PDF - IMPACT OF INTERNATION TRADE ON THE ECONOMIC GROWTH OF NIGERIA 1980-2012 - researchcub.info**1.1. BACKGROUND TO THE STUDY**

In our economy today we are privileged to make use of the advanced world countries' products having risen from improved or advanced technologies of the world. We even eat their type of food, wear their type of cloth, drive in their kind of cars etc. without having to do all these in their country. Also we enjoy the best of products from neighboring countries without having to travel there to get or use it. All these are made possible by international trade. International trade has a direct effect on the economy of any country as the country sees the need for the exchange of ideas, products and technologies. This effect could either be positive or negative at each given point in time.

International trade can be traced back to the need for exchange which evolved from the barter system to the money system. International trade became popular with the advent of the colonial rule that brought their wares and made Nigerians their middle men (Nick 2008). The classical and neo-classical economists have attaches so much importance to international trade in an economy's growth that they even regard it as an engine of economic growth (Jhingan 2006) and so we can say that the performance of any economic in terms of growth rate of output and per capita income is not only based on the domestic production and consumption activities but it can also be based on the international transaction of goods and services. One of the major reasons why countries engage in international trade is to obtain the goods and services which they cannot produce in the home country or commodity which its cost of production is very high. To solve this problem, the classical economist, David Ricardo suggested that countries should specialize on the production and exportation of goods whose cost of production is low and import the product whose cost of production is high for the country. This is what Ricardo referred to as 'the theory of comparative advantage'.

From the little write up above, we can see that international trade is actually a catalyst or speed up for economic growth and thus international trade has been of a great concern to policy makers in the country. For developing countries like Nigeria, its participation in international trade is high as most of the essential facilities for growth e.g. capital goods, technical know-how, raw materials are entirely imported because of inadequate domestic supply of these goods. Increased domestic demand sure reduces the expansion of exports, thus to enhance export capacity, improved technology must be imported which in turn raises the demand for imported goods. There is every tendency that import would be raised far above export which would result to an unfavorable balance of trade. Prolonged pressure on the country's balance of payment shrinks economic growth and so appropriate economic policy measures have to be put in place to streamline international trade for the achievement of a desirable economic growth.

The Nigerian economy has overdependence on the capital intensive oil sector which provides about 15% of the GDP, 95% of foreign exchange earnings and about 75% of the government revenue. Nigeria which used to be a large net exporter of food now imports some of its food product as the agricultural sector could not cope with the increasing population growth. The overdependence on the oil sector has not only led to unbalanced trade but has resulted to economic fluctuations and this has been a major challenge for Nigeria. Even the Structural Adjustment Programme of 1986 whose major aim was to diversify the productive base of the economy could not achieve this till date as we are still dependent on the revenue accruing from oil produce.

1.2 STATEMENT OF PROBLEM

Before Nigeria's political independence in October 1960, Nigeria was actively involved in international trade.

Nigeria's main export was primary agricultural commodities which accounted for 70.8% of the total export and its relative contribution to GDP was almost 64% during that period. This agricultural commodity comprises of groundnut, cocoa, palm oil cotton and rubber. At that time, the oil sector accounted for only 2.6% of the total export and its relative contribution to GDP was 1.6%. This story is no longer the same starting from the 1970s. Why? The discovery of oil in commercial quantities in Olobiri in the year 1956 made Nigeria to become a "hot cake" and an important player in the world market. In the first half of the 1970s, there was an increase in the price of oil in the world market which made Nigeria to experience oil boom. The proceeds from oil were so high and this showed a great sign to a start of a prosperous economic development in the country. This made the government's focus to move from the non-oil sector almost fully to the oil sector causing other sectors of the economy to suffer setback. The agricultural, industrial, manufacturing sector's relative contribution to GDP and export fell so much as a result of over-dependence on the oil sector. Nigeria is Africa's largest producer of crude oil producing about 2.2 million barrels per day. This has made Nigeria to be the 4th world exporter of oil and 7th largest producer of oil in the Organization of Petroleum Exporting Countries (OPEC). In the early 1980s, there was an oil price shock in the world market which caused an oil glut for Nigeria and since other productive sectors were abandoned, Nigerian government could not meet up with the needs of its populace thus resulting to external borrowing. This did not tell well on the overall welfare of its citizens. Nigeria could be said to be suffering from the syndrome called "Dutch Disease" as a nation abundantly blessed with natural resources especially crude oil still have over 60% of her population still living below the poverty line. Nigeria can also be said to be suffering from the "Resource Curse Syndrome (also known as the paradox of plenty)" (Soludo 2005). This means that countries and regions with an abundance of natural resources specifically point source non-renewable resources like minerals and fuels, tend to have less economic growth and worse development outcomes than countries with fewer natural resources. This was hypothesized for reasons including a decline in the competitiveness of other sectors caused by the appreciation of the real exchange rate as resource revenue enter the economy,volatility of revenue from the natural resource sector due to exposure to the global commodity market swings government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions possibly due to the easily diverted actual or anticipated revenue stream from the extractive activities (Auty 1993). With the collapse of the global oil price in 2008, Nigeria was severely affected by a global economic meltdown. There has been large proceeds obtained from the domestic sales and export of petroleum product, its effect on the growth of the Nigeria economy as regard returns and productivity is still questionable, hence the need to evaluate the relative impact of crude oil on the economy.

