EFFECT OF INTERNATIONAL TRADE ON ECONOMIC DEVELOPMENT OF NIGERIA

BY

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL AIIMADU BELLO UNIVERSITY,ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF AHMADU BELLO UNIVERSITY (ABU) ZARIA.

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DECEMBER 2000

DECLARATION

I hereby declare that this research project has been written by me and that it is a record of my own primary research work. It has not been presented in any previous application for a higher degree. All quotation and sources information as seen in this project are specifically acknowledged by means of the given references.

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DATE

CERTIFICATION

This project entitled "Effect on international trade on economic development of Nigeria" by Abdulkarim Ibrahim Adamu meets the regulation governing the award of Degree of Master in Business Administration (M.B.A) of the Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

I dedicate this work to my parents, because I keep hearing their whispers in the dark.

ACKNOWLEDGMENT

My gratitude goes to ALLAH (S.W.T) for his infinite mercy. It was Him who gave me the strength to complete this project.

I wish to express my appreciation to Mal. Dalhatu B. Iman my supervisor for his understanding and guidance.

Lastly, I would remain indebted and grateful to my friends namely: Alh. Sanusi Bala, Hon. Uzairu Tahir Suleiman, Late Usman Shettima, Alh. Lawal Sade

ABSTRACT

In this research project effort has been made to see the effect of international trade on the economic development of Nigeria. In recent years, the inflow of foreign direct Investment and Intra-Nigeria investment by foreign investor and indigenous respectively has witnessed many retrogressive changes especially in the area of manufacturing and other enterprising requiring large capital base. The researcher undertook this investigation to properly find out the causes of these unfavorable changes in Nigeria.

International trade is triggered by a nations insufficiency and the need for economic and technological advancements.

International trade brings nations together in a global environment for exchange of wealth knowledge and has lead to rapid change in standards of living.

Economists were prominent in the fight foi recognition that the causes and consequences of inter nations domestic trade but saw it in a different light.

A favourable investment climate naturally attracts. Inflow of foreign direct investment. The contribution of international trade activities to a host country cannot not be over emphasized therefore every tiling reasonably possible should be done to encourage and

sustain existing investment and attract more. Nigeria stands to gain more than loss, if the country industrialists rapidly and positively.

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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Trade is a repeated sequence of exchanges of goods and services through market transactions. It is referred to as "International" if it involves transactions beyond the boundaries of a sovereign political authority. When such transactions involved the exchange merchandise, it is termed visible trade while the exchange of services is referred to as invisible trade. The outflow of goods and services is regarded as exports while the reverse is called imports. (C.B.N. Bulletin. October/December, 1995, Volume 19,. No. 4. The structure of Nigeria's External Trade. A Focus on Export: By Hammed A. Abebefe. page 39). International trade is a concept based on two fundamental principles: comparative advantage – for what goods does a country have most abundant resources to produce and export relative to other countries? And terms of trade. What will be the best or the ratios at which the exports of one country exchange of its trading partners?

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Exports, more often that not, reflect production beyond what is required for domestic consumption on a situation where a deliberate policy to produce solely for exports is not pursued. In addition to exporting economy will benefit from increased production of goods and services, employment and a more optimal utilization of productive

capacity. These benefits eventually transforms into better living conditions for the nationals of the exporting economy, since foreign exchange earned would contribute to meeting their needs for some essential goods and services.

Recent development in the Nigerian oil dependent mono-cultural economy have led to the recognition of the importance of export as a veritable engine of economic development. One major viable source for a nation desirous of reducing its dependence on foreign borrowing and for a self-sustaining growth is through the development of its export potentials and an aggressive marketing of its export in the global market.

Nigeria's over dependence on crude oil export is dicey owing to the fact that, the vagaries of the oil market has resulted in a significant decline in earnings. This rose from the worsening terms of trade confronting the oil export sector as both the barrel price and production level of crude oil are exogenously determined mainly by the Organization of Petroleum Exporting Countries (OPEC).

A way out of the foregoing quagmire is to diversify export away from dependence on crude petroleum as a major foreign exchange earner and to encourage aggressive drive for non-oil commodity export.

However available data have revealed two facts: non-oil export have continued to be dominated by primary agricultural commodities

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with little values added. Second as a proportion of aggregate export receipt remained insignificant inspite of all export stimulation incentives put in place. These facts reflects that the nation's non-oil export have failed to make significant penetration into the international market.

A well-developed form of international trade will often lead to improved productivity, higher level of employment, and greater profits from which to pay higher wages and return to stockholders, increasing the standard of living of the citizenry as well as foster the economic development of the nation.

1.1 STATEMENT OF THE PROBLEM

What have been the effects of social, economic, political and religious instability on the level of international trade and economic development in Nigeria.

Foreign investors to Nigeria may be permanently scared due to political instability in the country; national income or revenue may be scuttled, if these issues are not properly addressed.

Balance of payment may be thrown into disorder due to unfavourable terms of trade with other countries.

The whole development plan may be aborted, if the profit of international trade in Nigeria is not properly managed, towards economic development of Nigeria.

A government can be overthrown and political instability unleashed as a result of scandalous and lopsided legislation amidst corrupt policy executors.

What then makes a healthy economy? What is international trade and how is it operated?

How does a country attract foreign investors? What are the contributions of foreign trade in a host country to her national economy.

The researcher explores in dept, the causes and effects of these anti-economic development. These variables never allows any meaningful development in the country.

1.2 OBJECTIVES OF THE STUDY

Nigeria has not been quite fortunate in tapping foreign investment though international trade and her investment in international trade has been unfavourable.

1. The objective of this research is to examine the factors constraining international trade and economic development in Nigeria with a view to suggesting solutions to redress the situation.
2. Secondly to assist the government in her effort in export development and promotion by generating ideas, suggestions

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and measures designed to advance the course of Nigeria's export trade.

3. Thirdly, to critically observe or examine the instruments involved in international trade transactions.

1.3 SIGNIFICANCE OF THE STUDY

The significance of this research is to update previous works done and accommodate the views of the changing environment and it will sensitise international trade in Nigeria and complement government effort at improving international trade. Practical solutions will be preferred to them. Undoubtedly, this will increase knowledge on the part of those involved in this trade and the general public.

It will also go a long way in stimulating exporters to carry out export trade with less hitch. This will go a long way in generating employment opportunities for our teaming population, thereby allowing private sector contribution to the economic development of the country in general.

This study is also relevant to the government, as it will analyse the shortcoming involved in carrying out international trade. Measures and policy reviews can be carried out by the government in order to stimulate foreign trade thereby increasing her balance of payment surplus.

Also the residence of the host country can benefit from international trade by way of investors assisting communities by providing community health centres, employment for their youth, etc.

Organisations also will have an opportunity to benefit from international trade by means of technical assistance from foreign countries thereby improving on her products. Joint ventures and bilateral trade agreement will assist the host country in benefiting from the latest technology and financial assistance from their partners abroad.

1.4 SCOPE OF THE STUDY

The researcher in no way attempted to go into the details of the effect of international trade on the economic development in Nigeria of the late sixties, seventies, eighties but the challenges of the late nineties specifically, the period between 1994 to 2000.

The study will hopefully unravel the peculiar and persistence problems of the past six years with its devastating and epileptic tools on the national economy. Emphasis have been laid on the use of oil and non-oil sector foreign exchange proceeds in settlement of international trade transaction and also government guideline in respect of international trade.

1.5 LIMITATION OF THE STUDY

The researcher is not exempted from the hardship of the devastated economy. The following factors mitigate against having information in conducting the research on the effect of international trade on the economic development of Nigeria since 1995 to 2000.

1. The sources of data are not readily available as most business organizations in Nigeria are not prepared to release the volume of their international trade as they regard this as a trade secret.
2. Most business organizations are not prepared to grant oral interviews for fear of being quoted as most business organizations in Nigeria render improper returns to the government agencies.
3. The published Central Bank of Nigeria statistics on international trade are not easily available. Consequently, the researcher resorted o make do with the publication on hand and corroborated it with experience. Thus the researcher was this way restricted.

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1.6 A SHORT HISTORY OF INTERNATIONAL TRADE IN NIGERIA

The genesis of Nigeria's international trade dates back to the pre-colonial period, when the European first came to Lagos in 1896. (A

decade of the Commonwealth 1955-1964. Page 434. Written by Hamilton Robinson and Godwin, Eds.) During the colonial period, Nigeria's external trade was dominated by Britain its colonial master with less volume of trade with other nations.

Historically foreign private investment in commonwealth African countries had gone into only there channels: trade, plantations and mining. When the slave trade was abolished in: nineteenth century, many of the slave dealers on both sides reverted to the legitimate items of commerce: in west Africa this took the form of trade in palm oil and kernels, in return for those exports, the African imported alcoholic drinks, textiles and glass jewellery. But trade was largely by barter and the hinterland not been opened up. It is of interest that the United African company, the longest trading firm in Nigeria, had in 1939 only £.75 million in fixed assets of £2.5 million in floating assets.

The achievement of independence by Nigeria brought a drastic change in the direction of Nigeria's external trade, which was diversified. Nigeria served as a source of raw materials to U.K industries during the days of colonial rule. As time went on Nigeria's export to Western Europe started declining while that of the U.S.A witnessed steady increase. U.S.A served as the greatest buyer of Nigeria's crude oil. The increase in import led to Nigeria suffering from serious balance of payment deficits.

Prior to the oil boom of the early 1970s, agriculture was the mainstay of the Nigerian economy. It supplied most of the food needs of the populace and accounted for the bulk of foreign exchange earnings of the country. The advent of crude petroleum production and related activities especially in the early 1970s changed drastically the structure of the Nigerian economy. (C.B.N. Bullion, April/June 1994. Non-oil export in Nigeria's changing policy dispensation by Dr. M.O. Ojo Director of Research, C.B.N. page 9). The huge foreign exchange earnings from crude oil exports encouraged the imports of finished goods (including food) and services. However, as the world oil market collapsed in the early 1980s, resulting in a drastic reduction in earning from oil exports, the import dependent industrial structure that had emerged became unsustainable. Earnings from exports became increasingly inadequate to pay for an alarming growing import bills. All policy measures designed to improve the situation, including the stabilization measure of 1982 as well as the restrictive monetary policy and the stringent exchange control measures of 1984 proved ineffective. However, what we see today is high inflation in the economy.

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1.7 DEFINITION OF TERMS

Bills of Laden - Is a shipping document used in the transaction of goods from the exporter to the importer.

Letter of Credit- A commercial letter of credit is issued by a bank on behalf of the importer.

Counter Trading- A counter trading agreement is where the selling party accepts payments in the form of goods as opposed to currency.

