

# Impact of International Trade on the Economic Growth of Nigeria

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## Abstract

This study evaluated the impact of international trade on the Nigeria economic growth. The objectives of this study were to ascertain the impact of export trade on the Nigerian economy and to determine the impact of import trade on the Nigerian economy. Multiple regression analysis technique was employed in estimating the various components of foreign trade. The data used for the study was extracted from the 2012 edition of the CBN statistical bulletin, covering the period from 1980 – 2012. The results of the study showed that there is a significant impact of Export trade on the Nigerian economic growth. The study also revealed that there is no significant impact of import trade on the Nigerian economic growth. The researchers among other things recommended that conscious efforts should be made by government to fine-tune the various macroeconomic variables in order to provide an enabling environment to stimulate foreign trade by engaging in more of export trade and in effect curtail on import trade which has a negative effect or strain the economy, the underground economic activities of bunkering, smuggling, child and drug trafficking, and other related illegal activities should be properly checked, it was also recommended that the government should encourage export diversification, e.g. non-oil sector exports should be encouraged and concentration on oil sector export should be minimized.

**Keywords:** International Trade, Economic Growth, Import, Export, Nigeria.

## Introduction

Economists have long been interested in factors which cause different countries to grow at different rates and achieve different levels of wealth. One of such factors is trade. Nigeria is basically an open economy with international transactions constituting a significant proportion of her aggregate output (Mike and Okojie 2012). The Nigerian government like many other developing countries considers trade as the main engine of its development strategies, because of the implicit belief that trade can create jobs, expand markets, raise incomes, facilitate competition and disseminate knowledge (Ogbaji and Ebebe 2013). Nevertheless, while trade between countries may generate growth globally, there are no guarantees that its aggregate benefits are distributed equitably among trading partners. There are winners and losers in any trading relationship. However trading partners all may gain differing degrees. Many factors determine the extent to which a country may benefit from a trading relationship. These include the terms of trade a country faces vis-à-vis its trading partners, the international exchange rate among the traded goods and the market characteristics of the country's exportable goods (Eravwoke and Oyovwi 2012). This has been the experience of Nigeria since the 1960s even though the composition of trade has changed over the years. Foreign trade has been an area of interest to decision makers, policy makers as well as economists. It enables nations to sell their locally produced goods to other countries of the world. The word trade has been defined in the Oxford Advanced Learner dictionary as the activity in which people are buying and selling or exchanging the goods and services between countries", international trade is the exchange of capital, goods, and services across international borders. Zahoor, Imran, Anam, Saif-ullaha, Ashraf (2012) said it is a system where the goods and services are advertised, sold and switched between two or more than two countries through import and export.

The role of foreign trade in economic development is considerable. The classical and neoclassical economists attached so much importance to foreign trade in a nation's development that they regarded it as an engine of growth. Over the past several decades, the economies of the world have become greatly connected through international trade and globalization. Foreign trade has been identified as the oldest and most important part of a country's external economic relationships. It plays a vital and central role in the development of a modern global economy. Its impact on the growth and development of countries has increased considerably over the years and has significantly contributed to the advancement of the world economy. The impact of foreign trade on a country's economy is not only limited to the quantitative gains, but also structural change in the economy and facilitating of international capital flow. Trade enhances the efficient production of goods and services through allocation of resources to countries that have comparative advantage in their production. Foreign trade has been identified as an instrument and driver of economic growth (Frankel and Romer, 1999).

The main thrust of this research is to take an objective view regarding the controversy of the role of international trade, in the progress of a country in terms of economic growth of Nigeria.

### **Objectives**

The main objective of this study is to evaluate the performance of international trade and its contribution to economic growth in Nigeria. Specifically the research work will focus on the following objectives:

- i) To ascertain the impact of export trade on the Nigerian economy
- ii) To determine the impact of import trade on the Nigerian economy

### **Research Questions**

- i) To what extent does export impact on economic growth in Nigeria?
- ii) To what extent does import impact on economic growth in Nigeria?

