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TRADE LIBERALIZATION AND ECONOMIC GROWTH IN NIGERIA: EVIDENCE FROM GAUSS MARKOV REGIME SWITCHING MODEL

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ABSTRACT

Since independence, Nigeria has undertaken a number of trade liberalization initiatives, but the country's growth has continued to deteriorate. The Gauss Markov Switching model is used to investigate the effect of trade liberalization on economic growth based on data collected from the Central Bank of Nigeria's (CBN) Statistical Bulletin from 1985 to 2019. In the first regime, the exchange rate and capital stock have a significant positive impact on economic growth, but trade liberalization has an insignificant effect. Capital stock had a significant positive effect on Nigerian economic growth during the second regime, whilst trade liberalization and the exchange rate had a significant negative impact. We argued that trade liberalization is harmful to Nigerian growth and that the performance of trade policy during the SAP era differed dramatically from that of gradual trade liberalization. The research recommends that the import substitution trade policy be reintroduced because it has a better chance of boosting economic growth.

Keywords: Trade liberalization, Trade policy shifts, Economic Growth, Gauss Markov Switching model, Nigeria

1. Introduction

Due to the increasing interdependence of economies, which has made it difficult, if not impossible, for any economy to function in isolation, trade liberalization policy has piqued the interest of economists and policymakers around the world, sparking a number of disputes in the literature (Kalu, Nwude & Nnenna, 2016). In a less protectionist trade regime, trade policy can affect an economy by increasing scale efficiency by expanding access to foreign markets beyond the domestic market, which may be too small for efficient production of goods, increasing competition with foreign firms forcing domestic firms to adopt more efficient technology to reduce inefficiency and waste, and reducing the foreign exchange constraints that most developing countries face (Adenikinju and Olofin, 2002; Okoye, Nwakoby & Okorie, 2016). Furthermore, a more open economy leads to a faster rate of technical growth (Loto, 2012). A more integrated global economy, likewise, is more likely to have negative macroeconomic implications. According to UNEP (2001), trade liberalization exposes an economy to a financial catastrophe if governments fail to maintain a positive balance of payments over time, resulting in a protracted collapse in foreign reserves and a country's capacity to fund its budget with debt. It can also result in environmental damage as a result of multinational corporations expanding in environmentally risky methods. Nigeria passed a variety of trade regulations after achieving independence. These rules were established to increase manufacturing efficiency and save costs (Asongo, Jamala, Joel & Waindu, 2013). Growth and other macroeconomic indicators such as the exchange rate and trade balance have deteriorated despite the country's implementation of trade liberalization policies. Furthermore, the majority of these efforts' policy aims, such as improving growth rates, have fallen short (Bakare & Fawehinmi, 2011; Ebenyi, Nwanosike, Uzoechina, & Ishiwu, 2011). The goal of the import substitution industrialization policy, for example, is not being realized, as more and more infant industries close due to their inability to compete with multinational firms. Similarly, despite implementing an export promotion strategy, Nigeria remained a mono-product exporter, relying on oil exports for the majority of its revenue.

A variety of studies on the relationship between trade liberalization and economic growth in developed, developing, and emerging market economies abound against this backdrop (Modeste, 2019; Fukuda, 2018; Chang, Kaltani & Loayza, 2005; Pickson, Agbenyo &Tetteh, 2019; Ijirshar, 2019; Ahmad &Ali, 2019; Solomon & Tukur, 2019; Ajayi & Araoye, 2019; Egbetunde & Obamuyi, 2018). The majority of these study on trade liberalization and economic growth, particularly in the Nigerian context, failed to account for the impact of multiple trade liberalization policy modifications in the country on economic growth at different times. Meanwhile, Nigeria's trade liberalization strategy has gone through four major stages, each of which has had a substantial impact on the country's trade performance and foreign relations. As a result, using a Gauss Markov Switching regression model, this study fills in the gaps by analyzing the effects of trade liberalization on economic growth in Nigeria, as well as the influence of trade liberalization policy modifications on the link between trade liberalization and economic growth.

The major goal and broad objective of this study is to look at the impact of trade liberalization on Nigerian economic growth from 1985 to 2019. The following are the study's specific objectives:

i. analyse the trend in trade liberalization regimes and industrial output ~~growth~~ in Nigeria
ii. examine the impact of trade liberalization on economic growth in Nigeria.
iii. Investigate the implication of trade liberalization policy shifts on the relationship between trade liberalization and economic growth in Nigeria.

