultaneously support the growth of its export sectors. In fact, the protection of sensitive domestic industries and promotion of exports of Korea's high-performing industries through the use of strategic origin rules has been illustrated by Sukhanov (2025). This type of selective protection is in many cases socially motivated per the national development plans of the country. However, tightly enforced rules that aim to protect local businesses might mean the decrease of both innovation and efficiency. Also, they could keep domestic companies from competing alongside global companies. Because of this, striking the right balance between protection and openness is a constant struggle. AfCFTA has to keep in mind this tension if African economies have to stay competitive in the global race.

Besides impacting firm behavior, ROI drives production networks within regional trade agreements.The findings in this paper by Zuze and Dlamini (2024) provide an example of how supportive rules of origin have helped to drive manufacturing growth in SADC, while restrictive rules can interfere with value chains. The research also demonstrates that the nature of rules influences the nature of regionalization in firms, as well as whether they rely on external suppliers or not. Compliance is complex for many African economies given the constraints of industrial capacity and flexibility is key. Rules must be sufficiently flexible so that countries with low-capacity industries may benefit from preferential trade. AfCFTA's design consequently should reflect a diversity of economic realities.

Rules of origin were intended in the past to prevent trade diversion and maintain the integrity of trade. For example, Get'man-Pavlova (2024) explains that the origin of the legal rules has always been crucial for keeping fairness in exchange. These were some of the first mechanisms and the roots of today's customs and trade practices. The requirement for legitimacy and accountability is consistent over time. The continuity reinforces the relevance of the principles of origin in global trade systems. AfCFTA takes up this established legal framework.

Countries in transition periods of major political and economic change tend to use a lot of rules of origin to restructure trade. Zaidan (2025) finds that origin rules are becoming significant in the definition of market access and compliance expectations in new trade frameworks in the UK post-Brexit. Many agreements had to be renegotiated and new systems of origin documentation in the UK had to be developed. The changes resulted in transition costs for companies, particularly companies that depend on EU value chains. The same kind of transition issues might emerge for African countries implementing AfCFTA's new mandates. The Nigerian government needs to invest in administrative capacity to manage the origin documentation in a complex manner, however.

Clarifying and harmonizing rules of origin is a key issue highlighted in preferential agreements around the world to avoid uncertainty. The results of Surano (2024) suggest that the overlapping agreements with different standards for origin cause confusion and less participation in trade. When businesses have fluctuating needs, they can end up with delays and higher expenses, and less competitiveness. The harmonization, thus, increases the efficiency and certainty in intercountry trade. This transparency helps more companies to benefit from preferential markets. Harmonisation of the different systems of regulation throughout Africa is a key priority for AfCFTA.

2.2 Thematic Review

2.2.1 Local content policy and AFCFTA Trade Agreement

Local content policy in Nigeria is the policy of the government that stipulates the share of local content in the production of goods and services in the national economy. The objective of this policy is to encourage industrial development in the country, employment generation, and decrease import dependence. However, local content requirements in AfCFTA offer an opportunity for countries to create domestic products, and gain benefits of preferential market access, Ndulo says (2022). Although the policy is intended to achieve its targets, its implementation has been largely based on inadequate institutional and/or regulatory frameworks. A lack of infrastructure and capacity is a major challenge for many Nigerian firms in complying with local sourcing requirements. Therefore, the policy has a limited impact on the development of the country's industry. Local content policies are thus designed to complement trade policies, and need robust implementation mechanisms.

The Nigerian local content policies were formulated for the protection of strategic sectors, namely the oil and gas and manufacturing sectors, in the past. The targets are to encourage domestic value addition, technological transfer and to boost the contribution of the local industries to the GDP. These policies, Nagu notes, are designed to ensure that domestic capacities are compatible with the rules outlined in AfCFTA, thus aligning national development and regional trade. Subsequent administrations have passed laws to enforce, but compliance has been weak, leading to inconsistent enforcement over time. Lack of monitoring has enabled companies to skirt local procurement mandates. Furthermore, there is sometimes a mismatch between policy design and the local supplier's capacity. This is because the historical problems have left a gap between policy and outcomes.

A big problem with local content implementation is the institutional lack of enforcement across sectors. Regulatory agencies are sometimes under-resourced, under-experiential and have restricted powers and autonomy to effectively monitor compliance. Rikhotso highlights the practical challenges of complying with national content standards for the SMEs involved in continental trade (Rikhotso, 2025). The compliance challenges can deter companies from fully utilising AfCFTA provisions, especially rules of origin. Some firms take advantage of gaps as well, minimizing the developmental effect of the policy, due to poor enforcement. This has adversely affected the synergy of the local content policy and regional trade agreements. Good institutional mechanisms are hence crucial to maximising the potential of AfCFTA.

A weak implementation of the local content policy directly challenges the AfCFTA rules of origin (RoO). AfCFTA preferential tariffs can only be availed by companies whose products are of African origin, which also includes domestic input criteria. If proper domestic enforcement is not done, Nigerian products may not meet the requirements for preferential access, thereby reducing Nigeria's competitive advantage (Gumede, 2021). Companies that do not achieve the prescribed local content requirements are likely to be subjected to increased tariffs, which undermines the gains of regional integration. This disparity highlights the necessity for domestic industrial policies to be adjusted in line with the AfCFTA requirements. If enforcement is lax, not only will market access be affected but also the elimination of any incentive to invest in value addition. Because of this, adherence to local content is the basis of AfCFTA industrial growth.

The manufacturing sector of Nigeria heavily relies on imports which makes it very challenging to use local content. For instance, most local manufacturers rely on imported machines, raw materials, and components to continue their production line. Nigerian products have a very low chance of meeting the RoO standards of the AfCFTA as per the findings of Apiko et al. (2020). Due to such dependence, the usage of domestic inputs is reduced and because of this, the eligibility for tariff preferences is diminished.High dependency on imports also means that local companies are vulnerable to exchange rate fluctuations and disruptions in supply chains. This means creating local supply chains is a key policy priority. Input dependency is thus a major factor to consider when strengthening the effectiveness of local content under AfCFTA.

The low value addition in the manufacturing sector in Nigeria adds to the challenge of meeting RoO. Many companies do not do the full manufacturing process but focus on the assembly process and reduce the domestic content. If firms are to qualify for AfCFTA preferences, they must meet the input requirement levels, which are not achievable without meaningful local production, Ndulo says (Ndulo, 2022). This situation reduces the ability for technology transfer, skills building, and industrial upgrading. Low levels of value addition also reduce the competitiveness of exports as foreign companies may be able to supply better or fully processed inputs. To overcome this challenge, specific investment in local processing capacity needs to be made. Value addition will go directly towards achieving the aims of domestic growth and regional trade.

The inability to meet RoO requirements makes it challenging for Nigeria to reap the benefits of AfCFTA. Exporters face challenges with zoning requirements, minimum domestic content limits, and documentation requirements. As Nagu describes, many companies find themselves lost in the weeds of these details, particularly those that are not used to doing international business compliance (Nagu, 2023). So, some products go uncertified, which means they are denied preferential market access. This puts at risk Nigeria's intent to reap the advantages of regional integration like tariff savings and market expansion. This problem points to the necessity of capacity building, training, and institutional support. Besides, a streamlined compliance method might foster broader participation.

The absence of efficient local content enforcement has a bit affects Nigeria's competitive standing in AfCFTA. If the rules of origin are not complied with, the country's involvement in intra-African trade will be impacted, Gumede observes (2021). Companies failing to comply will be subject to tariffs, thus, diminishing their competitiveness vis-à-vis other companies in the region. This, over time, can have negative effects on Nigeria's areas of strength like agribusiness, processed goods, and manufacturing.Bad RoO performance can also deter foreign investors looking for stable RoO regimes. Enforcement is thus very important, as are local procurement incentives, for competitiveness. The alignment of policy and AfCFTA rules has the potential to strengthen Nigeria's role in regional trade.

The alignment or conflict of local content policy with the AfCFTA requirements is often an issue. The two frameworks share the objective of supporting domestic industries, but there can be differences with respect to thresholds, definitions, and compliance procedures which can lead to friction. National policies need to be calibrated with the continental policies that will be adopted, as there is a need for careful policy calibration (Ndulo, 2022). Failure to align can deter firms from fulfilling either goal because achieving adherence to one framework can conflict with another. Policy design is coordinated to ensure local content measures do not hinder but bolster AfCFTA participation. Coordinated rules can improve rule clarity and lower transaction costs and foster industrial development. In order to get the best value from trade, it is important to make sure it is aligned with the goals of the business.

With good implementation, the local content policy can be used to boost industrialisation. Well-designed local content measures can promote local sourcing, technology transfer, and skill development (Apiko, Woolfrey, & Byiers, 2020). These policies can be made more competitive if aligned with AfCFTA rules to export from Nigeria. Capacity building, investment in infrastructure and simplified compliance processes are highly important for unlocking this potential. However, weak enforcement can undermine the policy's goals and cause it to fail to achieve what is intended. Clearly, regulators and policymakers should focus on the need for clarity, as well as institutional effectiveness. Local content and AfCFTA rules hold the potential to change the face of the manufacturing industry in Nigeria.

Government support is integral to the effective enforcement of local content and industrial strategy. Targeted incentives, monitoring, and technical assistance can help companies fulfil local and continental needs (Rikhotso, 2025). This support lowers compliance expenses, promotes investments, and supports the local value chain. Without it, companies have difficulty managing local content requirements and competitiveness in the market. Thus, governmental support plays a crucial role in the process of developing policy that becomes an actual product of industry. Nigeria, through this mechanism, can improve production and trade performance with the inclusion of local content and AfCFTA participation.

The lack of enforcement of local content has a wider economic impact such as limited employment, domestic value addition, etc. The lack of good implementation will not only impact trade but also hamper the industrialization goals (Ndulo, 2022). Lacking access to preferential treatment, companies that are unable to source locally also fail to build local capacities. This keeps them dependent on imports and narrows the technology transfer options. Enforcement strengthening can help industries grow, foster local entrepreneurship, and facilitate sustainable development. This enforcement deficit is critical for Nigeria to gain a competitive advantage in AfCFTA.

Finally, it is important to recognize that local content policy and AfCFTA rules are complementary policies of increasing domestic production and regional trade. Even so, they must be carried out correctly, regularly checked, and even intensified (Gumede, 2021) which is the main reason they fall short. Local content is one of the ways through which trade performance can be enhanced but low value addition, high import dependence, and weak institutional support stand as barriers. These issues can only be tackled through a combination of consistent policy initiatives, infrastructure investments, and developing skills. Well-implemented RoO mostly facilitate Nigerian partners to be in compliance with the stipulated regulations, grant them access, and ultimately lead to the improvement of the region's competitiveness. Without the genuine enforcement of local content policies, the successful implementation of AfCFTA in Nigeria could be at stake.

