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The Impact of the U.S-China Trade War on Nigeria's Economy: Vulnerabilities, Opportunities, and Policy Recommendations

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Abstract

The escalating trade war between China and the United States, the world's two largest economies, has significantly disrupted global trade dynamics, with far-reaching consequences for developing nations like Nigeria. Given Nigeria's strong economic ties to both countries, the trade war has heightened economic vulnerabilities, particularly in terms of rising import costs, trade imbalances, and declining oil revenues. This study examines the implications of the China-U.S. trade war on Nigeria's economy, utilising the Heckscher-Ohlin theory of international trade as a theoretical framework. A historical and descriptive research design was adopted, incorporating both primary data and secondary sources such as academic publications, trade reports, and policy documents. The findings reveal that the U.S.-China trade war stems from systemic competition for global economic dominance, leading to increased tariffs, supply chain disruptions, and fluctuations in global commodity markets, particularly the oil sector, which is vital to Nigeria's economy. The study highlights that over 70% of Nigeria's export commodities remain largely unprocessed, which exacerbates the country's dependence on international trade and external market conditions. Furthermore, Nigeria's economic stability is highly susceptible to global economic fluctuations, as disruptions in U.S.-China trade relations affect foreign investments, oil demand, and import costs. The study concludes that Nigeria must adopt strategic economic policies to *mitigate these vulnerabilities. It recommends export diversification, regional trade expansion under the AfCFTA, investment in local manufacturing, and flexible trade policies to reduce the country's overreliance on crude oil exports and foreign imports. By strengthening domestic industries and engaging in multilateral trade partnerships, Nigeria can enhance economic resilience and stability in the face of global trade disruptions.*

Keywords: *China-U.S. trade war, Nigerian economy, trade dependence, export diversification, power transition theory*

Introduction

Trade has been a fundamental aspect of human existence since the dawn of civilisation and has helped in facilitating the exchange of goods and services to meet individual, organisational, and national needs. Historically, trade began with bartering, where goods were exchanged directly. However, the introduction of money as a medium of exchange standardised value assessment, reinforcing expectations of fairness in trade transactions (Ali, 2014). In the modern era, globalisation has interconnected economies, enabling seamless access to information, goods, and services across borders. However, this interdependence has also heightened concerns regarding the impact of trade policies on global economies, particularly in developing nations (Idris & Abdullahi, 2016).

The international trade system is largely shaped by the actions of dominant economies, particularly the United States and China, which consistently leverage trade as a mechanism for influencing global economic trends (Makarov, Wu, Wu, Khabriev, & Bakhtizin, 2019). As the two largest trading economies, the United States and China play a crucial role in the international economic order, affecting market stability, supply chains, and price determination. Trade liberalisation and open-market policies have created significant opportunities but have also introduced challenges, particularly for economies that heavily depend on external trade. Nigeria, a developing economy with substantial trade relations with both China and the United States, has been particularly vulnerable to fluctuations resulting from global trade disputes (Shehu, 2018).

Nigeria's economic structure is heavily reliant on oil exports, alongside other commodities such as solid minerals and cash crops. The Structural Adjustment Program (SAP), introduced in 1986, aimed to promote economic deregulation and free-market policies. However, despite these efforts, Nigeria's economy remains significantly influenced by international market dynamics (Kohnert, 2018). Given that over 70% of Nigeria's exports remain largely unprocessed, the country's trade is highly dependent on foreign demand and global commodity prices. The nation's principal trading partners include the United States, China, India, and several European countries, underscoring the significance of international trade relations in shaping Nigeria's economic stability (National Bureau of Statistics, 2019).

The United States-China trade war, which began in 2017 under former U.S. President Donald Trump, has further complicated global trade relations. The dispute, driven by attempts to address trade imbalances favouring China, introduced economic uncertainties that have had far-reaching consequences beyond the two economies involved (Hockman, 2020; Aslam, 2019). Major issues fuelling the trade conflict include unfair competition by state-supported Chinese firms, intellectual property theft, forced technology transfers, and restrictions on U.S. companies operating in China (Qiu, Zhan, & Wei, 2019). These tensions have resulted in extensive tariff impositions, supply chain disruptions, and price fluctuations in global commodity markets.

