

EFFECT OF TRADE LIBERALIZATION ON MANUFACTURING SECTOR
PERFORMANCE IN NIGERIA

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ABSTRACT

This study examined the effect of trade liberalisation on manufacturing sector performance in Nigeria using secondary data sourced from Central Bank of Nigeria (CBN) statistical bulletin and other publications. This paper extends previous few empirical studies on the issue by providing some evidence from time-series data period over 1975-2011 in the context of Nigerian economy. In this study, the dependent variables was manufacturing output growth rate. The model was tested using unit root test, Bound test, Granger causality, Vector Autoregressive (VAR) and Impulse Response Function (IRF) to analysis that dynamic relationship between manufacturing output growth rate, Manufacturing capacity utilization, inflation, Trade openness and Total domestic demand. Based on the findings, this study indicates that the Granger Causality test shows that granger cause trade openness affect capacity utilization of manufacturing sector performance, total domestic demand granger cause manufacturing output while trade openness affect total domestic demand, (all is one way causality relationship). Vector Autoregressive (VAR) and Impulse Response Function (IRF) approach shows that the country's manufacturing sector performance growth rate is affected by the past values of the GDP. Finally this paper draws some policy implications for further studies to focus on how to improve manufacturing sector performance in Nigeria.

ABSTRAK

Kajian ini mengkaji kesan liberalisasi perdagangan pada prestasi sektor pembuatan di Nigeria dengan menggunakan data sekunder yang diperoleh daripada Bank Pusat Nigeria (CBN) buletin statistik dan penerbitan lain. Karya ini meliputi sebelumnya beberapa kajian ke atas isu ini dengan menyediakan beberapa bukti dari tempoh data siri masa lebih 1975-2011 dalam konteks ekonomi Nigeria. Dalam kajian ini, pembolehubah bersandar telah pembuatan kadar pertumbuhan output. Model ini telah diuji menggunakan ujian unit akar, ujian Bound, Granger sebab-musabab, Vector Autoregresi (VAR) dan Fungsi Impulse Response (IRF) kepada analisis hubungan dinamik antara pembuatan kadar pertumbuhan output, Pembuatan penggunaan kapasiti, inflasi, keterbukaan Jumlah Perdagangan dan permintaan domestik . Berdasarkan dapatan kajian ini menunjukkan bahawa ujian penyebab Granger menunjukkan bahawa penyebab Granger keterbukaan perdagangan menjejaskan penggunaan kapasiti prestasi sektor pembuatan, jumlah permintaan domestik Granger punca pengeluaran pembuatan manakala keterbukaan perdagangan menjejaskan jumlah permintaan dalam negeri, (semua adalah salah satu cara hubungan sebab-musabab) . Vector Autoregresi (VAR) dan Fungsi Impulse Response (IRF) pendekatan menunjukkan bahawa kadar pertumbuhan sektor pembuatan prestasi negara dipengaruhi oleh nilai-nilai yang lepas daripada KDNK. Akhirnya kertas ini menarik beberapa implikasi dasar untuk melanjutkan pelajaran untuk memberi tumpuan kepada bagaimana untuk meningkatkan prestasi sektor pembuatan di Nigeria.

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ABBREAVIATIONS

WTO	World Trade Organization
MVA	Manufacturing Value Added
GDP	Gross Domestic Product
MCU	Manufacturing Capacity Utilization
CBN	Central Bank of Nigeria
UNIDO	United Nation Industrial Development Organization
SAP	Structural Adjustment Program
IMF	International Monetary Fund
ADF	Augmented Dickey Fuller
ECM	Error Correction Model
VAR	Vector autoregressive
IRF	Impulse Response Function

CHAPTER ONE

1.0 Introduction

This chapter consist of background of the study, problem statement, research questions and objectives, significance of the study and organisation of the study.

1.1Background

The wave of trade liberalization is fast shaping the nature of a cross-border transaction. With the re-emergence of neo-liberal philosophy in the 1980s, which espouses as one of its fundamental policies the removal of all forms of trade restrictions, most developing countries did a u-turn in major policy thrusts to embrace this neo-liberal development orthodoxy. (Charles, D. S, 2001)

Openness of trade has been of utmost relevance among nations ever since the realization that international specialization is a prerequisite for global output growth. World Trade Organisation (WTO) been the champion in clamouring for free trade in other to enhance economic growth and development in the global trade but did not pay attention to the likely problems developing countries might faces when opening up the economy rather focusing more on the benefits which is mostly favoured by the metropolitan state due to the attainment of developed economy, which exposed developing countries' economies to various kinds of problems.

In Africa, the industrial growth performance can be divided into five stages namely: forerunners, achievers, catching up, falling behind and infant stage. The following listed stages determine where each African countries fall within. This has been illustrated in Figure1

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