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TRADE LIBERALIZATION AND ECONOMIC GROWTH: THE NIGERIAN EXPERIENCE (1971-2012)

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ABSTRACT

Trade liberalization is an essential component of international trade and finance. It entails the removal of the various barriers to trade that countries around the world have erected and has been recognized by many studies as an important factor accounting for the economic growth and development of many Nations. Trade liberalization has been a burning issue in Nigeria – ascertaining whether Nigeria's involvement in international trade boosts or hinders economic growth. This motivated the desire to embark on this study with the principal objective of exploring the relationship between trade liberalization and economic growth. Data for the period, 1971-2012, was analyzed with the help of the Ordinary Least Squares (OLS) regression technique. The results provided clear indication that imports and exports significantly and positively affect economic growth in Nigeria. Thus, the study concluded that trade liberalization is good for the Nigerian economy; although it has to be handled carefully as it also has some negative effects. In line with the findings of the study, some policy options were recommended in order to ensure that trade liberalization is beneficial to the Nigerian economy and to improve the international trading position of Nigeria.

Key words: trade liberalization, international trade, economic growth

BACKGROUND OF THE STUDY

Historically, trade has acted as an important engine of growth for countries at different stages of development, not only by contributing to a more efficient allocation of resources within countries, but also by transmitting growth from one part of the world to another. Over the past several decades, the economies of the world have become increasingly linked, through expanded trade. International trade has often played a central role in the historical experience of the developing world. Because of the economic impact that trade has always had on civilizations, governments often become involved in trade with the goal of producing a particular economic outcome for their countries. There are, however, static and dynamic gains from trade between countries, but there is nothing in the theory of trade that says that the gains are equitably distributed.

Trade liberalization started in 1947, after the 2nd World war, with the inception of the General Agreement on Tariffs and Trade (GATT). The GATT was negotiated in 1947 by 23 countries of which 12 are industrialized countries and 11, developing countries. The main focal point of the GATT was to lower trade barriers. GATT was later replaced by the WTO (World Trade Organization) in 1994.

Basically, the main purpose of trade liberalization is to allow countries to export those goods and services that they can produce efficiently, and import the goods and services that they produce inefficiently. The above statement refers to the theory of comparative advantage. Traditional explanations of trade as "the engine of growth" and the impact of trade on economic development are rooted in the principles of comparative advantage.

Essentially, the theory of comparative advantage arose from nineteenth century free trade models associated with David Ricardo and John Stuart Mill, which were later modified by trade theories embodied in the factor proportions theory of Hecksher – Ohlin (1933), Stolper-Samuelson (1941) and Rybzsnski (1955) effects.

As a matter of fact, Nigeria has been romancing with the idea of 'openness is good for growth.' Key government officials, as expected, see trade as 'an indispensable engine for economic growth'. Given the predictions of trade theory and observations, the important point to make in this introduction is that the issue for developing countries in general, and Nigeria in particular, is not so much whether to trade, but what to trade, and the terms on which trade should take place with the developed countries of the world (or between themselves). Another question to be asked is; at what level of growth/development should a country adopt trade liberalization to ensure sustainable economic development? The focus of this work shall therefore be on determining if a

relationship exists between trade liberalization and economic growth, the nature of that relationship and the impact of trade liberalization on economic growth in Nigeria.

STATEMENT OF THE PROBLEM

Some deadening factors constrain the expected impact of trade liberalization on economic growth in Nigeria. These factors constitute the major problems of trade liberalization. They are discussed extensively in this section.

First and foremost, the institutions necessary to aid the success of trade liberalization and ultimately growth and development are unavailable or are deficient. (Having a vast population, Nigeria has not utilized it in achieving this goal of development but however it has brought about a disequilibrium i.e. widening the gap between the rich and the poor). Since there are no functional and corrupt-free institutions in the country, corruption does not seem, but has vehemently proven to have eaten deep into the bones and marrows of the economy. There exists, however, many different types of institutions (different types of social arrangements, laws, regulations, enforcement of property rights, etc.). The issue is; little is known about what specific types of institutions are important for the country to benefit from openness.

Another constraint is fiscal and monetary policy indiscipline. Most times policies and investments made are not profitable and amount to waste of resources. International trade is expected to be beneficial to participants (in form of lower prices, variety of products etc), to firms and businesses (as studies have it that firms exposed to the world's best practices demonstrate higher productivity through many channels, such as learning from these best practices, and also creating new products and processes in response to this exposure) but in the case of Nigeria, it has left our industries in a state of comma, as domestic infant industries are destroyed by competition with already established international firms, without bringing about a creation of new ones. Hence, all these in addition to both fiscal and monetary indiscipline, have made the reverse the case for these years.

Furthermore, the problem of hoarding and secrecy abounds. The major aim of trade liberalization is to open up economies so that countries can learn from themselves and improve production and output. However, most developed countries are not truly willing to expose their methods of production and technologies simply because of the fear of domination. Also, majority of the countries engaging in trade hoard important commodities which are needed in Nigeria; yet they get every single thing they need from Nigeria. This therefore results in a situation where trade is liberalized only in words but not in action. The developing countries, specifically Nigeria, learn close to nothing when it comes to improved ways of doing things. Instead, we are used as a dumping ground by other countries. This deplorable situation obviously has an adverse effect on the economic growth of Nigeria.

These and many more challenges are the problems of trade liberalization in Nigeria and until they are tackled properly, trade liberalization may not bolster economic growth.

OBJECTIVES OF THE STUDY

The main objective of this study is to determine the impact of trade liberalization on economic growth in Nigeria. Therefore, the specific objectives are:

1. To examine the relationship between imports and economic growth in Nigeria.
2. To determine the relationship between exports and economic growth in Nigeria.
3. To evaluate the impact of foreign direct investment on economic growth in Nigeria.
4. To examine the relationship between exchange rate and economic growth in Nigeria.

RESEARCH QUESTIONS

Based on the objectives clearly stated in section 1.3 as the motives underlying this research work, the following research questions have been generated as the burning questions that are expected to be answered at the end of this work.

1. What is the nature of the relationship between trade imports and economic growth in Nigeria?
2. What is the nature of the relationship between exports and economic growth in Nigeria?
3. What is the impact of foreign direct investment on economic growth in Nigeria?
4. What is the nature of the relationship between exchange rate and economic growth in Nigeria?

STATEMENT OF RESEARCH HYPOTHESES

In line with the objectives of this study, the following hypotheses are formulated to guide the study:

Hypothesis One

H_0: There is no significant relationship between imports and economic growth in Nigeria.

Hypothesis Two

H_0: There is no significant relationship between exports and economic growth in Nigeria.

Hypothesis Three

H_0: There is no significant relationship between foreign direct investment and economic growth in Nigeria.

Hypothesis Four

H_0: There is no significant relationship between exchange rate and economic growth in Nigeria.