Balance of Payment- The net value of all economic transactions including trade in goods and services, transfer payment, loans and investment between resident of the same country say Nigeria and those of all other countries.

Balance of Trade- This is a comparison of the country's total visible exports with her total visible imports.

E.P.Z.- Export Processing Zone e.g. Calabar.

N.E.X.I.M.-The Nigerian Export-Import Bank.

N.E.P.C- Nigerian Export Promotion Council.

Bilateral Trade- A trade agreement between two countries.

Multi-lateral Trade - A trade agreement between two or more countries.

1.8 CHAPTER REVIEW

This chapter contains the introduction to this work. Statement of the problem, the objectives of the study, the significance of it to the society as well as the limitations of the study. A short history of international trade in Nigerian was also discussed followed by a definition of some relevant terms. The chapter was concluded by a review of the entire chapter i.e. the highlights of the whole chapter one. Each chapter is previewed in this chapter.

Chapter two will consist of the literature review in a related field. This will also include the introductory part as well as the financial facilities for Nigerian importers and exporters followed by the methodology of international trade financing in Nigeria and a conclusion.

The chapter three of the project contains the conceptual framework, which is divided into seven headings starting with an introduction and then followed by economic development and international trade, reasons for international trade, factors affecting international trade, instrument of international trade, financing international trade and finally the risk of international trade.

Chapter four contains the research methodology used and is divided into seven sub-headings. That is the introduction, the technique selected, methods used in data collection, advantage of the method,

disadvantage of the method, justification of the method and a conclusion.

The chapter five contains the data presentation and analysis. It is also divided into six sub-headings starting with an introductory part, followed by data presentation, economic, social, political and religious effects on the economy, the analysis of the data presented, research findings and a concluding part.

Finally, the chapter six of this project will contain the summary, conclusion and recommendations of the entire chapter and followed by bibliography and appendices.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

According to Horne (1971)[1], "The motivation to invest capital in a foreign operation, of course is to provide a return in excess of that required".

Economists have long recognised that the principle governing gain from trade apply equally well to both foreign and domestic trade. Economists were prominent in the fight for recognition that the causes and consequences of international trade were mainly an extension of the principle governing domestic trade but saw it in a different light. Some of these principles were developed quite early but it was not until mid 19th century that the British economist John Staurt (1958) Mill advanced a theory showing satisfactorily how international trade could be explained by exactly the same principles as those explaining domestic trade (Lipsey:1979).

The researcher's intention on this chapter is to review some relevant literature on international trade both from within and outside Nigeria.

2.1 FINANCIAL FACILITIES FOR NIGERIA IMPORTERS

Ovwefuoma (1988)[2] states that importers may be sole traders, very long industrial concerns engaged in the manufacture of heavy plant and machinery or the construction of dams, power stations etc. Their needs obviously differ according to their capital resources, their requirement can range from short term finance, cash against documents up to two years through to medium term credit facilities of five years or more.

He further says that, finance for Nigerian importers may be provided through the following facilities.

1. **Loans and Overdraft**

Before a bank grants loans or overdraft facilities to an importer, Mr. Ovwefuoma went further to say that, it considers the credit worthiness of the importer.

2. **Open Account Payment**

Under open account payment, method, the documents and goods are sent directly to the importer who arranges to pay for the goods as agreed between the importer and exporter.

3. **Credit Against Term Bill of Exchange**

The overseas exporter may be prepared to grant a period of credit, but only on the condition that importers open a documentary credit in his favour.

4. **Produce Loan**

If the exporters want sight draft, then the importer has no choice than to instruct his bank to open documentary credit sight in favour of the exporter. But the importer can still use this documentary sight credit to obtain what is called produce loan or merchandise advance.

Securities required for any of these facilities includes:

a. The bank having control of shipping documents as security and as means of repayment.

b. The importer will be required to sign a certificate pledge or letter of hypothecation giving bank power to sell the goods where necessary.

c. The bank will require a full set of bills of lading endorsed in the bank or to the order of the bank.

d. The goods will have to stored in the bank's name with insurance policy covering the warehousing of the goods.

According to Ojo (1994)[3], there are many problems constraining the development and growth of non-oil exports in Nigeria, some of these problems are analysed below.

i. **Export Disincentives**

Exporters are often faced with various disincentives especially in the provision of services such as quality inspection and certification, movement of export goods and clearing of importers goods, among

others. These disincentives could frustrate a lot of exporters out of business as a result of high cost of output owing to time lost and money wasted.

ii. **Poor State of Infrastructure**

He further contended that the various states of disrepair of infrastructure militate against the effective manufacturing of products to services export trade and in most cases result in outright delay or spillage. For instance the poor state of the roads often result in delays in transportation of goods to the ports, causing deterioration in goods (especially perishabie) in transit, and in some cases result in spoilage. Facilities at the ports are also at various stages of disrepair making port services inefficient and increasing the cost of handling exports. The state power supply and telecommunication facilities are inadequate for the dynamic requirements of foreign trade and this hampers the growth of non-oil exports in Nigeria.

iii. **Inadequate Knowledge of Export Processes and Procedures**

He went further to say the exporters of all categories require accurate and timely information of markets, prices, quality standards and export procedures. This information is often not readily available to most exporters in Nigeria. The situation is compounded by the absence of wholesale exporters (usually called Export House) that can harness internationally sourced markets information to the advantage of small

and medium scale exporters. In the absence of all these facilities, it is difficult to achieve a significant breakthrough in the international market.

Having analysed these loopholes, Dr. Ojo advanced some useful suggestions, these are:

1. Promotion of foreign private investment.
2. Upgrading of basic infrastructures.
3. Improved designs and packaging.
4. Diversifications of export products.

2.2 FINANCIAL FACILITIES FOR NIGERIAN EXPORTERS

Brockington (1993)[3] says that a number of commercial documents have become of particular importance in facilitating foreign trade and a number of these are defined below.

1. **Bill of Exchange:** The bill of exchange is a document, which allows a trader who gives credit nevertheless to receive immediate cash in respect of the transaction. It operates very like the cheque, which actually developed out of the bill of exchange.
2. **Letter of Credit:** A letter of credit is issued by a bank and enables a trader to give credit to an overseas customer not well known to him with confidence that the debt will be settled.

3. **Bill of Laden**: A bill of laden in effect a receipt from the carrier for the goods, which are to be delivered to an overseas customer. Since it is a proof of despatch it may be used to claim payment under a letter of credit.

According to Mustapha et al (1989)[5], attempts have been made to standardise the terms and conditions on which banks issue letters of credits. The formation of this acceptable international set of standard rules for documentary letters of credits date back to 1993. The bold step was taken by the international chamber of commerce because of its concern for international trade and settlements. The first revision was undertaken in 1951 followed by that of 1962, 1974 and 1983 revision, which is the latest. The 1983 revisior was made and adopted on 21st June, 1983, published as a publication number 400 in July, 1983 effective 1st October, 1984.

The aim of this rule is to avoid trade disputes confusion and unnecessary court case. Also ambiguity in credit instructions is taken care of and so also will the need for new development in international trade be catered for. Many banks all over the world subscribed to these set of rules and Nigerian banks are subscribed to the Universal Credit Policy (UCP) and where they are so referred to, they form part of the credit terms and conditions. However, it is also possible to exclude these rules by express stipulation in the credit. It must be noted that where a

term of credit contradicts the provision of the U.C.P the credit term must prevail so far it is specifically expressed in the credit.

They went further to analyse the different types of credits available to exporters in Nigeria.

TYPES OF CREDIT:

Letters of credit may be issued in two basic forms, revocable and irrevocable credits. They contended that, to avoid confusion, all credits must clearly state whether that are revocable or irrevocable. Notwithstanding, the fact that they are only two basic forms in which a credit may be issued, they are more types of credits. These other types of credit are variations of one of the basic forms, the irrevocable credits.

1. REVOCABLE CREDITS

A revocable credit is a credit that can be amended or cancelled by the issuing bank at anytime to protect its own interest or for his customers interest prior notice to the beneficiary. It can only take by the intention of the applicant and the issuing bank. The beneficiary consent is not required but only needs to be notified. This type of credits is covered in article 9 of the UCP.

2. IRREVOCABLE CREDIT

An irrevocable credit is a credit, which cannot be cancelled or amended without the consent of all parties including the beneficiary.

It consists of the definite undertaken of the issuing bank subject to compliance with the terms and conditions of the credits by the beneficiary.

THE VARIANTS

a. Confirmed Irrevocable Credit- A confirmed irrevocable is a credit bearing the additional undertaken/responsibilities of the advising bank in addition to that of the issuing bank. No advising bank will be willing to add its confirmation/undertaken to a credit, which is revocable.

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b. Back-to-Back Credit and Counter Credit- Not all credits are issued to be transferable. Notwithstanding these facts, the beneficiary of such credit (the exporter) might need to obtain some or all of the goods involved from another supplier. Certainly he must make payments for such supplies. In this circumstances payment between the beneficiary and his supplier, guaranteed by a bank and under documentary letter of credit can be made by means of either back-to-back credit or a counter credit. Two credits will be involved and these are:

(a) The original credit in favour of the beneficiary and

(b) A second credit in favour of the supplier.

OPERATION OF A BACK-TO-BACK CREDITS

THE ORIGINAL CREDIT		THE SECOND CREDIT
THE APPLICANT i.e. THE IMPORTER	GOODS	SECOND BENEFICIARY i.e. THE SUPPLIER
THE ISSUING BANK		THE ADVISING CONFIRMING BANK
THE ADVISING/		THE ISSUING BANK USUALLY CONFIRMING BANK THE ADVISING BANK OF THE FIRST CREDIT
THE FIRST BENEFICIARY i.e. THE EXPORTER		THE APPLICANT i.e. EXPORTER-BENEFICIARY OF THE ORIGINAL CREDIT

SOURCE: Adapted from Finance of International Trade (1989) page 95 by Ramori S. Mustapha and Babatunde I. Fabumi.

2.3 METHODOLOGY OF INTERNATIONAL TRADE FINANCING IN NIGERIA

Abebefe (1995)[6], there are several methods of financing international trade in Nigeria. Some of these involves export credit guarantee departments (E.C.G.D) giving direct guarantee to their bank and also export guarantee facility E.C.G.F. as an instrument operated as a guarantee to banks in respect of credit given by them to exporters in support of the export of goods and services from Nigeria.

He also went further to analyse the other methods available in financing international trade in Nigeria. These are as follows:

i. **Price Guarantee Facility:** An instrument, which insures its holders/purchasers against advance movements price, exchange rate or interest rate.

ii. **Manufacture In-Bond Facility:** A facility operated as a bond which guarantees raw materials and intermediate inputs imported into Nigeria by a potential exporter and on which duty has been suspended.

iii. **Mutual Export Guarantee Facility:** A facility to provide guarantee to banks to cover the credits given by them to small/infant exporters belong to a mutual export guarantee association (MEGA) recognised by NEXIM.

iv. **Export Processing Zone:** An EPZ is a special enclave outside a nation's normal custom barrier where foreign or domestic firms may manufacture or assemble goods for export without being subject to the normal customs duties on imported raw materials.

