International Journal of Innovative Research and Advanced Studies (IJIRAS)
Volume 4 Issue 6, June 2017

ISSN: 2394-4404

Impact Of Restriction On The Importation Of Foreign Product In Nigeria: A Review Of Related Leterature

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Abstract: ***The impact of restrictions on importation of foreign products in Nigeria remains an issue that can only be resolve empirically, in view of this, the study investigates the relationship between tariffs from import on restricted products and duties from exported products its effect on local industries and economic growth in Nigeria over the period of 1970-2006. The study employed ordinary least square regression techniques. The period covered is 37 years. Data was collected on Gross Domestic Product (GDP) which is proxy for economic growth. Restrictions are in form of tariffs such as import and export duties, quotas and bans. Due to unavailability of required data on import quota and unquantitative nature of ban, data was collected only on import duty and export duty which form tariff variable. Data was also collected on Aggregate export, Aggregate import and ratio of export to GDP. The result showed that Tariff barrier, Aggregate export and openness are positively related to economic growth while Aggregate import and Ratio of export to GDP are negatively related to economic growth. The empirical findings show that trade barriers have positive and statistical impact on economic growth in Nigeria.***

I. INTRODUCTION

In the current state of recessionary environment where virtually all products consumed in Nigeria Essential and Non-essential are imported literarily, focus have shifted to local production and capacity of local industries.

The consumption of rice in Nigeria has grown rapidly over the past decade. Nigeria consumes nearly six million metric tons of rice per year. Out of the seven million metric tons consumption rate recorded before 2016, only 2.7 million metric tons was produced by local farmers in Nigeria which left a gap of 4.3 million metric tons to be cushioned by importing it into the country. This shows that Nigeria at the time had only 49% self-sufficiency ratio.

In 2013, the Minister of Agriculture and Rural Development revealed that the country spends over 356 billion naira on yearly importation of rice, of which about 1 billion naira is used per day, this has adversely affected the local production of rice in Nigeria.

Food and Agriculture Organisation of the United Nations states that Nigeria is the continent's leading consumer of rice, one of the largest producers of rice in Africa and simultaneously one of the largest importers in the world. Over the years, the country has depended on imports to fill the local supply gap which arose due to the inability of local producers to meet demand.

Rice production increased from 9,257,000 metric tons between 2000 and 2004 to 11,560,000 metric tons between 2005 and 2009. From 2010 to 2013, it increased to12,454000 metric tons.

The Coordinator of Nigeria Agribusiness Group (NABG) noted that about six years ago, the country had only one rice mill, but it has increased to sixteen presently.

Investigations by NaijaAgroNet revealed that between 2000 and 2003, Nigeria may have imported rice to the tone of 17,206,077 tons with an average of 1,564,188 tons.

For the rice import in 2003, Nigeria recorded 1,600,701 tons, 1,396,692 in 2004, 1,174,071 in 2005, 974,647 in 2006,

1,215,758 in 2007, 970,787 in 2008, 1,160,671 in 2009 and 1,882,759 in 2010, while 2,187,419 was recorded in 2011 followed by 2,455,202 a year later, just as 2,187,370 was the tons of rice imported in 2013.

Statistics revealed that in 2006, the country imported 1.5 million metric tons; 1.8 million metric tons in 2007; 1.75 million tons in 2008; 1.75 million metric tons in 2009 and 2.4 million metric tons in 2010. In 2011, the nation also imported 3.2 million tons; 2.8 million tons in 2012; 2.8 million tons in 2013; 3.5 million tons in 2014 and 2.5 million tons in 2015. Data from the Nigerian Ports Authority (NPA) revealed that 70 per cent of the imports were shipped through the approved neighboring land borders and illegal routes. Over 1.8 million metric tons of rice loaded in 30,000 trucks was routed via transit shipments through Niger to the northwest of Nigeria in 2015 alone.

The commodity is valued at N144 billion ($720 million). The data revealed that the imports rose by 20 per cent in 2007, while it declined by -2.78 per cent in 2008. In 2009, Nigeria imported the same quantity when the price rose to $615.25 per metric ton.

However, the price of the commodity had increased by 37.14 per cent when it imported 2.4 million tons. In 2011, the importation was boosted by 33.33 per cent but declined to -12 per cent in 2012 and 2013. However, the country's demand rose by 25 per cent despite the restriction placed on rice importation.

In 2015, the commodity went down by -29 per cent due to government policy on tariff and activities of smugglers. Between 2012 and 2015, the Central Bank of Nigeria (CBN) said that Nigeria spent a whopping $2.41 billion on rice importation.

IRPEP records also showed increase in the areas cultivated from 2.2 million-hectare (ha) in 1999 to 2.8 million ha in 2006 and 3.2 million ha in 2007; while an increase was recorded in annual production from 3.3 million tons of milled rice in 2000 to 4.2 million tons in 2006, and 4.8 million tons in 2007. Although these represented significant increases in output, IRPEP equally highlighted that the targets of 6 million tons in 2005 and 9.8 million tons in 2007 were not achieved.