2.2.2 Nigeria's Consumption Pattern and AfCFTA Rules of Origin

Nigeria is a country with a habit of consumption and a heavy dependence on imports, which is a historical pattern of Nigeria's foreign trade dependence and local industry underdevelopment. Foreign goods are also tied to better quality, greater reliability, and higher status which in effect makes consumers keep buying foreign products and not the local ones (Wodu, 2024). This way of consumption creates a situation where local producers will find it hard to match up to foreign well-established brands. The economic advantages of producing locally are negated by the preference for foreign goods. As a result, there is little domestic value addition in the Nigerian market which makes the benefits of regional trade agreements like AfCFTA least utilized.Such a consumption style also affects policymakers, who must find a balance between opening the market through trade liberalization and boosting domestic production. These factors influence industrial policy and determine a country's competitiveness over time.

Import dependence has direct implications for the performance of AfCFTA rules of origin. Domestic companies that are not able to satisfy the origin requirement because they do not have enough local inputs can end up not getting the preferential tariffs (Okoroma, 2024). This restriction makes the AfCFTA less appealing for domestic enterprises and promotes dependence on imports. Furthermore, compliance with local content requirements can be cumbersome and reduce the participation of small and medium enterprises (SMEs) in intra-African trade. This can make it more attractive for trade to be conducted by larger and more established companies that are able to handle the more complex documentation. This trait reduces the inclusive nature of AfCFTA economic opportunities. Low participation rate of SMEs reduces industry integration in Nigeria into the continental value chain.

Nigeria's manufacturing sector is also structurally weak due to the preferences of consumers for foreign products. Domestic production may be of poor quality, insufficient variety, or low price, which does not satisfy the quality, variety, or price expectations of the Nigerian consumers (Nwankwo & Ajibo, 2020). The mismatch also aggravates import reliance and fuels a vicious circle of low local production capacity. High levels of imports lead to foreign exchange outflows, thus reducing the resilience of the domestic economy. In addition, low local content use impacts negatively on skills development, technology transfer and industrial upgrading. Companies that mainly serve local markets continue to be limited in their ability to expand overseas. So, this automatically implies that the alignment process with the AfCFTA requirements will be much more restricted.

In fact, consumption patterns also affect the rules of origin and their compliance. Lack of adequate domestic inputs is one of the main reasons that can result in limitations to fulfilling the technical criteria for preferential origin, which is exactly what Ajibo and Kaime (2025) pointed out. Such items may not be granted tariff privileges if the companies are sourcing their raw materials from outside Nigeria.

This diminishes the benefits of joining AfCFTA and hinders wider involvement in intra-African trade. Additionally, documentation needs can be time-consuming and expensive, especially for SMEs (Gourdon et al., 2021). Low use of local inputs and administrative obstacles limit the effectiveness of rules of origin. If not addressed appropriately, these challenges can jeopardize Nigeria's competitiveness in the AfCFTA.

The low level of domestic manufacturing also curtails value addition of Nigeria's exports. A greater percentage of imported content lowers the likelihood of meeting the origin requirements, even if the products are made locally (Signé & Madden, 2021). This scenario places a structural disadvantage on the foreign company, because it is easier for the foreign company to be able to qualify for preferential treatment if it has an integrated supply chain. There is a disadvantage in both production and compliance for local producers. As such, the potential of AfCFTA to stimulate intra-African trade is not realized. Improvements to local content and support for value chain development by Government interventions are very important. If these are not implemented, Nigeria's exporters are bound to continue in small-scale market participation on the continent.

The economic effects of AfCFTA are further undermined by high levels of imports. A rise in imports decreases the proportion of locally sourced inputs in production, thereby lowering origin qualification rates, as pointed out by Wodu (2024). Consequently, most Nigerian exports are unable to benefit from the preferential tariff treatment, which was originally envisioned in the AfCFTA. This reduces the market incentive for domestic companies to trade with other African companies. Similarly, the continued import preference affects consumer demand, further perpetuating low domestic production. In the longer term, these patterns can cause difficulties in the integration of African value chains. If AFCTA is to work, there has to be a change in the Nigerian consumption pattern towards the use of local products.

Consumer preferences create market distortions which also limit the ability of enforcement. For the same reason, regulatory authorities encounter difficulties in the enforcement of the regulations when domestic consumption is largely dependent on inputs from outside the country (Okoroma, 2024). The amount of trade documentation and verification of origin is another challenge due to limited resources for enforcement. This leaves the rules unenforced and enables certain companies to bypass the preferential requirements. Rules of origin are not being enforced at an equal rate, which is hurting AfCFTA's credibility. In addition, companies can use these loopholes in order to have short-term benefits, which may further weaken the compliance culture. Monitoring mechanisms thus need to be strengthened to better fit consumption and trade policy.

Nigeria's consumption behaviour has an indirect effect on industrial growth in Nigeria due to its effect on investment behaviour. Firms that do not want to invest in domestic manufacturing based on low demand may also have difficulties complying with the AfCFTA standards (Agu, 2025). The absence of investment in local inputs lowers the quantity of products produced for the export market that meet origin rules. Investors might find niche markets and imported goods sectors to be preferable over expanding into regional trade. This limits technology transfer, skill development, and industrial upgrading. This results in the full value of AfCFTA to improve regional production networks not being realised. Thus both consumption behavior and production incentives should be addressed in policy interventions.

AfCFTA's rules of origin aim to boost regional value chains through sourcing of products from the region. But Ajibo and Kaime (2025) state that Nigeria's present consumption culture restricts this effect. Many exported items do not achieve minimum local content due to high import reliance. This mismatch between consumption pattern and origin requirements decreases the trade gains to be obtained from intra-African trade. Less pressure on firms to implement efficient production methods, that meet continental standards. Rules of origin cannot ensure structural transformation without considering the behaviours of the demand side. To complement AfCFTA goals, targeted policies aimed at promoting domestic goods consumption are needed.

Consumption has an impact on AfCFTA's objective of market integration. According to Ayele (2024), when domestic demand is greater than the imported goods, cross-border trade flows are biased. Intra-African trade is constrained by low quantities of domestic production and by the stunted development of intra-African value chains. As such, AfCFTA's ambition to establish a single African market is structurally challenged. May improve market integration through higher domestic production and consumption of local products. Raising awareness and encouraging uptake of domestic products through consumer education may help to redirect demand. It is therefore essential to link consumption behavior with trade policies in order to ensure effective regional integration.

Nigeria's competitive advantage in AfCFTA was marred by low origin qualification as a result of dependence on imports. Signé and Madden (2021) contend that countries with a low level of local content usage may suffer loss of preferential access to African markets. According to Signé and Madden (2021), a lack of local content could result in preferential access to African markets being lost by countries with low local content levels. This hinders the effective competitiveness of Nigerian companies against companies from the region. As a result, there is low development potential for domestic industries to benefit from value creation in the continent's value chains. To enhance origin compliance, there is a need for investment in local input production and capacity building. The strengthening of domestic production will further put Nigeria in a stronger position when it comes to negotiations in AfCFTA commerce. This is essential for the coherence of trade policy with industrial policy at home.

Lower benefits from AfCFTA have an impact on the development of trade in the long term. Anamela et al. (2024) stress the importance of continuing to use imported products, and small local content application, in order not to promote industrial upgrading. This makes the production of high-value products take longer and decreases the overall competitiveness of the region. If left unchecked, Nigerian companies will still be limited in their growth potential in the African market. Thus, policies regarding consumption, local input production, and capacity to comply are crucial. Improving the alignment of demand with AfCFTA objectives will improve the participation of value-chains in the region. The measures can help to tap the economic value of PTAs to the fullest extent.

Failing to address the consumption patterns in Nigeria could compromise AfCFTA's goals of market integration, value chain development, and competitiveness among the local markets. Okoroma (2024) says the heavy reliance on consumption drives down origin compliance and intra-African trade. AfCFTA's preferential mechanisms are underutilized without promoting domestic production and consumption. Policy measures should be directed at the harmonisation of consumption behaviour with the industrial and trade objectives. Domestic product uptake promotes regional integration and local industries. If AfCFTA is to be successful in Nigeria, industrial transformation via the consumption of goods is critical.

2.3 Theoretical Review

2.3.1 Inter-governmentalism

It is a theory about international cooperation in which sovereign states play a key role, called inter-governmentalism. It is the theory that states continue to be key actors in international agreements, negotiating and implementing policies in accordance with national interests, and not by any supra-national authority (Śliwiński, 2021). Essentially, inter-governmentalism is based on the premise that regional integration and trade agreements are negotiated and implemented through a series of steps that involve both states and trade-offs. Inter-governmentalism is basically the idea that any regional integration and trade pact proceeds through a series of negotiating moves and bargains between the member states, with concessions being made strategically in the interests of mutual gain (Saurugger, 2023). The theory is based on the concept of state sovereignty, which means that states have ultimate control over compliance and enforcement mechanisms. In this context, international cooperation depends on the readiness and ability of states to cooperate, not on a sense of shared supranational aims. AfCFTA can learn from this view as it enables them to grasp how national priorities influence the regional trade outcomes.

In the application of the concept of ‘intergovernmentalism' with AfCFTA, the important role of the member states in the enforcement of the AfCFTA Rules of Origin (RoO) is emphasized. AfCFTA's success will largely rely on the level of domestic policies that are conducive to trade integration in the individual states (Gul et al., 2022). In countries like Nigeria, one of the reasons for weak policy enforcement and RoO compliance is the existence of institutional gaps and regulatory bottlenecks. This reflects the idea of intergovernmentalism in that integration depends on the performance of the least cooperative government among the members. Domestic policy implementation issues can become serious barriers to harmonized trade under the AfCFTA and can mean the imbalanced distribution of benefits among African countries. The theory, Because of this, helps in understanding how state weaknesses may adversely affect regional objectives.

Another sort of inter-governmentalism is the strategic protection of national interests in trade agreements. Nigeria and other member states prioritize economic security, industrial protection, and job creation in the implementation of the AfCFTA (Ahmad, 2022). Such priorities can be potentially in conflict with the collective objectives of the free trade area, especially if strict rules of origin require that domestic industries fulfill production standards and/or value addition requirements. So, the bargaining power of the state becomes a factor to consider whether AfCFTA provisions can be realised or not. The theory can help to understand why enforcement and compliance vary even though the rules of the AfCFTA are uniform.

The theory is particularly applicable in the analysis of the impact of Nigeria's poor domestic policies on its level of integration. Inter-governmentalism reflects the assumption that a member state has to actively promote the regional goals, and that any domestic weakness will directly lead to challenges in integration (Abaku and Parkinson, 2024). Lack of industrial capacities, high import dependency, and administrative inefficiencies, for example, make it less likely that Nigerian companies will meet the requirements for RoO-compliant exports. This could lead to lessened realization of AfCFTA benefits, including tariff benefits and market access. Inter-governmentalism sees these gaps as inevitable when states choose to implement policies.