Ulbrich et al (1986)[7] says that one of the greatest mysteries of economics is the exotic world of international finance. Foreign exchange markets, hedgers and speculations, floating rates and gold holders.

He further analysed some of these methods of international trade financing as follows. These are:

1. **Foreign Trade**

The supply of foreign exchange is offered so that foreigners can buy U.S. exports, travel or invest in the United States, or purchase U.S services or assets. The demand for foreign exchange reflects the desire of U.S citizen to import foreign goods and services, invest in foreign assets and travel abroad.

2. **Forward Market**

Another special feature of the foreign exchange market is that there is a well developed forward market, in which contract are made for future delivery of a currency at an agreed on price.

3. **Hedgers and Speculators**

Traders who try to reduce their risk by buying or selling fortunes are called hedgers. Those who are willing to assume risk in return for the chance of a quick profit are called speculators.

Orgler et al (1999)[8]; says that the reduction of trade barriers and world wide over capacity in many industries have substantially increased competition in international trade where exporters compete vigorously in prises, credit terms, delivery schedules, services and so on. A competitive device that has been almost neglected. A favourable selection of invoice currencies. Exchange risk can be covered by using

external and internal hedging methods. The most popular external hedging device is the forward market for foreign exchange. However, the forward rate, determined by covered interest arbitrage, often falls beyond the rate in which the firm believes the future spot rate to be, so that covering is either lucrative or prohibitively costly.

The internal hedging procedures such as specification of invoice currency are increasingly used by exporters and importers in different countries for hedging the firm's own exchange position, but less so as a competitive device. Due to the cost of these methods, complete coverage is generally not optimal. Therefore a seller and a buyer in an international transaction are likely to have different initials open positions in various currencies resulting from other foreign exchange transactions. Moreover an exporter and an importer may have different expectations about the future spot exchange rates at the time of payment. All these leads to the possibility that both the seller and the buyer can gain from the proper selection of the invoice currency.

2.4 SUMMARY

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This chapter has attempted to review the linkages among the facilities used in international trade financing, the state of the facilities vis-à-vis the bank's instruments available to exporters of Nigerian goods as well as those in the import sector.

The introductory part of this chapter critically reviewed the purpose of international trade to the individual as well as multinationals from an expert point of view, where major authors such as James C. Van Horne views was analysed.

Secondly, the financial facilities available to Nigeria importers was critically reviewed and the problems facing it. A solution as viewed by experts in the field was also reviewed. Papers presented by some C.B.N staffs on export trade in Nigeria were used in the analysis and some textbooks on economics, international trade and finance journals.

Thirdly, the exporter, and the various facilities available to him were discussed including the export processing zones in Nigeria.

The fourth part of this chapter discuses the methodology of international trade financing in Nigeria and from an international point of view as well, reviewed some views about some experts in the field of international finance. The chapter was rounded up by a summary of the entire chapter. The next chapter however, is on the conceptual framework of the project.

END-NOTES TO CHAPTER TWO

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CHAPTER THREE

CONCEPTUAL FRAMEWORK

3.0 INTRODUCTION

In the "one world" of today, the close interdependence among nations is painfully obvious. The big economic issue fill the newspapers. Should we "buy American" and shut out home goods or should we buy Nigerian and shut out foreign goods? Is the dollar weak, or strong? Is the Naira weak or strong?

England must import most of her food or starve, and she can pay for these imports only by selling her exports abroad, likewise Nigeria. And also it is with other nations that their living standards depend heavily on foreign trade. (Micro Economics. BACH, Analysis and application, page (334), 1977).

Inspite of the importance of foreign trade, governments long followed policies that restricts rather than encourage such trade tariffs, quotas, exchange controls, prima facie, the case for international division of labour and exchange is as clear as it is in domestic affairs. On the surface, there would appear to be no reason to suppose that human welfare could be improved by obstructing the processes of specialization and exchange.

Yobe state produces beans, Kano state produces chilly pepper and hides and skin, Kogi state produces steel. Each sells it products to

the others. When each specializes in what it does best, we produce more in total and we all have more to consume than if we each tried to be self-sufficient. In the same way, America sells computers to us, we sell gum Arabic to France, France sells clothes to America. When each nation specializes in what it does best and then exchange with others, we produce more in total and we all end up consuming more than, if we each tried to be self-sufficient. The advantage to all in the first case to Yobe, Kano, Kogi states are obvious. No one would question them. For each area try to live alone, barring trade with the others, would be foolish. The advantage to nations from specialization and exchange are identical: more is produced for all to consume. The case for free international trade is that simple and that powerful. By using its total resources most efficiently through specialization and exchange, the world can move all the way out to its combined production possibilities frontiers.

This chapter talks about the concepts behind international trade and the reasons for international trade and also factors affecting international trade.

3.1 ECONOMIC DEVELOPMENTS AND INTERNATIONAL TRADE

Everyone knows what an underdevelopment or underdeveloped country looks like, it is a country characterised by poverty, with beggars

in the cities and villagers eking out a bare subsistence in the rural areas. It is a country lacking in factories of its own, usually with inadequate supplies of power and light. It usually has insufficient roads and railroads, insufficient government services and a poor communication. It has few hospitals and few institutions of higher learning. Most of its people cannot read or write. Inspite of the isolated islands of wealth with a few persons living in luxury. Its banking system is poor; small loans have to be obtained through money lenders who are often little than extortionists. Another striking characteristics of an underdevelopment is that its exports to other countries usually consists almost entirely of raw materials, ores, fruits and some staple products with possibly a small admixture of luxury handicrafts. Often the extraction or cultivation of these raw materials exports is in the hands of foreign companies (Principles of Macro-economics, Ulbrich, et al, page 430), 1986.

From the analyses above, it is quite obvious that any country which does not suffer or experience the factors analysed above can be said to be developed. In other words, the reverse is the case for developed economy. International trade creates an atmosphere where resources can be exchanged for those needed by the less developed economies who are yearning for the development of their home country, while the developed economies are looking for cheaper ways of

getting raw materials from the developing nations. International trade leads to the means by which countries can achieve or attain rapid economic development and substantially.

3.2 REASONS FOR INTERNATIONAL TRADE

The reasons for trade between countries are not different from the reasons why individual trade. Infact, most of what we call trade between countries is really trade between individuals and/or organizations in different countries. In a market economy, very little of the trading is done by their country as a whole acting through its government. Below are some reasons why international trade take place. To explain how people and nations decide what to produce for trade, we need to understand the concepts of absolute advantage and comparative advantage.

a. ABSOLUTE ADVANTAGE

According to Lipsey (1979), describes absolute advantage as relates to the quantities of a single products that can be produced with the same quantity of resources in two different regions. One region is said to have an absolute advantage over another in the production of commodity 'X' if an equal quantity of resources can produce more 'X' in the first region.

One unit of Resource can produce

	Wheat (Bushels	Cloth (Yards)
America	10	6
England	5	10

SOURCE: Adapted from Introduction to Positive Economies; 1979, by R. Lipsey.

Changes resulting from the transfer of 1 unit of American resources into wheat production and 1 unit of English resources into clothe production.

	Wheat (Bushels	Cloth (Yards)
America	+10	-6
England	-5	+10
	+5	-4

The table above provides a simple example on the assumption that with a given quantity of resources, America can produce 10 bushels of wheat or 6 yards of clothes, while England (with the same quantity of resources) can produce 5 bushels of wheat or 10 yards of a cloth. The top half of the table shows the production of wheat and cloth that can be achieved in each country by using one unit of resources. Suppose that at first America and England are both self-sufficient each producing

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wheat and clothes for its home market. Now assume that the trade is opened between the two countries and America moves resources out of cloth into wheat, while England moves resources out of wheat into cloth. The gains and losses in each country are summarised in second table. There is an increase in the world production of 5 bushels of wheat and 4 yards of cloth: world wide there are gains from specialization. The total world production of both wheat and cloth increases when this reallocation of production takes place as is shown by the fact that there is both more wheat and more cloth for the same use of resources.

In the analyses however, if consumer in both countries are to get cloth and wheat in the proportions in which they desire them, it will be necessary for America to export wheat to England and to import cloth from that country.

b. COMPARATIVE ADVANTAGE

If each produces the commodity in the production of which it is more efficient than the other, world production would be higher than if each tries to be self-sufficient. But what if America can produce both wheat and cloth more efficiently than England? In essence, this was the question David Ricardo posed over 150 years ago (introduction to positive Economic, 1979), and his answer forms the basis of the theory of comparative advantage that is still accepted by economists as a valid statement of the potential gains from trade.

Assume that America efficiently increases above the levels recorded in the previous example, so that a unit of America resources can produce either 100 bushels of wheat or 60 yards of cloth, while England efficiently remains unchanged. Now America, which is better at producing both wheat and cloth than England, has nothing to gain by trading with this inefficient Island country! It does have something to gain however and it is important to see how this comes about.

GAINS FROM SPECIALISATION WITH COMPARATIVE ADVANTAGE

	Wheat (Bushels)	Cloth (Yards)
America	100	60
England	5	10

	Wheat (Bushels)	Cloth (Yards)
America	+10	-6
England	-5	+10
World	+5	+4

ONE UNIT OF RESOURCES CAN PRODUCE

	Wheat (Bushels)	Cloth (Yards)
America	100	60
England	10	6

	Wheat (Buchels	Cloth (Yards)
America	+100	-60
England	-100	+60
	0	0

SOURCES: Adapted from Introduction to positive Economies; 1979, by R. Lipsey.

In the final analysis, however, there is a gain from specialisation because although America has an absolute advantage over England in the production of both wheat and cloth, its margin of advantage differs in the two commodities. America can produce 20 times as much wheat as can England using the same quantity of resources, but only 6 times as much cloth. America is said to have a comparative advantage in the production of wheat and a comparative disadvantage in the production of cloth. England has a comparative disadvantage in the production of wheat and a comparative advantage in the production of cloth.

3.3 FACTORS AFFECTING INTERNATIONAL TRADE

There are quite a number of factors affecting international trades, these factors include:

1. **Tariff**

A tariff is a tax applied on imports often on an ad valorem (percentage of value) basis. Such a tax has the effect of raising the price of the taxed commodity. Tariffs can be used for two different and opposite purposes. For revenue and for protection.