Because this study emphasizes the importance of foreign trade policy in achieving economic growth goals, the study will be immensely valuable to the government in formulating strategies, policies, and programs to help the country recover from its current economic depression. The study's recommendations will help firms in the external trade sector improve their operations and increase their foreign exchange revenues by applying enhanced trade standards. The literature review, data analysis, conclusion, and recommendations are the first four components of the study.

2. Literature Review

Trade is described as "the act of people buying, selling, or exchanging goods and services" (Kumar, 2009). International trade is a system in which commodities and services are advertised, sold, and traded via import and export between two or more countries (Javed, Qaiser, Mushtaq, Saif-ullaha & Iqbal, 2012). The government's role in production and marketing has been greatly reduced as a result of trade liberalization, as has the use of controlled pricing, export taxes, foreign exchange, and import controls, as well as the strengthening of the private sector's participation in the economy (Mkubwa, Mtengwa and Babiker, 2014). According to the World Bank, trade liberalization is defined as "the removal or modification of trade restrictions that obstruct the free movement of goods and services from one country to another" (2001).

One of the earliest notions of international trade is the mercantile theory. The approach highlighted the significance of countries restricting imports with tariffs and quotas while increasing exports via export subsidies and precious metals storage support. Mercantiles encourage export because it increases a country's wealth, whereas import depletes it (Paul, 2008). According to the theory, import substitution and the accumulation of financial capital (primarily gold and silver) should be supported, while export should be pushed, in order for a country to maintain a good trade balance. Adam Smith (1776), the father of modern economics, invented the concept of absolute cost advantage, according to Verter (2015). According to the theory, a country should concentrate on developing items that provide it a particular competitive advantage. It is preferable to buy from a foreign country with a portion of the local industry's products used in a way that benefits us if a foreign country can supply a domestic economy a product at a cheaper cost than when it is produced locally" (Smith, 1776, as cited in Verter, 2015). Smith argued that concentrating on commodity and service manufacturing would boost world output. According to Verter (2015), David Ricardo invented the concept of comparative advantage to solve a number of issues that the absolute advantage theory failed to address (1817). Ricardo asserted that countries will profit from trade even if one country has an absolute edge over the other in producing all of the things that they trade (Verter, 2015). Ricardo underlined that, in comparison to other countries, the country should concentrate on producing products for which it has the highest output at the lowest opportunity cost. Reduced trade barriers, according to the Hechsher-Ohlin theory of

international trade, will impact the factor content of production in trading countries. The relative scarcity of components determines the specialization direction (Beissinger and Moeller, 2000). The H-O model, the new trade theory NTT, and intra-industry trade are all based on Ricardian theory. Marc Melitz (2003) presented a "new trade theory" (NNTT) based on IIT models, emphasizing the importance of homogeneous goods in trade (equal in productivity). According to IIT, homogeneous goods trade takes place mostly in industrialized countries, but inter-industry trade in a diversity of products takes place in both developed and developing countries. Agricultural markets are usually subjected to imperfect competition from downstream or upstream businesses, according to NNTT. Farm products are depicted as differentiated and monopolistic rivalry across the supply chain.

The impact of trade liberalization on industrialized economies' economic growth has been investigated to see how the two are linked. From the early 1980s to the mid-2010s, Modeste (2019) employs cointegration and error correction methodologies to assess the impact of trade liberalization on export supply and poverty in Guyana, Southern America. The study found that trade liberalization increased export supply and reduced poverty rates, but the effects were minimal. Furthermore, the real effective exchange rate, as well as economic and agricultural growth, were found to be significant drivers of the country's export supply and poverty alleviation. Fukuda (2018) reached a similar conclusion after developing a trade and growth model that took into account business heterogeneity as well as basic and applied (technological) research. When the population is tiny, trade liberalization has been shown to boost growth rates. Based on a study of the empirical economics literature on the impact of trade liberalization on companies' innovation-related results in the United States, Shu and Steinwender (2018) found a comparable positive effect of trade liberalization. At the national and corporate levels, the analysis finds some noteworthy discrepancies. In emerging countries, trade liberalization appears to promote productivity and innovation. In industrialized countries, export prospects and access to imported intermediates tend to increase innovation, while data on import competition, notably in the United States, is contradictory. The beneficial effects of trade on innovation are stronger at the firm level, whereas the negative consequences are stronger.

