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THE BENEFITS OF NIGERIA'S EXTERNAL TRADE PARTICIPATION

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ABSTRACT

Upon all the lessons we have learned in international economics, the central theme remains the improvement of the standard of living of the citizens of participating countries. For many years, Nigeria has been a participant in the world trade; unfortunately she captures only an insignificant portion of it basically because she is a primary (product) exporter. This has led to poor balance of payments position and a leftward shift of her production possibility frontier. This paper makes effort to offer suggestions that could lead to amelioration.

1.0 INTRODUCTION

Trade (be it domestic or external) derives its roots from specialization (Roll, 1978). Specialization has an important benefit of increased productivity which leads to exchange of the surplus product. International economics deals with economic transactions between two or more open economies. According to Chacholiadies (1976:6) international economics is the study of how a number of distinct economies interact with each other in the process of allocating scarce resources to satisfy human wants.

International economics is split into:
(i) international trade theory, and
(ii) international monetary economics.

In this paper, we shall concern ourselves with international trade theory.

Nigeria's participation in international economics is envisaged to have brought her the expected development. Some of such developments are the transformation of the production base, a noticeable technical progress, increased per capita income and a march towards export oriented economy. However, some of the snags inhibiting these expectations include: political instability, policy discontinuities, social system that permits class struggle and the "winner takes all" syndrome and confusion between modernisation and industrialization. Nigeria observed that her expected benefits from external trade was not realized. She therefore introduced the Structural Adjustment Programme (SAP) in 1986 believing it to have the capability of righting whatever wrongs that were embodied in the regulated system. It appears the situation has not significantly changed for the better.

It is against this background that the is paper is set to examine the relevances of external trade in Nigeria's growth and development and identify problems where they exist.

2.0 THEORETICAL ISSUES

In international trade arena, every country tends to produce that commodity which she can efficiently produce and exchange same for that which she cannot produce efficiently. The process fosters increased standard of living among residents. International trade seeks to offer answers to some questions like:

(a) What goods are to be imported and exported?

(b) What are the gains from trade and how are the gains shared among the participating countries?

But whatever a country imports or exports must depend on the ratio of prices between imports and exports; in other words on the terms of trade and, again on what the country is able to produce more efficiently. Therefore, the benefits from trade are dictated by the terms of trade and the gains from trade are shared among the residents by the prevailing system of income distribution.

The classicists see labour as the only factor of production that produces wealth and that the price of any commodity is determined by the labour content. Assume that there are two commodities produced, x and y and that the required labour is 'C' in both cases and price is represented by p, the relative price of commodity x to y is determined as follows:

$$P = \frac{Px}{Py} = \frac{Cx}{Cy}$$

In other words, their price ratio is the same as their labour ratio, hence the quantum of labour determines the price of the commodity. However, the identity above represents an over-simplification of the labour theory of value. In practice, labour are not the same in terms of training, experience, skill, i[illegible]ative [illegible] risk [illegible] apa[illegible] and t[illegible]ore c[illegible] con[illegible] d the [illegible] price as expressed in equal value of goods.

The theory of absolute advantage emphasises the specialization accruing to a given country when two or more countries are able to produce the same product. It was based on this that Adam Smith in 1746 emphasized the importance of free trade. He stated: "it is a maxim to every prudent master of a family never to attempt to make at home what it will cost him more to make than buy." Therefore, consider two countries A and B which produce two commodities: x and y. Country A is able to produce one unit of x with 8 units of labour and one unity of y with four units of labour while B uses 4 units of labour to produce one unit of x and 8 units of labour to produce one unit of y respectively. Country A has absolute advantage in producing commodity y and country B has absolute advantage in producing commodity x. The word absolute advantage is used because each country can produce one commodity at an absolutely lower cost (measured in labour units) than the other country. Hence A should specialize in the production of y and B in x and thus, it is believed this will increase specialization and world output.

Equally, the theory of comparative advantage illustrates a situation where one country is a ble to produce at least two commodities more cheaply than the other country but would specialize in the one she can produce cheaper (within her economy). However, the settled theory of comparative advantage, a bonafide origin of the classical school, has been inseparably shared between Torren and Ricardo. Though the work of Ricardo appears to have been independently shared, he perhaps might have been influenced by the works of Torren in 1808 and 1815. But even if the Theory of Comparative Advantage explains why trade takes place, it does not explain on what terms (Chapman, 1965:428).