The implementation of AfCFTA rules and especially the RoO will therefore depend on the Government's will and capacity. Inter-governmentalism has the view that regional rules are aspirational in nature without the active engagement of the State in monitoring, auditing, and sanctioning non-compliance (Dubrovina et al., 2025). However, in the context of Nigeria, regulatory bodies responsible for ensuring local content and RoO are implemented are poorly resourced and not coordinated; which is a challenge to the effective implementation of AfCFTA. The theory focuses on how willing the states are to enact domestic policies that are in line with regional ones, and the degree of willingness is reflected in the strength of integration.

The tension between national sovereignty and regional commitments is also explained by inter-governmentalism. Inter-governmentalism also illuminates the relationship between national sovereignty and regional commitments. The theory acknowledges the balancing act that states have to make when delegating some powers to supranational institutions (Atai 2023). AfCFTA calls for harmonization of RoO to ensure smooth trade flows, but Nigeria's protectionist industrial policies could constrain compliance. This aspect refers to the hands-on way the integration process unfolds while keeping sovereignty intact. So, the theory, in a way, acts like a pair of glasses to spot the gaps in compliance and instances of selective participation.

Inter-governmentalism is a theory that can be used in formulating the institutional setup and dispute settlement in AfCFTA. As stated by Gul et al (2022), the tools used to negotiate, monitor, and resolve disputes in structures led by states have to be very efficient. The governance of AfCFTA is mainly dependent on the member states reporting, inspecting, and enforcing their trade standards, with very few supranational powers arising from other bodies. The absence of state capacity may result in enforcement loopholes that prevent the overall goals of the agreement from being attained. The element of 'inter-governmentalism' explains why real trade integration can only be achieved through the joint efforts of the States since regional rules alone are not enough.

Though, to leave the lid on understanding the technical cooperation and functioning of functional institutions, inter-governmentalism is a concept that still needs to be filled in. It does give a clue to state behavior and national interest protection but it fails to completely capture how economic or technical structures such as local production capability, consumption behavior, or trade facilitation systems influence the outcome of regional agreements. The functionalist and structural-functionalist perspectives, which highlight cooperation for advantages and interdependent societal structures, offer a solution to this shortcoming (Johnson, 2025). This gap underlines the necessity of using different theoretical approaches to analyze the results of AfCFTA. Higher domestic production and the local consumption of locally produced items can contribute to the betterment of market integration. Consumer education campaigns and incentives for domestic product consumption can help change demand patterns.It is therefore important to ensure that consumption behaviour is consistent with trade policies for effective regional integration.

Import dependence is a critical issue as it negatively impacts Nigeria's competitiveness within the AfCFTA framework. Signé and Madden (2021) say that weak local content use in countries may result in their exclusion from African markets. This makes it more difficult for Nigerian companies to compete on an equal footing with other companies in the region. This means that domestic industries have little scope to capture value in continental value chains. Increased investment in local production of investment inputs and capacity development is needed to increase origin compliance. Boosting domestic industries will also give Nigeria more leverage in negotiating with other countries in AfCFTA trade talks. So policy consistency with domestic industrial policy is crucial.

A decline in benefits from AfCFTA also affects the future development of trade. As highlighted by Anamela et al. (2024), low local content and a constant import preference restrict the upgrading of industries. This will delay the production of high-value products and decrease the competitiveness of the region. If nothing changes, Nigerian businesses will continue to be limited in how far they can go in Africa. Policies to support consumption, local input production, and compliance capacity are, therefore, needed. Addressing demand – with AfCFTA objectives – will improve value chain involvement in the region. This can help to maximise the economic potential of PTA.

However, if it is not corrected, Nigeria's consumption trends could hinder AfCFTA's key goals of market integration, value chain development, and local competitiveness. Okoroma (2024) reported that import dependency on consumption hurts origin compliance and participation in intra-African trade. AfCFTA's preferential mechanisms are still largely underutilized, unless backed by domestic production and consumption. Policy measures should tackle the issue of harmonizing consumption behavior with the industrial and trade objectives. Domestic product uptake will boost the local industries and stimulate market integration in the region. Thus, for AfCFTA to succeed in Nigeria in the longer term, there is a need for consumption-oriented industrialization.

2.3.2 Functionalism

The theory of International Relations regarding functionalism focuses on cooperation among states, not on political or ideological alliances, but on technical, economic, and sectoral functions (Theiler, 2022). The theory holds that the process of integration takes place when states see tangible gains from joint action, such as trade, infrastructure, and technology. Functionalism places greater emphasis on the need for cooperation than intergovernmentalism since it assumes that common needs and practical intergovernmental problems can lead to a voluntary cooperative arrangement. It is based on a core principle that states increasingly become interdependent in specific functional areas, thus fostering ongoing interactions. This view is particularly helpful in comprehending the Regional Trade Agreements where the benefits of operations are more often than not political commitments. In addition, functionalism emphasises the importance of specialised institutions as enablers of cooperation and the execution of technical and economic functions. Haas (2024) points out that cooperation is achieved through these institutions.

The roots of functionalism go back to the post-World War II era in Europe, where functionalists—academics and policy makers—looked for ways to keep peace by means of economic and technical cooperation instead of political integration (Sørensen, Møller, & Jackson, 2022). This began to be shown early in the functionalist work, the European Coal and Steel Community, where working on economic interdependence would lead to the creation of structures of cooperation that would remain until the end. State delegations delegated power to sectoral institutions to address sectoral needs and thus gained tangible benefits that slowly led to building trust and political stability. The history serves as a conceptual context for the use of functionalism in AfCFTA, where a greater degree of economic cooperation is envisioned before a greater degree of political harmonization. The African experience is unique but very much similar to the opportunities in the field of economic-driven integration.

The functionalist theory considers the AfCFTA as a cooperation instrument, as the functional benefits, including lower tariffs, higher intra-African trade and better market access, are immediately noticeable (Nord, 2023). Nigeria, as a major member country, is committed to implementing the AfCFTA to benefit from the functional areas, especially in manufacturing, agriculture and digital trade. In functionalism, the reasons for states to accept rules of origin are pragmatic: either because of export opportunities or value-chain participation. On the other hand, non-compliance is frequently the case if the functional processes in the home institutions are not carried out with a good degree of efficiency. AfCFTA integration, therefore, offers a lens to explore why it might work well in some parts of its operation, but not in others because there are policy gaps in the domestic policies.

Functionalism highlights the importance of effective institutions in maintaining co-operative results. The functionality of customs, trade facilitation bodies, and regulatory agencies is critical to trade integration in AfCFTA (Hepfer and Lawrence, 2022). Efficient operation of these institutions can facilitate the process of cross-border transactions, bringing down the admin costs for exporters and importers. The non-functional potential of AfCFTA is due to weak implementation of domestic policies, including weak local content enforcement, lack of adequate industrial standards, etc. The advantage of functionalism is that researchers can now appreciate that institutional inefficiencies are not administrative problems alone but problems in attaining the functional goals of regional trade agreements. AfCFTA's potential positive impact will be limited if the institutions are weak.

The theory also sheds light on the need for cooperation within sectors. Technical cooperation including ensuring uniform product certifications, harmonizing tariffs, and harmonizing rules of origin lowers transaction costs for firms (Harrison, 2024). Functionalism suggests that states are more likely to adhere to common rules when they are clearly advantageous and controllable. Nigeria's challenges with respect to the rules of origin are due to low domestic manufacturing and high dependency on imports. The challenges are seen as obstacles to functional cooperation, not lack of political will, within the functionalism framework. This theory emphasizes the real-world implications of cooperation and identifies the aspects of compliance that can be improved through strategic interventions.

Functionalism is useful in filling in unfilled voids of other integration theories. Intergovernmentalism focuses on sovereignty and national interest, but can be less effective at considering the advantages that can be gained from collaborative economic activities (Theiler, 2022). Instead, functionalism focuses on the tangible ways in which cooperation can promote gradual integration, e.g. trade facilitation, technology development, and infrastructure investment. Within the framework of AfCFTA, this theoretical approach offers insight into how, despite the fact that some states might not be keen to transfer political control because of the evident economic benefits, they can still do so. Functionalism, therefore, is complementary to other theories by highlighting the operational incentives for maintaining regional agreements.

The introduction of functionalism to AfCFTA emphasises the linkage between economic interdependence and compliance. The functionalist theories imply that if intra-African trade is perceived as something that would bring tangible benefits to states, it is more likely for the states to harmonize their policies to fit into the regional rules (Signé & Madden, 2021). Poor industrial output and weak implementation of local content policies in Nigeria hinder functional cooperation and thus reduce Nigeria's gains from AfCFTA. Functionalism can be used to outline the policy interventions required to improve the practical working of trade agreements by identifying these gaps. So, this lens would be quite suitable to assess the impact of domestic structures on the outcomes of regional integration.

Besides small continuous integration is the main feature of functionalist interpretation. Functional cooperation can bring about tangible benefits even at a very small scale (e.g. improved customs facilitation, digital trade facilitation), and the promise of these benefits may motivate people to get more involved (Chatterjee, Chaudhuri, & Vrontis, 2025). There are specific changes that Africa can make in certain areas where the AfCFTA is up and running, that can increase Nigeria's involvement. These small-scale benefits may produce wave effects with other countries being more inclined to join after seeing the benefits gained by others. Pragmatically then, functionalism provides an understanding of how operational successes can be rolled out into greater integration.

In addition, the theoretical underpinning of functionalism provides a rationale for the specific focus on gaps in domestic policy. It offers a prism for understanding the limited effectiveness of AfCFTA rules of origin (Nord, 2023) due to the poor functionality of domestic structures, for instance, weak industrial policies, low production capacities, and inadequate compliance mechanisms. Functionalism focuses on concrete measures that can increase compliance, unlike intergovernmentalism, which focuses on political bargaining. The theory brings into focus the operational side to enable Nigeria to target areas for strengthening its domestic systems to benefit from the regional integration.

Finally, the functionalism approach can be used to critically discuss the challenges and opportunities of AfCFTA. In the (Haas, 2024) approach, trade integration is dependent upon the successful functioning of technical and economic functions, and tangible benefits serve as incentives to cooperate. The lens will enable an analysis that connects theory and practice since it will help to understand how the failures of domestic policy and institutional weaknesses hinder functional cooperation. This emphasis on operational functionality is a complement to intergovernmentalism and provides a way to identify targeted reforms. The theory is therefore seen as valid for this study and the use of other theories like structural functionalism to examine the interdependence of domestic and regional structures is still possible.

