Impact of International Trade on Economic Growth in Nigeria

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Abstract:
The global economy is in a state of transition from a set of strong national economies to a set of interlinked trading and financial groups. One of the most important paths driving global development into the twenty-first century is the advanced economic integration and investment. Specifically, the role of international trade in explaining growth has been widely recognized as very important factors in the economic growth process. Therefore, this study examines the impact of international trade on economic growth in Nigeria between 1986 and 2017. Estimates from the reported OLS regression model indicated that net-export, trade openness and non-oil exports have positive impact on growth of the economy, while in contrast, exchange rate, oil exports, external reserves and balance of payments are found to exhibits negative impact on the economy during the reviewed periods. Further test also indicated that there is a long-run relationship among international trade variables and economic growth in Nigeria. The R^2 test suggested that the explanatory variables used (NXP, EXCH, TOP, OIL, NOIL, EXT and BOP) explain 96.0% variation in GDP, and the result of the Durbin-Watson indicated that there is absence of autocorrelation problem among the successive values of the variables. The study thus recommends among others that; structural trade oriented policy should be adopted to enhance economic growth in Nigeria via high exports flows in order to accumulate more foreign proceeds to boost growth rate in Nigeria.

Keywords: Trade Openness, Foreign Investment, External Reserves, Exchange Rate, Economic Growth

Introduction

The fact that the world is now a global village has made it *a sine qua non* for all nation to participate in international trade. International trade is the exchange of capital, goods and services across the intercontinental borders or territories. In most countries such trade represents a significant share of Gross Domestic Product (GDP). Therefore, international trade has been an area of interest to policy makers as well as economists. It enables nations to sell their locally produced goods to other countries of the world, and equally allow them to buy goods and services from other countries. International trade has been regarded as an engine of growth, which leads to steady improvement in human status by expanding the range of people's standard and preferences (Adewuyi, 2002).

Thus, following the perceived benefits of international trade, the volume of trade dealings between Nigeria and other nations of the world have increased substantially over the past decades. According to Nigerian's Statistical records, the geographical composition of Nigerian's international trade has undergone different changes over the years. During the colonial era, Britain was Nigeria's dominant trading partner. As late as 1955, 70% of Nigeria's exports were to Britain and 47% of its imports were from Britain. However, by 1976 Britain's share of Nigerian exports and imports dropped to 38% and 32% respectively. In the 1970s, Britain was replaced by the United States as Nigeria's chief trading partner. In 1988 the United States was Nigeria's best customer, buying more than 36% of its exports (primarily petroleum products); Britain was Nigeria's leading vendor, selling the nation more than 14% of its imports (NBS, 2000, 2004, 2010 and 2015). In 1990 Nigeria had associate status, including some export preferences, with the European Economic Community (EEC). As a result, it had a number of major EEC trading partners, including Germany, France, Italy, Spain, and the Netherlands. Nigeria also had an active trade relationship with some members of the Organization for Economic Co-operation and Development, notably the United States, Canada, and Japan (NBS, 2015). Trade with African countries, mainly neighboring countries within the Economic Community of West Africa (ECOWAS—created in 1975), comprised only 3 to 4% of total trade. In the 1980s, trade with Eastern Europe and the Soviet Union constituted less than 1% of Nigeria's total.

At the moment, the domestic exports reveal that American countries remain the major destination for Nigerian exports, as more than half of all Nigerian exports to go to the continent, while Europe ranked second to the export destination of the country, with about 19% of the nation's exports products going to the continent in 2015 (NBS, 2015). Asia ranked third to export destination of Nigeria, while ECOWAS member nations and other Africa countries represented about 4% and 8% destinations of Nigerian exports respectively (NBS, 2015). Also, Nigeria has witnessed drastic jumps in terms of trade with rest of the world in the past 5 to 4 decades due to its continuous effort in trade liberalization and its on-going engagement in free trade policies, which have saw successive governments signing different trade pacts and treaties with economies of the world. For instance, the volume of exports in 2013 reached N15,262.0 billion after having been N7,324.7 billion in 2006, N1,945.7 billion in 2000, N950.7 billion and N11.7 billion in 1995 and 1985, respectively. Similarly, the magnitude of imported items over the years have also towed this increasing line, specifically, aggregate import values in Nigeria in 1985 was N7.1 billion, it rose to N755.1 billion in 1995, and rose further to N2,800.9 billion and N11, 076.1 billion between 2005 and 2015 respectively (CBN, 2015).