### **Research Hypothesis**

**H<sub>0</sub>:** Export trade does not have a significant positive impact on the Nigeria's economic growth.

**H<sub>0</sub>:** There is no significant impact of import trade on the Nigerian economic growth.

## **LITERATURE REVIEW**

### **International Trade**

Trade is a repeated sequence of exchanges of goods through market transactions (Abebebe 1995). It is referred to as international if it involves transactions beyond the boundaries of a sovereign political authority. Accordingly, Samuelson and Nordhaus (2002) see international trade as the system by which, nations export and import goods, services, and capital. They identify three differences between domestic and international trade as: expanded trading opportunities, sovereign nations and exchange rates adding that these have important practical and economic consequences. The forces that lie behind international trade are that trade promotes specialization; and specialization increases productivity (Ingram and Dunn 1993, Samuelson and Nordhaus 2002) as quoted by (Ezirim, Aloy, Okeke, Titus, Akpobolokerni and Patrick 2011).

In the simplest form, international trade means exchange of goods and services across international borders. In other to know what is happening in the course of international trade, governments keep track of the transactions among nations. The records of such transactions are made in the balance of payment accounts. International trade and balance of payment are therefore two important aspects in the relationship between nations

International trade has been and is today an economic force that has spurred commerce, promoted technology and growth, spread cultural patterns, stimulate exploration and colonization, and frequent fanned the flames of war.

### **The Terms of Trade**

The terms of trade refer to the rate at which the goods of one country exchange for the goods of another country (Jhingan 2012). It is a measure of the purchasing power of exports of a country in terms of its imports, and is expressed as the relation between export prices and import prices of goods. When the export prices of a country rise relatively to its imports prices, its terms of trade are said to have improved. The country gains from trade because it can have a larger quantity of imports in exchange for a given quantity of exports. On the other hand, when its imports prices rise relatively to its export prices, its terms of trade are said to have worsened. The country's gains from trade are reduced because it can have a smaller quantity of imports in exchange for a given quantity of exports than before (Jhingan 2012).

### **Exchange Control**

Exchange control is one of the important devices to control international trade and payments. It aims at equilibrating foreign receipts and payments not through such market forces or flexible exchange rates but through direct and indirect control of foreign exchange. Thus exchange control means that all foreign receipts and payments in the form of foreign currencies are controlled by the government. Prof. 1-laberler defines exchange control as "state regulation excluding the free play of economic forces from the foreign exchange market" (Jhingan 2012). Prof. Ellsworth has explained it more explicitly. According to him, "Exchange control deals with the balance of payments difficulties, disregards market forces and substitutes for them the arbitrary decisions of government officials. Imports and other international payments are no longer determined solely by international price comparisons, but also by consideration of national need".

### **Balance of Payments**

The balance of payments of a country is a systematic record of all its economic transactions with the outside

world in a given year. It is a statistical record of the character and dimensions of the country's economic relationships with the rest of the world, According to Bo Sodersten, "the balance of payments is merely a way of listing receipts and payments in international transactions for a country". It shows the country's trading position, changes in its net position as 'foreign lender or borrower, and changes in its official reserve holding' (Cohen 1969).

### **Balance of Trade and Balance of Payments**

The balance of payments of a country is a systematic record of its receipts and payments in international transactions in a given year. Each transaction is entered on the credit and debit of a balance sheet (see table above).

**While the balance of trade** is the difference between the value of goods and services exported and imported. It contains the first two items of the balance of payments account on the credit and the debit side. This is known as "balance of payment on current account". Some writers define the balance of trade as the difference between the value of merchandise exports and imports. Prof. Meade regards this way of defining the balance of trade as wrong and of minor economic significance from the point of view of the national income of the country. In equation form, the balance of payments of  $Y=C + I + G + (X -M)$  which includes all transactions which give rise to exhaust national income. In the equation, Y refers to national income, C to consumption expenditure, I to investment expenditure, G to government expenditure. X to exports of goods and services and M to imports of goods and services. The expression  $(X - M)$  denotes the balance of trade. If the difference between X and M is zero, the balance of trade balances. If X is greater than M, the balance of trade is favorable, or there is surplus balance of trade. On the other hand, if X is less than M the balance of trade is in deficit or is unfavorable.

### **Importance of International Trade**

There are many areas in which the importance of trade can be established. Perhaps the most critical of these areas concerns economic growth. During the 19 and the 20 centuries, trade has played a leading role in bringing about global economic growth. In addition to its role as an "engine of growth" for the world economy, international trade has also played a pivotal role in bringing about rapid economic growth and development in several countries. The 19 century was perhaps the important century for (primary commodity) export-led growth. Expansion of exports can lead to growth through stimulating technical change and investment, or by spilling demand over other sectors.