Reports by US data shows that the government policy of limiting rice importation has led to a drop in the drop in the Importation of the commodity by as much as 300,000 metrics tons in the first half of 2016.

In 2015, the Federal Government of Nigeria reviewed its rice imports allocation by 200,000 Mt to 1.3 million MT from 1.5 million MT in 2014. 1 million MT of this quota was set aside as allocations to existing millers, importers and new investors with approved Domestic Rice Production Plans (DRPP) at a levy of 20% and duty of 10%. The supply gap for the year which was 200,000 MT lower than the previous year was accounted for by rice importers with no DRPP with a levy of 60% and duty of 10%

With the increase in the number of rice Mills in the country, The Federal Government has acquired 110 milling machines to be installed in the country between March and July, 2017. Local rice has been projected to reach 2.7 million MT in 2017 if the government policy of restricting importation is strictly adhered to. Economic Research Service of the United States Department of Agriculture (USDA)

This study highlights the impact importation of rice have had in Nigeria economy. Rice is the most consumed staple food in Nigeria. The amount of foreign currency used in importing foreign rice and the volume of rice imported from available data means there is no end in sight for recession except further action is taken by government to restrict the imports to nearly Zero and drastically increase local production to meet local demand and subsequently exporting. The impact will be that the foreign currency used in importing rice products will be diverted into importing other products which Nigeria have no advantage in, by so doing we free up foreign currency demand, thereby translating to increase in the value of the local currency (Naira), the restriction means nearly all consumption will be local base thereby setting up a standard industry that can be properly regulated. The industry will experience new entrants thereby creating more wealth through Job creation and increase tax remittances to Government. Rice is a product Nigeria have both Absolute and Comparative advantage on in terms of Factor condition and demand condition. But Firm strategy, Structure, Rivalry, related and supporting industries are not there.

Government can provide further incentive, subsidies and business opportunity as an encouragement for people to venture into Agriculture.

Challenges faced by farmers in Nigeria including rice producers are enormous, this include social amenities like good road network, transportation network, communication network, funding and even securities. Security include the encroachment of farm lands by nomads, erosion.

All these challenges put together makes it difficult for the target production tone that will meet local demand and reduced or restrict import challenging.

These and many other issues relating to the restriction on the importation of foreign product in Nigeria, it's impact on local industries in northern Nigeria is what this study is set to explore.

II. REVIEW OF RELATED LITERATURE

Foreign trade is exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP).

Many researcher have carried out research work on foreign trade and it impact in an economy in various parts of the world. Their works include specialization in the exportation of goods and services produced in one country which earn such a country a purchase from another country with its foreign exchange sold in another country (Jafiya, 2004)

Exports are of two broad categories; Primary (Agriculture) commodity export and Processed or manufactured product export.

Foreign trade arises because no country can stand on its own and produced all that its need considering the availability of resources including material and labour. Trade liberalization Has shown that no country can survive in isolation meaning that trade must take place between different countries. Trade development theories have it that an economy

experiences improved development and productivity once the economy engages in bilateral or multi-lateral trade. For most African countries export or means of earning foreign exchange is mainly primary product, that is unprocessed products Todra and Smith (2009).

It is important that Africa especially Nigeria process its agricultural or primary products itself because in so doing local demand is meet and demand for foreign product is reduced. Nigeria export most of primary product and these are its major source of foreign exchange and hence the continuing shortage of foreign reserve and confidence in Naira

Schuchin Yang of the World Bank Development Institute also outlined that export are the major dynamic factors in determining the level of general economic activity in most primary exporting countries. He also argues that said that if development countries do not develop their export, it might slow economic growth (Schuchin, 1979).

Kavoussi (1984) after studying 73 middle and low income developing economy. He found out that the high rate of economic growth was strongly correlated with high rate of export growth.

Obadan (1983) also writes on the impact of export instability on the economic development of Nigeria, during 1960 – 1977. More importantly, the study examines whether fluctuations in Nigeria's export earnings have adverse effects on the economy. The results of the study using multivariate analysis as the framework confirm the hypothesis that export instability is an important obstacle to Nigeria's economic development. Export instability is found to be highly detrimental to the growth rate of investment as well as resulting in smaller proportion of national income being invested. The result also support the claim that Nigeria's economic growth is export led. Similarly, Akerele (2004), with the use of appropriate quantitative techniques identified sources of instability in export earnings for the Nigeria economy for the periods of (1980-1997)

Most goods that have foreign origin otherwise called foreign goods are those that are traded at the international market and sold to those countries that lack the knowledge or technical know-how and the necessary resources to produce similar products

It is important to note that most developed countries (DCs) like America, Britain, Japan and of late Asian countries form the major suppliers of these products that meet international acceptance. The less developed countries (LDCs), including Nigeria and her counter-parts have temporarily refused to improve on her production techniques, but depend on technologically advanced nations for the bulk of her consumables. This scenario is not healthy for a country like Nigeria, that is endowed with abundant human and material resources, that have remained temporally fallow and untapped, just because the nation and its people have not realized the essence of being independent in a true sense. This journey can start with the reviving of infant industries, so that they can function effectively to meet the demands of the market, which will in turn generate avenue for employment and wealth creation.

