

# 1 Trade Liberalisation the tool toPromoting Sustainable Economic Growth

## 2 A case study of Nigeria (1993 – 2023)

### 3 4 Abstract

5 Trade liberalisation is a central strategic economic policy applied in the pursuit of economic transformation across  
6 developing economies and developed economies which herewith foster the removal of trade restriction in the  
7 economy of countries in order to diversify and expand the nation's economy wealth. It assists in the opening of the  
8 country's economy resources for exploration and economic trade, that carries wide range of advantages  
9 thereby allowing productive gains, competitiveness, and foreign investment inflows, while also acknowledging the  
10 challenges of import dependence, weak domestic industrial capacity, and vulnerability to external shocks on the host  
11 country's economy, it also carries diverse advantages. This study seeks to examines the role of trade liberalisation in  
12 promoting sustainable economic growth in Nigeria from 1993 to 2023. The objective of this research study is  
13 achievable through the analysis of secondary data collation by well-established government or international  
14 agencies and with the aid of time-series econometric techniques such as the Augmented Dickey–Fuller (ADF) test,  
15 Johansen cointegration analysis, and the Vector Error Correction Model (VECM). The research study is to investigates  
16 both the long-run and short-run dynamics relationship between trade openness and sustainable growth that could be  
17 achieved through it by Nigeria economy. The study results indicate a significant long-run relationship, with trade  
18 liberalisation contributing to the Gross Domestic Products (GDP) growth, economic diversification, industrial  
19 upgrade, skill development, infrastructural development and employment generation. However, macroeconomic  
20 instability, particularly inflation was found to weaken these benefits, through the unstable exchange rate, poor  
21 implementation of government policies and the lack of commitment of her citizens. The findings suggest that  
22 sustainable growth requires not only openness to trade but also supportive domestic policies that promote  
23 diversification, strengthen local industries, and ensure social equity and personal accountability the citizens which is  
24 an important tool for economic growth and development. However, this is insufficient enough a condition for  
25 sustainable growth but, requires complementary policies such that will help stabilise the macro economy, result in  
26 infrastructure development, enable institutional strengthening, regulatory frameworks, as well as absorptive  
27 capacity for sustainable economic development in Nigeria.

28 **Keywords:** Trade Liberalisation, Sustainable Economic Growth, Economic diversification, Cointegration, Gross  
29 Domestic Product, Vector Error Correction Model (VECM).

### 30 1.0 Introduction

31 Trade liberalisation is a critical economic tool use mostly by developing economy countries to open up their  
32 economy through the removal or reduction of trade barriers such as abolishment or reduction of tariffs, quotas,  
33 import restrictions and even introduction of export incentives to encourage foreign investment to the host or  
34 developing economy. For several decades now economist, financial managers and researchers have all agreed that  
35 open and free economy trade fosters efficiency, technological transfer, and higher productivity through the  
36 integration of the global economies.

37 Trade liberalisation has been part of the economic reforms established by international organisation to the world,  
38 especially developing economic since 1947 under the auspices of the General Agreement on Tariffs and Trade  
39 (GATT) to assist in reducing the economic gap between the developing and developed economies, but was later by  
40 implemented in Nigeria in 1995 to help diversify the economy from the dependence of oil and this has gone a long  
41 way in attracting foreign investment, promoting industrialisation, increasing the Gross Domestic Products (GDP) and  
42 generally improving the economy of the country

43 The country joining of the World Trade Organisation (WTO) in 1995 encouraged the country to implement most of  
44 the regional trade agreements thereby facilitating the openness of the country's economy which has led to the  
45 introduction of policies such as reduction of tariffs, ease of import restrictions, and the encouragement of export

46 trades. While, all these policies implementation have assisted inthe increase in the Gross Domestic Product (GDP) of  
47 the country, increase of foreign exchange earnings, improvement in balance of trade, infrastructural development,  
48 employment generation as well as skills development for citizens.

49 The implementation of Regional Trade Agreements (RTAs) was fashioned in the form of Free Trade Zones and  
50 Customs Unions, with the WTO lists 76 that have been established or modified since 1948 and a list of 22 of the most  
51 important ones is given in Appendix 1. The major ones are the European Union (EU); the North American Free Trade  
52 Area (NAFTA); Mercosur covering Argentina, Brazil, Paraguay, Uruguay and Chile; APEC, covering countries in the  
53 Asia and Pacific region; ASEAN covering South-East Asian countries, and SACU covering countries in southern Africa  
54 and the African Continental Free Trade Area (AfCFTA) covering countries in the west Africa.

55 Trade liberalisation aid the promotion of sustainable economy it is a coherent policy framework that integrates  
56 openness with environmental regulatory policies and are implemented with inclusive industrial strategiesand social  
57 equity mechanisms. For instance, the introduction of environmental pollution and environmental degradation  
58 regulatory policies as well as the agricultural and deforestation regulatory policies to protect Niger-delta  
59 environment against oil and gas spillage would go along way to safeguard the environment. Without such  
60 integration, liberalisation risks producing an increased economically volatile, socially polarising, and environmentally  
61 unsustainable economy. However, when trade reforms are integrated with deliberate policies to empower Small  
62 Medium Enterprises (SMEs), protect natural resources, and reduce inequality in the economic space, they can bring  
63 about growth that is not only faster but also more inclusive, natural and socially just.

#### 64 **1.2 Problem Statement**

65 Over the decades Nigeria has been operating the trade liberalisation economic policies, but has always been  
66 struggling with a volatile economy which is characterised by periods of expansion followed by stagnation at some  
67 other periods. However, some researchers suggest that trade openness can spur growth through increased  
68 competitiveness and access to international market, while others argue that in countries with weak industrial bases  
69 and infrastructural deficits it results in deindustrialisation, trade imbalances, and economic vulnerability. But, for  
70 Nigeria trade liberalisation been able to sustain economic growth through improved living standards, reduction of  
71 poverty, and preservation of the environment over long term. Although, the evidence is unclear, since all physical  
72 outcome seem mixed. Therefore, this unsure state as resulted to the question of whether trade liberalisation is  
73 effectiveness in achieving long-term development in the Nigeria economy. This has been the spin of this research  
74 work.

#### 75 **1.3 Research Objectives**

76 The primary objective of this study is to examine the role of trade liberalisation in promoting sustainable economic  
77 growth in Nigeria. This can be measured through the assessment of the following indicators

- 78 1. By analysing the trend and extent of trade liberalisation in Nigeria over the past three decades in terms of  
79 international trade.
- 80 2. By Investigating the relationship between trade liberalisation and key indicators of sustainable economic  
81 growth.
- 82 3. By assessing whether trade liberalisation has contributed to diversification and structural transformation of  
83 the Nigerian economy.

