Free Trade, Export Expansion and Economic Growth in Nigeria

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Abstract: *Free trade and export expansion policies of government are meant to encourage increase in output as measured by Real Gross Domestic Product (RGDP). This paper seeks to examine the relationship between free trade, export expansion and Economic Growth in Nigeria. The study employs Ordinary Least Square (OLS) regression technique in data analysis for the period spanning 1985 and 2015. RGDP, total import, total export, foreign exchange rate, total government expenditure and inflation rate were used as variables. Unit Root test and Johansen's Cointegration test were carried out. The study revealed that there is positive and statistically significant relationship between foreign exchange rate, total government expenditure and RGDP; negative and non-significant relationship between total export and RGDP; and positive and non-significant relationship between total import, inflation rate and the RGDP. Negative relationship between RGDP and total export is against the theorising of Mercantilism as this brings about unfavourable balance of trade position. It is recommended that effort aimed at boosting export and attaining a favourable foreign exchange rate should be encouraged.*
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Key Words: *Free Trade, trade liberalisation, Export Expansion, Economic Growth*

I. Introduction

Trade is the life wire of every nation or country. It forms the basis of rating countries economically. It is the chief source of foreign exchange to a country. The volume and the direction of a country's trade is a key index to measuring the country's growth. Furthermore, government believes that the sustainable path to economic growth lies in export expansion (Akanni, Akinleye and Oyebanjo (2009)[1]. The issue of trade volume and export expansion cannot be mentioned in isolation. In that regards, international trade has to be considered. According to Akande et al. (1991)[2] International trade is a trade across borders, which takes place between two or more countries. This trade is brought about as a result of differences in productive capacities of countries. It owes largely to differences in many factors governing production of various commodities in different regions of the world. Again, regional division of labour or specialization requires people in a given geographical area to specialize in doing what they can do best in their own economic circumstances.

As succinctly stated by Osa (2014)[3], trade liberalization means free trade. Free trade policy refers to a trade policy without any tariffs, quantitative restrictions and other devices obstructing the movement of goods between countries .Arguments advanced for free trade include maximization of output, optimum utilization of resources and optimum consumption. Protection policy on the other hand, entails protection of domestic industries from foreign competition. The aim is to impose restrictions on the imports of low- priced products in order to encourage domestic industries. This is done by the imposition of import duties, quotas or outright ban of some imported goods. The major arguments in favour of protectionism include protection of infant industries, terms of trade, anti dumping, diversification, among others.

Conceptually, free trade begets export expansion. This research aims at examining the impact of free trade and export expansion on economic growth of Nigeria. It would be recalled that the Structural Adjustment Programme (SAP) experimented in 1986 had trade liberalization as one of its cardinal objectives. International trade is the trade between two nations or countries. This is different from inter- regional trade which refers to trade between regions within a country. International trade has its roots in the desire of countries of the world to exploit the inherent gains from engaging in international trade which is derived from the differences in national endowments of the trading partners.

Full realization of the benefits of international trade has not been achievable in Nigeria due to lots of inconsistencies in the nation's trade policies (FRN 2000)[1]. In fact, lack of continuity in their implementation, particularly the good ones, has caused a lot of havoc to the Nigerian international trade arrangements. Generally, free trade policies aim at maximizing the benefits from globalization, promotion of domestic industries and value-added exports. Some of the trade policies in Nigeria are tariffs, subsidies and export control.

1.1 Objectives of the Study
The main objective of this study is to assess the impact of free trade and export expansion on the economic growth of Nigeria. Specific objectives shall include;
i)   To assess the importance of free trade in Nigeria;
ii)   To assess the impact of trade policies on export expansion in Nigeria;
iii) To examine the relationship between free trade, export and economic growth.

II. Literature Review

This section will focus on what other researchers have written on the same or similar topics. It will be divided into two subsections: the theoretical framework and empirical review.

