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Impact of Foreign Trade on Economic Growth in Nigeria 1981-2018

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ABSTRACT

The work examined the impact of foreign trade on the economic growth in Nigeria captured with data from 1981 to 2018. The major objective of the study is to examine the impact of foreign trade on economic growth in Nigeria; while the null hypothesis is foreign trade has no significant impact on economic growth in Nigeria. The variables used for the research are Real Gross Domestic product Growth Rate (GDPGR), Trade Openness (TO), Exchange Rate (EXCH), Foreign Direct Investment (FDI), Inflation (INFL) and Total Trade (TT). The researcher employed OLS regression techniques. The result shows a long and short run relationship between the dependent variable (Real Gross Domestic product Growth Rate (GDPGR)) and the independent variables (Trade Openness (TO), Exchange Rate (EXCH), Foreign Direct Investment (FDI), Inflation (INFL) and Total Trade (TT)). Trade Openness (TO) is negatively related to Gross Domestic Product Growth Rate (GDPGR) in the short run (-0.072475) but positively related to Gross Domestic Product Growth Rate (GDPGR) in the long run (0.260951). Exchange rate (EXCH) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.005808) and in the long run (0.006482). Foreign Direct Investment (FDI) is negatively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (-0.000000) and in the long run (-0.000000). Inflation (INFL) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.014592) and in the long run (0.014592). Total trade (TT) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.000019) and in the long run (0.000021) The model explain 53% of the changes in Real Gross Domestic product Growth Rate (GDPGR), R^2 value of 53% shows a relatively high explanatory power of the independent variables on the dependent variable. Prob (F-statistic) 0.000506 shows that the variables are jointly significant. The research recommended that the Government should improve on transparency in governance, accountability, political stability and creation of totally an independent Judiciary devoid of corruption so as to boost the confidence of investors coming to the country for investment. Such will create a business friendly image for the nation thus increases in international investors activities; this is in line with the objectives of the research which assesses the impact of foreign trade on economic growth of Nigeria
Keywords: Foreign, Trade, Economic, Growth and Nigeria

INTRODUCTION

Studies on foreign trade have received considerable attention from contemporary finance and economics literature resulting from its role in the provision of revenue, employment, economic stability, Foreign Direct Investment [1, 2, 3]. Trade is widely accepted as a major engine of economic growth even though the composition of trade has changed over the years [4]. Foreign trade has been an area of interest to decision makers, policy makers as well as economists [5]. It enables nations to sell their locally produced goods to other countries of the world. According to [6], foreign trade is the exchange of capital, goods and services between countries [7]. Foreign trade allows a country or nation to expand her markets for both goods and services that otherwise may not have been available to her citizens. Nigeria exports primarily petroleum and other raw materials such as cocoa, rubber, palm kernels, organic oils, and fats [8]. It imports secondary products such as chemicals, machinery, transport

equipment, manufactured goods, food, and animals. The dependence on oil and a few other commodities for export caused Nigeria to become especially vulnerable to world oil price fluctuations [9]. During the colonial years, Britain was Nigeria's leading trading partner. After independence, Nigeria diversified its trading partners. It now trades worldwide with about 100 countries [10]. The United States replaced Britain as the primary trading partner in the 1970's. However, Britain remains Nigeria's leading vendor, selling the former colony more than 14 percent of its imports in the 1990s. Other major trading partners are Germany, France, the Netherlands, Canada, Japan, Italy, and Spain. Nigeria's meager trade with Eastern Europe and the former Soviet Union declined even further after the collapse of Euro- Communism and the breakup of the Soviet Union in the early 1990s. Nigeria's trade with sister African countries—mainly with other West African members of the Economic Community of West Africa (ECOWAS), [11]. The rapid growth of petroleum as an export commodity reversed the trend between 1966 and 1977. Sluggish international demand for Nigerian crude oil renewed the trade deficit from 1978 to 1983. Severe import restrictions and an economic structural adjustment program adopted to address the economic breakdown brought about trade surpluses from 1984 to 1986, and again in 1990. According to [12],For sustained economic growth and development to occur, the gains from trade must be complemented by autonomous productivity increases in the particular economy, savings and investment must rise, and economic policy must be favorable to private initiative, capital inflows and the efficient use of resources. Because of the heterogeneity of country size, natural resources, differences in the external environment and variations in domestic policy, it has been difficult to obtain a simple and unambiguous empirical relationship between foreign trade and economic growth/development. Historical validation has revealed that internationally active countries tend to be more productive than countries which only produce for the domestic market or produce nothing. As a result of globalization, a country's economy has become much more closely associated with external factors such as openness and exchange rate volatility. Against this background, conducting a study on the impact of foreign trade on the economic growth in Nigeria is imperative in this globalize era. It will help policymakers to marshal appropriate policies by determining the sources of productivity growth with respect to international trade.

