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## Impact of Trade Paradigm Shift on Nigeria's Trade Relations

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### Abstract

Shift to competitive advantage regime has distorted the pattern of trade relations among trading partners within MDCs and LDCs. Frequent adjustments of trade relations among trading partners are currently taking place in different countries of the world in order to achieve fair deals in global trade transactions. This study focused on Nigeria as a typical LDC grappling to cope with the challenges of adapting to the new trade regime. It sought to determine how the change in trade paradigm had impacted on trade relations between Nigeria and its trading partners. The study covered the period, 1979-2014. Data were analyzed using histograms and inferential statistics of t ratio and coefficient of relative variability (V). Results indicate that: (1) Shift in trade paradigm had resulted to the displacement of UK, Germany and USA by Togo, China and Australia as major exporters to Nigeria (2) Change in ruling trade paradigm resulted to emergence of India, Cote d'Ivoire and Brazil as major importers from Nigeria (3) Nigeria's BOT with its trading partners were more volatile during competitive advantage regime (4) Nigeria had recorded adverse BOT with Brazil, India, China and Togo during the competitive advantage regime. It was concluded that the survival strategy of Nigeria, and indeed the LDCs depends on their capacity to wield great comparative advantage strength from their competitive advantage weakness through regional economic co-operation. It was recommended, inter alia, that only isolation to trade liberalization is all that was required to nurture the tender firms and industries of LDCs.

**Keywords:** trade paradigm shift, Nigeria's trade relations, impact analysis, descriptive survey.

## **1. Introduction**

Advancement in information technology has created the need for diverse markets of different countries to integrate into a globalized economy. Economic integration involves all kinds of arrangements in which countries agree to coordinate their trade, fiscal and monetary policies (Suranovic, 1998). Thus, the need for economic integration has created a shift from comparative advantage to competitive advantage paradigm in global trade transactions. Only countries which produce cheap, high-quality goods and services on a large scale can ever hope to compete in the global market. The change in the current reigning international trade paradigm has altered the magnitude and direction of flow of trade between developed and developing countries and among different countries of the world. Therefore, it is possible that the magnitude and direction of flow of trade between Nigeria and its trading partners could have also altered.

Certainly, the shift in the trade ruling paradigm could have resulted to reversals in balance of trade between Nigeria and its trading partners. Nigeria, a monolithic and heavy-import dependent economy is likely to face new challenges with the emerging trends in transactions within the global market. Nigeria is yet to be fully integrated into the globalized economy (Okafor, 2004). Owolabi (1998) had averred that only nations which have achieved full integration into the globalized economy can ever hope to benefit from international trade transactions. Unless major issues arising from changing trade relations between Nigeria and its trading partners are resolved and adjustment in trade transactions effected, Nigeria would soon be faced with the problems of unfavourable balance of trade (BOT) and balance of payment (BOP). Dwindling oil prices have caused such a deep abrasion to the Nigerian economy that any shrinkage in the volume of trade between Nigeria and its trading partners would have a serious consequence on the growth and development of trade in the country. Thus, this study carried out a detailed analysis of trade transactions under comparative advantage regime and competitive advantage regime in order to gain an insight into the resulting alteration in magnitude and flow of resources due to trade paradigm shift.

Therefore, the study was undertaken with the broad objective of determining the extent to which the shift from comparative advantage trade regime to competitive advantage trade regime has altered the magnitude and direction of trade transactions between Nigeria and its major trading partners. Specific objectives are to: (1) Determine the relative profiles of Nigeria's trading partners under comparative advantage and competitive advantage regimes (2) Ascertain whether or not differentials exist between comparative advantage and competitive advantage regimes based on import, export and BOT (3) Determine the degrees of relative variability of BOT under comparative advantage and competitive advantage regimes.

The study revolved around the answering of the following research questions: (1) What are the relative profiles of Nigeria's trading partners under comparative advantage and competitive advantage regimes? (2) Are there significant differences between Nigeria and its trading partners based on import, export and BOT? (3) What are the degrees of relative variability of BOT under comparative advantage and competitive advantage regimes?

The findings of this study were considered to be significant as they would be found useful for resolving issues of trade imbalances in Nigeria and other LDCs to ensure favourable BOT which is compatible with fast pace of trade development.

## **2. Review of Related Literature**

This section deals with the review of related literature. Review has been discussed under the following subheadings.

- Theoretical literature review
- Empirical literature review
- Summary of review

## **2.1 Theoretical Literature Review**

Several theories were put forth by different scholars on foreign trade. Only theories relevant to this study have been discussed hereunder.

### **Comparative Advantage Theory**

Comparative cost theory of international trade was put forth by D. Ricardo in 1817, developed by J.S. Mill and C.F. Bastable and reformulated by F.W. Taussing and G. Harbeler (Harberler, 1961; Melitz, 2005). Ricardo suggested that the less efficient nation should specialize in the production of the commodity in which it is relatively less cost inefficient, i.e., where its absolute disadvantage is the least, while the more efficient country should specialize in producing that in which its absolute advantage is the greatest, i.e., the commodity in which it is more efficient in producing. This theory is superior to Adam Smith's absolute advantage theory in the sense that it is possible for a nation not to have an absolute advantage in anything, but it is not possible for one nation to have comparative advantage in everything, and the other nation to have comparative advantage in nothing. This is because comparative advantage depends on relative costs (Carbaugh, 2004). The importance of the comparative advantage theory in the present study derives from the discernible traces of trade transactions between Nigeria and its trading partner under comparative advantage paradigm.