2.1 Theoretical Review:
There are many theories of international trade that are well known in the world today. They include theory of Absolute Advantage, theory of Comparative Advantage, Heckscher-Ohlin theory, Mercantilism, New Trade theory, Leontief Paradox, Product Life Cycle and Porter's Diamond. From the above list, Heckscher-Ohlin, Absolute Advantage, Comparative Advantage, Leontief Paradox, and Product Life Cycle theories tend to promote unrestricted trade. Mercantilism makes case for government involvement in promoting exports and limiting imports while new trade theory and Porter's theory of national competitive advantage justify limited and selective government intervention to support the development of certain export-oriented industries.

Free trade is considered by some economists as most relevant for economic development. Haberler (1961)[1] opines that "free trade is economically advantageous because it maximizes the output of social products". However, a counter argument holds that although the derivable benefits of free trade are laudable, they are to some extent hypothetical, effective only under the conditions of full employment, full allocation of resources and free competition in the economy. Singh (1985)[2] argued that "the applicability of free trade is limited in the case of a developing economy, where a vast segment of the productive resources are still unexploited, with acute problem of unemployment. A free trade regime is capable of compounding these problems by weakening the domestic industries, especially those that lack sufficient competitive powers". Johnson (1965)[3], and Ellsworth (1969)[4] argued in favour of trade intervention owing to the belief that "such interventions would help rectify the defects of free trade and thus provide the opportunity for developing economies to fully derive the benefits of international trade". In any case, these arguments do not in any way negate the fact that international trade plays a vital role in the economic development of any country. Perhaps the conclusion one could draw from the two schools of thought is that for a developing economy, trade intervention policy is preferable.

The idea of adopting free trade option could be considered when the economy has attained   full capacity. Meanwhile, it is necessary to point out that in today's world the concept of free trade is utopian (Analogbei, n.d.)[5]. Trade intervention is practiced in every country, except that the degree of intervention varies from country to country. Official intervention in trade processes is made possible through the implementation of trade policies. For developing countries that have adopted National Development Plan as a development strategy, trade policies are the instruments used for effective channelling of resources to appropriate sectors of the economy towards meeting planned objectives. According to Singh (1985)[2], these groups of countries "have high income elasticity of demand for imports. The scarce foreign exchange available to them has to be judiciously utilised in line with deliberate trade policies and in accordance with development priorities". In other words, trade policies are essential for ensuring optimal allocation of scarce resources. It is very clear from the foregoing that there is an integrated relationship between trade and economic growth.

The total output of an economy is mirrored by the Gross National Product (GDP). Lloyd (1968)[6] opined that "the national income is the result and the most common summary measure of a nation's economic performance. It is the reflection of the prevailing pattern of production and international trade". The ratio of exports of goods and services to domestic product shows the share of output produced in the export sector, and the ratio of imports of goods and services to domestic product is an indication of the proportion of income expended on imports. The ratio of the sum of exports plus imports of goods and services to domestic product is the summary measure of the extent of a country's involvement in international trade. The productivity of the entire economy is the index of total economic output to the value of total input (Alabi, 1987)[7]. The external trade productivity of the economy will then be the index of total economic output to the value of total trade. Productivity can be increased by either a higher output per unit of resources or producing the same level of output with a reduced amount of input.

2.2 Review of Nigeria's Trade Policies:

Nigeria's trade policies could be discussed under two broad regimes, that is, Pre-Structural Adjustment Programme (SAP), and post-SAP. Throughout these regimes, trade policies exhibited identical characteristics of being short-term in nature (operational within each fiscal year and reviewed thereafter), and directed at meeting specific objectives such as, ensuring balance of payments viability and export promotion. They were also meant to complement other policy initiatives, such as, industrialisation policy, employment creation and self-sufficiency policies, etc. (Analogbei, n.d.)[5].

The trade policies implemented under the two regimes were as follows: (i) **Pre-SAP Trade Policies:** Nigeria's economy was in many respects, rural and relatively backward, purely agrarian with very narrow industrial base at independence. In an effort to modernise the economy, the early political leaders adopted development planning strategy as an instrument for securing a steady and rapid growth of the economy. Emphasis was placed on accelerated development of the economy through expansion in the nation's industrial base. The idea was for the country to be able to at least produce some of her consumables locally and in effect reduce dependence on external sources for the supply of such items.

