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# Factors Affecting International Trade Activity in Less Developed Nations: Nigeria as a Case Study

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**Abstract:** In regards to a report by CNN, Nigeria has the highest statistics of Individuals inhabiting and dwelling in abject poverty with an approximated 86.99 Million Citizens of Nigeria inhabiting on less than \$1.90 per day. Also, Foreign Investors are withdrawing their businesses and projects across the Nations. It is attested that as of September 24<sup>th</sup> 2018, International Investors withdrew almost 435.4 Billion from the Stock Market as a result of the Poor and Weak Policy disagreements between International Traders and the Governments. This Research Paper evaluated the factors that affects and influences foreign trade activity in Nigeria. Some recognized factors entail trade policy, political instability, corruption, demand, inflation, foreign currency reserves and exchange rate. Solutions to the recognized factors were provided at the end of the research study. Past research studies were evaluated and the generated conceptual framework was focused on past discoveries and findings. Recommendations for Implementation of this Research Study on International Business Managers, Investors, Domestic Entrepreneurs as well as Nigerian Government in Charge of International Trades have also been emphasized along with treasured and practical recommendations for Central Bank of Nigeria (CBN) and International Investors. The Research Paper submits and presents that the International Trade Pattern of Nigeria does not adapt and align to the global standard policy which influences and affect foreign trade. Amongst others, it was suggested that the Nigeria State/Government needs to come up with a strategy and plan where trade policy, terrorism and corruption should be eradicated and amended so as to attain to the global standard.

**Keywords:** Trade Operation, International Trade, Nigeria

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## 1. Introduction

### 1.1. Research Background

Predominantly in our Present World, nothing can be done and carried out without an exchange of some value for value that entails technology, product, ideas and money. As a matter of this, there is a direct effect and implication on the economy of any Country either negatively or positively. Trade can be traced and linked back to the need and essence for exchange that evolved from the barter era to the monetary era. However; trade in Nigeria became popular and famous with the coming of the Colonial era that imported their wares and made Nigeria the Middle Men. By this, Nigerians comprehended the need and essence for trade both internationally and domestically.

International Trade has been an area of interest to economists and policy makers. Its importance and essence centers on the ability and willingness to obtain and secure goods that cannot be manufactured in the Nation or that can solely be manufactured at much or greater expenses. It enables and allows a Country to sell its domestically manufactured products or commodities to other Nations of the globe. The Economic Performance of any given Nation in regards to Per Capital Income and Terms of Growth rates of Output has not solely been centered and focused on the domestic consumption of production activities but as well as on International Transaction of services and products. Trade is identified as a significant and essential catalyst and stimulator for economic development. For Developing Nations such as Nigeria, the contribution of Trade to the general economic development is immense and much owing

majorly to the obvious and glaring fact, that is, majority of the essential and basic elements for developments such as raw materials; capital goods including technical knowhow are majorly imported as a result of inadequate domestic supply. Although, it is paramount to note that domestic trade complements foreign trade since domestically and internally manufactured commodities are collected for export, while imported commodities are distributed and allocated within the Nation; sometimes into remote regions. Also, it facilitates and ensures the division of labor and internal specialization between geographical areas of the Nation and different firms, Thus, the higher the level or extent of internal or domestic trade; the greater the level or extent of specialization. This raises and maximizes the level and extent of productivity and efficiency of the different economic units.

Economic Growth is determined by the Gross Domestic Product (GDP) in Nigeria. Gross Domestic Product (GDP) is a total market value of a Nation's output of services and goods that are exchanged for monetary value or traded in a market system over a specific (certain) periods. This entails that trade is an important and vital aspect of Economic growth. The Gross Domestic Product (GDP) of Nigeria in 2007 was \$166 Billion. The Economy has over reliance or over dependence on the capital intensive oil sectors that provides 20 percent of Gross Domestic Product (GDP), 95 percent of the foreign exchange earnings as well as 65 percent of the government revenue in 2005. The largely and vastly subsistence agricultural sector has not kept up with rapid population growth and Nigeria, once a vast net exporter of food, presently imports some of its food commodities.

The over dependence and over reliance on oil output not solely results to unbalanced or unequal trade but has resulted and led to economic fluctuations. Nigeria was adversely affected and influenced by the global or world economic meltdown partly as a result of the decline of global price in 2008; the prices of the Organization of the Petroleum Exporting Countries (OPEC) that can be influenced by political reasons and factors which might not be favorable and better to the economy of Nigeria, and the present Niger Delta Crisis has resulted to a major role and responsibility to play in slowing down and reducing the economic growth of Nigeria. Trade and Economic Diversification may serve and act as a strategy and tool for minimizing the exposure of the economy of Nigeria to external shocks associated and linked with trade and commodity output.

However, it must be established and stated that before any significant and tremendous benefits from trade can be gained, the domestic economy needs to diversify away from overdependence or over reliance on oil produce and focus on the export and production of primary and essential commodities.

The Population of Nigeria is equal to 2.5% of the total and aggregate global population as it entails that there are benefits in investing in International Trade and Making Business across the country but it has been currently and presently obtained and derived that the International Trade in the Country is decreasing and diminishing as a whole lot of

investors are withdrawing from carrying out business in Nigeria and Individuals are petrified to either export or import services and goods across Nigeria. No Nation is self reliant. Some factors or causes have been recognized as the primary and major motives why investors will properly investigate before deciding to carry out any investment in a Company or any Nation so to say. The Trade Policy of Nigeria is predominantly concentrated towards promoting the competitiveness of domestic trades with a perspective to diversifying exports and imports to enhance the Nation's Gross Domestic Product (GDP) as well as reassuring of locally value-added products.