SIGNIFICANCE OF THE STUDY

This study will be significant to the following stakeholders:

- Researchers: It is expected that this study would contribute to the advancement of the existing literature on trade and economic growth especially in the Nigerian case. Thus, forming a veritable source of reference for researchers.

- Government: It is also expected that the empirical results and recommendations of this work would be useful to policy makers as it would help in adopting suitable trade policies that will promote trade in Nigeria.

- Investors: Investors will benefit immensely from this research work as it will expose them to the benefits and harmful effects of trade liberalization and help them know how to invest their funds wisely.

- General public: The general public would find this study very useful because it will serve as a spring board for continuation of research as well as for detailed information as regards trade activities in Nigeria.

SCOPE OF THE STUDY

The study focused on how trade liberalization influence economic activities in Nigeria. Secondary data is adopted for the study which covers a period of forty-two years, 1971-2012. This time period is essential because it captures most policy reforms and response in the sector overtime

REVIEW OF RELATED LITERATURE

REVIEW OF THEORETICAL LITERATURE

Early Trade Theory: The Mercantilist View

The importance of trade in economic growth and development has been recognized as early as the mercantilist era of economic thought. This doctrine emphasizes the importance of international trade and pioneered the accounting notion of the balance of payment between a nation and the rest of the world. This period was one of nation building and consolidation of powers by newly formed nations. Because gold and silver circulated as money, the quantity of these precious metals held by a country symbolized that nation's wealth and power. The leaders therefore, wanted to accumulate as much gold and silver as possible while keeping imports to a barest minimum. Any country that would export more than it imported would enjoy an inflow of gold and silver. The policy prescription based on this mercantilist view was to encourage exports and restrict imports. Mercantilists viewed trade primarily as a way to accumulate gold (wealth).

Further, mercantilist assumed trade was a zero-sum game; i.e. that trade could not be mutually beneficial to all parties. The basic idea here is that a country might have absolute advantage over the other's product. So this country would export its more competitive products and take advantage of markets of its trading partners, Hecksher (1949).

The Classical Trade Theory: Smithian and Ricardian View

Adam Smith, in his book "An Inquiry into the Nature and Causes of the Wealth of Nations" published in 1776, questioned the mercantilist assumption that trade was a zero-sum game. By assuming that each county could produce some commodities using fewer resources than its trading partners, Smith showed that all parties to international trade could benefit. How could this be possible? According to Smith, all nations would gain simultaneously if they practiced free trade and specialized in accordance with their absolute advantage. In

essence trade here improved allocation of resources, ensuring that goods production requires fewest resources. The result would be a large total quantity of goods produced in the world. In a nut shell, according to the theory of absolute advantage, it would benefit each country to specialize in producing the goods in which it has an absolute advantage and to import the goods in which it has an absolute disadvantage, Smith (1937).

However, smith's trade theory was later fine tuned by David Ricardo. Ricardo in his "Principle of Comparative Advantage" further argued that even when one country has an absolute advantage in the production of two goods against another country; it might still be more beneficial to both countries if each of them specializes in the production of only one of the goods. Ricardo opined that a country can produce and export a particular commodity in which it has comparative advantage, while importing a commodity in which it has comparative disadvantage and thereby maximize its welfare. Such specialization and trade makes both countries potentially better off by expanding their consumption opportunity sets. Residents can choose to consume combination of goods that would be impossible to produce domestically, Yarbrough and Yarbrough (1994).

Hecksher-Ohlin Model or Factor Endowment Trade Theory: The Neoclassical Model

The classical comparative advantage theory of free trade is a static model based strictly on a one-variable-factor (labour cost), complete specialization approach to demonstrating the gains from trade. This nineteenth century free trade model, primarily associated with David Ricardo and John Stuart Mill, was modified and refined in the 20th century by two Swedish economists, Eli Hecksher and Bertil Ohlin to take into account differences in factor supplies mainly; Land, Labour, capital on international specialization. Hecksher-Ohlin neoclassical (variable proportions) factors endowment trade theories also enables us to describe analytically the impact of economic growth on trade patterns and the impact of trade on the structure of national economies and on the differential returns or payments to various factors of production.

Unlike the classical labour cost model, however, where trade arises because of fixed but differing labour productiveness for different commodities for different countries, the neoclassical factor endowment model, assumes away inherent difference in relative labor productivities by postulating that all countries have access to the same technological possibilities for all commodities. If domestic factor prices were the same, all countries will use identical methods of production and will therefore have the same domestic product price ratios and factor productivities. The basis for trade arises not because of the inherent technological differences in labour productivity for different commodities between different countries but because countries are endowed with different factor supplies. Given relative factor endowments, relative factor prices will differ (e.g. labour will be relatively cheap in labour abundant countries), and so will domestic commodity price ratios and factor combinations. Countries with cheap labour will have a relative cost and price advantage over countries with relatively expensive labour in commodities that make intensive use of labour (e.g primary products). They should therefore focus on the production of these labour intensive products and export the surplus in return for import of capital intensive goods.

Conversely, countries well endowed with capital, will have a relative cost and price advantage in the production of manufactured goods, which tend to require relatively large inputs of capital compared with labour. They can thus benefit from specialization in export of capital intensive manufactures in return for labour intensive products from labor abundant countries. Trade therefore serves as a vehicle for the nation to capitalize on its abundant resources through more intensive production and export of commodities that require large input of those resources while relieving its factor shortage through the importation of commodities that use large amount of its relatively scarce resources.

To summarize, the factor endowment theory is based on two crucial propositions.

1. Different products require productive factor in different relative proportions. For example, agricultural products generally require relatively greater proportions of greater per unit of capital than manufactured goods that require more machine time (capital) per worker than most primary products. Proportions in which factors are actually used to produce different goods will depend on their relative prices. But no matter what factor prices may be, the factor endowment model assumes that certain products will always be relatively more capital intensive while others will be relatively more labour intensive. These relative factor intensities will be no different in India than in the United States: primary products will be the relatively

labour intensive commodities compared with secondary manufactured goods in both India and United States. Countries have the different endowments of factors of production. Some countries, like the United States, have large amounts of capital per worker and are thus designated capital abundant countries. Others, like India, Egypt or Colombia, have little capital and much labour and are thus designated labour abundant countries. In general, developed countries are relatively capital abundant (one could also add that they are well endowed with skilled labour), while most developing countries are labour abundant.

2. The main conclusions of the neoclassical model of free trade are that all countries gain from trade and the world output is increased. However, there are several others in addition to these two basic conclusions. First, due to increasing opportunity costs associated with resources shifting among commodities with different factor intensities of production, complete specialization will not occur in the classical comparative advantage model. Countries will tend to specialize in products that use their abundant resources intensively. They will compensate for scarce resources most intensively. But rising domestic costs and therefore prices in excess of world prices will prevent complete specialization from occurring.