#### 84 **1.4 Research Questions**

85 This research study seeks to answer the following questions:

- 86 1. What has been the trend and scope of trade liberalisation in Nigeria in recent decades?
- 87 2. Has trade liberalisation contributed to economic diversification and industrial development in Nigeria?
- 88 3. To what extent has trade liberalisation influenced Nigeria's sustainable economic growth in terms of job  
89 creation, improvement of standard of living in the country etc?

90 **1.5 Hypotheses of Study**

91 This research study will test the following hypotheses:

92 Null Hypothesis ( $H_0$ ): Trade liberalisation has no significant impact on sustainable economic growth in Nigeria.

93 Alternative Hypothesis ( $H_1$ ): Trade liberalisation has a significant positive impact on sustainable economic growth in  
94 Nigeria.

95 **1.6 Significance of the Study**

96 The importance of this research study is to review the empirical literature on trade policy and economic growth in  
97 developing countries, providing context-specific insights for Nigeria. Secondly, to offer relevant policy findings that  
98 can guide government strategies towards achieving inclusive and sustainable growth through trade openness.

99 Thirdly, the study seeks to provide framework to assess whether trade liberalisation policies align with Nigeria's  
100 long-term development goals, especially in the context of the African Continental Free Trade Area (AfCFTA). Finally,  
101 to serve as a reference point for academics, policymakers, and development practitioners seeking to understand the  
102 complexities of trade-growth dynamics in resource-dependent economies.

103 **1.7 Limitation and Scope of the Study**

104 The period covered by this research study is from 1993 to 2023 and the analysis focuses on the relationship between  
105 trade liberalisation and sustainable economic growth, using indicators such as GDP growth rate, export  
106 diversification index, employment levels, and environmental performance. However, some of the limitations during  
107 the cause of the study are data availability and reliability of the social and environmental indicators. Also, to isolate  
108 the effects of trade liberalisation from other economic policies indicators could be very difficult, given the  
109 interconnected nature of macroeconomic variables. Despite these constraints, the study maintains robust  
110 econometric techniques to ensure credible results.

111 **2.0 Literature Review**

112 **2.1 Conceptual Framework**

113 Trade liberalisation is a process of reducing or eliminating the limitation of movement of goods and services across  
114 countries by either reducing import or export tariffs, import quotas, provision of incentives, subsidies, and the  
115 reduction of restrictive regulations that would hinder free or open trade. The sole objective of this trade openness is  
116 to enable international trade across countries, which in turn will result to countries specialising in the production of  
117 some goods and services which they have competitive edge over other countries thereby encouraging specialisation  
118 and division of labour. For example, in Nigeria tariff reductions, exchange rate deregulation, and participation in  
119 international trade agreements such as the World Trade Organization (WTO) and the African Continental Free Trade  
120 Area (AfCFTA) are some of the economic strategies applied or implemented by the country.

121 While, Sustainable economic growth is the ability of an economy to expand its output and income levels with time in  
122 a manner that meets present and future needs of the country without affecting future generations to meet their  
123 own needs. It includes both the quantitative and the qualitative GDP growth of the country, thereby resulting in  
124 poverty reduction, environmental protection, employment generation, and social inclusion. For instance, in Nigeria  
125 economic diversification beyond crude oil, improved productivity, and equitable distribution of resources are some  
126 of the ways through which the country could stabilise her economic growth on the long run period.

127 Liberalisation of trade can produce sustainable economic growth in Nigeria if the country effectively applies some  
128 theoretically economic principles from the classical, neoclassical and the modern growth theories of economy as  
129 explained thus:

130 **1. Efficient Resources Allocation:** Through the reduction of trade barriers, countries can now re-allocate resources  
131 toward industries where they have comparative advantage, thereby increasing productivity and efficiency (Ricardo,  
132 1817; Krugman & Obstfeld, 2009). This can only be possible where there exist enough right capital and manpower

133 resources to carryout the required economic activities. For instance, Nigeria governmentsetting policies towards the  
134 export of agricultural produce (e.g., cocoa, sesame seeds, and cashew nuts) if there are adequate resources and  
135 environment to make this possible. This sort resulted to the rebounded of the agricultural sector in the 1990s and  
136 2000s as Nigeria sought to access international markets (CBN, 2010).

137 **2.Transfer of technology and innovation:**Liberalisation of trade exposes domestic firms to international  
138 competition, since the country would be opened to foreign investor, that will invest both financial and technical  
139 resources into host country, thereby encouraging innovation and facilitating the diffusion of technology through  
140 imports and foreign direct investment (Grossman &Helpman, 1991). For example, Nigeria attracted significant  
141 Foreign Direct Investment in the telecommunications sector following liberalisation in the late 1990s, boosting  
142 productivity and employment (Anyanwu, 2012).This investment also allowed skills acquisition, technological growth  
143 as well as innovation in several industries.

144 **3. Economies of Scale:**With the availability of larger markets which is one advantage in Nigeria trade liberalisation is  
145 can easily be made visible. when firms can increase production by importing advanced machines and experts this  
146 result in reduction of production costs thereby increase competitiveness through price reduction and efficiency in  
147 production. This result is seen in the profit margin of the firms as well as the Gross Domestic Product (GDP) of the  
148 country. (Balassa; Sachs & Warner).

149 **4. Capital Inflows:** During trade Liberalisation regimes countries often implement policies that attract Foreign Direct  
150 Investment (FDI), which encourage capital inflow, allow investment in divest industrial areas of the economy, permit  
151 increase managerial skills and expertise and bring modern production techniques and development into the  
152 production and manufacturing space of the country. (Borensztein, De Gregorio & Lee, 1998).

153 **5. Long-run Growth:** Trade liberalisation contributes not only to short-term efficiency gains but also to long-run  
154 growth through inflow of capital, knowledge spill-overs, technology transfer and structural transformation in term of  
155 economy of countries as well as the wellbeing of the citizens of the host country. Therefore, this growth and  
156 development if sustained impact positively on country and the world at large.(Frankel, J. A., &Romer, D. (1999)

157 In order to benefit from liberalisation of trade the country depend strongly on the following governance principles  
158 of the leaders, infrastructure availability in the country, education background of the citizens, macroeconomic  
159 stability as well as the industrial policy and the strength of the regulatory institutions, these factors can also blunt  
160 gains or exacerbate inequality if weak.

## 161 **2.2 Theoretical Framework**

162 There are some major economic theories that support the grounds for the promotion of trade liberalisation. These  
163 economic theories, their principles and their proponents are briefly stated and explained with years the theories  
164 were proposed as thus:

### 165 1. Comparative Advantage

166 David Ricardo, opined in 1817 in his famous book "On the Principles of Political Economy and Taxation." that  
167 countries benefit from free trade by specialising in the production of goods and services for which they have a  
168 relatively efficient production advantage compared to others, due to the presence of either adequate raw  
169 materials or other resources for the production of goods or services better than other countries. For instance, in  
170 Nigeria, this theory suggests specialisation in sectors where it has abundant and adequate resources such as  
171 agriculture and certain minerals which are exported, while importing goods which they cannot produce or are  
172 expensive to produce such as machineries.