Statement of Research Problem

As it is known that improving social and economic life of citizens to attain economic growth has been the foremost objective of international trade for all nations. However, experienced in the past and recent times in Nigeria have gone contrary. At the moment, the country is experiencing some elements of socio-economic retardation. According to Arodoye and Iyoha (2014), this economic unsteadiness is price instability, high and rising level of unemployment, increasing poverty rate, declining manufacturing and industrial outputs, poor infrastructural facilities, mounting public debt, adverse balance of payments, among others; as a result of non- diversification of trade from oil to non-oil items. For instance, in 1994, 1995 and

1996, the oil sector accounted for 97.4%, 97.6%, and 98.2% of the total exports and re-exports earnings respectively, while the non-oil sector accounted for the outstanding minuscule percentages within the years. Also, the oil accounted for about N11,300.5 billion and N14,323.2 billion of government earnings in 2010 and 2011. Non-oil on the other hand, accounted for only about N711.0 billion and N913.5 billion of government earnings in 2010 and 2011 respectively. The value further reduced by about 5.8% in 2012 to stand at N879.3 billion, while oil exports earnings increased from N14,323.2 billion in 2011 to about N14,260.0 billion in 2012, that is, increasing from 94.0% to 94.2% between 2011 to 2012, interestingly however, earnings from non-oil export increased sharply in 2013 to N1,130.2 billion, but fell to substantially to N660.7 billion in 2015 (CBN, 2015). In addition, according to Muhammed and Benedict (2015), another reason for the failure of growth through trade in Nigeria is that many of the imported goods are detrimental to the growth of infant industries, as many of these industries cannot compete with their foreign counterparts. Hence, it leads to over dependent on foreign goods in the economy.

Furthermore, the import dependent nature of the country, coupled with the macroeconomic policy distortions in international trade which turned the country into an import dependent economy is also responsible for the insignificant contributions of international trade in the country. Today, Nigerian economy has evolved as one which depends majorly on one export commodity (oil) at the expense of all categories of import commodities at a time. This situation has thus plunged the nation into a wrong end of an unbalanced trade, that is, trade transactions that favour imports over exports, and has equally placed the country into a soaring trade deficits. Invariably, this implies that Nigeria has paid more to foreign countries than she receives. Thus, the possibility of growth through international trade in Nigeria is in doubt and the chance of it happening soon is despondently slim.

Specific Objectives of the Study

a) To assess the impact of international trade on economic growth in Nigeria.

b) To determine the international trade variables that has the most impact on growth in Nigeria

Research Questions

a) What is the impact of international trade on economic growth in Nigeria?

b) Which international trade variables have most impact on growth in Nigeria?

Null Hypotheses

Ho: international trade variables have no significant impact on economic growth in Nigeria.

Ha: international trade variables have significant impact on economic growth in Nigeria.

The theoretical framework for the study is the comparative advantage trade theory. The theory was propounded by Ricardo (1817) to challenge the earlier proposed Absolute Advantage Trade Theory of Adam Smith. According to Adam Smith; nation should specialize in the production of those commodities in which it could produce more efficiency than the other nations, and import those commodities in which it could produces less efficiently. However, the

theory fails to explain situation where a country has comparative advantage in the production of two goods, and comment if trade will still be necessary or beneficial to the country in question. This shortcoming made Ricardo to challenge the assertion of Smith's absolute advantage theory. He maintained that external trade arises not from difference in absolute advantage but from difference in comparative advantage. By "comparative advantage" he meant by "greater advantage".

Thus, in the context of two countries and two commodities, trade would still take place even if one country was more efficient in the production of both commodities, provided the degree of its superiority over the other country was not identical for both commodities. In context of the assumption of the theory; i.e. two countries, two commodities and one factor of production, Ricardo obtained the result that a country will tend to export the community in which it has a comparative disadvantage. Since comparative costs are the other side of comparative advantage, the theory could be expressed in terms of comparative costs. Specifically, the theory now states that a country will tend to export the commodity whose comparative cost is lower in production and comparative cost is higher in pre-trade isolation.

The theory is therefore adopted for this study based on the following reasons; one, its theoretical basis has a firm application in study of economics, and secondly; the central ideology of the theory is valid and can be explained in terms of opportunity cost in the modern theory of trade relations among countries.

