Effect of International Trade on Economic Growth in Nigeria (1990-2016)
Kenya, Magdalene Effiom Lot

Abstract
The study examined the effect of international trade on economic growth of Nigeria from 1990 to 2016. The specific objectives were to examine the effect of export trade, import trade and foreign direct investment on Nigeria’s economic growth. The research was purely experimental in nature, and the experimental Research Design method was adopted. The data employed in the empirical study were secondary in nature and were mainly sourced from the Central Bank of Nigeria (CBN) Statistical bulletin. A functional relationship between international trade and economic growth was specified. For the data analysis, the ordinary least square (OLS) regression method was employed, using the unit root test, Johansen Cointegration technique and error correction model. The result of the empirical analysis revealed that the time series data have unit root. After first differencing, the independent variable became stationary, while the dependent variables became stationary after second differencing. The cointegration analysis showed stable long run relationship among the variables. Analysis of the parsimonious error correction model showed that export and Foreign Direct Investment had positive impact on economic growth, while import had a negative impact. However, the impact of these variables (International Trade) was not statistically significant at 0.05 level of probability. Although international trade accounted for about 67% variation on economic growth, the impact of international trade on economic trade was insignificant during the period under study. It was therefore recommended that government should increase on investment on infrastructure for development of the manufacturing sector in other to change the nature and structure of Nigeria’s international trade.

Keywords: International trade, Economic Growth, Export, Import, Foreign Direct Investment.

I Introduction:

Background to the study: Nations of the world differ from each other in terms of natural resource endowment, weather, technology and techniques, procedures, population, scale of production etc. These differences in natural endowment implies that a country can only consume the resources peculiar to them and do without the resources that they do not have. However, international trade provides a platform for countries to transact by selling off the...
resources they have and purchasing those they do not have. There is an assertion that no country exists in autarky. Therefore countries engage in trade in other to enjoy a variety of goods and services and to improve living standards.

The effect of international trade in economic growth is substantial and thus cannot be overlooked. The classical and neo-classical economists attached so much importance to international trade in the development of a nation: they regarded it as an engine of growth. International trade has also been recognized as the oldest and most important part of a country’s external economic relationship which connects economies of the world. The impact of international trade is not only limited to quantitative gains but it also promotes friendship, political, social, cultural and multi-lateral relations among countries.

Nigeria is basically an open economy whose involvement is cross-border transactions constitutes a significant proportion of its aggregate economic activities. Nigeria’s involvements in international trade started from the period of the Trans-Sahara trade complex of the sixteenth (16th) century and extended to the pre-independence period, continuing in the post-independence era till date.

In this regard, Okowa (2005) posits that Nigeria, being under-developed, depends on foreign inputs of skill, capital and technology for her development. Similarly, Gbosi (2011) points out that through international trade, resources are transferred from the rich nations to the poor ones.

International trade plays important roles in shaping the economic prospects and performance of countries in the world. In recent times, a number of developing countries in East Asia have used the elemental force of international trade to boost growth and development.

Some empirical studies have found a positive and significant relationship between international trade and economic growth in Nigeria and therefore favour openness (Edward (1998), others, such as Nnadozie (2003), find negative impact and argues that protectionism is a better strategy for domestic economic growth. While some economists are of the opinion that if Nigeria has to move from being a less developed country to a developed country, she must engage in international trade; others argue that protectionism is a better option to increase economic growth.

It is these differences in opinion and empirical findings on the effects of international trade on economic growth that necessitates this research.

The research is significant as its findings will throw more light on the effect of international trade on Nigeria’s economic growth and useful to investors, policy makers, academicians, experts of trade and commerce, organizations and students. The remaining parts of the study are organized as follows: section two is the literature review. It outlines the theoretical framework and the empirical literature. Section three explains the method employed in the collection and analysis of the study data. Section four presents and
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discusses the empirical results. Section five is the conclusion and recommendations of the study.

II Literature Review:

Theoretical Framework: International trade exerts considerable effect on economic growth. The classical and neo-classical economists attached importance to the role international trade plays in a nation’s development and regarded it as an “engine of economic growth”.