In order to finance the imports necessary for the prosecution of the industrialisation programme, exports of cash crops which were then the main source of foreign exchange had to be enhanced. Thus, farmers were encouraged to expand their production of cash crops with guaranteed external markets by the Marketing Boards. The export basket consisted of cocoa, palm produce, rubber, groundnut, ginger, and some solid minerals, coal and tin. The insatiable urge to quicken the pace of development gave rise to heightened demand for imports, which in turn exerted pressures on the balance of payments. Consequently, the trade policies had to be restrictive in order to moderate the demand pressures. Exchange control measures were then introduced to adjust the demand for foreign exchange to the available supply so as to maximise the use of reserves by ensuring that essential imports were accorded priority over other imports in the use of foreign exchange resources. Also, in order to give effect to the import substitution industrialisation policy, trade barriers in the form of imports licensing was put in place to complement imports tariffs in the control of import, as well as protect domestic industries that were set up to produce import substitutes. The customs tariff structure was deliberately discriminatory, biased in favour of capital goods and raw materials. Items considered as luxury goods were either put on import prohibition list or had very high import tariffs placed on them.

In terms of directional flow of trade, Nigeria's imports and exports were concentrated in the Western Hemisphere, although not as a deliberate policy, but due to historical inheritance. The second National Development Plan (1970-74) came on the heels of the termination of Nigeria's civil war. The major strategy of the plan was to secure economic growth through the replacement of destroyed assets and restoration of the productive capacity of the country, as well as ensure equitable distribution of the fruits of development. It was also envisaged that by the end of the plan period, Nigeria would have been able to produce its own goods and services, finance its development, rely on its own labour, as well as strive for the best terms for its exports. Towards this end, the plan was designed to incorporate and enhance the priority areas of the 1962 - 68 plan. That is, enhance agricultural and industrial production, as well as develop high level and intermediate level manpower. Additional inputs were therefore required for the execution of the plan which eventually gave fillip to import demand. To moderate the pressures, restrictive trade policies were retained and strengthened. Exchange control measures became stringent with the introduction of foreign exchange budgeting in 1971/72 to relate aggregate foreign exchange expenditure, by category, to income. Similarly, import licensing was intensified and increasing number of non-essential items were placed under ban, while some finished consumer items considered not too essential were placed under specific license so as to keep their importation within specified quota. Mid-way into the execution of the second development plan the external reserves position of the country witnessed dramatic change for the better, following increases in the international price for crude oil.

According to CBN (1979), "the sudden and unexpected increase in the prices of crude petroleum in 1973 coupled with the country's low absorptive capacity, and the existence of various production bottlenecks in the economy had by 1974 led to a situation whereby the country was faced with surfeit of funds for which it had no immediate investment outlet internally. In the circumstance, it was thought that the exchange control regulations needed further liberalization". Consequently, the restrictions on import payments were removed in 1974. The boom from the crude oil export earnings spilled into the Third National Development Plan (1975 - 80). The design of the Third National Development Plan was very ambitious, predicated on enhanced earnings from the oil sector of the economy. Trade policies were accordingly relaxed. By the time the Fourth National Development Plan (1981 -85) came up, the economy had started experiencing declines in foreign exchange earnings which was climaxed by the oil shock of the early 1980s. Oil price fell precipitously, but the demand for imports maintained the upward direction. The external reserves level which could finance about 24 months of imports in 1974, could only support 1.8 months by the end of 1978, and less than one month in the early 1980s. This was a reflection of the fact that import demand had become price inelastic, and the resultant effect

manifested in balance of payments deficits. Concerted efforts were then made to control the import trend through imposition of stricter trade restrictions.

The high level of controls administered by innumerable persons further created administrative bottlenecks. The inability of the control measures to effectively secure downward adjustment to imports demand against the backdrop of shrinking export earnings gave rise to serious payments imbalance which required urgent and drastic remedial actions from the authorities.