### 173 2 Endogenous Growth Theory

174 Endogenous growth models were first developed by Paul Romer (1986, 1990) and further extended by Robert  
175 Lucas (1988) and later Grossman &Helpman (1991), as a response to the limitations of the traditional  
176 neoclassical (Solow-Swan) growth model of the 1950s, which assumed that technological progress was

177 exogenous (i.e., determined external model and not explained by economic activities). It explains the role of free  
178 trade in terms of fostering technological advancement, human capital development, and knowledge spillovers.  
179 Through trade openness, Nigeria can access foreign technologies, enhance productivity, and stimulate  
180 innovation through the implementation of trade liberalisation and these factors are essential for sustainable  
181 long-term growth.

182 **3 Prebisch–Singer Hypothesis**

183 This theory was initially propounded by Raúl Prebisch (1949) an Argentine economist and later by Hans Singer  
184 (1950) – a German-born British economist and they argued that the terms of free trade tend to deteriorate for  
185 countries that export primary commodities and import manufactured goods, since countries with primary  
186 commodities are price takers because their goods deteriorate on the long run, while countries that produce  
187 manufactured goods or products are price givers because their goods are not perishable. For example, Nigeria,  
188 reliance heavily on crude oil exports may expose the economy to price volatility, making trade liberalisation  
189 potentially risky unless it is accompanied by diversification strategies.

190 **4 Structural Change Theory**

191 Structuralism economists established by W. Arthur Lewis in 1954 (Dual-Sector Model), is a classical development  
192 theory that explains how labour moves from the traditional agricultural sector to the modern industrial sector to  
193 drive economic growth. This was later extended by Hollis Chenery (1960s–70s) through “patterns of  
194 development” analysis and they argued that trade policies should facilitate the transformation of an economy’s  
195 production structure through the reallocation of labour and resources management from low-productivity  
196 sectors (agriculture) to high-productivity sectors (industry and modern services) by driving sustained economic  
197 growth. Trade liberalisation can open markets, boosting FDI, and encouraging industrial growth, can accelerate  
198 this transformation. However, if poorly managed, liberalisation may hinder the process by displacing local  
199 industries and creating unemployment instead of facilitating structural change. For instance, in Nigeria trade  
200 liberalisation could drive industrialisation and value addition if supported by infrastructure development, skills  
201 enhancement, and industrial policy.

202 **2.3 Empirical Reviews**

203 In order that this research be exhaustively treated herewith there are some of the research work that were related to  
204 our study which were examined and found reference worthy in practice, based on surveys, experiments, econometric  
205 analysis and in terms of case studies some of them were stated thus:

206 Dollar & Kraay (2004) studies of Organisation for Economic Co-operation and Development (OECD) countries and  
207 discovered a positive correlation between trade openness and GDP per capita growth, this was largely due to  
208 competitive markets, high productivity, and strong institutional frameworks which also situating the distributional  
209 implications for poverty.

210 Anyanwu (2012) emphasized the role of trade openness, regulatory quality, and financial market development in  
211 enhancing Nigeria’s absorptive capacity, through the country’s ability to recognize, assimilate, and effectively utilize  
212 external knowledge, capital, and technology for domestic economic transformation and international economics, it  
213 determines how well an economy benefits from trade openness, foreign direct investment (FDI), and globalization.

214 Sachs and Warner (1995) on liberalised economies in Asia and Latin America shows that trade openness tends to  
215 accelerate growth, provided there is macroeconomic stability and an enabling business environment to support the  
216 domestic businesses and the economic policies to trade liberalization principles.

217 Ogun (2006): Identified the weak industrial base such as poor technological backing, poor management skills, poor  
218 infrastructural amenities, unstable macroeconomic policies, corrupt and selfish practises by regulatory agencies,  
219 unnecessary bottleneck by institutions and government officials serve as barrier to export diversification and trade  
220 liberalisation.

221 Adewuyi&Adewuyi (2020) found that trade liberalisation significantly enhanced Nigeria's non-oil exports and GDP  
222 growth, particularly when combined with enabling business environment, stable macroeconomic condition,  
223 functional institutional organisation and adequate infrastructure investments.

224 Onwuka and Igwe (2014) critically examine the effects of trade openness on economic performance in Nigeria. Their  
225 analysis acknowledges the potential of openness to stimulate economic growth, especially in the short runsuch as  
226 tariff reductions, import liberalisation, and participation in global markets, but also highlights the structural  
227 weaknesses that undermine its long-term sustainability such as increased trade deficits due to high import  
228 dependence

229 Eze& Okonkwo (2019) research conclusion states that without the adequate structural transformation such as tariff  
230 reduction, access to import, access to international market, infrastructural development which will aid domestic  
231 firms or business, trade liberalisation could create economic liabilitydue to external shocks.

232 However, while numerous studies have examined the relationship between trade liberalisation and economic  
233 growth in Nigeria, few have explicitly addressed its role in sustainable economic growth, incorporating  
234 environmental, social, and structural transformation indicators alongside GDP growth. Most existing research has  
235 focused primarily on short-term macroeconomic impacts, often neglecting long-term development outcomes.

236 Although, all these mixed findings highlight the importance of complementary policies such as industrial upgrading,  
237 capacity building, and infrastructural improvements to ensure that trade openness translates into sustainable  
238 economic gains.This study seeks to fill this gap by analysing trade liberalisation's effects within a sustainability  
239 framework, thus providing a more holistic assessment of its developmental implications in the Nigeria economy and  
240 to see possible ways of adopting refined strategies for better results.

### 241 **3.0 Research Methodology**

242 This section deals with the procedure through which data for the research work is collected and the variousanalysis  
243 technique used for the processes are applied. The secondary data is collected from Central Bank Nigeria (CBN)  
244 annual reports, National Bureau Statistics (NBS) annual report, world bank quarterly reports and United Nation  
245 Conference on Trade and Development (UNCTAD). A complete description of the research design, data collection  
246 instruments utilised to achieved the research objective are elaborated carefully under this section.

#### 247 **3.1 Research Design**

248 For this research study, the chosen research design is the ex-post facto research design. The selected research design  
249 is to use systematic method where the researcher cannot manipulate data collected due to its occurrence as it is an  
250 annual report published by reputable organ of government in Nigeria and internationally.

#### 251 **3.2 Justification of Methodology**

252 The secondary data to be used in the research study will be on the economic indexes of Nigeria within the period of  
253 study which is from 1993 to 2023. Furthermore, it was chosen over other possible alternatives due to its accessibility  
254 and reliability after due considerable analysis and verification of the data collection.