Mercantilism is the oldest theory of international trade. Mercantilism was the primary economic system of trade during the 16th to 18th century. Mercantilist theorists believed that the amount of wealth in the world was static. Mercantilism was based on the understanding that a nation’s wealth and power were best served by increasing exports and collecting precious metals, such as gold and silver. Proponents of mercantilism believed that strong nation-states have the opportunity to increase wealth by using a State’s military power to ensure local markets and supply sources were protected.

In light of the above, Adoghor and Ewubare (2008) noted that the mercantilist theory of international trade is known as the balance of trade theory. They also believed that those nations who did not possess gold and silver mines could become rich after getting gold and silver from foreign countries through trade. This theory developed a macro-economic approach to the problems of society by emphasizing the need to maximize exports so that the export sector would reduce poverty by providing more employment opportunity.

The concept of Absolute Cost Advantage (ACA) is attributed to Adam Smith for his 1776 publication “An Inquiry into the Nature and Causes of the Wealth of Nations” in which he countered mercantilism. Smith argued that it was impossible for all nations to become rich simultaneously by following mercantilism because the export of one nation is another nation’s import. He stated, instead, that all nations would gain simultaneously if they practiced free trade and specialized in accordance with their absolute advantage. Smith also stated that the wealth of nations depends on the goods and services available to their citizens, rather than their gold reserves. Thus, Smith was advocating international free trade among nations. The principle of absolute advantage refers to the ability of an economic agent (individual, firm or country) to produce a greater quantity of a good or service than competitors, using the same amount of resources.

However, the Absolute Cost Advantage theory has been criticized. Robinson (2003) states the following as grounds for its criticism: Where one county has an absolute advantage in the production of both commodities, the theory of absolute advantage collapses. In contrast to the assumptions of the theory, labour is practically mobile internationally and, the theory does not explain how the benefits of external trade filter to the citizens in the society.

The theory of comparative advantage was propounded by David Ricardo in 1817 to correct the defects in the Absolute Advantage Theory. The theory of comparative advantage
states that a country will gain from international trade if she specializes in the production of the commodity in which she uses a lower opportunity cost than her trading partner. This theory aimed to show that mutually advantageous trade could still take place between two nations even if one nation has an absolute advantage in the production of every commodity. The less efficient nation could specialize in the production and export of the commodity in which its absolute disadvantage is less. That is, the commodity which the nation has a comparative advantage. Thus, the country should import the commodity in which its absolute disadvantage is great.

The theory of Factor Endowment was first developed by two Swedish economists - Eli Heckscher (1919) and Bertin Ohlin (1933) and later modified by Paul Samuelson (1948). The Heckscher-Ohlin-Samuelson (HOS) theory, as the theory of factor endowments is usually called is an extension of the theory of comparative advantage. The theory of factor endowments recognizes that countries are endowed with many factors, but in different proportions. Thus, as long as there are international differences in relative factor endowments, this alone seeks to explain differences in comparative cost and the basis for international specialization. The argument is that if a country possesses a lot of capital relative to labour, it should concentrate on the production and exportation of capital-intensive manufactured goods, but if capital is scarce relative to labour, it should produce and export labour-intensive products. This theory explains the causes of international difference in prices or the sources of comparative advantage. Hence the HOS theory extended the frontiers of the comparative advantage theory.

**Empirical Literature:** Several researchers have carried out research work on foreign trade and economic growth within and outside Nigeria.

Obadan (1989) wrote on the impact of export instability on the economic development of Nigeria during the period 1960 to 1977. His study examined the impact of fluctuations in Nigeria’s export earnings and the adverse effects on the economy. Multivariate analysis was used. The result confirmed the hypothesis that export instability is a key obstacle to Nigeria’s economic development. In particular, export instability was found to be highly detrimental to the growth rate of investment as well as resulting in smaller proportions of national income being invested. The result also supports the claim that Nigeria’s economic growth is export-led.