(ii) **Trade Policies during SAP**: The magnitude of the distortions in the economy ushered in by the culture of controls made it imperative for government to take urgent and drastic actions to ameliorate the situation. Thus, in July, 1986, the Structural Adjustment Programme (SAP) was introduced to tackle the problem of imbalances in the economy and thereby pave the way for stable growth and development. The main elements of the programme include: (a) restructure and diversify the productive base of the economy in order to lessen the dependence on the oil sector and on imports; (b) achieve fiscal and balance of payments viability over time; (c) lay the basis for sustainable, non-inflationary growth; and (d) lessen the dominance of unproductive investments in the public sector, improve the sector's efficiency and intensify the growth potential of the private sector.

(iii) Recently, the Central Bank of Nigeria (CBN) has excluded importers of forty one (41) items from accessing foreign exchange at the Nigerian foreign exchange markets in order to encourage local production of these items. These products are now non-valid for foreign exchange in the Nigerian foreign exchange markets (CBN, 2015). Also, the federal government has reduced import duties on more than eighty nine (89) items in various sectors of the nation's economy. The Federal government said the reduction approved is to promote development in critical sectors of the economy, and is part of 2016 Fiscal Policy measures (Olawoyin, 2017)[1].

A number of strategies were enunciated to achieve the broad objectives of the SAP. Specific to international trade, the primary focus was on liberalization of trade and the pricing system, with emphasis on the use of "appropriate price mechanism for the allocation of foreign exchange". The Second-tier Foreign Exchange Market (SFEM) was then introduced, under which the exchange rate of the naira was to be determined by the market forces of demand and supply. The price determination mechanism provided the means for ultimate allocation of foreign exchange to end-users as against the erstwhile use of administrative discretion. The application of import and export licensing became irrelevant in the new dispensation and were consequently abolished. To encourage export activities, the policy which required exporters to surrender their export proceeds to the Central Bank of Nigeria, was abolished. Consequently, exporters were allowed to retain 100 percent of their export earnings in their domiciliary accounts from which they could freely draw to meet all their eligible foreign exchange transactions. Furthermore, under the revised duty drawback/suspension scheme, exporters/producers could import raw materials and intermediate products free from import duty and other indirect taxes and charges. The Export Incentive and Miscellaneous Provisions Decree of 1986 was promulgated to encourage exports.

Through it, the CBN could provide refinancing and rediscounting facilities to banks to encourage them to provide export financing to their customers. Also, the Nigerian Export Credit Guarantee and Insurance Corporation came on stream in 1988, and was subsequently renamed Nigerian Export-Import Bank (NEXIM), to provide credit and risk bearing facilities to banks, so as to encourage them to support exports. In the area of imports, the devalued exchange rate of the naira at the different shades of the Foreign Exchange Market, either SFEM, AFEM or IFEM, was meant to make imports dearer and thus discourage excessive importation and thereby reduce the pressure on the balance of payments. Import licensing was abolished and reliance was placed on the use of customs tariff for the control of imports. The list of items on the imports prohibition list was also drastically reduced.

2.3 Empirical Literature:

Several empirical works have been done in the area of free trade, export expansion and economic growth. A review of the under listed was done. Arodoye and Milton (2014)[8] examined the nexus between foreign trade and economic growth in Nigeria using quarterly time-series data for 1981Q1 through 2010Q4. In order to fully account for feedbacks, a vector autoregressive model was utilized. The results showed that there is a stable, long- run relationship between foreign trade and economic growth. The variance decomposition results showed that the predominant sources of Nigeria economic growth variation are due largely to "own shocks" and foreign trade innovations. The study recommended adoption of trade expansion policies as a means of accelerating economic growth in Nigeria.

Edoumiekumo and Opukri (2013)[9] examined the contributions of international trade (proxied with export and import values) to economic growth in Nigeria measured by real gross domestic product (RGDP). They used time series data obtained from CBN for a period of 27 years. Augmented Dickey-Fuller (ADF) test was used for the unit root test and the variables were stationary at levels I(0). Johansen's co-integration test was also conducted to establish short and long run relationships between the two variables. The result showed two co-integrating equations which establish the existence of long run relationship among the variables. Ordinary

Least Square statistical technique was used to assess the degree of influence the variables have on each other. The results showed that positive relationship exists between the variables, RGDP, export and import. The export parameter is insignificant at 5 percent. The overall model is significant at 5 percent. They also used Granger causality test to study the causality between the variables and realized a uni-directional relationship. Real GDP Granger cause export and import Granger cause RGDP and export. They recommended that Nigeria needs to increase or diversify her export goods to enjoy more of the benefits of international trade.