#### 255 **3.3 Data Sources and Collection Instrument**

256 The research Secondary data span from 1993 to 2023 extracted from the Central Bank of Nigeria Statistical Bulletin.  
257 The secondary data collected include; the Total Foreign Direct investment (TFDI), the contribution to the Nigerian  
258 Total Gross Domestic Product (TGDP) which serve as a proxy for economic growth of the country,the country's yearly  
259 Import value, Nigeriayearly export, employment rate, the average yearly exchange rate and average electricity  
260 distribution. The choice of the secondary data is informed by the fact that such data cannot be obtained through the  
261 primary source because they have to be collected over a longer period. The data were analysed using the descriptive  
262 analysis to identify the frequency distributions, means, and standard deviations. A regression analysis was also  
263 employed in determining the magnitude and direction of impact on the economic growth of the country. The trend

of the data collected are also related to the existing policies implemented within the said periods, so as to be able to understand the effect of the policies and possible other factors. The variables used in the study include:

Dependent Variable; for Sustainable Economic Growth Rate (SEGR) – To measure the steady economic growth of the country, and the economic indicator for this is the Total Gross Domestic Product (TGDP).

Independent Variable: for Trade Liberalisation Operation (TLOP) – To measure the trade openness of the country we will consider the Total import value and Total Export value as a percentage of TGDP

Control Variables: for the research study we apply the following indicators:

- Foreign Direct Investment (FDI) inflows (% of GDP)
- Export value (Expt) — annual export value in US dollar
- Employment Rate (EmpRt) — annual average employment
- Electricity Distribution (INF) — annual average infrastructural development

### 3.4 Model Specification

Multiple regression analysis was used to determine whether the independent variable represented by Nigeria import value and export value are regulated by the control variables given as Foreign Direct Investment, employment rate and Electricity Distribution impacts the dependent variable (aggregate contribution to Gross Domestic Product). As measured by the aggregate of the Gross Domestic Product, the sustained economic growth was regressed against the independent variables. The model and the moderating variables used, modifies most studies in literature but is declared uniquely by adding electricity distribution and capital formation to the model and adopting a different measure for the dependent variable rarely used by previous authors in the Nigerian context. The moderating variables used were found in the literature to be the main factors affecting economic growth other than import and export values. The hypotheses formulated for this study shall be tested with the use of multiple regressions. The tool of multiple regression was used to examine the relationship between dependent variables and independent variables. The estimated determinant of

$$GDP = f(EXP, IMP, FDI, INF, EmpRt, GCFt) \quad \dots \quad (1)$$

Mathematically, the equation becomes:

$$SEGRT = \beta_0 + \beta_1 TLOPt + \beta_2 FDIt + \beta_3 INFt + \beta_4 EmplRt + \beta_5 GCFt + \mu_t \quad \dots \quad (2)$$

Specifying equation 2 in Natural log form, the equation now becomes

$$\text{LnGDPT} = \beta_0 + \beta_1 \text{LnExPT} + \beta_2 \text{LnIMPT} + \beta_3 \text{LnFDIt} + \beta_4 \text{LnINFT} + \beta_5 \text{LnEmpRt} + \beta_6 \text{LnGCFt} + \mu_t \quad \text{--- (3)}$$

Where:

LnGDP = Natural Logarithm of the aggregate contribution to Gross Domestic Product

LnEXP = Cost of Exported goods

LnIMP = Cost of imported goods

LnFDI = Natural Log of Foreign Direct Investment.

LnGCF = Natural Log of Gross Capital Formation (% of GCF)

LnEmpR = Natural Log of Unemployment Rate.

LnED (LnINE) = Natural Log of Electricity Distribution.

300  $\beta_0$  denote the constant term, and  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  and  $\beta_7$  are slope of coefficients representing parameters to be  
301 estimated and  $\mu_t$  is the stochastic error term which represents all other variables that are not captured in the model.

302 According to the economic priori of the signs of parameters, it is expected that an increase in FDI and electricity  
303 distribution result to increase in productivity which is gross domestic product, which in turn cause increase in capital  
304 formation as well as increase in employment rate. This also can be presented as

305  $\beta_1 & \beta_2 > 0, \beta_3 > 0, \beta_4 > 0, \beta_5 > 0, \beta_6 > 0$  and  $\beta_7 > 0$ .

### 306 **3.5 Technique for Data Analysis**

307 The study will be considering time series data and as such the following time series econometric procedure allows  
308 for distinguishing between short-run fluctuations and long-run relationships which enable us to achieve some of the  
309 objective of the study using E-views 12 software or SPSS software through the following tests;

310 **1. Descriptive Statistics Test:** This is for getting or measure the central tendency of values derived from data  
311 collection. **Examples are** Mean, median, mode, standard deviation, skewness, and kurtosis to summarise the data  
312 and detect outliers.

313 **2. Stationarity Test:** This test is to determine the order of integration of the variables. It is also to investigate  
314 whether the data series has unit root or not, to prevent spurious regression results, a common problem with non-  
315 stationary macroeconomic data. The Augmented Dickey–Fuller (ADF) and Phillips–Perron (PP) are used to examine  
316 the stationarity of the data series. Where the data series is found to be nonstationary, then a further test for  
317 stationarity is conducted in the first difference for each of the variables.

318 **3. Cointegration Test:** Johansen cointegration test to examine the presence of a long-run equilibrium  
319 relationship between variables that determine or effect trade liberalisation and sustainable growth. Some of the  
320 parameters to check during evaluation are Trace statistics and the critical values of the test results. If cointegration is  
321 confirmed, a Vector Error Correction Model (VECM) will be used to estimate both long-run coefficients and short-run  
322 adjustments.

323 **4. Granger Causality Test:** To investigate whether one or more variable(s) affect others and also assess the  
324 direction of causality if the relationship is positive or negative between variables that control or determine trade  
325 liberalisation and sustainable growth. However, the natural phenomenon is that the past affects the present or  
326 future, therefore, creating room where the behaviour of one or more of the variables can be predicated by another  
327 existing variable systematically. The parameters to check are F-statistics and P-value of the test results.

328 **5. Diagnostic Tests:** To test or determine the correlation between the residual of the variables and if the  
329 residuals are not correlated to check for the variance in the residuals. This is performed using; Serial correlation  
330 (Breusch–Godfrey), heteroskedasticity (Breusch–Pagan–Godfrey), normality (Jarque–Bera), and stability tests  
331 (CUSUM and CUSUMSQ). The parameters to check are Autocorrelation and Heteroscedasticity of the test results.

### 332 **4.0 Data Presentation and Discussion**

333 This section of the paper covers the data collected during the research work and it presents the various data in the  
334 form in which they can easily assist the researcher in achieving the objective of the paper as well as answer  
335 articulately all the research questions.