Egwaikhide (1991) examined the qualitative effects of export (non-oil) expansion on Nigeria’s economic growth during the period 1960 to 1983. Based on simulation experiment, he observed that a 75 percent rise in non-oil export led to 1.4 percent increase in real GDP. He concluded that there is need to promote exports in other to enhance GDP growth in Nigeria.

Cooper (2001) addressed the influence of foreign trade and investment on growth via inequality and distribution of income in developing countries. He observed that there are no compelling empirical reasons to believe, in general, that trade promotes growth.
Ogbokor (2001) investigated the macroeconomic impact of oil exports on the economy of Nigeria. He utilized the OLS technique and observed that economic growth reacted in a predictable fashion to changes in the repressors used in the study. He also found that a 10% increase in oil exports would lead to 5.2% jump in economic growth. He concluded that export–oriented strategies should be given a more practical support.

Oviemuno (2007) examined international trade as an engine of growth in developing countries taking Nigeria as a case study from 1960 to 2003. He used four variables: export, import, inflation and exchange rate. The findings showed that Nigeria’s export, import and inflation do not act as an engine of growth.

Usman (2011) investigated the workings of trade on Nigeria’s economic growth. He observed that export, import and exchange rate were all negatively related to the real output of Nigeria. He concluded that foreign trade policies should be re-examined and competitive commodities should be produced by local industries.

Afaha and Oluwatobi (2012) investigated the impact of trade on Nigeria’s economic growth. Linear multiple regression technique was used in assessing various components of foreign trade. Secondary data were used for this study. The results showed that exports, exchange rate and per capital income are positively related while economic openness and imports are negatively related to output in Nigeria. They concluded that conscious efforts should be made by government to fine-tune the various macro-economic variables in order to provide an enabling environment to stimulate foreign trade.

Chima (2013) examined the impact of international trade on economic growth of Nigeria from 1980 to 2009. The variables used were volume of export, volume of import, net export and trade openness. He used secondary data and method of Ordinary Least Squares (OLS) regression technique. The result showed that Net exports and volume of import has a positive relationship with GDP while trade openness has a negative relationship with Growth.

The review of previous research work shows that there are differences in empirical findings on the effect of international trade on economic growth. The theories show a positive effect of international trade on economic growth. Mercantilism theory believes that a sure path to a nation’s richness is to export more and import less, which would lead to an increase in living standards. The absolute advantage theory opines that if countries specialize in the production of commodities in which they have an absolute advantage, a wide range of goods will be available in the world market. The theory of comparative advantage suggests that countries should go into production of commodities in which they have a comparative advantage.

III Methodology:
This section explains the method employed in the collection and analysis of the study data. The nature and sources of the research data are equally explained.
Types and Sources of Data: In order to carry out the research and achieve our stated objectives, data of the following variables were collected:

Gross Domestic Product (GDP), Total export, Volume Total Import Volume, Foreign Direct Investment Inflow. All data are secondary in nature and sourced mainly from the Central Bank of Nigeria (CBN) Statistical Bulletin (various issues), National Bureau of Statistics (NBS), International Monetary Fund (IMF) Country Specific Financial Statistics, and World Bank Economic Development Indicator for Nigeria on the internet. All data were collected from 1990 to 2016.

Model Specification: Taking consideration of the theoretical work and the empirical evidence from Nigeria and other countries, a functional model of the relationship between external trade and economic growth could be specified as follows:

$$\text{GDP} = f(\text{EXP}, \text{IM}, \text{FDI})$$ ……………………………………………………………………………(1 )

GDP = economic growth proxy by the rate of growth of the GDP, EXP is Export trade, IMP is Import trade, FDI is Foreign direct investment inflow

The implicit function above is transformed to an explicit functional form as:

$$\text{GDP}_t = \beta_0 \text{EXP}_t \text{IM}_t \text{FDI}_t$$ …………………………………………………………………………………………………(2)

The explicit function was transformed into log – log linear model as

$$\ln \text{GDP}_t = \ln \beta_0 + \beta_1 \ln \text{EXP}_t + \beta_2 \ln \text{IMP}_t + \beta_3 \ln \text{FDI}_t + \varepsilon_t$$ ……………………(3)

There are two kinds of variable in the model. They are the dependent and the independent variable.