According to Nwachukwu (2014)[10], Export promotion strategy is a deliberate government policy undertaken to encourage and boast the production of commodities for export. Using the econometric tool of regression analysis, the infrastructure bore a negative relationship with the GDP and credit from commercial bank and tariffs have positively affected economic growth in Nigeria. This was supported by their t-statistics which were all significant. He recommended that government should enforce non-oil export policies towards resuscitating the failing non-oil export industry, improve on export incentives and infrastructures, review policies and practices that are not favorable to the exporters in the country.

Adenugba and Dipo (2013)[11] examined the performance of non – oil exports over the years as well as the reason for that pattern and level of performance. The study evaluated the performance of Nigeria's export promotion strategies as to whether they have been effective in diversifying the productive base of the Nigerian Economy from Crude oil as the major source of foreign exchange. The study covered the period from 1981 through 2010. Findings from the study revealed that non – oil exports have performed below expectations giving reason to doubt the effectiveness of the export promotion strategies that have been adopted in the Nigerian Economy. The study revealed that the Nigerian Economy is still far from diversifying from crude oil export and as such the crude oil sub – sector continues to be the single most important sector of the economy. The study made some recommendations for diversification to be achieved and for enhancing the productivity and output of non –oil commodities as well as providing markets for the commodities.

Hamad and Babiker (2014)[12] analyzed the effect of trade liberalization on economic growth in Tanzania. The study adopted a simple linear regression model where real GDP was the dependent variable while trade openness was the independent variable. Annual time series data was used covering the period 1970-2010. The overall period was then subdivided into a closed economy period (1970-1985) and an open economy period (1986-2010). OLS technique was used to estimate the regression model twice, regarding the two sub-periods. The empirical findings indicated that trade openness had a positive and significant effect on economic growth in Tanzania. However, this effect was relatively greater during the closed economy compared to the open economy period.

Echekoba, Okonkwo and Adigwe (2015)[13] explored the relationship between trade liberalization and economic growth. Data for the period, 1971-2012, was analyzed with the help of the Ordinary Least Squares (OLS) regression technique. The results provided clear indication that imports and exports significantly and positively affect economic growth in Nigeria. Thus, the study concluded that trade liberalization is good for the Nigerian economy; although it has to be handled carefully as it also has some negative effects. In line with the findings of the study, some policy options were recommended in order to ensure that trade liberalization is beneficial to the Nigerian economy and to improve the international trading position of Nigeria.

Ulaşan (2012)[14] of the Central Bank of the Republic of Turkey, in a discussion paper titled "Openness to International Trade and Economic Growth: A Cross-Country Empirical Investigation," revisited the empirical evidence on the relationship between trade openness and long-run economic growth over the sample period 1960-2000. In contrast to previous studies focusing mainly on the period 1970-1990, in order to reassess the openness-growth nexus over a much longer sample period, enabling them to better account for both trade policy stance and long-run growth dynamics. They carried out their empirical investigation by employing various openness measures suggested in the literature rather than relying on a few proxy variables. They also constructed three additional composite trade policy indexes directly measuring trade policy stance. Their findings indicated that many openness variables are positively and significantly correlated with long-run economic growth. However, in some cases, this result is driven by the presence of a few outlying countries. Adding to the fragility of the openness-growth association, the significance of openness variables disappears once other growth determinants, such as institutions, population heterogeneity, geography and macroeconomic stability are accounted for.

Economic openness, generally considered trade liberalization, is a vital condition for the creation of a favourable position on international markets. That is why different degrees of openness may explain the variation of economic growth of countries, due to several determinants. Among the first to be mentioned is the evolution of the exchange rate. Its volatility may affect the volume of trade, by diminishing the exports and increasing the imports, or vice versa. With the assumed uncertainty, the country manages to interact with the rest of the world, having access to new inputs or partially covering the external demand. In literature these two aspects are very often used to measure the degree of economic openness in the simplest manner. Authors refer to the ratio of total value of external trade in the national product as main indicator (Yanikkaya, 2003)[15].