### **New Trade Theory**

This theory was developed by Paul Krugman in the late 1970s. The theory explains that critical factors in determining international pattern of trade are the very substantial economies of scale and network effect that can occur in key industries. These economies of scale and network effect can be so significant that they outweigh the more traditional theory of comparative advantage. In some industries, two countries may have no discernible differences in opportunity cost at a particular point in time. But, if one country specializes in particular industries then it may gain economies of scale and other network benefits from its specialization. Another element of this theory is that firms which have the advantage of being early entrants can become dominant firms in the market. This is because the first firms gain substantial economies of scale meaning that new firms cannot compete against the incumbent firms. This implies that in these global industries with very large economies of scale, only firms that produce cheap goods of high quality on a large scale can ever hope to compete in the international market. Under this theory, otherwise known as competitive advantage theory, there is likely to be limited competition with the market dominated by early firms which engaged in a monopolistic competition. In other words, the most lucrative industries are often domiciled in capital intensive countries, who were the first to develop these industries and had acquired vast competitive advantage (Pettinger, 2013). This theory has wide applicability in the Nigerian situation where trade sector is characterized by low balance of trade-foreign direct investment ratios, small shares of manufactures in the country's exports and low credit worthiness rating (Okafor, 2004). Both comparative advantage and the new trade theory have presented a strong base for the present study which sought to determine the extent to which trade paradigm shift has impacted Nigeria's trade relations with its trading partners.

### **“New” New Trade Theory**

Melitz and Antras (2000) had developed a new trade theory which has become popularized as the “New” new Trade Theory (NNTT). New trade theory discussed earlier had put emphasis on the growing trend of intermediate goods. On the contrary, the NNTT had emphasized firm-level differences in the same industry of the same country. NNTT places a high premium on the role of firms rather than sectors in understanding the challenges and the opportunities which countries face in the age of globalization. It focuses on the trading behaviour of individual firms, making a tight link between trade and productivity. As international trade is increasingly liberalized, industries of comparative advantage are expected to expand while those of comparative disadvantages are expected to shrink, leading to an uneven spatial

distribution of the corresponding economic activities. Within the very same industry, some firms are not able to cope with international competition while others thrive. The resulting intra-industry reallocations of market shares and productive resources are much more pronounced than inter-industry reallocation driven by comparative advantage. The model incorporates differences in firms characteristics both within and across industries, especially with regard to productivity. According to Ciuriak, et al. (2011), the implication of NNTT is that removal of trade barriers stimulates global competition, thereby forcing low-productivity firms under protection to withdraw from trade. In this way, the average productivity of a country rises, which in turn, leads to a rise in people's real income making people wealthier via a natural selection of firms on a global scale.

NNTT has provided a theoretical base for the present study due to the assumed validity of the implications of NNTT in the Nigerian situation. The Nigerian manufacturing sector is comprised of infantile firms operating in an environment characterized by low technology base, low local entrepreneurship, low capital base and lack of adequate funding. Certainly, in globalization age, propelled by the pursuit for trade liberalization, NNTT has a wide scope for a detailed analysis of the behavioural patterns of the Nigerian firms in their adjustment from comparative advantage paradigm to competitive advantage paradigm. Viewed thus, the high premium which this study places on NNTT derives from its overriding implication, i.e., the capacity of protected firms in globalization age to derive competitive strength from its weakness in comparative advantage in order to achieve beneficial trade deals and maximize their gains from international trade transactions.

## **2.2 Empirical Literature Review**

Several studies were carried out in this area in Nigeria and overseas. Only recent studies have been reviewed in this section.

Hassan (2007) carried out a study titled 'Exports and economic growth in Saudi Arabia : A VAR model analysis.' The study covered the period, 1970-2005. He employed econometric techniques including vector auto-regression (VAR), impulse response function (IFR) and Granger-causality test. He reported findings which indicate: (1) Export sector of Saudi Arabia caused a significant effect on economic growth and a positive influence on other economic activities in the long-run (2) A long-term equilibrium existed among the various macroeconomic variables considered in the study. Even though the results of this study do not constitute suitable materials for comparing with the results of the present study, still they created awareness of the contemporary issues arising from international trade in Saudi Arabia.

Obiora (2009) embarked on a study titled 'Do trading partners still matter for Nigeria's growth? A contribution to the debate on decoupling and spillovers.' The study covered the period, 1996-2008. He employed Ng-Perron unit root test for testing stationarity of the time series data and applied a combination of a base and an extended vector auto regression (VAR) model for the analysis of data. The study revealed, inter alia, that: (1) A significant share of variation to Nigeria's GDP growth emanated from variation in GDP growth of her trading partners (2) The impulse results confirm the findings that there are significant cross-country spillovers to Nigeria from major trading partners. In spite of the use of Ng-Perron unit root test for testing the stationarity of time series data, the application of OLS technique for the analysis of data from a sample as small as 13 raises a fundamental question on the reliability of the results of such analysis. Notwithstanding, the study has provided strong reference material to authenticate the outcome of the present study.

Sun and Heshmati (2010) conducted a study on 'International trade and its effects on economic growth in China.' The study spanned across 2002 – 2007. Panel data from 31 provinces of China were used in this study. Data were analyzed using both econometric and non-parametric techniques. Results indicate that: (1) Increasing participation in the global trade helped China reap the static and dynamic benefits, stimulating rapid national economic growth (2) Both international trade volume and trade structure

towards high-tech exports resulted to positive effects on China's regional productivity. The strength of this study lies in its relevance and overriding influence on the present study which are measurable by China's growing trade relations with Africa, and indeed Nigeria.

Li, et al. (2010) studied the relationship between foreign trade and the GDP growth in East China. The study covered the period, 1981 – 2008. Data were analyzed using econometric technique including unit root test, co-integration and error correction method. Results indicate that: (1) Short-run and long-run relationship existed between GDP and total export and import (2) There was no evidence about the unidirectional long-run relationship between import and GDP. The limitation of the study is the application of econometric technique for analysis of time series data from a small sample size of 28 which could cast a shadow on the reliability of the result of the analysis. However, the study has created an insight into the role of foreign trade in fostering Chinese economic growth. This study has relevance for the present study which sought to establish the profile of China as a major trading partner of Nigeria.

Sarbapriya (2011) studied the relationship between export and economic growth in India. The study spanned across 1972 – 2011. Data were analyzed using econometric tools of Granger causality test and co-integration test. Results indicate that: (1) There was equilibrium long-run relationship between export and economic growth in India (2) There was bi-directional causality running from economic growth to export. In spite of the appropriateness of the technique for data analysis, the relevance of this study for the present study has been undermined by its pursuit of objective different from the ones sought to be achieved in the present study.