A. Independent variables:

Export trade (EXP): this is the total monetary value of goods and services sold to other countries of the world

Import trade (IMP): this is the total monetary value of goods and services bought from other countries of the world

Foreign Direct investment (FDI): this is overseas equity investment by multinational corporations that goes with ownership and control.

B. Dependent variables:

The economic growth proxy by Gross Domestic Product (GDP) growth rate is the annual rate of change in the monetary value of the final output of goods and services produced in a country during a specific period of time.

From equation 3 above, the model explains that economic growth is a function of import, export and FDI flows. The empirical model hypothesizes that increase in export trade will lead to increase in economic growth rate. Also, increase in import and FDI inflow will increase economic growth. Hence, the a priori expectation for the variables are as follows: $\beta_1 > 0, \beta_2 > 0$ and $\beta_3 > 0$.

Techniques of Data Analysis: According to Maddala (2001) time series data are fraught with unit root. Granger and Newbold (1994) observed that in the presence of unit root,
regression results are spurious. The traditional Student T- and the F-statistic are ineffective (Gujarati, 2003). Thus, the analysis of the data begins with unit root test. In order to examine the unit root state of the variables, the Augmented Dickey Fuller (ADF) test would be employed. The ADF test is a method of testing the size of the coefficient in equation.

$$\Delta x = a_0 + ax_{t-1} + \alpha_b \sum_{i=1}^{\Delta x_{t-1}} + U_t, \ldots \ldots \ldots \ldots \ldots \ldots \ldots (1)$$

Where $U_t$ is a white noise error term and $\Delta$ is the first difference operator. The hypothesis is of the test is that there is unit root or the variable is not stationary, hence, $\alpha = 0$, against $H_1$: there is no unit root $\alpha < 0$

$H_0$: $\alpha = 0$

$H_1$: $\alpha < 0$

If the null hypothesis is rejected at 5% level, it implies that there is no unit root and hence the variable is stationary and is integrated of order zero, $I(0)$

After examining the time series properties of the variables, there is the need to examine if a stable long run relationship exists among the variables.

To examine the long run relationship, the technique of co-integration regression using Johansen full information maximum likelihood method would be used (Johansen, 1988). Trace and Maximum Eigen value statistics would be examined to determine the order of co-integration among the variables.

Following Granger Representation Theory (GRT) which says that if two or more variables are co-integrated, then the relationship between the variables can be expressed as Error Correction Model (ECM) [Engle and Granger (1987)], the Error Correction Model (ECM) of the model specified above can be expressed as follows:

$$\Delta InGDP = In\beta_0 + \beta_1 \sum_{i=1}^{K-1} \Delta InEXP + \beta_2 \sum_{i=1}^{K-1} \Delta InIM + \beta_3 \sum_{i=1}^{K-1} \Delta InFDI + V_{t-i} \ldots (2)$$

The ECM was estimated using the Granger One step approach and the non-significant lags eliminated to get the Parsimonious Error Correct Model which was used for determining the model parameter estimates and the short run adjustment mechanism.

The significance of the independent variables was tested by evaluating the coefficient of the independent variables at 0.05 probability level. The empirical $t$ – statistics of the independent variables were determined and compared with the theoretical values at 5% level of significance. The following decision rule was used in evaluating the significance of the independent variables: Reject the null hypothesis if the probability of the $t$-value is less than 0.05, otherwise accept the null hypothesis if the $t$-probability is greater than 0.05.

It is always important in any empirical analysis that the statistical assumptions, in which the classical linear regression techniques are based, be evaluated. This gives a sound footing to the result and findings of the empirical study. Thus, the following diagnostic tests were carried out:

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i. Serial Correlation: The Breusch-Godfrey (BG) was used to test for the serial correlation.

ii. Normality Test: The assumption of Normal Distribution (ND) of the error terms is very important. To test this assumption, the Jacque-Bera (JB) test was used at 0.05 level of significance.

iii. Homoscedasticity: The assumption of equal spread of the error term is important for testing of our hypothesis. The Homoscedasticity assumption was tested by Breusch-Pegan-Godfrey (BPG) statistics.