III. Methodology

The study adopts a secondary data research design. Data used for the study are secondary in nature and were obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin.

3.1 Model Specification

The study employs the Ordinary Least Square (OLS) regression technique to analyse the relationship among Free Trade proxied by total import (TOIMP), total export (TOEXP), foreign exchange rate (FEX), total government expenditure (TGE), inflation (INFLN) and Economic Growth {proxied by Real Gross Domestic Product (RGDP)}. Considering the fact that foreign exchange is required in this transaction, the researcher considered exchange rate necessary in the model. Also, the purchasing power of local currency is a powerful determinant of the volume of export that can be made in a year. In the model, Real Gross Domestic Product is expressed as a function of Total Import, Total Export, Foreign Exchange Rate, and Inflation Rate.

The functional form of the model is:

RGDPGR   = f(TOIMP, TOEXP, FEX, TGE, INFLN)
                            (-)(+)   (+)   (+)   (-)

RGDP   = Real Gross Domestic Product
TOIMP   = Total Import
TOEXP   = Total Export
FEX   = Foreign Exchange Rate
TGE   = Total Government Expenditure
INFLN   = Inflation Rate

A priori Expectations: The operators/signs in parentheses represent a priori expectations about the coefficients of the variable above it.

IV. Results And Discussion

4.1 Diagnostic Test: Unit Root Test

This investigation involved time series data which are prone to some defects including serial correlation. This prompted the researchers to conduct unit root test to prove the level of stationarity of the variables and the result is presented in table 4.1 below. Augmented Dickey-Fuller test was conducted. The test was done to determine whether the series: Real Gross Domestic Product (RGDP), Foreign Exchange Rate (FEX), Inflation Rate (INFLN), Total Government Expenditure (TGE), Total Import, and Total Export are stationary.

Table 4.1: Result of Unit Root Test Based On Augmented Dickey – Fuller (ADF)

Variable	ADF	CRITICAL VALUE @			Order of Integration	Max lag	P-value
		1%	5%	10%			
RGDP	-6.308171	-4.323979	-3.580623	-3.225334	I(2)	7	0.0001
FEX	-4.916602	-4.309824	-3.574244	-3.221728	I(1)	7	0.0024
TOIMP	-5.314208	-4.309824	-3.574244	-3.221728	I(1)	7	0.0009
TOEXP	-5.696667	-4.339330	-3.587527	-3.229230	I(2)	7	0.0004
TGE	-7.518745	-4.339330	-3.587527	-3.229230	I(2)	7	0.0000
INFLN	-5.501467	-4.440739	-3.632896	-3.254671	I(1)	7	0.0011

Source: Computed Eviews 9 Results

Table 4.2 : Cointegration Test Results

Date: 03/02/17   Time: 23:49

Sample (adjusted): 1987 2015

Included observations: 29 after adjustments

Trend assumption: Quadratic deterministic trend

Series: RGDP FEX TOEXP TOIMP TGE INFLN

Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05

No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.837135	134.6668	107.3466	0.0003
At most 1 *	0.651217	82.03667	79.34145	0.0309
At most 2	0.523423	51.49078	55.24578	0.1029
At most 3	0.482000	29.99813	35.01090	0.1557
At most 4	0.283752	10.92251	18.39771	0.3958
At most 5	0.042002	1.244378	3.841466	0.2646

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

After conducting ADF test and at comparing the test statistic values against the MacKinnon critical value at 5% level of significance, it was observed that three variables – RGDP, TOEXP and TGE were stationary at second difference {i.e. 1(2)} while the other three variables FEX, TOIMP and INFLN were stationary at first difference, that is, I(1). With this result, a cointegration test was conducted to test if there is any long-term relationship among the variables. The Johansen cointegration test procedure was adopted and the result in table 4.2 above was obtained. Trace test statistic indicates two cointegrating equations at 5 percent level of significance. This confirms the existence of a long term relationship among the variables.