There are a number of ways international trade affects the growth of a nation. The process of economic growth may alter the relative importance of trade. As income grows, demand may be biased toward either importables or exportables. Since trade depends on factor endowments and technology, the effect of growth depends on whether the source of growth is technical change, an increase in supply of the abundant factor, or an increase in the supply of scarce factor (Grenner, 1983:327).

2.1 Terms of Trade

Terms of trade simply refer to the 'price' ratio between exports and imports. In a two country, two commodity model, before trade starts, there exists one domestic price ratio for each of the countries. The price ratio is determined by labour requirements in the production of each of the two [illegible]om[illegible]ies i[illegible] cou[illegible] Inter[illegible]al tr[illegible]rings [illegible] two [illegible] ratio to one and is sometimes referred to as "the law of one price". (Vaish, 1979).

The international price ratio is what is generally referred to as terms of trade. In absolute sense, a relative rise in the price of exports as compared to the price of imports amounts to favourable terms of trade. However, a better measure of the terms of trade as put by both Marshall and Edgeworth is the desired changes in the consumers' surplus.

In the received theory of international economics, benefits relating to external trade and export promotion include: filling the resource gap, industrialization and diversification of export base, creation of employment and development of entrepreneurial abilities and promotion of technical progress (Uduebo, 1994:50-51).

3.0 LITERATURE REVIEW

3.1 Trade Oriented Growth, its Measurement and Development Implications.

Effects of economic growth on trade should be examined on consumption, production, demand for imports, supply of exports, terms of trade, factor prices and social welfare (Chacholiadies, 1976:313). Here, we will examine the rate of growth of volume of trade, imports and exports. The rate of growth of (the volume of) trade is symbolically stated as:

$$\frac{\Delta v}{V^0} = \lambda v$$

where Δv stands for the change in volume of trade, V^0 stands for the initial trade volume and λv stands for the rate of change. The rate of growth of exports is stated as:

$$\frac{\Delta X_p}{X^0 p} = \lambda P_x$$

where ΔX_p stands for a change in exports, X^0p stands for exports in the initial period and λP_x the rate of change of export.

$$\frac{\Delta M}{M^0} = \lambda m$$

where ΔM stands for the change in imports, M^0 imports in the initial period and λm stands for the rate of change of imports.

3.1 Rate of Change of Volume of Trade

Volume of trade is defined here as the total value of exports and imports within the period under consideration.

Table 1: Volume of trade (₦'m)

Year	*Volume	Price Index	Vol. of trade in Constant ₦ (1975)	Rate of Growth $\frac{\Delta v}{V^0}$
1975	8705.8	100	8705.8	-
1976	11755.0	125.7	9351.6	0.31
1977	15041.4	128.7	11687.1	0.27
1978	14512.5	167.0	8690.1	0.00
1979	16559.4	189.0	8761.6	0.01
1980	23294.3	204.8	11418.8	0.31
1981	23632.9	241.0	9806.2	0.13
1982	19296.6	266.1	7251.6	-0.17
1983	14307.5	328.0	4362.0	-0.50
1984	13623.3	457.8	2816.4	-0.68
1985	17257.7	483.7	3567.8	-0.95
1986	15022.2	509.0	2951.3	-0.66
1987	45273.5	560.7	8074.5	-0.07
1988	49280.2	875.1	5631.3	-0.35
1989	88831.4	1317.4	6742.9	-0.23
1990	155604.0	1174.7	13246.2	0.52
1991	211021.9	1598.0	13205.4	0.51
1992	348764.3	2310.6	15094.1	0.73
1993	96098.6	3631.6	2646.2	-0.70
1994	349510.8	1571.8	22236.3	0.68

Source: *Compluted from the CBN statistical Bulletin, 1990.

From Table 1, we observe that the rate of growth of volume of trade in Nigeria has been quite low indicating low level of participation in world trade. Between 1975 and 1980 the growth rate was 0.31 while the growth rate was negative between 1980 and 1985 and only picked up again in 1990 indicating a growth rate of 0.52. The growth rate increased to 0.68 in 1994 perhaps as a result of the Structural Adjustment Programme, and for the fact that 1975 is chosen as the base year.

Table 2: Rate of growth of Imports (₦'m)

Year	Imports	+Imports Expressed in 1975 constant naira based on Exchange Rate	Rate of Exchange (US Dollar)	Rate of Growth $\frac{\Delta M}{M^0}$
1975	3721.0	3721.0	0.6159	-
1976	5132.6	5220.9	0.6265	0.42
1977	7159.7	7516.6	0.6466	1.02
1978	8132.0	21204.7	1.6060	4.70
1979	6161.9	6370.8	0.5957	0.71
1980	8053.4	7152.3	0.5469	0.92
1981	12599.1	12720.9	0.6100	2.42
1982	10100.2	9244.6	0.6729	3.40
1983	6555	7707.4	0.7241	1.07
1984	4484.5	5569.4	0.7649	0.50
1985	5536.9	8023.8	0.8938	1.15
1986	5974.7	19601.4	2.0206	4.27
1987	15695.4	3906.4	4.0179	0.05
1988	18088.4	3987.1	4.5367	0.07
1989	30860.2	4175.0	7.3916	0.12
1990	45717.9	9236.5	8.0378	1.48
1991	89488.2	9030.5	9.9095	1.43
1992	143151.2	8275.4	17.2984	1.22
1993	165629.4	7511.8	22.0491	1.01
1994	206285.1	5761.0	22.0502	-0.93

Source: Annual abstract of Statistics 1982; CBN Statistical Bulletin 1990, 1994; CBN Annual Report and statement of accounts 1992.
+See Appendix for calculations

+ Growth rate varies between 0 and 1. As trade participation increases the value approaches 1.

From Table 2, we observe the rate of growth of imports between 1975 and 1980 to be 0.92. Between 1975 and 1985 the growth of imports was 1.15 and 1.48 between 1985 and 1990. The implication of this finding is that Nigeria is becoming ultra pro-trade, depending heavily and riskily on imports for her domestic survival. This equally suggests that technical progress has not meaningfully taken place. Indeed, as pointed out by Chacholiadies, what is responsible for shifting our production possibility frontier is our dependability on imports, and it is not the ideal for self reliance.

However, the negative growth rate of 0.93 between 1990 and 1994 could be attributed to scarce foreign exchange due to low level of exports in real terms to finance the imports.

Table 3: Rate of growth of exports (₦'m)

Year	Exports	Price Index	Exports in constant naira (1975)	Rate of Growth $\frac{\Delta X_p}{X^0 p} = \Delta P_x$
1975	4925.4	100.0	4925.4	-
1976	6622.4	125.7	5268.4	0.07
1977	7881.7	128.7	6124.0	0.24
1978	6380.5	167.0	3820.6	-0.22
1979	10397.5	189.0	5501.3	0.12
1980	14186.0	204.0	6953.9	0.41
1981	11033.8	241.0	4578.3	-0.07
1982	9196.4	266.1	3455.9	-0.31
1983	7751.8	328.0	2363.4	-0.52
1984	9138.8	457.8	1996.2	-0.59
1985	11717.9	483.7	2422.5	-0.50
1986	9047.5	509.0	1777.5	-0.64
1987	29578.1	560.7	5275.2	0.07
1988	31191.8	875.1	3564.4	-0.27
1989	57971.2	1317.4	4400.4	-0.11
1990	109886.1	1174.7	9354.3	0.89
1991	121533.7	1598.0	7605.4	0.54
1992	205613.1	2310.6	8898.7	0.80
1993	218765.2	3631.6	6023.9	0.22
1994	206285.1	1571.8	13124.1	0.76

Source: Same as Table 3

From Table 3, we measure the growth rate of export between 1975 and 1980 to be 0.41. But sadly enough, we observe that the growth rate of exports (expressed in real terms) between 1980 and 1985 has been in the negative. Few reasons for this condition include declining productivity, high cost of production, exportation of primary products and the dwindling oil price brought about by the global oil glut.

However, that our export growth between 1985 and 1990 is only 0.89 is not encouraging. Even at that, it dwindled again to 0.76 between 1990 and 1994 from o.89 level between 1985 and 1990.

Table 4: External Trade, Economic Indicators and Development

Year	Exports (₦'m)	Imports (₦'m)	P_c	U_a	Discomfort Index (P+U)
1975	4925.4	3721.0	33.9	4.8	38.7
1976	6622.4	5132.6	21.2	2.6	23.6
1977	7881.7	7159.7	15.4	1.3	16.7
1978	6380.5	8132.0	16.6	2.4	19.0
1979	10397.5	6161.9	11.8	6.3	18.1
1980	14186.0	8053.4	10.0	1.1	11.1
1981	11033.8	12599.1	20.9	2.2	23.1
1982	9196.4	10100.2	7.7	4.3	12.0
1983	7751.8	6555.7	23.2	5.1	28.3
1984	9138.8	4484.5	39.6	7.3	46.9
1985	11717.9	5536.9	6.0	9.7	15.7
1986	9047.5	5974.7	5.4	5.5	10.9
1987	29578.1	15695.4	10.2	9.1	19.3
1988	31191.8	18088.4	38.3	7.2	45.5
1989	57971.2	30860.2	40.9	5.8	46.7
1990	109886.1	45717.9	7.5	3.2	10.7
1991	121533.7	89488.2	13.0	3.1	16.1
1992	205613.1	143151.2	44.5	3.4	47.9
1993	218765.2	165629.4	54.2	2.7	56.9
1994	206285.1	206281.1	54.7	5.2	59.9

Source: Compiled from Annual Abstract of Statistics 1982; CBN Statistical Bulletin 1990, 1994' CBN Annual Report and Statement of Accounts 1992; Ejiawoko, S. O. (1992:317)

P_c = Inflation rate
U_a = Urban unemployment rate

In assessing the development external trade has contributed to Nigeria, perhaps the best index of assessment is human welfare. From Table 4, we observe that the discomfort index has risen from 11.1 points in 1980 to 15.7 in 1985 indicating increased deterioration in human standard of living. Perhaps the reduction from 15.7 to 10.7 in 1990 could be attributed to self employment which the World Bank has querried if it is a structural break from the past as introduction of SAP or simply a sign of distress (World Bank, 1994:152). It increased from 10.7 in 1990 to 59.9 in 1994. The reason for this could not only be attributed to low level of trade participation but also the way the benefits from trade were distributed.

4.0 TRADE POLICIES AND THE NIGERIAN ECONOMY

In 1949, Nigeria established Marketing Boards in England to oversee the trading of four major primary exports namely: cocoa, groundnut, rubber and palm produce. Moreso, the Marketing Boards were zonalized to North, East and West to take charge of the major agricultural products produced by each of the zones. According to Toyo (1988:62) and Akpan (1994) trade policy immediately after independence centred on the production of cash crops (primary exports) to feed factories in the Western world.

The increased expenditure on manufactured goods suggested to Nigeria to adopt import substitution strategy. According to Ejiawoko (1992:84), "the policy to produce locally imported substitutes arose not only from the consideration for a gradual transfer of technology to Nigerians and foreign exchange saving but also from the need to create more employment opportunities for its teeming population". But incidentally the value added arising from the Import Substitution was so low for reasons that:

(i) the raw materials were imported;
(ii) the machines and equipment were imported; and
(iii) technical labour was imported.

In 1976, the Nigerian Export Promotion Council was established. It was charged with the responsibility of co-ordinating export activities and development, stimulate export growth, advice government and liaise with exporters with the aim of identifying their problems and identifying of export oriented industries. A package of incentives was introduced like retention of foreign exchange by exporters, permission to retain up to 100 per cent of their export proceeds in foreign currency in domiciliary accounts, duty draw-back, tax incentives, export expansion grant to exporters who were able to export a minimum of ₦500,000 and relative subsidies, and a grant of 5 per cent additional annual depreciation allowance on plant and machinery. Under the duty draw-back scheme, government through relevant agencies refunded ₦0.645m in 1988, ₦1.421m in 1989 and ₦2.799m in 1990 (Osuntogun and Oramah, 1994:116).

There is also the establishment of the Export Processing Zone (EPZ) at Calabar. The idea is to encourage the manufacturing of export goods and foster economic development. The incentives here include free import and export duties and unrestricted importation of inputs.

However, Nigeria's external trade pattern changed during the oil boom when oil price rose from $3.561 in 1973 per barrel to $40.00 per barrel in 1981. This single windfall provided sufficient foreign exchange to import all the importables and the level of imports rose well over $1.2b per year. Industries were established on the promise of continuous availability of foreign exchange to purchase raw materials. But the rather unexpected oil glut that greeted the world market (mostly 1981-85) turned events the other way round. The shortage of foreign exchange resulted in short-purchase of raw materials and even machines. Government now thought of economic stabilization.

The Babangida's administration introduced the Structural Adjustment Programme (SAP) in July, 1986 with the following objectives:

(i) to diversify and restructure the economy from being a mono-product economy;

(ii) to promote export trade;

(iii) to lay the foundation for sustainable growth with minimum inflation;

(iv) to correct the balance of payments deficit.

The policy assignment relevant to the external trade was trade liberalization. Though, there seems to be a widely accepted view that liberal outward oriented trade policies are superior to restrictive inward looking ones and this assertion seems to be supported by the work of Johnson (1960) for United Kingdom and Magee (1977) for United States as quoted by Havrylyshyn (1990:1-24). But serious doubts about liberalized trade still remain strong in many circles. For instance Havrylyshyn (1990), Diaz (1982) and Taylor (1981) argue that stabilization programmes with conditions set by the International Monetary Fund or World Bank (including programmes for liberalization) will not solve the problems of developing countries.

Another reason for doubt is that previous research has not adequately quantified the large gains that liberal policies are said to generate. The handful of estimates of such gains on trade shows very low values of 1 per cent or less on Gross National Product. Moreover as pointed out by Havryslyshyn (1990:3).

> Gross Domestic Product grows either because of increases in factor inputs such as capital, labour and natural resources or because of improved productivity including the long run effects of technological progress, short term efficiency gains attributable to better resources allocation and greater firm level efficiency brought about by competition.

In the same reasoning, Onimode (1991:154) states that trade liberalization will further worsen trade positions of countries in terms of payments crisis including Nigeria.

Table 5: Nigeria's Foreign Trade (₦'m)

Year	Imports (C.I.F)	Exports (F.O.B)	+Balance of Trade
1970	756.4	885.7	+129.3
1971	1078.9	1293.4	+214.5
1972	987.6	1412.2	+424.6
1973	1224.8	2278.4	+1053.6
1974	1737.3	5794.8	+1271.0
1975	3717.4	4988.4	+1489.8
1976	5132.6	6622.4	+722.0
1977	7159.7	7881.7	-1751.0
1978	8132.0	6380.5	+4235.6
1979	6161.9	10397.5	+5103.1
1980	9095.6	14198.7	-1565.3
1981	12599.1	11033.8	-903.8
1982	10100.2	9196.4	+1196.1
1983	6555.7	7751.8	+4654.3
1984	4484.5	9138.8	+6183.9
1985	5536.9	11720.8	+6183.9
1986	5974.7	9047.5	+3072.8
1987	15695.4	29578.1	+13882.7
1988	18088.4	31191.8	+13103.4
1989	30860.2	57971.2	+27111.0
1990	45717.9	109886.1	+64168.2
1991	89488.2	121533.7	+32045.5
1992	143151.2	205613.1	+62461.9
1993	165629.4	218765.2	+53135.8
1994	143225.7	206285.1	+63059.4

Source: CBN Statistical Bulletin, Vol.1 Nos. 1 and 2, December, 1990; CBN Annual Report and Statement of Accounts, December 1992.

* The CPI of the following years 1970, 1975, 1980, 1985, 1990 and 1994 were as follows: 100, 287.4, 204.8, 483.7, 1172.7, and 1571.8 (1970 as base year). Source: CBN 1990:93 and CBN 1994:162.

+ Data in this article are discussed at 5 year data point interval unless otherwise.

From the Table 5, we observe (in nominal terms) that Nigeria had recorded the following increase (in percentages) in her Balance of Trade position: 883 between 1970 and 1975; 301 between 1975 and 1980, 21 between 1980 and 1985 and 937.6 between 1985 and 1990 and a decrease of 1.7 between 1992 and 1994.

Expressing the Balance of Trade surpluses in 1970 constant naira, we have ₦442.2m for 1975, ₦2501.5m for 1980, ₦12.8m for 1985, ₦5471.8m for

1990 and ₦5795.5m for 1994. The percentage increases (in real terms) are as follows: 242 between 1970 and 1975, 46 between 1975 and 1980, 99.4 between 1980 and 1985 and 42648.4 between 1985 and 1990 and 5.9 between 1990 and 1994.

From the analysis (in constant naira), substantial trade increases have been recorded between 1975 and 1980 and between 1985 and 1990. Huge trade deficit 99.4 (in percentage) has been recorded between 1980 and 1985. However, the trade surpluses accompanying the SAP introduction is brought about by great sacrifices in the domestic economy. But trade surpluses of these years have not guaranteed Nigeria a favourable balance of payments because of increased expenditure on foreign services. For instance, while Nigeria experienced trade surpluses of ₦1271.0m in 1975, ₦5103m in 1980, ₦6183.9m in 1985 and ₦64168.2m in 1990 corresponding balance of payments showed deficits of ₦157m in 1975, ₦2402.2 in 1980, ₦349.1m in 1985 except that balance of payments surplus was recorded for 1990 (CBN,1990:117-120).

5.0 SOUTH-SOUTH TRADE, WHAT HOPE?

South-South trade proponents maintain a strong encouragement of this trade block as a result of unfavourable terms of trade affecting African countries (including Nigeria) while trading with the developed countries. Most of the trade terms between these two blocks seem to stem from the basis of comparative advantage discused elsewhere in the literature, which has not favoured African countries for the major fact that primary exports are mostly traded by them.

South-South trade is a form of economic integration or co-operation. According to Greenaway and Milner (1990:50), of the 20 current integration arrangements worldwide, 15 are South-South arrangements. The preponderance are in Africa and Latin America and just one in Asia. About 70 countries are involved in this arrangement. Reasons for integration include the following:

(i) Political instability.
(ii) Strengthening the bargaining power of small open economies in international market.
(iii) Lessening the South's dependence on North.
(iv) Promotion of productive reallocation of resources.
(v) Domestic producers are exposed to greater competition which promotes efficiency.
(vi) Alleviation of the debt crisis mostly through dedollarization of trade payments and accompanying steady growth.
(vii) Encouragement of technical development.

Against this background, we can assess to what extent most of the South-South arrangements have succeeded. One way of doing this is to ascertain whether membership has expanded, remained constant or declined (Greenaway and Milner, 1990:50). However, some unions like the East African Community and the Andean Group (Bolivia, Chile, Colombia, Ecuador, Peru and Venezuela) have failed, while others like Latin America Integration Association (LAIA) and Latin America Free Trade Association (LAFTA) have succeeded.

Some other assessment could be on trade effect. Though some assessors seem to say that the trade effect of South-South arrangement is a failure, there has been some noticeable progress. For instance, before LAFTA's dissolution in 1980, intra regional exports increased from 8% in 1960s to 11% in 1970s. Among the Andean Group, total trade increased from 2% in 1970 to about 4% in 1984. The Association of South Eastern Asian Nations (ASEAN) has recorded impressive trade volume in recent times. In Africa, it is recorded that trade growth has equally been modest.

Table 6: Destination of Nigeria's Exports and Sources of Imports (In Percentages)

	Exports				Imports			
Year	**Africa (1)**	**Developing Countries (2)**	**Developed Countries (3)**	**1+2 (4)**	**Africa (1)**	**Developing Countries (2)**	**Developed Countries (3)**	**1 + 2 (4)**
1979	1.9	15.3	84.7	17.2	0.9	13.8	84.5	14.7
1980	2.0	18.7	80.9	20.7	1.4	15.0	81.7	16.4
1981	2.7	24.3	75.5	27.0	0.6	14.2	84.3	14.8
1982	2.5	15.6	84.5	18.1	0.6	13.4	83.4	14.0
1983	2.7	9.8	89.6	12.5	1.3	12.8	83.4	14.1
1984	4.6	13.9	85.7	18.5	0.7	14.8	82.5	16.5
1985	4.6	13.9	85.7	18.5	1.7	14.8	82.5	16.5
1986	5.0	17.4	82.2	22.4	1.9	16.0	83.8	17.9
1987	5.9	17.9	81.7	23.4	2.4	24.9	74.9	27.3
1988	6.3	18.9	80.7	25.2	3.3	24.9	74.9	28.2
1989	5.6	16.4	83.2	22.0	3.8	27.8	72.0	31.6

Source: The Challenge of African Economic Integration NES, 1992 (p.130)
+Column 4 computed by the authors.

From Table 6, we see that Nigeria's exports to Africa and developing countries increased from 17.2 percent in 1979 to 27.0 percent in 1981 and fell to as low as 12.5 percent in 1983. Between 1986 and 1989 the growth rate stabilized around 22 percent. However, the same table indicates that exports to developed economies averaged 80 percent from 1979 through 1989. This suggests that developing countries have formed a weak market for Nigerian exports. Equally, imports from developing countries averaged 14 percent between 1979 and 1983 and improved to 28.2 percent and 31.6 percent in 1988 respectively. Imports from developed economies averaged 80.22 from 1979 through 1989. Again this indicates that Nigeria buys most of her goods from developed countries.