Statement of the Problem

The importance of foreign trade in the development process has been of interest to development economists and policy makers alike. Imports and exports are key parts of foreign trade and the import of capital goods in particular is vital to economic growth.

Promotion of economic growth is one of the objectives of foreign trade but in recent times, this has not been the case because the Nigerian economy still experience some element of economic instability such as high level of unemployment, price instability and adverse balance of payment, to mention a few. One of the major obstacles why benefits of foreign trade cannot be translated into economic growth is the macroeconomic policy distortions resulting from the trade which turned the country into an import dependent economy. The import of the country grew from NO.7 billion in 1970 to over N562 billion in 1996 and later increase to Nl, 266 billion in 2001, by 2017, it is already N10,804.8 billion (CBN Annual Report, 2017). More so, foreign trade has not accrued into economic growth because some of the goods imported into the country were those that cause damage to the local industries by rendering their product inferior and being neglected, this thereby reduces the growth rate of output of such industries and this later spread to the aggregate economy.

According [11], Nigerian economy has grossly under-performed relative to its enormous resource endowment and her peer nations. With about 37 solid mineral types and a population of over 150 million persons, one of the largest gas and crude oil reserves in the world the economic performance of the country has been described rather weak when compared to the emerging Asian countries such as Thailand, Malaysia, China, India and Indonesia. Those countries had by far lagged behind Nigeria in terms of GDP per capita in 1970, but later they were better able to transform their economies to emerge as major players on the global economic arena. In 1970 for instance, Nigeria had a GDP per capita of US$233.35 and was ranked 88th in the world, when China was ranked 114th with a GDP per capita of US$111.82; Today, China occupies an enviable position in the global scheme of affairs largely owing to her self-esteemed trade position. While Nigeria offers firms export opportunities in many sectors, it can pose some daunting challenges including the high cost of doing business in the country, the need to duplicate essential infrastructure, the threat of crime and associated need for security counter measures, corruption, the lack of effective judicial due process, and non transparent economic decision making, especially in government procurement. Clearance of goods at ports can be slow, cumbersome, and highly bureaucratic. Corruption and congestion remain major issues at ports. Due to the reasons stated above, it is worthy of note to analyze the influence of foreign trade on economic growth in Nigeria.

Research questions

1. What is the impact of foreign trade on the economic growth in Nigeria?
2. What is the causality relationship between foreign trade and economic growth in Nigeria?

Objectives of the Study:

The broad objective of the study is to analyze the impact of foreign trade on economic growth in 2152

2. To examine the causality relationship between foreign trade and economic growth in Nigeria.

Hypotheses of the Study

H_{01} : Foreign trade has no significant impact on economic growth in Nigeria.

H_{02}: There is no causality relationship between foreign trade and economic growth in Nigeria.

Significance of the Study

This research work will be beneficial to policy makers to know more about the performance of foreign trade and economic growth in the present. It will also assist in providing the frame work of where work has been done by earlier researchers. It will also provide a insights on which further research in foreign trade could be carried out. Specifically, the research will guide government and investors in the area of; Strategic global business planning, Determining foreign market potential, Decision making, Identifying new global trade opportunities, Enabling cost-benefit analysis, Guiding the international marketing process, Minimizing global trade risks, Identifying potential problems and challenges, Monitoring foreign market performance. Thus this research will help identify markets that are likely to be unprofitable, cultural or financial issues that might make international trade unlikely to flourish in what seems to be a promising market, or a market that has not yet been exploited. The research will helps reduce the uncertainty associated with new international ventures, reduces the chances that decisions will be based on erroneous assumptions about a market and enables a systematic assessment of the benefits and disadvantages associated with international ventures

Scope and Limitations of Study

This study is constructively limited on the analysis of the impact of foreign trade on the economic growth in Nigeria captured with data from 1981 to 2018.