The impact of trade wars extends beyond the conflicting parties. Third-party nations often experience both economic disruptions and opportunities due to the rerouting of trade flows (Goulard, 2020). In the case of Nigeria, the U.S.-China trade war has had notable implications on oil prices, export earnings, and overall economic growth. While certain industries may benefit from trade diversions, the long-term consequences of increased global uncertainty pose risks to economic development. As both the United States and China seek to strengthen their influence in Africa, Nigeria has been at the centre of strategic diplomatic and economic engagements from both parties, further shaping its trade policies and economic positioning (Vanguard, 2020).

This study aims to analyse the impact of the U.S.-China trade war on Nigeria's economy, exploring the vulnerabilities and opportunities that have emerged from the conflict. By employing the Heckscher-Ohlin theory of international trade as the theoretical framework, this research examines Nigeria's economic responses to the trade dispute and the potential strategies for mitigating adverse effects. The study adopts a historical and descriptive research approach, utilising data from both primary and secondary sources to assess the economic shifts resulting from the ongoing trade tensions. Given Nigeria's dependency on global trade, particularly with the United States and China, understanding the implications of the trade war is crucial in developing policies that enhance economic resilience and diversification.

Statement of the Problem

International trade is a key driver of economic growth, particularly for developing economies like Nigeria, which rely heavily on trade with global superpowers such as China and the United States. The trade war between the United States and China, which began in 2017, has significantly disrupted international trade flows, supply chains, and market stability. While the primary conflict exists between these two economies, its consequences extend globally, particularly to third-party countries with strong trade ties to either nation. Nigeria, being a major trading partner of both China and the United States, has felt the impact of this trade conflict, raising concerns about its economic stability and long-term growth.

One of the most immediate consequences of the trade war is the imposition of tariffs on goods traded between China and the United States. Since Nigeria heavily depends on imports from China—particularly machinery, electronics, and consumer goods—higher tariffs have led to increased costs of these goods, affecting both businesses and consumers. Rising import costs, disruptions in supply chains, and inflationary pressures have posed challenges for Nigeria's economic development, limiting access to affordable goods and increasing the cost of doing business. Assessing the specific effects of these tariffs on Nigeria's imports from China is crucial in understanding the broader economic implications.

Beyond the direct impact on imports, the trade war has contributed to economic uncertainty, affecting global economic growth. Given Nigeria's dependence on crude oil exports—its primary source of foreign exchange—fluctuations in global commodity prices have made the country vulnerable to external shocks. With over 70% of Nigeria's export commodities remaining unprocessed, the country's reliance on international trade leaves it exposed to economic instability. Also, trade realignments caused by the U.S.-China dispute have created opportunities for some countries while increasing risks for others, making it essential to examine how these global shifts influence Nigeria's economic trajectory.

Despite the significance of the U.S.-China trade war, limited research has comprehensively analysed its impact on Nigeria's imports, trade patterns, and economic vulnerabilities. Given the country's reliance on both China and the United States for trade, investment, and foreign policy engagements, it is imperative to assess how Nigeria is navigating this economic conflict. This study aims to fill this gap by examining the effects of U.S.-China trade tariffs on Nigeria's imports from China and analysing the broader impact of the trade war on global economic growth, with a particular focus on Nigeria's economic stability. Furthermore, the study seeks to identify strategies that Nigeria can adopt to mitigate risks and strengthen economic resilience in the face of evolving global trade dynamics.