Usman (2011) carried out a study titled 'Performance evaluation of foreign trade and economic growth in Nigeria.' The study covered the period, 1970-2005. The study employed OLS techniques for the analysis of the data. Study revealed that export, import and exchange rate were all negatively related to real output in Nigeria. Major limitation of the study is the researcher's failure to state the specific econometric tool used for the analysis of data. However, the researcher had something to say, and of course, he had put it rightly that issues on international trade – growth nexus in Nigeria are still unsettled.

Atoyebi, et al. (2012) investigated the relationship between foreign trade and economic growth in Nigeria. The study covered the period, 1970-2010. Data were analyzed using econometric tools of unit root and co-integration tests. They reported findings which indicate that: (1) Export, foreign direct investment and exchange rate had positive significant relationship with GDP (2) Import, inflation rate and openness had negative significant impact on GDP. The choice of foreign direct investment and its inclusion in the model for this study is in itself a limitation. However, the study has revealed that international trade still engages the attention of researchers in Nigeria.

Edoumiekumo and Opukri (2013) investigated the role of global trade on economic growth in Nigeria. The study spanned across 1981-2008. Data were analyzed using OLS technique involving ADF and Granger causality test. Study revealed that: (1) Positive significant relationship existed among RGDP, export and import (2) Export parameter was nonsignificant at 5 per cent (3) Uni-directional relationship existed among the variables. A drawback of this study is that time series data from a small sample (n = 28) would always, on econometric analysis, raise issues bothering on credibility. Besides, "export parameter" is vague and is a novel expression that hardly finds acceptance in research language. All the same, it conveys a clear message that Nigeria still considers a problem of international trade as one that must be solved to enhance economic growth.

Abayomi (2013) studied the impact of external trade on the Nigerian economy. Study period was 1970-2010. Study employed OLS. Result indicates that GDP, inflation rate, capacity utilization, exchange rate and export were all positively signed while government expenditure, interest rate and import were negatively signed. One limitation of the study is the ambiguous interpretation of result which failed to convey strong statements on impact of external trade. Notwithstanding, the study has provided a strong

bases for effecting adjustments in Nigeria's trade relations with its trading partners with a view to achieving more beneficial trade deals.

Gwaindepi, et al. (2014) embarked on a study to establish relationship between international trade and economic growth in Zimbabwe. Study covered the period, 1973-2005. Data were analyzed using econometric tool of co-integration test. Study revealed that trade and economic growth were co-integrated, but the relationship was strengthened by the stability of the macroeconomic policy since negative macroeconomic drivers such as rising inflation can constrain economic growth. Times series data from extremely large samples usually yield more reliable result than those from moderate samples. Nevertheless, the study has conveyed a message – international trade is a current issue among researchers in Zimbabwe.

Arodoye and Iyoha (2014) investigated foreign trade-economic growth nexus in Nigeria. The study covered the period, 1981-2010. Data were analyzed with OLS technique including ADF, co-integration and Granger causality tests. Results indicate that: (1) There was a stable, long-run relationship between foreign trade and economic growth (2) Predominant sources of Nigeria economic growth variation were due largely to “own shocks” and foreign trade innovations. The study yielded results which serve as suitable reference materials to provide a prior justification for the present study. The present study was envisaged in the era of international oil price shock and in the age of globalization which brought in its wake a shift in ruling trade paradigm.

Akinbi (2015) carried out a study titled ‘Towards an understanding of the dynamics of Anglo-Nigerian trade relation; 1970 to 1990.’ The study spanned across the period 1971-1990. Data were analyzed using descriptive statistics of simple per cent. Study revealed that trade transactions were more beneficial to Britain than they were to Nigeria due to unfavourable terms of trade, payment difficulties and dominance of oil export. The policy implication of this finding is that federal government should adapt the country's trade policies to changing trade paradigm in order to derive maximum benefit from trade with Nigeria's trading partners. However, a major limitation of the study was traced to its scope which has left a gap period between 1991-2015.

Tsegaye (2015) studied the relationship between trade and economic growth in South Korea. Study spanned across 1960-2010. Study employed OLS technique including vector error correction model and Granger causality test. Results indicate that: (1) Uni-directional long-run relationship existed between export and economic growth in South Korea while it was bi-directional for import (2) Uni-directional short-run relationship existed running from export, import to economic growth. In spite of the appropriateness of the method of data analysis, this study was not considered relevant to the present study which was undertaken with different objective in view. However, the study lent credence to the expressed views that the issues raised by international trade are global in nature.

### **2.3 Summary of Review**

Theoretical literature review has revealed the convergence and divergence of views expressed by different scholars on the three international trade theories, namely comparative advantage theory, new trade theory and the NNTT. Even though there is no unification of thought or existence of logical coherence in the tenets of these theories, still there is discernibly a common thread which runs through these theories. Both proponents and exponents of these theories were in unanimous agreement that international trade benefits countries which enter into trade relations. Stretching further the postulates to its wider implication, the NNTT has recognized the inherent potentials of manufacturing firms of countries with competitive advantage to derive competitive strength from their comparative advantage through adjustment in trade relations with emerging large market within the globalized economy.

Empirical literature review, on its part, has revealed that international trade has continued to generate research interest among scholars, not only in Nigeria but even overseas. The frequency with which

researchers had undertaken studies in this area between 2007 and 2015 attest to this fact. Notwithstanding, efforts in previous studies were not focused on the economic consequence of trade paradigm shift on trade relations among nations. Only a few studies, including Akinbi (2015), had delved into the area concerned with the determination of the impact of trade paradigm shift on Nigeria's trade relations. It is this lacuna which the present study sought to fill. Unless the relative profiles of major trading partners of Nigeria are precisely traced and established under the current trade ruling paradigm, i.e., competitive advantage regime, it would be difficult to develop fully the country's trade potentials.

### 3. Method and Procedure

The method and procedure adopted for the conduct and advancement of this study have been discussed in this section.

#### 3.1 The Nature of Data

Data on Nigeria's imports from trading partners and exports to those countries were obtained from Central Bank of Nigeria, Export Promotion Council and National Bureau of Statistics. Ten trading partners of Nigeria were selected from the five continents to include the following: Cote d'Ivoire, Ghana, Togo (Africa); Brazil, USA (America); China, India (Asia); Germany, UK (Europe) and Australia. To determine the nature of the data, skewness (sk) and Kurtosis (ku) were computed.