The researcher has some constraints against this work such as; the research work conflicts with other programmes of the researcher. The researcher also has occupational work and therefore, time constituted a serious problem to this study. Lastly, limited fund appeared to have constrained this study for a work of this nature require huge amount of money for consultations. The above limitations affected the thorough and timely delivery of this work by the researcher.

METHODOLOGY

Research Design

The work will employ Ex-post facto research design. Being an empirical analysis of the impact of foreign trade on the economic growth in Nigeria, the data to be used will be of secondary type. These will be collected from CBN Statistical Bulletin and World Bank Data Base. In line with previous similar studies on the analysis of the impact of foreign trade on the economic growth in Nigeria, ordinary least square regression will be used to test the hypothesis of the study. The need to analyze and supply the numerical estimate of coefficients of the independent variables in relationship to the dependent variable, will be backed up with relevant time series data, which will span a period from 1981-2018.

Theoretical framework

The linkage between foreign trade and economic growth has occupied a central position in Hecksher-Ohlin theory. In examining this on Nigeria's data, the study uses the Hecksher-Ohlin international trade theory to explain the effect of foreign trade on the growth in the economy. The theory stresses that countries should produce and export goods that require resources (factors) that are abundant and import goods that require resources in short supply. The H-O theory states that a country should specialize in production and export using the factors that are most abundant, and thus the cheapest. The model suggests that the less develop countries that are labor abundant should specialize in the production of primary product especially agricultural product because the labor requirement of agricultural is high except in the mechanized form of farming. On the other hand, the less developed countries should import capital-intensive product mostly the manufactured goods from developed countries that are capital intensive. The application of this theory, however, has been extended and augmented to incorporate the economic variables such as Real Gross Domestic product Growth Rate, Trade Openness, Total Trade, Foreign Direct Investment, Exchange Rate and Inflation.

The Error Correction Mechanism

Error Correction Mechanism belongs to a category of multiple time series models most commonly used for data where the underlying variables have a long-run stochastic trend, also known as cointegration. ECMs are a theoretically-driven approach useful for estimating both short-term and long-term effects of one time series on another. The term error-correction relates to the fact that last-period's deviation from a long-run equilibrium, the *error,* influences its short-run dynamics. Thus ECMs directly estimate the speed at which a dependent variable returns to equilibrium after a change in other variables. The researcher used Error Correction Model (ECM) to capture the short run properties. The error correction term must be negative. A higher value signifies superiority. In order to test for the dynamic relationship between the variables in the model, the study compares the speed of adjustment using the ECM mechanism. If the ECM term is positive, it means that it is not in equilibrium. The ECM term is expected to be negative. If ECM parameter is between -1 and -0, this can suggest that the discrepancies between shocks and the trend are reduced in less than one year. If the coefficient on the error correction term is negative and statistically significant, is consistent with error correcting behavior. The bigger the

(negative) statistically significant coefficient, the more rapid is the correction. Positive greater than one value may indicate autocorrelation.

Data Required and Sources

The data{ Real Gross Domestic product Growth Rate (GDPGR), Trade Openness (TO), Exchange Rate (EXCH), Foreign Direct Investment (FDI), Inflation (INFL) and Total Trade (TT)}to be used in this research are from secondary sources. All these data are sourced from central bank of Nigeria statistical bulletin 2018 and World Bank.

Econometric Software for the Work

The research utilized Eviews 9 econometric software for the analysis.

PRESENTATION AND ANALYSIS OF RESULTS

Unit Root Test

This section presents and analyses the estimated results based on the model specified in the previous section. In order to conduct a comprehensive dynamic analysis preliminary unit roots tests are performed on the data. The importance of stationarity of time series used in regression borders on the fact that a non-stationary time series is not possible to generalize to other time periods apart from the present. This makes forecasting based on such time series to be of little practical value. Moreover, regression of a non-stationary time series on another non stationary time series may produce spurious result. The Augmented Dickey Fuller (ADF.) test is employed in order to analyze unit roots.