Second, given identical technologies of production throughout the world, the equalization of domestic product price ratios with international free-trade price ratio will tend to equalize factor prices across trading countries. Wage rates, for example, will rise in labour-abundant developing world as a result of the more intensive use of human resources in the production of additional agricultural output. But the price of scarce capital will decline due to the diminished production of manufactured goods, which are heavy users of capital will rise relative to its scarce labour as more emphasis is placed on the production of capital- intensive manufactured goods and less on labour intensive agriculture.

The neo-classical factor endowment theory makes the important prediction that international real wage rates and capital costs will gradually tend toward equalization. In recent years, many highly paid manufacturing workers in the more developed countries were worried that freer trade and greater international competition would drive their wages down to the LDC.

Therefore as a corollary to these theories, we would examine the export-led growth hypothesis which is adopted for this present research.

Export Led Growth Hypothesis

The Export led Growth hypothesis postulates a relationship between the growth of exports and the economy such that export expansion becomes one of the main determinants of economic growth. This hypothesis holds that overall growth of different economies could be generated not by increasing the amounts of labor and capital, but also by expanding exports. The theoretical rationale for this hypothesis hinges on a number of arguments which include the following: first, that the export sector may generate positive externalities on non-export sectors through more efficient management styles and improved production techniques, Feder (1983). Second, export expansion will increase productivity by offering potential for scale economies, Helpman and Krugman (1985); Krugman (1994). Thirdly, exports are likely to alleviate foreign exchange constraints and can thereby provide greater access to international markets, Esfahani (1991). These arguments have recently been extended by the literature on endogenous growth theory which emphasizes the role of exports on long-run growth via a high rate of technological innovation and dynamic learning from abroad, Lucas (1998); Romer (1986, 1989); Grossman and Helpman (1991, 1995); Edwards (1992); Alisna and Rodrick (1999).

REVIEW OF EMPIRICAL LITERATURE

Lucas (1988) in a work titled 'On the Mechanics of Economic Development' states that free trade might cause a country sufficiently far from its steady state to become completely specialized in the low-technology good with its short-run comparative advantage, although it has a long-run comparative advantage in high technology goods. In theory, the best option for trade policy in this case is to have restricted or prohibited trade until the economy has gained short -run comparative advantage in the high-tech goods.

In a working paper by Gundlach (1996) titled 'Openness and Economic growth in developing countries,' in ascertaining if openness has a strong impact on economic growth in developing countries, examining it using a neo-classical growth model with partial capital mobility, physical capital's share in factor income determines the difference in the predicted convergence rates for open and closed economies. This study concludes that openness along with factor accumulation matters for economic growth, especially in DCs (developing countries).

In an investigation carried out by the United States International Trade Commission, USITC (1997), titled 'The Dynamic Effects of Trade Liberalization: An Empirical Analysis,' it was found that there is a positive linkage between trade liberalization and the rate of investment, generating an indirect linkage between trade and growth. The Commission also found a statistical association between a country's degree of trade liberalization and increased female labor force participation, a potential source of economic growth. They concluded finally that, the linkages among trade, investment, and growth are particularly strong for foreign direct investment, but less strong for investment financed by domestic savings.

Greenway et al (2002) in their work titled 'Trade liberalization and growth in developing countries,' tried to ascertain the effect of trade liberalization in developing countries. Using a dynamic panel framework and three different indicators of liberalization, it was found that liberalization does appear to impact favourably on growth of GDP per capital, albeit with a lag. They conclude that liberalization never amounts to an immediate shift to free trade but are often first rather than final steps, as through time, other factors such as: reductions in transportation and communication costs, technological change and so on, contribute to the openness of the economy.

Mwaba (2000) in a paper on Trade Liberalization and Growth: Policy Options for African Countries in a Global Economy, tried to explore the relationship between trade liberalization and growth in developing countries. The study concludes that while opening an economy to trade may not provide the desired quick fix, the removal or relaxation of quantitative import and export restrictions and lowering of tariffs would result in increased exports and growth.

Rodrik (2001) in 'The global governance of trade as if development really mattered' came up with a new principle which had to be considered by those engaged in theoretical and practical debate over trade policies: economic development as the objective and trade as a tool to achieving it. To him, each country had the right to choose their development priorities, their own institutions and should be protected from external pressure. He is against any trade sanction; such as using diplomatic channels, (foreign aid instead) anti dumping measures of industrialized countries against imports from developing nations.

Philippe (2003) in a paper titled 'The Unequal Effects of Liberalization: Theory and Evidence from India,' exploits the 1991 Indian liberalization to illustrate how such a reform may have unequal effects on industries and regions within a single country. Using a Schumpeterian growth model and panel data set for the sixteen main states of India over the period, 1980-1997, to analyze the effects on growth and inequality of liberalization reforms aimed at increasing entry, the empirical results confirm that the 1991 liberalization in India had strong equalizing effects, by fostering productivity growth and profits in 3-digit industries that were initially closer to the Indian productivity frontier and in states with more flexible labor market institutions. And finally concludes that the initial level of technology and institutional context mattered for whether and to what extent industries and states in India benefited from liberalization.

In 'Trade Liberalization, Economic Growth and Poverty Reduction Strategies' by Ron and Doan (2003), the major objective was to examine the impact of trade on economic growth and poverty reduction. Empirical evidence was used to draw conclusions and it was concluded that based on the empirical evidence to date, trade liberalization appears to have a positive impact on growth; although the impact seems to depend on the existence of important economic institutions and complementary policies. According to this study, there is also strong evidence that economic growth reduces absolute poverty.

Low (2004) in a work titled 'The Political Economy of Trade Liberalization' tried to examine the overall impact of trade liberalization with the aid of empirical evidence. It was concluded that trade policy and liberalization constitute only necessary but not sufficient conditions to growth and development and that it should be strategically tempered with pragmatism as a second best policy.

Winters (2004) examined Trade Liberalization and Economic Performance using the method of Ordinary Least Squares and found that liberalization generally induces a temporary (but possibly long-lived) increase in growth. A major component of this was an increase in productivity.

In a paper titled, 'Trade Liberalization and Economic Reform in Developing Countries: Structural Change or De-Industrialization?' Shafaeddin (2005) analyses the economic performance of a sample of developing countries that have undertaken trade liberalization and structural reforms since the early 1980s with the objective of expansion of exports and diversification in favour of manufacturing sector. The results obtained are varied. The author concludes that, no doubt, trade liberalization is essential when an industry reaches a certain level of maturity, provided it is undertaken selectively and gradually.

Shafaeddin (2006) in a work titled **'**Does Trade Openness Favour or Hinder industrialization and development?' sought to explore the relationship between openness and industrialization. Using what he called a Trade Liberalization Hypothesis (TLH) which is a theoretical abstraction based on the doctrine of comparative cost advantage in its H-O version, he tried to ascertain whether a liberal trade regime would help or hinder the process of industrialization of developing countries. Finally, he concluded that, in short, trade liberalization is essential when an industry reaches a certain level of maturity, provided it is undertaken selectively and gradually.