Table 1. Computed sk and ku of Nigeria's Import and Export with Trading Partners

Trade Statistics Nigeria's Trading Partners	Import		Export		Nature of Distribution
	sk	ku	sk	ku	
USA	5.928	35.389	5.663	33.120	Not normal
Brazil	4.342	21.509	5.820	34.391	Not normal
India	6.000	36.000	2.652	5.862	Not normal
China	5.992	35.936	5.297	29.482	Not normal
Ghana	5.992	35.936	5.782	34.103	Not normal
Togo	4.599	22.011	5.964	35.700	Not normal
Cote d'Ivoire	5.263	29.286	2.706	7.767	Not normal
Germany	4.810	25.289	5.972	35.765	Not normal
UK	4.189	20.717	4.605	23.722	Not normal
Australia	4.031	15.281	5.268	29.491	Not normal

For normal distribution,  $sk = 0$  while  $ku = .263$ . The computed sk and ku values shown in Table 1 are deviations from the critical  $sk = 0$  and critical  $ku = .263$ . Thus, the data did not exhibit the characteristics of normal distribution and were considered to be time series data.

#### 3.2 Analytical Framework

The study was based on Akinbi's (2015) study which focused on a detailed analysis of trade relations between Nigeria and United Kingdom using descriptive statistics. Akinbi had included in his analysis the following variables: import, export and balance of trade. The present study has modified slightly Akinbi's (2015) framework by widening the scope of the present study to include ten trading partners of Nigeria.

#### 3.3 Method of Data Analysis

Histograms were used to depict the relative profiles of Nigeria's trading partners under comparative advantage regime (pre-globalization era) and competitive advantage regime (globalization era) while inferential statistic, t ratio was used for verifying whether or not differential existed between comparative advantage and competitive advantage regimes based on Nigeria's imports, exports and BOT with its trading partners. Also, coefficient of relative variability (V) was applied for determining the degree of relative variability between comparative advantage and competitive advantage regimes on Nigeria's BOT with its trading partners.



### **Procedure**

The procedure adopted for the conduct of this study was carried out in two phases as discussed hereunder.

#### **Phase One**

In Phase One, the period of the study 1979 - 2014 was dichotomized into comparative advantage regime and competitive advantage regime. Comparative advantage regime stretches from 1979 - 1990 while competitive advantage regime stretches from 1991 - 2014. The choice of 1991, rather than 1980, was justified on the ground that even though it is generally agreed that globalization started in the beginning of 1980s, it was only in 1991 that the liberalization process was captured by the legislative changes including 368 liberalized laws and regulations as well as 900 investment protection treaties on which globalization anchors (Owolabi, 1998).

#### **Phase Two**

Phase Two is comprised of three stages. Stage one involves the comparison of histograms for comparative advantage regime and competitive advantage regime based on import and export in order to determine the relative profiles of Nigeria's trading partners under comparative advantage and competitive advantage regimes. Stage two involves the comparison between comparative advantage regime and competitive advantage regime on the basis of import, export, and BOT in order to ascertain whether or not import, export and BOT during comparative advantage regime differed significantly from those during competitive advantage regime. Stage three comprised of V-test comparison between comparative advantage regime and competitive advantage regime on Nigeria's import, export and BOT in order to verify whether or not import, export and BOT during the competitive advantage regime were more volatile than those during the comparative advantage regime.

### **4. Results**

The results of data analysis have been presented in figures and tables to facilitate interpretation. The results were presented under the following subheadings.

- Relative profiles of Nigeria's trading partners under comparative advantage and competitive advantage regimes.
- Regime-wise import differentials between Nigeria and trading partners.
- Regime-wise export differentials between Nigeria and trading partners.
- Regime-wise BOT differentials between Nigeria and trading partners.
- Degrees of relative variability of BOT under comparative advantage and competitive advantage regimes
- Summary of major findings.

**4.1 Relative profiles of Nigeria’s trading partners under comparative advantage and competitive advantage regimes.**

**4.1.1. Nigeria’s Import from Trading Partners under Comparative Advantage and Competitive Advantage Regimes**

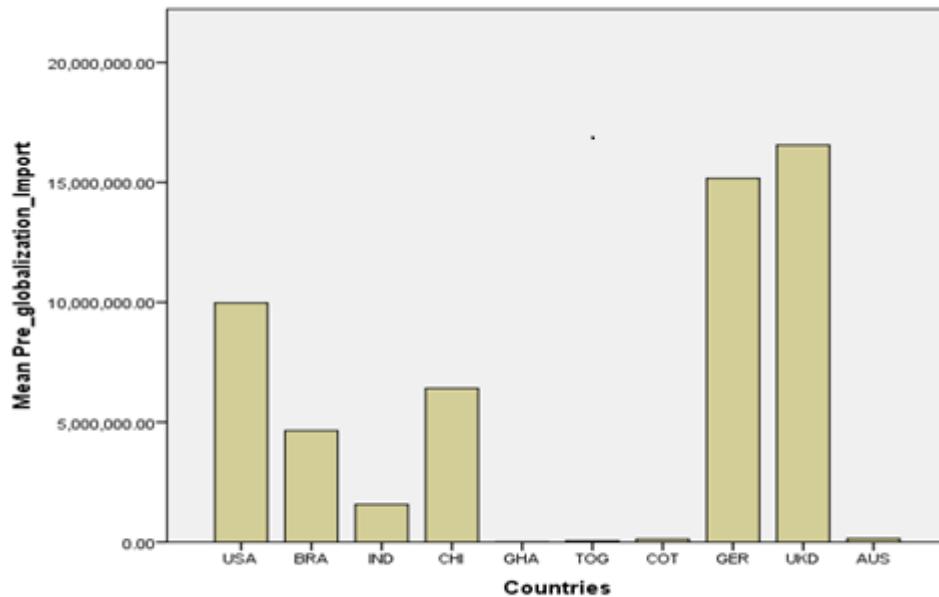


Fig.1. Profiles of Nigeria's Trading Partners Under Comparative Advantage Regime

Fig.1 Shows that UK, Germany and USA ranked first, second and third respectively as exporters of goods to Nigeria under the comparative advantage regime.