Pickson, Agbenyo, and Tetteh (2019) investigated the relationship between trade liberalization and economic growth using data from developing and emerging market countries. The Granger causality test and the autoregressive distributed lag (ARDL) model were utilized in this investigation. Trade openness, inflation, and population growth, according to the study, have all had a long-term negative influence on Ghanaian economic growth, whereas the exchange rate has had a large and long-term positive impact. Investment has no effect on economic growth in the long run. Furthermore, the study revealed that only inflation and population expansion had a significant impact on economic growth in the short run. Ijirshar (2019) uses non-stationary heterogeneous dynamic panel models based on Pooled Mean Group (PMG) and Mean Group (MG) estimators to assess the impact of trade openness on economic growth among ECOWAS countries, as opposed to a negative effect of trade liberalisation on growth, using secondary data from 1975 to 2017. The findings show that trade openness benefits ECOWAS countries' economy in the long run, but the short-term implications are unclear. Sarkar (2007) looks into the relationship between openness and growth. Stronger real growth is related with a bigger trade share for only 11 rich and very trade-dependent nations, according to panel data study. A time series examination of individual country experiences from 1961 to 2002 revealed that the majority of countries did not have a favorable long-term relationship between openness and growth. Based on the experiences of different localities and groups, he discovers that only the medium income group has a long-term good link.

Solomon and Tukur (2019) study the influence of trade openness on Nigerian GDP using the Error Correction Model (ECM). Trade openness has a good and considerable impact on economic growth, according to the research. Inflation has a considerable negative influence on economic growth in Nigeria, according to the ECM, but the exchange rate has a positive but not significant impact over the study period. In their analysis of the influence of trade liberalization on Nigerian economic growth, Ajayi and Araoye (2019) discovered the same positive effect. The Co-integration test revealed a positive relationship between trade openness and economic growth, but a negative relationship between economic growth and exchange rate, as one might expect for a country

that engages in international commerce. Egbetunde and Obamuyi (2018) study the impact of foreign trade on economic growth in Nigeria and India using the Vector Autoregression Method (VAR) and the Granger causality test. UNCTAD (United Nations Conference on Trade and Development) provided the information (UNCTAD). The VAR discovered that Nigeria's and India's economic expansion had a beneficial and significant impact on global commerce. According to the study, the link between foreign commerce and economic growth in Nigeria and India is causal. The consequences of trade liberalization on Nigerian economic growth are investigated by Sunday and Ganiyu (2015). According to the statistics, trade openness has a negative relationship with Nigeria's GDP, which is used as a proxy for economic growth. Examine the information. The exchange rate, the administrative environment, and SAP all showed a somewhat favorable relationship with growth.

3. Data Analysis

3.1 Methodology

This study's analysis employs the ex post facto research methodology because it is effective in determining how an independent variable that existed in the participants before to the investigation affects a dependent variable. The new 'New Trade Theory,' which draws strength from the Ricardian, H-O, new trade theory (NTT), and intra industry trade (IIT) models, serves as the study's theoretical framework. According to the model, free trade causes resource reallocations within and between sectors, with less productive businesses relocating to more productive ones. Feder (1983) proposes a formal model in which the export sector's output is a function of the sector's labor and capital; the non-export sector's output is a function of labor, capital, and the export sector's output (to capture externalities); and the ratio of respective marginal factor productivities in the two sectors deviates from unity. The expanded neoclassical growth equation that results from these assumptions is as follows:

$G = a(I/Y) + b(dL/L) + [\delta/(1+\delta) + Fx] (X/Y) (dX/X)$ _____ (1)

Where G is aggregate growth performance or output; I/Y is the investment ratio; dL/L is the growth of the labour force; dX/X is the growth of exports; X/Y is the share of exports in GDP; $\delta/(1+\delta)$ is the differential productivity effect, and Fx is the externality effect.

In line with the objective of this study, economic growth as proxy by real gross domestic product is the dependent variable while trade liberalization proxy by the ratio of the sum of export and import to the gross domestic product (GDP), real exchange rate, capital stock and regime switch variable which capture the effect of policy shift with 0 representing the Structural Adjustment Programme (SAP) era and 1 representing the gradual trade liberalization era initiated in 2003 were the independent variable. The model in functional form is stated as follows:

RGDP= F(TRLB, REXR, CSTK, REGIME) _____(2)

The transformation of the model to a linear regression model is presented as follows

$RGDP = \beta_0 + \beta_1 TRLB + \beta_2 REXR + \beta_3 CSTK + \beta_4 REGIME + \mu$ _____(3)

Where:

TRLB = Trade liberalization ($\frac{Exp+IMP}{GDP}$)