IV Empirical Results and Discussion:

Unit Root Test

<table>
<thead>
<tr>
<th>Variables</th>
<th>At level</th>
<th>1st difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.1633</td>
<td>-4.0671</td>
</tr>
<tr>
<td></td>
<td>(-3.6121)</td>
<td>(-3.6449)*</td>
</tr>
<tr>
<td>FDI</td>
<td>1.2925</td>
<td>-9.8073*</td>
</tr>
<tr>
<td></td>
<td>(-3.6121)</td>
<td>(-3.6121)</td>
</tr>
<tr>
<td>EXP</td>
<td>1.3677</td>
<td>-3.9663*</td>
</tr>
<tr>
<td></td>
<td>(-3.6032)</td>
<td>(-3.6328)</td>
</tr>
<tr>
<td>IMP</td>
<td>3.2100</td>
<td>-7.7180*</td>
</tr>
<tr>
<td></td>
<td>(-3.6032)</td>
<td>(-3.6121)</td>
</tr>
</tbody>
</table>

*Denotes rejection of the null hypothesis after 1st differencing .Critical value at 5% in parenthesis

The analysis of the empirical data showed that all the variables were not stationary or had unit root. An important method for dealing with unit root is differencing. The variables were differenced. After first difference, all the dependent variable became stationery. That is, Export trade, Import trade, and Foreign Direct Investment became stationary after differencing. However, Gross Domestic Product [GDP] became stationary after second different 5% level of significant. Table 4.2 above shows the result of the unit root analysis. The implication is that using the variables at level form will lead to serious regression. The applicable model here is a transformed model using differences: first difference transformation of the independent variables and second difference transformation of the dependent variable.

Co-integration Test Results:

<table>
<thead>
<tr>
<th>Hypothesized</th>
<th>Trace</th>
<th>0.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of CE(s)</td>
<td>Eigenvalue</td>
<td>Statistic</td>
</tr>
<tr>
<td>None *</td>
<td>0.237006</td>
<td>61.53579</td>
</tr>
<tr>
<td>At most 1*</td>
<td>0.564264</td>
<td>30.81642</td>
</tr>
</tbody>
</table>

Source: E-view Computer Printout
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Table 4.2.3b. Unrestricted Co-integration Rank Test (Maximum Eigenvalue)

<table>
<thead>
<tr>
<th>Hypothesized No. of CE(s)</th>
<th>Max-Eigenvalue Test</th>
<th>0.05 Critical Value</th>
<th>Prob**</th>
</tr>
</thead>
<tbody>
<tr>
<td>None *</td>
<td>0.737006</td>
<td>27.58434</td>
<td>0.0191</td>
</tr>
<tr>
<td>At most 1*</td>
<td>0.564264</td>
<td>21.13162</td>
<td>0.0938</td>
</tr>
<tr>
<td>At most 2</td>
<td>0.318313</td>
<td>14.26460</td>
<td>0.3020</td>
</tr>
<tr>
<td>At most 3</td>
<td>0.118333</td>
<td>3.841466</td>
<td>0.0888</td>
</tr>
</tbody>
</table>

Max-Eigenvalue test indicates 1 co-integrating eqn(s) at the 0.05 level. * denotes rejection of the hypothesis at the 0.05 level. 

Source: E-view Computer Printout.