The embraced and accepted strategy or plan to attain this is gradual and steady trade emancipation. In spite of the efforts of the government to ensure economy diversification and by implications its exports basket so as to enhance her trade, the Non Oil Sector still works and functions abysmally. For example; present data and information indicated the commodity's terms of trade of Nigeria that stood at 90.66 in 2012 and between 83.19 and 108.97 between 2000 and 2012. For majority of the period, the commodity terms of trade were less and below 100 entailing that the Nigeria exports prices has not been better and favorable. This has been blamed and questioned on the fact that the Country's export basket is comprised of more of primary and major commodities and also Crude Oil and Agricultural Commodities.

Also, the fact that Nigeria had presently been rated and prioritized as the global number one poverty Nation entails a drastic and major decline in the Foreign Direct Investment (FDI) status of the Nation. This underlines and emphasizes the reasons and motives why the economy of Nigeria had been at the Mercy of the vagaries of the World Oil Market. This situation and instance has drawn and gathered contributions from scholars and policy makers to revitalize and resuscitate the pattern of trade including trade relations of Nigeria. Thus, different research studies have been explored in other to investigate and check the implications or effects of these emerging and trending factors in Macroeconomics [1]. Nothing or very little has been carried out to explicitly recognize the factors affecting and influencing the International trade activity in Nigeria as a result of corruption. Thus, this research study applied a Documentary Research Technique (DRM) so as to evaluate the past studies as well as generate and create a Conceptual Framework for application. The classical economists applied a lot of significance to International Trade in a Nation's Progress that they referred it as an engine and tool for growth [2]. Trade is regarded as a vital and essential facilitator for economic growth and progress. For emerging Nations such as Nigeria, the input of trade to the general economic success and progress is enormous and large owing vastly to the clear and vivid fact that majority of the essential elements of progress such as electricity, cargos and seaports are all trade in as a result of insufficient and inadequate national supply which is caused by corruption in some government sector. Nonetheless, it is important to note that Internal/Domestic

Trade frills International Trade since locally manufactured products or commodities are collected and gathered for exports, while imported commodities are saturated within the Nation, sometimes, into faraway areas. Also, it allows for division of labor and internal concentration between various environmental areas and corporations of the Nation. Also, the greater or higher the level of core and major trade, the greater or more the glassy of concentration.

The population of Nigeria is the same to 2.5% of the total (aggregate) global population as it entails that there are advantages or benefits in investing in Foreign Trade and ensuring business across the country but it has been presently obtained and stated that the International Trade in Nigeria is decreasing as numerous Investors are withdrawing or declining carrying out business in Nigeria and Individuals are petrified to either export or import commodities and services across Nigeria. No Nation is self reliant and self dependent but there are factors which are major motive that any Investor will glance into before deciding and intending to make any investment in any organization or Nation so to say. The Trade Policy of Nigeria's is predominantly concentrated towards improving competitiveness of internal or domestic trade with a perspective to promoting and reassuring local value added as well as diversifying exports and imports.

The Strategy, Plan or Initiative applied to attain this is a gradual emancipation of trade. Present reforms initiatives and packages are thus premeditated to allow and ensure a certain level and extent of safeguard of domestic industries. In spite of the efforts of government to diversify the Nation and by implication or effect its export basket so as to strengthen and enhance her trade, the Non Oil Sector still performs and acts abysmally. For instance, a present data and information indicated that commodity terms of trade of Nigeria that stood at 90.66 in 2012 was between 83.19 and 108.97 between 2000 and 2012. For majority of the period, the commodity terms of trade were less than or below 100 entailing that the Nigeria exports prices has not been suiting or favorable. This has been blamed and stated to the fact that the export basket of Nigeria's is comprised more of primary and major products as well as crude oil and agricultural commodity [3].

Also, it was emphasized that this has contributed and led to a lot in the already rating and prioritizing for the globe most poverty Nation and that this played and ensured a major role since the economy of the Country drastically declined so low and the access to services and commodities becomes so totally challenging. Also; that there is a cease in the International Trade as a result of current and present policies and initiatives. This is the motive and rationale why the economy of Nigeria has been at the mercy of the vagaries of the World Oil Market. This Situation and Scenario has drawn contributions from Scholars and Policy Makers to resuscitate and revitalize the Nigeria Pattern of Trade and Trade Relations. Thus, different research studies have been explored and carried out. Majority of which concentrated on the effect of trade on different Macroeconomic indicators. Nothing or very little has been done or carried out to explicitly recognize the factors affecting and hindering

International Trade activity in Nigeria as a result of corruption.

Also, different studies have been carried out; Majority of which have concentrated on the effect of trade on different Macroeconomic gauges; Nothing or very little have been done and carried out to unequivocally recognize the factors which affects and influences International Trade activity in Nigeria. The Trade reimbursements among others entails higher and maximum International Prices that favor exports and specialization; lower or minimal domestic prices that favors and benefits consumption or usage of locally manufactured products and the availability or presence of vast array of services and commodities to International Investors as well as to local consumer, therefore all this benefits and advantages is been limited or constrained as a result of some factors as emphasized and many attest that the main and major factor that hinders and disrupts the growth of International activity in Nigeria is due to the present and current government activity and policy as well as terrorism in the Nation. In 2016, it was the deadly terrorism group, Boko Haram which was served as the major motive why foreign investors are scared and withdrawing from carrying out business in Nigeria [4].

*Finally*, in this research paper, I have been able and willing to vividly emphasize the factors which affect and influence international trade activities as well as to the solution in which the factors can be prohibited and eradicated. Also, I provided a findings and discoveries in a well and properly stipulated manner, as the research assisted me to discover other numerous ways that things could be carried out so that the activity of International Trade in Nigeria could work perfectly and better. At the end of my discoveries and findings, there are also recommendations and suggestions to the executive level, managerial level as well as other level of activity and operation. Also, I provided a research limitation at the end of this research paper.