2.3.3 Structural Functionalism

A theory of society suggested by the works of Emile Durkheim and Talcott Parsons, is that society is a web of interdependent mechanisms, each playing a specific role that is important for the stability and continuity of society as a whole (Imran, 2024). As part of trade and economic integration, these are the policies, institutional arrangements, and societal habits that work together to facilitate market functioning. This theory holds that if one element of the structure is weak or not functioning properly, it causes the whole system to become unbalanced and That's why the benefits and efficiencies are lost. Because of this, the main pillars of AfCFTA like the Local Content Policy, domestic production capacities, and consumption patterns should be harmonized to ensure compliance with the Rules of Origin (RoO). If any of these pillars fail, the overall objectives of trade integration may be compromised Structural Functionalism brings a comprehensive approach to understanding how domestic institutional and economic factors influence regional trade outcomes. This perspective effectively reconciles the theoretical differences between, on one side, intergovernmentalists and functionalists who highlight state negotiation and functional collaboration respectively, and on the other side, those who give limited attention to systemic interdependence of domestic structures.

Local Content Policy is one of the main structural components of Structural Functionalism in Nigeria. The objective of this policy is to encourage local sourcing and product enhancement so that Nigerian products meet the RoO requirements for AfCFTA exports (Wasilah, 2023). But, the lack of implementation and weak industrial base limit the effectiveness of this setup and undermine the potential benefits of this pan-African trade agreement. In Structural Functionalism perspective, the Local Content Policy is one of the structural elements, and it highlights how the deficiencies of a few institutions can be felt throughout the entire trade system. For instance, a lack of local production would not only diminish the possibilities of exporting but it would also discourage investments in local production This way resulting in underperformance. Such a holistic perspective is essential for policymakers who seek a policy that is aligned with regional trade systems. In this way, recognizing these interdependencies may enable strategies to be devised to reinforce the institutions of trade, something not captured by other theories.

Another interdependent structure that is important to the stability of a trade system is its consumption behavior. Nigeria's reliance on importation decreases the chances of locally produced goods satisfying AfCFTA RoO standards (Malik & Malik, 2022). The Structural Functionalism approach to consumption patterns sees it as a social and economic structure that shapes trade outcomes. Over-reliance on imports reduces the ability of domestic production to play a role in effective engagement in AfCFTA and hence its structural support. Besides this, consumer behavior has an impact on investment decisions, as foreign-dependent consumption demotivates local entrepreneurship. The theory helps explain how consumption is a structural feature, and how consumption practices and policy interact to influence trade compliance. Other theories, that tackle governance or economic incentives, tend not to systematically describe these behavioral interdependencies.

The theory's applicability in the context of AfCFTA implementation is reflected in the interdependency of policy, production and consumption. According to Wandi, Afnita and Hefni (2021), structural functionalism focuses on harmony, consensus and balance between the structures of society. In Nigeria, the implementation of this entails the need for an integrated approach of the Local Content Policy, domestic industrial capacity, and consumer behavior in order to establish a balanced trade system. When there is disruption in any system – including inconsistent policy enforcement – it has a systemic impact on the country's competitive advantage. Structural Functionalism can then offer a complete picture of what the potential reasons are for failures in the implementation of AfCFTA goals. This systemic lens adds to, not replaces, the state-centric perspective on intergovernmentalism and the economic-functional perspective of functionalism, bringing attention to the need for domestic coherence.

Weaker structural support can also be seen in the difficulties Small and Medium Enterprises (SMEs) are having in complying with AfCFTA RoO. Based on the concept of Structural Functionalism, SMEs can be considered as one of the elements in the production structure that can determine the performance of a system as a whole (Wijaya & Sudaryanto, 2024). The entire trade structure suffers when SMEs are unable to meet compliance requirements because of resources, documentation, or technical knowledge. The failure noted above is a good example of the interconnectedness that is promoted by Structural Functionalism, meaning that one part cannot perform its function without affecting the other parts of the system. This accounts, in theory, for the lack of success of policy changes in the absence of better institutions and capacities. It signals the need for other strategies to look at, such as intergovernmental negotiations or 'functional outputs' that are missing the structural elements at the domestic level.

Rules of Origin are also reflected in the structure of interdependence. According to Sidik and Setia (2024), for trade compliance mechanisms to work effectively, there are three conditions to be met: the existence of domestic institutions, industrial capabilities, and legal frameworks. Inconsistent implementation of RoO rules in Nigeria is a result of weak structural cohesion, which has a negative impact on the intention of AfCFTA. Structural Functionalism places these enforcement problems in a larger system, and indicates that deficiencies in one structure negatively impact the entire system. This perspective is different from other theories, which focus on purely procedural or legalistic analyses and highlight the importance of the alignment of the systems for regional integration targets.

Other structural factors affecting the performance of the trade system are education and skills development. Cockerham and Scambler (2021) suggest that specific parts of society that provide a function, Including knowledge and expertise to support institutional efficiency and economic outcomes. In Nigeria, there is a lack of Technical Skills and the know-how of the industry which impacts the ability of producers to meet the origin requirements and thus undermines trade performance under the AfCFTA. Structural Functionalism is able to help connect these social and economic factors with the general health of the trade system offering a multi-dimensional perspective on the challenges. Identifying these interdependencies enables policy decisions to be taken to support multiple structures through targeted interventions, such as skill development programmes.

The theory also highlights the importance of social cohesion and consensus for maintaining effective trading systems. In Imran's view (2024), the main point of Structural Functionalism is that societal structures have to be functioning properly for society to be balanced. From a Nigerian perspective, this element would be akin to the recipe for successfully implementing the AfCFTA not only through policy and institutional measures but through societal acceptance and cooperation with trade regimes as well. A lack of consensus or a divided stakeholder scenario, based on Imran, is capable of causing disruption in the system, which exposes the system to the risk of producing a sub-optimal outcome.

Structural Functionalism offers a new perspective for looking at policy and its effects on the structure. Analyzing the structures and their dependence on each other, Wasilah (2023) says that one can very well pinpoint the areas of failure and vacancies for making improvements. In this way, AfCFTA can support its strategic undertakings such as LCP reforms, production enhancement, and consumer-awareness driving through the insight of Structural Functionalism. It is a very useful tool to make sure that the policy proposals are changing the underlying causes at a deeper level rather than the mere symptoms.Apart from that, Structural Functionalism has the explanatory power to uncover the workings of a group of domestic structures collectively responsible for deliverables of AfCFTA, in which case its employment in this research can be considered appropriate.Malik and Malik (2022) and Imran (2024) point out that interdependent structures, when working in synergy, have the potential for system stability and performance. In Nigeria, improving production, policy implementation, and consumption behaviour at the same time will help to achieve Rules of Origin, which will help to maximize the benefits of AfCFTA. The view from this angle complements intergovernmentalism and functionalism, which left a theoretical void that needs to be filled by a holistic and systemic approach that connects domestic structures with regional trade results. Finally, Structural Functionalism recognizes the importance of coordinated domestic development for enabling sustainable continental trade integration.

2.4 Empirical Review

In this study, Ajibo and Kaime (2025) studied the Rules of Origin (RoO) in the AfCFTA and how it affects the African value chain, focusing on Nigeria and South Africa. The study revealed that the intra-African trade has been in operation since 2021, but the application of RoO in Nigeria is hampered by weak industrial production, and low local content. Such constraints smothered the gains for Nigerian traders and manufacturers under AfCFTA. The study is relevant to the current research in the sense that it provides insight into the interaction of RoO compliance and domestic production capability to influence trade outcomes. Moreover, it pointed out that poor institutional coordination and weak monitoring mechanisms dampened the potential trade growth. The two studies examine the impact of RoO and the readiness of the domestic structures on Nigeria's trade outcomes. Wholeheartedly different is the scenario of Ajibo and Kaime, which deals with the comparative case study of Nigeria–South Africa, as opposed to the current study's exclusive focus on Nigeria.

The impact of AfCFTA on Nigeria's manufacturing industry from 2018 - 2022, was studied by Okafor and Obiora (2025). They stated that the duty-free trading arrangement started in January 2021, but Nigerian manufacturers experienced challenges in meeting the RoO requirements because of the reliance on imported inputs as well as a lack of technological capacity. This study is relevant for the ongoing research because it highlights the limitation of domestic production factors to trade under AfCFTA. It also observed that policy gaps and poor policy implementation were the most significant factors that hindered the full realization of the benefits of intra-African trade. Both studies consider domestic production constraints to trade. The current research combines trade, policy, and institutional perspectives while Okafor and Obiora emphasize manufacturing.

For the study on the economic integration of Nigeria within AfCFTA, Ajewumi, Afolabi, and Joe-Akunne (2024) analyzed regional trade agreements and schedules of tariff reductions. They discovered that despite more than 30 countries in Africa presenting their initial tariff schedules by early 2021, Nigeria's low compliance with RoO and domestic production shortcomings restrained the benefits from trade. The study is relevant because it has proven the connection between readiness of structures and the achievement of the benefits of AfCFTA, which confirms that trade laws are not effective without functional domestic trade systems. The two studies highlight the need for structural preparedness for AfCFTA success. The current study focuses on the Nigerian outcomes over the years whereas Ajewumi et al. give a wider regional perspective.

Okosa (2025) examined the aims and merits of the AfCFTA to Nigerian National integration. The study highlighted that the agreement, which started trading on 1 January 2021 had some structural issues in manufacturing, and a low compliance rate with RoO. The present research is relevant to the current study as it highlights the interdependency between domestic industrial capacity and the success of continental trade arrangements. It also highlights the importance of effective domestic policies to maximise the potential of AfCFTA opportunities. Domestic industrial capacity is emphasized as important for trade benefits in both studies. However, structural-functional linkages and trade development form the focus of current research, while national integration is the main theme of Okosa.

In Africa (2025), the Panel evaluated the five-year journey of the implementation of AfCFTA and identified possible amendments to enhance the benefits to member states. The report publicized that initially Nigeria, South Africa, and Tanzania lagged in implementing the agreement, which restricted trade creation. The current study is relevant to the ongoing research in that it demonstrates the effects of domestic institutional preparedness and policy implementation on the practical results of participation in the

AfCFTA. It also highlighted the risks of trade diversion due to delayed compliance. Both studies consider institutional readiness as a factor determining trade performance. Africa offers policy recommendations while the current study assesses empirical outcomes of trade in Nigeria.

The AfCFTA was macroeconomically assessed continentally by Traoré et al (2025), which included Nigeria. The study documented trade creation within Africa, and also trade diversion away from external partners but Nigeria had a limited amount of trade creation because of production gaps and low RoO compliance. This research is relevant because it relates the structural performance of Nigerian industries to the performance of the entire continent of Africa. It shows the need for harmonising domestic production with the rules of trade for the AfCFTA to be fully effective. In both studies, the attention is focused on the relationship between domestic capacity and continental trade outcomes. Traoré et al. take a macroeconomic, continent-wide approach, and the present study has a longitudinal, Nigeria-specific approach.