Rationale for International Trade

There are several economic benefits of trade that could accrue from international trade. Comparative cost theory has shown clearly that the greatest possible advantage from trade for all countries would be obtained if each nation devotes itself to what it can produce cheaply.As originally proposed in the orthodox theories of trade, the theory of comparative advantage is static; hence it can be questioned whether trade has any relevance to the dynamic issue of economic development. A consensus has subsequently emerged that the classical and neoclassical theories could be used to address the issue of economic development, utilizing the technique of comparative statics. Haberler (1988) and others have stressed that the traditional trade theories confer both static gains (direct benefits) and dynamic gains (also called indirect benefits) on trading countries.

According to Harbeler (1988) in (Onuh, 2015), there are four vital points regarding the dynamic benefits of trade on participating less developed countries (LDCs): First, trade provides material means (capital goods, machinery and raw and semi-finished materials) indispensable for economic development. Secondly, and even more important, trade is the means and vehicle for the dissemination of technological knowledge, the transmission of ideas, for the importation of know-how, skills, managerial talents and entrepreneurship. Thirdly, trade is also the vehicle for the international movement of capital especially from the developed to the underdeveloped countries. Fourthly, free international trade is the best anti-monopoly policy and the best guarantee for the maintenance of a healthy degree of free competition (Haberler, 1988).

Objectives of International Trade in Nigeria

The goal of Nigeria's trade policy is to promote the development of a private sector – led growth of the economy and to encourage production and distribution of goods and services for both the domestic and international markets with a view to achieving and accelerating economic growth and development. The objectives of Nigeria's trade policy have endured overtime as most of them stated in the Trade Policy of Nigeria (TPN). Published in 2002 still feature in the Nigeria Vision 20:2020. The need to diversify, drive and promote increased value addition in the various sectors of the Nigerian economy especially where the country has comparative advantage; and MOVE THIS SECTION tariff reform with the aim of reducing the unpredictability, uncertainty and lack of transparency of Nigeria's tariff regime are some of the enduring objectives of Nigeria trade policy. Efforts at reviewing the current trade policy aimed at making trade policy more realistic and action oriented have produced different versions of TPN with the last version produced in 2009 awaiting final adoption.

The Federal ministry of Commerce was transformed into Federal Ministry of commerce and Industry (FMC&I) in 2007 and was later renamed federal ministry of Trade and Investment in 2011. This ministry is responsible for formulating, implementing and coordinating Nigeria's trade, Industrial and Investment policy. The ministry, as far as trade issues are concerned remains a clearing house as relevant sector based Ministries, Departments and Agencies (MDAs) of the government provide critical inputs necessary for the discharge of the ministry's mandate. Thus, the process of formulating, implementing and co-coordinating trade policy in Nigeria involve extensive consultations not only among the MDAs but also with the organized private sector (OPS), Non-Governmental Organizations (NGOs) including the academia.

The Nigerian government like many other developing countries considers trade as the main engine of its development strategies because of the implicit belief that trade can create jobs, expand markets, raise incomes, facilitate competition and disseminate knowledge. The main trust of trade policy is, therefore the enhancement of competitiveness of domestic industries, with a view to, inter alia, stimulating local value-added and promoting a diversified export base. Trade policy also seeks (through graded liberalization of the trade regime) to create an environment that is conducive to increased capital inflows, and to transfers and adoption of appropriate technologies. The government pursues the liberalization of its trade regime in a very measured manner, which would ensure that the resultant domestic costs of adjustment do not outweigh the benefits. The reforms which accompany this policy direction are also aimed at re-orientating attitudes and practices towards modern ways of doing business. However, the instruments of trade policy such as tariffs regime is designed in a manner which allows a certain level of protection of domestic industry and enterprise. While this is the main trade policy framework to guide economic growth, the trade expansion, employment generation and poverty alleviation dimensions are subsumed in a new overarching economic development policy blueprint adopted in 2003, the National Economic Empowerment and Development Strategy (NEEDS), which is examined below.

Oviemuno (2007), looks at international trade as an engine of growth in developing countries taking Nigeria (1960-2003) a case study, he uses four important variables, which are export, import, inflation and exchange rate. The findings show that Nigeria's export value does not act an engine of growth in Nigeria, Nigeria's import value does not act as an engine of growth in Nigeria and that Nigeria's inflation rate does not act an engine of growth in Nigeria.