The oil sector contributes about 11% in 2012 and15% in 2013. This shows that other sectors of the economy are rising up and contributing immensely to the country's economic growth. But still yet it is this oil which constitutes 95% of our export earnings and 75% of the government revenue. Marco economically, in examining a country's economic growth, its external transactions are examined, also the government expenditure as a result of its revenue is examined. There is a problem of determining the overall effect of international trade on Nigeria's growth. This study helps to address this problem.

1.3 RESEARCH QUESTIONS

These are the questions which the study seeks to answer and these questions will guide us through the course of this study.

Is international trade really a catalyst for economic growth in Nigeria?

To what extent does exchange rate impact on the growth process in Nigeria?

Has the use of trade policies been beneficiary to the growth of the Nigeria economy?

What are factors hinders international trade in Nigeria?

1.4OBJECTIVES OF THE STUDY

The broad objective of the study is;

To examine if international trade has any impact on Nigeria’s economy growth and to see if it impacts positively or negatively.

To examine the factors that hinders the success of international trade in Nigeria

To examine also the trade policies i.e. restrictions Nigeria has imposed on international trade and how favorable such policies has been.

To examine the impact of the exchange rate system in Nigeria

To make necessary policy recommendations based on the findings of the study.

1.5STATEMENT OF HYPOTHESIS

The research hypotheses to be tested in the course of this study are as
follows;

H_0: That international trade does not contribute to the growth of the Nigeriaeconomy

H_1: That international trade does contribute to the growth of the Nigeria economy

H_0: Exchange rate in Nigeria does not impact positive on GDP

H_1: Exchange rate in Nigeria does impact positively on GDP

1.6 SIGNIFICANCE OF THE STUDY

This study is significant because international trade is important in any economy as it is seen as one of the engine of economic growth and so it is important for us to view the ways on how we can maximize the benefits and minimize the loses from international trade. Also this study will be useful to policy makers as it gives them an insight of the volume of trade thus assisting them to make policies which will exert positive influence on the balance of trade. Also the study is helpful to manufacturers, exporters and importers as it helps them to be aware of the policies on international trade, exchange rate and the degree of openness of an economy. The study is useful to foreign partners as this provides information on our resources and it presents us to them as an economy who is doing well internationally and this will help increase foreign investment which will aid economic growth. This study is useful to researches as it provides an econometric evidence of the impact of international trade on the growth of the Nigerian economy. Finally the study would also statistically enrich and add to the existing body of knowledge in the area of international trade and its contributions to the economic growth of Nigeria.

1.7SCOPE AND LIMITATION OF THE STUDY

For us to get a full insight into the study, we have to make use of economic data ranging from 1980-2012 as we tend to view the era of oil boom, oil glut, Nigeria’s external trade performance, her economic growth performance over the years and her recent participation at the world market. This study will be broad as possible as various articles and journals will be used to examine the volume of trade, exchange rate, degree of economic openness, inflation rate and gross domestic product.

A major constraint of this study is the insufficient time involved to complete the study and the problem of inconsistent and inaccurate data will give wrong results leading to wrong policy making.

1.8PLAN OF THE STUDY

The study is structured into 5 chapters with different sections.

Chapter one

This is the introductory part of the study which contains the background of the study telling us the foundation from which the study evolves from, the statement of problem which states the problem associated with the topic of interest, research questions and hypothesis which the study seeks to answer, the objective of the study which also tell us the purpose of the study i.e. what the study seeks to achieve, the significance of the study showing the importance of the study, scope and limitation of the study opening to us the length(the time series of data involved) and width

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