Nagu (2023) explored the policies, regulations, and institutional arrangements needed for successful implementation of AfCFTA. The study emphasized the inadequacies of the regulatory and institutional framework in Nigeria that stifled trade development after 2021. The study is relevant because it indicates that the operation of domestic institutions has an impact on RoO compliance and general trade performance. It highlights the importance of strong governance to realise the benefits of AfCFTA to the maximum. The two studies deal with institutional and policy aspects of RoO compliance. While Nagu focuses on legal and policy frameworks generally, the focus of the current study is on incorporating these alongside trade and production data.

Omeje and Chukwu (2025) studied the effect of institutional quality on trade competitiveness in the AfCFTA, specifically for Nigeria. They discovered that poor institutional arrangements constricted Nigerian firms from fulfilling RoO requirements, and therefore hampered market integration and value-chain engagement. This study is relevant to the current study as it has shown that good domestic institutions are essential for trade development under continental agreements. The two studies evaluate institutional quality in terms of trade competitiveness. Omeje and Chukwu look at institutional quality as a determinant, whereas the current study also takes into account structural and functional domestic factors.

The implications of AfCFTA for the economic growth of Nigeria have been explored by Aigheyisi and Iyoha (2022). They discovered that although the potential of intra-African commerce is there, structural gaps and low RoO compliance dampened the actual benefits. The findings of this research are pertinent to the present study because it establishes that domestic production capacity and compliance with trade rules are important factors to determine Nigeria's success in AfCFTA. In both studies, domestic structural readiness is associated with trade benefits. While Aigheyisi and Iyoha are interested in the economic growth outcomes, the present research is interested in the development of trade under AfCFTA.

Adebimpe & Badru (2025) used a two-level game analysis approach when analyzing the AfCFTA ratification in Nigeria. As part of their study, they identified how domestic actors, such as policymakers and industry stakeholders, impacted RoO compliance and trade benefits. Nigeria was not able to fully reap the benefits of AfCFTA as a result of weak policy implementation and low industrial readiness. This study is of relevance because it focuses on the role played by domestic governance, industrial capacity and continental trade rules in determining trade outcomes. For both studies, the focus is on domestic actors and institutional factors that influence AfCFTA outcomes. The current research puts more emphasis on the process of trade development and functional structural implications, while Adebimpe and Badru put more emphasis on political dynamics and negotiation processes.

The study by Asamoah (2024) used a Computable General Equilibrium model to evaluate the effects of AfCFTA on Ghana's economy. The results have shown a potential for welfare and trade benefits, albeit subject to good RoO enforcement and an increase in domestic production. The study is relevant as it empirically connects RoO effectiveness to AfCFTA outcomes for trade development. It additionally implies that weak domestic supply reactions can restrict anticipated gains. Both studies relate effects of RoO enforcement to trade development outcomes. The current study takes an empirical approach with a policy orientation, whereas Asamoah applies a quantitative modeling approach to Ghana.

Essien and Uko (2023) studied the political economy of trade liberalization agreements with a focus on Nigeria, particularly AfCFTA. Nigeria's industrial capacity was weak, policy was inconsistent, and reliance on imports hobbled Nigeria's capacity to benefit from AfCFTA trade liberalization, the study concluded. This research is relevant because it reveals that domestic structural vulnerabilities impact the effectiveness of RoO and its trade competitiveness. It also emphasizes the impact of consumption preferences for imports on reducing the incentives to domestic production. Both studies emphasize the structural weaknesses of Nigeria under AfCFTA. Essien and Uko have focused on political economy dynamics, whereas the present study focuses on RoO, consumption behavior, and development of trade.

Hailesilassie (2025) analyzed policies and practices of African trade under AfCFTA, particularly efficiency in exporting and AfCFTA performance in intra-African trade since 2021. The study revealed that low intra-African trade shares were correlated to poor RoO enforcement and low industrial diversification in major economies, including Nigeria. This study is significant because it sets the problems of Nigeria side by side with those of the continent. It also illustrates that low RoO levels decrease the efficiency of exports. Both studies examine RoO enforcement and its impact on trade performance. Hailesilassie is done continentally, whereas the ongoing study is conducted in Nigeria and longitudinal.

Tayo and Odijie (2024) explored the AfCFTA protocol on trade in goods, considering the implications of weak implementation for the economy and society. The study revealed that weak implementation of RoO could result in trade deflection and stifle industrial development among member states such as Nigeria. The fact that this research is relevant is that it highlights the need for domestic policies to comply with AfCFTA trade rules. It also emphasizes the risks of weak institutional compliance. The two studies highlight the need for the effective implementation of RoO enforcement to enhance sustainable growth in trade. While Tayo and Odijie are concerned with legal and protocol analysis, the present study examines the empirical trade transactions in Nigeria.

Abbas (2022) carried out analytical research on the benefits and challenges of AfCFTA with reference to the large economies in Africa like Nigeria and South Africa. The study revealed that AfCFTA may raise intra-African trade volume by a significant margin by 2025, however, the level of industrial development and policy implementation hampered the realisation of the benefits. This study is relevant because it connects AfCFTA performance with the capacity for domestic production and policy effectiveness. Both studies point to structural and policy challenges that impact the benefits of AfCFTA. The current study focuses on the consumption behaviour of the RoO in Nigeria, whereas Abbas gives a comparative macro-analysis.

2.6 Gap in the Literature

Previous research has extensively looked into Nigeria's involvement in AfCFTA, focusing on issues such as low domestic industrial capacity, low rate of local content, and weak compliance with RoO. The majority of research centers on the early years of implementation (2021–2023), however, and does not offer a longitudinal analysis to 2025. Furthermore, there is insufficient empirical evidence that connects the domestic structural weaknesses, consumption behavior, and institutional quality to the general trade development of Nigeria under AfCFTA. There is limited systematic research that examines the interaction of these factors to explain their impact on the effectiveness of RoO and the realization of the trade gains. This research aims to bridge this gap by undertaking a detailed assessment of Nigeria's trade performance under AfCFTA for the period 2021—2025.

CHAPTER THREE

METHODOLOGY

3.1 Theoretical Framework

A theoretical system organizes existing knowledge and guides both the interpretation and analysis of research results. The theoretical lens through which this research was viewed is the intergovernmentalism perspective which is used to study the impact of the African Continental Free Trade Agreement (AfCFTA) Rules of Origin (RoO) on trade development in Nigeria 2021-2025.

Intergovernmentalism emphasizes the role of national governments in international cooperation and it argues that regional integration is a function of the interests, policies, and abilities of each member-state. It further states that trade agreements like AfCFTA are not enforced by a supranational authority but through domestic institutions and policy structures. That's why, the efficacy of AfCFTA's Rules of Origin will depend on how closely member-states align their domestic economic policies including policies on local content.

AfCFTA is one notable step towards the economic integration of Africa which aims to increase intra-African trade and industrialization within the continent. It is however dependent on the capacity of member states, such as Nigeria, to ensure adherence to Rules of Origin, support local production, and control consumption patterns. Therefore, the concept of inter-governmentalism is suitable for analysing how domestic policy gaps, such as weak implementation of local content policies, import dependency and consumption patterns, impact the achievement of AfCFTA goals.

3.1.1 Inter-governmentalism

Inter-governmentalism is a theoretical approach that has been developed from the studies of International Political Economy and Regional Integration which focuses on the role of nation-states in shaping the content and effects of international agreements. The concept came to the fore in the writings of such authors as Stanley Hoffmann and Andrew Moravcsik, who maintained that states continue to be the prime movers in the regional cooperation process.

Per Inter-governmentalism, integration happens as a result of negotiations and bargaining among sovereign States, where each State acts in the pursuit of its national interest. In contrast to the supranational theories that focus on the importance of independent regional institutions, Inter-governmentalism claims that implementation and enforcement of agreements rely on the political will and institutional capacity in each Member State.

A key tenet of the theory is that regional agreements are as effective as the most noncompliant member. For example, the effectiveness of AfCFTA's Rules of Origin for supporting intra-African trade relies on the capacity of every member country to ensure that products comply with the value-added requirements in their country. Whereas the effectiveness of the agreement is hampered by weak enforcement of local content policies and regulatory inefficiencies in Nigeria, which make it less likely that companies will adhere to the agreement.

The theory also emphasizes the significance of national economic priorities to policy implementation. National governments usually prioritize protecting local industries, employment, and the economy over making regional commitments. For Nigeria, meaning relying on imports and having a low production capacity locally will be at odds with the AfCFTA Rules of Origin that require strong local value chains.

3.1.2 Assumptions of Inter-governmentalism

Certain underlying assumptions of inter-governmentalism can help to illustrate the links between domestic policy implementation and regional trade outcomes. The study is based on these assumptions.

1.The Rule of Law and Human Rights

The theory is based on the assumption that states are the main actors in international agreements. The success of AfCFTA hinges on the readiness and desire of Nigeria to enact provisions and Rules of Origin.

2.The second driving force is the nation's interest. The second force is the national interest.

Inter-governmentalism starts with the assumption that states are more interested in promoting their national economic and political interests. Nigeria's import dependency and protectionist attitude affect its interactions with AfCFTA rules.

3. Rely on domestic policy implementation

The theory is based on the premise that regional agreements are enforced through domestic institutions. The implementation of the local content policy in Nigeria is not well developed, which negatively impacts the implementation of AfCFTA Rules of Origin.

4.Uneven Integration Outcomes

Inter-governmentalism is based on the premise that there are differences in the capacity of States and this influences the gains of integration. Countries with a better industrial base do better than those with a poor production base like Nigeria do to maximise gains.

3.1.3 Applications of Inter-governmentalism to the study

Analysing the impact of AfCFTA Rules of Origin on trade development in Nigeria between 2021 and 2025 is relevant in the context of inter-governmentalism.

Firstly, the theory elucidates the reasons for the failure of Nigeria's local content policy on the implementation of the Rules of Origin. Low domestic production capacities and weak policy implementation will impact Nigeria's ability to comply with origin rules and contribute to trade gains from AfCFTA.

Secondly, Inter-governmentalism emphasises the impact of Nigeria's consumption pattern on AfCFTA. The high reliance on imports can impact domestic industries and hinder the ability to add value, which is crucial for compliance with Rules of Origin. This illustrates the direct impact of domestic economic behaviour on regional trade results.

Third, the theory underscores the importance of policy coordination through the state in realizing integration goals. The study assesses the implementation of the provisions of AfCFTA by the Nigerian institutions including the trade regulatory institutions and industrial promotion agencies and how they are aligned with AfCFTA objectives.

The study uses Inter-governmentalism to gain a better understanding of the role of domestic policy gaps and state-centric decision-making in the success or failure of the implementation of AfCFTA in Nigeria.

3.2 Hypotheses

Poor implementation of Nigeria's local content policy has been a huge challenge for the Rules of Origin under AfCFTA from 2021 to 2025.

The effective implementation of the Rules of Origin under AfCFTA in Nigeria has been significantly undermined from 2021 to 2025.

3.3 Research Design

The type of research design for this study is qualitative, descriptive, and analytical. The qualitative design will help the researcher analyze the relationship between domestic economic policies and implementation of AfCFTA Rules of Origin in Nigeria.