4.3 Parsimonious Error Correction Model

Table 4.4: Parsimonious Error Correction model Result

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>St. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLOG (GDP(-1))</td>
<td>0.989345</td>
<td>0.261205</td>
<td>3.787623</td>
<td>0.0026</td>
</tr>
<tr>
<td>DLOG (GDP(-3))</td>
<td>-0.480423</td>
<td>0.264027</td>
<td>-1.819599</td>
<td>0.0938</td>
</tr>
<tr>
<td>DLOG (FDI(-2))</td>
<td>0.022462</td>
<td>0.011176</td>
<td>2.009938</td>
<td>0.0675</td>
</tr>
<tr>
<td>DLOG (FDI(-3))</td>
<td>0.012075</td>
<td>0.010391</td>
<td>1.162067</td>
<td>0.2678</td>
</tr>
<tr>
<td>DLOG (ESP(-1))</td>
<td>0.073853</td>
<td>0.033453</td>
<td>2.207646</td>
<td>0.0475</td>
</tr>
<tr>
<td>DLOG (ESP(-3))</td>
<td>0.043922</td>
<td>0.030077</td>
<td>1.46030</td>
<td>0.1699</td>
</tr>
<tr>
<td>DLOG (IMP(-1))</td>
<td>-0.066507</td>
<td>0.038153</td>
<td>-1.743183</td>
<td>0.1068</td>
</tr>
<tr>
<td>DLOG (IMP(-2))</td>
<td>-0.050329</td>
<td>0.026513</td>
<td>-1.898269</td>
<td>0.0820</td>
</tr>
<tr>
<td>DLOG (IMP(-3))</td>
<td>-0.045250</td>
<td>0.031581</td>
<td>-1.432809</td>
<td>0.1774</td>
</tr>
<tr>
<td>ECM(-1)</td>
<td>-0.039067</td>
<td>0.082049</td>
<td>-3.876145</td>
<td>0.0028</td>
</tr>
<tr>
<td>C</td>
<td>0.023491</td>
<td>0.020957</td>
<td>0.120906</td>
<td>0.2843</td>
</tr>
</tbody>
</table>

R-squared 0.667642  
F-Statistic 4.410566  
Prob(F-Statistic) 0.0452

Source: E-view Computer Printout.
The parsimonious error correction model was established after eliminating the insignificant lags in the error correction model. The result of the parsimonious error correction model showed that foreign direct investment, export trade and import trade have an effect on the growth of the Nigerian economy. The result showed that the relationship is positive and conforms to the \textit{a priori} expectation for this variable, this variable is insignificant. The result conforms to the finding of Amorieri (2008) who studied contribution of FDI to the economic growth in four (4) West African countries and found the contribution of FDI insignificant in Nigeria, Ghana and Liberia.

The impact of export trade on economic growth of Nigeria’s economy has the appropriate sign and was statistically significant. The result revealed that export trade has positive impact on economic growth. The finding also conforms with the findings of Ayegbeme (2004) who investigated the contribution of international trade to Nigeria economic growth.

It was pointed out earlier that the test of the assumption on which the ordinary least square (OLS) regression is based is very important. Hence, a few important assumptions of the classical linear regression were examined. The Diagnostic test is very important in empirical research, especially, where making of inferential statement is necessary. The results for the test of normality assumption, test of Homoscedasticity, and test of serial correlation are presented in Table 4.5 above: The results confirmed that there is no incidence of serial correlation, heteroskedasticity, and the error terms are normally distributed. Invoking the Gaus-Markov Theorem, it evidence that the estimates have the desirable However; the result is contrary to the finding of Usman (2014) of the impact of international trade to economic growth in Central African Republic.

The impact of import trade on economic growth showed negative and in line with the \textit{a priori} expectation.

The model speed of adjustment to short run disequilibrium is represented by the ECM (-1) value. The empirical result showed that the ECM (-1) has a value of -0.039. This means that about 4% of any disequilibrium is adjusted for within the year. This is a very slow speed. The ECM (-1) has the appropriate sign and is statistically significant.

The model R\(^2\) value of 0.6676 indicates that, altogether, the independent variables of international trade accounted for about 67% variation in economic growth during the period under review; that is: international trade accounted for about 67% change in Nigeria economic growth during the period under study. Other variables outside the model accounted for the remaining 33% variation.

The model F-statistics value of 2.4105 with probability value of 0.0452 showed that the model is statistically significant.