Usman (2011) evaluated the performance of foreign trade on the growth of the Nigerian economy for the period 1970 to 2005. The Ordinary Least Square (OLS) was used for the study, while data for the study was obtained from the CBN Statistical bulletin. From the empirical findings, it discovered that export, import, and exchanged rate are all negatively related to real output of Nigeria with 19 per cent, 8.7 per cent and 52 per cent respectively while the explanatory power of the model was found to be 71 per cent. Thus, based the findings the study suggested that foreign trade policies should be reexamined and competitive produces should be produced by local industries.

Also, Sarbapriya (2011) examined the relationship between foreign trade and economic growth in India, using annual data over the period 1972 – 2011. The co-integration and Granger causality tests confirmed that economic growth and foreign trade are co-integrated, implying the existence of a long-run equilibrium relationship between the two, and the presence of bi-directional causality which runs from economic growth to foreign trade and vice versa.Ezike et al (2012) investigates the macroeconomic impact of trade on Nigerian growth. Using the Ordinary Least Square (OLS) regression technique and applying a combination of bi-variate and multivariate models from the data covering the period 1970 – 2008 observed that the two predictors used in the study for trade, namely exports and foreign direct investment have a positive and significant impact on Nigeria's growth during the period.

Emeka, Frederick and Peter (2012) evaluated the role of trade on Nigeria's economy for the period 1970 to 2008. By applying a combination of bi-variate and multivariate models, the relationships between the selected macroeconomic variables was estimated. The findings indicated that exports and foreign direct investment inflows have positive and significant impact on economic growth. The study suggested that there should be congruence of exports and fiscal policies, towards a greater diversification of non-oil exports by the Nigerian government in order to attain the desired growth prospects of external trade.

Ademola, (2013) empirically examined the impact of trade openness on economic growth in Nigeria. A time series data sourced from the CBN's statistical bulletin was used for the study. The study employed OLS method and used GDP as the dependent variable while trade openness, oil export, non-oil export, exchange rate and balance of payment as the explanatory variables. The result revealed that there is a positive relationship between trade openness, non-oil exports, oil exports and economic growth, while exchange rate and balance of payment exhibit a negative relationship with growth.

Ugochukwu and Chinyere (2013) appraised the impact of export trading on economic growth in Nigeria. Annual time series data from 1986 to 2011 sourced from the CBN statistical bulletin was used. OLS was used for the analysis, while granger causality test was employed as well to determine the degree of relationship with the variables. GDP was employed as the explained variable, while the explanatory variables specified in the model are oil export, non-oil export and foreign reserve. The result reveled that oil export have positive and significant impact on the economic growth in Nigeria. The granger causality test also revealed that GDP granger causes oil export, foreign reserve and oil export granger causes non-oil export, while non-oil export granger causes foreign reserve.

Edoumiekumo and Opukri (2013) examined the contributions of international trade (proxy with export and import values) to economic growth in Nigeria measured by real gross domestic product (RGDP). Time-series data obtained for a period of 27years was analyzed using Augmented Dickey-Fuller (ADF) test, Ordinary Least Square (OLS) statistical technique, Johansen co-integration test and Granger Causality test. The results showed that positive relationship exists between the variables and there is co-integration among the variables. The Granger Causality test realized a uni-directional relationship showing that RGDP Granger cause export and import Granger cause RGDP and export. Also, Greg and Effiong (2013) analyzed the trends of the oil revenue and oil exports at it relates to other potential economic variables required for the transformation of the Nigerian economy, using descriptive tools such as charts and graphs to examine the trend relationship between oil revenue and some key potentials economic growth drivers. The study concluded that oil is capable of enhancing economic growth but that Nigeria and Nigerian are not reaping the benefits of the oil earnings, due to high level of mismanagement of her resources.