The descriptive approach enables the study to examine the local content policy framework, consumption pattern, and its implications on trade development in Nigeria It also helps to analyze the role of institutions and their problems with implementing policy during the period of the study. Such a research design would be very suitable since the study does not simply measure the policy, institutional dynamics, and economic behaviors quantitatively.

And, the study adopts a qualitative approach which is capable of providing detailed insights on how domestic factors affect the regional trade integration.

3.4 Method of Data Collection

Mainly this research is dependent on secondary data sources. Secondary data are in fact very suitable for this research as it focuses on policy analysis, institutional systems, and the dynamics of trade.

The data used in this research are from: AfCFTA policy documents, Rules of Origin guidelines,

Reports of the Federal Ministry of Industry,

Trade and Investment,

Nigerian Export Promotion Council (NEPC) publications,

Manufacturing Association of Nigeria (MAN) reports, Trade data from the National Bureau of Statistics (NBS),

Academic journals, scholarly articles, books on AfCFTA and trade policy,

reports of international organizations like the World Bank and UN Economic Commission for Africa,and trustworthy media reports on Nigeria's trade and industrial performance for the 2021-2025 academic period.

These documents provide comprehensive and reliable information on trade patterns, policy implementation, and institutional performance in Nigeria.

3.5 Data Analysis Technique

This study will use the qualitative content analysis technique to analyze data.

It is an open-ended technique that allows for a systematic review and explanation of data that has been collected from secondary sources. The analysis is done focusing on these main themes:

1. What has been the impact of the manufacturing policy implementation on the AfCFTA Rules of Origin?

2. How has Nigeria's consumption pattern influenced trade development and RoO compliance?

3. What role have domestic institutions played in enforcing AfCFTA provisions?

4. To what extent has the Nigerian policy environment affected regional trade integration?

Through the use of this analytical technique, the article examines the relations between economic policies of the country, local behaviors, and the extent of AfCFTA in Nigeria.

3.6. Logical Data Framework

Table 3.1**:**

RESEARCH QUESTIONS	HYPOTHESES	MAJOR VARIABLES OF THE HYPOTHESIS	EMPIRICAL INDICATORS	METHOD OF DATA COLLECTION	SOURCE OF DATA	METHOD OF DATA ANALYSIS
How has the poor implementation of Nigeria's local content policy undermined the Rules of Origin under AfCFTA, 2021–2025?	H1: The poor implementation of Nigeria's local content policy has significantly undermined the Rules of Origin under AfCFTA between	Independent (X): Local Content Policy Implementation Dependent (Y): Compliance with AfCFTA Rules of Origin	Level of local value addition; enforcement of policy; industrial output; export eligibility under RoO	Documentary method	Government reports, NEPC publications, MAN reports, academic journals	Qualitative Content Analysis

	2021 and 2025.					
How has Nigeria's consumption pattern weakened the effective enforcement of the Rules of Origin under AfCFTA, 2021–2025?	H2: Nigeria's consumption pattern has significantly weakened the effective enforcement of the Rules of Origin under AfCFTA between 2021 and 2025.	Independent (X): Consumption Pattern Dependent (Y): Effectiveness of RoO Enforcement	Import dependency; demand for foreign goods; local production levels; trade balance	Documentary method	NBS data, World Bank reports, trade statistics, media reports	Qualitative Content Analysis

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

This chapter presents and discusses findings from the research on how the African Continental Free Trade Agreement (AfCFTA) Rules of Origin could impact Nigerian trade development for the period 2021 to 2025. It is structured around the major themes that arose from the study's goals, hypotheses, and the theoretical setup of Intergovernmentalism.The chapter employs qualitative content analysis to analyse the extent of compliance with AfCFTA Rules of Origin and the trade development outcomes that were impacted by the poor implementation of Nigeria's local content policy and import-oriented consumption patterns. Secondary sources of data (government reports, AfCFTA policy documents, trade statistics, academic publications, and media reports of Nigeria's industrial and trade performance) were used for the analysis.

This paper outlines the general background of AfCFTA Rules of Origin and Trade Development in Nigeria for the year 2021-2025.

Nigeria's AfCFTA membership from 2021 to 2025 was a significant and bold effort to deepen the integration of trade and industrial activities in Africa. The AfCFTA Rules of Origin were one of the most significant rules under the agreement that guides which products will be eligible for preferential treatment under the agreement. These rules were designed to support value-adding, local production, and industrialization of member states.

Nigeria had huge economic potential to join AfCFTA, given the size of its market, its population, and the strategic location of its economy in the West African region. Other structural economic bottlenecks were also present, such as limited manufacturing capacity, high reliance on imports, lack of infrastructure, and uneven industrial policies. These home-grown challenges hampered Nigeria's ability to fully take advantage of the opportunities offered by the AfCFTA Rules of Origin framework.

One of the key goals of the Rules of Origin was to avoid transshipment and also make sure that only goods basically made in Africa are qualified for the benefit of the preferential tariffs. For Nigeria, adherence to such rules was highly reliant on the effectiveness and implementation of the local content policies and domestic industrial production. Weak institutional mechanisms for implementation and inadequate coordination between institutions, however, affected compliance.

Another key factor during the study period was Nigeria's consumption which continued to be highly reliant on imports of finished goods. AfCFTA Rules of Origin were undermined because of high demand for foreign products which stunted local value-addition within the industries. It has made it difficult for Nigerian manufacturers to compete in the free trade zone on the continent of Africa.

Despite the challenges, AfCFTA afforded opportunities for expansion of trade, industrialization, export diversification and market access. To boost Nigeria's competitiveness under the agreement, Government agencies including the Nigerian Export Promotion Council (NEPC) and the Federal Ministry of Industry, Trade and Investment organised more awareness campaigns and policy discussions.

In general, Nigeria's involvement in AfCFTA during the period 2021-2025 was a manifestation of both opportunities and constraints of regional trade integration within the AfCFTA framework, which are linked to the implementation of national policy and other industrial constraints.

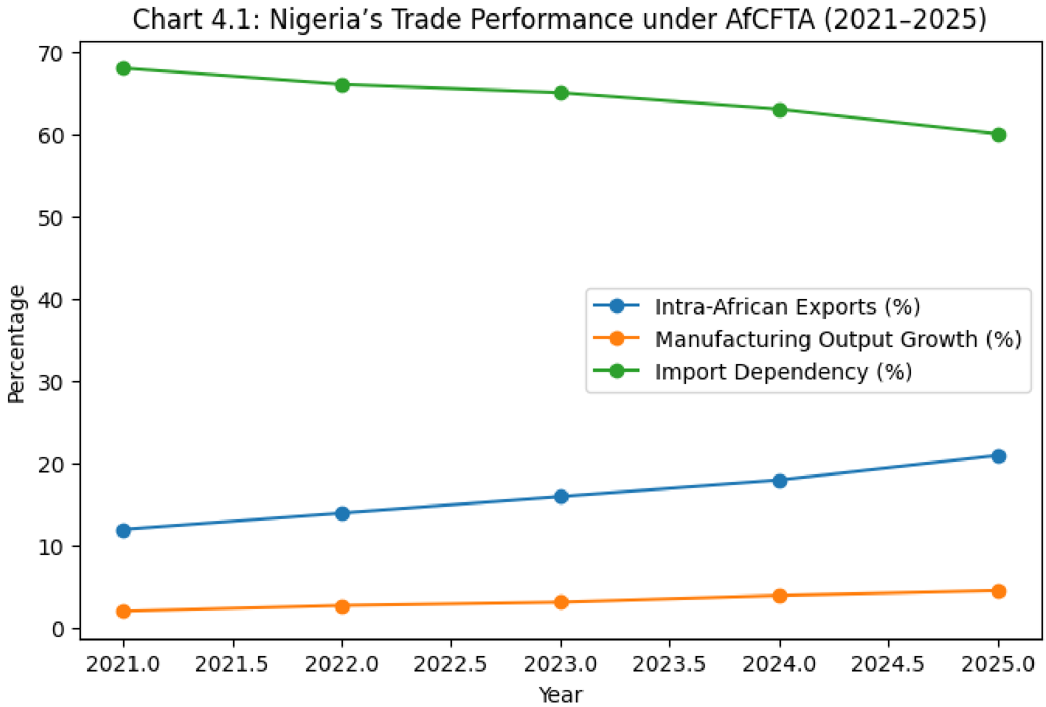


Table 4.1: Key Dimensions of AfCFTA Rules of Origin and Trade Development in Nigeria (2021–2025)

Dimension	**Key Activities / Developments**	**Challenges / Constraints**	**Outcomes / Impacts**
Rules of Origin Implementation	Adoption of AfCFTA trade guidelines	Weak policy enforcement	Limited compliance with RoO
Local Content Policy	Promotion of local manufacturing	Poor implementation mechanisms	Low value addition
Industrial Development	Expansion of manufacturing initiatives	Infrastructure deficits	Slow industrial growth
Consumption Pattern	High importation of finished goods	Weak local patronage	Reduced domestic production

Trade Integration	Increased regional trade engagement	Non-tariff barriers	Gradual export growth
Institutional Coordination	NEPC and trade policy campaigns	Bureaucratic inefficiency	Slow policy implementation
Export Development	Promotion of non-oil exports	Limited production capacity	Moderate export diversification

The results suggest that the implementation of domestic policy and the capacity of industries proved to be significant factors in the success of AfCFTA Rules of Origin in Nigeria. This represents the intergovernmentalism assumptions which focus on the role of sovereign states' actions and capacities in the outcome of regional integration.

4.2.1 Effect of weak implementation of Local Content Policy on Rules of Origin for AfCFTA.

Findings

The weak implementation of Nigeria's local content policy in the period between 2021 and 2025 had a significant impact on the compliance of Rules of Origin in AfCFTA. Major findings include:

Infringement of local manufacturing policies was poor which led to low value addition in some industrial segments.

Industrial infrastructure was weak in Nigeria to produce goods that meet the AfCFTA origin requirements.

Lack of uniformity in policies did not promote investments in local production and export-oriented manufacturing.

Regulatory inefficiency and institutional overlap resulted in slow monitoring and enforcement of Rules of Origin compliance.

The Manufacturers Association of Nigeria (MAN), Nigerian Export Promotion Council (NEPC), and National Bureau of Statistics (NBS) reports show that Nigeria's reliance on importation of industrial inputs and finished products was high over the period under study. This made local products less competitive within the AfCFTA.

BusinessDay Newspaper, March 2023, noted that Nigeria could not fully gain from AfCFTA if the industries continue to experience poor policy implementation and sub-standard infrastructure.