The basis of foreign or international trade is the difference in the resource endowments of nations. It is true that some countries are better endowed with natural and human resources than others.

The pertinent feature of distribution of world resources is irregularity or imbalance, possibly no country claim self-sufficiency in its resource requirements or a perfectly balanced supply of resources. (Mckinnon, 1964), for example while Japan is highly advanced in automobile technology, it lacks iron and coal. Russia with advance technology lacks agricultural potentials. Indian has human resources but deficient in capital and technology, Nigeria is the most populated country in Africa, yet lacks the necessary technology to improve her marketing landscape.

Dwivedi's (2002) said that some countries may have vast potential in the production of some goods, it may be severely handicapped in the production of others. This uneven distribution of resources and technology necessitated to countries depending on each other in an exchange process.

Today global competition is intensifying, such that foreign companies are expanding aggressively into new international markets, and domestic markets are no longer viable and rich in opportunities as it was before now. Per Kotler and Armstrong (2001), the firm that stays at home to play it safe not only might lose its chance to enter other markets, but also risks losing its home market. It is therefore imperative that companies wishing to compete favourably need to improve their product at home and expand into foreign markets. A firm or country producing an internationally traded product is bound to compete with foreign goods in both domestic and foreign markets. Even if a firm produces only for the domestic market, it may be using imported inputs, such that a rise in the price of inputs, will affect the cost structure. Businesses or firms that are not engaged in international marketing must compete with the export industry in the factor market and with the foreign goods competing in the commodity market. Hence the emergence of a largely borderless world that has invented/or unfolded a new reality for all types of firms and their products. This is because of world trade being driven by global competition amongst firms that have global focus, for global consumers.

Nations and companies are now focusing on international markets for obvious reasons; most domestic markets now offer limited opportunities for expansion, others include saturated markets, intense competition and vulnerable marketing environment. Mills (1848) as quoted by Nyong (2005) postulated the dynamic benefits of international trade to include; (1) those that widen the extent of the market, inducing innovations and increasing productivity (2) those that increase savings and capital accumulation (3) those that have an educative effect in instilling new wants and tastes, and in technology transfer. For example, Changes in economic, socio-cultural and political regime have opened the flood-gate (markets) in eastern Europe, China, Latin America, Far East, Africa and other parts of the world, opportunities to explore the various markets with consumer products that will be beneficial to both the importing and exporting countries. Thus, it is increasingly important for producers in Nigeria to adopt international marketing orientation and focus, because import is taking reasonable share of domestic market for various products. Also, the importance of the composition of foreign trade lies in the fact that it serves as a pointer to the orientation

of a country's economic structure in terms of whether it is tilted towards production or consumption. If the bulk of a country's imports are made up of intermediate capital goods devoted towards further production of desired goods and services connote implications different from if the bulk of such goods and services are made up of final products for the structure of the country's economy. The former implies a productive economy that has the potentials to produce domestically required goods over time, while the latter typifies an economy that is import dependent, thus structurally defective (Anyanwu, et al, 1997).

III. THEORITICAL FRAMEWORK

MERCANTILIST TRADE THEORY

Theories of international or foreign trade have been classified into Mercantilists era (1500 to 1800), which is characterized by a regulated economy via, trade and commerce functions, by the government to achieve presupposed growth and development. To buttress their position, the Mercantilists preached the gospel of exports as against imports of goods. According to Mercantilists theory the most important way for a nation to become rich and powerful is to export more than it imports.

Some of the mercantilists are; Jean Baptiste Colbert and Thomas Hobbs. It was understood then that the most important way in which a country could be rich was by acquiring precious metals such as gold, this was achieved by ensuring that the volume of export was better than the volume of import.

Trade must be controlled, regulated and restricted. The economy of a country was expected to achieve a favourable balance of payment. Tariff quotas and other commercial policies were proposed by the mercantilists to minimize import in other to protect the nation's trade position, mercantilists did not favour free trade. The mercantilists believed in a world of conflicts in which the state of nature was a state of war. The need for regulation to maintain order in human affairs and economic affairs were not considered. To the Mercantilist the world wealth was fixed. A nation's gain from trade was at the expense of its trading partner. David Hume attacked the theory towards the end of 18th century, that a favourable trade balance is a short-term phenomenon which could be eliminated automatically overtime. The other nation is likely to retaliate. Mercantilism was also attacked for their static view of the world economy. Adam Smith also criticized the nation that the world wealth was fixed with the advantage of specialization and division of labour the general level of productivity within a nation will increase.