RGDP = Economic growth

REXR = Real exchange rate

CSTK= Capital Stock

REGIME = Regime (policy shift where 0 = Structural Adjustment Programme (SAP) era and 1 = gradual trade liberalization)

The data series spans the years 1985 through 2018. The choice of this time period was driven by the need to document key trade liberalization initiatives such as the structural adjustment program of 1986 and the present gradual liberalization policy, which began in 2003. The data will be taken from the Annual Report, Statistical Bulletin, National Account, and Bureau of Statistics publications of the Central Bank of Nigeria (CBN). The rate of rise in real gross domestic product is used to indicate economic growth in the model. A proxy for trade liberalization is the ratio of exports and imports to gross domestic product (GDP). The real exchange rate is the official Naira to US dollar cross selling exchange rate used in the model to capture the pricing link between export and import for each country. The gross fixed capital formation growth rate is utilized to reflect labor force growth, while the policy shift effect is captured by the regime variable, with 0 denoting structural adjustment and 1 denoting gradual trade liberalization.

3.2 Results

Table 3: Descriptive Statistics

	RGDP	TRDL	REXR	CSTK
Mean	0.162978	0.000503	0.124184	0.164518
Median	0.149698	0.000553	0.035243	0.118372
Maximum	0.545242	0.000849	0.763887	0.668082
Minimum	-0.032033	0.000199	-0.061284	-0.089879
Std. Dev.	0.153034	0.000151	0.190135	0.175989
Skewness	0.793606	-0.065519	1.762601	0.686541
Kurtosis	2.933525	2.395755	5.576685	3.177781
Jarque-Bera	3.680342	0.557497	27.80509	2.795570
Probability	0.158790	0.756730	0.000001	0.247144
Sum	5.704213	0.017611	4.346456	5.758125
Sum Sq. Dev.	0.796255	7.70E-07	1.229148	1.053053
Observations	35	35	35	35

Source: Authors Computation, 2021.

The null hypothesis of a normal distribution is rejected based on the Jaque Bera statistics shown in Table 1 because the probability value for REXR (0.000001) is less than the significance value of 0.05, but the null hypothesis for RDGP, TRDL, and CSTK cannot be rejected because the probability values (0.158790, 0.756730, and 0.247144, respectively) are above the significance level of 0.05, implying that RGDP, TRDL, and REXR are not.

Table 4: Lag Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	3389.342	NA*	2.46e-94*	-204.2026*	-203.2956*	-203.8974*
1	3208.351	-263.2596	3.94e-89	-192.2637	-190.6312	-191.7144
2	3171.923	-44.15532	1.07e-87	-189.0863	-186.7281	-188.2928

Source: Authors Computation, 2021.

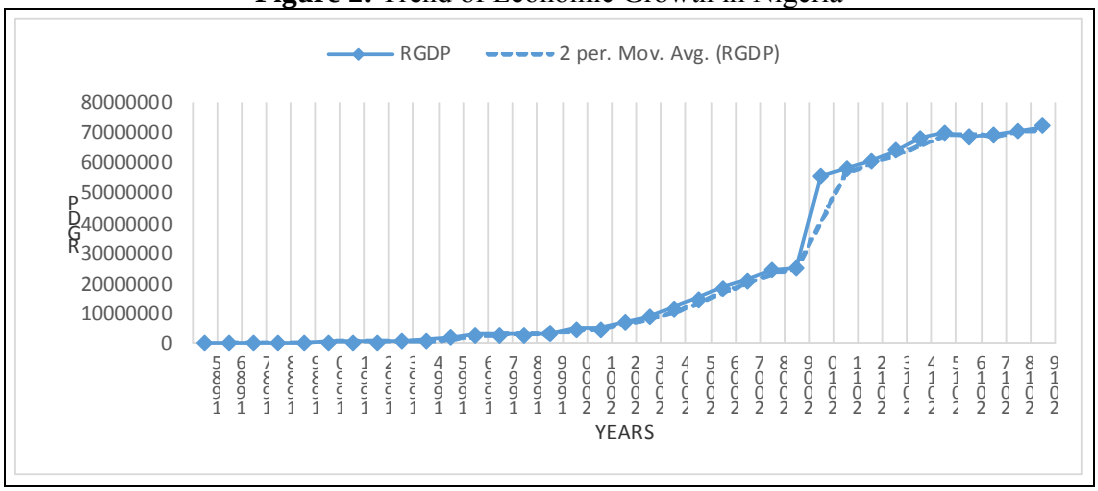
Table 5: Unit root test results.