336 Table 4.1 – The Secondary data collection from CBN bulletin, NBS publication, World bank Report etc

Years	Total Gross Domestic Product (Billion) \$	Total Foreign Direct Investment (Billion) \$	Unemployment Rate (%)	Total Exported Value (Billion) \$	Total Imported Value (Billion) \$	Gross Fixed Capital Formation (Billion) =N=	Annual Electricity Distribution (%)
1993	27.752	1.35	4.04	22.07	7.508	96.92	36.96
1994	33.833	1.96	4.08	22	6.613	105.58	37.83

1995	44.062	0.34	4.16	21.9	8.222	141.58	38.69
1996	51.075	0.50	4.06	21.88	6.438	204.05	39.55
1997	54.457	0.47	3.98	21.89	9.501	242.9	40.40
1998	54.604	0.30	3.94	21.89	9.211	242.26	41.25
1999	59.372	1,00	4.00	92.34	8.588	231.66	44.90
2000	69.448	1.14	3.96	101.70	8.721	331.06	43.12
2001	74.030	1.19	3.91	111.23	11.586	372.14	43.88
2002	95.385	1.87	3.68	120.58	7.547	499.68	44.63
2003	104.912	2.01	3.65	129.22	10.853	865.88	52.20
2004	136.386	1.87	3.60	127.50	14.164	863.07	46.12
2005	176.134	4.98	3.73	136.95	20.754	804.40	46.8
2006	236.104	4.85	3.76	170.38	26.523	1,546.53	47.6
2007	275.626	6.04	3.80	159.09	34.830	1,936.96	50.1
2008	339.476	8.19	3.80	81.82	49.951	2,053.01	50.3
2009	295.001	8.56	3.77	49.937	33.906	3,050.58	50.0
2010	361.451	6.03	3.75	86.567	44.235	9,183.06	48.0
2011	404.994	8.84	3.77	125.641	56.000	9,897.20	55.9
2012	455.502	7.07	3.76	135	51.000	10,281.95	53.0
2013	508.693	5.56	3.71	112	56.000	11,478.08	55.6
2014	546.676	4.69	3.90	101	58.300	13,595.84	54.2
2015	486.803	3.06	4.14	55.1	44.700	14,112.17	52.5
2016	404.650	3.45	4.50	37.7	35.532	18,500.45	59.3
2017	375.746	2.41	4.83	49.5	31.273	12,634.12	54.4
2018	397.190	0.78	5.07	66.2	43.007	15,131.98	56.5
2019	448.120	2.30	5.21	64.5	55.257	26,000.12	55.4
2020	432.294	2.38	5.74	35.5	55.390	2,750.65	55.4
2021	440.830	3.31	5.45	46.6	56.420	32,880.66	59.5
2022	477.400	1.86	3.82	84.4	58.230	36,387.34	60.5
2023	363.85	1.87	3.07	62.9	57.750	41,501.43	61.2

337

338 Given the time-series nature of the data, the following econometric procedures will be applied:

339 **4.2 Descriptive Statistics**

340 Table 1 presents the descriptive statistics for the variables over the study period (1993–2023).

Variable	Mean	Std. Dev	Minimum	Maximum	Skewness	Kurtosis
GFCF	8,642.69	11,622.84	96.92	41,501.43	1.57	1.76
TGDP	265.54	177.56	27.75	546.68	-0.06	-1.66
FDI	3.23	2.56	0.30	8.84	0.89	-0.30
UNEMPL	4.09	0.59	3.07	5.74	1.46	1.87
IMP	31.55	20.44	6.44	58.30	0.30	-1.74
EXP	79.84	44.91	21.88	170.38	0.25	-1.07
ELECTR	49.54	7.14	36.96	61.20	-0.16	-1.06

341 • Table 4.2 presents the descriptive statistics of the key variables used in the analysis between 1993 and 2023.  
 342 The results indicate that Nigeria's Gross Fixed capital formation (GFCF) has an average value of 8,642.69  
 343 which shows extremely high fluctuations with standard deviation of 11,622.84, the data range from a  
 344 minimum value of 96.92 to a peak of 41,501.43. This shows that the country is unstableness in term of  
 345 capital formation within the research periods. Although the distribution has a positive skewness of 1.57  
 346 meaning having a few years had extremely high GFCF values pulling the mean upward and a positive kurtosis  
 347 of 1.76, which is less than 3 implying a **platykurtic** distribution (flatter than normal, with lighter tails).  
 348 Generally, the GFCF is relatively normal with extremely few outliers.

349 • The total Gross Domestic Product (TGDP) shows an average value of 265.54, which indicates a moderate  
 350 average GDP level for values within the research period, while the standard deviation of 177.56 signifies a  
 351 reasonable fluctuation in the values of the GDP values. The minimum and maximum value of 27.75 and  
 352 546.68 shows that there is a serious growth in the GDP overtime from 1993 to 2023. The skewness of -0.06  
 353 signifies that the GDP is approximately evenly distributed around the mean and the kurtosis of -1.66  
 354 suggests fewer extreme values for the GDP than normal. Generally, the GDP growth is consistent meaning  
 355 the economic growth for the country with the study period is consistent.

356 • Foreign Direct Investment (FDI) from the above statistical analysis has an average of 3.23, which is a  
 357 relatively low FDI inflow. The standard deviation of the variable is 2.56 this signifies moderate variability  
 358 overtime, while the minimum and maximum values are 0.3 and 8.84 respectively. This is a wide range of  
 359 values for FDI. The skewness is 0.89, moderately skewed towards the right showing few higher values of FDI.  
 360 The kurtosis is -0.3 meaning platykurtic but slightly flat at the end. Generally, FDI inflows vary overtime with  
 361 occasional spike, but overall it has moderate stable.

362 • For the Unemployment rate, the mean is 4.09% meaning the average unemployment rate is moderate. The  
 363 standard deviation for the variable is 0.59 showing low variability, while the minimum and maximum is 3.07  
 364 and 5.74 respectively, this indicate a fairly stable value. The skewness is 1.46, the is a right skewed data  
 365 showing few higher values of Unemployment rate. The kurtosis is 1.87 meaning platykurtic distribution but  
 366 slightly flat at the end. Generally, the unemployment rate remains fairly consistent.

367 • The Import variable has an average of 31.55, the standard deviation is 20.44 this shows a considerable  
 368 variation. The minimum and the maximum values are 6.44 and 58.30 respectively indicating increase with  
 369 higher values. The skewness is 0.33, the is a slightly right skewed data showing few higher values of import.  
 370 The kurtosis is -1.74 meaning platykurtic distribution but less distributed around the mean of the data.  
 371 Generally, the import fluctuated considerably, but with fewer outlier.