Significance of the Study

The U.S.-China trade war has significantly disrupted global trade patterns, affecting economies worldwide, particularly those that rely on imports and exports with the two superpowers. Nigeria, being a major importer of Chinese goods, has experienced increased costs and supply chain disruptions due to the tariffs imposed as a result of the trade war. This study is significant as it assesses the effect of these tariffs on Nigeria's imports from China, providing insights into how increased import costs, inflationary pressures, and trade barriers affect businesses and consumers. Also, by examining how the trade war influences global economic growth and its impact on Nigeria, this research highlights Nigeria's vulnerability to external economic shocks, particularly given its heavy reliance on crude oil exports and unprocessed commodities. The findings will be useful for policymakers in formulating strategies to mitigate trade-related risks and promote economic resilience.

Furthermore, this study contributes to economic policy discussions by offering evidence-based recommendations on trade diversification and policy adjustments that can help Nigeria navigate external economic uncertainties. Businesses and investors engaged in international trade will benefit from understanding how shifting global trade policies impact costs, supply chains, and market access, allowing them to make informed decisions. By focusing on Nigeria's trade relationship with China and the broader effects of the U.S.-China trade war on economic growth, this research provides practical insights that can aid in strengthening Nigeria's economic stability and reducing its dependency on a few key trade partners. Ultimately, this study serves as a valuable resource for policymakers, business leaders, and scholars seeking sustainable trade strategies in an era of global trade conflicts.

Objectives of the study

Broadly, this study assesses the China-United States trade war with its attendant effect on the trade and economic development of Nigeria.

1. To assess the impact of U.S-China trade tariffs on goods imported by Nigeria from China, particularly in terms of cost, availability, and trade volume.
2. To examine the broader implications of the U.S-China trade war on global economic growth and how these effects influence Nigeria's economic stability.

Research Questions

Based on the research objectives, the following research questions were formulated to guide the study:

1. How have U.S.-China trade tariffs impacted the cost, availability, and trade volume of goods Nigeria imports from China?

2. What are the broader implications of the U.S.-China trade war on global economic growth, and how have these effects influenced Nigeria's economic stability?

Literature Review

This section reviews existing literature related to the China-U.S. trade war and its impact on the Nigerian economy, focusing on key concepts, trade theories, empirical studies, and the relevance of trade wars to Nigeria's economic stability.

2.1 Conceptual Framework

2.1.1 Concept of International Trade

International trade involves the exchange of goods, services, and capital across national borders, playing a critical role in economic development. Most countries, including Nigeria, rely on international trade to meet domestic demands, export surplus products, and generate foreign exchange (Jenkins et al., 2013). Nigeria's trade with China and the United States is essential for its economic stability, with oil exports serving as a primary revenue source. However, global trade conflicts, such as the U.S.-China trade war, pose risks to developing economies like Nigeria, which depend on foreign markets for trade and investment (Wassennan & Halman, 2010).

2.1.2 Concept of Trade Barriers and Tariffs

Trade barriers, such as tariffs and quotas, influence the flow of goods and services across borders. Governments impose these measures to protect domestic industries or retaliate against perceived unfair trade practices (Rodrik, 2010). Tariffs, in particular, increase the price of imported goods, affecting trade volumes and economic growth. In the context of the U.S.-China trade war, tariffs have disrupted Nigeria's trade relationship with China, leading to higher import costs for machinery, electronics, and consumer goods (Demetrios, 2018). Given Nigeria's dependence on Chinese imports, understanding how tariff policies impact trade dynamics is crucial for assessing the broader implications of the trade war.

2.1.3 Trade Liberalisation and Global Economic Growth

Trade liberalisation, characterised by the removal of trade barriers, is often associated with economic growth (Bolanos, 2016). However, empirical evidence suggests that protectionist policies, such as those implemented during the U.S.-China trade war, can slow global economic expansion (Clemens & Williamson, 2002). Studies indicate that trade conflicts reduce market efficiency, disrupt global supply chains, and negatively impact developing economies reliant on international trade (Mann, 2005). For Nigeria, declining oil prices and restricted trade flows due to the U.S.-China dispute have posed challenges to economic growth and stability (Kohnert, 2018).