Variables		ADF Test (Value)		Order of Integration
		Level	First Diff	
RGDP		1.951732	-4.705105	I(1)
TRDL		-0.414315	-8.343322	I(1)
REXR		2.845887	-3.514923	I(0)
CSTK		1.421499	-5.101695	I(1)
Critical Value @	1%	-2.634731	-2.636901	
	5%	-1.951000	-1.951332	
	10%	-1.610907	-1.610747	

Source: Authors Computation, 2021.

Table 5 displays the results of the unit root test using the Augmented Dickey Fuller (ADF) test, which demonstrated that at the 5% level of significance, exchange rate volatility was the only variable in the data set that was stable. After the initial difference, all of the variables become stationary. According to the ADF test, while RGDP was stationary at the level, all other variables (TRDL, REXR, and CSTK) were only stationary at the first difference [I(1)] at the 5% level of significance.

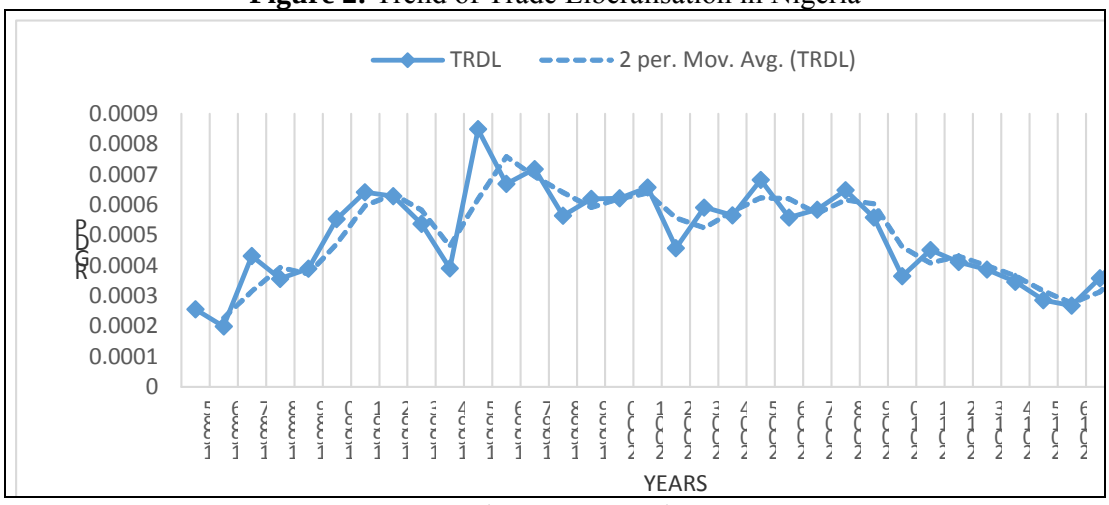
Figure 2: Trend of Economic Growth in Nigeria



Source: Authors Computation, 2021.

Figure 2 illustrates that the RGDP on the average remains constant between 1985 and 1995; after that, the RGDP rises consistently from 1996 to 2009, before a sudden increase in 2010, followed by a stable increase between 2011 and 2015. There was a little decline in RGDP in 2016, however this was followed by a steady increase in RGDP from 2017 to 2019. Nigeria's economic growth has been unsteady, moving upward and downward since 1996, as assessed by real gross domestic product. External shocks resulting from periodic upward and downward reviews of international oil prices based on the country's over-reliance on oil and ineffective macroeconomic policy environments in the management of such shocks, particularly those resulting from inappropriate and inconsistent trade policies like SAP, can be traced in part to the relatively unpredicted upward and downward movement.

Figure 2: Trend of Trade Liberalisation in Nigeria



Source: Authors Computation, 2021

Figure 4 shows that from 1985 to 2019, the development of trade liberalization has been fairly uneven, with both positive and negative tendencies. There was a considerable increase in Nigeria liberalization between 1987 and 1988; 1989 and 1990; 1994 and 1995, with comparably sluggish progress in 1996 and 1997; 1998 and 2000; 2004 and 2005; 2006 and 2007, 2010 and 2011. Finally, the trajectory of trade liberalization measure changed sharply higher between 2016 and 2019. The Nigerian government's frequent changes in trade policy in order to improve the Naira exchange rate, which continues to lag behind major international currencies, including those of some developing African countries such as Ghana and South Africa, will have no bearing on the inconsistent upward and downward reviews in trade liberalization

