TRADE OPENNESS AND ECONOMIC GROWTH NEXUS: EMPIRICAL EVIDENCE FROM NIGERIA

Nnamdi Chinwendu, Nwaeze, Ph.D
Department of Economics, Abia State University, Uturu
nwaezennamdi@yahoo.com

ABSTRACT

This study examines the economic growth and trade openness nexus in Nigeria between 1981 and 2018. Primarily, the need to empirically find out the magnitude effect degree of trade openness has on economic growth as measured by the growth rate in real gross domestic product, motivated this investigation. The study included degree of trade openness, nominal exchange rate, foreign direct investment, import and export indices in the model, deploying the Autoregressive Distributive Lag (ARDL) methodology to analyze the data obtained from the World Bank country reports, CBN statistical bulletin and data from the National Bureau of Statistics. The study found out that degree of openness fails to meet theoretical and a prior expectations in terms of predicting economic growth in Nigeria. In essence, the study found degree of trade openness to have a negative and significant impact of economic growth in Nigeria. This implies that the more we open our economy to foreign trade, the more growth is retarded. However, foreign direct investment (FDI) was found to have positive effect on Nigeria's economic growth. The study concludes therefore that degree of trade openness in particular and foreign trade in general do not stimulate economic growth in Nigeria. The managers of the economy is, therefore, advised to pursue policies to will develop our domestic productive capacities, which could guarantee self-sufficiency in the long-run and halt our dependence on importations. A corollary benefit is that it would also save our foreign reserves and aid in stabilizing the value of the naira. The FDI channel show also be explored to attract needed capital for investment in Nigeria.

Key words: Foreign direct investment, trade openness, economic growth and comparative advantage.