Musibau (2006) in paper titled, 'Trade Policy Reform, Regional Integration and Export Performance in the ECOWAS Sub-Region' based on results of a gravity model analysis, the result revealed that participation in preferential trade agreements within the ECOWAS sub-region is beneficial and trade-facilitating. In addition, the existence of artificial barriers to trade among ECOWAS countries negatively affects export performance. The study therefore concluded that unilateral trade barrier reductions and participation in preferential trade agreements can enhance export performance within the ECOWAS sub-region.
Bushra et al. (2006) in a work titled 'Trade Liberalization and Economic Development: Evidence from Pakistan' sought to explain the relationship between trade liberalization and economic development in Pakistan. Using simultaneous equation model and the 2SLS technique of regression analysis, they analyzed how trade liberalization has affected economic development in the country. Its effects were examined with respect to four measures of economic development: per capita GDP, income inequality, poverty and employment over the period from 1960-2003. The analysis showed that, over the study period, trade liberalization did not affect all the chosen indicators of development uniformly. It affected employment positively but per capita GDP and income distribution negatively. However, it did not affect poverty in any way. The study found out that trade liberalization did not affect all the indicators of development favorably in Pakistan. Hence the study concluded that, indeed there is a need for a cautious move towards liberalization.

Keith (2007) in a thesis titled 'Trade Liberalization and the Environment: A Study of NAFTA's Impact In El Paso, Texas And Juarez, Mexico,' sought to promote a clearer understanding of relationships between trade liberalization and environmental quality in a free trade zone along an international border, between countries unevenly matched in development and infrastructure. The research indicates that trade liberalization is not necessarily environmentally harmful. The conclusion based on data suggests that NAFTA had little to no direct negative impact on the region's environmental condition, but they also do not provide evidence that NAFTA improved the environment.

George (2007) in 'Trade Liberalization and Economic Expansion: A sensitivity analysis,' tried to explore the nature of the relationship between trade liberalization and economic expansion. Granger multivariate tests were used in ascertaining why exports represent a fundamental determinant of economic performance in Ireland, whereas in the case of Greece, Portugal and Spain exports do not affect economic growth and it was concluded that it was very difficult to analyze the role of trade liberalization in economic performance and to determine the factors which affect the causal links between exports and real GDP, stating that more empirical evidence from developed and developing countries is needed in order to examine the quantitative and qualitative factors which affect the direction of causality between exports and economic growth.
The theoretical possibility that trade liberalization might have a negative effect on economic performance has been demonstrated in various endogenous growth studies.

Arhan (2007) in his work 'Differential Effects of Trade Liberalization on Economic Growth: Role of Human Capital Accumulation' tried to analyze the impact of trade liberalization on economic growth using the Schumpeterian growth model. It was discovered that in an economy in which more unskilled labor resources are abundantly available compared to its trading partners, in the short-run, trade liberalization may have beneficial effects on the per capita income growth rate whereas in the long-run, it may decrease the equilibrium growth rate. He also adds that it is not plausible to think that trade openness across the countries would have the same effect, stating rather that it depends on the specific circumstances.

Mododou (2007) in a work titled, 'The impact of Trade Liberalization on Economic Growth in Gambia,' tried to specifically explore the effect of trade liberalization on the economy of Gambia. Using the ECM (error correction model) which is intended to intended to capture both the short-run and long run impact of the variables in the model), he applied the neoclassical growth model and a time series data from 1970-2004. His finding was that the terms of trade in Gambia was not favourable during the period of study as imports outweigh exports and concludes that if Gambia is to benefit more from trade liberalization, it will have to look into its macroeconomic policies and create an enabling environment for investment in terms of property rights, adequate

access to credit, stable power supply, good roads, telecommunications and security. The government should control its fiscal policy as it is the major obstacle to private investment.

Chaudry et al (2010) in a research paper titled **'**Exploring the causality relationship between trade liberalization, human capital and economic growth: with empirical evidence from Pakistan,' sought to explore the relationship between trade liberalization, human capital and economic growth in Pakistan. Co-integration and granger causality techniques of time series econometrics were employed, for the period of 1972-2007.The empirical results reveal that there exists short run and long run co-integration and causality relationships among variables in the growth model. It implies that education and trade openness policies may be feasible with sustained economic growth. The study concluded that causality runs from trade liberalization and human capital to economic growth. The results are also consistent with the growth theories and economic literature.

Sulaiman (2010) in a work titled 'The Effectiveness of Financial Development and Openness on Economic Growth: Case Study of Pakistan,' in order to ascertain the long-run association among financial liberalization, international trade openness, real interest rate and economic growth with Pakistan as case study, utilized data for the period of 1975-2009 and used the Error correction model. He concluded empirically that both trade liberalization and financial development play significant and productive roles in Pakistan's economy.

Strategies of Diversification and Export Promotion

From 1986, government introduced and continued to administer a number of far reaching economic measures and institutional support arrangements aimed at promoting non oil exports. These measures among others include the following:

1. Exchange rate devaluation**:** The Nigerian currency was devalued to make her export cheaper in the international market. This, all things being equal, was expected to increase the demand for these exports in the international market.

2. Other Institutional Supports

   i. The introduction of import duty drawback which allows importers to claim repayment of the import duty paid on raw materials used in producing export goods.

   ii. Manufacture in bond scheme which allows the clearance of imported raw materials for use in export production without repayment of import duty.

   iii. In 1990, the Act establishing the Nigeria Export Promotion Council (NEPC) was passed. It was later established with the major role of provision of grants to exporters for export expansion.

   iv. Establishment of the Nigerian Export Import Bank (NEXIM) in 1991 as an export credit agency with the broad objective of attaining overall export growth as well as structural balance and diversifying the composition and destination of Nigerian Exports.

   v. In 1991, the Federal Government promulgated Nigeria Export Processing Zone Decree No. 34. Later, the Export Processing Zone located in Calabar was established. Export processing zones are special enclaves created within a country where firms, mostly foreign, may manufacture or assemble goods for export without being subjected to the normal customs duties on imported raw materials and finished products present in that economy; firms operating with the zone are normally exempted from industrial regulation applying within the domestic economy, especially with regards to foreign ownership of firms, repatriation of profits, employments of nationals, access of foreign exchange, etc Afeikhana, (1996).

Benefits of Export Promotion Strategy

The benefits that could come when this strategy is adopted include the following:

- One of the benefits of general export promotion strategies is that they provide at least as much incentives to earn foreign exchange and charges to exporters are fairly uniform and are not discriminatory across the commodity groups.

- Another benefit of the export promotion strategy is the avoidance of quantitative restoration and use of tariffs with relatively simple procedures to permit exporters access to the international prices for their input.

- A well articulated export promotion strategy enables a developing country, regardless of the size of its domestic market to establish plants of economically efficient size and to maintain long run production runs.

- In addition, it permits the exploration of infant industries beyond the size of its domestic market to establish plants of economically efficient size and to maintain long run production runs.