Table 6. Results of Markov-Switching Regression Estimates

Variable	Coefficient	Std. Error	z-Statistic	Prob.
Regime 1				
TRDL	-1.847223	1.208412	-1.528637	0.1264
REXR	0.177307	0.037026	4.788771	0.0000
CSTK	0.773318	0.056686	13.64214	0.0000
C	0.014099	0.021438	0.657660	0.5108
LOG(SIGMA)	-3.775957	0.205233	-18.39841	0.0000
Regime 2				
TRDL	-15.29030	4.031546	-3.792665	0.0001
REXR	-0.575598	0.099486	-5.785709	0.0000
CSTK	0.707289	0.073348	9.642986	0.0000
C	0.321954	0.042012	7.663356	0.0000
LOG(SIGMA)	-2.014168	0.310236	-6.492365	0.0000
AR(1)	-0.170882	0.112942	-1.513012	0.1303
AR(2)	-0.763556	0.107703	-7.089434	0.0000

Source: Authors Computation, 2021.

The results of the first regime reveal that the exchange rate and capital stock have a significant positive impact on Nigerian economic growth, whereas trade liberalization has a slight negative impact, as shown in Table 5. This suggests that throughout the SAP era, trade liberalization measure was ineffective at generating economic growth. Meanwhile, the fact that non-oil commodities like cocoa and rubber were nevertheless exported in substantial amounts during the period may have had little bearing on real exchange and capital stock contributions.

According to the findings of the second regime, capital stock has a considerable positive impact on Nigerian economic growth, but trade liberalization and the exchange rate have a significant negative impact. This suggests that the Nigerian currency rate has been negatively impacted by the progressive trade liberalization strategy, which began in 2003 and is still in effect today, and that economic development has slowed throughout the SAP period. Because, despite the policy's negative impact on growth, there was still a significant impact of real exchange on growth, which can be traced to a significant export of non-oil commodities such as cocoa and rubber, it can be deduced that the performance of trade policy during the SAP era differs significantly from that of gradual trade liberalization.

4.2.2 Regime Transition Probability Matrix

Table 7: Transition Matrix Parameters

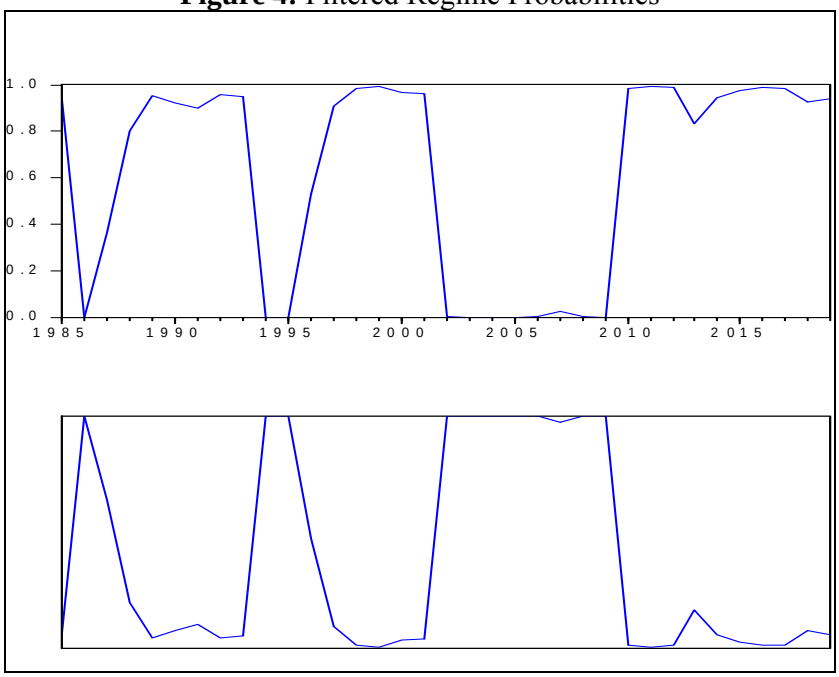
	Regime 1	Regime 2
Regime 1	0.817749	0.182251
Regime 2	0.428882	0.571118
Constant expected durations:	1	2
	5.486935	2.331646

Source: Authors Computation, 2021.