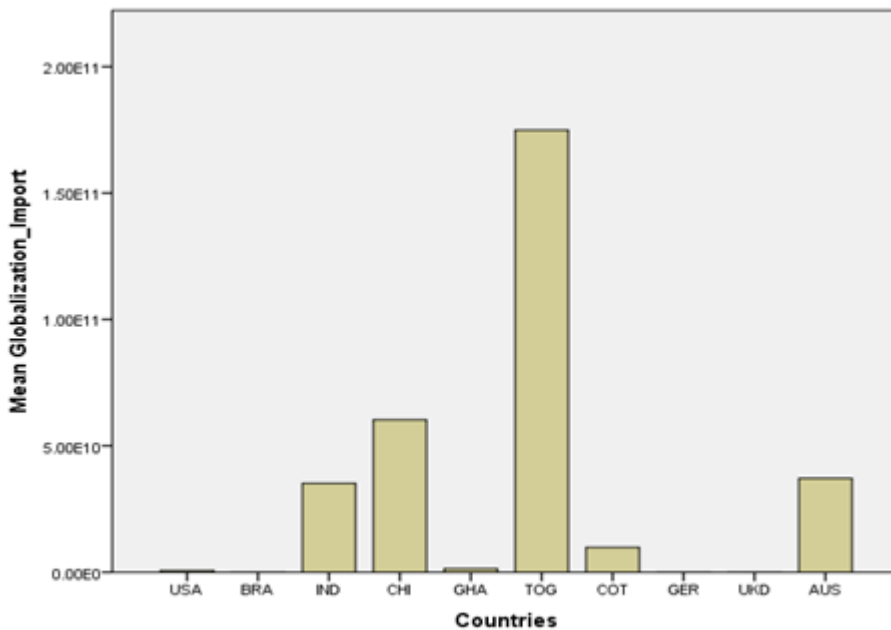


Fig.2. Profiles of Nigeria's Trading Partners Under Competitive Advantage Regime

Fig.2 shows that Togo, China and Australia ranked first, second and third respectively as exporter of goods and services to Nigeria under the competitive advantage regime.

4.1.2 Nigeria's Export to Trading Partners under Comparative Advantage and Competitive Advantage Regimes.

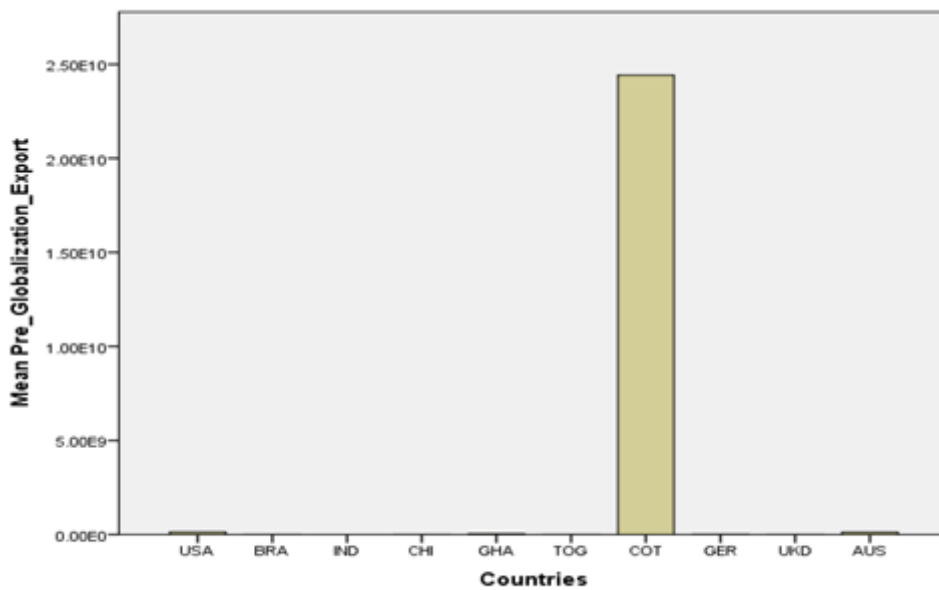


Fig.3. Profiles of Nigeria's Trading Partners Under Comparative Advantage Regime

Fig.3 shows that Cote d'Ivoire ranked highest as an importer of goods and services from Nigeria while the other trading partners occupied very low profile in Nigeria's export under comparative advantage regime.

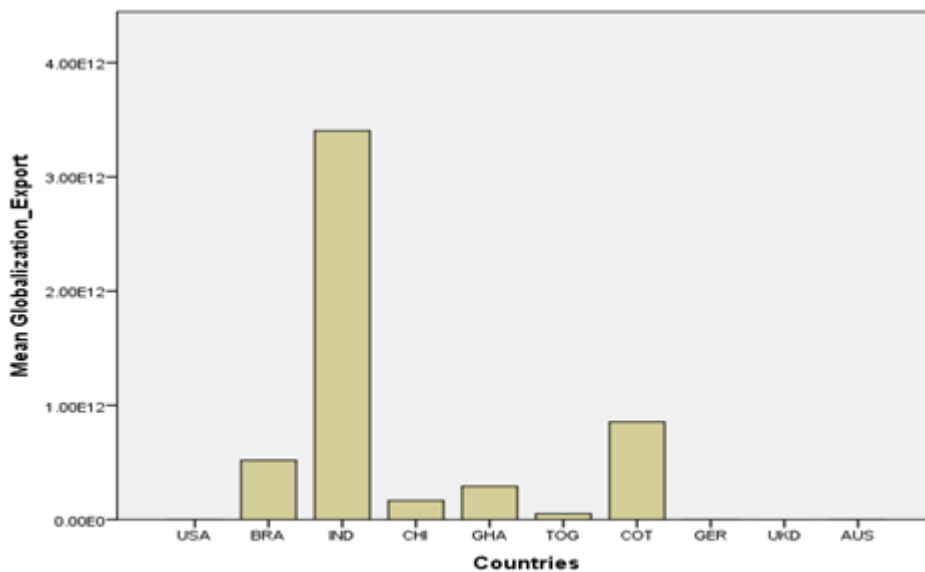


Fig.4. Profiles of Nigeria's Trading Partners Under Competitive Advantage Regime

In Fig.4, during competitive advantage, India, Cote d'Ivoire and Brazil ranked first, second and third respectively as importers of goods and services from Nigeria.