## **1.2. Research Problem**

Different International Trade Models and Concepts have materialized in present years in regards to management and economic perspectives. International business activities usually and majorly entail business activities of any form by an Organization operating and functioning within or between two or more Independent Nations. When Companies or Firms function and act internationally, they can involuntarily sacrifice the theoretical principles, fundamentals or concepts of their management as well as with their other assets. In intending to explain and emphasize the existence and occurrence of International business activities including the impact and effect of the political environment as it relates and connects to the Nigerian Market [5]. The challenge and obstacle at hand is to practically recognize the major factors and elements that affects and disrupts International Trade as well as to illustrate and emphasize on how the government of Nigeria and Individuals could assist in eradicating or prohibiting these issues, the problems or challenges are categorized into sub problems or challenges, which at the

point or stage we could be willing to set up or establish a framework on how the Nigeria Government could be able and willing to identify and recognize the key and major factor which is responsible and in charge of the slow growth of International Trade activity in Nigeria. The Major Challenge or Problem Statement: a) Terrorism (Boko Haram) b) How to handle the issue and scenario of Corruption c) trade policy d) political instability e) foreign exchange reserves, exchange rate, demand and inflation. In other to enhance the activity of International trade in Nigeria.

### **1.3. Objectives of Research**

The Research Objective is to confer and intensively evaluate the prospects, challenges and issues of International Trade in the Business Environment of Nigeria. Other objectives of the research also are to reveal and unveil the importance and essence of Investment and Business in any society including those factors which can affect and influence the sustenance and development of International Trade activity in Nigeria. It was recognized in this research that Nigeria's International Trade Activity notwithstanding its outlook is attributed by challenges and obstacles of different kind, that majorly emphasized at Corruption, Terrorism (Boko Haram), Trade Policy, Political Instability, Inflation, Foreign Currency Reserve, Exchange rate and Demand another major reason and motive is to derive constructively a framework or technique that the government and individuals of Nigeria may consider so as to tackle the above factors as well as to ease International trade activity in Nigeria and Finally to inspect the consequence or repercussion of International Trade activity on the economic progress and growth in Nigeria. Definitely the research study expectations and anticipations entails to: 1) Inspect and check the effect and implication of attention of trade to Nigeria Primary supplies. 2) Assess and Evaluate the Influence and effect of International Trade Activity in Nigeria as well as its effects or implications on the level of economic development and progress [6].

### **1.4. Scope of Research Study**

Nigeria is a Nation in West Africa Region with the Population and Capacity of 180 Million Individuals; and Nigeria is also the foremost economy in Africa's and number one oil manufacturer. The Nigeria unemployment rate is rising in geometric progression. The researcher selected the factors which affect and influence International trade since it will assist to scope out a beneficial and important finding and discovery under the topic or theme which could be recommended and suggested to both the government of the Nation and also to other Neighboring African Nation since internal or domestic trade plays a major and significant role and responsibility on the development and employment of the country.

Also; the research study exertion is confined to Nigeria Trade Factors and Activities which affects and influences it. Thus, statistics applied are those pertaining to the economy

of Nigeria on factors which affects its International Trade Activity. This Research Study is limited to external or international trade activity. This research study is limited to external or international trade as it affects and influences the development and growth of the economy of Nigeria. A major and significant constraints or challenges to this research study is the required short time to complete and finish this research study including the challenge of accurate and consistent data or information.

### **1.5. Significant of Research**

The Research Significant is to majorly outline and emphasize the factors which affects and influences the International Trade activities in Nigeria so as to get the findings and discoveries as well as the suitable established and proposed framework to eradicate and tackle these factors. And as well as to be able and willing to have a suitable and better recommendations or suggestions majorly to Nigerians and also the research significant studies entails:

- i. To provide and cater for a suitable and appropriate recommendations and findings including to the solutions on how to solve and tackle a practical scenarios or issues in other Nation pertaining International Trade activity majorly in Nigeria to be specific and precise.
- ii. To make and ensure the necessary awareness and consciousness on how the Nigeria Government as well as Individuals or Persons can combine and amalgamate efforts on managing and handling the welfare or wellbeing of International trade activity.
- iii. To defend and safeguard the conjectural discoveries or findings of past research on the factor which influences and affects the trade activity in Nigeria.
- iv. To make sure that the Government comprehend the need and demand to eliminate and tackle those factors which affects and hinders International Trade Activity in Nigeria.

## **2. Literature Review**

### **2.1. Factors Which Affects or Influences Foreign Trade in Nigeria**

#### *Foreign Currency Reserves*

Foreign Currency Reserves recognize the processes and steps of converting and transforming domestic currency into International or Foreign Bank Notes at a particular and specific exchange rate, these transactions presents and forwards distinct and vivid ramifications for the World economy. Foreign Exchange rates affect and influences foreign trade, political sentiment and capital flows. Also, you need to work to understand and comprehend the associated economic risks with globalization and foreign exchange, prior to coordinating and monitoring financial decisions. Nigeria Foreign Exchange Reserves declined to USD 43165 Million in January from USD 43230 Million in December 2018. Nigeria Foreign Reserves averaged USD 11495.57

Million from 1960 until 2019, reaching and attaining an all time high and increase of USD 62081.86 Million in September of 2008 and a record and statistics low and minimal of USD 63.22 Million in June of 1968.

#### *Exchange Rate*

Majorly in all Country presently, exchange rate plays a major and significant role; the value of currency can be of advantage and beneficial to domestic producer, that could also be a challenge and obstacle the other way round, formerly during the colonial period; importers exchange either through barter till this era and system of currency and the value or worth of money are not the same in every countries, Nigeria Naira has declined so much in the present years, this affects and influences Foreign Organizations that import product or part of their commodity or material outside the Nation, this factor is the reason and rationale for the withdrawal of vast multilateral organizations in Nigeria as a result of fallen and declining exchangerate of the currency (Nigerian Naira) to US Dollars. International Trade Activity has aimed or triggered at the means through which Nation can exchange its locally or domesticated manufactured products which has more comparative advantage and benefit to other Nation, and exchange domestic manufacturer to be motivated in manufacturing locally and domestically made commodities, but in returns the rate at which this is done or carried out is a disadvantage or demerit to the Nation in which the exchange rate or value of money is so low and minimal to compare to the other Nations, economist has discovered that exchange rate has been a factor and motive which hinders and hampers the growth of International trade activity in Nigeria, as the naira rate to dollars usually depreciates to its value each time, which has caused or resulted to severe damage and it is said and emphasized to be politically motivated.