The probability transition matrix in Table 7, which is a tool for defining Markov chains, represents the chance of transitioning from policy regime 1 to policy regime 2 in a Markov process. Given that we are in regime 1 (the SAP period), the probability value in the first row-first column is 0.818, indicating that we have an 82 percent chance of remaining in regime 1, and the probability value in the first row-second column is 0.18, indicating that we have an 18 percent chance of moving to regime 2. Given that we are in regime 2 (the age of gradual trade liberalization), the probability value in the

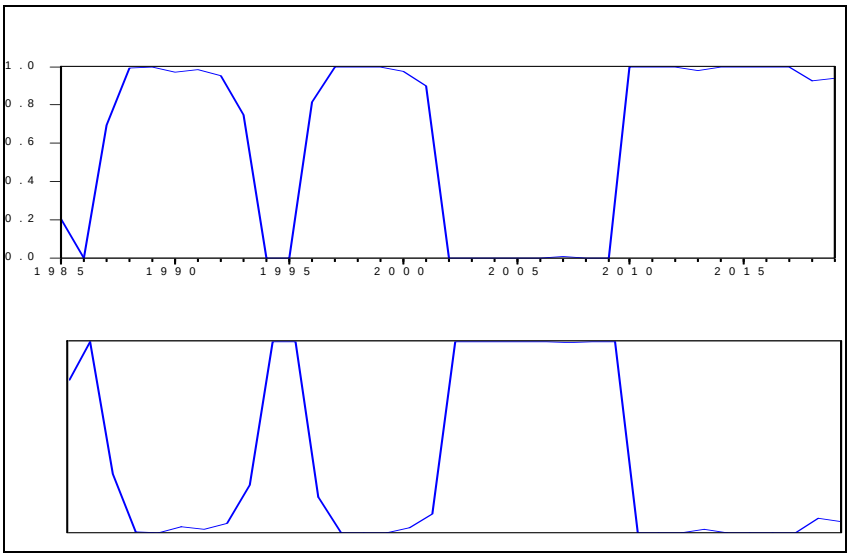
second row-first column is 0.43, indicating a 43% chance of continuing in regime 2, and 0.57, indicating a 57% chance of transferring to regime 1. Furthermore, none of the computed transition probabilities exceed one, implying that none of the regimes is permanent. Because the probability numbers are so high, it implies that there's a good chance of migrating from one regime to another and making or losing money in the process. According to the table of constant anticipated durations above, the expected duration of being in regime 1 is approximately five years, while the expected duration of being in regime 2 is around two years. Because the time series data used in this study is annual, this is the case. The transition probabilities differ for each regime and illustrate the probability of making gains or loses in successive trade liberalization policy regimes based on the preceding regime's condition of return.

Figure 4: Filtered Regime Probabilities



Source: Authors Computation, 2021.

Figure 5: Smoothed Regime Probabilities



Source: Authors Computation, 2021.

The filtered and smoothed probabilities respectively in Figure 4 show that the model accurately captures the two different regimes, because the probability of regime is high when $S_t=1$, and low when $S_t=2$

4.2.3 Diagnostic test

4.2.3.1 Heteroskedasticity Test

Table 7: Heteroskedasticity Test: ARCH

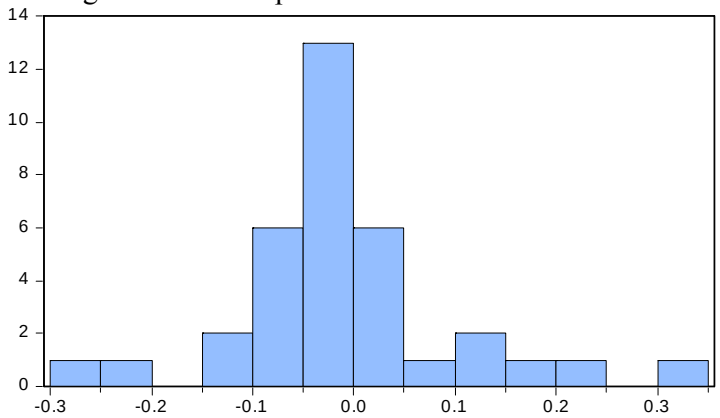
Heteroskedasticity Test: ARCH			
F-statistic	1.158962	Prob. F(1,32)	0.2897
Obs*R-squared	1.188358	Prob. Chi-Square(1)	0.2757

Source: Authors Computation, 2021.

H0: there is no ARCH effect in the Residuals
H1: there is ARCH effect in the Residuals
From the heteroscedaciticity test in the residuals of the estimated MS-AR model presented in Table 7 we accept the null-hypotheis at 5% level of significance and conclude that the ARCH test reported homogeneity of variance across error term series.