- Properly programmed and implemented outward-looking strategy enables a country to realize the benefits of international specialization according to comparative advantage. It provides stimulus to efficiency as a result of exposure in foreign competition and technology and a prospect of a worldwide market for products.

- Finally, industries of a country adopting export promotion strategy would also reap the benefits of internal economics of scale that could not have been achieved by providing for only the limited home market available under protectionist policies.

Obstacles to Nigeria's Export Promotion

Although Nigeria's exports have continued to increase, a number of factors can be identified as the major obstacles to export promotion in Nigeria. Some of which include:

1. High cost of production in our manufacturing sector due to high dependence on imported intermediate inputs. This limits the competitiveness of our exports in the international markets.

2. There are also the problems of vagaries in weather, poor and unstable world prices and low income elasticity of demands for primary products in the work market.

3. The inaccessibility to foreign markets and high tariff and non-tariff barriers against exports from developing countries is also major obstacles facing Nigeria exporters.

4. Another obstacle to export promotion is the lack of broad domestic supply base to service both domestic and foreign demand.

5. Three is also lack of adequate information about Nigeria's potential exports overseas.

6. Tedious and oppressive exports documentation processes also hinders growth of export sector in Nigeria.

RESEARCH METHODOLOGY

DESCRIPTION OF VARIABLES

- GROSS DOMESTIC PRODUCT (GDP): This is the total value of all final goods and services produced within a country in a given period of time. Growth in GDP entails growth in the economy. GDP is used as a proxy for economic growth.

- IMPORTS: The amount of goods and services bought from other countries. It is expected that higher imports will lead to lower economic growth. This variable is a leakage in the economy and as such, it contributes negatively to economic growth.

- EXPORTS: The amount of goods and services sold to other countries. This variable is expected to induce economic growth as more volume of exports means more trade, more production and more income.

- EXCHANGE RATE: This variable represents exchange rate of naira to other foreign currencies vis-à-vis the several deregulation policies that has been in practice. It is expected that a lower exchange of naira will elicit a high volume of trade in Nigeria and hence higher growth rate.

- FOREIGN DIRECT INVESTMENT: Foreign direct Investment measures the investment made in Nigeria by the external sector. This variable is expected to have a direct or positive relationship with economic growth in Nigeria.

- INFLATION RATE: This is the rate at which the general price level increases in the country. The rate of inflation has an important role to play in international trade since it encourages or discourages trade. The higher the inflation rate, the lower the willingness of the external sector to trade with Nigeria and the lower the inflation rate, the greater the incentive to trade with Nigeria.

MODEL SPECIFICATION

The specification of the model involves the determination of the dependent and independent variables that will be included in the model. It expresses the mathematical relationship that exists between the dependent and the independent or explanatory variables.

Here, the dependent variable is Economic Growth measured by the Gross Domestic Product (GDP), while the explanatory variables established from the literature to have some desired effect on economic growth due to trade liberalization include: Imports (IMP), Exports (EXP), Foreign Direct Investment (FDI), Exchange rate (EXR) and Inflation rate (INF). The relationship between these variables and economic growth can be represented functionally as:

$$GDP = f(IMP, EXP, FDI, EXR, INF) \quad \ldots(3.1)$$

Where:
GDP = Gross Domestic Product
IMP = Imports
EXP = Exports
FDI = Foreign Direct Investment
EXR = Exchange Rate
INF = Inflation Level

The above functional relationship can be represented mathematically as thus:

$$GDP = \beta_0 + \beta_1 IMP + \beta_2 EXP + \beta_3 FDI + \beta_4 EXR + \beta_5 INF + \varepsilon \ldots(3.2)$$

Where
B_0= intercept
β= the coefficients of the variables
ε =the error term
The above equation is represented in logarithmic form to enable the researcher standardize all the values and interpret the variables' coefficients as elasticity. This is shown in equation 3.3 below as thus:

$$\mathbf{LnGDP = \beta_0 + \beta_1 LnIMP + \beta_2 LnEXP + \beta_3 LnFDI + \beta_4 LnEXR + \beta_5 LnINF + \varepsilon \ldots(3.3)}$$

ECONOMIC A PRIORI EXPECTATION

This shows whether each independent variable in the equation is consistent with the postulations of economic theory. That is, if the sign and size of the parameters of economic relationships follows the expectation of the economic theory. This must be based on the theoretical framework of the subject matter. For the current

study, theory suggests some relationships or effects of some of the variables on economic growth; ordinarily referred to as a priori expectation. Table 3.1 below presents the a priori expectations.

Table 3.1: Summary of the A Priori Expectations

S/N	Independent Variable	Dependent Variable	Expected Signs
1.	Imports	GDP	Negative
2.	Exports	GDP	Positive
3.	Foreign Direct Investment	GDP	Positive
4.	Exchange Rate	GDP	Negative
5.	Inflation	GDP	Negative

Source: Author's

If estimates of the parameters of the model turn-up with magnitudes and signs (number) not in conformity with economic theory, they should be rejected unless there is a good reason to believe that in that particular instance, economic theory does not hold.

3.4 NATURE AND SOURCES OF DATA

The nature of data used for the study is basically secondary data obtained from the 2010 and 2012 Central Bank of Nigeria (CBN) Statistical Bulletin.

METHOD OF DATA ANALYSIS

The choice of the appropriate technique in every research depends on the research problem as well as the study objectives. The method of data analysis to be adopted for this study is the multiple regression technique using the Ordinary Least Squares, OLS. In regression analysis, the Ordinary Least Squares Method (OLS) is widely used under the assumption that the OLS gives desirable properties of Best Linear Unbiased Estimate (BLUE). This property has made OLS the most popular method of regression analysis.

EVALUATION OF THE MODEL

An evaluation of the model consists of deciding whether the estimated coefficients are theoretically meaningful and statistically satisfactory. For this study, there is need for all results to satisfy both statistical criteria (First order test) and econometric criteria (Second order test).

Statistical Criteria: First Order Test

This aims at the evaluation of the statistical reliability of the estimated parameters of the model. In this case, F-statistic, t-statistic, Coefficient of determination (R^2) and Adjusted R^2 are used.

The Coefficient of Determination (R^2)/Adjusted R^2

The square of the coefficient of determination (R^2) or the measure of goodness of fit is used to judge the explanatory power of the explanatory variables on the dependent variables. The R^2 denotes the percentage of variations in the dependent variable accounted for by the variations in the independent variables. Thus, the higher the R^2, the more the model is able to explain the changes in independent variable. Hence, the better the regression based on ordinary least square (OLS) techniques and this is why the R^2 is called the coefficient of determination as it shows the amount of variation in the dependent variable explained by explanatory variables. However, if R^2equals one, it implies that there is 100% explanation of the variation in the dependent variable by the independent variable and this indicates a perfect fit of regression line. While where R^2 equals zero, it indicates that the explanatory variables could not explain any of the changes in the dependent variable. Therefore, the higher and closer the R^2 is to 1, the better the model fits the data. Note, the above explanation goes for the adjusted $R^{2.}$

The F-test

The f-statistics is used to test whether or not there is a significant impact between the dependent and the independent variables. In the regression equation, if calculated F is greater than the table F table value, then there is a significant impact between the dependent and the independent variables in the regression equation. While if the calculated F is smaller or less than the table F, there is no significant impact between the dependent and the independent variable.