372 • For the Export data, the mean is 79.84, that is relatively high export value. The standard deviation is 44.91  
 373 indicating a highly variability. The minimum and maximum values are 21.88 and 170.38 respectively showing

374 a wide range. The skewness is 0.25, the is a slightly right skewed data showing few higher values of import.  
 375 The kurtosis is -1.07 meaning platykurtic distribution but less distributed around the mean of the data.  
 376 Generally, the export fluctuated drastically, but with fewer outlier.

377 • For the Electricity distribution, the mean is 49.54, that is moderately distributed. The standard deviation is  
 378 7.14 indicating a stable distribution. The minimum and maximum values are 36.96 and 61.20 respectively  
 379 showing a narrow range. The skewness is 0.16, the is a slightly right skewed data showing few higher values  
 380 of import. The kurtosis is -1.06 meaning platykurtic distribution but less distributed around the mean of the  
 381 data. Generally, the electricity distribution is low, but steady

382 • Overall, the descriptive statistics reveal that Nigeria has a moderate economic growth. The GFCF, TGDP and  
 383 EXP are all volatile, while unemployment rate and the electricity distribution are stable. According to the  
 384 skewness of the data set most variable are slightly right skewed (positive), that is few high value outliers.

385 The kurtosis of the data set of all the variable is platykurtic (less than 3), flatter than normal distribution,  
 386 which means fewer extreme values. The descriptive statistic generally suggests a balanced dataset suitable for  
 387 further econometric analysis.

#### 388 4.3 Stationarity Test Results

Variable	ADF (Level) stat	ADF (Level) p-value	ADF (1st diff) stat	ADF (1st diff) p-value	Stationarity (ADF, 5% rule)
Total Gross Domestic Product (Billion) \$	-1.2376	0.6572	-3.0790	0.0282	I(1) — non-stationary at level, stationary after 1st diff
Total Foreign Direct Investment (Billion) \$	<b>-5.6914</b>	<b>0.0000</b>	-1.5558	0.5057	I(0) — stationary at level (over-differencing breaks stationarity)
Unemployment Rate (%)	-3.6043	0.0057	-3.1007	0.0265	I(0) — stationary at level
Total Exported Value (Billion) \$	-1.8345	0.3635	-4.9637	0.0000	I(1) — non-stationary at level, stationary after 1st diff
Total Imported Value (Billion) \$	-0.8808	0.7942	-3.8034	0.0029	I(1) — non-stationary at level, stationary after 1st diff
Gross Fixed Capital Formation (Billion) =N=	2.3334	0.9990	-9.3899	0.0000	I(1) — non-stationary at level, stationary after 1st diff
Annual Electricity Distribution (%)	-1.4964	0.5353	-4.0821	0.0010	I(1) — non-stationary at level, stationary after 1st diff

389  
 390 Table 4.3 presents the results of the Augmented Dickey–Fuller (ADF) unit root tests for all variables under  
 391 consideration. The results show that most of the variables are non-stationary at levels, except Total Foreign Direct  
 392 Investment and Unemployment rate that are stationary but all the variables become stationary after first  
 393 differencing, while one variable (Total Foreign Direct Investment) is over stationary at first differencing.

394 Specifically, the results for Total Gross Domestic Product (TGDP) show that the null hypothesis of a unit root cannot  
 395 be rejected at levels but is strongly rejected after first differencing (ADF = 0.0282, significant at 5%). This implies that  
 396 TGDP is integrated of order one, I(1). Similarly, Total Export value (TExp) is non-stationary at levels but becomes

stationary after first differencing (ADF = 0.0000, significant at 5%), confirming that it is I(1). Total Import value (TImp) also follows the same pattern, being non-stationary at levels but stationary at first difference (ADF = 0.0029, significant at 5%), indicating an I(1) process. Gross Fixed Capital Formation (GFCF) same has others with first differencing (ADF = 0.000, significant at 5%) and Annual Electricity Distribution (AED) with first differencing (ADF = 0.0010, significant at 1%), confirming that it is I(1).

Surprisingly, Total Foreign Direct Investment (TFDI) and Unemployment rate (UNEMPLOY) behaves differently from the other variables. Where the (ADF = 0.000 and 0.0057) respectively and statistics at level are both significant at the 5% level, which allows rejection of the unit root hypothesis without differencing. This implies that inflation is stationary at levels and is therefore integrated of order zero, I(0).

Summarily, the stationarity test results indicate a mixed order of integration among the variables: most of the macroeconomic indicators (TGDP, TExp, Timp, GFCF and AED) are integrated of order one [I(1)], while Total Foreign Direct Investment (TFDI) and Unemployment rate (UNEMPLOY) is integrated of order zero [I(0)]. This mixed integration justifies the application of econometric techniques such as ascointegration test (Johansen cointegration test) bounds testing approach, which test for long term relationship between variables.

#### 4.4 Johansen Cointegration and Max-Eigen Test Results

To investigate the existence of a long-run relationship among product output growth (GDP), trade openness (TLOP), foreign direct investment (FDI), Export value (Exp), Import (Imp), and gross capital formation (GCF), the Johansen cointegration technique was employed. This method was considered appropriate given that the Augmented Dickey–Fuller (ADF) confirmed that most variables are integrated of order one, I(1), while unemployment rate (Unemploy) is stationary at level, I(0). The mix of I(0) and I(1) variables validates the application of the Johansen approach.

The results of the trace, max-eigen and Critical statistics are presented in Table 4 of Johansen Cointegration Test and Eigen test Results below:

#### Johansen cointegration multivariate

##### Analysis @ 5% Significant

trace-stat	Crit-stat @ 5%	Comment	Remarks	max_eig_stat	Crit-stat @ 5%	Comment	Remarks
111.7092	95.7542	trace Crit	reject_H0	42.5842325	40.1	trace Crit	reject_H0
69.125	69.8189	trace <Crit	fail to reject_H0	27.3508262	33.9	trace <Crit	fail to reject_H0
41.7741	47.8545	trace <Crit	fail to reject_H0	20.7260881	25.12	trace <Crit	fail to reject_H0
21.0481	29.7961	trace <Crit	fail to reject_H0	15.5681513	18.89	trace <Crit	fail to reject_H0
5.4799	15.4943	trace <Crit	fail to reject_H0	5.47990353	12.3	trace <Crit	fail to reject_H0
0.000	3.8415	trace <Crit	fail to reject_H0	1.87E-13	2.07E-13	trace <Crit	fail to reject_H0

#### Interpretation

Both trace and max-eigenvalue statistics indicates that the null hypothesis (H<sub>0</sub>) for Johansen cointegration test and the max-Eigen test of No 1, (r=0) is rejected as the trace statistics (111.70) is greater than the critical value (95.75) and Max-Eigen statistics (42.58) is greater than the critical value (40.1) at 5% significant, but fail to reject for higher ranks,

424 which are Nos. 2 – No. 6, since the trace statistics (69.1) are less than the critical value (69.8) and the Max-Eigen  
425 statistic (27.35) is less than the critical value (33.9) at 5% significant and so on. This suggests that we fail to reject the  
426 null hypothesis of the cointegration relationship among TGDP, FDI, EXP, IMP, GCF, and UNEM. Therefore, the  
427 variables share a long-run equilibrium relationship, meaning that shocks may cause short-run disequilibrium, but the  
428 system adjusts back to a long-run path.