#### *Trade Policy*

Trade Policy has a major effect in a Nation's International Trade, as it determines and weighs the pricing system; Supply and Demand also add and causes restriction to export and import of a particular Nation [7]. The policies and initiatives of Nigeria in regards to trade is focused and centered on corruption, its limited and restricted to a particular and specific set of Individual and it creates uncertainties to the foreign agencies and bodies; trade policy imposed and levied on the importation of commodities or products by the Present President affects and disturbs a whole lot of importers; many foreign stores and groceries in top cities was shut down and closed up, e.g. the restriction on rice importation, Nigeria cannot produce and manufacture the quantity of rice they consume a year, thus required to import a whole lot of rice from other Nations, but the policy restricted foreign rice importation so as to motivate and promote the consumption of locally and domestically made rice in Nigeria, this policy causes a lot of wreckage and havoc as some International stores has to be shut down, significance of policies remain shared and disseminated between import replacement (substitution) and the necessity on the public sector on the one hand and much confidence on

themarket based and private sector improvement and enhancement on the other, Also, the present and current steps to upsurge liability and clearness in government and therefore battle claims of corruption and deception needs to be shadowed if International self reliance or dependence in the economy of Nigeria is to be recovered. There is the essence to amend and rectify the trade policy of Nigeria so as to meet up with the International or Foreign Standard; this will result to enhancement of the operations of International Trade in the Nation. Apart from Ethnic Conflict and Tribalism, the need and essence to amend the policy and initiative will also assist to maximize the economic growth as a whole lot of foreigners will be eager and willing to trade either exportation or importation along with Nigeria Domestic Dealers [8].

#### *Inflation and Demand*

If the Inflation rate of a Nation's increases or rises relative to the Nation with which it transacts and trades, its current account will be anticipated to decrease or decline, other things being the equal; Corporations and Consumers in that Nation will most likely or probably purchase more commodities overseas (as a result of high or maximum local inflation) while the Nation's exports to other Nations will decrease or decline. Inflation results to a climb or a rise in prices measured and determined against a standard degree and level of purchasing in Foreign Trade. Nation experiencing Political Instability will have an increase and a high inflation and the Investor can have the power or authority to place their price high or at increase while the final consumer do not have alternative or choice. Life will be so costly and expensive and Investors that are doing business there are benefitted with high and maximum price of commodities while Individuals that works will still have only their salary at the end of the day, such payment is later provided to them as there are no option. Inflation has really affected the Nation and everyone is actually complaining because the prices of commodities have escalated [9].

#### *Poor Infrastructural Development*

Poor and Deteriorating Infrastructural Development is another major factor which affects and hinders the International Trade Activity in Nigeria. The Essential and Paramount Environment such Hospital for traders or Foreign Investors are not comfortable and conducive thus making it challenging for traders outside and within the Home Nation to survive or withstand any forms of health challenges and also the wellbeing or welfare affects and hinders the productivity and output of the domestic manufacturers. Good and better infrastructures ensure good productivity and also assist the domestic manufacturers to get access and link to the material for production. Lack or inadequate Infrastructure in Nigeria has been the motive and factor which hinders and affects the growth of trade activity [10].

#### *Political Instability*

Political Instability has been confirmed and attested by numerous researchers as one of the motives and rationales why International Trade Activities are not successful in Nigeria as Nigeria is categorized by three major and main

ethnic groups, the Igbo's, Hausas and the Yoruba's and every time there is usually a major and serious catastrophe or crisis from the both ethnic groups on leadership angle; when the Hausa are in authority and control, they give licenses to foreign businesses to solely the Northern Part, when the Yoruba's are in authority and power, they give access to the people or individual in the West Part of the Country; this political instability has climbed the bridge and gap of transparency as well as cause a huge setback in International trade activity, this did not solely affect the traders but majorly contributed in the negative and pessimistic economic growth in the Nation [11]. Domestically and Internally, the Issue and event are been raised on the ethical satisfaction this affect and influence democracy in the Nation and creates discrimination; Importers that are in the Eastern Part of the Nation find it so challenging to get access and link to franchising or licensing, the foreign traders also do not have access to the right and appropriate domestic sellers because they are giving or provided conditions on the trade and business that they need to do which is majorly as a result of politics [12]. However, the International Structure usually executes or implements important and vital roles or responsibilities in both the swop generally including the attendance or presence of vehemence in demanding; regardless of the spiteful projections or forecasts, majority of African Parsimonies are taking advantages and privileges of a few Nation conditions or situations which are still under the deficit or challenging political instability. However, Nigeria is rich in Oil, but its political instability has actually cause severe harm or havoc than the advantage, the politician derive from this catastrophe or calamity; under developed Nations nearby Nigeria finds and sees it so challenging to export some of their domestic commodity for exchange of other commodities, this should be common and rampant in other developed Nations. Power or Authority in Nigeria is viewed and seen as an opportunity and privilege to embezzle money and enhance corruption either than providing and offering solution so as to tackle the issues in the Nation. The demand and essence for restructuring as well as enabling a one way power is very necessary than to keep sharing or disseminating of power to ease ethnicity and maximizing poverty, as the inability of authority and power assumes the major cause and reason for a negative and a pessimistic economic growth [13].