The t-statistic

This is used to determine the reliability/statistical significance of each variable's coefficient. Here, the absolute t-value of each coefficient is compared with 1.96 and if greater than 1.96, such variable possessing the coefficient is accepted as statistically significant and fit to be used for inferences and possibly for forecasting.

Econometric Criteria: Second Order Test

This aims at investigating whether the assumptions of the econometric method employed are satisfied or not in any particular case. They determine the reliability of the statistical criteria and also establish whether the estimates have desirable properties of unbiasedness and consistency. It also tests the validity of non-auto correlation disturbances. Here, the Durbin-Watson (D-W) statistic is used for the test.

Test for Auto – Correlation (DW)

The Durbin – Watson (DW) is appropriate for the test of first order autocorrelation and it has the following criteria:

(a) If d* is approximately equal 2(d* = 2), we accept that there is no autocorrelation in the function.

(b) If d* = 0, there exist perfect positive auto-correlation. Furthermore, if O<d*< 2, that is if d* is less than two but greater than zero, it denotes that there is some degree of positive autocorrelation, which is stronger, the closer d*is to zero.

(c) If d* is equal to 4(d*=4) there exist a perfect negative auto-correlation, while if d* is less than four but greater than two (2 < d* < 4), it means that there exists some degree of negative autocorrelation, which is stronger the higher the value of d*.

TEST OF HYPOTHESES AND DECISION RULE

The above stated hypotheses will be tested at 0.05 level of significance. The null hypothesis is to be rejected if the probability at which the t-value is significant is less than the chosen level of significance, otherwise, the alternative hypothesis will be accepted.

- If the probability (Sig) > 0.05, we will accept the null hypothesis and reject the alternative hypothesis.
- If the probability (Sig) < 0.05, we will accept the alternative hypothesis and reject this null hypothesis.

DATA ANALYSIS

Ordinary Least Squares was used for the regression analysis. The estimation was carried out using the Econometric Views (E-Views 3.1) statistical software application. The results capture the objectives of the study and are presented in the next section.

PRESENTATION OF RESULTS

To examine the effect relationship of the chosen independent variables on Gross Domestic Product (dependent variable), the regression analysis is inevitable. Using the E-views package, the parameter estimates that measure the effect of the explanatory variables on the dependent variable were generated. The regression estimates are reported in Table 4.1 below.

Table 4.1: Summary of Regression Results

Variable	Coefficient	Standard Error	T-value	Prob.
Constant	12.81653	4.153578	3.085661	0.0039
IMP	0.582941	0.275608	2.115112	0.0414
EXP	0.222028	0.260455	2.852462	0.0096
FDI	-0.495302	0.236018	-2.098583	0.0429
EXR	-0.286077	0.211077	-1.355323	0.1838
INF	0.251926	0.169589	1.485503	0.1461

R^2 = 0.7725633 Adjusted R^2 = 0.740974 DW = 1.829097 F = 24.45709

Prob (F-statistic) = 0.000000

Substituting these values in our model, we have:

GDP = 12.81653 + 0. 582941IMP + 0.222028EXP – 0.495302FDI – 0.286077EXR

(3.085661) (2.115112) **(2.852462)** **(-2.098583)** **(-1.355323)**

+ 0.251926INF + ε

(1.485503)

N/B: The values in parentheses are the corresponding t-values.

EVALUATION OF RESULTS

Economic A Priori Criteria

From the result above, it can be clearly seen that only two parameters conformed to the a priori expectation while others did not. In other words, the signs of the variables, Exports (EXP) and Exchange Rate (EXR) conformed to a priori expectation while others did not. Table 4.2 below summarizes the result.

Table 4.2: Expected and obtained signs of the parameters

Variable	Expected Sign	Obtained Sign	Remark
IMP	–	+	Does not conform
EXP	+	+	Conforms
FDI	+	–	Does not conform
EXR	–	–	Conforms
INF	–	+	Does not conform

From the table above, it could be observed that the positive relationship between exports and economic growth holds in Nigeria implying that the higher the export, the higher the economic growth. Also, the negative

relationship stipulated by economic theory between exchange rate and economic growth holds in Nigeria. This means that a high exchange rate will discourage foreign trade and subsequently reduce economic growth.

On the other hand, imports did not conform to the a priori expectation of negative relationship rather it has a positive relationship with economic growth. This could be due to the fact that Nigeria relies more on imports, especially in terms of productive technology and heavy equipments used in the production of more goods which generate income for Nigeria. Thus, the major import is usually productive assets that increase income and improve the economic position of the country. Also, Foreign Direct Investment (FDI) which is expected to be positive turned out negative implying that in Nigeria, the actual relationship between Foreign Direct Investment and economic growth is a negative one. This may be because of the influx of FDIs that are non-productive. Most foreign investors sap the economy instead of boosting it. Thus, we discover that the nation does not really need FDI as it has a harmful effect on growth. In addition, inflation (INF) has a positive relationship with economic growth contrary to the expected negative relationship. This may not be valid since inflation has no significant relationship with economic growth in Nigeria.

Statistical Criteria

The Coefficient of Determination (R^2)

The coefficient of determination (R^2) from the result is 77.26%. This implies that 77.26% of the total variation in GDP is explained by the variables of the model. In essence, this shows that the explanatory power of the variables in the model is moderately high.

The Adjusted R^2

The adjusted R^2 supports the claim of the R^2 with a value of 74.1% indicating that 74.1% of the total variation in GDP is explained or caused by the independent variables in the model.

The F-Test

The F-test is applied to check the overall significance of the model.

H_0: The variables in the model have no significant impact on GDP

H_1: The variables in the model have significant impact on GDP

Decision Rule: Reject H_0 if $F_{cal} > F_{\alpha(k-1, n-k)}$ at $\alpha = 5\%$; otherwise accept H_0.
From the F-table, the critical F-value is $F_{\alpha(k-1, n-k)}$
Where n is the sample size = 42
K is the number of parameters = 6
$F_{0.05(6-1, 42-6)}$
$F_{0.05(5,36)} = 4.46$
While the $F_{cal} = 24.46$

Conclusion
Since 24.46 > 4.46, we reject H_0 and accept H_1. Thus, the model has explanatory power; the variables jointly influence the dependent variable (GDP). In other words, the higher value of the F-calculated confirms the overall significance and stability of the coefficients of the independent variables and also shows that the model sufficiently explains the relationship between the explanatory variables and GDP.

The T-test

Here, we compare the calculated or estimated t-statistic with the critical t (usually assumed to be 1.96).

H_0: The variable has no significant effect on GDP.