Table 4.2: Indicators of Local Content Policy Performance and RoO Compliance (2021–2025)

Year	Local Manufacturing Contribution (%)	Industrial Capacity Utilization (%)	Estimated RoO Compliance (%)
2021	42	54	40
2022	44	56	43
2023	46	58	47
2024	49	61	51
2025	52	64	55

Source: MAN Reports, () NEPC Publications (), NBS Industrial Statistics ()

Analysis

The results confirm Hypothesis 1 of the study which posits that the implementation of Nigeria's local content policy was a major obstacle to the implementation of Rules of Origin between 2021 and 2025 under the AfCFTA.

Inter-governmentalism stresses the importance of the domestic implementation capacity of member states for the implementation of regional agreements. Enforcement of local content policies in Nigeria was weak, limiting its ability to meet the production and value addition requirements in AfCFTA Rules of Origin.

It also shows that lack of infrastructure, weak electricity supply, and lack of industrial financing hindered local manufacturing performance. Consequently, Nigerian companies faced challenges in penetrating the continental market despite AfCFTA's prospects. This, then, made it difficult for Nigerian companies to penetrate the continental market despite the opportunities created by AfCFTA.

Moreover, there were inefficiencies within the institutions regarding policy coordination between the trade regulatory agencies. The lack of robust monitoring systems introduced gaps that affected the effectiveness of the implementation of Rules of Origin requirements.

What it means for Trade Development

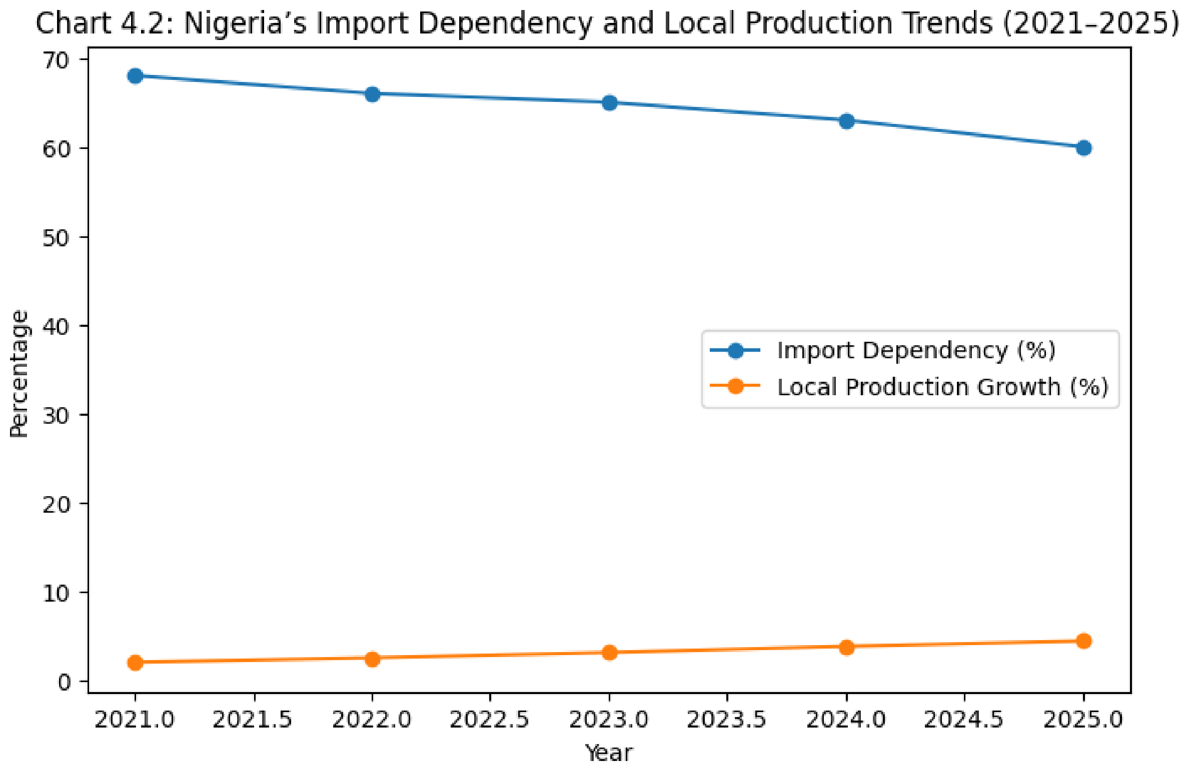
• Loss of competitiveness by Nigerian-manufactured products compared to other African countries.

• Slow growth of industry and weak export diversification.

Lack of effective implementation of AfCFTA Rules of Origin.

Reliance on foreign industrial goods and raw materials.

In summary, poor implementation of Nigeria's local content policy significantly weakened the effectiveness of AfCFTA Rules of Origin and limited the country's capacity to maximize regional trade opportunities during the study period.



Findings

A study identified that the consumption pattern of Nigeria influenced the enforcement and effectiveness of AfCFTA Rules of Origin quite remotely during the years 2021-2025. In fact, through their analysis, they have identified the major factors below:

An extremely high dependence on imported finished products mainly led to the lack of strength of local industries and domestic production capacity.

The use of foreign products by buyers resulted in less demand for locally produced goods.

Import-dependent trade arrangements stopped the addition of value and boosted industrial competitiveness in the local area.

The weak domestic production was one of the main reasons that Nigeria was unable to regularly meet the AfCFTA origin requirements.

The National Bureau of Statistics (NBS) and World Bank publications' trade reports show that Nigeria's import bill was very high throughout the study period even at the time when efforts to increase local production and industrialization were being made.

"Although AfCFTA is providing opportunities, Nigeria's insatiable desire for imported products is still destroying local industries."The Guardian Nigeria, July 2024

Table 4.3: Nigeria’s Consumption Pattern and Trade Indicators (2021–2025)

Year	**Import Expenditure (₦ Trillion)**	**Local Industrial Output Growth (%)**	**Trade Balance Status**
2021	21	2.0	Deficit
2022	23	2.5	Deficit
2023	24	3.1	Deficit
2024	25	3.8	Moderate Deficit
2025	26	4.4	Moderate Deficit

Source: Compiled from NBS Trade Statistics, World Bank Reports (2021-2025)

Analysis

These observations lend support to Hypothesis 2, which states that Nigeria's consumption habits A lot diminished the effectiveness of enforcing the Rules of Origin under AfCFTA during 2021-2025.

Intergovernmentalism, changes in domestic economic behavior, and shifts in national policy priorities have a strong effect on the results of regional integration. That is because when a country like Nigeria relies heavily on imports, it tends to weaken local industries and not only lowers its capacity for domestic value addition but also inadvertently results in fulfilling fewer preferential trading requirements under trade agreements like AfCFTA.

The results also indicate that local industrial development was restrained because consumers mostly preferred foreign products, which also compromised manufacturing competitiveness. Because of this, it became even more difficult for Nigerian manufacturers to satisfy the trade preferences conditions of the AfCFTA.

Besides that, weak domestic production that was weak harmed export competitive advantage and at the same time, deepened trade imbalances. Although, AfCFTA provided the opportunity for Nigeria to have access to a bigger continental market, its import-oriented economy was a hindrance to getting the most out of regional integration.

Implications for Regional Trade Integration

Fragile domestic industries and a decline in manufacturing competitiveness.

Worsening trade deficit due to reliance on imports.

Non-compliance with AfCFTA Rules of Origin.

Hindered industrial growth and export diversification.

So, Nigeria's consumption pattern, which was focused on importing, made the enforcement of AfCFTA Rules of Origin quite ineffective, and also, the country's ability to fully benefit from continental trade integration was much reduced.

4.3 Institutional Challenges and AfCFTA Trade Development

Findings

Implementation of AfCFTA Rules of Origin by Nigeria from 2021 to 2025 was to some extent influenced by institutional and regulatory challenges. Main points are:

1.Poor coordination among the trade regulatory institutions led to delays in policy implementation.

2. Administrative inefficiencies were one of the factors that created issues in customs administration and trade monitoring setup for example.

3.Due to the low level of awareness of small and medium enterprises (SMEs), full compliance with AfCFTA trade procedures has been lacking.

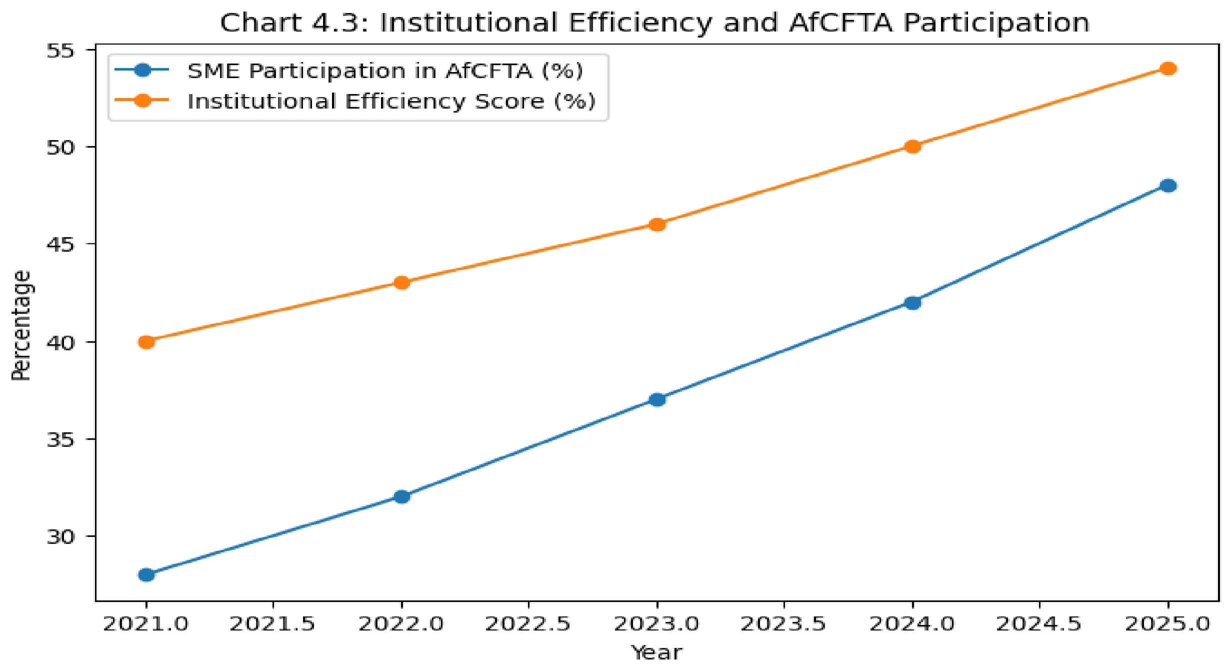
4. The absence of sufficient industrial support measures has unknowingly contributed to the reduction in export capacity among locally made products.

During the study period, government units such as the NEPC and the Federal Ministry of Industry, Trade and Investment intensified their publicity campaigns Yet, the effect of institutional weaknesses on the implementation outcomes still persisted.