2. **Quota**

Quotas work pretty much the same way as do the tariffs. The main difference is that quotas restrict quantity, while tariffs work through prices. A tariff raises revenue for the government. A quota doesn't. All the benefits of a quota go to protect domestic producers and to those importers who manage to get some of these scarce and valuable import at the low foreign price and resell it at a higher domestic price.

3. **Other Barriers to Trade**

In addition to tariffs and quotas, there are other kinds of government barriers to trade. Some of them are intentional, such as domestic preferences, laws which give preference to domestic suppliers in governments purchases. Others are laws, which are passed for domestic reasons but makes it more difficult for foreign suppliers to

complete, such as differences in safety standard and labelling requirements. Laws such as this are called non-tariff barriers. Also factors such as culture, distance, exchange rate, interest rate, political system and political instability affect international trade.

3.4 INSTRUMENT OF INTERNATIONAL TRADE

1. Status Inquiries

It is not enough to have the names of prospective purchasers or agents in overseas markets: the exporter must be sure that they are reliable parties. Banks maintain status reports on overseas firms and individuals. On the other hand if a particular buyer is not on their list, they can quickly obtain the status report of a buyer also using their overseas connections.

2. B.T.A. (Basic Travel Allowance) And Business Travel Allowance

It may be necessary for an exporter to travel to an overseas country to study the market and obtain further information on the buyer. Banks provides travellers cheques and foreign currencies to travellers abroad. A Nigerian is entitled to $500 a year as Basic Travel Allowance and this the bank can arrange for the form of travellers cheques, foreign currencies or drafts, if it is a registered business.

3. **Letters of Introduction**

To assist the exporter further, in overseas countries, the bank can arrange to give a letter of introduction to the exporter either using his correspondent banks or other business advisory organisation to enable the exporter discuss his potential business plans with them.

4. **Performance Bond**

Banks can issue performance bonds in support of an exporter who is tendering for a capital project contracts abroad. The bond guarantee the buyer that the exporter has both the physical and financial resources to enable him execute the contract and that in event of the exporter (the bank's customer) not being able to complete the contract, the bank will make payment to the buyer. This is usually 10% of the contract amount.

5. **Proforma Invoice**

A proforma invoice is a form of quotation by the seller to a potential buyer. The only difference in appearance to a commercial invoice is that proforma invoice has the word proforma will appear on it. It is invitation to the buyer to place a firm order and is often required by him so that the authorities of the importers country will grant him an import licence and or foreign exchange permit. The proforma invoice normally shows the terms of trade and price so that once the buyer has accepted the order, there is a firm contract to be settled as stipulated in

the proforma. Details from the accepted proforma must be identical to the commercial invoices that goods are in accordance with proforma invoice. Proforma invoice are also used when settlements is to be made.

a. In Advance: that is pending cash payment of goods states before shipment.

b. On Consignment: where goods are exported before a firm sell contract and place in the hands of an agent to whom the proforma will ask for prices he should obtain.

c. Subject to Tender: where the proforma is used to support a tender for a sell contract which if accepted by the buyer will win the contract from other suppliers also tendering in competition.

d. After an invitation to the tender has been accepted by the seller. The proforma will not have any amount shown against the goods, and potential buyers are invited to make an offer or a tender which, if accepted by the seller will form a contract of sale.

Features of Proforma Invoice

1. Names and address of buyer and seller and dates of invoice.
2. Complete description of goods
3. Unit prices where applicable and final prices against shipment term.

4. Terms of settlement
5. Shipping marks and numbers
6. Weight or quantity of goods
7. Name of the vessel, if known or applicable.
8. Seller signature
9. Origin of the goods
10. Port of loading and discharge
11. Details of freight and insurance changes specified separately where applicable.
12. Agent commission

6. Consular Invoice

The imploring authorities of several countries require councillor's invoices to be produced before the goods could be declared by the customers. Regulations differ from country to country and those, which require councillor invoice have designed their own form. These are obtained from the importers country by the exporter who complete the details and submit them to the embassy for the stamping for which a charge is made.

3.5 FINANCING INTERNATIONAL TRADE IN NIGERIA

3.5.1 In Nigeria, the various insurance covers and direct guarantee to banks, which the exporter can take to enable him obtain Export Credit Guarantee Department (ECGD). To be precise the facilities provided can be categorised as follows:

1. Short term insurance and guarantee.
   a. The E.C.G.D. comprehensive Insurance Cover
   b. The E.C.G.D. comprehensive bank guarantee (Bills and Notes).
   c. The Comprehensive Bank Guarantee Open Account.
2. Medium and Long term insurance cover guarantees.
   a. The specific guarantee
   b. The specific bank guarantee
   c. The buyers credit guarantees

3.5.2 WAYS OF FINANCING INTERNATIONAL TRADE

1. **Bank Loans**

Banks also provides loans for exports. Repayment may occasionally be made in one sum at an agreed date or more usually by instalments over a period. Banks also demand security for this type of lending.

2. **Bank Overdraft**

In Nigeria, banks can give overdraft facilities for financing export. However, since overdrafts are subject to repayment on demand, they are only appropriate for the finance of short-term credits.

3. **Leasing**

A lease is a contract whereby the owner of an asset (the lessor) grants to another party the (lessee), the exclusive right to use asset usually for an agreed period of time in return for payment of rents.

4. **Forfeiting**

This is another secured method of export financing. Forfeiting is an arrangement whereby exporters of capital goods can obtain medium and long term finance, usually for a period of 2 - 7 years in respect of purchase of obligation falling due at some future date arising out of the delivery of goods or services relating to export.

5. **Consignment**

Under a consignment transaction, the goods are not sold to the importer but entrusted to the importer until he sells the goods, it should be noted that the title of the goods under this arrangement still remain in the name of the exporter.

3.6 RISKS OF INTERNATIONAL TRADE

According to Olanegan F. (1990). International Banking Operation Course. "inspite of the advantages and benefits of international trade,

there are risks involved in those transactions. They can be treated under (3) broad groups:

1. Commercial risks
2. Political risks
3. Foreign exchange risks

1. **Commercial Risks**

These emanates from the default by the foreign trading partner (importer) to meet his contractual obligation and when due. They are the result of:

a. Inadequate level of growth of domestic economy of the buyer/importer. This situation as Nigeria experienced beginning in the second half of 1981 affects the ability of the importers to honour his international finance obligation.

b. Time and Distance. This relates to the length of time of shipment and/ or time for the shipment of the goods.

c. Inadequate foreign exchange in the importer's economy; since international payment are mostly effected in foreign currencies, these may not be readily available.

d. Delay/refusal to accept the bill of exchange

e. Discrepancy in the quality, quantity and weight or other physical attributes of the imported goods.

f. Credit risks relates to the exporters requirements for additional credits facilities that are not forthcoming.

g. Bad debt arising from insolvency of the importer.

2. **Political Risks**

The basis of this risks are traceable to the fact that trade is conducted between and among nations governed by different laws regimes, political system, etc. The ramification of political risks are:

i. Differences in laws and regulations governing trade. These relates to rules for collection customs and other practices.

ii. Government restrictive trade policies, examples include exchange control regulations (use of forexs, importation, exportation etc).

iii. War or other national disasters: Wars generally have a disruptive impact on economic activities. Consequently, in periods of war, international trade is disrupted as business activities are suspended. This may affect the use of forex.

iv. Political instability arising say from coup d'etat, that lead to a forceful change of a government and affect trade in the sense that a new regime may decide to cancel an earlier order or trade agreements. The new regime may also have new foreign system different from the previous regime.

v. A sudden unfriendly attitude between the importer/exporters countries by their various government.

vi. Risk of nationalisation.

FOREIGN EXCHANGE RISKS

A major risk associated with foreign exchange centres is the fluctuations in rate of exchange. The rate of exchange is the rate at which one currency is exchanged for another or the price of one currency in terms of another. Foreign exchange risk may include:

i. Exchange rate fluctuation

Which may occur to the influence of

- Demand for and supply of currency
- Price level and rate of inflation
- Rate of interest. If domestic rate is high than the foreign rate, there will be more inflow of capital and consequently increase in foreign demand for local currency and thus increase in exchange rate.
- Central bank interventions e.g. the new financial measure of the Central Bank of Nigeria.

ii. Double dealing

This may occur when a bank mistakenly purchase a third currency for an importer more than once. For instance, if a bank purchased

foreign currency for an importer who later decline to utilise it, the bank may likely sustain some loss when selling the foreign currency depending on the rate at the time of sake. This happens when dollars has been used to purchase a third currency which has to be sold later to realise back the dollar.

iii. Credit Risk

This is likely to occur when a bank has financed an export transaction and the export proceeds become insufficient to cover the amount of loan (plus interest) granted to the exporter. Such a situation arises when the Naira appreciates in value at the time of receipt of the export proceeds against the currency in which the export was invoiced.

3.6.1 MANAGEMENT OF RISK IN INTERNATIONAL TRADE

When the risk have been identified and evaluated, an optimum method of treatment must be selected. The strategies available for handling these international trade risks can be adopted singly or in combination. These include: risk avoidance, risk assumption, risk prevention, risk reduction and risk transfer.

Risk assumption is a non-insurance technique strategy which could either be planned or unplanned. Unplanned assumption of risk (or retention) is mainly adopted due to ignorance.

In an organised international business, risk may be assumed as deliberate export strategy. This is planned risks assumption. Risk prevention and risk reduction are unique tools in risk management. This strategy may concentrate in two areas – physical and human hazards. Physical factors concern such devices as the provision of security lock alarms, bars, fire equipment etc., to reduce the possibility of loss.

Risk transfer under this strategy, the risk manager has a number of options to adopt. The condition of sale of goods might allocate liability for any contingent liability, personal injury or defects in the goods to either the buyer or the seller. But, the most important device for transferring risks is insurance, this is because insurance deals with both "bought goods" and "unsought goods".

Some insurance policies that could be used to reduce international trade risks are:

a. **Fire Policy**

This covers the exporter against loss or damage to the insured property, resulting from an accidental fire. In recent times, fire policy includes not only ordinary fire policy but also special perils insurance and a combines comprehensive insurance.

b. **General Accident Policy**

This covers personal accident insurance, employers liability insurance, burglary, fidelity guarantee, goods in transit and other miscellaneous policies.

c. **Marine and Aviation Policies**

Marine policy is concerned with ship, freight and cargo against maritime risks, marine policy includes: ship insurance, cargo insurance and foreign insurance etc., on the other hand, aviation policy may be needed by an importer/exporter that may use craft for his/her goods.

d. **Life Assurance**

Against loss of future income which may arise as a result of the premature death of the exporter/importer. The various forms of policies issued include whole life insurance, endowment policy, pension scheme and family income benefits etc.