Expansion of primary commodity exports often led to growth in the 19 century particularly in Sweden, Australia and Canada. In Sweden, growth was propelled by the exportation of lumber and wood products and in Australia; growth was driven by the exportation of wool, lamb and mutton. In Canada, growth was propelled by the export of wheat. This gave rise to the so-called "staple theory" of growth. In practice, different primary products will have different effects on economic growth because they differ as regards conditions of supply and demand. Those primary products with high income and price elasticity of demand are likely to be more growth-inducing than others. Of course, the most favorable situation is when exports (with high elasticity) are sold in an expanding market at rising prices as was the case with Swedish exports into the U.K. providing foreign exchange for buying capital imports. In the 20 century, for a host of reasons, there have been no good examples of primary product led-growth, but there are several examples of industrial led growth. These include the city-states of Hong Kong and Singapore, also Taiwan and South Korea (Oviemuno 2007).

### **Theoretical Review**

#### **Trade as Engine of Growth**

Literature on international trade and growth of the Nigerian economy are large. Whereas some scholars argued that international trade promote economic growth and development, others argued that it does not. For instance, Winters (2002) submitted that trade liberalization is beneficial because it affords a country the opportunity to trade in larger markets and therefore the risks associated with trading in smaller markets are significantly reduced. Winters et al (2004) argued that one of the consequences of international trade is that it exposes the participating countries to foreign shocks, but the intensity or otherwise of these shocks would depend on the nature of existing institutions, policy measures and the capacity of the country to absorb or counter the shocks. Studies conducted by Edwards, (1993); Frankel and Romer (1999); Dollar and Kraay (2001 and 2002) laid emphasis on the positive effect of international trade on economic growth and poverty reduction. Dollar and Kraay (2001 and 2002) studies supported the view that international trade has positive effect on economic growth and development by submitting that foreign trade increases the domestic income of participating countries. This is because opening the economy to international commerce allows domestic entrepreneurs to learn new methods of using or producing quality inputs quicker at lower cost, increasing total factor productivity, human capital accumulation and in harnessing overall national technological capacity. This argument is consistent with the findings of Romer, (1992); Ohstfeld and Rogolt (1996), Oviemuno (2007) looks at

international trade as an engine of growth in developing countries: a Case Study of Nigeria (1980-2003) as case study, he uses four important variables which are export/import, inflation and exchange rate. The results show that Nigeria exports value does not act as an engine of growth in Nigeria.

### **Theory of Economic Growth**

Economic growth means the steady process by which the productive capacity of the economy is increased over time to bring about rising levels of national output and income. Economic growth could be said to comprise three component; capital accumulation, growth in population and eventual growth in the labor force, and technological progress. Capital accumulation results when some proposition of personal income is saved and invested in order to augment future output and income. Capital accumulation involves a trade-off between present and Future consumption, giving up a little now so that more can be had latter.

Population growth, and the associated increase in the labor force, has traditionally been considered a positive factor in stimulating economic growth. A larger labor force means more productive workers, and a large overall population increases the potential size of domestic markets. Technological progress results from new and improved ways of accomplishing traditional tasks. Technological progress could be neutral, labor-saving, and capital-saving.

### **Previous Studies**

A number of studies on the relationship between export and economic growths have found export growth to be associated with increase in output or GDP (Michaely, 1977; Tyler. 1981 and Balassa, 1985).

Michaely (1977) used simple regression and correlation analysis to investigate the relationship between exports and growth. He found that in less developed countries, there was a weak correlation. He, however, raised an important issue as to determine the minimum level of development a country has to attain in order to benefit from trade. As a follow-up on Michaely (1977) work, Tyler (1981) worked on a sample of 55 developing countries. He confirmed the positive relationship between expansion of exports and increase in production. In his analysis, he observed that it is necessary for some countries to achieve a minimum level of development in order to benefit from export expansion, especially of manufactured exports. This conclusion was later supported by Jude and Pop-Silaghi (2008) in the case of Romania. Rana (1988) questioned Balassa (1985)'s finding that the contribution of exports to growth has increased in the post-1973 period compared with the pre-1973 period. He argued that Balassa's analysis used heterogeneous samples. He used a balanced sample of 45 developing countries and found that the contribution of export, although significant but reduced in the post-1973 period. Also, some studies built on the import-growth relationship have found positive impact of import on growth especially through the impact of technology imports in the production process of developing countries (Pereira, 1996). Grossman and Helpman (1991) demonstrated the importance of imports of foreign technology in the growth process of a country. He explained that the importation of foreign equipment creates a more efficient production system, increases productive capacity, global output, technological capacity development and economic growth.