ABSOLUTE ADVANTAGE TRADE THEORY

The theory of absolute advantage was propounded by Adam Smith in his book (Wealth of Nations in 1776). The theory emerges because of the criticism levied against Mercantilism. He advocated free trade as the best policy for the nations of the world. Smith argued that with free trade each nation could specialize in those commodities in which it could produce efficiently.

This international specialization of factors of production will result in increase in world output which would be shared in by the trading nations. Thus, a nation need not gain at the expense of the other nation, all nations could gain simultaneously.

Recent versions have been edited by scholars and economists. Smith offered a new trade theory called absolute advantage, which focused on the ability of a country to produce a good more efficiently than another nation. Smith reasoned that trade between countries shouldn't be regulated or restricted by government policy or intervention. He stated that trade should flow naturally according to market forces. In a hypothetical two-country world, if Country A could produce a good cheaper or faster (or both) than Country B, then Country A had the advantage and could focus on specializing on producing that good. Similarly, if Country B was better at producing another good, it could focus on specialization as well. By specialization, countries would generate efficiencies, because their labor force would become more skilled by doing the same tasks. Production would also become more efficient, because there would be an incentive to create faster and better production methods to increase the specialization.

Smith's theory reasoned that with increased efficiencies, people in both countries would benefit and trade should be encouraged. His theory stated that a nation's wealth shouldn't be judged by how much gold and silver it had but rather by the living standards of its people.

IV. COMPARATIVE COST ADVANTAGE

Absolute advantage failed to analyse where a country has a comparative advantage in the production of two goods, will trade still be necessary or beneficial to the countries in question? David Ricardo tackled the question.

Ricardo was the first to demonstrate that external trade arises not because of difference absolute trade advantage but from comparative trade advantage. By comparative advantage is meant by greater advantage. Thus, in the context of two countries and two commodities, trade would still take place even if country was more efficient in the production of both commodities, provided that the degree of its superiority over the other country was not both identical for both commodities.

Ricardo assumed the existence of two countries, two commodities and one factor of production, labour. He assumed that labour was fully employed and internationally immobile and that the product and factor of prices were perfectly competitive. There are no transport costs or any other impediments to trade.

In context of the model of the two countries, two commodities and one factor of production, Ricardo obtained the result that a country will tend to export the commodity in which it has a comparative advantage. Since comparative advantage since comparative cost are the other side of the advantage the theory could be express in terms of comparative cost advantage.

The challenge to the absolute advantage theory was that some countries may be better at producing both goods and,

therefore, have an advantage in *many* areas. In contrast, another country may not have *any* useful absolute advantages. To answer this challenge, David Ricardo, an English economist, introduced the theory of comparative advantage in 1817. Ricardo reasoned that even if Country A had the absolute advantage in the production of *both* products, specialization and trade could still occur between two countries.

Comparative advantage occurs when a country cannot produce a product more efficiently than the other country; however, it *can* produce that product better and more efficiently than it does other goods. The difference between these two theories is subtle. Comparative advantage focuses on the relative productivity differences, whereas absolute advantage looks at the absolute productivity.

Let's look at a simplified hypothetical example to illustrate the subtle difference between these principles. John is a professional accountant who charges N12,000 per hour for her legal services. It turns out that John can also type faster than the administrative assistants in his office, who are paid 500 per hour. Even though John clearly has the absolute advantage in both skill sets, should she do both jobs? No. For every hour John decides to type instead of do a professional job, he would be giving up N11,500 in income. His productivity and income will be highest if he specializes in the higher-paid accounting services and hires the most qualified administrative assistant, who can type fast, although a little slower than John.

PORTER'S NATIONAL COMPETITIVE ADVANTAGE THEORY

In the continuing evolution of international trade theories, Michael Porter of Harvard Business School developed a new model to explain national competitive advantage in 1990. Porter's theory stated that a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade. His theory focused on explaining why some nations are more competitive in certain industries. To explain his theory, Porter identified four determinants that he linked together. The four determinants are (1) local market resources and capabilities, (2) local market demand conditions, (3) local suppliers and complementary industries, and (4) local firm characteristics.

- ✓ *Local market resources and capabilities (factor conditions).* Porter recognized the value of the factor proportions theory, which considers a nation's resources (e.g., natural resources and available labor) as key factors in determining what products a country will import or export. Porter added to these basic factors a new list of advanced factors, which he defined as skilled labor, investments in education, technology, and infrastructure. He perceived these advanced factors as providing a country with a sustainable competitive advantage.
- ✓ *Local market demand conditions.* Porter believed that a sophisticated home market is critical to ensuring ongoing innovation, thereby creating a sustainable competitive advantage. Companies whose domestic markets are sophisticated, trendsetting, and demanding forces continuous innovation and the development of new products and technologies. Many sources credit the demanding US consumer with forcing US software companies to continuously innovate, thus creating a sustainable competitive advantage in software products and services.
- ✓ *Local suppliers and complementary industries.* To remain competitive, large global firms benefit from having strong, efficient supporting and related industries to provide the inputs required by the industry. Certain industries cluster geographically, which provides efficiencies and productivity.
- ✓ *Local firm characteristics.* Local firm characteristics include firm strategy, industry structure, and industry rivalry. Local strategy affects a firm's competitiveness. A healthy level of rivalry between local firms will spur innovation and competitiveness.