The analysis of the study data has indicated the existence of a stable long run relationship between international trade and economic growth in Nigerian economy. Again, the result revealed that international trade accounted for about 67% variation in the growth
of Nigeria’s economy during the period under review. However, the impact of international trade on growth of the Nigerian economy is not significant.

### Diagnostic Test Result:

**Table 4.5 Test of Normality, Homoscedasticity and Serial Correlation Results**

<table>
<thead>
<tr>
<th>Assumption/Hypothesis</th>
<th>Test Statistics</th>
<th>Empirical Value</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Normality</td>
<td>Jarque-Bera (JB)</td>
<td>3.1538 (0.2066)</td>
<td>Null hypothesis Maintained</td>
</tr>
<tr>
<td>2. Homoscedasticity</td>
<td>Breusch-Godfrey Pegan (BGP)</td>
<td>8.8861 (0.5429)</td>
<td>Null hypothesis Maintained</td>
</tr>
<tr>
<td>3. Serial Correlation</td>
<td>Breusch-Godfrey (BG)</td>
<td>2.0146 (0.3652)</td>
<td>Null hypothesis Maintained</td>
</tr>
</tbody>
</table>

Source: E-view Computer Printout. The null hypothesis of normality is that the error terms are normally distributed; the null hypothesis of homoscedasticity is that variance of the error term is constant, and there is no serial correlation.

### V Conclusion and Recommendations:

**Conclusion:** From the empirical results, it is clear that international trade has not significantly affected economic growth in Nigerian economy. Particularly, export has been mainly unprocessed primary products and significantly consists of crude oil and agricultural produce. Thus, there is little forward and backward linkage in the economy. Again, the output of the petroleum resources is highly capital intensive and technologically involved.

The main players in this industry are the technological advanced countries and most often make the use of foreign capital or joint venture capital. Nigeria’s export has been mainly crude oil products and primary agriculture output which has little linkage on the domestic economy. In this circumstance, the output of the export mix has little or no local content, and will have insignificant impact on the economic growth, especially when evaluated in terms of gross domestic product.

Again, import has negative impact on the economic growth. This means that import trade was actually reducing the growth rate of the domestic economy. It is not surprising that import has negative impact on the economic growth. This phenomenon is consequent on the nature of Nigeria’s import trade. Nigeria’s import is mainly finished products, and largely consumables or predominantly household items. Since the import is not of capital goods, it is a leakage to gross domestic product and therefore will reduce the GDP growth rate. Therefore, the negative effect of Nigerian’s import trade on economic growth is direct consequence of the nature of the country’s import.

Foreign Direct Investment inflow to Nigeria increased all through the period of the study. It is noteworthy that the FDI inflow was not into the real sector. Most of the FDI inflow was into portfolio investment which added little or nothing to the current output of goods and services in the economy. Hence, the ground for the insignificant impact of FDI inflow to the economic growth of Nigerians economy is explained.

On these note, one could conclude that international trade in Nigerian economy has not contributed significantly to the growth of Nigeria’s economy due, mainly, to the nature of
Nigeria’s export trade. Secondly, Nigeria’s import has also been mainly finished consumables and household goods and services. This has negative effect on the economic growth. Finally, the inflow of FDI has little impact on the current output of goods and services.

If Nigeria can pay adequate attention to the nature of her international trade and put in place sound macro-economic policies, international trade will pay its due to Nigeria’s economic growth.

Recommendations: Based on the findings of the study, the following recommendations were made for policy action.

i. The Federal government should encourage the export of non-oil products through export promotion policies and invest on infrastructural development. This will create linkage in the economy and increase the pace of industrialization, especially the development of the manufacturing sector.

iii. Import substitution industrialization strategy should be pursued to reduce the importation of consumable, especially, the importation of refined petroleum products, cement and petrochemicals, and design effective incentive on agriculture to encourage food and raw material production. This will equally, reduce the importation of food such as rice, vegetable oil, grains, etc.

v. The federal government should invest in science, technology and in research development and to improve on the International Competiveness of the economy and, where necessary, attract and direct relevant technology transfer to the oil and gas, aviation, marine, construction and agriculture sectors.

References:


