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Import Trade Liberalization and Economic Growth Rate in Nigeria

Mbaeri Ndidiamaka Clara[1], Ezeokoye Lucky Ignatius[2], & Ihejirka Andrew Chidieberea[3]

[1,2, &3]Department of Economics, Nnamdi Azikiwe University, Awka, Nigeria

Corresponding Author: Ezeokoye Lucky Ignatius
Corresponding Author Email: luckyezeokoye@gmail.com

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Abstract
Proponents of 'free trade' agree that increasing trade through liberalization would lead to economic growth and overall development of the economy. However, statistics have shown that Nigeria's economy has not fared better despite the adoption of numerous trade liberalization policies by successive administrations. Hence, this study examined the relationship between trade liberalization and economic growth in Nigeria from 1986 to 2023, using the Autoregressive Distributed Lag (ARDL) technique to identify the long-run and short-run effects of trade liberalization policies on economic growth in Nigeria. The time-series data used in this study were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank Development Indicators, National Bureau of Statistics (NBS), and National Population Commission (NPC). The GDP growth rate was used as the dependent variable, while the Average Import Tariff (AIT) was used as the independent variable. The confounding variables in the model include Foreign Direct Investment (FDI), Institutional Quality (INSQ), Remittances, Exchange Rate, Gross Fixed Capital Formation, Domestic Credit to the Private Sector, and Secondary School Enrollment. The findings show that trade liberalization in Nigeria had a significant negative impact on economic growth in the short-run, while a significant positive impact was recorded in the long-run. This study, therefore, recommended targeted tariffs for vulnerable sectors of the economy, increasing efficiency in non-oil revenue collection, institutional and infrastructural reforms, which will help to amplify the long-term benefits of trade liberalization.
Keywords: Trade Liberalization, Economic Growth, AIT, Institutional Quality, ARDL.

INTRODUCTION

The principles of specialisation and comparative advantage are the main pillars of classical theory of economic growth. Smith (1776) argued that the availability of specialised tools and equipment would allow workers to further specialise and thereby increase their productivity. For this to happen, there is this necessity for capital accumulation which depends on the owners of capital being able to keep and reinvest profits from their investments. This phenomenon was explained with the metaphor of the 'invisible hand' of profits, which would push capitalists to engage in this process of investment, productivity gains, and reinvestment by seeking their own personal gain, which indirectly grows the economy. Ricardo (1917) extended Smith's theory to demonstrate how trade could lead to further economic prosperity above the gains from specialisation and the division of labour. He developed the concept of comparative advantage as a basis for specialization and applied it to separate nations that could trade with one another. Ricardo argued that by specialising in activities for which they each had the lowest opportunity cost and then trading their surplus products, nations could all be made better off through trade agreements, hence, the concept of international trade.

Trade liberalisation according to Black, Hashimzade, and Myles (2009) is the process of reducing or removing restrictions on international trade. This may include deduction or removal of tariffs, the abolition of import quotas, abolition of multiple exchange rates, and removal of requirements for administrative permit for imports or allocation of foreign exchange, or at least simplification of the process of applying for them. Trade liberalization provides developing economies access to new technological innovations of developed countries and provides both consumer and producer easy access to larger markets (Banton, 2021). According to Echekoba et al. (2015), trade liberalization increases capital inflows and this takes several forms like FDI and remittances, which are important sources of capital inflow that fulfils the investment gap in the economy. Capital inflow increases investment level in the economy, leading towards more production, more output, increased market size, more export, and more foreign exchange earnings.

Hadili et al. (2021) enumerated various ways of measuring trade liberalization, which includes trade openness, index of trade orientation, average import tariffs, average index of non-tariff barriers, and index of relative price distortions or exchange rate misalignment. For the purpose of this study, the average import tariff (AIT) was adopted as a measure for trade liberalization. Apart from Nigeria being an import dependent economy, AIT is also preferred because it measures the degree of protectionism within an economy. Since tariffs generally reduce imports of foreign products, the higher the tariff, the greater the protection afforded to the country's import-competing industries. AIT rate is calculated as the simple average tariff across product categories in each country's applied tariff schedule.

The relationship between trade liberalization and economic growth has been canvassed by various studies. Romer (1990) argues that trade liberalization can increase the degree of spillover and lead to economic growth. Moreover, trade liberalization through regional, bilateral, or multilateral trade agreement fosters competitiveness, expands access to the global market, grows the domestic market, establishes marketing networks, provides managerial and technical skills, and results in industrialization, which in turn creates jobs, increases productivity, and drives economic growth (Duru et al., 2020). In achieving economic growth, trade liberalization is also influenced by some other deterministic factors. Foreign direct investment (FDI) as a vital route for technology transfer between countries, promotes international trade liberalization through access to foreign markets and a channel for economic advancement (Sakordie, Adams & Leirvik, 2020). Bilgin et al., (2018) supports the idea that quality institutions and governments will increase international trade flows, leading to economic growth. Williamson (1994) agrees that the degree of trade liberalization affects the level of real exchange rate, with increased trade liberalization leading to real exchange rate depreciation. Lopez and Schiff (1998) established the nexus between migrant remittances and trade liberalization by asserting that migration of unskilled workers increases, while that of skilled workers is unaffected by trade liberalization in developing countries, leading to more capital inflow. Jadoon et al. (2015) observed that trade liberalization affects economic growth through knowledge and technology transfer in the presence of developed human capital and absorbing capacity of new technology. The level of financial sector development, also determine the effect of trade liberalization on economic growth, as it promotes economic growth through capital accumulation and technological progress (Levine, 2005).

Through the Bretton Woods institutions' Structural Adjustment Programme (SAP), trade liberalization in Nigeria actually started in 1986. The aim was to reduce the deleterious effects of earlier protectionist measures implemented in the 1960s and 1970s (Duru et al., 2020). The advent of SAP heralded the replacement of an import-substitution strategy with that of export promotion along with currency depreciation and significant decrease in trade barriers (Onuorah, 2018). Nigeria also pleaded to continue lowering import taxes in order to guarantee the free flow of commodities when it joined the World Trade Organization (WTO) in 1995. Furthermore, Nigeria is a signatory to the African continental Free Trade Area Agreement (AFCFTA), having been a member since 2019. At the regional level, Nigeria is a founding member of the ECOWAS Trade Liberalization Scheme (ETLS), which is concerned with the establishment of a free trade area at the community level (Echekoba et al., 2015). All these global, continental and regional trade agreements were aimed at further liberalization of international trade by successive administrations in Nigeria (Onuorah, 2018).

However, despite these liberalization efforts, the Nigerian economy has not fared better. Proponents of 'free trade' agree that increasing trade through liberalization would lead to economic growth and overall development of the economy. It is believed that a more open international trading system in developing countries like Nigeria means greater opportunities to earn foreign exchange through exports, since the availability of foreign exchange is vital for the procurement of the imported capital goods and raw materials necessary for rapid growth. Nevertheless, statistics have shown that Nigeria's economy is yet to experience these positive outcomes. The average import tariff (AIT) in Nigeria decreased from 24.64 percent in 1985 to 12.84 percent in 2023, while the average GDP growth rate for the same period remained at mere 2.68 percent (NBS, 2023). This unimpressive outcome has necessitated the need to examine the relationship between trade liberalization and economic growth in Nigeria.

In doing this, the GDP growth rate was used in this study as the dependent variable, while the average import tariff (AIT) was used as the independent variable. The confounding variables in the multivariable model includes FDI, institutional quality, remittances, exchange rate, gross fixed capital formation, domestic credit to private sector, and secondary school enrollment. This study used the Autoregressive Distributed Lag (ARDL) technique to test for co-integration, and to separate the long-run and short-run effects of AIT on economic growth rate in Nigeria. The remaining part of this paper is arranged as followed: section two focused o literature review and theoretical framework. Section three dwelt on the methodology, while section four concentrated on the presentation of results, analysis and discussions. Section five focused on conclusion and policy recommendations based on findings.

The relationship between trade liberalization and economic growth has been investigated by various studies with mixed results and conclusions.

Ijirshar (2019) used secondary data from 1975 to 2017 to evaluate the effect of trade openness on economic growth among ECOWAS members. The study applied the pooled mean group (PMG) estimating technique to non-stationary models. The dependent variable of the study is real GDP, while the independent variables include labour force, exchange rate, Government spending, gross fixed capital formation (GFCF), FDI, and trade openness. The findings revealed that trade liberalization was beneficial to ECOWAS member countries in the long-run than in the short-run. The study therefore recommended that ECOWAS member countries improve cooperation among economic actors by using export consortia.

The impact of trade liberalization on economic growth in South Africa was examined by Khumalo (2019) using annual secondary data from 1970 to 2017. The ARDL technique was employed to determine the long-run and short-run impact of South Africa's trade liberalization on economic growth. The study used GDP per capita as dependent variable, while labour force, capital formation, trade openness, political stability, tariffs, and real exchange rate were the independent variables. The results show that trade liberalization had a positive and statistically significant impact on economic growth in the long-run, but significantly negative in the short-run. The study recommended that South Africa should consider investing more in agriculture, agro-processing, manufacturing, and attracting more of FDIs and infrastructural development t harness export opportunities.

Maturure (2019) used annual time series data from 1980 to 2017 to conduct an empirical analysis of the relationship between trade liberalization and economic growth in Zimbabwe. The long and short-term effects of trade liberalization on economic growth were examined using ARDL bounds testing technique to co-integration and ECM. The study variables are real GDP as the regressand, and labour force, inflation rate, and trade openness as the regressors. The findings indicated a significant positive relationship between trade liberalization and economic growth. The study advised policy makers and government negotiators in Zimbabwe to implement policies that promote openness through the removal of trade obstacles and export encouragement.

Solomon and Tukur (2019) examined the extent to which trade openness has impacted the growth of the Nigerian economy covering the period from 1981 to 2018. Real GDP was used as the dependent variable, while the independent variables include trade openness, exchange rate, and inflation. Findings from the ECM revealed that trade openness had a positive and significant impact on economic growth. The study recommended that Nigerian government should embark on a comprehensive trade liberalization poliies and programs to ensure acceleration and sustenance of the economy.

An investigation of the effect of trade liberalization on economic growth in Botswana was carried out by Sethunyiwe (2020), using annual time series data from 1982 to 2018. The study incorporated real exports growth, real imports growth, trade openness and FDI as the independent variables, while the real GDP growth served as the dependent variable. The ARDL bounds testing approach was used in the estimation. The empirical findings indicated a positive long-run relationship between real exports and imports growth on real GDP growth, while trade openness and FDI growth rate exhibited a negative relationship with ral GDP growth. The study recommended that Botswana undertake policy reforms beneficial to its primary export products.

A study on the effects of trade liberalization on economic growth of Asian economies was conducted by Ullah, Tufail and Rafiq (2021). Dynamic panel estimation was performed on panel data from 34 countries from 1985 to 2014, using Generalized Method of Moments (GMM) technique. The variables used in the study include real GDP as the dependent variables, while remittances, financial development, trade openness, FDI, GFCF and human capital were used as the independent variables. The results confirmed a long-run positive and significant relationship between the dependent variables and all the independent variables. The study recommended that government of the various countries should take prudent steps to further liberalize their economies to gain from trade openness.

Atseye, Tankon, Okoli and Azu (2022) attempted an empirical examination of trade openness and economic growth in Nigeria for the spanning 1981 to 2019. The study specifically examined the impact of trade openness, broad money supply to GDP, imports to GDP ratio, exchange and inflation rates, on economic growth in Nigeria. The OLS multiple regression technique was deployed for the empirical analysis. The results revealed a positive and significant impact of trade openness and broad money supply velocity on economic growth, while the ratio of import to GDP, exchange and inflation rates exerted a negative and non-significant impact on economic growth. The study recommended among other things, that government reviews import tariff regime continuously in order to discourage importation of specific trade items and encourage exports.

The impact of trade liberalization on economic growth in Philippines from 1981 to 2019 was explored by Biemudo, Anthonio and Agustin (2022). The annual real GDP served as the regressand, while exports, imports, trade openness, exchange rate, GFCF, and FDI served as the regressors in the study. The technique of multivariate Ordinary Least Squares (OLS) regression was employed in the estimation. The findings show that exports, exchange rate, and GFCF had a positive impact on Philippine economic growth, while imports, trade openness, and FDI had a negative impact on economic growth. The study recommended expanding exports, continuous capital accumulation, reduction of import dependency, and promotion of policies that can attract foreign direct investment.

Adeyemo and Ogwu (2023) empirically examined the relationship between trade liberalization, gender inequality and economic growth in Nigeria over the time period from 1990 to 2021. Trade openness, male labour force participation rate, female labour force participation rate, government expenditure, and inflation rate were used as dimensions of independent variables, while real GDP was used as the dependent variable. Using the ARDL technique, the results revealed that in the long-run, trade openness and government expenditure coefficients have positive significant relationship with real GDP. The study recommended that the government should come up with women empowerment programmes and trainings to expand the percentage of women that engage in public and private employments.

An exploration of the effect of trade liberalization on economic growth in Nigeria from 1981 to 2021 was undertaken by Ita, Kwanashie, Ihuoma and Ogbonna (2023). The GDP growth rate was used as the regressand, while export value index, import value index, exchange rate and trade openness were the regressors. The ARDL technique and Toda-Yamamoto causality test were used in the analysis. The findings shows that trade openness and exchange rate have a significant and negative relationship with GDP growth rate in the long-run. Also, a uni-directional positive causality exists between export value index and GDP growth rate. The study recommended diversification of export products to include value addition.

The literature reviewed indicates that results from the different studies are mixed. Some of the studies found a positive and significant impact of trade liberalization efforts on economic growth [Ijishar, 2019; Khumalo, 2019; Maturure, 2019; Solomon & Tukur, 2019; Ullah et al., 2021; Atseye et al., 2022; Adeyemo &Ogwu, 2023]. On the other hand, some of the studies reviewed found a negative and significant impact [Sethunyiwe, 2020; Biemudo et al., 2022; Ita et al., 2023]. The differences in their outcomes might be as a result of differences in variables and methods used. However, a noticeable common denominator among the studies reviewed is the use of trade openness as a proxy for trade liberalization. Trade openness traditionally measures the ratio of an economy's total trade (import + export) to GDP. As such, it might fail to capture the fact that Nigeria is import dependent and exports mainly primary products. To bridge this gap, this study employed the use of average import tariff (AIT) to measure how open the economy is to importation.

MATERIAL AND METHOD

This study is premised on the framework of the endogenous growth theory. Romer (1986) and Lucas (1998) argues that a persistent rate of economic prosperity is influenced by internal processes such as human capital, innovation and investment capital, rather than external uncontrollable forces. Openness, competition, change, and innovation are all said to foster growth in policies that support endogenous growth theory. According to Thindwa and Seshamani (2014), removal of trade barriers leads to more capital inflow through FDI and remittances, increased efficiency through knowledge and technology transmission. All these metamorphose to more investments, foreign exchange and employment opportunities, leading to economic growth.

In this study, secondary data were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin, World Bank, National Bureau of Statistics (NBS), and National Population Commission (NPC). The study covered the period from 1986 to 2023. Based on the endogenous growth theory, the AK model formed the basis for our model specification. In lieu of the diminishing returns of capital implied by the usual parameterization of a Cobb-Douglas production function, the AK model uses a linear model where output is a linear function of capital with constant returns to scale. The model shows that output is determined by the level of technology combined with both physical and human capital. Following Duru et al. (2020) with some modifications, a general empirical model between trade liberalization and economic growth in Nigeria can be expressed in econometric form as follows:

$GDPGR= \beta_0 + \beta_1 AIT_t + \beta_2 FDI_t + \beta_3 REM_t + \beta_4 INSQ_t + \beta_5 GFCF_t + \beta_6 FIWDEV + \beta_7 EXR + B_8 SCH_t + \mu_t$ ….1

The variables are log-linearised to avoid spurious results due to their skewed values as follows:

$GDPGR= \beta_o + \beta_1 AIT_t + \beta_2 LnFDI_t + \beta_3 LnREM_t + \beta_7 EXR_t + \beta_8 SCH_t + \mu_t$…..2

Where:

$B_0 – \beta_8$= Parameters in the model

$GDPGR_t$= Gross domestic product growth rate at time t

AIT_t= Average import tariff at time t

$LnREM_t$= Log of foreign direct investment at time t

$LnREM_t$= Log of inward remittances of time t

$LnINSQ_t$= Log of institution quality measured by the quality of governance index at time t

$LnGFCF_t$= Log of gross fixed capital formation at time t

$FINDEV_t$= Financial development measured by domestic credit to the private sector by banks (% of GDP)

EXR_t= Exchange rate at time t

SCH_t= Secondary school enrollment (% of population) at time t, a proxy for human capital.

μ_t= Error term

Apriori expectation= $\beta_2 – \beta_8 > 0$, and $\beta_1 < 0$

RESULTS AND DISCUSSION

Various econometric analyses were conducted to determine the impact of trade liberalization on economic growth in Nigeria. Some of the analyses include descriptive statistics, correlation test, unit root test,

Descriptive Statistics

The descriptive statistics of the variables included in this paper's model is shown in Table 1.0.

Table 1

Descriptive Statistics

	GDPGR	AIT	FDI	REM	INSQ	GFCF	FINDEV	EXR	SCH
Mean	4.1286	20.157	1.3313	2.97179	1.07703	10.6314	9.83658	142.737	88.6736
Median	3.9250	17.865	1.1778	2.92848	1.08092	10.5849	8.67396	121.610	87.4389
Maximum	15.330	87.190	4.2820	8.33382	1.46463	11.8948	19.6035	431.300	100.187
Minimum	-2.0400	9.940	-0.0395	0.00488	0.88258	9.42084	4.94803	2.02000	76.4631
Std. Dev.	3.8077	13.266	0.9516	2.52366	0.124039	0.694407	3.469034	134.8613	6.267964
Skewness	0.54642	3.43048	0.80401	0.23134	0.9705	0.20118	0.87135	0.77334	0.32691
Kurtosis	3.55065	18.2180	3.62306	1.71713	4.37579	1.91427	3.59823	2.37809	2.15742
Jarque-Bera	2.37110	441.215	4.70881	2.94472	8.96249	2.12276	5.37532	4.40012	1.80090
Probability	0.30557	0.00000	0.09495	0.22938	0.01131	0.34597	0.06804	0.11079	0.40638

Sum	156.890	766.000	50.5908	112.928	40.9272	403.994	373.790	5424.04	3369.60
Sum Sq. Dev.	536.465	6511.61	33.5100	235.649	0.56926	17.8414	445.265	672939.	1453.63
Observations	38	38	38	38	38	38	38	38	38

Note: GDPGR = Gross domestic product growth rate; AIT = Average import tariff; FDI = Foreign direct investment; REM = Inward remittances; INSQ = Institutional quality; GFCF = Gross fixed capital formation; FINDEV = Financial development; EXR = Exchange rate; SCH = School enrolment.

Source: Author's computation using EViews.

Table 1.0 show that the average growth rate of GDP in Nigeria within the period under review was 4.12 percent; and average import tax (AIT) was 20.15 percent. Furthermore, FDI, remittance inflows (REM), and gross fixed capital formation (GFCF) had mean values of $1.33 billion, $2.97 billion, and $10.63 billion respectively. The descriptive statistics also show that had a very low institutional quality (INSQ) rating of 1.07.

Correlation Test Result

Correlation test was conducted to determine whether or not the included variables were free from multicollinearity and also to determine the degree and nature of association between the variables. The result is shown in Table 2.0.

Table 2

Correlation Test Result

Correlation	GDPGR	AIT	FDI	REM	INSQ	GFCF	FINDEV	EXR	SCH
GDPGR	1.000000								
AIT	-0.169405	1.000000							
FDI	0.236921	-0.099293	1.000000						
REM	0.083773	-0.647815	0.124996	1.000000					
INSQ	-0.014556	-0.475711	-0.063015	0.550896	1.000000				
GFCF	0.051871	-0.639248	-0.245802	0.757763	0.691645	1.000000			
FINDEV	0.097777	-0.552041	0.053307	0.716554	0.492194	0.673099	1.000000		
EXR	-0.126166	-0.519972	-0.353542	0.670778	0.780243	0.890970	0.593954	1.000000	
SCH	0.240837	0.167440	0.330332	-0.045262	-0.104091	-0.265496	-0.274388	-0.265028	1.000000

Source: Researcher's Computation using EViews

Table 2.0 shows that the model is free from multicollinearity as all the independent variables had low degree of association with the dependent variable (GDPGR).

Unit Root Test Results

The result of the augmented Dickey-Fuller unit root test is shown in Table 3.0.

Table 3

Unit Root Test Results

Variables	ADF Test Statistic	5% Critical Value	Order of Integration
GDPGR	-4.0824	-2.9434	I(0)
AIT	-7.4291	-2.9718	I(0)
FDI	-3.8715	-2.9434	I(0)
REM	-6.1116	-2.9458	I(1)
INSQ	-3.0420	-2.9434	I(0)
GFCF	-4.5449	-2.9458	I(1)
FINDEV	-5.6424	-2.9511	I(1)
EXR	-4.6099	-2.9458	I(1)
SCH	-3.0034	-2.9458	I(0)

Source: Author's Computation using EViews

As shown in Table 3.0, GDP growth rate (GDPGR), average import tax (AIT), FDI, institutional quality (INSQ), and school enrolment (SCH) were integrated at level while remittance inflows (REM), gross fixed capital formation (GFCF), financial development index (FINDEV), and exchange rate (EXR) were integrated at first difference. Given these mixed-order of integration, the ARDL bound test was adopted to examine the long-run relationship between trade liberalization and economic growth in Nigeria. The result is shown in Table 4.0.

Table 4
ARDL Bound Test Result

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0) Asymptotic: n=1000	I(1)
F-statistic	55.29907	10%	1.85	2.85
K	8	5%	2.11	3.15
		2.5%	2.33	3.42
		1%	2.62	3.77
Actual Sample Size	35		Finite Sample: n=35	
		10%	-1	-1
		5%	-1	-1
		1%	-1	-1

Source: Author's Computation

ARDL Bound Test's decision rule states that long-run relationship exists between variables included in a model if the F-statistic value is greater than the upper bound [1(1)] value at a given level of significance. Given this study's use of 5% level of significance and F-stat (55.29) > 3.15, this study concludes that long-run relationships exist between the variables included in this study. Next, to determine the dynamic relationship between trade liberalization and economic growth in Nigeria, the ARDL short and long-run regression resultsare shown in Table 5.0 and 6.0.

Evaluation of Long and Short Run Estimates

This evaluation is based on the economic, statistical and econometric criteria.

Short run estimates: This shows the short-run impact of the independent variables on economic growth and the speed of adjustment to equilibrium in the long run which is seen in Table 5.0.

Table 5
Short-run Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(AIT)	-0.087621	0.004616	-18.98143	0.0000
D(AIT(-1))	-0.096021	0.006096	-15.75116	0.0001
D(FDI)	0.138767	0.080035	1.733826	0.1580
D(REM)	-0.121284	0.042859	-2.829808	0.0474
D(INSQ)	14.70947	0.690969	21.28818	0.0000
D(GFCF)	20.66485	0.429301	48.13602	0.0000
D(FINDEV)	-0.666687	0.036711	-18.16023	0.0001
D(EXR)	0.015652	0.003377	4.635432	0.0098
D(SCH)	0.623542	0.020205	30.86064	0.0000
CointEq(-1)*	-1.265043	0.029840	-42.39363	0.0000
R-squared	0.998453	Mean dependent var		-0.127714
Adjusted R-squared	0.995954	S.D. dependent var		4.310494
S.E. of regression	0.274187	Akaike info criterion		0.516728
Sum squared resid	0.977317	Schwarz criterion		1.494375
Log likelihood	12.95726	Hannan-Quinn criter.		0.854212
Durbin-Watson stat	3.075533			

Source: Author's Computation using EViews

Table 5.0 shows the speed of adjustment is -1.2650, implying a 126.50% adjustment speed under a short-run disequilibrium back to the long-run equilibrium point. The coefficient value of -0.0876 of Average import tariff (AIT) implies that AIT has a negative impact on economic growth of Nigeria. That is, a 1% increase in AIT will reduce Nigeria's economic growth rate

by 8.76%. This aligns with economic assumptions that an increase in AIT will reduce GDP growth rate in an import-dependent country like Nigeria (Adegboyega, 2017; Nteegah& Mansi, 2017).
The coefficient value of Foreign direct investment (0.1387) implies that FDI positively impacts GDP growth rate in Nigeria and that a 1% increase in FDI in Nigeria will increase GDP growth rate by 13.87%. This result also aligns with economic expectations and the study of Kunle, Olowe and Oluwafolakemi, (2014) who also showed that FDI has had positive impact on Nigeria's GDP growth rate over the years.
The coefficient of determination (R^2) of the model shows that the independent variables accounted for 99.84% of variations in economic growth of Nigeria from 1986 to 2023. The adjusted coefficient of determination also shows high explanatory power of the independent variables with 99.59%.
Long-run Estimation: The result of the long-run estimation is shown in Table 6.0.

Table 6

Long-run Estimation Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AIT	0.137040	0.032982	4.155008	0.0142
FDI	1.336611	0.420789	3.176439	0.0336
REM	0.528368	0.271409	1.946759	0.1234
INSQ	59.35471	4.610055	12.87505	0.0002
GFCF	6.447106	0.595659	10.82348	0.0004
FINDEV	-0.289689	0.148367	-1.952518	0.1226
EXR	-0.074652	0.004335	-17.22108	0.0001
SCH	0.165917	0.038932	4.261760	0.0130
C	-138.1077	7.279298	-18.97267	0.0000

Source: Author's Computation using EViews

Table 6.0 shows that all the variables except financial development index and exchange rate had positive impacts on economic growth in Nigeria. Thus, 1% increase in AIT will increase economic growth by 13.70% in the long-run. This aligns with economic expectations as domestic production is expected to increase to meet increasing local demands due to high cost of imported goods in the long-run (Arinze &Odior, 2023). This also aligns with the study of Yakubu and Akanegbu (2015) who showed that imported goods are substituted with local goods due to increase in import tariffs. Thus, AIT had a negative impact on economic growth in Nigeria in the short-run, but turned positive in the long-run.

Evaluation of Research Hypothesis

Stated in the null form, this paper's hypothesis states that trade liberalisation has no significant impact on economic growth in Nigeria. For dynamic results, both the short-run and long-run results were considered to determine whether trade liberalisation has significant impact on economic growth in both times. In the short-run, from Table 5.0, the t-statistic of AIT is -18.98 which is greater than the critical value of 1.96 in absolute terms. Also, the *p* value of 0.00 is less than 0.05, thus the null hypothesis that trade liberalisation has no significant impact on economic growth is rejected and the alternative hypothesis that trade liberalisation has significant impact on economic growth in Nigeria is accepted.
In the long-run, the t-statistic in Table 6.0 of AIT is 4.15 which is greater than 1.96. Its *p* value of 0.01 is also less than 0.05. Thus, in the long-run, the null hypothesis that trade liberalisation has no significant impact on economic growth in Nigeria is rejected and the alternative hypothesis that trade liberalisation has significant impact on economic growth in Nigeria is accepted.
The study's findings show that trade liberalisation significantly impacts Nigeria's economic growth, with divergent short-run and long-run outcomes. In the short term, the negative coefficient (-0.08) and t-stat value (-18.98) suggest trade liberalisation may hinder growth, likely due to immediate disruptions such as import competition overwhelming domestic

industries or fiscal revenue losses from reduced tariffs (Ajakaiye & Oyejide, 2012). This aligns with Rodrik's (2018) argument that premature liberalisation in structurally weak economies can exacerbate vulnerabilities. However, the long-run positive effect (coefficient = 0.13; t = 4.15) supports the neoclassical view that liberalisation enhances productivity and foreign investment over time, consistent with Edwards' (1993) findings in emerging economies. Contrastingly, Osabohien, Adeleye and Osabuohien (2021) observed minimal long-term growth effects in Nigeria, attributing this to persistent infrastructural deficits and institutional weaknesses, which the current study also considered. This discrepancy highlights the contextual dependency of trade policy outcomes and emphasises the need to account for Nigeria's unique structural challenges, such as oil dependency and informality, when interpreting results.

CONCLUSION AND RECOMMENDATION

Based on the findings, this study concludes that trade liberalisation has dynamic significant impact on economic growth in Nigeria. Thus, this study recommends that the federal government of Nigeria through its ministry of trade and investment, implement phased trade liberalisation with short-term safeguards. Temporary safeguards, such as targeted tariffs for vulnerable sectors (e.g., manufacturing) and fiscal support for displaced workers, could mitigate deindustrialization risks. Concurrently, revenue losses from reduced tariffs could be offset by broadening the tax base or increasing efficiency in non-oil revenue collection.Finally, the federal government of Nigeria should prioritise complementary institutional and infrastructural reforms which will help to amplify the long-term benefits of trade liberalization in Nigeria. Specifically, the federal government should address structural bottlenecks such as poor infrastructure, corruption, and weak regulatory frameworks.

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