4.3.3 Histogram and descriptive statistics

Figure 8: Histogram and descriptive statistics for model residuals: 1985-2019



Source: Authors Computation, 2021.

4.3.4 Correlogram of residuals Q-statistic

Table 9: Histogram and descriptive statistics

Autocorrelation	Partial Correlation		AC	PAC	Q-Stat	Prob*
.*| . |	.*| . |	1	-0.114	-0.114	0.4950	
. | . |	. | . |	2	0.071	0.059	0.6950	
. | . |	. | . |	3	0.036	0.052	0.7483	0.387
. | . |	. | . |	4	-0.036	-0.031	0.8011	0.670
.*| . |	.*| . |	5	-0.098	-0.114	1.2176	0.749
. | . |	. | . |	6	0.067	0.048	1.4169	0.841
. | . |	. | . |	7	-0.026	0.005	1.4481	0.919
.*| . |	.*| . |	8	-0.092	-0.098	1.8500	0.933
.*| . |	**| . |	9	-0.179	-0.221	3.4541	0.840
. |*. |	. | . |	10	0.101	0.072	3.9780	0.859
. |*. |	. |*. |	11	0.105	0.196	4.5774	0.869
.*| . |	.*| . |	12	-0.129	-0.126	5.5194	0.854
. | . |	.*| . |	13	0.026	-0.102	5.5592	0.901
.*| . |	.*| . |	14	-0.142	-0.170	6.8110	0.870
. | . |	. | . |	15	-0.008	0.060	6.8148	0.911
.*| . |	.*| . |	16	-0.110	-0.098	7.6457	0.907

*Probabilities may not be valid for this equation specification.

Source: Authors Computation, 2021.

We accept the null hypothesis and conclude that the residuals are independent because the P-values throughout the maximum number of lags selected are more than 0.05. Because the error terms are not serially correlated, as indicated by the Q-statistics test in Table 8, we accept the null hypothesis. The residuals are white noise because they are not serially correlated and have a constant variance.

4. Conclusion and Recommendations

According to the estimated Markov switching regime analysis, the performance of trade policy during the SAP era differs significantly from that of gradual trade liberalization because, despite the policy's negative impact on growth, there was still a significant impact of real exchange on growth during the SAP era, which can be traced to a significant export of non-oil commodities such as cocoa and rubber. The significant sigma coefficient in both regimes, as well as the autoregressive AR (1) parameter, indicated that importers and exporters, as well as international trading partners, were exposed to certain risks in their trade relations with the country in the prior year. The implication of this finding is that trade liberalization policy is inconsistent or unstable, implying that the Nigerian external trade sector is subject to trade policy changes. Furthermore, there was evidence that none of the regimes are permanent, and that there is a significant possibility of transitioning from one regime to another, as well as gaining or losing while doing so.

The findings supported Umer's (2014) study on the influence of trade openness on Pakistan's economic growth. The impact of trade volume, investment, and human capital on economic growth has been discovered to be positive and considerable. The findings also show that trade restrictions had a negative and considerable influence on economic growth in the long term, despite the fact that this was not apparent in the short run. The findings were in contradiction to Modeste's (2019) findings on the influence of trade liberalization on export supply and poverty in Guyana, South America. It was discovered that trade liberalization in Guyana led in an expansion of the country's export supply and a reduction in poverty, despite the fact that the impact of trade liberalization on export supply and poverty was minor. Furthermore, the study reveals that the real effective exchange rate, as well as the growth of the economy and the agricultural sector, were key factors in increasing the country's export supply and lowering its poverty rate. It also contrasts with Petia (2004)'s study of the effects of India's trade reforms in the early 1990s on manufacturing firm productivity, which focused on the interplay between the policy shock and firm and environment characteristics. It was discovered that lower levels of trade protectionism lead to higher levels and growth of business productivity, with the private sector benefiting the most. Surprisingly, state-level factors such as labor rules, investment climate, and financial development appear to have no bearing on the effect of trade liberalization on business productivity.

The following are policy recommendations based on the preceding findings for stimulating growth through trade liberalization policies: International monetary institutions, agencies, and foreign aid donors' trade policy recommendations are unlikely to be in Nigeria's best interests, and as such should not be implemented without first weighing sound trade theories and taking into account the country's unique macroeconomic environment and dynamism. There is also a need to reconsider and restructure the import substitution trade policy because it has more potential for improving economic growth when compared to its implementation flaws, such as an unstable macroeconomic environment for local firms to thrive and an over-reliance on imported goods and services.

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