#### *Bad Governance*

Trade has been a way in which local and domestic farmers can reach and attain its Internationalization; when the crops in the rural region are set to harvest, some of the farmers or peasants harvest this crop with the aim of selling it to the buyers outside the home nation as a result of corrupt, bad and poor government; local farmers do not have access of selling their products or commodities to the external purchasers as this impact or effect has contributed and led to the negative or pessimistic technique or approach as well as a decline in the economy [14]. The means and ways of Foreign trade between Nigeria and the West as stipulated and emphasized by the foreign bodies was to monitor and check the activity

of trade between the West and Nigeria, this process was declined and rejected to action as a result of Bad Government of Nigeria [15]. This is surprising as Organization have taken the opportunity of trade to exploit the Nation through over-invoicing and dumping. The operations of Foreign Corporations have enhanced the level and extent of Conservation Progress in the country [16]. Also, Bad Governance has contributed in this area whereby Foreigners or Internationals thinks and reasons that all the sections of Government in Nigeria are still the same, they are not solely insecure in trading in the Country but the Standard is so poor as well and most particularly bias in the system of government; the trade collision between Nigeria and other Nations has been partial and bad, the custom responsible for imported commodities and the Government usually provide an easy hand for the commodities that are from their customers, but usually seize the commodities which are imported from other International or Domestic Traders.

#### ***2.2. Nigeria's International Trade Activity and Influencing Factors***

##### *i. Domestic Gross Domestic Product (GDP)*

If incomes increase at home, more importations or imports may be brought. Organizations are likely or probably to purchase more capital goods and raw materials, and some of these will emanate from abroad. Households will purchase more products or commodities and some of these will be imported. Also; the rise or increase in domestic demand may encourage and promote some domestic industries or firms to switch from the International to the internal market. If this does occur and transpire, exports will decline or fall [17].

##### *ii. Quality*

A fall and decline in the quality of a Nation's Products or Commodities relative to other Nation's Commodities or Products, would have a negative implication on the Nation's Balance of Trade in Services and goods.

##### *iii. The Nations Inflation Rate*

If the Nation has a relatively high and maximum rate of Inflation; Firms and Domestic Households are likely or probably to purchase a significant and tremendous number of Imports. The Nation's Firms or Organizations are also likely and probably to witness some challenges in exporting. A fall or decrease in inflation would thus rise or maximize the Nation's International or foreign competitiveness and would be probably maximize exports and decrease imports.

##### *iv. Productivity*

The more Productive and resourceful a Nation Workers are, the lower and lesser the labor costs per unit as well as cheaper its products or commodities. An increase in productivity or output is probably to result to a greater and a maximum number of firms and households purchasing more of the Nation's Products –thus exports should rise or increase and imports decline.

##### *v. Marketing*

The Amount or quantity of exports sold is influenced and determined not solely by their price and quality but as well as the effectiveness of domestic organizations in marketing and

advertising their products. Also, the quantity or amount of exports bought is affected and influenced by the marketing efficiency undertaken and handled by International organization.

vi. The Nation's Exchange Rate

A decline in a Nation's Exchange rate will minimize or less export prices as well as maximize or increase import prices. This will likely or probably maximize the value of its exports as well as lower and decrease the amount spent or expended on imports [18].

### 2.3. Foreign Trade Activities in Nigeria vs. Rest of the Globe

*Nigeria –United States (US):* Nigeria is one of United States (US) Largest and biggest trading associate as it is a Nation with the largest and biggest import and export information's and data's each year. from Research, Nigeria exported products or commodities worth 19 Billion USD as it comprise of cocoa, coffee, cashew, cassava and oil, whereas, it was recorded and documented that Nigeria imported products worth more than the price they exported as of 2009; imported commodities entails farming tools, cars, vehicles, automobiles, technologies as well as many others which was recorded during the 2011 Corporate meeting from both stakeholders (parties). In order to solidify and strengthen the relationship share in trading, the held meeting in Abuja emphasized that the relationship between Nigeria and United States (US) trade is facing and experiencing challenges or obstacles of corruption; it is easier, simpler and convenient to export commodity from Nigeria to the United States (US) but there are a whole lot of custom crisis when importing commodities from the United States (US). As of 2011, ceased commodities by the Nigeria Custom worth 1.1 Billion USD, upon meeting the requirement and demand of the custom policy and export duties.

*Nigeria – Brazil:* The relationship between Nigeria and Brazil from the 18<sup>th</sup> Century, this both Nations has and is presently enjoying and benefiting warm trade and cultural relationship. Nigeria's is the second largest and biggest trade associate of Brazil in the Sub Saharan Africa and 11<sup>th</sup> in the globe. Brazil happens and seems to be the third largest and major importer of crude oil from Nigeria after the United States (US) and India. The Balance of Trade of Nigeria with Brazil is favorable to both parties and the relationship and connection has been there for centuries. Presently, as one of the leading and major economy in Latin America, it is the key and major in the following Industries: vehicles, agriculture, cements, chemicals and so many others including some export commodities Such as: iron, sugar, soya beans, coffee, aircraft and so many others in which Nigeria as its trade associate or partner benefits and gains from. During the anniversary of the Nigeria Chamber of Commerce and Industry (NBCN); the Chairman of the Committee made it known and clear that the long ties or connection and the Foreign Trade activity between the two parties as well as the economic advantages or benefits they shared makes the two super and extremely beneficiary to one another; the rise in

the economy of 2011 was at almost USD 9.6 Billion which was solely driven from the ties and foreign trade between Nigeria and Brazil. As part of continued advantage, Nigeria has seek and demand bilateral agreements between Brazil so as to maximize the supply of; agricultural vehicle, electricity, aviation and education with the assistance of foreign trade with Brazil [19].

*Nigeria –France:* Europe is presently second in Foreign Trade with Nigeria. In 2010, the export from Nigeria entails 11.6 billion United States (US) dollars and import is almost USD 10.8 billion. France and Nigeria has recorded and witnessed trade success as seen mostly in Africa. Nigeria – France Trade is 5.5 Billion Euro as at 2011, making it the most successful and better record trade so far in Africa to European Countries.