In addition to the four determinants of the diamond, Porter also noted that government and chance play a part in the national competitiveness of industries. Governments can, by their actions and policies, increase the competitiveness of firms and occasionally entire industries.

Porter's theory, along with the other modern, firm-based theories, offers an interesting interpretation of international trade trends. Nevertheless, they remain relatively new and minimally tested theories.

HECKSCHER - OHLIN THEORY (FACTOR PROPORTIONS THEORY)

The theories of Smith and Ricardo didn't help countries determine which products would give a country an advantage. Both theories assumed that free and open markets would lead countries and producers to determine which goods they could produce more efficiently. In the early 1900s, two Swedish economists, Eli Heckscher and Bertil Ohlin, focused their attention on how a country could gain comparative advantage by producing products that utilized factors that were in abundance in the country. Their theory is based on a country's production factors—land, labor, and capital, which provide the funds for investment in plants and equipment. They determined that the cost of any factor or resource was a function of supply and demand. Factors that were in great supply relative to demand would be cheaper; factors in great demand relative to supply would be more expensive. Their theory, also called the factor proportions theory, stated that countries would produce and export goods that required resources or factors that were in great supply and, therefore, cheaper production factors. In contrast, countries would import goods that required resources that were in short supply, but higher demand.

For example, China and India are home to cheap, large pools of labor. Hence these countries have become the optimal locations for labor-intensive industries like textiles and garments

LEONTIEF PARADOX

In the early 1950s, Russian-born American economist Wassily W. Leontief studied the US economy closely and noted that the United States was abundant in capital and,

therefore, should export more capital-intensive goods. However, his research using actual data showed the opposite: The United States was importing more capital-intensive goods. According to the factor proportions theory, the United States should have been importing labor-intensive goods, but instead it was actually exporting them. His analysis became known as the Leontief Paradox because it was the reverse of what was expected by the factor proportions theory. In subsequent years, economists have noted historically at that point in time, labor in the United States was both available in steady supply and more productive than in many other countries; hence it made sense to export labor-intensive goods. Over the decades, many economists have used theories and data to explain and minimize the impact of the paradox. However, what remains clear is that international trade is complex and is impacted by numerous and often-changing factors. Trade cannot be explained neatly by one single theory, and more importantly, our understanding of international trade theories continues to evolve.

V. EMPERICAL REVIEW

Federal Government Nigerians announced the restriction on 41 items which they plan to localize the production of those goods as a policy to encourage local and infant industries.

With the intention that the country's balance-of-payments problems would be alleviated and that the protection offered would induce increased output and employment of the domestic industry. Top on the list of those items include Rice, however, Observers are of the opinion that the current measure being taken by the government may not be bad given disturbing level of importation into the land which not only de-industrializes the nation but also turns it into a dumping ground of products which indigenous capacities can cater for. Recently, Lagos Chamber of Commerce and Industry (LCCI), raised the alarm at different occasions that many companies are on the brink of collapse because of inability to access foreign exchange for raw materials and other critical inputs. It claimed that many small businesses have moved to neighbouring countries to effect transfers to their suppliers abroad, a situation that encourages operation of offshore bank accounts to the detriment of the Nigerian economy. LCCI President Remi Bello noted that the real sector has been battling some challenges since the implementation of the forex policy as several investments are at risk, with possible job losses. According to him, the policy has negatively affected the financial services sector, manufacturing sector, tyre and rubber industry, pharmaceutical sector, the free trade zones, and furniture and foam manufacturers, among others. Several of this empirical studies provided an affirmative answer that

Trade barrier or restrictions is correlated with economic growth while others still show a negative relationship between trade barriers and economic growth, and positive relationship between trade liberalization (openness) and economic growth.

For example, Clemens and Williamson (2002) use an economic history approach to study the effects of protection on economic growth from 1860-1950. They employ a sample of 35 countries, using cross-sectional analysis. Their findings show that trade protection favored growth before the second world war, since growth after 1950 coincides with openness.

Mann (2003) also carried out a research on economic consequences of the globalized production and international trade of information technology (IT) hardware. Her results shows that increased IT hardware trade between 1995 and 2002 generated a cumulative gain of 230 billion dollars to the USA economy. She concluded that trade openness is the key to economic growth. Rodriquez and Rodrick (2000) on the study "Trade policy and economic growth", according to the researchers, there is a little evidence that lower tariff and non tariff barriers to trade have strong correlation with economic growth. In the study, the authors show that many researchers specify the notion of openness differently. In formulating their policy strategies, international organization and governments use heavily trade openness, but the empirical evidence from which openness was derived has no systematic support.