The Augmented Dickey Fuller (ADF) test

Variables	ADF Test Statistics	5% Critical value	Order of integration
GRGDP	-5.055408	-3.536601	1(0)
TO	-7.548123	-2.945842	KD
EXCH	-4.216628	-2.945842	1(1)
FDI	-7.089848	-2.945842	KD
INF	-3.961674	-3.540328	1(0)
TT	-3.852397	-3.580623	1(0)

The Augmented Dickey-Fuller (ADF) test for stationarity at 5% level of significance shows that in Real Gross Domestic product Growth Rate (GDPGR), Inflation (INFL) and Total Trade (TT), there are no unit root problem as the variables are all stationary at levels form. In Trade Openness (TO), Exchange Rate (EXCH) and Foreign Direct Investment (FDI) variables, there are unit root problem in the variables as they are not stationary at level form. However, the variables became stationary at the same order of integration (first difference). This implies that we cannot use the variables as they are for time series OLS regression, given that one of the conditions of time series regression is that the variables must be stationary. Where a unit root problem is found in the model, a co-integration test will be done to determine the existence of a long-run relationship between variables and followed by an error correction model in order to adjust the short-run disequilibrium to long-run equilibrium.

Test of Cointegration

To test for co-integration among the variables, since we have mixture of 1(0) and I(l),we will use Bounds Testing Approach. According to [9], bounds testing procedure is a powerful statistical tool in the estimation of level relationships when the underlying property of time series is entirely 1(0), entirely 1(1) or jointly co-integrated.

The cointegration test result is as follows;

ARDL Bounds Test
Sample: 19852018
Included observations: 34
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	5.268663	5
Critical Value Bounds		
Significance	10 Bound	11 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Bounds Testing co-integration was carried out using Eviews 9.statistical software package; From the result, F-statistic value is 5.268663 which is greater than lower bound IQ (2.62) at 5% level of significance and the upper bound Ii(3.79) at same level of significance. Hence there is long run relationship between the variables.

Cointegrating And Long Run Form
Dependent Variable: GDPGR
Selected Model:(1, 1,0,0,0,0)
Sample: 1981 2018
Included observations: 37

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(TO)	-0.072475	0.145253	-0.498959	0.6216
D(EXCH)	0.005808	0.020788	0.279391	0.7819
D(FDI)	-0.000000	0.000000	-0.202948	0.8406
D(INFL)	0.014592	0.069234	0.210761	0.3345
D(TT)	0.000019	0.000225	0.083607	0.9339
CointEq(-l)	-0.896028	0.171772	-5.216385	0.0000

Cointeq = GDPGR - (0.2610*10 + 0.0065*EXCH -O.OOOOTDI + 0.0163 *INFL + o.oooonr -5.0714)

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prot.
TO	0.260951	0.117411	2.222547	0.0342
EXCH	0.006482	0.023383	0.277213	0.7836
FDI	-0.000000	0.000000	-0.200691	0.8423
INFL	0.016285	0.077633	0.209771	0.8353
TT	0.000021	0.000250	0.083853	0.9337
C	-5.071388	4.153232	-1.221070	0.2319

(i) From the result above Trade Openness (TO) is negatively related to Gross Domestic Product Growth Rate (GDPGR) in the short run but positively related to Gross Domestic Product Growth Rate (GDPGR) in the long run. A unit change in Trade Openness (TO) will lead Gross Domestic Product Growth Rate (GDPGR) to decrease by 0.072475 in the short run but in the long run it will lead to increase by 0.260951.
(ii) Exchange rate (EXCH) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run and in the long run. A unit change in Exchange rate (EXCH) will lead to increase in Gross Domestic Product Growth Rate (GDPGR) by 0.005808 in the short run and 0.006482 increases in the long run
(iii) Foreign Direct Investment (FDI) is negatively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run and in the long run. A unit change in Foreign Direct Investment (FDI) will to decrease in Gross Domestic Product Growth Rate (GDPGR) by 0.000000 both in short run and long run.
(iv) Inflation (INFL) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run and in the long run. A unit change in Inflation (INFL) will lead to increase in Gross Domestic Product Growth Rate (GDPGR) by 0.014592 in the short run and 0.016285 increases in the long run
(v) Total trade (TT) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run and in the long run. A unit change in Total trade (TT) will lead to increase in Gross Domestic Product Growth Rate (GDPGR) by 0.000019 in the short run and 0.000021 increases in the long run
(vi) The error correction coefficient, which indicates the speed of adjustment, has a negative sign. This is expected as it is the condition for accepting the model. From the result of the model presented above, the ECM is -0.896028 which means that the speed of adjustment in the short run is 89% and the ECM is statistically significant.