Likewise, Arodoye and Iyoha (2014) examined the nexus between foreign trade and economic growth in Nigeria using quarterly time series data from 1981Q1 to 2010Q4, a vector regression model was utilized for the analyses and the result revealed that there is a stable, long run relationship between foreign trade and economic growth. Agundu, Akani and Kpakol (2014) investigated the impact of non-oil export on economic growth in Nigeria between 1980 and 2010, using the annual time series data, with a multiple regression model for the estimation. The model formulated related GDP as a function of non-oil export, exchange rate and inflation rate. The ordinary least square method involving error correction mechanism was employed for the estimation and analysis. The empirical result revealed that non-oil export has impacted positively on the economic growth of Nigeria, while exchange rate and inflation rate proved otherwise. Adeleye et al (2015) empirically examined the impact of international trade on economic growth of Nigeria between the period 1988 to 2012, using net export and balance of payment as proxies for international trade while GDP was used to represent economic growth. The study employed regression analysis as the method of analysis and using co-integration and error correction modeling technique to find the long-run relationship between economic growth and international trade. The finding revealed that oil total export was positive and significant while others remain insignificant. Danladi, Akomolafe and Apkan (2015) evaluated the impact of exchange rate volatility on international trade in Nigeria on the basis of annual data from 1980 to 2013, which was obtained from World Bank Development Indicators (WDI). Exchange rate volatility, gross national product (GDP), investment, interest rate, import and export were used to capture the causal relationship between exchange rate volatility and international trade and also the long-run and short-run relationship between exchange rate volatility and international trade. It was observed form the ECM analysis that exchange rate volatility negatively affects international trade.

Muhammad and Benedict(2015) empirically examined the impact of international trade on economic growth in Nigeria from the period 1981 to 2012 based on time series data on the variables considered relevant indicators of economic growth and international trade. Using OLS technique, the result of the analysis revealed that all the variables except interest rate were statistically significant on economic growth of Nigeria. The study thus supported the proposition that degree of openness has direct robust relationship with economic growth since the proxy

variable is positive and statistically significant in the model. Abubakar, Shuaibu and Tsalla (2016) analyzed the relationship between international trade and economic growth in West Africa from 1991- 2011, using a panel data of 16 out of 17 countries in the region, the analysis using multiple regression method revealed that a one percent rise in export variable will lead to growth of GDP by 5.11 percent. Import on the other hand was also discovered to have a positive but insignificant impact on GDP growth, while, foreign exchange has negative impact on GDP growth. The study thus concluded that exports impact positively on economic growth of the region and recommended that West African countries should encourage indigenous enterprise for export promotion and import substitution. Oluwatoyese et al (2016) appraised the impact of agricultural export, oil export and economic growth of Nigeria, using a time series data spanning from the period 1981 to 2014. The study employed multivariate co-integration approach. The result revealed that there is significant relationship between economic growth and agricultural export and oil exports.

From the above reviewed studies, Sarbapriya-Ray (2011) examined the relationship between foreign trade and economic growth of India using aggregate trade, that is, sum of import and export trades of India, foreign exchange, foreign reserves and the degree of trade openness of India between 1972 and 2011 as the exogenous variables, while Gross Domestic Products (GDP) was considered as the endogenous variable, similarly, Adeleye, Adetoye and Adewuyi (2015) study also employed an error correction mechanism to examine the impact of international trade on economic growth of Nigeria between the period 1988 and 2012, using GDP as the dependent variable and foreign exchange, trade openness, aggregate trade and balance of payment as the independent variables. This study however modified these models by incorporating net exports and foreign direct investment as to the Sarbapriya-Ray (2011) model. Also, the Adeleye, Adetoye and Adewuyi (2015) model was altered by including the oil and non-oil exports and external reserve to the independent variables.

Methodology

The data for this study is generated solely from documentary sources. That is, secondary data. no field work was carried out. This is because data and information required for this type of study are hardly obtained anywhere outside the official quarter. In this light, the data used for the study is sourced from the Central Bank of Nigeria (CBN) publications, such as, annual statistical bulletins, economic and financial reviews, Bullions, reports by previous researchers, unpublished research works, textbooks, articles in journals including web pages as well as online academic materials. In addition, the websites of the apex bank and some other government agencies responsible for releasing national data, such as the websites of the National Bureau of Statistics, Nigerian Export-Import Bank (NEXIM) and the official website of the Federal Ministry of Industry, Trade and Investments was instrumental in the collection and compilation of facts and figures used for the analysis. Phillips Perron (PP) unit root test and Johansen co-integration test is used to establish the existence of a long run relationship among the variables, while the relationship between international trade variables and economic growth in Nigeria is investigated using Ordinary Least Square technique, processed electronically via Views 7.