2.2 Empirical Review

2.2.1 Effects of Tariffs on Nigeria's Imports from China

The trade war between the U.S. and China has resulted in tariff hikes on a wide range of goods, affecting trade flows across different regions (Itakuru, 2019). Nigeria, being a major importer of Chinese products, has faced increased costs of machinery, electronic appliances, and other manufactured goods due to rising tariffs (Carvalbo, Azevedo, & Massoquetti, 2019). Studies using Computable General Equilibrium (CGE) models indicate that countries reliant on Chinese imports experience inflationary pressures and economic slowdowns when trade costs rise (Li, He, & Lin, 2018). Given that over 70% of Nigeria's exports remain unprocessed, the country is highly vulnerable to shifts in trade policies that alter supply chains and production costs.

2.2.2 Impact of the Trade War on Global Economic Growth and Nigeria

Economic models suggest that trade conflicts between major economies slow down global growth, affecting investment flows and commodity prices (Rodriquez & Rodrik, 2000). Nigeria's economy, which relies on oil exports, has been particularly affected by price fluctuations caused by trade uncertainties. According to Chong & Li (2019), emerging economies like Nigeria may experience short-term trade benefits due to supply chain diversification but face long-term economic risks as global trade tensions persist.

Furthermore, Hsieh (2020) analysed the impact of trade conflicts on trade-dependent nations, highlighting that economic realignments between the U.S. and China could force Nigeria to reassess its trade policies and diversify its economic partnerships. Empirical evidence suggests that while some third-party countries gain from trade diversions, others, particularly resource-dependent nations, experience negative economic shocks due to falling demand for commodities.

2.2.3 Relevance of Trade Wars to Nigeria's Economic Stability

Despite being a non-direct participant in the U.S.-China trade war, Nigeria remains vulnerable due to its trade dependencies and economic structure (Lin, 2020). Empirical studies confirm that:

- The U.S.-China trade conflict has led to volatility in oil prices, affecting Nigeria's government revenue and fiscal planning.
- Tariff policies on Chinese imports have increased costs for Nigerian businesses, impacting industrial production and consumer markets.
- The trade war has influenced global economic growth, leading to reduced foreign investment and slower economic expansion in developing nations.

Given these realities, the need for trade diversification, policy adjustments, and economic resilience strategies is critical for Nigeria's economic stability.

The literature suggests that trade wars have far-reaching consequences on global trade flows, economic stability, and market growth. Nigeria's reliance on imports from China and oil exports to global markets makes it particularly susceptible to disruptions caused by international trade disputes. As the U.S.-China trade war continues to shape global trade policies, Nigeria must develop strategies to reduce its trade vulnerabilities, diversify exports, and strengthen domestic production capacities.

2.3 Theoretical Framework

The Heckscher-Ohlin (H-O) Theory of International Trade serves as the foundation for understanding the economic implications of the U.S.-China trade war on Nigeria's economy. This theory, developed by Eli Heckscher and Bertil Ohlin (1983), builds upon the Ricardian model of comparative advantage, emphasising that countries engage in trade based on their factor endowments. It posits that a nation will export goods that intensively use its abundant resources while importing goods that require factors it lacks (Mikic, 1998).

In the context of this study, Nigeria's trade structure aligns with the H-O model as it exports crude oil—a resource it has in abundance—while heavily importing manufactured goods from China, such as electronics, machinery, and textiles. The trade disruptions caused by the U.S.-China trade war, particularly the imposition of tariffs, have affected this dynamic by increasing the cost of imports and altering global trade patterns. According to the H-O model, such changes can impact Nigeria's trade balance, production efficiency, and economic stability, as the country remains highly dependent on imports from China and oil exports to the global market.

Also, the theory underscores the importance of trade liberalisation as a mechanism for economic growth. Under ideal conditions, free trade allows countries to benefit from specialisation and comparative advantage. However, the U.S.-China trade war challenges this principle by introducing protectionist policies that disrupt global trade flows. This has had direct and indirect effects on Nigeria, influencing both import costs and export earnings. The Heckscher-Ohlin model provides an analytical framework to examine how Nigeria, as a developing economy, can navigate these disruptions through trade diversification and economic policy adjustments.

