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EFFORTS TO RESUSCITATE NON-OIL EXPORT AND ENTREPRENEURIAL SUCCESS: A CASE STUDY OF AGOA

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INTRODUCTION

- The aim of every economy planners are the attainment of a healthy and sustainable position for the most critical macro-economic variables like Balance of Payment (BOP), Gross Domestic Product (GDP), Inflation, Exchange rate stability and Unemployment Rate.
- The pursuits of these goals have become one of the major pre-occupations of policy makers in every Nations. Nigeria, like many other developing economies, has over the past four decades pursued and set the objective of accelerating the pace for economic development in the bid to transform into industrialized economies.

- At a point in time, Nigeria economy held so much hope for attainment of such goal within a short period of time. This was even before the advent of crude oil as the main export commodity. This prospect was such that Kilby (1969) as quoted by (Okoh, 2004) envisaged Nigeria as becoming the most industrialized black African economy within a short time.

- Recently, with Nigeria economy in recession it leads to problem of inadequate resources to finance long-term development which have prospect of growing the economic, achieve poverty reduction as soon as possible and attracting Foreign Direct Investment (FDI) to the key sector of the economy.

- The experience of a small number of fast-growing East Asian newly industrialized economies has strengthened the belief that attracting FDI could bridge the resource gap of low-income countries and avoid further build-up of debt while directly tackling the causes of poverty (UNCTAD, 2004).

- Though in all capitalist economies, business plays a crucial role in the creation and delivery of a standard of living, and in the creation of employment opportunities. The role of the business enterprise is even more crucial in a developing capitalist country such as Nigeria where private interest dominates the industrial and commercial sectors of the economy.

- Therefore this paper is design in four sections; section I is introduction which comprises of background to the study while section II is the review of relevant literatures, section III is all about the methodology of the study and section IV is the interpretation of results, conclusion and recommendations.

LITERATURE REVIEW

- This literature will be reviewed in this section and the different perspectives on efforts to resuscitate non-oil export and entrepreneurial success will be discussed.

- A prominent feature of Nigeria's external sector has remained basically the same since 1960. Governments giving a high priority to economic growth have various means at their disposal in achieving it.

- Trade policies since 1986 have aimed at liberalization of the economy as well as achievement of greater openness and greater integration with the world economy.

- The policies thus ranged from abolition of marketing boards, to introduction of the Second-tier Foreign Exchange Market (SFEM), various export expansion incentive schemes, establishment of the Nigeria Export- Import Bank and so on.

- In a bid to expand her market access, Nigeria has signed bilateral, regional and trade preferential agreements with different countries (Okoh, 2006).

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- She says apart from signing bilateral agreement with Benin republic, Bulgaria, Equatorial Guinea, Jamaica, Niger, Romania, Turkey, Uganda and Zimbabwe, the government has also signed investment promotion and protection treaties with France, Switzerland, the United Kingdom, the Netherlands, North Korea, China and Turkey.

- Nigeria is one of the founding members of Economic Community of West African States and of the World Trade Organization and a signatory of the Lome Convention (Ogunkola, Oyejide and Bankole, 2005) despite these efforts non-oil exports have dwindled in the period of great openness.

- There are only a few empirical studies on the impact of global integration on non-oil export in Nigeria.

- However, a number of empirical studies which, have investigated the export-led-growth hypothesis and have found that exports have been instrumental to Nigeria's growth performance suggesting that in Nigeria export-led-growth hypothesis holds (Fajana, 1979; Langley,1968; Olomola, 1998; Ekpo and Egwaikhide, 1994).

Research Methodology

In an attempt to assess the efforts at resuscitates non-oil export on entrepreneurial success in Nigeria, the study adopts ordinary least square (OLS) of regression statistic.

Thus, variables used in the study include manufacturing output (as a measure of the performance of the manufacturing sector); trade openness and current Account Balance (both proxies for globalization). Furtherance in establishing linkages between the variables, manufacturing growth model to be adopted follows Mundel-Fleming model of open economics in Obaseki (1999), as adopted by Ndiyo and Ebong (2004).

Sources of data

The study employs annual time series data covering the period 1988-2015. This period is chosen as it corresponds to the period where Nigeria external sector was liberalized and consistent data on the relevant variables are available. More importantly, this period witnessed tremendous reformed to enhance diversification of Nigerian. Data for the study was obtained from Central Bank of Nigeria (CBN) statistical Bulletin and CBN Annual Report and Statement of Accounts various issues.