## **RESEARCH METHODOLOGY**

### **Research Design**

A research design is a kind of blueprint that guides the researcher in his or her investigation and analyses. The research design adopted in this study is the ex post facto; this is because this research relies on historical data. The study will employ multiple linear regression estimation to test the hypothesis postulated in the study. Real GDP is acknowledge as dependent variable which proxies for economic growth, while export and import are the independent/explanatory variables.

### **Nature and Sources of Data**

Numerical data are raw materials for statistical investigation therefore one of the steps in /t study is the collection of relevant data From secondary sources, however, due to the sacredness of data in every research work the researcher showed great care in the collection of relevant data for the study using well documented secondary data. Time series data is used for all variables over the period, 1980 to 2012.

### **Measurement of Variables**

Multiple regressions are used to analyze the data based on three criteria identified by Kutsoyiannis, (1977). They are;

- **A prior Expectations of Variables Used**

From the study parameter, RGDP is expected to be positive if export is positive, import negative, with economic openness being positive alongside reduction in exchange rate and increase in foreign direct investment. On the other hand, if exchange rate increases (positive) and economic openness is negative, then RGDP will be negative because increased exchange rate will result in diminished currency value at the international market while

negative economic openness means import is higher than export which sap national fund.

The expected signs of the coefficient of the explanatory variable are,  
 $\beta_0 > 0$ ,  $\beta_1 > 0$ ,  $\beta_2 < 0$ ,  $\beta_3 > 0$ .

$\beta_0$  is expected to be positive because there are other factors that determine the GI) P aside from the ones stated in the model.

$\beta_1$  is expected to be positive because in macroeconomic theory, export is regarded as an injection in the economy.

$\beta_2$  is expected to be negative because in macroeconomic theory, import is regarded as a withdrawal from economy.

$\beta_3$  is expected to be either positive or negative depending on the value of export, import and the gross domestic product. If the values of export and GDP outweigh the value of import then, economic openness would affect economic growth positively and if the values of import and GDP outweigh the value of export then, economic openness would affect economic growth negatively.

- **Statistical Criteria**

The statistical criteria are determined by statistical theory as stated below and are aimed at evaluating parameters of the model.

They are;

Coefficient of determination ( $R^2$ )

It measures the proportion of the total variation in the dependent variable that is jointly explained by the linear influence of the explanatory variable. The value of  $R^2$  lies between zero and one, that is,  $0 < R^2 < 1$

Standard Error (SE)

This will enable one to test for the overall significance of the estimated regression, 'the higher the value of the F-statistics, the greater the overall significance of the estimated regression. If F-calculated is greater than the F-tabulated, the F-statistics shows a higher degree of association between the dependent variables.

### **Econometric Criteria**

The econometric criteria determine the reliability of the statistical criteria, and in particular the standard errors of the parameter estimates.

### **Definition and Justification of Variables**

- **Dependent Variables Gross Domestic Product**

Real gross domestic product is mainly the key dependent variable for the study. In line with the work of Uernadu (2011), Falki (2009), Saibu, et al. (2011), this empirical study adopt the measure as a proxy for economic growth. Saibu, et al. (2011) point that real gross domestic product is calculated by dividing the gross domestic output by the consumer price index.

- **Explanatory variables;**

#### **Export value**

This is the total number of goods and services produced within a country that is been purchased by a foreign country. Export is an injection into the economy, it may increase competition; permit the realization of comparative advantage and leads to a country's favorable balance of payment. Thus, in this study it is expected to be positive.

#### **Import value**

Imports are the goods and services that are bought by residents of a country, but made outside of the country. It doesn't matter what the goods or services are, or how they are sent. Import is a withdrawal from the economy, so it is expected to be negative. For a country to witness economic growth and favourable balance of payment its import should be less than the export.

### **RESULT PRESENTATION**

This section is the analysis of the panel data and the analysis was done using the panel data shown in Table 1, which contains data on Export, Import and Real Gross Domestic Product. Hypothesis in chapter one will be tested here, using the techniques of analysis described in chapter three which is ordinary least square regression analysis.