Thus, this study applies the H-O theory to analyse Nigeria's economic vulnerabilities and opportunities in the wake of the U.S.-China trade conflict, evaluating how tariffs, trade restrictions, and shifting global trade alliances impact Nigeria's economic structure. The model provides a theoretical basis for assessing how Nigeria can leverage its factor endowments, adopt trade policies, and reduce its reliance on external economies to achieve sustainable economic growth despite global trade tensions.

3. Research Methodology

This study adopts a historical and descriptive research design to examine the impact of the U.S.-China trade war on Nigeria's economy. The historical approach involves a systematic review of past events, policies, and economic shifts related to global trade conflicts, particularly focusing on how previous trade wars have influenced international markets and developing economies like Nigeria. Meanwhile, the descriptive approach provides an analytical framework for exploring the patterns, trends, and consequences of the trade war, offering insights into how it has affected Nigeria's trade dependencies, oil exports, and overall economic stability. This combined methodology ensures a comprehensive evaluation of the study's objectives by allowing for both historical contextualisation and real-time economic analysis.

To ensure a robust and evidence-based study, data were collected from both primary and secondary sources. Primary data were obtained through Focus Group Discussions (FGD) involving five carefully selected participants: a university faculty member, a banker, a Nigerian trader, a foreign affairs expert, and a woman expert on international trade. These participants provided diverse perspectives on Nigeria's economic position in the trade war. Also, secondary sources such as academic journals, government reports, seminar papers, newspapers, and web-based publications were extensively reviewed to supplement the primary data. The combination of qualitative insights from the FGD and content analysis of secondary sources enhanced the study's ability to assess Nigeria's trade vulnerabilities and economic responses in the context of the U.S.-China trade dispute.

Data Presentation and Analysis

Research Question One:

How have U.S.-China trade tariffs impacted the cost, availability, and trade volume of goods Nigeria imports from China?

4.1 Impact of U.S.-China Trade Tariffs on Nigeria's Imports from China

To assess the effect of the U.S.-China trade war on Nigeria's economy, this section analyses how trade tariffs imposed on Chinese goods have influenced the cost, availability, and trade volume of Nigeria's imports from China. Given Nigeria's strong trade dependence on China, any disruptions in global trade flows resulting from tariffs or supply chain constraints have direct consequences for Nigerian businesses, consumers, and policymakers.

4.2 Trends in Nigeria's Imports from China (Pre- and Post-Trade War)

Table 1 below presents data on Nigeria's total imports from China between 2016 and 2022, helping to highlight the trade volume fluctuations before and after the onset of the U.S.-China trade war in 2018.

Table 1: Nigeria's Imports from China (2016–2022)