Model specification

The objectives of this study are basically to examine the efforts at resuscitates non-oil export and entrepreneurial success. To achieve the above objectives, it is proper to develop economic aggregates in line with the theoretical framework and literature reviews.

The model which is used for investigating the economic effect of promotion of non-oil export revenue on entrepreneur success in Nigeria is based on that proposed by Safdari et al. (2011) and Yimka and Oluwaseun (2014) with some modification. They proposed that volume of non-oil export (NOE) is affected by the following variables: inflation rate (EXR), Balance of payment (bop), and degree of economic openness (OPEN). In this study, one variable was added that is broad money supply (M2) that may significantly influence the volume of non-oil export are included.

Based on this relationship a functional form of these variables on volume on non-oil export in Nigeria is stated below.

Thus, nongdp = (nongdp=(bop, infrate) (1)

$$nongdp=\beta_0+B_1bop+\beta_2infrate+\mu \quad (2)$$

Adopted Error-Correction Model (ECM) for this study takes the following form:

$$nongdp=\beta_0+B_1bop+\beta_2infrate+\mu$$

$$\Delta\, nongdp_t = \beta_0 + \Sigma\beta_1\Delta\, bop_{t-1} + \Sigma\beta_2\Delta\, infrate + U_{t+1} \quad (3)$$

Where:

nongdp = Non-Oil contribution to Gross Domestic Product;

Bop = Balance of Payment;

infrate= Inflation Rate;

OPEN = Openness of the Economy;

INF = Inflation Rate;

M2 = broad money supply;

Ut= Error Term.

The estimation procedure adopted in this study is in three sequences.

To stem the problem of spurious regression, it is important that the time series properties of the data set employed in estimation of equation is ascertained. It might seem reasonable to test for the presence of a unit root in the series using the most general of the models as.

$$\Delta yt = \alpha o + Yyti + \alpha 2t + \Sigma \beta j \Delta yt\text{-}I + et \quad (4)$$

Where y is the series t is (trend factor); α0 is the constant term, et is the stochastic error term, β is the lag length. The Augmented DickeyFuller (ADF) unit root test is employed to test the integration level in order to determine the order of integration of the variables.

Summary of Findings

- Model I there is evidence of significant correlation between the contributions of Non-oil revenue to economic growth as represented by the changes noticed in Gross Domestic product; based on the above reject the null hypothesis and accept the alternate hypothesis that Non-oil export has noticeable contribution to economic growth.

- The Nigerian economy is a relatively small economy with the oil sector serving as the dominant exchange-yielding commodity, her trade policies since 1986 have aimed at liberalization of the economy as well as achievement of greater openness and greater integration with the world economy. In a bid to expand her market access, Nigeria has signed bilateral, regional and trade preferential agreements with different countries.

- In assessing the effect of AGOA on non-oil export it was discovered theoretically and empirically that revenue accrue from Non-oil export has significant impact on economic growth, globalization also has much impact on economic development that if handle well it bring much needed economic development to Nigeria.

- It is also evidence that Nigeria has not benefit much from AGOA in term of non-oil export from the country. Some notable scholar has allege that AGOA is in contradiction with WTO rules and that it is seen by many African Leaders as a one sided agreement as there was little African involvement in its preparation. Others claim AGOA encourages fraud by making Chinese and Indian clothing manufacturers label their goods "Made in Kenya" and trans-shipping them to the United States through Kenya.

- It is recommended that African countries need to place high priority on consolidating macros economic stability and strengthening competitiveness through sound fiscal, monetary and exchange rate policies. While promoting macroeconomic stability, African countries will also need to accelerate structural reforms to remove impediments to investment and growth, as well as to reduce poverty and create jobs.

Conclusion and Recommendations

- International trade relationship in Africa is discriminatory; the products involved are selective and the criteria for the designation of beneficiary countries amount to some interference with the domestic policy framework. Hence it is possible that the U.S. would withdraw AGOA benefits if any beneficiary country is deemed as not complying with its requirements.

- In conclusion, AGOA as a programme should encourage the Sub-Sahara African countries to re-double their efforts in achieving economic growth, by diversifying their economies and going into manufacturing. Above all, AGOA is also capable of assisting the African countries to strengthen their regional cooperation and getting integrated into the global multilateral trading system. Since the AGOA is U.S. legislation, African countries can influence its improvement in areas that would most benefit them by working through African-American groups and caucuses. In this way, it would be possible to suggest to the U.S. government to consider certain aspects of its implementation, which may defeat its aims.

Thank you