Model Specifications

The model for this study is specified as follows:

[i]   GDP = [NXP, EXCH, TOP, OIL, NOIL, EXT, BOP]

The econometric form of the model is specified as thus

[ii] $LnGDP = \alpha_0 + \alpha_1 LnNXP + \alpha_2 EXCH + \alpha_3 TOP + \alpha_4 LnOIL + \alpha_5 LnNOIL + \alpha_5 6LnEXT$ $\alpha_7 LnBOP + \mu$

Where GDP = Gross Domestic Product as proxy to economic growth, NXP = Net Exports, EXCH = Exchange Rate, TOP = Degree of Trade Openness, OIL = Oil Exports, NOIL = Non-Oil Exports, EXT = External Reserves, BOP = Balance of Payments, Ln = Natural Logarithm, μ = Error term, $\alpha_1 - \alpha_8$ = slopes or parameters of the explanatory variables.

Variables were reduced to their natural logarithm forms to ensure that they are properly rescaled.

The model specified above for this study is an enlarged version of the works of Usman (2011), Omoju, and Adesanya (2012), Edoumiekumo and Opukri (2013) and Arodoye and Iyoha (2014) and specifically a modification of Sarbapriya-Ray (2011) and Adeleye, Adetoye and Adewuyi (2015) models.

Presentation and Discussion of Results

Unit Root Test
Table 1.0 Phillips-Perron Unit Root test

Variable	Phillips-Perron test statistic	Critical Values 5% level	Probability	Order of stationary
GDP	-3.843217	-2.957110	0.0062	I(1)
NXP	-7.556682	-2.957110	0.0000	I(1)
EXCH	-5.407856	-2.957110	0.0001	I(1)
TOP	-5.377034	-2.957110	0.0001	I(1)
OIL	-4.342074	-2.957110	0.0662	I(1)
NOIL	-5.754939	-2.957110	0.0400	I(1)
EXT	-4.382475	-2.957110	0.0001	I(1)
BOP	-5.487245	-2.957110	0.0061	I(1)

Source: Researcher's computation using Eviews, 2018

Table 1shows that all variables i.e. GDP, NXP, EXCH, TOP, OIL, NOIL, EXT and BOP were stationary at the first difference at 5% critical values. Following this, the test for co-integration using the Johansen approach was conducted. Under this procedure, the trace test statistic was used in testing whether a long run equilibrium relationship exist among the variables, with the condition that, if the test established that at least one co-integration vector or equation exist among the variables under investigation, then, a long term equilibrium relationship exist among them. The co-integration test result is presented below:

Table 2: Johansen Co-Integration Test Result

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5% Critical Value	Probability
None *	0.851957	90.49249	47.85613	0.0000

At most 1	0.443602	69.36437	69.79707	0.0560
At most 2	0.199707	50.60370	55.49471	0.2371
At most 3	0.102900	43.47481	47.841466	0.0623
At most 4	0.763020	31.78547	24.81889	0.0041
At most 5	0.419157	25.71257	21.85613	0.0010
At most 6	0.341180	18.32777	9.799707	0.0120
At most 7	0.124564	4.974032	6.149471	0.8116

Source: Researcher's computation using E-views, 2014

The result in Table 2 indicates 4 co-integrating relationship among the variables, as verified by the trace statistic 90.49249, 31.7854, 25.71257 and 18.32777 which is greater than its critical value at 5% level of significance, and this necessitates the rejection of the null hypothesis (there is no co integration). It is therefore established that a long term equilibrium relationship exists among the variables.

Regression Result

The equation of the regression plane is presented as follows:

Table 3.0: Results of The Regression

GDP	0.319	+1.036LnNXP	-3.044EXCH	+0.307TOP	-0.182OIL	+0.045LnNOIL	-0.062LnEXT	-0.001LnBOP
SE	(938.203)	(0.883)	(1.755)	(1.202)	(0.327)	(0.014)	(0.000)	(0.000)
Prob	[0.000]	[0.252]	[0.000]	[0.800]	[0.004]	[0.000]	[0.320]	[0.003]