These results indicate the following: (1) Shift from comparative advantage to competitive advantage paradigm has led to the emergence of Togo, China and Australia as major exporting countries to Nigeria, the position which hitherto was occupied by UK, Germany and USA during the comparative advantage regime (2) Shift to competitive advantage paradigm has also led to the emergence of India, Cote d'Ivoire

and Brazil as major importers of the Nigerian goods and services thereby pushing Cote d'Ivoire to the second position.

#### 4.2 Regime-Wise Import Differentials between Nigeria and Trading Partners

Table 2. t-Test Comparison Between Comparative Advantage Regime and Competitive Advantage Regime on Import

S/No	Country	Comparative		Competitive		t	Probability	Decision
		M	SD	M	SD			
1	USA	830683.23	1204127.31	28008395.24	112591138.48	-1.182	.16	Nonsignificant
2	Brazil	387287.67	394524.70	412968.19	1039215.13	-.107	.33	Nonsignificant
3	India	130538.67	159132.10	1464322641.42	7167309627.69	-1.001	.15	Nonsignificant
4	China	534340.75	928518.66	2512027863.08	11950616653.34	-1.030	.15	Nonsignificant
5	Ghana	1001.02	1812.21	57186940.61	271797180.29	-1.031	.15	Nonsignificant
6	Togo	4521.75	4357.61	7286271054.28	21713254281.33	-1.644	.04	Significant
7	Cote d'Ivoire	10583.55	15772.76	409671290.65	1320088549.55	-1.520	.05	Significant
8	Germany	1263407.24	1884123.27	1661909.92	5564624.85	-.316	.45	Nonsignificant
9	UK	1379894.90	2026575.11	2259312.72	5310573.15	-.714	.25	Nonsignificant
10	Australia	11836.25	15839.76	1547144279.44	4844795279.14	-1.564	.03	Significant

NB: Signs of t ratios are shown to indicate direction only.

As can be seen in Table 2, all t statistics were nonsignificant except for Togo ( $t = -1.644$ ;  $p \leq .04$ ), Cote d'Ivoire ( $t = -1.520$ ;  $p \leq .05$ ) and Australia ( $t = -1.564$ ;  $p \leq .03$ ). These results suggest that Nigeria's imports from Togo, Cote d'Ivoire and Australia under competitive advantage regime were significantly greater than imports under comparative advantage regime for Togo, Cote d'Ivoire and Australia.

#### 4.3 Regime-Wise Export Differentials between Nigeria and Trading Partners

Table 3. t-Test Comparison Between Comparative Advantage Regime and Competitive Advantage Regime on Export

S/No	Country	Comparative		Competitive		t	Probability	Decision
		M	SD	M	SD			
1	USA	11218449.87	14204416.00	41147184.37	126463460.96	-1.145	.21	Nonsignificant
2	Brazil	225664.92	210256.05	21597952794.05	90309546305.37	-1.172	.12	Nonsignificant
3	India	7075.67	11036.07	141800149858.15	297299783584.06	-2.337	.00	Significant
4	China	16184.42	16589.85	6922014175.13	23291669760.99	-1.456	.06	Nonsignificant
5	Ghana	2702639.90	6038229.28	12134292795.95	44315665106.38	-1.341	.11	Nonsignificant
6	Togo	10947.67	14883.17	2138287977.10	9072405450.16	-1.155	.15	Nonsignificant
7	Cote d'Ivoire	2034755159.25	7046871467.02	3559988426.54	54778153893.48	-2.953	.00	Significant
8	Germany	1307798.59	1317514.28	6969093.71	30241528.83	-.915	.19	Nonsignificant
9	UK	568086.16	649109.46	700984.49	1897536.71	-.309	.26	Nonsignificant
10	Australia	10368882.20	15300409.52	41444149.55	109041649.82	-1.369	.21	Nonsignificant

NB: Signs of t ratios are shown to indicate direction only.

Table 3 shows that only t value for India ( $t = -2.337$ ;  $p \leq .00$ ) and Cote d'Ivoire ( $t = -2.953$ ;  $p \leq .00$ ) were significant, thereby implying that Nigeria's exports to India and Cote d'Ivoire were significantly greater during competitive advantage regime than during comparative advantage regime.

#### 4.4 Regime-Wise BOT Differentials between Nigeria and Trading Partners

Table 4. t-Comparison Between Comparative Advantage Regime and Competitive Advantage Regime on BOT

S/No	Country	Comparative		Competitive		t	Probability	Decision
		M	SD	M	SD			
1	USA	17681027.46	36608668.04	30755522.99	128160507.57	-.463	.38	Nonsignificant
2	Brazil	-161622.50	383275.53	45511439878.86	151972642252.00	-1.467	.04	Significant
3	India	-123823.50	148192.84	123229040828.93	302358018607.97	-1.997	.00	Significant
4	China	-275182.58	287224.71	4095201992.57	25503752971.70	-.787	.10	Nonsignificant
5	Ghana	394269.28	564606.75	15264326882.09	48796616080.19	-1.532	.04	Significant
6	Togo	6398.33	16274.37	-4707056951.44	23880314516.74	.966	.06	Nonsignificant
7	Coted'Ivoire	438109.30	615261.47	29388328323.44	56579375207.49	-2.545	.00	Significant
8	Germany	44374.10	844429.32	16428.27	1184600.60	.081	.81	Nonsignificant
9	UK	-812884.12	1481737.61	-1577860.28	4681913.24	.731	.32	Nonsignificant
10	Australia	-4916.50	18194.64	-872781418.15	3198794514.11	1.337	.11	Nonsignificant

NB: Signs of t ratios are shown to indicate direction only

Table 4 shows that only t statistics for Brazil ( $t = -1.467$ ;  $p \leq .04$ ), India ( $t = -1.997$ ;  $p \leq .00$ ), Ghana ( $t = -1.532$ ;  $p \leq .04$ ) and Cote d'Ivoire ( $t = -2.545$ ;  $p \leq .00$ ) were significant. These indicate that Nigeria's BOT with Brazil, India, Ghana and Cote d'Ivoire were significantly greater during the competitive advantage regime than during comparative advantage regime.