In conclusion however, the risks in international trade have been explored. The various techniques banks can adopt to advice their customers have also been disclosed. It is necessary to note that exporters must liase with export promotion council to find enough information about the organizations that they want to deal with. It should also be noted that combination of methods or techniques should be used to reduce if not eliminate risks in international trade.

International Transfer

Imagine that one country is called upon to make a net payment to another country. The payment can be effected, of course only by exporting goods and services. The deprivation of those goods and services constitute the primary burden of the payment. The question which has long interested economists is whether the paying country must suffer, in addition, a secondary burden in the form of a deterioration of its terms of trade. (The pure theory of international trade, Murray C. Kemp, page 79), 1965. The nature of the payment is from this point of view, of no consequences: It may be a war indemnity payable by the government of a defeated country or it may be a loan, or repayment of a loan or interest on a loan, either between two governments or between individual or between individuals and a government.

It follows that analysis can proceed only after specific assumptions have been made concerning the fiscal arrangement of the countries involved in the payment. The possible assumptions are legion. It will be assumed here that each country varies the average rate of personal income tax to absorb the shock of the payment.

KEYNESIAN ECONOMIC THEORY

During the great depression, the U.S. economy was mired in a situation of severe unemployment. As we have seen, large-scale unemployment was not dealt with very effectively in classical microeconomic theory. In developing an alternative theory, Keynes and his followers focused attention on the question, "what determines the level of employment in a capitalist economy?" They know that if employment could be explained then unemployment could be explained too. In attempting to identify the cause of employment, Keynesians reasoned as follows (principles of macro-economic. Ulbreach et al pages, 174), 1986).

1. The level of employment is directly related to the level of production.
2. In a modern capitalist economy, the level of business production will be determined by the amount of planned spending to purchase business products, or aggregate demand. Business will adjust their level of production to accommodate the demand for their products. Put simply, "supply adjusts to demand". This is contrast to Say's law, which said, "Supply creates its own demand". The Keynes in model suggests that the A's supply curve is horizontal.

3. Since employment depends on production and production responds to spending, the level of employment in a capitalist economy is ultimately determined by the level of planned spending in the economy.

In conclusion however, using this simple but logical analysis, the cause of high national level of unemployment was apparent. If a high level of unemployment exists, it was because spending for business production was insufficient to cause business to operate at a full level of production. Thus insufficient spending was identified as the cause of unemployment.

3.6.2 THEORY OF INTERNATIONAL TRADE AND GROWTH

The relationship between growth and trade had remained a subject of controversy in developing nations (Krueger, 1984; Findlay, 1984). The central proposition from normative trade theory is that there are gains from trade and that free trade is, superior to autarky, under a certain assumptions and is also superior to all forms of trade restrictions (Corden, 1984). The gains from trade proposition rest on very simple arguments. Under autarky, a country's consumption possibilities are limited by its production possibility frontier. The consumption possibilities are increased by net trade with the rest of the world.

Thus with the trade, the consumption possibilities frontier lies outside the country's product possibility frontier and touches the latter only where the marginal rates of transformation (MRT) in domestic production equal those attainable with trade. For the small country the marginal rate of transformation are given by world prices. For the large country, where the country has no monopoly power in trade, the marginal rates of transformation no longer equal the price ratio, except by applying the optimal tariff at the chosen point. Consequently, feasible consumption under autarchy can be dominated by combination of trade and domestic production.

THEORY OF DEVELOPMENT AND TRADE

Although theoretically literature on the subject suggests that some trade is better than no trade and that free trade might Pareto dominate both under given circumstances.

Development economists have nevertheless, remained divided over the issue of trade liberalisation. Major argument often used to justify departures from free trade include export pessimism, strategic interest and infant industry cases, for instance pessimism concerning the ability of developing countries to get their exports into the market of developed countries underlies some of the demands for import substitution. At one extreme is a claim associated with Raul Prebischt

and Blans Singers that the terms of trade must inevitably move against primary products in favour of manufacturers. The global demand for primary products is such that developing countries generally cannot expand the supply of primary products without suffering terms of trade losses. The underdevelopment and unequal exchange schools argue that, because of the skewed nature of the international system, free trade tends to promote the exploitation of poor nations and the development of the centre at the expense of the periphery, possibly because of the unequal exchange and economic dependence.

However, the next chapter talks about the methodology used in carrying out the research.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.0 INTRODUCTION

The necessities that prompted the researcher to undertake this study in the first place also make it imperative for the researcher to give a graphic and systematic analysis of the method used in gathering the data – transformed into information compiled in this study.

This research project has made use of the use of library research method: examination of documents, journals and related documents for obtaining data to help in the analysis of the finding of the study.

4.1 VARIOUS METHODS OF RESEARCH AND DATA COLLECTION

Primary data can be collected in three different ways: Observation, survey and experiment.

a. Survey Research

Survey research stand midway between the casualness of observation research and rigour experimental research. Generally speaking, observation is suited exploratory research, survey are best fitted for descriptive research and experimental are best suited for casual research.

b. Observation

One way to gather fresh data is to observe the relevant actors and setting.

c. **Experimental Survey**

The most formed type of research is experimental research. Experimental research calls for selecting matched groups of subject, giving observed different treatment, controlling extracts variables and checking on whether or not observed differences are statistically significant. In order to communicate or observe, there must be a means of recording responses or behaviour. Thus, the process of measuring and the development of a measuring instrument and closely connected to the decision of which data collection technique should be used.

4.2.0 TECHNIQUES OF SOCIAL SCIENTIFIC RESEARCH SELECTED FOR THE STUDY

Obviously, the research is conducted by means of sample from which generalization about the economy from which it was taken was drawn. It is practically impossible (or if possible will involve a lot of difficulties) to take all the opinion from members of the general public on the effect of international trade on the Nigerian economy. For this reason, the selected samples of economic indicators in Nigeria as provided by the Central Bank of Nigeria (C.B.N). Since we know that the C.B.N is representative of the nation's banks and in conjunction with the Federal Office of Statistics keep the nation's record on trade, income and expenditure of the country's international trade.

4.2.1 QUESTIONNAIRE

A questionnaire is simply a formalised schedule to obtain and record specified and relevant information with tolerable accuracy and completeness. It is also a list of questions or statements, which requires the interview or respondent to make a reply. The questionnaire also contains instructions on how to answer the questions.

4.2.2 PERSONAL INTERVIEW

In a personal interview, the interviewer asks the questions of the respondent in a face-to-face situation. The interview may take place at the respondent home or at a central location.

The personal interview also works with well structured question. Individual item can be more complicated and the questionnaires themselves longer than with a phone or mail survey. The non respondent errors also can be minimised by using skilled field workers. The interviewer covers some substantial ground which throw more light on the behaviour of the subject matter.

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4.3 METHODS USED IN DATA COLLECTION

The main source of data is secondary. The secondary source includes: magazines, journals, newspapers, seminar papers,

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government documents and Central Bank annual report and statement of accounts.

4.4 ADVANTAGES OF THE METHOD USED

1. Secondary sources are used as a hypothesis to bridge the gaps between the various pieces of primary data and at times the historian may have to rely on secondary sources.
2. It creates an opportunity for the researcher to analyse views from those who have witnessed events.
3. Data can easily be achieved by means of past publications.

4.5 DISADVANTAGES OF THE METHOD USED

1. The policies listed in a University bulletin frequently are nullified through exceptions.
2. In the memories of faculty members, occurrences of many years past frequently, take on a new light as the author sees his career in perspective.
3. Manuscripts are frequently subjected to so many editorial changes that they no longer resemble their form.
4. Newspapers article of events are particularly subject to distortion, either through careless reporting or through emphasis on the sensational aspects with a corresponding disregard for the truth.

4.6 JUSTIFICATION OF THE METHOD USED

All factual knowledge, which is ascertained research may be classified in terms of three areas of time.

1. The present: What is now occurring? Normative survey research method, experimental research method.
2. The past: What has been? Historical research method.
3. The future: What probably will be? Prognostic predictive research.

A researcher must decide in which area of time his problem is mainly centred. On the basis of that decision he selects his basic research method, the distinctive criteria of which he must carefully observe in the investigation of his problem.

The techniques adopted in analysis and treating the data gathered through publications, include explanation of data and graphical demonstration of information. This will of course help to convey clearly and precisely the information to pass across by the researcher.

4.7 CHAPTER SUMMARY

This chapter tries to analyse the methods used in the collection of data and sources. It states the methods and also that of data collection.

Also the various methods of research and data collection were analysed.

The advantages and disadvantages of the methods used were also analysed. It was followed by the justification of the methods used and a summary.

The next chapter is going to be the presentation of data and the analysis of it in respect of the effect of international trade on economic development of Nigeria.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.0 INTRODUCTION

The research questions raised in chapter one cannot be properly answered without a comprehensive presentation of the raw data collected and its interpretation or analysis therein. This chapter therefore breaks down data collected in this investigation into components for the required analysis. The data to be presented and analysed include: domestic output and prices, federal government finance, external sector and finally the social indicator and money and credit. Also included is the customs tariff changes between 1999-2000.

5.1 DATA PRESENTATION

This research work was undertaken to identify the effect of international trade on economic development of Nigeria. Due to the problems mentioned in chapter one, data collection was concentrated in the Central Bank of Nigeria Bullion of January/March 2001 edition as the most recent publications on selected economic indicators.

Below are some of these indicators from the year 1995 to 2000.