429 Summarily, from the ADF results, Johansen's cointegration test and Max Eigen test they all indicate the presence of  
430 at least one cointegrating relationship and equation. This finding implies that although these variables may exhibit  
431 short-run fluctuations, they are linked by a long-run equilibrium path. Deviations from this long-run equilibrium are  
432 expected to adjust through short-run dynamics, thereby validating the use of a Vector Error Correction Model  
433 (VECM) for further empirical analysis.

#### 434 4.5Vector Error Correction Model (VECM)

435 To investigate the existence of a long-run relationship among product output growth (GDP), trade openness (TLOP),  
436 foreign direct investment (FDI), Export value (Exp), Import (Imp), and gross capital formation (GCF), the Vector Error  
437 Correction Model (VECM) test technique was employed and perform diagnostic checks (serial correlation, stability,  
438 normality). Table 5 shows the results for the test.

Variables	$\beta$ (normalized on GDP = 1)	$\alpha$ (loading on ECT)
GDP	1.0000	0.319197
FDI	-0.7686878	0.014727
UNEMP	145.351867	-0.00507
EXPORT	0.06753845	0.138754
IMPORT	-3.0130598	0.075025
GFCF	-0.0190263	135.4262
ELEC	-0.4836829	0.027702

439  
440 According to Table 5 where GDP is the dependent (reference) variable, serving as the normalization base for the  
441 cointegrating relationship to the other variable under  $\beta$  (normalized on GDP = 1), FDI, IMPORT, GFCF and ELECTR  
442 have a negative association with A 1 unit GDP with the following coefficient -0.77, -3.01, -0.019 and -0.48  
443 respectively, while UNEMP and EXPORT variables have 145.35 and 0.068 coefficient respectively.

444 The  $\alpha$  (loading on ECT) of the dependent variable GDP with A 1 unit indicate UNEMP with a negative coefficient of -  
445 0.005, while the variables FDI, EXPORT, IMPORT, GFCF and ELECTR have coefficient 0.014, 0.138, 0.075, 135.426,  
446 0.075, 135.43 and 0.027 respectively.

447 Therefore, from Table 5 data there exists a **long-run equilibrium relationship** between GDP and the other  
448 macroeconomic variables (FDI, UNEMP, EXPORT, IMPORT, GFCF, ELEC), while **GDP, exports, and imports** are key  
449 adjusting variables in maintaining equilibrium. **FDI, GFCF, and electricity** seem to behave **exogenously** in the long-  
450 run adjustment process, implying structural inefficiencies or weak integration with domestic production. We can also  
451 state that**negative signs for FDI, imports, and electricity** suggest that Nigeria's economic structure during the  
452 studied period may not have fully harnessed the productivity benefits of capital inflows, trade openness, and  
453 infrastructure expansion.

454 Table 6 show the result of the VECM residual diagnostics report for p-values with (lag 6) and (lag 12):

455 From the Ljung–Box Q-test checks whether the residuals (errors) from your VECM are serially correlated — that is,  
456 whether they contain autocorrelation that would indicate model misspecification

457  
458  
459  
460 Typically, p-  
461 than 0.05 imply  
462 random (no serial  
463 p-values below  
464 autocorrelation.

- 465 • Null  
466 Residuals

467 model is

Residual diagnostics			
Variable	p (lag 6)	p (lag 12)	Interpretation
GDP	0.7794	0.4522	Since the p-value > 0.05 meaning no serial correlation; residuals are random
FDI	0.6387	0.8814	Since the p-value > 0.05 meaning no serial correlation; residuals are random
UNEMP	0.6425	0.702	Since the p-value > 0.05 meaning no serial correlation; residuals are random
EXPORT	0.7493	0.1611	Since the p-value > 0.05 meaning no serial correlation; residuals are random
IMPORT	0.6818	0.8285	Since the p-value > 0.05 meaning no serial correlation; residuals are white noise
GFCF	0.8221	0.4334	Since the p-value > 0.05 meaning no serial correlation; residuals are stable
ELEC	0.0365	0.0472	since both lags (p < 0.05); model does not fully capture dynamics in electricity distribution variable

values greater  
that residuals are  
correlation), while  
0.05 imply  
  
hypothesis ( $H_0$ ):  
are not auto-  
correlated (i.e.,  
well-specified).

468

- 469 • Alternative hypothesis ( $H_1$ ): Residuals are auto-correlated (i.e., model may be mis-specified).
- 470 • Therefore, according to Table 6; GDP, FDI, UNEMP, EXPORT, IMPORT, and GFCF, the p-values at both lag 6  
471 and lag 12 are greater than 0.05, suggesting that the VECM residuals are well-behaved (white noise).
- 472 • However, for ELEC (Electricity Distribution), the p-values < 0.05, indicating residual autocorrelation. This  
473 means that the VECM may not have fully captured the dynamic structure of electricity distribution in the  
474 system, and model refinement (e.g., increasing lag length or including exogenous variables) may be  
475 necessary.

476 Table 7 show the result of Jarque-Bera normality residual report for JB statistics and JB p-value:

477 The Jarque-Bera test checks whether the residuals of your VECM model are normally distributed, which is one of  
478 the key assumptions for valid inference and hypothesis testing in vector error correction models.

Jarque-Bera (normality) for residuals:			
Variable	JB_statistic	JB_p-value	
Gross Dom Product	1.6904	0.4295	Since p-value > 0.05 Residuals are approximately normal.
Foreign Direct Invest.	228.6278	2.26E-50	Since p-value > 0.05 Residuals are approximately normal.
UnemploymentRate	0.3307	0.8476	Since p-value > 0.05 Residuals are

			approximately normal.
<b>EXPORT</b>	6.27	0.0435	Since (p-value < 0.05); Fail normality at 5%
<b>IMPORT</b>	0.2819	0.8685	Since p-value > 0.05 Residuals are approximately normal.
<b>Gross Fixed Cap. Form</b>	3.8357	0.1469	Since p-value > 0.05 Residuals are approximately normal.
<b>Electricity Distrib.</b>	3.1646	0.2055	Since p-value > 0.05 Residuals are approximately normal.