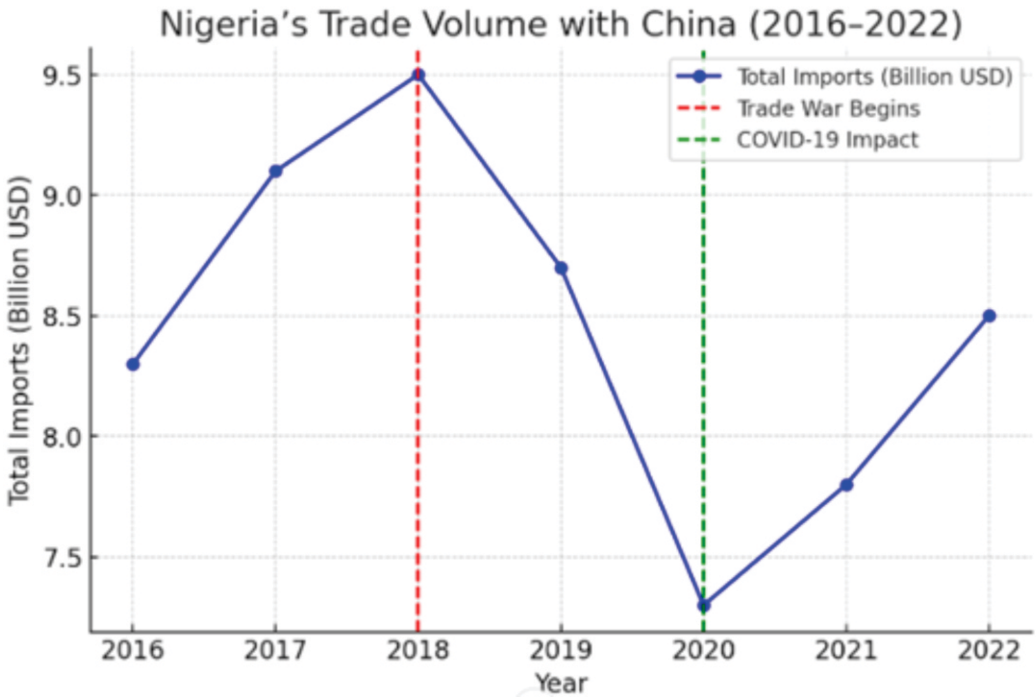
Year	Total Imports (Billion USD)	% Change from Previous Year	Key Observations
2016	8.3	-	Stable trade relations
2017	9.1	+9.6%	Pre-trade war growth
2018	9.5	+4.4%	Initial U.S.-China tariffs imposed
2019	8.7	-8.4%	Increased tariffs and supply chain disruptions
2020	7.3	-16.1%	COVID-19 impact + trade war effects
2021	7.8	+6.8%	Gradual recovery post-pandemic
2022	8.5	+9.0%	Adjustments in trade strategy

Source: Compiled from Nigeria Customs Service & World Trade Organization (WTO) Reports

The data reveals a sharp decline in Nigeria's imports from China after 2018, coinciding with the imposition of high tariffs on Chinese goods by the United States. This resulted in increased costs of imported goods, as higher tariffs on Chinese exports raised production and supply costs, leading to higher import prices for Nigerian businesses. Furthermore, disruptions in supply chains restricted trade flows, forcing Nigerian importers to seek alternative suppliers or pay premium prices for Chinese goods. The economic slowdown in Nigeria was further exacerbated by the reduced availability of Chinese goods, particularly in industrial and manufacturing sectors, contributing to rising inflation and slower economic growth.

These trends are illustrated in Figure 1, showing Nigeria's trade volume fluctuations with China before, during, and after the peak of the trade war.

Figure 1: Nigeria's Trade Volume with China (2016–2022)
(Graph showing trade volume trends and major disruptions due to tariffs and global crises)



The graph clearly illustrates a steady increase in Nigeria's imports from China between 2016 and 2018, followed by a sharp decline in 2019 and 2020, coinciding with the escalation of the U.S.-China trade war (2018–2019), which led to higher costs for Chinese exports and impacted Nigerian trade flows, and the global economic slowdown caused by COVID-19 in 2020, further restricting Nigeria's access to affordable imports. Although a recovery trend began in 2021, Nigeria's imports remained below pre-trade war levels, suggesting that structural adjustments in global supply chains and alternative sourcing strategies have taken effect.

Research Question Two
What are the broader implications of the U.S.-China trade war on global economic growth, and how have these effects influenced Nigeria's economic stability?

4.6 The Impact of the U.S.-China Trade War on Global Economic Growth and Nigeria's Economic Stability
The second research question examines how the U.S.-China trade war has affected global economic growth and how these global shifts have influenced Nigeria's economic

stability. Given that both the U.S. and China are major drivers of global trade and investment, their economic conflict has had far-reaching consequences, particularly for developing economies like Nigeria, which rely on foreign trade, oil exports, and investment inflows.