F-stat = 150.276 R^2 = 0.960   Adjusted R^2 = 0.953   D.W stat = 0.970

From the result presented onTable 3 above, the coefficient of NXP is 1.036, means that holding other variables constant, 1% increase in net-export will lead to 100% increase in GDP, the coefficient of EXCH -3.044 means that 1% increase or appreciation in the value of the naira against the US$, without the influence of other variables will lead to 300% reduction in GDP, and the coefficient of TOP 0.308 means that 1% increase in the degree of trade openness holding other variables constant will lead to an increase in GDP by 308%. Also, the coefficient of OIL is -0.182, means that holding other variables constant, 1% increase in oil-export will lead to 18% decrease in GDP, the coefficient of NOIL 0.045 means that 1% increase in the volume of non-oil export, without the influence of other variables will lead to 4.5% increase in GDP, and the coefficient of EXT -0.063 means that 1% increase in the level of external reserves in Nigeria, holding other variables constant will lead to an increase in GDP by 6.2%. And lastly, the coefficient of BOP -0.007 means that 1% increase in balance of payment, holding other variables constant will lead to a decrease in GDP by 1%. Thus on the apriori ground, all variables except oil export and external reserves "towed" the line of the apriori anticipation.

Considering the significance of the variables, the probability of EXCH, OIL, NOIL and BOP is 0.000, 0.004, 0.000 and 0.003 respectively, implying that exchange rate, oil exports, non-oil exports and balance of payments are all statistically significant to economic growth in Nigeria. While, net-export, the degree of trade openness and external reserve exerts a non-statistically significant impact on growth in Nigeria.The constant coefficient is 0.319318 means that without the explanatory variables, the GDP will average 319% and with a probability of 0.000 indicating that this figure is statistically significant, although the intercept is always taken not to have any economic viability from the onset. The Durbin-Watson statistics suggest that we accept the null hypothesis that there is no autocorrelation, positive or negative in the residuals. This simply means that the variables that belong in the model are not included in the error term, meaning that there is no specification error in the model.

A look at the R^2 which is 0.960 means that the explanatory variables used (NXP, EXCH, TOP, OIL, NOIL, EXT and BOP) explain 96.0% variation in GDP, while the Adjusted R^2 of 0.953 means that if an additional explanatory variable is included in the model, the variables used in this study will still explain 95% variation in GDP. In testing for the overall statistical significance of the model, the F-statistic shows a figure of 150.2758 with a probability of 0.0000, shows that the variable is statistically significant, meaning that total NXP, EXCH, TOP, OIL, NOIL, EXT and BOP have joint effect on GDP, that is trade and growth are related.

Discussion of Findings

This paper examines the impact of trade on the Nigerian economic growth. Using the OLS regression technique to analyze the secondary data used in the paper, the findings showed that net-export, trade openness and non-oil exports have positive impact on growth of the economy, while in contrast, exchange rate, oil exports, external reserves and balance of payments are found to exhibits negative impact on the economy. This finding thus agrees with Odozi (1995), Anyanwu (1998), and Usman (2011) who have also observed the negative impact of openness on the Nigerian economy. Odozi (1995) and Anyanwu (1998) blamed the negative effect of balance of payments in Nigeria on unbalanced trade relations with other nations of the world, while Usman (2011) observed that there is more of import than export.

Conclusion

In conclusion, despite the shortcomings observed in oil exports, external reserves and balance of payments, the paper shows that Nigeria is still gaining from trade but this gain is yet to be maximized. Thus, the paper indicates that there is gain in trade and that government can rigorously pursue growth and economic development through international trade. Lastly, on the objective of the study, it is discovered that international trade impacted on the growth of Nigerian economy, and also; the international trade variables that exert the most impact on economic growth in Nigeria is net-export (NXP).

Recommendations

1. Based on the findings in this study, and the realization of the impact of international trade on economic growth in Nigeria, the following recommendations are put forward.

2. The Federal Government should vigorously embark on import substitution and export promotion strategies to enable exchange rate in the international market to be function of growth proceeds in Nigeria, and not subjecting economic activities in Nigeria to the dictate of exchange rate fluctuations in the global market.

3. The activities of exporting crude oil for monetary values and importing refined petroleum products into the country should be discouraged in totality by revamping the domestic refineries capacity and increasing such refineries to meet the challenges of the global world in terms of oil production.

4. In order to sustain the positive influence of total oil revenue, exchange rate and crude oil exports on the growth of Nigerian economy, the Federal Government should establish a special task force responsible for monitoring and proper accountability of all income, expenditures and activities in the Nigerian oil sector.

5. Trade openness rate should be all time kept at peak benchmark by adopting tight trade openness in order to ensure economic growth via fiscal sustainability inNigeria.

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