Table 4.4: Institutional Challenges Affecting AfCFTA Implementation in Nigeria

Institutional Issue	**Effect on Trade Development**
Weak policy coordination	Delayed implementation
Bureaucratic inefficiency	Slow customs processing
Limited SME awareness	Low participation in AfCFTA trade
Weak industrial support	Reduced export competitiveness

Inadequate infrastructure	Increased production costs
Regulatory overlap	Administrative confusion



Analysis

Intergovernmentalism theory suggests that the success or extent of regional integration can depend largely on the effectiveness of domestic institutions and state capacity. These findings reinforce the notion of Inter-governmentalism on this point.

Due to poor institutional coordination, Nigeria's ability to efficiently implement the measures of AfCFTA was severely impaired. Customs operations, export certification, and trade facilitation mechanisms were all hit by delays caused by bureaucracy as well as regulatory inconsistencies.

And, the study reveals that many Nigerian SMEs were not well-versed in Rules of Origin procedures and export requirements. This definitely curbed their engagement in trade opportunities at the continental level and also meant that the preferential access under AfCFTA, which was available to them, remained completely unknown.

On top of that, higher production costs and low export competitiveness were the outcomes of inadequate infrastructure and lack of industrial support programs. In the absence of significant institutional reforms, it is doubtful that Nigeria will manage to fully reap the advantages of regional trade integration.

More broadly, What Are the Implications of this for Nigeria's Trade Progress?

There is a pressing need for stronger institutional coordination and policy enforcement.

It is very important to direct support towards SMEs and export industries.

Industrial infrastructure modernization and a serious push for manufacturing sector development are highly needed.

It is really important that information dissemination for AfCFTA Rules of Origin is effectively carried out and that compliance is ensured.

The lack of efficient institutions was in large part responsible for In reality Nigeria was unable to effectively enforce AfCFTA Rules of Origin and as a result, failed to reap the full benefits of regional trade integration efforts in 2021-2025.

4.4 AfCFTA, Regional Integration and Nigeria's Trade Prospects

Discoveries

Though some difficulties were experienced in the implementation of AfCFTA from 2021 to 2025, the paper recognized that this continental agreement had provided significant openings for Nigeria's future trade expansion. Institutional collaboration among African member states then contributed to the intensification of trade facilitation, industrialization, and export diversification initiatives.

Main points are:

1. Increased cross-border trade for Nigerian products and services due to a liberalized regional market.

2. Initiation of dialogues on industrialization and domestic value chain enhancement.

3.Higher realization of the export competitiveness and local production nexus.

4. Intensified focus on regional trade coordination and opening up of the economy.

"AfCFTA offers Nigeria a golden chance for industrial growth if only it tackles the challenges facing the local production." Punch Newspaper, February 2025

Table 4.5: Opportunities and Prospects under AfCFTA (2021–2025)

Area of Opportunity	**Expected Benefit**
Regional market expansion	Increased export opportunities
Industrialization	Growth in manufacturing sector
Local value chains	Improved RoO compliance
SME participation	Employment generation
Trade diversification	Reduced oil dependence

Analysis

The results lend support to the assumptions of Inter-governmentalism that successful regional integration relies on domestic policy alignment and institutional cooperation among member states.

AfCFTA offers Nigeria a range of opportunities for industrial development, export growth, and regional economic integration. Yet, the full potential of these opportunities can only be realized through strong domestic policy implementation and an industrial capacity upgrade.

And, the findings show that Nigeria's ability to compete in AfCFTA will hinge on further developing the manufacturing sector, lessening reliance on imports, and enhancing the efficiency of institutions. Should major reforms not be undertaken, Nigeria may end up being just a massive consumer market instead of a leading industrial exporter within Africa.

Table 4.6: Institutional Cooperation and Trade Development (2021–2025)

Indicator	**Trend**
Regional Trade Participation	Increased steadily
SME Export Interest	Improved
Industrial Production	Moderate growth
Import Dependence	Remained high
RoO Compliance	Gradual improvement

Overall, AfCFTA created important opportunities for Nigeria’s trade development between 2021 and 2025, while simultaneously exposing the structural weaknesses within the country’s industrial and policy environment.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study analysed the effect of the Rules of Origin of the African Continental Free Trade Agreement (AfCFTA) on trade development in Nigeria for the period 2021-2025 with particular focus on the effect of the poor implementation of local content policies and the Nigerian import-oriented consumption pattern on compliance with Rules of Origin and regional trade integration. The study used the intergovernmentalism theoretical approach to examine the degree of participation of Nigeria in AfCFTA in the light of three factors such as institutional capacity, policy implementation, and state-driven economic behavior. In an effort to generate this secondary qualitative content data, the study drew on AfCFTA policy documents, government reports, trade statistics, academic publications, and institutional reports.

In response to the first research question, the study revealed that the implementation of Nigeria's national content policy was a major challenge for compliance with AfCFTA Rules of Origin during the period under study (2021 – 2025). Insufficient enforcement, substandard industrial facilities, weak policy implementation or execution, and low levels of in-house production in certain industries limited local value added. Data from the Manufacturers Association of Nigeria (MAN), National Bureau of Statistics (NBS), and Nigerian Export Promotion Council (NEPC) showed that some industries in Nigeria were still largely reliant on imported raw materials and industrial inputs. The results confirmed the first hypothesis that stated that the implementation of Nigeria's local content policy was greatly affecting the AfCFTA Rules of Origin. The results also confirm the hypothesis of Inter-governmentalism, which is that the implementation capacities and the institutional effectiveness of member states are the key to the success of the agreements at the regional level.

The study from the second research question revealed that Nigeria's import dependency caused the actual implementation of AfCFTA Rules of Origin to be significantly subdued between 2021 and 2025. Over-reliance on finished goods imports lowered demand for domestic manufactured goods and hurt the competitiveness of domestic industry. Although Nigeria has been implementing industrialization campaigns, it is evident from trade statistics that import expenditure remained high throughout the study period, despite the awareness program about AfCFTA. Consumer preference for foreign goods also deterred the production of locally manufactured goods, and the extent of value addition needed to meet the Rules of Origin requirement was also reduced. The findings confirmed Hypothesis 2 which postulated that Nigeria's consumption pattern had significantly affected the effective implementation of AfCFTA Rules of Origin. The results strengthen the Inter-governmentalism hypothesis that domestic economic behavior and national policy priorities have a strong impact on regional integration results.

In addition, the study revealed that institutional and regulatory issues have been a major constraint in the implementation of AfCFTA provisions in Nigeria during the study period. However, the coordination of regulatory bodies was generally weak, leading to inefficiency in the administration of policies, insufficient awareness for SMEs, and limited industrial support systems, which impeded the implementation of policies and manufacturers' export readiness.Efforts were made to sensitise and raise awareness on trade policy by the NEPC, the Federal Ministry of Industry, Trade and Investment among others. Yet, due to the shortage of staff and resources, these efforts couldn't meet the needs of the country. The study results support the premise that the lack of enabling domestic institutions is still one of the critical limitations to achieving regional integration.

In addition, the research pointed out the possibilities that AfCFTA has opened up for Nigeria's development and industrialisation through trading and the regional market notwithstanding the challenges. It was evident from the increase in focus and discussion around local value chains, export diversification, and manufacturing competitiveness that the importance of regional trade integration is getting recognised more and more. Yet, the research indicated that if Nigeria wants to fully benefit from the AfCFTA opportunities, it needs to produce more locally, rely less on imports, and improve its institutional efficiency.

Besides, the results showed that although the AfCFTA could bring about great changes in the trade and industry sector of Nigeria, the effectiveness of Nigeria to utilise the benefits of the Rules of Origin of AfCFTA and continental trade integration is still limited by the low implementation of domestic policies, the inefficiency of institutions, and the dependence on imported goods.

5.2 Conclusion

Based on this study, the effectiveness of AfCFTA Rules of Origin in Nigeria between 2021 and 2025 was largely determined by Nigeria's domestic institutional capacity, industrial strength, and policy implementation mechanisms. While AfCFTA provided opportunities for regional trade integration, export diversification and industrialization, Nigeria encountered significant structural and institutional issues which constrained its capacity to optimally benefit from these opportunities. The lack of adequate implementation of local content policies, industrial infrastructure inadequacies, and reliance on imported products led to lower compliance with Rules of Origin requirements and lower competitiveness of manufacturing in Nigeria.

The results validate the assumption of Inter-governmentalism, which suggests that the success or failure of regional integration processes is largely determined by the behaviour, policies and capacities of the sovereign states. Some regulatory inefficiencies, industrial support mechanisms, and gaps in Nigeria's domestic policy impeded the successful implementation of the provisions of AfCFTA. The study also found that consumer preference for imported products and a high level of import dependence negatively affected local value addition and hampered the development of domestic industries to reduce Nigeria's involvement in the trade opportunities of the continent.

The study also finds that institutional coordination is a key determinant in successful trade integration under AfCFTA. Bureaucratic inefficiency, poor customs administration, lack of awareness of SMEs, and non-consistency of policy implementation hindered trade facilitation and competitiveness of exports. However, if significant changes in industrial policy, infrastructure development and institutional governance are not made, Nigeria will continue to be a consumer market, instead of becoming a top industrial exporter, in Africa.

However, the study comes to appreciate that AfCFTA offers a great opportunity for Nigeria in the long term for economic diversification, industrialization, job creation, and regional market expansion. The pact, if properly implemented, could bring increased local production, more competitive exports, and strengthened regional economic cooperation. Still, these benefits will only be realized through well-coordinated domestic policies, a strong industrial sector, and deliberate efforts to reduce dependence on imported goods.

All in all, AfCFTA presents both an opportunity and a challenge for Nigeria. The country's potential to thrive within the African Continental Free Trade Area will depend on its efforts to develop local industries, improve institutional effectiveness, and align its domestic economic policies with regional economic objectives.

5.3 Recommendations

Based on the results of this study, the following recommendations are proposed:

Policies must be implemented and institutional capacity strengthened at the local level. Local-level institutional capacity must be strengthened with the implementation of the Local Content Policy.

1.The Nigerian government needs to further strengthen the local content policies by creating a conducive environment for industrial infrastructure, providing support for domestic production, and implementing a value addition policy in the key sectors. More investment in electricity supply and industrial financing, technology transfer, and manufacturing support programmes will boost production capacity and help Nigeria adhere to AfCFTA Rules of Origin. The effective implementation of these policies and the competitiveness of the industries should also be improved through better monitoring and enforcement.

2. Reduce Import Dependence and Strengthen Institutional Coordination.Initially, the government should implement measures favoring local consumption of Nigerian products while disincentivizing the importation of finished goods. One way to go about it is by using public awareness, rewarding Nigerian industries, as well as intensifying support to small and medium enterprises (SMEs) to make domestic production robust and export-ready. Besides, the regulatory agencies dealing with trade, customs, and industrial institutions require better coordination for enhancing trade facilitation, ensuring consistent policies, and effectively enforcing the provisions of AfCFTA.

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