4.7 Global GDP Growth Trends During the U.S.-China Trade War

Table 2 presents data on global GDP growth rates from 2016 to 2022, highlighting the slowdown in economic expansion following the escalation of U.S.-China trade tensions in 2018 and the subsequent disruptions caused by the COVID-19 pandemic in 2020.

Table 2: Global GDP Growth Rates (2016–2022)

Year	Global GDP Growth (%)	Key Observations
2016	3.2	Stable global trade environment
2017	3.8	Peak of post-crisis economic growth
2018	3.6	U.S.-China trade war begins
2019	2.9	Global economic slowdown due to tariffs
2020	-3.1	COVID-19 pandemic + lingering trade war effects
2021	6.0	Post-pandemic recovery efforts
2022	3.2	Slowdown in economic rebound

Source: World Bank & IMF Global Economic Outlook Reports

4.8 Nigeria's Economic Stability Amid Global Trade Disruptions

Nigeria's economic performance is closely tied to global economic trends, particularly through oil exports, which account for over 90% of its foreign exchange earnings. The U.S.-China trade war affected global economic growth, oil demand, and investment flows, leading to several negative consequences for Nigeria, including:

- Declining Oil Prices: The uncertainty in global markets led to lower demand for crude oil, which directly impacted Nigeria's revenue.
- Reduced Foreign Direct Investment (FDI): Global investment confidence weakened, affecting capital inflows into Nigeria's infrastructure and energy sectors.
- Trade Imbalances: Nigeria's export earnings declined, while import costs increased, straining economic stability.

The graph below illustrates Nigeria's GDP growth trends from 2016 to 2022, reflecting the economic slowdown caused by trade uncertainties and external shocks.

The graph highlights several key trends in Nigeria's economic performance. Between 2016 and 2017, the country experienced a slow recovery from the 2016 recession, with GDP growth improving gradually. However, from 2018 to 2019, the onset of the U.S.-China trade war contributed to global economic uncertainty, leading to lower oil demand and reduced foreign investments in Nigeria. In 2020, the combined impact of the trade war and the COVID-19 pandemic resulted in negative GDP growth (-1.9%), reflecting severe economic strain. A partial economic recovery was observed between 2021 and 2022, driven by the resumption of global trade activities and adjustments in oil prices.

Discussion of Findings

5.1 Impact of U.S.-China Trade Tariffs on Nigeria's Imports from China

The study found that Nigeria's import trade with China experienced significant disruptions after the onset of the U.S.-China trade war in 2018. Higher tariffs on Chinese goods increased production and export costs, resulting in higher import prices for Nigerian businesses. This aligns with the Heckscher-Ohlin model, which suggests that countries with limited industrial capacity, such as Nigeria, rely heavily on imports from more industrialised nations like China (Mikic, 1998). As a result, Nigeria faced inflationary pressures and reduced availability of essential goods, particularly in sectors such as manufacturing and retail trade.

Furthermore, the literature review supports these findings. Studies by Rodrik (2010) and Demetrios (2018) indicate that trade barriers, such as tariffs, distort international trade flows, making imports more expensive for dependent economies. Nigeria's case exemplifies this, as the country's import volume from China declined sharply between 2019 and 2020 (see Table 1 and Figure 1). Furthermore, empirical studies such as Itakuru (2019) and Carvalbo et al. (2019) confirm that rising tariff costs led to price instability in emerging markets. Given Nigeria's limited industrial diversification, this further increased the country's vulnerability to external trade disruptions.

5.2 Global Economic Growth and Nigeria's Economic Stability

The findings also reveal that the U.S.-China trade war had a cascading effect on global economic growth, which in turn affected Nigeria's economic stability. The literature review highlights how global GDP growth slowed from 3.8% in 2017 to 2.9% in 2019 due to trade war uncertainties (World Bank & IMF Reports). For Nigeria, this meant a decline in oil demand and price fluctuations, given that China is one of Nigeria's largest crude oil buyers. This aligns with the Heckscher-Ohlin theory, which states that a country's trade is shaped by its resource endowment—Nigeria exports crude oil (a resource it has in abundance) while importing manufactured goods (which it lacks). However, when demand for crude oil declined due to global economic slowdowns, Nigeria's foreign exchange earnings and fiscal stability were adversely affected.