### Presentation of Data

The table below consist of variables; Real Gross Domestic Variable (RGDP). Non-Oil Export Value (NEV). Non-Oil Import Value (NMV).

Dependent Variable: GDP

Method: Least Squares

Sample: 1990 2015

Included observations: 26

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	41565.27	7142.036	5.819807	0.0001
EXPT	589.9270	186.7879	3.158271	0.0046
IMPT	-220.2108	218.8166	-1.006371	0.3252
R-squared	0.862610	Mean dependent var		36095.70
Adjusted R-squared	0.843875	S.D. dependent var		17039.52
S.E. of regression	6732.765	Akaike info criterion		20.60800
Sum squared resid	9.97E+08	Schwarz criterion		20.80155
Log likelihood	-263.9040	Hannan-Quinn criter.		20.66373
F-statistic	46.04272	Durbin-Watson stat		1.084622
Prob(F-statistic)	0.000001			

Source: Author's Computation using E-Views

- Export (EXP) has a positive effect on Growth (GDP) as indicated by a coefficient of -589.9270 and statistically significant at 1%. This implies that increase in exports has a positive impact on growth; that is growth increases as exports increase and vice versa.
- Import (IMP) has a negative impact on growth (GDP) as indicated by a coefficient value of -220.2108 and statistically not significant at 33%. This implies that imports have an inverse relationship with growth; that is the higher the import values, the lower the growth rate and vice versa.

The table above shows the relationship existing between the dependent and independent variables as stated thus:

$$GDP=41565.27+589.9270*EXP-220.2108*IMP$$

From the equation above, it can be observed Export conform to our prior expectations as indicated that a unit increase in Export will contribute 589.9270 units on GDP. But on the contrary we can observe that Import has a negative coefficient of -220.2108 which means that a unit increase in Import will result to a decrease of -220.2108 units on GDP. This therefore does not conform to our a priori expectations as Imports have a negative impact on GDP.

- The R-squared value of 86% indicates that the model is nicely fitted and the independent variables jointly explain the dependent variable to a tune of 86%.
- The adjusted R-Squared value of 84% supports the fact that the model is nicely fitted and the Prob (F-statistic) value of 0.00001 indicates that the regression model is significant at 1%.
- The durbin-Watson figure of 1.084622 shows that there is no incidence of auto correlation.

### Test of Hypothesis

#### Hypothesis 1

**H<sub>0</sub>: Export Trade does not have a significant positive impact on the Nigerian Economic Growth.**

From the result of our regression analysis, we can observe that export is significant and has a positive impact on GDP. Hence we reject the null hypothesis and accept the alternative hypothesis and stated as thus; Export Trade has a significant and positive impact on the Nigerian Economic Growth.

#### Hypothesis 2

**H<sub>0</sub>: There is no significant impact of import trade on the Nigerian Economic Growth.**

From our regression output, we can observe that Imports have a negative relationship with GDP and also it is not statistically significant. Hence we accept the null hypothesis that there is no significant impact of import trade on the Nigerian Economic Growth.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.472600	Prob. F(3,22)	0.0045
Obs*R-squared	1.574135	Prob. Chi-Square(3)	0.0353
Scaled explained SS	0.750416	Prob. Chi-Square(3)	0.0513

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 04/07/17 Time: 17:05

Sample: 1990 - 2015

Included observations: 26

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14824902	49473677	0.299652	0.7673
EXPT	781959.0	1293901.	0.604342	0.5518
IMPT	-779471.1	1515767.	-0.514242	0.6122
R-squared	0.060544	Mean dependent var		38356263
Adjusted R-squared	-0.067564	S.D. dependent var		45138662
S.E. of regression	46638615	Akaike info criterion		38.29439
Sum squared resid	4.79E+16	Schwarz criterion		38.48795
Log likelihood	-493.8271	Hannan-Quinn criter.		38.35013
F-statistic	0.472600	Durbin-Watson stat		2.474406
Prob(F-statistic)	0.704487			

The probability of chi-square statistics is significant at 5% level of significance, indicating that the model is free from the problem of heteroscedasticity as indicated in the table above

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	5.200590	Prob. F(2,20)	0.0152
Obs*R-squared	8.895401	Prob. Chi-Square(2)	0.0117