Dollar and Krany (2002) conducted a study on the impact of trade openness on growth performance, poverty and inequality in 73 developing countries. They used two criteria for identifying the developing countries that have globalized the fastest: by how fast the share of trade in GDP has risen: and second, by cuts in tariffs. By these criteria's, the top 1/3 of the 73 developing countries in the sample that liberalized the most, double their share of trade to GDP from 16% to 33% and tariffs by 22% point from 57% to 35%. The study concludes that trade liberalization improved growth performance.

Yamkkaya (2003) examined the growth effect on 108 economies of a large number of measures on trade openness using economic models and regression, the result shows that on the basis of trade volumes, there is a positive and significant association between trade openness and growth. The findings also shows that there is a positive and significant relationship between trade barriers and growth. He concludes that trade barriers in the form of tariff can actually be beneficial for economic growth

Despite the numerous benefits that accrue to nations as a result of foreign trade, it could be realize that many nations employed different tools which aimed at interfering with the international flow of goods and services. It could be noted that governments, to a large extent impose restrictions on their foreign trade. However, a nation can try to increase its welfare at the expense of other nations by restricting trade.

Trade restrictions could be classified as tariff and non-tariff: The import tariff has received the most attention. This is expressed as a percentage of the value of the imported commodity and is usually imposed to limit the volume of imports. Tariff may be imposed as a means of correcting an adverse balance of payments. If import duties may be imposed on imports to make them clearer and likewise reduce their volume.

Tariff may be imposed to turn the terms of trade and volume of trade in favor of the country imposing the tariff. Also, tariffs may be imposed to raise the level of employment in a country. It is argued that, if a tariff is imposed, more of the national income will be spent on locally produced goods, all other factors being constant. This will encourage local production and more employment opportunities will be created. The extent to which tariff will be effective depends on

the degree of retaliation from other countries which are victims of the tools.

Its effectiveness will also depend on the elasticity of demand of the product in question as well as the elasticity of demand of the foreign countries goods. Moreover, non-tariff trade restrictions are import quota, import licensing, embargo, foreign exchange control, devaluation and import monopoly. Import quota is a direct quantitative restriction on the importation of a commodity and has many of the effect of an import tariff. It specifies the quantity of goods that will come from different countries to a country. The country in question would fix the maximum amount of a commodity that can be imported during period of time. When the amount to be imported has been determined, import licenses are then issued either to agents or supplying countries, stating the maximum amount each is permitted to import or supply. Quota and license enable government to restrict import to essential quantities needed. If this instrument is not administered well, it could raise prices of the goods and services. Devaluation as one of the instrument of trade restriction refers to an increase in exchange rate from one par value to another. This normally stimulates the devaluating nation's exports, reduces its imports and improves the nation's balance of trade and payment. By increasing the price of a unit of the foreign currency, devaluation makes a nation's imports more expensive in terms of the domestic currency and its export cheaper to foreigners in terms of the domestic currency.

Other instruments are embargo, which is a complete ban on the importation of certain goods. It is a straight forward way of trade restriction. In the case of import monopoly, the government of a country takes over the importation of goods, and imports only those that are extremely essential to the nation.

VI. RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

The study is descriptive as well as empirical as it seeks to establish the degree of relationship that exists between foreign trade restrictions and its impact in the Nigerian economy.

An econometric approach was applied using the Ordinary Least Square method (OLS method) in estimating the parameter of the specified model, while the E-views statistical package was used in carrying out this analysis

Nigeria imports mainly: industrial supplies (27% of total in 2014), capital goods (23%), food and beverage (17%), fuel and lubricants (14%), transport equipment and parts (12%) and consumer goods (7%). 43% of total imports come from Asia; 34% from Europe; 15% from America and 7% from Africa. This page provides - Nigeria Imports - actual values, historical data, forecast, chart, statistics, economic calendar and news. Nigeria Imports - actual data, historical chart and calendar of releases - was last updated on April of 2017.

VII. MODEL SPECIFICATION

Consequently, this research work adopted the ordinary least square (OLS) regression techniques. Model Specification We develop a compact form of our model as follows:

GDP = Gross Domestic Product
TARF = Tariff Levy on Import and Export
AIMP = Aggregate Import
AEXP = Aggregate Export
RTEXP = Ratio of Export to GDP
OPN = Openness
The linear form of equation (1) becomes

GDP = B0 + B1 TARF + B2 AIMP + B3 AEXP + B4 REXP +B5 OPN + Ut ……(2)

Where:
B0 = Constant
B1- B5 are the parameters
Ut= Random error

A long linear form of our model above will take the form of the following:

LGDP = B0 + B1 LTARF + B2 LAIMP + B3 LAEXP + B4 LREXP + B5 LOP

TECHNIQUES FOR EVALUATION OF RESULT

Evaluation based on theoretical criteria under this criteria is a priori expectation (signs and sizes) of the parameter estimates of the variables in the model which will be evaluated to check whether they conform to economic theory. The choice of OLS for this work is guided by the fact that its computational procedure is simple and the estimates obtained from this procedure has optimal properties which include linearity, unbiasedness, mini variance and mean squared error estimation (Koutsoyiannis, 1977).