These findings support previous research by Chong & Li (2019) and Lin (2020), which highlight that global economic downturns due to trade wars reduce commodity demand, directly impacting resource-dependent economies like Nigeria. The trade war also led to reduced foreign investment inflows, further straining Nigeria's economic recovery efforts. Figure 2 illustrates how Nigeria's GDP growth declined between 2018 and 2020, demonstrating the economic instability triggered by global trade tensions.

5.3 Theoretical Implications: Application of the Heckscher-Ohlin Model

The Heckscher-Ohlin model provides a critical framework for understanding the trade imbalances Nigeria faces due to external shocks. The model suggests that countries should specialise in goods where they have a comparative advantage—for Nigeria, this is crude oil and raw commodities. However, as seen in the findings, over-reliance on oil exports left Nigeria vulnerable to global price volatility. The theory also posits that countries with complementary factor endowments benefit from trade liberalisation, but the U.S.-China trade war introduced protectionist measures that disrupted free trade. This led to a decline in trade opportunities for resource-exporting countries like Nigeria, as demand for its primary exports decreased while the cost of essential imports increased.

The findings also emphasise that Nigeria's limited industrialisation prevents it from fully benefiting from the Heckscher-Ohlin model. Unlike countries that can pivot their export industries in response to trade shifts, Nigeria remains constrained by weak manufacturing capacity. This explains why the country has struggled to adjust to the economic disruptions caused by the trade war.

5.4 Conclusion and Recommendations

The study confirms that the U.S.-China trade war had significant adverse effects on Nigeria's economy, particularly in terms of rising import costs, declining oil revenues, and increased economic instability. While the Heckscher-Ohlin theory explains Nigeria's dependence on resource exports and manufactured imports, it also highlights the challenges posed by external trade conflicts for economies that lack industrial diversification.

To mitigate the adverse effects of the U.S.-China trade war on Nigeria's economy, the country must prioritise trade diversification by reducing its reliance on crude oil exports and expanding its industrial and manufacturing base. Developing non-oil export sectors, such as agriculture and processed goods, can help broaden Nigeria's trade opportunities and reduce economic vulnerability to global market fluctuations. Strengthening local industries will also create more value-added exports, positioning Nigeria for sustainable economic growth in a rapidly evolving global trade environment.

Nigeria should also enhance its regional trade partnerships to mitigate external economic risks. Leveraging the African Continental Free Trade Area (AfCFTA) will promote intra-African trade, reducing overdependence on U.S. and Chinese markets. Also, Nigeria must explore strategic trade agreements with Europe, Latin America, and emerging Asian economies to diversify import sources and stabilise trade relationships. By expanding its trade network, Nigeria can increase its global trade resilience and improve its bargaining position in international economic relations.

Finally, domestic production and industrialisation must be strengthened to reduce dependence on foreign imports and enhance economic self-sufficiency. Increased investment in manufacturing, technology, and infrastructure will boost local production of machinery, electronics, and industrial goods, minimising the economic shocks caused by global trade disputes. Furthermore, adopting flexible trade policies that minimise tariff-induced price shocks will help stabilise Nigeria's economy. Encouraging Foreign Direct Investment (FDI) in manufacturing will further enhance Nigeria's industrial competitiveness, ensuring long-term economic sustainability in the face of evolving global trade dynamics.

The U.S.-China trade war underscores Nigeria's economic vulnerabilities, particularly its dependency on commodity exports and foreign imports. While global trade conflicts are beyond Nigeria's control, strategic policies can reduce external risks, enhance trade diversification, and promote sustainable economic growth. By aligning its economic policies with industrial development and regional trade integration, Nigeria can achieve greater resilience against future trade disruptions.

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