*Nigeria – China:* China and Nigeria Bilateral Trade relation and connection is one of the strongest and major Foreign trade relationship presently with both Nation; almost 95% of every technological material applied in Nigeria are all imported from China. China has also imported numerous products or commodities from Nigeria such as rubber, coffee, crude oil as well as many others; exports from China to Nigeria is estimated at 400% rise while from Nigeria to China export rise to 200% in 2014. China is one of the biggest and largest Nation in Asia which export to African Nations and mostly Nigeria has witnessed much trade connections as well as service in the present years [20].

*Nigeria – United Kingdom (UK):* In regards to the United Kingdom (UK) Trade and Investment, Nigeria is the 32<sup>nd</sup> Largest and Biggest United Kingdom (UK) International Market. As at 2008, United Kingdom (UK) exported services worth 100 Million Euros to Nigeria. Also the double agreement on Bilateral Trade between Nigeria and the United Kingdom (UK) worth along 8 Billion Euros; Nigeria is one of the oil exporting Nations, they refined their oil by conveying it as a Crude in the United Kingdom (UK) and import it back as fuel, kerosene and gas for consumption [21]. This relationship has been ongoing even after Independent; Nigeria was colonized by the British as it was stipulated and emphasized that the trade relationship between the United Kingdom (UK) and Nigeria has been untouched even after their freedom or independent, the Oil rich was reliant in the refinery across the United Kingdom (UK) for they export Crude oil for refinery in the United Nation (UN) as well as import as finished products or commodities for consumption and usage back in Nigeria [22].

### 2.4. Past Research Review and Evaluation in Nigeria's Foreign Trade Activity

The Nigeria Economy has had to navigate or go through a major and severe crisis which began with the collapse and decline of oil prices in 2014 and was deteriorated by the recurring and continuous youth restiveness happening in the oil rich Niger-Delta Regions. The Crisis and Conflict of the last four years reaffirms the vulnerability of the economy of Nigeria to oil related and similar shocks. It underscores the need and essence for Nigeria to look beyond diversifying its

export base away from the volatile product if the Nation is to win the battles and challenges against inequality and poverty. Oil is responsible for 90% or more of the Nigeria Merchandise exports. This heavy and major dependence and concentration of the economy of Nigeria on oil as the dominant and major source of foreign exchange is widely and majorly acknowledged. But the mechanisms and techniques through which oil price alters or changes affects and influences the economy and the measures (or absence of them) available or present to the Nigerian authorities to counter the declines of oil prices are less majorly understood or comprehended. Free trade in the county (Nigeria) is the best and suitable options or alternatives for business women and men. They were created and formed to provide or ensure fewer restrictions and sanctions for imports into the Nation. Thus, a free trade zone can be a chance or probability to set up and launch business connections with foreigners. Expanded and widened market access for exporters of services and goods in Nigeria boost job creation and spur growth.

Eliminate and Prohibit Barriers and Challenges against Nigeria's Commodities and provide or create a Dispute Settlement Technique and Mechanism for prohibiting the discriminatory and hostile treatment meted against Nigeria corporate and natural business individuals in other African Nations. Establish and create a rule based or rule focused trade governance in Intra African Trade to invoke trade remedies such as anti dumping, safeguards as well as countervailing duties against unfair and bad trade practices as well as dumping, trans-shipment of concealed and packaged origin of commodities.

### 3. Finding

The Research Study explained and emphasized the factors affecting and influencing International Trade in Nigeria. The Research discovers that corruption affect International Trade; Corruption is a negative and a disastrous challenge to Sustainable Development as it negatively affects and influences not solely International Trade but as well as healthcare, education and poverty alleviation. Factors that affect and influences International Trade activity in Nigeria are corruption, International Trade Legislations including Political Instability. Corruption is something that is disheartening, frustrating and also disempowering investors. Also, the research paper discovers that political instability affect and influence Foreign Trade in Nigeria. The Research Study discovers that Political Instability in the Country's situation is still witnessing crisis and catastrophe in regards to economic expansion, political balance as well as challenges and obstacles posed by diseases and poverty; foreign assets and trade amount have enlarged overtime. Inflation results to a climb or a rise in prices measured and determined against a standard extent and degree of purchasing or buying international and Domestic Product in Nigeria. Finally, the research Paper identify and recognize the Nation Inflation rate; Productivity; the Nation's exchange

rate, Foreign Gross Domestic Product (GDP) as well as quality that influences and affects International Trade activity. However; Foreign Trade in Nigeria became popular and famous with the advent or the coming of the colonial rule that imported their wares and made Nigerians their middlemen. By this, Nigerians comprehended the need and essence for trade both internationally and domestically. International trade has been a major concern and attention to economists and policy makers. The importance and essence lies or focuses on the ability and willingness to seek for commodities or products that cannot be manufactured in the Nation or that can solely be manufactured at greater or much expense. Also, it enables and permits a country to sell its domestically manufactured commodities to other Nations of the globe. The performance or result of a given and a particular economy in regards to Per Capita Income and growth rates of output has not solely been based and focused on the consumption activities and domestic output but as well as on the foreign transaction of services and commodities. The Neo Classical and Classical Economists attached and linked so much importance and relevance to International Trade in a Nation's development that they referred and regarded it as an engine or propeller of growth. Trade is recognized and identified as a vital and significant catalyst for economic development. For Developing Nations such as Nigeria, the contribution of Trade to overall and general economic development is immense and in-depth which is majorly owing to the obvious and glaring fact of the majority of the essential and basic elements for development.

## 4. Recommendations

### 4.1. Recommendation for Executive Level

The Research Study recommends and suggests the provision of a peaceful and a conducive political and economic environment required for foreign and local investments. The government of the Less Developed Nations such as Nigeria needs to provide financial assistance in form or means of easy and simple accessibility to loans (credit facilities to investors) in other to boost and enhance local investment coupled with the fact and proof that International Investors should as well be attracted and lured to invest in the Nation through enhancing on the state and the level of security as well as embarking on a conducive and a better policies that supports and backup investments. It is when there is huge and high investment in the economy that the Nation can experience and witness growth that will enhance the quality and uniqueness of Institutions in the Less Developed Nations.