From table 7, below, we observe that from 1986-1990, the percentage of total imports on capital goods was 40.2, 32.8 on raw materials and 27.0 on consumer goods. The implication here is that the bulk of our imports is capital goods.

Tabes 7: Imports by Major Groups (₦'m)

Year	Consumer Goods	Capital Goods	Raw Material	Total
1986	1757.8	2422.9	1751.9	+5932.6
1987	4304.7	7568.0	5982.7	17855.4
1988	7146.4	7957.4	9785.9	24889.7
1989	8424.8	13794.5	8600.7	30820.0
1990	12206.7	18515.7	14981.8	45704.2
1993	15734.7	70226.9	28322.6	114284.2
Total	49575.1	120485.4	69425.6	239486.1

Source: CBN Statistical Bulletin, 1990; CBN Annual Report and Statement of Accounts, 1992; +Calculation by the authors.

Now, if the bulk of Nigeria's imports vis-a-vis other developing countries is capital goods, what hope is there for South-South trade? Adebayo (1992:157) states the following in relation to the above question:

> South-South trade should be encouraged on the following grounds: That when Europe 1992 is fully applied, they can replace 33% of the market for soya beans, 100% for gum arabic, 66% for sugar, 55% for cocoa and 60% for flavours and medicinal plants ... and that raw materials have been adopted in place of metals and natural clays that would reduce the consumption of steel by 37%, tin by 42%, zinc by 32%, nickel by 23% and aluminium by 9.1%. And that the potential loss to the African continent could be estimated to be $10b.

Therefore for self-reliance, technology advancement and exposure to economies of scale, South-South trade deserves encouragement.

6.0 SUMMARY

Received theory in international trade emphasises the theory of comparative advantage as the basis of trade. Unfortunately, Nigeria's exports have been mainly primary goods including the petroleum product. This has not enhanced our trade position. Incidentally, one of the most important benefits associated with external trade-technical progress-has eluded Nigeria. We would have acquired (technical progress) if we were to export manufactured goods.

The rate of growth of exports has been very slow graduating from 0.05 in 1985 to 0.89 in 1990 when measured in constant naira while the rates of growth of imports within the same period are 1.15 and 1.48 respectively. It puts Nigeria in an ultra pro-trade position, depending so riskily on external trade. This erodes our national sovereignty.

Revisiting the South-south trade proposition. we observe that when European integration will be fully operational, a lot of our primary products will be replaced in the world market. Therefore encouragement should be given to this arrangement.

We have also observed that the index of discomfort is high indicating that our external trade position has not substantially increased our income per capita and therefore our standard of living.

6.1 RECOMMENDATIONS

(i) There is need for meaningful pursuit of export promotion policies and implementation based on medium and long term plans which will give industrialists a sense of direction.

(ii) Capital imports should emphasize moderate machines that will encourage technical progress.

(iii) Conscious efforts should be made to provide the right infrastructure in sufficient quantity at constant supply to enable (1) to be achieved.

(iv) South-south trade should be encouraged to promote technology, expand market, take advantage of economies of scale and reduce dependency on industrialized economies as the position of ultra pro-trade is not ideal for any nation.

(v) Trade liberalization should be re-examined in the direction of protectionism against continuous worsening of balance of payments position and the need to protect of young industries.

(vi) Above all, an enduring political stability is fundamental to increased productivity which surplus can be exported.

(vii) The Raw Material Research and Development Council (RMRDC) should be given full attention in terms of funds, encouragement and patronage to help reduce raw materials imports.

7.0 CONCLUSION

We conclude this paper by calling on government and appropriate agencies to pursue policies that encourage export trade promotion to diversify the economy. Such policies should be pursued with sincerity, consistency and willingness, noting that one of the many hinderances to our economic programmes is policy discontinuity.

APPENDIX 1

RATE OF GROWTH OF IMPORTS IN CONSTANT NAIRA '75 BASED FOREIGN EXCHANGE RATE IMPORTS (₦'m)

Year	Imports	Exchange Rate (US Dollars)
1975	.3721	0.6158
1980	14186.0	0.5469
1985	5536.9	0.8924
1990	45717.9	8.0378

Imports of 1985 in '75 constant naira = $\frac{₦5536.9 \times .8924}{.6158} = 8023.9$

Imports of 1990 in '75 constant naira = $\frac{₦45717.9}{8.0378} = 9236.5$

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