#### 4.5 Degrees of Relative Variability of BOT Under Comparative Advantage and Competitive Advantage Regimes.

Table 5. M, SD and Coefficient of Variation (V) on BOT Between Comparative Advantage and Competitive Advantage Regimes

S/No	Country	Comparative			Competitive			Fluctuation Indices
		M	SD	V	M	SD	V	
1	USA	17681027.46	36608668.04	207.05	30755522.99	128160507.57	416.707	2.01
2	Brazil	-161622.50	383275.53	-237.14	45511439878.86	151972642252.00	333.92	-1.41
3	India	-123823.50	148192.84	-119.68	123229040828.93	302358018607.97	245.36	-2.05
4	China	-275182.58	287224.71	-104.38	4095201992.57	25503752971.70	622.77	-5.97
5	Ghana	394269.28	564606.75	143.20	15264326882.09	48796616080.19	319.68	2.23
6	Togo	6398.33	16274.37	254.35	-4707056951.44	23880314516.74	-507.33	-1.99
7	Cote d'Ivoire	438109.30	615261.47	140.44	29388328323.44	56579375207.49	192.52	1.38
8	Germany	44374.10	844429.32	1902.98	16428.27	1184600.60	7210.74	3.79
9	UK	-812884.12	1481737.61	-182.28	-1577860.28	4681913.24	-296.73	1.63
10	Australia	-4916.50	18194.64	-370.07	-872781418.15	3198794514.11	-366.51	1.01

Table 5 shows clearly that: (1) Nigeria's BOT with USA was about 2.01 times more variable during competitive advantage regime than during comparative advantage regime (2) Nigeria's BOT with Brazil was about 1.41 times more variable during competitive advantage regime than during comparative advantage regime (3) Nigeria's BOT with India was about 2.05 times more variable during competitive advantage regime than during comparative advantage regime (4) Nigeria's BOT with China was about 5.97 times more variable during competitive advantage regime than during comparative advantage regime (5) Nigeria's BOT with Ghana was about 2.23 times more variable during competitive advantage regime than during comparative advantage regime (6) Nigeria's BOT with Togo was about 1.99 times more variable during competitive advantage regime than during comparative advantage regime (7) Nigeria's BOT with Cote d'Ivoire was about 1.38 times more variable during competitive advantage regime than during comparative advantage regime (8) Nigeria's BOT with Germany was about 3.79 times more variable during competitive advantage regime than during comparative advantage regime (9) Nigeria's BOT with UK was about 1.63 times more variable during competitive advantage regime than during comparative advantage regime (10) Nigeria's BOT with Australia was about 1.01 times more variable during competitive advantage regime than during comparative advantage regime.

These results suggest that Nigeria's BOT with its trading partners were more volatile under competitive advantage regime. Negative fluctuation indices for Brazil, India, China and Togo imply that Nigeria had adverse BOT with these countries.

#### 4.6 Summary of Major Findings

The major findings which have crystallized from this study include the following:

1. Shift from comparative advantage to competitive advantage paradigm has led to the emergence of Togo, China and Australia as major exporting countries to Nigeria, the positions which hitherto were occupied by UK, Germany and USA.
2. Shift to competitive advantage paradigm has also led to the emergence of India, Cote d'Ivoire and Brazil as major importers of the Nigerian goods and services thereby pushing Cote d'Ivoire to the second position.
3. Nigeria's imports during competitive advantage regime were significantly greater than imports during comparative advantage regime for Togo, Cote d'Ivoire and Australia.
4. Nigeria's exports to India and Cote d'Ivoire were significantly greater during competitive advantage regime than during comparative advantage regime.
5. Nigeria's BOT with Brazil, India, Ghana and Cote d'Ivoire were significantly greater during competitive advantage regime than during comparative advantage regime.
6. Nigeria's BOT with its trading partners were more volatile during competitive advantage regime than during comparative advantage regime.

7. Nigeria had adverse BOT with Brazil, India, China and Togo during competitive advantage regime.

## **5. Discussion of Findings, Conclusion and Policy Implications**

### **Discussion of Findings**

An important finding of the study is that trade paradigm shift to competitive advantage regime has led to the displacement of UK, Germany and USA by Togo, China and Australia as major exporting countries to Nigeria. This finding has not come as a surprise. With the emergence of USA as an exporter of crude oil, the import of crude oil from Nigeria has been discontinued, not without an adverse effect on Nigeria's import from USA. Also, export of technology and equipment from Germany and UK received less subsidy from government due to negligible capital expenditure. It is only reasonable to expect that Togo, an entrepot state with economic development strategies aimed at becoming economic hub of West Africa should export smuggled, cheap, high-quality goods to Nigeria. China's position is not difficult to understand as it has emerged as the world's economic power house spreading its influence to different countries of the world, more particularly, Africa through trade and commerce. Sun and Heshmati (2010) also reported a finding which suggests that increasing participation in the global trade helped China reap the static and dynamic benefits of trade. Perhaps, what appears to be puzzling here is the rising influence of Australia as a major exporter of goods and services to Nigeria. However, it is a reasonable proposition that the dwindling economic fortunes of EU could have forced their trading partners including Nigeria to look in the direction of Australia for trade and commerce. This is buttressed by the finding reported by Dinu, Marinas, C. Socol and A. Socol (2014) that the sectoral changes in the New Member States show a process of structural convergence with the advanced economies of Euro Area Core.

Another finding of the study is that shift to competitive advantage paradigm has also led to the emergence of India, Cote d'Ivoire and Brazil as major importers of Nigeria's goods and services thereby pushing Cote d'Ivoire to the second position. Again, this is not surprising considering that the fast pace of industrialization in India and Brazil has placed an ever-increasing demand on the Nigerian crude oil. OEC (2014) had also reported that India and Brazil topped the list of importers of the Nigerian crude petroleum and petroleum gas. It is not difficult to explain the displacement of Cote d'Ivoire to the position of second largest importer of Nigerian goods. The recent discovery of oil in Cote d'Ivoire has led to drastic reduction in their dependence on the Nigerian crude oil accompanied by a decrease in Nigeria's demand for the Ivoirian goods.