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 04/07/17 Time: 17:06

Sample: 1990 2015

Included observations: 26

Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-11308.38	7219.939	-1.566271	0.1330
EXPT	393.0640	200.5194	1.960229	0.0640
IMPT	-118.8683	206.8497	-0.574660	0.5719
RESID(-1)	0.700524	0.252489	2.774475	0.0117
RESID(-2)	0.099868	0.239730	0.416583	0.6814
R-squared	0.342131	Mean dependent var		-2.82E-12
Adjusted R-squared	0.177664	S.D. dependent var		6315.894
S.E. of regression	5727.427	Akaike info criterion		20.34309
Sum squared resid	6.56E+08	Schwarz criterion		20.63342
Log likelihood	-258.4602	Hannan-Quinn criter.		20.42670
F-statistic	2.080236	Durbin-Watson stat		1.774042
Prob(F-statistic)	0.110501			

In testing for autocorrelation in the model, the Breusch-Godfrey serial correlation tested was applied as seen in the table above and from our observations we see that the p-value reflects the acceptance of the null hypothesis as it is significant at 1% level of significance which is less than 5%. Hence we conclude that the models are not correlated.

Null Hypothesis: GDP has a unit root

Exogenous: Constant

Lag Length: 1 (Automatic - based on AIC, maxlag=5)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	0.390056	0.9781
Test critical values:		
1% level	-3.737853	
5% level	-2.991878	
10% level	-2.635542	

\*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(GDP)

Method: Least Squares

Date: 04/07/17 Time: 17:12

Sample (adjusted): 1992 2015

Included observations: 24 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP(-1)	0.007745	0.019857	0.390056	0.7004
D(GDP(-1))	0.699331	0.213212	3.279977	0.0036
C	407.4619	469.2336	0.868356	0.3950
R-squared	0.648816	Mean dependent var		2076.036
Adjusted R-squared	0.615370	S.D. dependent var		1421.210
S.E. of regression	881.4133	Akaike info criterion		16.51740
Sum squared resid	16314676	Schwarz criterion		16.66466
Log likelihood	-195.2088	Hannan-Quinn criter.		16.55647
F-statistic	19.39890	Durbin-Watson stat		1.943244
Prob(F-statistic)	0.000017			

The Augmented Dickey-Fuller (ADF) test was conducted to test for unit root and to check for the stationary of the variables. From our observation, all the variables were greater than the critical values at 5% first difference at intercept and trend and intercept. Hence we accept the null hypothesis thus; all the variables are stationary at first difference at the 5% level of significance and integrated.

### Summary of Findings

From the above it is seen that:

1. There is a significant impact of Export trade on the Nigerian economic growth
2. There is no significant impact of Import trade on the Nigerian economic growth

### Conclusion

This study has examined the impact of international trade on Nigeria economic growth, Export, import values, were used as the explanatory variables or regressors while GDP growth rate was used as the dependent variable in an ordinary least squares regression process, the study concludes that trade favorably impacts on growth in the Nigerian economy.

### Recommendations

Based on the findings of this research work, it is necessary that conscious efforts should be made by government to fine-tune the various macroeconomic variables in order to provide an enabling environment to stimulate foreign trade by engaging in more of export trade and in effect curtail on import trade which has a negative effect or strain the economy. First of all, there should be optimal control of trade through the borders of the



economy. The underground economic activities of bunkering, smuggling, child and drug trafficking, and other related illegal activities should be properly checked. This will help the economy to fully account for every trade/transaction through the border and determine its impact on the output growth of the economy. In order to achieve this, governments trade policy must be liberal. Export promotion strategy should be reviewed and import substitution strategy should also be reviewed so that import and export will change its dimension. Also Nigeria government should strengthen the competitiveness of exports by combining the imports of high technology and domestic independent research.

The government should encourage export diversification. Non-oil sector exports should be encouraged and concentration on oil sector export should be minimized. Expenditure on projects and infrastructures that would facilitate trade and economic growth should be encouraged, and the monetary authority should give priority to exchange rate stability.

Nigeria should reframe from excessive consumption of foreign goods and services so that their imports might be cut off.

Manufacturing industries should improve on their production so that their output would be competitive in the global market. Excise duties should be lowered so as to encourage local industries to export their goods and services. Lifting of trade barriers on local output should not be followed by the introduction of new ones. Only the importation of capital goods that are essential should be encouraged, since not all importations are necessary for economic growth.

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