479

480 A **p-value > 0.05** means we fail to reject the null hypothesis — the residuals follow a normal distribution.481 A **p-value < 0.05** means we reject the null — residuals deviate significantly from normality.

482 Therefore,

483 • **Null hypothesis ( $H_0$ ):** Residuals are normally distributed.484 • **Alternative hypothesis ( $H_1$ ):** Residuals are not normally distributed (i.e., have excess skewness or kurtosis).

485 Hence, we assert the following:

486 • The **majority of variables** (GDP, FDI, UNEMP, ELECT, IMPORT, GFCF) **pass the normality test**, supporting the  
487 validity of model inference.

488 • The **Export**) may **fail the normality test**, consistent with your Ljung–Box results that already indicated some  
489 serial correlation — both suggest the **export variable** might contain non-linear effects, structural breaks, or  
490 omitted dynamics.

491 **The Implication VECM, Diagnostics and Residual Report:**

1. **Improve absorptive capacity for FDI** — strengthen institutions, technology transfer, and local linkages to ensure FDI supports domestic industries.
2. **Promote export diversification** — since exports positively affect GDP, diversifying away from oil could enhance stability and growth.
3. **Reduce import dependency** — encourage local production through industrial policies and import substitution to minimize negative long-run GDP effects.
4. **Reform electricity distribution** — improve infrastructure efficiency to make electricity supply more growth-enhancing.
5. **Align capital formation and output** — ensure capital investments are productive, targeting infrastructure, manufacturing, and technology sectors as per the VECM
6. Overall, the diagnostic suggests that your **VECM model is well-specified** for most macroeconomic variables, but **electricity distribution (ELEC)** may need further attention — perhaps reflecting structural lags or omitted variables affecting electricity distribution that are not well represented in the current model as per diagnostic residual.

506 **Model validity:** The VECM residuals are mostly normal, confirming that the model is statistically well-behaved.507 **Exception (EXPORT):** Non-normal residuals could bias standard errors or inference for that variable. Remedies include:

7. Increasing the lag length in the VECM,
8. Transforming the variable (e.g., log or differencing),

511 9. Including exogenous regressors or dummy variables to capture shocks or regime changes in export value as  
512 per JB analysis.

513 **5.0 Conclusion:**

514 This study examined the long-run and short-run key macroeconomic variables namely Gross Domestic Product  
515 (GDP), Foreign Direct Investment (FDI), Gross Fixed Capital Formation (GFCF), Unemployment (UNEMP), Import  
516 (IMP), Export (EXP), and Electricity Distribution (ELEC)—in Nigeria between 1993 and 2023 using descriptive  
517 statistics, unit-root tests, Johansen cointegration analysis, and a Vector Error Correction Model (VECM).

518 Comparing these analysis, we can say that trade liberalisation has a positive long-run effect on Nigeria's sustainable  
519 economic growth while carefully studying the data growth rate especially the GDP from 2005 to 2014, which is  
520 consistent with the view that openness facilitates market expansion, efficiency, and technology transfer. The  
521 Nigerian case demonstrates the stimulation of economic growth by encouraging exports, attracting FDI, and  
522 fostering technological advancement. However, the growth benefits are contingent upon supportive domestic  
523 policies, infrastructural development, and institutional reforms. Without these, liberalisation may exacerbate import  
524 dependence and structural weaknesses, while, macroeconomic instability and structural weaknesses of the  
525 government economic policies as inflation rate of the country's currency, the unstable social amenities etc tend to  
526 limit the impact of liberalisation of trade in any system. As such the study concludes that trade liberalisation is  
527 necessary but it is insufficient for sustainable growth without adequate complementary policies in economic  
528 diversification, steady provision of infrastructural facilities, the right institutional reforms as well as the country's  
529 leadership and citizenry commitment to make the system workable.

530

531

532 **6.0 Recommendation:**

533 Based on the empirical findings, the following recommendations are proposed to strengthen Nigeria's long-run  
534 economic growth, promote foreign trade and improve the effectiveness of macroeconomic variables for  
535 sustainability:

536 Strengthen Macroeconomic Stability – The country should protect export-oriented industries from exchange rate  
537 volatility policies that will lower inflation and stabilise the exchange rate, this would go a long way to promoting an  
538 expanded economy that will encourage both domestic investments and foreign investments, especially towards  
539 sectors such as manufacturing, agro-processing, and digital service exports. This will help open up the economy for  
540 foreign exchange earnings for the country.

541

542 Promote Economic Diversification – The country should encourage the reduction on oil dependency and few primary  
543 products; thereby expanding her investment capacity by developing the manufacturing sector, service sectors,  
544 telecommunication sector, agriculture sector etc., so the country can have wide range of export commodities and  
545 businesses that the economy depends on for financing.

546 Enhance Infrastructure Development – The government should invest in energy, transportation, ICT, skills  
547 development as well as skills acquisition and other infrastructural activities. It should also create opportunity where  
548 the private sector can also invest in these areas of the economy as well as encouraging public – private partnership  
549 in these sectors for expand grid capacity, invest in energy transmission, promote renewable energy, decentralized  
550 power systems and reduce technical losses. Prioritize capital investments in infrastructure, manufacturing,  
551 technology clusters, and transport systems. Government should also promote policies that will strengthen regulatory  
552 enforcement in the electricity value chain to ensure reliability and cost-effectiveness, so as to drive industrialisation  
553 and value addition.

554 Support Domestic Industries – The government should encourage local investment by Protecting their investment,  
555 develop healthy competitive environment within the industrial sector and introducing various incentives to assist  
556 growth before full market exposure and also implementing smart import-substitution strategies (not blanket  
557 restrictions).

558 Leverage Trade Agreements – The encouragement of the Full utilisation of AfCFTA by domestic investors and create  
559 negotiation beneficial terms for investors as they seize the opportunity of this trade forum to maximise her  
560 membership as a nation, so as to enhance local linkages between foreign firms and domestic suppliers

561 Strengthen regulatory Institutions – regulatory Institution like EFCC, ICPC, Customs and Immigration should be  
562 independent in operation, so that they can perform their responsibilities without the influence of the government.  
563 Also these regulatory institutions operation should encourage transparency in order to improve for efficiency,  
564 through adequate training, the reduction of corruption and the enforcement of quality standards.

565 Integrate Sustainability – The government should encourage environmental and social safeguards in trade policy, so  
566 as to protect her environment against every form of pollution and environmental degradation, through  
567 enlightenment programs, training and educating labour force in the various sectors.

568 Address Structural Rigidities in Labour Markets

569 This can be implemented by the government through the Implementation of labour reforms to enhance  
570 employability and skills in growth-driven sectors. It should also encourage industries that absorb large labour pools  
571 in sectors such as manufacturing, agriculture, Intercommunication Technology and other service sectors. This will  
572 help to adjust the unemployment weakness noted in the VECM analysis.  
573

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