Moreover, there is the finding that Nigeria's imports from Togo, Cote d'Ivoire and Australia were significantly greater during competitive advantage regime than during comparative advantage regime. This is rather surprising. Concrete evidences do not abound of full integration of Togo and Cote d'Ivoire into the globalized economy. Their competitiveness in the global economy in terms of cheap and high-quality goods and services to attract the Nigerian consumers comes to question. However, it is reasonable to argue that goods from Togo flooded the Nigerian market due to the existence of entrepot state in Togo engaged in smuggling activities (Golub, 2012). The position of Cote d'Ivoire is different, the country has made a significant progress since the end of post-electoral violence in 2011. Currently, Cote d'Ivoire is striving to become the economic engine of West Africa, making its economy attractive to both domestic and foreign investors (US State Department, 2015). In case of Australia, it is not difficult to understand considering that it is a highly industrialized nation and one of the largest advanced economies now being contracted by LDCs to meet their developmental need.

Furthermore, there is a finding that Nigeria's exports to India and Cote d'Ivoire were significantly greater during competitive advantage regime than during comparative advantage regime. This finding is not altogether a surprise. As it was explained earlier, India is striving towards full integration into the globalized economy. With growing pace of industrialization, India's energy requirement is sourced from

export of Nigerian crude. The case of Cote d'Ivoire is different, even though Cote d'Ivoire is now an oil producing country, it has continued to depend on Nigeria for petroleum gas.

Still, there is another finding that Nigeria's BOT with Brazil, India, Ghana and Cote d'Ivoire were significantly greater during competitive advantage regime than during comparative advantage regime. This finding has come as expected. During the competitive advantage regime, only countries which produce cheap, high-quality goods on a large scale can ever hope to compete in a globalized economy. The high level of industrialization of Brazil and India equips them to produce cheap, high-quality goods which they export to consumer nations at favourable balance of trade. However, the significantly greater Nigeria's BOT with Ghana and Cote d'Ivoire during the competitive advantage regime has come as a surprise. Nigeria, Ghana and Cote d'Ivoire are yet to experience the full blooming of industrialization which is considered sufficient for full integration into the globalized economy. However, the favourable BOT for Ghana and Cote d'Ivoire during the competitive advantage finds a plausible explanation in the existence of what Igue and Soule (1992) had described as entrepot states, sustained by smuggling activities, whose economic development strategies have been largely based on enhancing their attractiveness as trading hubs.

Yet, another finding is that Nigeria's BOT with its trading partners were more volatile during the competitive advantage regime. Again, this finding has come as expected. Nigeria is a mono-product economy, wholly dependent on import. With heavy reliance on export of crude oil and low nonoil export rating, it is most probable that Nigeria's financing of import and export is susceptible to the dwindling international oil price, more especially during the competitive advantage regime when Nigeria has been pushed to competitive disadvantage in global trade transactions.

Finally, there is the finding that Nigeria had adverse BOT with Brazil, India, China and Togo during the competitive advantage regime. This is not surprising. What is more to expect from trade transactions propelled by skewed terms of trade against Nigeria with its trading partners? As explained earlier, Brazil, India and China are fully integrated into the globalized economy and have maximum competitive advantage in export to Nigeria and import from Nigeria. What appeared to be a surprise is the case of Togo. However, all that is required to lay this matter to rest is a recap on the existence of entrepot state in Togo engaged in smuggling activities whose development strategies have been largely based on enhancing their attractiveness as trading hub. Therefore, it is only a rational expectation that, as members of ECOWAS, flow of consumer goods from Togo to wholly import dependent country, Nigeria would be more than adequate to outstrip Nigeria's export bill on crude oil. Accordingly, Golub (2012) had asserted that Togo competes at a geographical disadvantage to Benin for access to the Nigerian market and compensates by offering lower prices, largely in the form of lower transit taxation.

### **Conclusion**

The major generalization which has been drawn from this study is that trade paradigm shift had pushed Nigeria into a situation where it produces and exports commodities for which it has competitive disadvantage. As a mono-product economy exporting mainly crude oil, with low nonoil export rating, Nigeria's trade transactions are characterized by adverse BOT which has continued to erode its bargaining powers with specialized firms of industrialized countries with competitive advantage in the production of goods and services. The natural consequence of trade transactions between Nigeria and the highly specialization firms of industrialized countries with maximum competitive advantage is an inevitable slump into equilibrium market inferiority complex which further erodes the country's capacity to produce even those goods for which they have comparative advantage. Perhaps, what Nigeria requires is not so much of a breakaway from the globalized economy as it is of a perfect blend of comparative advantage with competitive advantage paradigm.



To refuse to be integrated into the globalized economy is to be thrown to the backwater of the world (Owolabi, 1998). To avert this precarious situation would require that LDCs strengthen economic co-operation among themselves with a view to internalizing comparative advantage paradigm and ensuring healthy competition between member states and highly industrialized nations with competitive advantage in production of goods and services. In this way, LDCs would derive competitive advantage strength from their comparative advantage weakness through the adoption of a survival strategy of isolation to trade liberalization, simply coined up in the slogan, 'consume what you produce' in order to nurture their tender firms and industries. This depends on the effective implementation of the policy implications presented in the next section.

### Policy Implications

1. With the emergence of Togo, China and Australia as high-profile exporters to Nigeria, there is a need for Nigeria and indeed, LDCs to renegotiate terms of trade agreement with their new trading partners in order to produce and export those commodities for which they have comparative advantage in strict substitution for import of machinery, skilled technicians, and other sophisticated equipment.
2. The significantly greater import into Nigeria from Togo, Cote d'Ivoire and Australia during the competitive advantage regime would serve as a base for forging regional economic co-operations among LDCs in order to control the entrepot states engaged in smuggling activities and encourage inter-state trade which would proceed on 'competing comparative advantage' rather than competitive advantage.
3. The highly volatile BOT between Nigeria and most of its trading partners during the competitive advantage regime creates a need for Nigeria and indeed other LDCs to look inwards through a total dependence on goods and services produced within their countries and so enhance the effectiveness of competing-comparative advantage in the redistribution of global resources between MDCs and LDCs.

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