Also, in regards to the findings and discoveries of this research paper, it is essential to provide and cater for a set or array of policy and initiative recommendations or suggestions which would be applicable to the economy of Nigeria. Export Promotion tactics and strategy must be reviewed and import substitution initiative or strategy also needs to be reviewed and evaluated in other for export and

import will change its dimension.

The Government needs to encourage and promote export diversification. Non oil sector exports needs to be encouraged and promoted while the concentration, focus and dependence on the oil sector needs to be minimal. Nigeria needs to stop and reduce the excess consumption or usage of foreign services and commodities so that their imports might be cut off. Manufacturing Firms or Industries needs to improve and enhance on their production so that their output would be competitive in the World Market. Excise duties needs to be lowered or lessened in other to encourage and promote local industries to export their services and commodities. Lifting of trade impediments or barriers on local and domestic output should not be followed or adhered by the Introduction and launching of modern ones. Solely the importation of capital products or commodities that are essential and necessary must be encouraged, since not every importation is necessary and vital for economic development and growth.

Also, it is suggested that there is the essence to ensure and enable that contracts or agreements are easily made enforceable. This is a very essential tool which can be applied to enhance the liberalization of trade in Less Developed Nations. The reason or rationale for this is that it will ensure that the economic agents participated or involved in International trade to be positive as they are sure that the adverse selection challenges and moral hazards are minimized. Coupled with this is the fact and proof that the rest of the globe will find and see it easier or simpler to trade with Nations that are reputed for adequate and necessary contract enforcement more than others that are not so refutable. If effective contract or agreement enforcement protocols and procedures are in place, transaction costs will be declined and this will finally enhance the level or extent of liberalization of trade in the region. Also, the government of the selected or chosen Less Developed Nations must promote exports in other to harness maximum yields or gains from trade liberalization.

Another Study recommendations or suggestions made is the essence to reduce or prohibit if not wholly eradicate ethnic conflicts or crises in the Less Developed region. Over the decades, some Nations in the Less Developed region have experienced some ethnic challenges or crises that have discouraged and weakened foreign investors as well as hindered and negatively affected trade liberalization. In other to build and ensure strong institutions as well as encourage economic growth, there is the essence to curb and tackle the ethnic conflict and crisis by promoting and encouraging peaceful coexistence among the different ethnic groups.

#### **4.2. Recommendations for Managerial Level**

Nigeria has benefitted and gained from several decades of robust economic growth, averaging nearly 6% a year in real and actual terms since 2005. Growth has been quite broadly and majorly focused or centered with retail and wholesale trade, communications including agriculture being a strong and major contributing factor.

Regardless of the high and maximum oil prices, the importance or essence of the Petroleum sector to the Nation has really reduced and decreased from 27% to 16% of Gross Domestic Product (GDP) during 2003-2009. Although, Oil and Gas employ or hire relatively few or limited individual, they continue to be crucial and important for the economy as they make up and entail over 90% of exports as well as 80% of the government revenue and also being the main and major objective or goal for Foreign Direct Investment (FDI). Nigeria's Foreign Trade doubled or increased more than in the 2003-2009 period, with exports increasing to almost US \$50 billion and imports to almost US \$34 billion. However, oil accounts or is responsible for almost all the value of exports or imports value that were strong and major growth and increase in the agricultural commodities exports over the period. Tariffs are the major trade policy instrument as the Nigeria has been aligning or amalgamating its tariff with the Economic of West African States (ECOWAS) common internal tariff. And therefore, the average applied and used MFN tariff reduced from 29% in 2003 to 12% in 2009. Although, the average bound tariff was 11.8% in 2009 while solely 20% of tariff lines are bound. The significant and major gap between the average bound rates and the average applied MFN tariff rates including the low and minimal coverage of bindings makes and ensures that the tariff is quite unpredictable or undeterminable as well as acts as a significant and major disincentive to investment.

In regards to tariffs, Nigeria charges and levies a number of additional or extra duties on imports that vary from one commodity to another and can considerably add and include to the cost of business. Also, there are some inconsistencies or incoherencies in taxes charged and levied on imported commodities and domestically or internally manufactured commodities. For instance, exercise duties are not levied or imposed in imports, solely on domestically or internally manufactured commodities.

#### **4.3. Recommendations for Other Nations**

In regards to the findings and discoveries of this research work, it is important and essential to provide and ensure a set or array of policy recommendation which would be applicable to the other Nations economy. Import substitution strategy and export promotion strategy should as well be reviewed so that export and import will change and transform its dimension. The government needs to promote export diversification. Also; Non Oil Sectors needs to be encouraged while the concentration and focus on oil sector export needs to be minimal.

Other Nations needs to limit or prohibit the excessive or too much consumption of foreign commodities and services in other for their imports to be cut off, Manufacturing or Production Industries needs to improve and enhance on their production in other for their output to be competitive in the World Market. Excise Duties needs to be minimized and decreased so as to promote local industries to export their services and commodities, lifting of trade barriers on local outputs must not be followed by the Introduction of new and

modern ones. Solely the importation of Capital Products or Commodities that are essential and beneficial must be encouraged, since not every importation is important for economic growth.