Regression Model
Dependent Variable: D(GDPGR)
Method: Least Squares
Sample (adjusted): 1982 2018
Included observations: 37 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob,
C	0.721641	1.208947	0.596917	0.5550
D(TO)	-0.133191	0.134167	-0.992723	0.3288
D(EXCH)	-0.065313	0.061986	-1.053674	0.3004
D(FDI)	-2.16E-10	1.04E-09	-0.207869	0.8367
D(INFL)	-0.070751	0.072843	-0.971278	0.3392
D(TT)	-7.08E-05	0.000153	-0.462690	0.6469
ECM(-1)	-0.881398	0.175222	-5.030164	0.0000
R-squared	0.530610	Mean dependent var		0.407159
Adjusted R-squared	0.436732	S.D. dependent var		8.779622
S.E. of regression	6.589208	Akaike info criterion		6.777401
Sum squared resid	1302.530	Schwarz criterion		7.082169
Log likelihood	-118.3819	Hannan-Quinn criter.		6.884846
F-statistic	5.652130	Durbin-Watson stat		1.829268
Prob(F-statistic)	0.000506			

Discussion of the Results
From the regression model, Prob(F-statistic) is 0.000506 which shows that the variables are jointly significant. R^2 value is 0.530610, which means that the independent variables can explain about 53 percent changes in economic growth of Nigeria (GDPGR).
Granger Causality test
Pairwise Granger Causality Tests
Sample: 1981 2018
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
TO does not Granger Cause GDPGR GDPGR does not Granger Cause TO	36	4.54122 0.67407	0.0186 0.5169
EXCH does not Granger Cause GDPGR GDPGR does not Granger Cause EXCH	36	0.62268 0.16519	0.5431 0.8485
FDI does not Granger Cause GDPGR GDPGR does not Granger Cause FDI	36	0.85179 3.69505	0.4364 0.0364
INFL does not Granger Cause GDPGR GDPGR does not Granger Cause INFL	36	0.39811 1 .49924	0.6750 0.2390
TT does not Granger Cause GDPGR GDPGR does not Granger Cause TT	36	0.45305 0.05659	0.6398 0.9451

(i) There is uni-directional causality relationship between Trade Openness (TO) and Gross Domestic Product Growth Rate (GDPGR) in Nigeria; hence Trade Openness (TO) Granger causes Gross Domestic Product Growth Rate (GDPGR).
(ii) There is uni-directional causality relationship between Foreign Direct Investment (FDI) and Gross Domestic Product Growth Rate (GDPGR) in Nigeria; hence Gross Domestic Product Growth Rate (GDPGR) Granger causes Foreign Direct Investment (FDI).
(iii) There is no Causality between Inflation (INFL), Exchange rate (EXCH), Total trade (TT) and Gross Domestic Product Growth Rate (GDPGR).

Test of Hypotheses

Hypothesis I

H_{01}: Foreign trade has no significant impact on economic growth in Nigeria. The f-statistics (0.000506) revealed that the variables are jointly statistically significant determinates of economic growth of Nigeria. Therefore, we reject the null hypothesis and conclude that foreign trade has significant impact on economic growth in Nigeria

Hypothesis II

H_{02}: There is no causality relationship between foreign trade and economic growth in Nigeria. From the result of the causality test, we reject the null hypothesis and conclude that there is causality relationship between foreign trade and economic growth in Nigeria.