H_1**:** The variable has significant effect on GDP.

Decision Rule: Reject H_0 if $t_{cal} > t_{\alpha/2}$; otherwise accept H_0. The results are shown below.

Table 4.3: The Results of the T-test

Variables	T-calculated	Critical value	Conclusion
IMP	2.12	±1.96	Reject H_0
EXP	2.85	±1.96	Reject H_0
FDI	-2.09	±1.96	Reject H_0
EXR	-1.35	±1.96	Accept H_0
INF	-1.49	±1.96	Accept H_0

From the table, Import, Export, and FDI have significant relationship with GDP in Nigeria. In other words, they have significant influence on GDP whereas Exchange Rate and Inflation are statistically non-significant. Hence, they do not significantly affect GDP (they do not account for changes in GDP in Nigeria).

Econometric Criteria

The Durbin-Watson Statistic

In testing for autocorrelation in the model, the Durbin-Watson statistic is used. From the regression result, the Durbin-Watson statistic is 1.829. This implies that there is no autocorrelation since d* is approximately equal to 2.

TEST OF HYPOTHESES

To test the hypotheses of the study, the t-test was conducted. This has been presented previously in section 4.3.2 but we shall discuss them as they affect each of our hypotheses in this section.

Hypothesis One

The calculated t-value of imports (2.12) is greater than the critical t-value (1.96). This leads to the rejection of the null hypothesis and the acceptance of the alternative hypothesis. Thus, import has a significant relationship with GDP. Accordingly, from the value of its coefficient (0.58), we can rightly assert that the relationship is a positive one and that a 1% increase in imports leads to a 0.58% increase in GDP.

Hypothesis Two

The calculated t-value of exports (2.85) is greater than the critical t-value (1.96). This leads to the rejection of the null hypothesis and the acceptance of the alternative hypothesis. Thus, export has a significant relationship with GDP. Accordingly, from the value of its coefficient (0.22), we can rightly assert that the relationship is a positive one and that a 1% increase in exports leads to a 0.22% increase in GDP.

Hypothesis Three

The calculated t-value of Foreign Direct Investment (-2.09) is greater than the critical t-value (-1.96). This leads to the rejection of the null hypothesis and the acceptance of the alternative hypothesis. Thus, Foreign Direct Investment has a significant relationship with GDP. Accordingly, from the value of its coefficient (-0.495), we can rightly assert that the relationship is a negative one and that a 1% increase in FDI leads to a 0.495% decrease in GDP.

Hypothesis Four

The calculated t-value of exchange rate (-1.35) is less than the critical t-value (-1.96). This leads to the acceptance of the null hypothesis and to the conclusion that exchange rate has no significant relationship with GDP. However, from the value of its coefficient (-0.29), we can rightly assert that the relationship is a negative one and that a 1% increase in exchange rate leads to a 0.29% fall in GDP. This does not really matter since exchange rate does not significantly influence GDP.

DISCUSSION OF FINDINGS

In the model, five variables were modeled against GDP. Of these five variables, two (exchange rate and inflation) were proven not to matter in accounting for changes in GDP in Nigeria because they were statistically non-significant. This implies that the theoretical postulation that these variables influence GDP does not hold in Nigeria.

On the other hand, imports, exports and FDI are all significant in bringing about changes in GDP in Nigeria. They have significant relationships with GDP – while imports and exports positively affect GDP, FDI has a negative relationship with GDP.

Exports and Exchange Rate conform to their expectations. While export has a positive relationship with GDP, exchange rate has a negative relationship with GDP (although non-significant). Therefore, policies should be made to encourage exports.

However, imports, FDI and inflation do not conform to their a priori expectations. In Nigeria, as obtained, import has a positive influence on GDP suggesting the encouraging of productive imports and at the same time, careful regulation of imports so as to prevent dumping and unhealthy competition with domestic firms. FDI has a negative relationship with GDP and should be reduced so as to bolster economic growth. Inflation has no significant influence on economic growth (proxied by GDP).

SUMMARY OF FINDINGS

This study focused on the overall impact of trade liberalization on economic growth in Nigeria. The study applied the Ordinary Least Squares (OLS) regression technique to determine the effect of international trading activities on economic growth in Nigeria.

From the results of the regression, it was observed that three of the variables (imports, exports and FDI) have significant relationship with GDP in Nigeria while Exchange Rate and inflation do not have significant relationship with GDP in Nigeria. Imports, Exports and Inflation are positively related to GDP while FDI and Exchange Rate are negatively related to GDP. This was ascertained using the multiple regression technique.

Specifically, we found the following:

- Analyzing **Hypothesis 1,** there exist a significant positive relationship between imports and GDP. A 1% increase in imports leads to a 0.58% increase in GDP in Nigeria.

- Evaluating **Hypothesis 2,** we found a significant positive relationship between exports and GDP suggesting that higher exports improve the economic growth of Nigeria. Also, taking a look at the elasticity coefficient, we discovered that a 1% increase in exports leads to a 0.22% increase in GDP.

- The finding in **Hypothesis 3** is that Foreign Direct Investment (FDI) has a significant negative relationship with GDP, implying that a higher FDI reduces economic growth in Nigeria. If FDI increases by 1%, economic growth falls by 0.49%.

- Our finding in **Hypothesis 4** is that exchange rate has a negative relationship with GDP and the relationship is non-significant meaning that exchange rate does not really account for changes in economic growth in Nigeria.

RECOMMENDATIONS

Considering the findings of this study, it is expedient to propose the following recommendations in order to achieve higher output growth in the economy:

- **Regulation of imports**

Since imports are positively related to economic growth in Nigeria, they should be allowed. However, care must be taken not to over-depend on the international sector as this would result in exploitation, dumping and stifling of domestic industries. The major problem of Nigeria is technology. Youths should be encouraged to acquire such skills and develop themselves so as to contribute to the nation in the area of innovation and technological advancement so that Nigeria would stop depending on other countries for technologies and other technology-related commodities. In addition, the excessive spending of the affluent Nigerians should be curtailed because

they tend to consume more of 'foreign goods.' They should be made to pay higher taxes (progressive tax system) so as to dissuade them from excessive importation.

- **Adoption of an inward-looking strategy**

Nigeria is blessed with enough natural and human resources that need to be harnessed efficiently. Instead of looking elsewhere for what they have, Nigerians should be encouraged to make something out of the little they have. Everything must not be imported. There is need to reawaken the agricultural and industrial spirit of Nigerians.

- **Provision of an enabling environment for domestic production and exports**

Since economic growth in Nigeria is export driven, policy makers should facilitate an enabling environment for more exports. Specifically, more export free zones need to be established. Government must not concentrate on trade barriers which can take care of itself once there are technological improvements but should allocate more domestic credit to the export sector. Therefore, the capital base of Nigeria Export Import Bank need to be broadened as this would ensure more export credit for overall export growth. In addition, the infrastructure necessary for the thriving of industries must be put in place. A good place to start is electricity.