The Coefficient of Determination (R2) explains the total variation in the dependent variable (GDP) caused by variations in the explanatory variables.

THE T- TEST

This test is used to test whether the variables included in the work are significant or not significant in determining the impact of Restrictions on the Nigerian economy. Each element of Bs` follows the t- distribution with n-k degree of freedom.

THE F-TEST

This tests the overall significance of the regression in the model.

TEST FOR AUTOCORRELATION

This is to test whether the errors corresponding to different observations are uncorrelated. The test will adopt the Durbin- h statistics because of the presence of the lagged dependent variables as are of the regressors, which indicates that the model is an autoregressive model (Gujarati, 2004).

DATA SOURCE

The data for this study are secondary data CBN Statistical bulletin 2006. The period covered is from 1970-2006, which is period of 37 years. The data would be collected on Gross Domestic product (GDP) which is impact on the economy. Although trade restrictions may include tariffs, outright ban or substitution.

Tariffs such as import duty and export duty, quotas and bans, due to unavailability of required data on import quota and quantitative nature of ban, we shall collect data only on import duty and export duty which will form our tariff variable. Also from this, we discovered that there is unending argument as regard to the impact of on any economy, and trade liberalization in form of openness.

This informs our choice of including the degree of openness into the model. Openness is the ratio of export and import over GDP. Data on aggregate import and export would be collected.

These two variables shall be our control variables in the model.

Import is the total volume of goods that come into the country, while export is the total volume of goods sent to overseas country.

SOFTWARE PACKAGE

The work will make use of E-VIEW econometric software. The data will initially be loaded into excel worksheet, then from there, it will be imported into the E-VIEW software.

The result of our estimation with the ordinary least square method is presented in a tabular form below:

Variable	Coefficient	Std. Error	t-statistic	Prob
C	193428.8	385292.4	0.502031	0.6192
TARF	10.62395	3.210595	3.309029	0.0024
OPN	60636.98	17090.30	3.548035	0.0013
AEXP	2.350808	0.256627	9.158445	0.0000
AIMP	-0.562409	0.691790	-0.812977	0.4224
RTEXP	-111133.5	22587.27	-4.920182	0.0000

R2 = 0.983650, DW = 1.361, F-stat = 373.0102
The dependent variable is GDP

Table A

STATISTICAL CRITERIA OF THE RESULT (FIRST ORDER TEST)

The R2 which is the coefficient of determination shows that the set of the explanatory variables used in the model adequately explain the pattern of behaviour of the dependent variable. In other words, about 98.4% of the variation in GDP is explained by the independent variables which conforms the goodness of fit of our regression model.

From the regression result, it is shown that the independent variables (tariff, openness, aggregate export, aggregate import and ratio of export to GDP) are jointly responsible for a very large percentage of the variation in the dependent variable (GDP). The high value of DW statistics implies that there is no serial autocorrelation between the variables.

INTERPRETATION OF THE REGRESSION RESULTS

The results are interpreted based on the empirical result obtained from the analysis therein. From the result, the constant term is positive, this conforms to a prior expectation because if other factors that contribute to gross domestic product are zero, there are other variables that can contribute in a positive or negative way to gross domestic product.

Tariff displayed 10.62395 as its coefficient implying that there is a positive relationship between tariff and gross domestic product. A unit increase in tariff will cause GDP to increase by 10.62395 units. More so, tariff is statistically significant. The implication o f this result is that trade barrier contributes to economic growth in Nigeria. This findings is quite consistent with the findings of Clemens and Williamson (2002) who showed clearly that trade protection in form of tariffs are quite beneficiary and positively correlated with most developing countries.

The degree of openness is positively related to economic growth since it displayed coefficient of 60636.98, which implies that a unit increase in openness will cause GDP to increase by 60636.98 units.

The result showed a positive relationship between aggregate export and gross domestic product. The coefficient of aggregate export is displayed as 2.350308, which implies that a unit increase in aggregate export will cause GDP to increase by 2.350308 units. The result shows that there is a negative relationship between aggregate import and gross domestic product. The aggregate import displayed coefficient of – 0.562409, which implies that a unit increase in aggregate import will cause GDP to decrease by – 0.562409 units.

Again, ratio of export to GDP is seen having a negative coefficient of – 111133.5, implying that there is a negative relationship between ratio of export to GDP and gross domestic product. A unit increase in ratio of export to GDP will cause GDP to decrease by – 111133.5 units.