Table 4.3: OLS Analysis Results

Dependent Variable: RGDP

Method: Least Squares

Date: 03/02/17   Time: 23:41

Sample: 1985 2015

Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16108.20	1095.189	14.70815	0.0000
FEX	45.50173	16.54703	2.749842	0.0109
TOEXP	-0.097269	0.344259	-0.282546	0.7799
TOIMP	1.227081	0.793723	1.545982	0.1347
TGE	5.871901	2.381271	2.465868	0.0209
INFLN	18.54404	25.80250	0.718691	0.4790

R-squared	0.982947	Mean dependent var		32821.00
Adjusted R-squared	0.979536	S.D. dependent var		17311.60
S.E. of regression	2476.446	Akaike info criterion		18.63902
Sum squared resid	1.53E+08	Schwarz criterion		18.91657
Log likelihood	-282.9048	Hannan-Quinn criter.		18.72950
F-statistic	288.2027	Durbin-Watson stat		1.049358
Prob(F-statistic)	0.000000			

Source : Computed Results of EViews 9

Table 4.3 above presents regression results for the model estimated for the study. From the table, the coefficient of determination (R^2) for the model is 0.982947 indicating that the independent variables can explain or account for 98.29 percent of variation in the dependent variable. This confirms that the explanatory powers of the model is robust.

The coefficient of total import, total export, foreign exchange rate, total government expenditure and inflation rate are: 1.227081, -0.097269, 45.50173, 5.871901 and 18.54404 respectively. Only the coefficient of total export assumes a negative and also statistically non-significant value. This implies that one percentage point rise in total export reduces Economic Growth by 0.097269 percent. This result does not conform to the a priori expectation which believes that for a favourable balance of trade position, total export should always be higher than total import.

The coefficient of total import assumes a positive and statistically non-significant value. This implies that one percentage point increase in total import increases Economic Growth by 1.227081 percent. This result contradicts our a priori expectation of a negative relationship and also not in line with Mercantilism theory of international trade.

The coefficient of foreign exchange rate assumes a positive and statistically significant value. This implies that one percentage point increase (appreciation) in exchange rate in favour of the exporting country will increase Economic Growth by 45.50173 percent. This result conforms to the a priori expectation which expected positive exchange rate for the domestic economy. It is worthy to note that if total imports are more than total exports, the rate will be negative and vice versa. This is a function of demand and supply for the two currencies involved in the international trade.

The coefficient of total government expenditure assumes a positive and statistically significant value. This implies that one percentage point increase in total government expenditure increases Economic Growth by 5.871901 percent. This result is in line with our a priori expectation and Keynesian theory. As government spends more in the economy, it is expected to increase the money available for production of goods and services and hence, increases the volume of the country's export.

Besides all other variables in the model, in spite of the volume of government expenditure in the economy, the level of inflation in a country affects the purchasing power of the domestic currency and hence the volume of export by the country. The coefficient of inflation rate in the results above is positive and statistically non-significant. It implies that a percentage rise in inflation rate will lead to increase in economic growth by 18.54404 percent. This is contrary to our a priori expectation and also known theories in economics and finance.

V. Conclusion And Recommendation

This study empirically investigated the relationship between free trade, export expansion and Economic Growth in Nigeria for the period spanning 1981 and 2015. Free trade used total import as proxy. Annual data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin were used. Ordinary Least Square (OLS) regression technique was employed and the study revealed the existence of a positive and significant relationship between foreign exchange rate and economic growth; a negative non-significant relationship between total import and economic growth; a positive non-significant relationship between total export and economic growth and finally a negative non-significant relationship between inflation rate and economic growth.

From the findings of the study, there exists a positive relationship between total export, foreign exchange rate and economic growth in Nigeria. Consequently, in order to increase economic growth of Nigeria, export should be encouraged while efforts at attaining a favourable foreign exchange rate should be pursued. Since trade is necessary for economic growth, import of some essential commodities that the country lack competitive edge and/or are not produced in large quantities in the country should be 'guidedly' encouraged. Where total imports are more than total exports, exchange rate is bound to increase, that is, tills to the side of the importer as demand for their currency will be higher than that of the local currency. This will be unhealthy for the domestic economy.

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