#### *Other Recommendations Entails*

- 1) There is need for an effective and aggressive reactivation of the Non Oil Export so as to broaden or widen the tax base of every tiers of government and maximize employment opportunities, with efforts or motives to take advantage and opportunity of existing and current International export incentives inherent in the ongoing or continuous multilateral pact.
- 2) For Nigeria to have a high and Maximum Standard of Living and for it to grow, it must be ready and willing to compete with the best in terms or regard to production or output capacity. In the present globe, a Nation product needs to stand up to International Competition if they are to thrive. For Nigeria to gain access into the International Markets, it needs to transform and convert its raw materials into Value Added Commodities, ensure consistency and coherency in the production or output capacity as well as ensure consistency.
- 3) Active and Effective Exchange Rate Policy that avoids or prohibits excess depreciation of the Naira or over valuation as well as promote the competitiveness of tradable commodities, low inflation or relative price stability and also prohibiting or restricting inconsistent and incoherent fiscal policies must be designed.
- 4) Policies need to be designed and created to strengthen Manufacturing or Production through Infrastructure Development and Tax Incentives by way of Public-Private Sector Partnership. Non Tariff Barriers to support or back up domestic manufacturing needs to be targeted, tenured as well as reviewed from time to time.
- 5) Technological Change is an essential and significant factor for growth which stems and emanates from Research and Development (R & D) as well as from Innovative exercises. Managing and Handling Innovations properly than one's competitors is one of the most important and vital objectives of any modern and present economy that intends to grow thrive and survive. Public Policy needs to be designed and prepared to encourage and promote success in managing innovation than in adopting or accepting the right and appropriate capacity decision from already known and recognized technological possibilities.
- 6) Since Competitive Labor Costs and High Productivity are based and centered on literacy, trade and general education including those technical skills majorly in the global demand, Also, training and education systems must be focused and centered on relevant and essential skills most especially those required in a modern and present society.
- 7) There is the need for an effective and aggressive reactivation of the non oil sector to broaden and widen

the tax base for every tiers of government and maximize employment opportunities with efforts or motives to take advantage or benefits of existing and current International exports' incentives inherent in the ongoing and continuous multilateral pact.

- 8) Trade Policy (s) including the usage of such policies must be made more investor friendly, thus promoting investment and contributing lower costs on government expenditure. The aim and objective is to reduce or decrease the inconsistent and incoherent macro and micro economic decisions as well as to eliminate and restrict or at least minimize or reduce the opportunities or incidence for consumption. Also, responsiveness, corporate governance and accountability needs to be cultivated as core or basic values by every stakeholders in all sector.
- 9) For Nigeria to have a high and maximum standard of living and growth, it needs to be ready to compete with the best in regards to production capacity in the present globe; a Nation's product or commodity must stand up or measure up to the international competition if they are to thrive or survive. For Nigeria to gain and ensure access into the International Markets, it must transform and convert its raw materials into value added products, ensuring consistency in the production or output capacity and also enhance quality.
- 10) Trade must be gradually unveiled or opened and financial systems especially the foreign exchange (forex) market and the Banking Sub Sector needs to be progressively and effectively freed up in other to eliminate or ban forex control, to allow liberal inflows for long term investment as well as ensuring the easily convertible of currencies. These measures, techniques or factors will majorly promote trade and investment with little risk for banking and currency crisis, as long as the forex rates are permitted to freely float and macroeconomic discipline is consistently and systematically but maintained and balanced overtly.

## **5. Research Limitation**

The Major and severe Limitation of the research study is language; when goods, commodities or products are exported to a foreign Nations, Informative literatures, labels, packing technical handouts needs to be prepared in the language and understanding of the Nation in which the goods or commodities are marketed. Also, there is the need for salesmen who are versed or good with the language as well as conscious of the likings and habits of the people. Another challenge is the issue and scenario of standardized units. In some Nations of the globe, the units of length, capacity, and weight including the voltage are not the same. Therefore, the exporters shall have to see and view that the goods, products or commodities are supplied and prepared in regards to the standard and required specification of the importing Nations. Foreign Currency sales is also another issue, every Nation has its own personal currency, that is, not the legal tender

(general acceptable) in other Nations. Buyers or Purchaser abroad prefer and intends to purchase commodities in his own or personal currency just as sellers wants to sell in the currency of his own or personal Nation.

Therefore; the exporter has to calculate and determine the selling price of the commodities into the currency units of the Nation where the products are sold taking into cognizance as a result of fluctuations in the foreign exchange by hedging. Also, when commodities are imported or exported, a number of documents need to be prepared; another limitation on this research paper entails witnessing and experiencing numerous challenges in gathering and assembling materials and information's. It took a lot of time for a researcher to gather and assemble materials and information's for this research study. Regardless of the numerous or so much benefits and advantages that accrue to countries as a result of foreign trade, it could be realized or known that several countries adapted various tools that aimed and geared at interfering with the International Flow of Services and goods. It could be noted and emphasized that Governments, to so much extent impose restrictions or bans on their International Trade.

However; a Country can try or intend to maximize its welfare or wellbeing at the expense of the Countries by prohibiting or restricting trade. Trade restrictions can be categorized as Non Tariff and Tariff: the Importation Tariff has gathered and drawn a lot of attention. This is exposed and showcased as a percentage or rate of the value of the imported goods and it is usually or normally imposed and levied to limit and restrict the volume of imports. Tariff may be imposed or sanctioned as a means of correcting or adjusting an adverse or negative balance of payments. If imports duties could be imposed or levied on imports to make them clearer or vivid or likewise minimizing the volume; tariff may also be imposed or levied to turn or transform the volume of trade and terms of trade in favor of the Nation imposing or levying the tariff. Tariffs also may be imposed or levied to raise and maximize the level or extent of employment in a Nation. It is emphasized that, if a tariff is imposed or levied, more of the National Income will also be spent or expended on locally manufactured commodities, all other factors being the same or constant. This will promote local output and more employment opportunities will be generated. The extent or level to which tariff will be effective or better depends and centers on the extent of retaliation from other Nations that are victims of the tools, also; its effectiveness will depend and focus on the elasticity of the product demand in question including the elasticity of demand of the foreign Nations commodities or products.

## 6. Conclusion

This Research Paper examined the factors affecting International Trade Activity in Nigeria as such factors entails Foreign Currency reserves, Exchange rate, trade policy, Inflation and demand, poor infrastructural development,

political instability and many others. It also examines Nigeria trading activity with other others. The research paper puts in place and in consideration the necessary recommendations and suggestions that need to be adopted so as to tackle the challenges faced and experienced during International Trade.

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