NIGERIA: SELECTED ECONOMIC INDICATOR

A: DOMESTIC OUTPUT AND PRICES	1995	1996	1997	1998	1999	2000
Real GDP growth rate in %	2.2	3.3	3.2	2.4	2.7	2.8
Oil sector	2.5	6.9	8.4	-7.6	-4.2	6.2
Non-oil sector	2.4	2.7	3.1	3.8	2.6	0.1
Oil production	1.96	2.7	2.1	2.1	2.01	2.25
Manufacturing Capacity	29.3	36.8	33.7	32.4	34.4	34.5
Inflation	72.8	29.3	8.5	10	6.6	4.5

B: FEDERAL GOVERNMENT FINANCE (% of GDP)	1995	1996	1997	1998	1999	2000
Overall fiscal balance	0.1	1.2	-0.2	-4.8	-8.8	-1.8
Primary balance	3.6	3.5	2.1	-2.3	-1.4	0.6
Net domestic bank borrowing	0.9	-5.6	-2.2	3.9	5.3	1.5
Domestic debt stock	12.7	12.6	12.7	14.6	24.5	N/A
External debt stock	36.6	22.5	21.1	22.9	79.2	N/A

C: MONEY AND CREDIT GROWTH (% of GDP)	1995	1996	1997	1998	1999	2000
Net domestic credit	7.4	-23,4	-2.8	46.8	55.7	9.5
Net credit to government	-9.5	-55.6	-53.5	114.9	119.3	-78.5
Credit to private sector	48	23.9	23.9	27.4	27.3	17.5
Narrow money	16.3	14.5	18.2	20.5	17.2	51.7
Broad money	19.4	16.8	16.9	23.3	21.2	43.6

D: EXTERNAL SECTOR	1995	1996	1997	1998	1999	2000
Current A/C balance in % of GDP	-9.4	8.5	1.2	-11.6	0.4	8.5
Overall balance (in % of GDP)	-9.9	1.9	0.04	-7.8	-3.1	11.2
External reserves	1,441.0	4,0747	7,581.2	7,100.0	5,450.0	9,399.9
Average oil output price (US$/barrel)	16.7	19.5	19.5	12.9	18	27.53
Average official ex-rate (N/$)	21.9	21.9	21.9	21.9	N/A	N/A
Average AFEM/IFEM Ex. Rate (N/$)	81.1	81.5	81.7	83.8	92.3	101.65

E: SOCIAL INDICATORS	1995	1996	1997	1998	1999	2000
GDP per capital (N)	1073.6	1090.7	1081.5	1057.0	1057.0	1044.6
Population growth rate	2.1	2.8	2.8	2.8	2.8	2.8
Life expectancy at birth (years)	53	53	53	53	53	54
Adult literary (%)	55	57	57	57	57	57
Human development index	0.402	0.4	0.4	0.4	0.4	0.4

SOURCE; C.B.N. Bullion, January/March, 2001, Vol. 25, No. 1. page 35.

5.2.0 DATA ANALYSIS

In analysing these data presented, the first data, which is the Nigerian selected economic indicator will be analysed first then followed by the second data, which is custom tariff changes between 1999-2000.

Inflation Rate

The level of inflation was under control during the whole of 1997. The rate fell from 72.8% in December, 1995 to 29% in December, 1996 and as at 31st December, 1997 the projecting outgoing of inflation was 8.5%, it is obvious that the macro economic policies that were introduced in 1996 have positive impact on reducing the level of inflation. It is expected that the level of inflation will not be more than 9% in 1998 but it increased by 1%.

In the year 1999, inflation rate remained low from 10% in 1998 to 6.6% in 1999 and finally to 4.5% in the year 2000.

Gross Domestic Product. In the budget of 1997, it was anticipated that the growth rate would not be less than 5.5%. The gross domestic product in 1997 grew by 3.77% representing a marked improvement from 1.3% in 1994, 2.2% in 1995 and 3.25% in 1996. The GDP continued to fall from 2.4% with little improvement in 1999 and 2000.

External Sector

The external reserves has continued to rise from 1995 to 200 and consequently the output price of oil per U.S. dollar per barrel has

continued to rise significantly from $16 per barrel through to 19,12,18 and 27.53 by the year 2000 leading to excess windfall for the Nigerian economy.

The exchange rate was a little bit stable between 1995 o 1998, stabilising at 81-83. But the exchange rate increases to 92.3 and an all-high time of ₦101 to the dollar by the year 2000. The pressure on the Naira intensified as the Naira exchange rate in the inter bank foreign exchange market (IFEM) on the average depreciation by 7.0 percent from 94.83 = US$1.00 between and November 1999 to ₦102.02 = US$1.00 in the first 11 months of the year, 2000.

Money and Credit

The highlights of the monetary credit and other financial sector policy measures were as follows:

a. Broad Money (M_2) fell from 19.4 by the year 1995 to 16.9 through 16.8 in 1996. It increased during the year and was higher than the programme targets.

b. Provisional figures indicate that (M_2) and (M_1) grew by 43.6 and 57.7 percent during the year as against their respective targets of 14.6 and 9.8 percent.

c. The rapid growth in money stock was attributable largely to the sustainable increase in foreign assets (net)

of the Central Bank as a result of favourable developments in the international petroleum market.

d. Provisional data indicates that net domestic credit which increased by 55.7 percent in 1999, fell by 9.5 percent in 2000 following the decline in net credit to government, credit to the private sector grew by 17.5% compared with 27.3% in 1999.

Social Indicators

The poverty situation continued to worsen due to rising unemployment, low capacity utilisation and poor performance of the non-oil sector. The nation's stock of economic public utilities remained very deficient as a result of ageing and deteriorating machinery and equipment, among other factors.

However, the economy suffered some setbacks, which adversely affected the implementation of the 1998 budget and the realisation of the set target. The global decline in the international crude oil prices, the reduction in or OPEC quota and the temporary closure of oil wells in the Niger Delta led to a sharp reduction in government foreign exchange earning from crude oil.

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Besides the decline in oil revenue, overall economic performance, including real sector growth was stultified by erratic supply of petroleum

products, epileptic power supply situation and persistent crumbling infrastructure. These diminished the potential for raising low oil revenue.

5.2.1 DATA ANALYSIS OF CUSTOM TARIFF CHANGES

The year 2000 custom tariff changes were largely aimed at addressing the concerns of manufacturers who seriously complained about the tariff changes in 1999 to the effect that the duty rates were increased on a number of imported raw materials for manufacturing, while the duty rates on a number of imported finished goods were reduced, thus exposing locally manufactured goods to unfair competition from imported goods produced under more favourable economic environment.

To assuage the feelings of manufactures, the years 2000 custom duty rates on major material inputs for the manufacturing of various products were reduced in order to revitalize ailing industries, increase sectoral capacity utilization, enhance industrial competitiveness and increase employment generation.

The table shows computed average tariffs in the terms of old tariff, new tariff and the resulting percentage changes in tariffs for 9 broad import categories ranging form the agricultural sector to miscellaneous manufactured articles. All the sector is recorded reduction

in average tariffs ranging from 3.7 percent for miscellaneous manufactured articles to textiles and footwear with 18.5 percent reduction.

5.3 ECONOMIC SOCIAL POLITICAL AND RELIGIOUS EFFECTS ON THE ECONOMY

i. The Economic Effect

Despite the risk inherent in exporting as well as importing it's most advantage is the additional sales and profits, which are generated. International trade more often than not, reflect products beyond what is required for domestic consumption in a situation where a deliberate policy to produce solely for export is not pursued. In addition the exporting economy will benefit from increased production of goods and services, employment and a more optimal utilization of productive capacity. These benefits eventually transform into better living conditions for the nationals of the exporting economy since foreign exchange earned would contribute to meeting their needs for some essential goods and services.

Recent developments in the Nigerian oil dependent monocultural economy have led to the recognition of the importance of international trade as a veritable engine of growth. The decline in foreign exchange earnings and ever increasing demand for foreign exchange by a large

import dependent economy imply that additional sources of foreign exchange earnings to finance the gap between the demand for and supply of foreign exchange must be found. And this can only be done through more international trade (Ojo, 1994). - 478058

Abebefe, 'A. (1995) is of the opinion that, the petroleum industry plays a leading role in Nigeria's external trade in particular and the economy in general. For instance, in 1970, the oil sector accounted for 58% of total export earning, 9% of GDP and 20% of government revenue. These rose further to 91.27 and 79% respectively in 1980 and more than a decade later, the later rates are still maintained. Crude oil therefore displaced the agricultural sector, which hitherto, was the mainstay of the Nigerian economy, especially during the pre-civil war period. It became a major variable in the determination of the terms of trade, government finances and credit worthiness of the economy.

By the end of 1985, the debt situation worsened and the recession deepened. The government realised that more austerity without structural adjustment constituted an inadequate response to the fundamental economic and financial problems confronting the country, thus the structural adjustment programme (SAP) was introduced in July 1986. The programme's objectives in specific terms were to foster balance of payments viability, reduce the dependence of the economy on imports and the oil sector and increase efficiently in resources

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allocation by ensuring that the Naira exchange rate was determined by an interplay of market forces, the Naira was devalued and trade liberalised in addition to the abolition of the import licensing system hitherto in place.

2. SOCIAL EFFECT

Ani, A. (1998) "we want to learn from the mistakes of 1997, renew our hope and aspirations in the economy and move forward. Government is determined to show that it cares for the Nigerian people by implementing an appropriate social and economic programmes and strategies that will alter positively the production frontier of the economy".

Nigeria's energy sector has never had it so rough. National Electric Power Authority (NEPA) and the Nigerian National Petroleum Corporation (NNPC), the nation's two main sources of energy came under the barrage vandals. Vandalism led to numerous deaths, injuries and left crippling effects on the Nigerian economy. Between July 10 and 17, 200-500 people died in petroleum pipelines explosion.

Government has for a long time not been able to live up to its responsibilities in providing social amenities to her citizens especially in the Niger Delta area where the vast majority of the nation's wealth comes from. The people in that part of the country have been

marginalized in terms of equitable distribution of the nation's wealth and this has led to a lot of sabotage of the oil pipeline and abduction of expatriates by the youths of the host communities.

Irate youths, particularly in the Niger Delta area are generally, believed to be responsible for oil pipeline sabotage in protest against the government neglect of their area (Newswatch, January 1, 2001 page 18). This led to the death of thousands of innocent people within that area.

Also, despite the huge amount of money the government is making from international trade transactions, one can hardly see the positive effect on its citizenry. The rate of unemployment is so high. When unemployed graduates are still roaming our streets, people who were appointed to plan for the well being of such people were busy planning for the economic downfall of the country.

Finally, despite the huge windfall from crude oil sales, our hospitals are still a mere consulting clinics devoid of drugs and facilities so also the same is our primary and tertiary institutions.

3. **Political Effect**

The Nigerian polity has been a one of instability especially since the cancellation of the June 12, 1993 election by the then Babangida administration. On several occasions, it was one transition programme

to another and these have adversely affected the free flow of investment into the country. Investors are not sure of their investment in Nigeria and those who are intending to come into the country has being scared away as a result of the negative political report coming out of the country.

Nigerian trade policy instruments can be grouped into two, first best and second best policies. First best policies aimed at liberalising trade by removing already existing anti-export biases such as those that confer higher levels of projection on industries, quantitative export and import controls and regulations on foreign transactions and exchange rates. Second best policies on the other hand, involves the institution of trade incentives and exports subsides that could offset observed anti-export biases.

4. RELIGIOUS EFFECT

Nigeria has witnessed a lot of religious riots in the past but in the year 2000, it was more devastating than one could imagine. Perhaps as an over carriage of the joy of liberation from the claws of military regime, fanatics, zealots and ethnic crusaders had filled days unleashing terror, violence and mayhem on the country's citizens.

The introduction of the Sharia legal system by some northern states nearly brought the country to a stand still. Religious riots broke out in Kaduna which led to the death of many.

Also in June 2000, Warri an oil rich city in Delta state exploded in violence. Also in the following month, a violent clash between the O'dua peoples Congress, (OPC) and Igbo traders erupted at the Alaba international market in Lagos state.