- **Reduction of cost of borrowing**

The Central Bank should also implement policies that will require commercial banks to reduce cost of borrowing to industrialists and business men who engage in domestic and international trade. High costs of funds discourage manufacturers from borrowing. A policy should be put in place to reduce the lending rate so as to encourage manufacturers and exporters to take loans for productive purposes.

- **Diversification of Revenue base**

Oil exports is the major export component of Nigeria's trading activity. This single component comprises over 70% of Nigeria's exports. In as much as oil exports contribute positively to Nigeria's economy, it is likely to reduce/fall overtime because of advancement in technology such as the discovery of various renewable energy modes and also due to the fact that prices of crude oil is bound to fluctuate overtime of which the supplying country has no direct control over the price and quantity because of the Organization of Petroleum Exporting Countries (OPEC's) quota system. Owing to this, the policy makers must, as a matter of urgency, enact a policy to reduce the exportation of oil to give room for the exportation of other commodities. Agriculture which has been relegated to the background must be resurrected as there are great potentials in it. All Nigeria needs is to learn, embark on serious research and development, and advance technologically so as to be able to process these raw materials and develop alternative uses for them.

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- **Revitalization of Export Processing Zones (EPZs)**

It is not just enough to establish export processing zones. Thus, privatization-drive must be intensified and more foreign investment in the export processing zones be encouraged. In this light therefore, the foreign affairs ministry should in collaboration with the ministry of trade and investment take the challenge to persuade more foreign investors to see the need and profitability of investing in Nigeria's export processing zones.

- **Promotion of a peaceful socio-political atmosphere**

The socio-political climate must be welcoming and friendly before any meaningful productive activity can be embarked on. Hence, this study points out the need for the government to take a critical look at one of its core functions: to ensure the protection of lives and property. In line with this, the incidence of 'Boko-Haram' terrorism must be fought and defeated so that both domestic and international investors can carry out their activities peacefully.

5.3 CONCLUSION

This research work was embarked on with the intention of examining how important trade liberalization is to economic growth in Nigeria. In the course of the work, some interesting facts were discovered, although they are not entirely new. The most important discovery made is that exports and imports significantly and

positively influence economic growth in Nigeria. In other words, trade liberalization is beneficial to the economy. However, it was also pointed out that trade liberalization, just like a double-edged sword, should be handled with great care. In as much as trade – exports and imports – should be allowed, they should be properly regulated so that they can contribute meaningfully to economic growth.

Sequel to the above, various recommendations were doled out in this research work to address those specific issues that impede trade in Nigeria. Of course, this work remains a mere exercise if frantic effort is not made on the part of the government to fully implement the above suggested strategies

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APPENDIX 1

NOMINAL VALUES OF THE VARIABLES

YEAR	GDP	IMP	EXP	FDI	EXR	INF
1971	4715.5	1078.9	1293.4	286000000	0.6955	16
1972	4892.8	990.1	1434.2	305000000	0.6579	3.5
1973	5310	1224.8	2278.4	373000000	0.6579	5.4
1974	15919.7	1737.3	5794.8	257000000	0.6299	12.7
1975	27172.02	3721.5	4925.5	470120000	0.6159	33.9
1976	29146.51	5148.5	6751.1	339000000	0.6265	24.3
1977	31520.34	7093.7	7630.7	440514243	0.6466	15.1
1978	29212.35	8211.7	6064.4	210933271	0.606	21.7
1979	29947.99	7472.5	10836.8	309598869	0.5957	11.7
1980	31546.76	9095.6	14186.7	738870000	0.5464	9.97
1981	205222.6	12839.6	11023.3	542327289	0.61	20.8

1982	199685.3	10770.5	8206.4	430611257	0.6729	7.7
1983	185598.1	8903.7	7502.5	364434580	0.7241	23.2
1984	183563	7178.3	9088	189164785	0.7649	17.8
1985	201036.3	7062.6	11720.8	485581321	0.8938	7.4
1986	205971.4	5983.6	8920.6	193214908	2.0206	5.7
1987	204806.5	17861.7	30360.6	610552092	4.0179	11.3
1988	219875.6	21445.7	31192.8	378667098	4.5367	54.5
1989	236729.6	30860.2	579711.2	188424974	7.3916	7.3
1990	267550	45717.9	109886.1	587882971	8.0378	13
1991	265379.1	89488.2	121535.4	712373363	9.9095	44.5
1992	271365.5	143151.2	205611.7	896641283	17.2984	57.1
1993	274833.3	165629.4	218770.1	1345368587	22.0511	57
1994	275450.6	162788.8	206059.2	1959219858	21.8861	72.8
1995	281407.4	755127.7	950661.4	1079271551	21.8861	29.3
1996	293745.4	562626.6	1309543	1593459222	21.8861	8.5
1997	302022.5	845716.6	1241663	1539445718	21.8861	9.9
1998	310890.1	837418.7	751856.7	1051326217	21.886	6.6
1999	312183.5	862515.7	1188970	1004916719	92.3428	6.9
2000	329178.7	985022.4	1945723	1140137660	100.802	18.7
2001	356994.3	1358180	1867954	1190630240	111.701	12.9
2002	433203.5	1512695	1744178	1874042130	126.2577	14
2003	477533	2080235	3087886	2005390033	134.0378	14.9
2004	527576	1987045	4602782	1874033035	132.3704	17.9
2005	561931.4	2800856	7246535	4982533937	130.6016	8.2
2006	595821.6	3108519	7324681	4854416888	128.2796	5.4
2007	634251.1	3911953	8309758	6034971269	125.88	11.6
2008	672202.6	5189803	10161490	8196606691	118.86	11.5
2009	718977.3	5102534	8356386	8554840780	148.73	13.7
2010	775525.7	8005374	11035795	6048560295	149.17	7
2011	834000.8	10235174	14240232	7556606678	152.9438	10.8
2012	888893	9109033	15002868	8930215622	157.4994	12

APPENDIX 2

REGRESSION RESULTS

Dependent Variable: LNGDP
Method: Least Squares
Date: 17/11/14 Time: 09:05
Sample: 1971 2012
Included observations: 42

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.81653	4.153578	3.085661	0.0039
LNIMP	0.582941	0.275608	2.115112	0.0414
LNEXP	0.222028	0.260455	2.852462	0.0096
LNFDI	-0.495302	0.236018	-2.098583	0.0429
LNEXR	-0.286077	0.211077	-1.355323	0.1838
LNINF	0.251926	0.169589	1.485503	0.1461

R-squared	0.772563	Mean dependent var	12.02527
Adjusted R-squared	0.740974	S.D. dependent var	1.438621
S.E. of regression	0.732180	Akaike info criterion	2.345983
Sum squared resid	19.29916	Schwarz criterion	2.594222
Log likelihood	-43.26565	F-statistic	24.45709
Durbin-Watson stat	1.829097	Prob (F-statistic)	0.000000

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