THE T-TEST STATISTICS

This is a test of significance of individual parameter estimates. The test was conducted at 5% level of significance and 31% degrees of freedom:

N = 37
K = 6
DF = (n-k) = 37-6) = 31
t* = 3.309, 3.548, 9.158, -0.813, -4.920
t (0.05) = 1.70
-1.70 1.70

HYPOTHESIS

H0: Bs = 0 (Null Hypothesis)
H1: Bs ≠ 0 (Alternative Hypothesis)

DECISION RULE: If the calculated t* value from the empirical analysis is greater in absolute term than the theoretical t-value, we reject the null hypothesis (H0) and conclude that changes in the explanatory variable has a significant influence on the dependent variable. But if the empirical or calculated t* is less than the tabular value in

absolute terms, we accept the null hypothesis (H0) and conclude that the explanatory variable has no significant influence on the dependent variable.

In summary, if:

t* > t = Reject H0, but if,

t* < t = Accept H0

Variable	t-cal	t-tab	Outcome
TARF	3.309	+1.70	SIGNIFICANT
OPN	3.548	+1.70	SIGNIFICANT
AEXP	9.158	+1.70	SIGNIFICANT
AIMP	-0.813	+1.70	NOT SIGNIFICANT
RTEXP	-4.920	+1.70	SIGNIFICANT

Table B

The above results in the table show that 3.309, 3.548 and 9.158 > 1.70, we reject the null hypothesis (H0) that tariff, openness and aggregate export significantly affect GDP. While -0.813 < 1.70, we accept the null hypothesis (H0) that aggregate import do not significantly affect GDP; and -4.920 < -1.70, we accept the null hypothesis (H0) that ratio of export to GDP do not significantly affect GDP.

THE F-TEST STATISTICS

The F-test is a test of significance of the entire regression plane. The test was conducted to see the joint impact of our explanatory variables on the dependent variable. The test was conducted at 5% level of significance.

HYPOTHESIS

H0: Bs = 0 (Null Hypothesis)

H1: Bs ≠ 0 (Alternative Hypothesis)

Decision Rule

Fcal > Ftab = Reject H0, but if,

Fcal < Ftab = Accept H0

df (k-1, n-k)

V1 = k-1

= 6 - 1

= 5

V2 = n-k

= 37 - 6

= 31

Fcal = 373.0102

Ftab = 2.53

Since our Fcal > Ftab, we reject the null hypothesis (H0), implying that the overall regression is statistically significant.

ECONOMETRIC CRITERIA OF THE RESULT (SECOND ORDER TEST)

The Durbin Watson Test The Durbin-Watson test is a test of autocorrelation or serial dependence among residuals of a regression model, provided there is no lagged value of the endogenous variable in the model (Koutsoyannis 1997:215).

The Durbin-Watson test was conducted at 0.05 percent level of significance.

Given the following information

N = 37

K = 6

dL = 1.13

du = 1.87

d* = 1.36

DECISION RULE FOR DURBIN WATSON

Null Hypothesis	Decision	If
No positive autocorrelation	Reject	0 < d < dL
No positive autocorrelation	No decision	dL < d < du
No negative correlation	Reject	4 – dL < d < 4
No negative correlation	No decision	4 – du < d < 4 – dL
No autocorrelation, positive or Negative	Do not reject	du < d < 4 - du

If the empirical Durbin-Watson value d* is less than the theoretical or tabular upper Durbin-Watson value (du), that is, if d* < du, we reject the null hypothesis (H0) of no autocorrelation.

Since (d*) 1.36 < (du) 1.87, we reject the null hypothesis (H0) and conclude that there is autocorrelation.

SUMMARY OF FINDINGS

Following the findings in this study, with the coefficient of TARIFF as 3.309029, restrictions on foreign trade have a high significant positive impact on economic growth in Nigeria.

Also, it is so interesting to know that openness and aggregate export equally have 3.548035 and 9.158445 as their coefficients, implying that they also cause GDP to increase.

Aggregate imports have -0.812977 as its coefficient, implying that it is not statistically significant in the model. Ratio of export to GPD is statistically significant although it display -4.920182 as its coefficient.

VIII. RECOMMENDATION

Government should ensure a strict compliance in seeing that tariff from further imports of items in the ban are appropriately collected and remitted timely, in so doing also put in places policies and structures that will enable local industries to manufacture those product as this will further increase the country's GDP, create employment and increase revenue from taxation of these local industries will accrue to the Government.

If growth must be achieved there must be some element of trade barrier in form of tariff as this will as a measure to prevent dumping

IX. CONCLUSION

Foreign trade is good for nation but should involve only goods, product or services in which countries are absolutely or comparatively disadvantaged. Nigeria export a large chunk of its agricultural or primary products making it difficult to develop the local suppliers and complementary industries. Conscious effort and political will are what each successive government seems to be lacking most. Small and Medium Scale Enterprise (SME) are also lacking in funding, different policies have been designed over time to support it growth but implementation remain nothing to write home about.

Government have not done enough in implementing policies that will help local and infant industries thrive, though export and economic development may have a positive correlation, Nigeria will continue to import even the least of essential goods as basic infrastructure that

We therefore conclude that the policy makers should pursue vigorously trade policy that will ensure all goods imported into the country and appropriately taxed and ensure that the taxes are remitted.

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