However, these violent clashes have created a state of insecurity within the country and therefore led to divestment from the economy. Investors prefer where their capital are safe, in order word, investors prefer safe investment haven.

5.4 RESEARCH FINDINGS

A summary of the balances standing on the reserve accounts as at 31st December 1997 in appendix four (4) shows that there is an accruation of $3.295 billion in our foreign reserve. When the accruation is taken into consideration with other reserves brought forward, Nigeria's as at 31st December, 1997 stood at $7.7 billion.

Our foreign reverse at the end of November, 1998 stood at US$7.6 billion. The year witnessed some measure of macroeconomic stability and consolidation of economic gains attained in 1996 and 1997. Nigeria's gross external reserves increased substantially from US$5.5

billion in December 1997 to US$9.4 billion in December 2000 (New Nigeria Monday January 12, 1998. Transition budget breakdown, page three).

On the external sector, the overall balance of payment position showed an estimated surplus of 11.2% of GDP in the year 2000. Pressures intensified on the Naira following the liquidity in the banking as well as speculated activities of some markets operations. The growth in real Gross Domestic Product (G.D.P) was estimated at 2.8% compared with the 3.0% anticipated in year 2000 and 2.7% achieved in 1999 (CBN Bullion, January/March, 2001 volume 25, No. 1, page 27).

Although some electronic indicators improved marginally relative to 1998, the overall performance continued to be below the potential while inflation remained low and the desired single digit and the balance of payment showed improvement. Other economic indicators reflect poor performance.

The observed poor performance in 2000 includes:

1. Continued depreciation of the Naira exchange rate.
2. Sluggish growth in the GDP.
3. Continue high incidence of poverty situation due to the high level of unemployment, low capacity utilization and the poor performance of the non-oil sector, and deficit stock of economic and social infrastructure facilities as a result of

ageing and deteriorating and machinery equipment, among other factors.

The continuous expansion of the world economy, particularly the sustained growth in the U.S. and consolidation of recovery in Asia contributed to Nigeria's economic growth in 2000. The robust international economy led to increased demand for Nigeria's major export product crude oil and concomitant accumulation of huge external reserves. In the same vein, the generally low level of inflation in the US and Europe, impacted positively on imports meant for domestic production. Nigeria's economic conditions showed some improvements which engendered confidence in foreign direct investors.

The International Monetary Fund (IMF)'s approval of a standby arrangement (SBA) for Nigeria also created an avenue for securing debt relief from the Paris club of creditors.

5.4.1 The year 2000 custom tariffs changes were largely aimed at addressing the concern of manufacturers who seriously complained about the tariff changes in 1999 to the effect that the duty rates were increased on a number of imported raw materials for manufacturing while the duty rates on a number of imported finished goods were reduced thus exposing locally manufactured goods to unfair competition

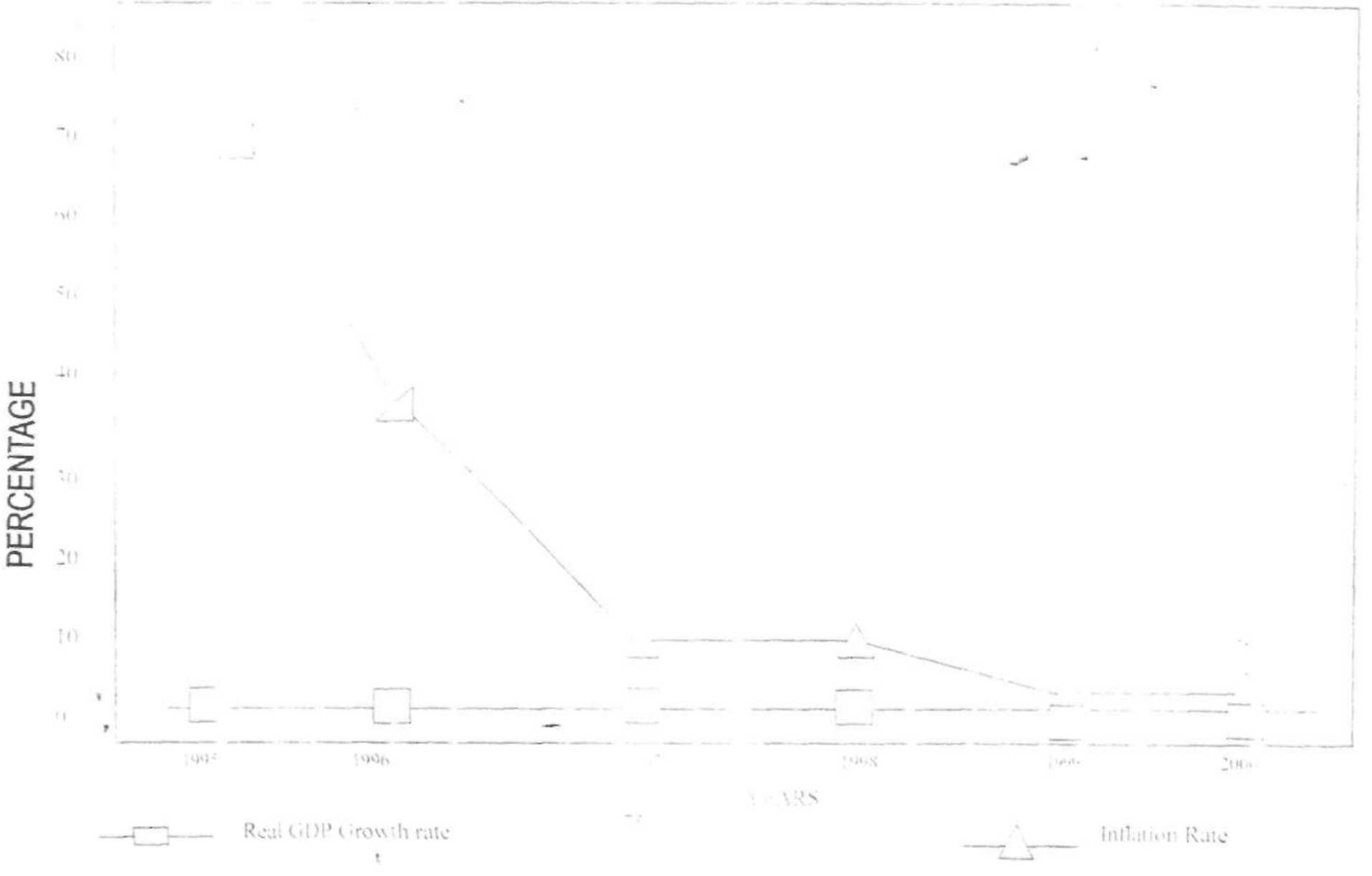
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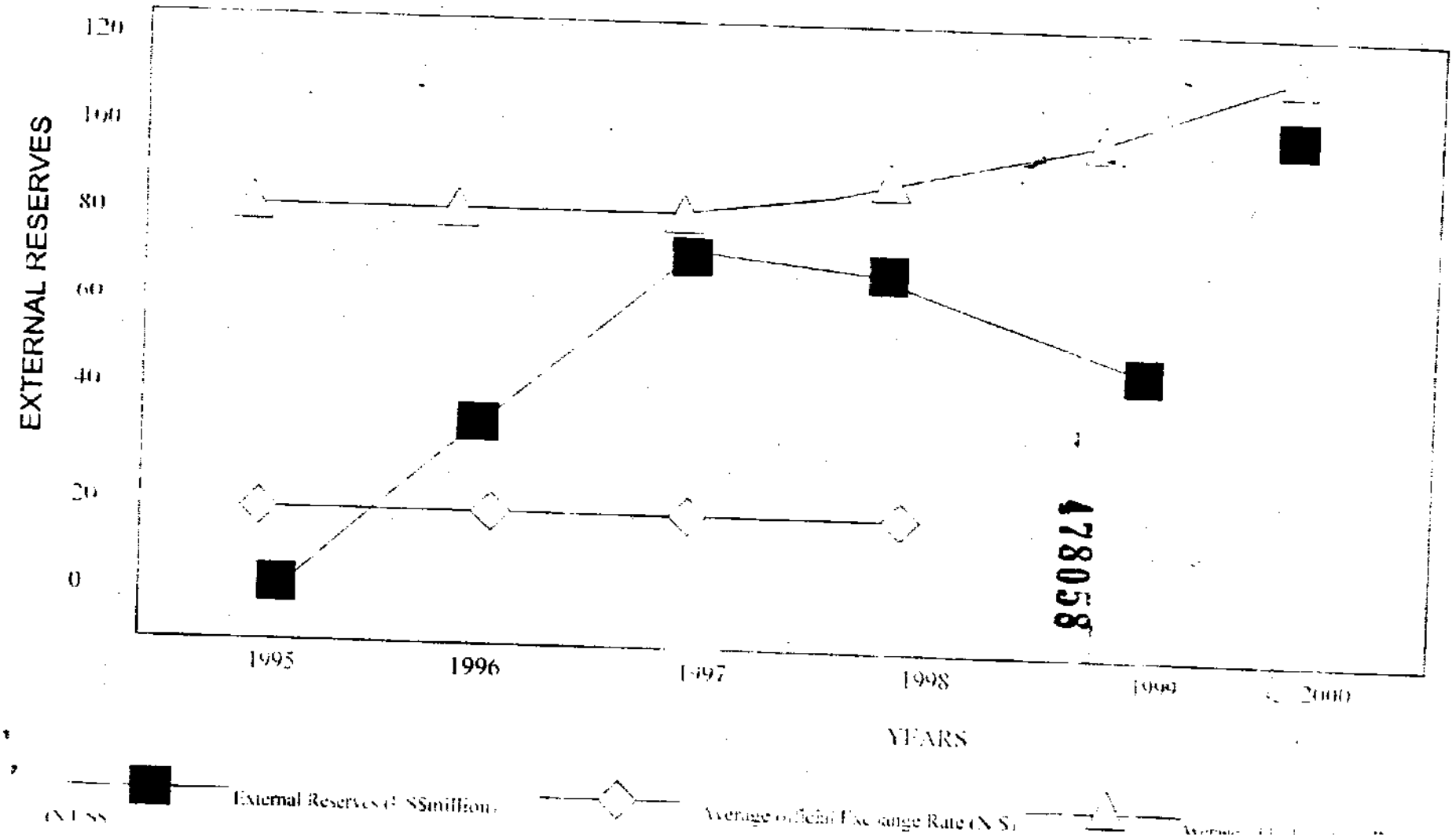
from imported goods produced under more favourable economic environment.

To assuage the feelings of manufacturers, the year 2000 custom duty rates on major materials inputs for the manufacturing of various products were reduced in order to revitalise ailing industries; increased sectorial capacity utilization, enhance industries competitiveness and increase employment generation. This changes is shown in Appendix three (3).

