PARTICIPATION IN REGIONAL VALUE CHAINS (RVC) AND MACROECONOMIC OUTCOMES: INDUSTRIAL POLICY IMPLICATIONS OF NIGERIAâ€™S ENGAGEMENT WITH SEVEN AFRICAN REGIONAL PARTNERSâ€™

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Abstract-Regional Value Chains (RVCs) are becoming necessary for economic integration amongst countries as they serve as a strong driver for economic stabilisation and industrialisation. However, despite this perceived benefit, the impact of RVC on macroeconomic outcomes, especially how RVC participation by one country drives macroeconomic outcomes in one or more regional partners, has not been explored fully; instead, studies have focused on Global Value Chain (GVC) and macroeconomic outcomes. This paper empirically examines the effect of RVCs' participation between 1995 and 2023 on macroeconomic outcomes in selected African countries, focusing on the industrial policy implications of Nigeriaâ€™s engagement with seven Regional Partners â€“ Cameroon, Tunisia, Morocco, South Africa, and CÃ´te dâ€™Ivoire. The study estimates five panel econometric models using a fixed-effect approach with data drawn from the OECD TiVA database and other sources. It was found from the study that RVC linkages between Nigeria and partner countries lead to GDP growth, reduction in unemployment, an appreciation of their domestic currencies, and a decrease in general central government debt in the participating countries. The study recommended that to support industrial policy development, countries such as Nigeria engage in intermediate trade with regional Partners. Both Nigeria and its African partner countries should invest in export-oriented industries such as petrochemical, manufacturing, agribusiness, or agro-processing firms that can contribute to GDP Growth and strengthen regional supply chains. Given the positive relation between RVC participation and exchange rate resulting from Nigeriaâ€™s cross-border trade with its regional partners, the African government should partner more with Nigeria, as this will favourably affect their domestic currency. One approach to this is for African governments is to design sector-based industrial policies that support regional forward and backward connection with Nigeria.

The growth in RVC remains the cornerstone of industrial development. RVCs can promote industrialisation by deepening economic integration and enabling economies in related regions to focus on a specific intermediate production, which may be value-added manufacturing or services. Given the growing concerns of GVC, especially the unequal trade it promotes in the multilateral trading system, trade in regional value chains â€œappears to have served as a better mechanism for promoting economic prosperity and industrialisation than direct integration into global marketsâ€•(Scholvin et al., 2022). Black et al. (2021) noted that RVCs are intermediate production linkages located in different regions, say, for instance, in Africa. It covers domestic and foreign direct investments and market linkages that are regionally domiciled. In this case, a regional economic hub performs a unique role of driving regional investment and promoting market access for regional lead firms and suppliers within the same region.
Todayâ€™s RVC participation has come to be organised under transnational or multinational corporations that control a larger share of the supply chain markets. As Black et al. (2021) further noted, RVC can be understood from three perspectives: (1) a firm sources inputs from the regional market, assembles them, and sends the intermediate input or final products to other firms in a global market, (2) a firm sources inputs or final ouput regionally and sents their sourced items to a lead firm in an economic hub in the regional market. And (3) a regional firm, say in Nigeria, creates a subsidiary in another part of Africa, say in Ethiopia (or a small firm simply relocates there) while accessing and supplying markets in a regional economic hub.

Recent discussions of the role RVCs play in industrialisation in Africa were put forward by Avom et al. (2021), where the researchers determine the impact of integrating into RVCs on the industrial development of countries in Sub-Saharan Africa. It was concluded from the study that countries that integrate into RVCs benefit in terms of industrialisation. Importantly, upstream RVC integration leads to better industrialisation than downstream integration, while trade with other partners contributes more to the industrialisation of the subregion than intra-regional trade. As a result, the study concluded that policymakers in Africa must think about promoting trade among African countries, especially intermediate trade in goods and services.

Researchers have considered the effect of GVCsâ€™ participation in attaining macroeconomic policy objectives, either at a country or regional level, especially in attaining the goals of economic growth, employment generation, and poverty reduction. For instance, the attainment of economic growth (GDP growth) indices of a country has remained a macroeconomic objective of participating in GVC and RVC trade. These intermediate trade in value-adde