CONCLUSION AND RECOMMENDATIONS

The work examined the impact of foreign trade on the economic growth in Nigeria captured with data from 1981 to 2018. The Augmented Dickey-Fuller (ADF) test for stationarity at 5% level of significance shows that in Real Gross Domestic product Growth Rate (GDPGR), Inflation (INFL) and Total Trade (TT), there are no unit root problem as the variables are all stationary at levels form. In Trade Openness (TO), Exchange Rate (EXCH) and Foreign Direct Investment (FDI) variables, there are unit root problem in the variables as they are not stationary at level form. However, the variables became stationary at the same order of integration (first difference). Result of the Bounds Testing co-integration shows that F-statistic value is 5.268663 which is greater than lower bound I_0 (2.62) at 5% level of significance and the upper bound Ii(3.79) at same level of significance. Hence there is long run relationship between the variables. Trade Openness (TO) is negatively related to Gross Domestic Product Growth Rate (GDPGR) in the short run (--0.072475) but positively related to Gross Domestic Product Growth Rate (GDPGR) in the long run (0.260951). Exchange rate (EXCH) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.005808) and in the long run (0.006482). Foreign Direct Investment (FDI) is negatively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (-0.000000) and in the long run (-0.000000). Inflation (INFL) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.014592) and in the long run (0.014592). Total trade (TT) is positively related to the Gross Domestic Product Growth Rate (GDPGR) both in the short run (0.000019) and in the long run (0.000021). The error correction mechanism (ecm), which indicates the speed of adjustment, has a negative sign (-0.896028) and statistically significant (0.0000). Prob(F-statistic) is 0.000506 which shows that the variables are jointly significant. R value is 0.530610 which shows above average explanatory power of the independent variables on the dependent variable.There is uni-directional causality relationship between Trade Openness (TO), Foreign Direct Investment (FDI) and Gross Domestic Product Growth Rate (GDPGR) in Nigeria and there is no Causality between Inflation (INFL), Exchange rate (EXCH), Total trade (TT) and Gross Domestic Product Growth Rate (GDPGR).

CONCLUSION

Foreign trade no doubt is of great significance to the growth of any economy, but in developing countries, they seem to benefit less from foreign trade as the volume of import exceed their volume of export and a very minimal foreign direct investment inflow. From the results obtained, foreign trade is playing a major role in economic growth of Nigeria but then, all the variables applied as proxies to foreign trade shows variation in relationship with GDP in the long run and in the short run. This indicates a major problem in the economy of the nation. The cause of the problem therefore is the existence of monoculture where only oil acts as the sole support of the economy at large without tangible support from other sectors such as industrial, manufacturing, and agriculture. Obviously, import exceeds export; this indicates that the position of oil export only cannot effectively shield the excessive and detrimental influence of importation on the economy. Overall, foreign trade is a catalyst to boost the economic prosperity of Nigeria; thus, leading to the rejection of the hypothesis formulated for this study.

RECOMMENDATIONS

Following from the research findings above, it is recommended that;

1. foreign Direct Investment (FDI) from the estimation output shows a negative relationship with Gross Domestic Product both in the short run and the Long run, thus this means that inconsistence in FDI as evidenced by the time series data utilized for the research is affecting the economic growth of Nigeria, Government should improve on transparency in governance, accountability , political stability and creation of an independent Judiciary devoid of corruption so as to boost the confidence of investors coming to the country for investment. Such will create a business friendly image for the nation thus increases in international investors activities.

2 Total Trade significantly impact on Gross Domestic Product both in the short run and in the long run but the impact is very minimal, hence this shows that the economy benefits less in economic activities due to Capital flight, hence the government should support production of goods and services through provision of capital to the manufacturing sector, power and enhancing public sector which normally regulates the private sector with impunity.

3. The nation should ensure stable exchange rate value of Naira. Such should be achieved through the Central bank of Nigeria monetary policy instruments. Hence the volatility of the nation's exchange rate affects overall economic activities of the country negatively and should be addressed. To achieve high Naira to Dollar ratio, the nation should consider interest rate manipulation to attract foreign funds, selling foreign assets, reduction of inflation and investment in the real sector to discourage importation.

4. Trade Openness Granger causes the Gross Domestic Product, buts its relationship with GDP in the short run and the long run are not same. Hence its shows issues of policy inconsistency in the foreign trade policies of the Nation. Nigeria is advised to establish Foreign Trade Commission to help coordinate Nigeria foreign Trade policies and Activities

5. There is uni-directional causality relationship between Foreign Direct Investment (FDI) and Gross Domestic Product Growth Rate (GDPGR) in Nigeria; hence Gross Domestic Product Growth Rate (GDPGR) Granger causes Foreign Direct Investment (FDI). Thus; this means that the volume of economic activities in the country determines foreign investors interest in the Nation, therefore Government should create enabling business friendly environment for economic activities to move forward. This can be achieved through elimination of multiple taxation system and review Of Nigerian Land use act to reduce challenges most investors encounter in accessing lands; this is in line with the objectives of the research which assesses

the impact of foreign trade on economic growth of Nigeria.

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