Furthermore below are graphs indicating the provision of GDP and inflation rates from 1995 to 2000 and secondly the external reserve and average exchanges.

FIGURE 1. REAL GDP AND INFLATION RATES (1995 / 2000)




EXTERNAL RESERVES
120
100
80
60
40
20
0
1995
1996
1997
1998
1999
2000
YEARS
External Reserves (US$million)
Average Official Exchange Rate (N/$)
1780538

5.5 SUMMARY

This chapter starts with an introductory part and followed by a presentation of data in respect of the subject matter. It is a data including some selected macroeconomic indicators and a change in custom tariffs on imported items.

The social, economic political and religious effects of international trade on the economy was also analysed with the data provided.

This also was followed by the analysis of the data on changes on custom's tariffs.

Finally, some findings were observed in the data presented and also graphs were presented for an easy graphical understanding of some relevant indicators of the economy. This includes the GDP and inflation and also external reverse and average exchange of the Naira to the dollar between the period of 1995-2000.

The next chapter is going to talk about the summary, conclusion and recommendations.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.0 INTRODUCTION

The researcher entered the tunnel of investigation with regards to the subject matter with courage and determination, though it was found to be hectic, deceptively easy and difficult to start. Now there is some light at the end of the tunnel. In the course of investigation however, new discoveries were made, facts were obtained and fancies buried. This chapter therefore presents an overview of the whole exercise.

6.1 SUMMARY OF THE STUDY

In this research project effort has been made to see the effect of international trade on the economic development of Nigeria. In recent years, the inflow of foreign direct investment and intra-Nigeria investment by foreign investors and indigenous respectively has witnessed many retrogressive changes especially in the area of manufacturing and other enterprising requiring large capital base. The researcher undertook this investigation to properly find out the causes of these unfavourable changes in Nigeria.

This project provides an insight into the challenges and effect of international trade on economic development of Nigeria. Their effects

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were analysed. It also lighted on the relevance and contribution of subject matter to Nigeria.

A brief history over international trade in Nigeria and economic development and this obviously shows the importance of international trade in the development countries at large. The role of international trade in Nigeria cannot be over emphasised.

This project no doubt will increase knowledge provides a basis for conception of the Nigerian economic environment as a determinant factors for investment. It will also compliment government's effort at scrutinising the investment environment.

The researcher found that the effect of international trade and the choice of trading partner(s) are multi-faceted, viewed differently by different entrepreneurs and therefore has no universally accepted effect.

However, job creation, improved balance of payments, increased revenue rapid industrialization and so on were identified as the importance of investment and international trade.

Relevant literatures were reviewed in respect to the subject matter.

The concepts underlining international trade was also analysed and theories of international trade were reviewed.

The library research methodology was then selected. This methodology is considered valid in that it is a generally accepted

procedure for evaluating performance of the effect of international trade on the economic development of the Nigerian economy.

In the data presentation and analysis chapter, conclusions drawn from the study were stated and relevant recommendations put forward to facilitate improvement in international trade.

6.2 CONCLUSION

International trade is a very vital sector in the economic development of any nation and all hands must be on deck to revolutionalise it in line with the principles of liberalisation.

During the period of liberalisation, government has opened up its market both home and abroad in order to create demand and competition for Nigeria export goods. This is a welcome development. The setting up of export processing zone (EPZ) by the government at various angles of the country is a welcome development as it will go a long way in enhancing productivity and generate employment for the populace.

A favourable investment climate naturally attracts inflow of foreign direct investment. The contribution of international trade activities to a host country cannot be over emphasised. Therefore everything, reasonably possible should be done to encourage and

sustain existing investment and attract more. Nigeria stands to gain more than loss, if the country industrialises rapidly and positively.

6.3 RECOMMENDATIONS

Inspite of the declining rate of international trade transactions and the new wave of divestment, the situation is not totally irredeemable, if only the right actions are taken, before it gets to an illusionary level. It is in view of this that the researcher recommends the following measures.

1. Both the attractors and attractees should understand each other's motives clearly i.e. their expectation of each other. It is also important to know the type of international trade to embark upon.
2. The issue of security, government should embark on adequate measures to minimise (if not total eradication) acts of violent crime and religious disturbances. Government should consolidate on the democratic dividend to assure foreign investors of domestic political stability.
3. Government should embark on the rehabilitation of infrastructural facilities. To ensure speedy repairs and adequate maintenance of export/import facilities at the

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nation's ports. Private sector participants should be allowed in the power distribution and telecommunication services.

4. Obnoxious policies should be relieved in other to create a less congested ports. Provision of an enabling environment and facilities such as x-ray, scanner and other sophisticated machinery to enhance the work of the custom, police, SON, NAFDAC, NDLEA and other agencies at the ports.

5. Putting in place urgent machinery to discourage the importation of non-essential goods especially those manufactured in the country, in order to protect the local industries and investment.

6. Curbing the essence of miscreants by law enforcement agencies, state governments.

7. Government should find solutions to the issue of corruption at the ports and other areas of international transactions.

8. Finally, the government should invest more at home from the profits generated from international trade transactions in order to create a positive effect on the citizenry by creating jobs, improving the standard of living by providing essential needs of the people and increasing economic development generally and also improving the purchasing power of its citizenry.

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APPENDIX

1. Selected economic indicators 1995-2000
2. Selected interest rates End December, 2000
3. Custom tariff changes End December, 2000

APPENDIX 1

NIGERIA: SELECTED ECONOMIC INDICATORS

	1994	1995	1996	1997	1998	1999
Sectoral Output and Prices						
GDP (Growth Rate %)	2.3	3.1	2.2	3.3	3.2	2.1
Agriculture	-2.6	-.6	2.5	6.9	6.8	2.0
Industry	7.1	1.6	2.4	2.1	2.1	6.8
Manufacturing Capacity Utilization (%)	1.96	1.9	1.96	2.7	3.1	3.6
Inflation Rate (%)	32.2	30.4	29.3	9.68	31.2	2.93
	57.7	57	72.8	54.3	35.2	10.0
Money and Credit (growth Rate %) 1/						
Domestic Credit						
Credit to Government	67.7	57.2	7.4	-33.4	2.6	96.8
Credit to Private Sector	89.1	5.1	9.5	-55.6	53.5	113.9
Money	19.9	68.3	48	23.9	21.5	22.1
Reserve Money	57.5	49.9	16.3	13.5	19.2	30.5
	54	39.9	19.4	16.9	16.1	21.3
External Sector						
Current Account Balance (in per cent of GDP)						
Trade Balance (in per cent of GDP)	-2.4	-5.1	-9.1	3.5	1.2	13.6
External Reserves (US$ million)	-5.1	-8.2	-9.2	-4.9	6.01	7.8
Spot Oil Output Price (US$/Barrel)	1,139.0	1,659.0	1,541.0	4,024.2	1,581.2	2,170.0
Spot Official Exchange Rate (N/$)	17.3	81.7	86.7	89.5	99.5	111.9
Spot All-Bank Exchange Rate (N/US$)	22	21.9	21.9	21.9	21.9	21.9
			81.4	86.5	84.2	94.3
Central Government Finance (in per cent of GDP)						
Fiscal Balance						
Oil Balance	-15.4	-12.2	0.1	1.2	0.2	-3.6
Domestic Bank Borrowing	-4.8	-40.2	3.6	3.5	2.1	-2.1
Public Debt Stock	11	5.3	0.9	-5.6	1.6	2.7
External Debt Stock	57.5	37.1	12.7	12.5	12.2	13.6
	98.2	71	36.6	22.5	21.1	22.9
Memorandum Items:						
Population (M)						
Annual Growth Rate	1,09.0	1,09.0	1,82.6	1,09.2	1,09.2	1,09.4
Dependency Ratio (Persons)	2.1	2.1	2.1	2.2	2.2	2.2
Literacy Rate (%)	52	52	52	53	53	53
Human Development Index	55	55	55	57	57	57
	0.389	0.384	0.382	0.3	0.3	0.4
As at September, 2000						
As at end October, 2000						
Annualized						

Sources: Federal Office of Statistics, Federal Ministry of Finance, and Central Bank of Nigeria.

Appendix 2

TABLE 2
SELECTED INTEREST RATES (PERCENT PER ANNUM)
(PERCENT)

	2000	2001	2002	2003	2004	2005 1/
Treasury Bills Issue Rate	13.5	20	15	14	17	13
Maximum Re-Discount Rate	13.5	18.5	15	15.5	18	14
Commercial Banks (Deposit Rates)						
Savings	10.0	10.1	6.1	5.2	5.5	5
Time Deposits Maturing in:						
3 Months	12.6	12.1	9.1	10.6	12.7	10.8
6 Months	13.7	13.6	10.1	10.2	12.8	10.6
12 Months	14	13.2	10.4	10.8	12.6	11.8
Over 12 Months	14.2	13.4	13	10.3	14.3	12.5
Merchant Banks (Deposit Rates)						
Time Deposits Maturing in:						
3 Months	14.3	13.4	11.3	15.4	17.6	14.9
6 Months	14.8	13.6	12	15.7	17.8	14.3
12 Months	15.2	14.3	12.5	16.8	19.5	16.9
Over 12 Months	15	14.6	13.2	16.5	14.2	13.6
Commercial Banks (Lending Rates) Prime	20.2	19.1	18.6	18.3	21.3	21.3
Maximum	20.8	20.8	20.8	21.8	27.2	26.7
Merchant Banks (Lending Rates) Prime	20.7	20.1	19.2	22.2	25.8	20.4
Maximum	20.8	20.7	20.9	24.9	30	24.5

1/ Figures for Year 2000 are estimates, except Treasury bills Issue Rate and Maximum Re-Discount Rate
Source: Central Bank of Nigeria

TABLE 3

Sr.No	Import Category	Old Tariff (Average) %	New Tariff (Average) %	Average Reduction/Increase %	General Direction of Tariff
1.	Agricultural Sector	54.5	44.5	-10.5	Decrease
2.	Chemical Sector	16.8	10.3	-6.5	"
3.	Raw Hides and Skins, Leather, Wood and Paper	22.0	9.0	-13.0	"
4.	Textiles and Footwear	31.1	12.6	-18.5	"
5.	Articles of Stone, Glass and Precious Metal	32.0	16.0	-16.0	"
6.	Base Metals	18.2	12.5	-5.5	"
7.	Machines, and Electrical Equipments	12.5	6.0	-6.5	"
8.	Vehicles, Aircraft, Vessels And Associated Transport Equipment	18.8	7.5	-11.3	"
9.	Miscellaneous Manufactured Articles	25.0	21.3	-3.7	"