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EFFECT OF PROTECTIONIST POLICIES ON ECONOMY DEVELOPMENT IN NIGERIA

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Abstract: The study was carried out to determine the effect of protectionist policies on economic development, in Nigeria the specific objectives are to: Examine the existence of a long run relationship between trade openness and economic development in Nigeria, Evaluate the effect of trade openness on economic development in Nigeria and evaluate the effect of import tariffs and exchange rate on economic development in Nigeria. This study employs the Classical Linear Regression Model to investigate the effect of protectionist policies on economic development in Nigeria. The Classical linear regression model is useful when the relationship that exists between variables is linear. The results of the ordinary least squares indicate that protectionist policies have a mixture of significant and insignificant effects on gross domestic product. The protectionist variables used in the study include import tariffs, exchange rates, and trade openness. The study recommended among others that there should be a deliberate effort on the part of the government to make policies that will favour the exportation of products. This is because doing such means a high trade openness, and will have a positive effect on the economic development of the country, with the market for local goods being expanded, and the pool of natural resources and human resources widened.

Keywords: Development, Economy, Effect, Policies, Protectionist

1.1 Introduction

Protectionism refers to government policies that restrict international trade to help domestic industries. Protectionist policies are usually implemented with the goal to improve economic activity within a domestic economy but can also be implemented for safety or quality concerns. Protectionist policies are typically focused on imports but may also involve other aspects of international trade such as product standards and government subsidies. The need for the promotion of economic development, revenue generation, and trade surplus led Nigeria in the early 60s to embark on economic strategies that reinforce the effect of trade on economic development in the early 1960s. These policies aimed to address issues concerning the shrinking foreign exchange reserve and the weakening exchange rate (Madichie, Osagu & Eze, 2018). In an attempt to revive the manufacturing sector, the government in the third quarter of 2019 closed all its land borders restricting all manufactured goods, especially rice, poultry products, and textiles that can be produced locally from being imported into the country, especially through the land border. The justification by the government was premised on the ground that it has been difficult for the agricultural and manufacturing sector to function optimally due to the influx of foreign products that can be produced locally; that the land borders has been a medium of evading duties, especially at the Benin Republic axis of the country which has majorly become an entrepôt for already manufactured goods which have the final destination as Nigeria (Eselebor, 2020). Goods are also routed through

the Benin axis in order to evade import duties and quality assurance. The government also maintained that the land borders have been a channel through which illegal arms get into the country and this, therefore, made combating insecurity an uphill task coupled with being the media for illegal exporting of subsidized petroleum products which has a devastating effect on the economy (Mbaye, Golub, Cheihk, 2019).

Despite the justification of this policy, critics have maintained that Nigeria is both a sovereign, developing country and also a member of many international organizations such as the Economic Community of West African States (ECOWAS), African Union (AU), and World Trade Organisation (WTO) which support free trade and that she also signed the free trade agreement as a member of the African Continental Free Trade Area (AFTFCA). In light of this, the policy was viewed by the critics as a violation of agreements of these international organisations and most especially just signed AFTFCA as the tenets of these organisations contradict the operation of Trade protectionism (Kolawole, Ojelade & Mosobalaje, 2020). The critics also maintained that the world economy has become increasingly linked through expanded international trade in services, primary and manufactured goods, international portfolio investments thereby encouraging importing and exporting of these goods among nations and that closing these borders would only mean dragging the Nigerian economy back to the stone age (Ugwuja and Chukwukere, 2021). Despite these arguments, the federal government has maintained that no criticism can sufficiently supersede the issue of insecurity, unemployment and protection of local manufacturing industries which dominates the manufacturing sector and the economy as a whole.

"Nigeria's trade policy has moved in a heavily protectionist direction, with an escalation of import restrictions through higher tariffs and levies, import bans, foreign exchange limitations, and border closures. In 2015, the Central Bank of Nigeria announced restrictions on access to foreign exchange for the importation of certain products that could be produced locally, with the aim of bolstering foreign exchange reserves and supporting domestic industries. The border closure was accompanied by a significant rise in inflation, especially for food products that are affected by foreign exchange restrictions. Despite the seemingly high rate of trade protectionist policy in Nigeria, economic development has been relatively low (Vagianou, 2016). The study is being carried out to examine the effect of protectionist policies on economic development.

1.2 Statement of the Problem

Protectionism or the use of tariffs, subsidies, import quotas and other trade restrictive policies to protect domestic industries is fast increasing on the global landscape and prompting a major shift away from global free trade. Between 2009 and 2015, over 6,000 new protectionist measures were implemented globally, as opposed to the 2,500 policies that support free trade, Nigeria inclusive.

Nigeria has continued to experience underdevelopment despite the economic growth of the early and late sixties. The crisis is evidenced in low productivity, high rates of inflation, high rates of unemployment, deterioration in standard of living, huge external debts, social and political chaos etc.

Governments often implement protectionist policies with a view to improving national economic activities, but such policies has triggered a ripple of negative consequences for both the individual countries and the global economy as a whole. Amongst others, protectionism stifles innovation and competition, reduces consumer spending, and triggers trade wars among nations, leading to stagnation of economic growth.

1.3 Objectives of the Study

The general objective of this study is to determine the effect of protectionist policies on economic development, Nigeria while the specific objectives are to:

i. Examine the existence of a long-run relationship between trade openness and economic development in Nigeria.
ii. Evaluate the effect of trade openness on economic development in Nigeria.
iii. Evaluate the effect of import tariffs and exchange rates on economic development in Nigeria.

1.4 Statement of Hypotheses

i. There is no existing long-run relationship between protectionist policies and economic development in Nigeria

ii. There is no significant effect of trade openness on economic development in Nigeria

iii. There are no significant effects of import tariffs and exchange rates on economic development in Nigeria

REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Protectionist Policies

Protectionism consists of managing the international exchanges of goods and services between national and regional economies. This falls into regulation of imports and the management of exports, which itself is divided into export promotion and import controls. Trade restrictions are designed to protect domestic interests threatened by foreign competition. As a result, national governments have resorted to a growing range of measures aimed at supporting both small and large exporting companies, whether through technical assistance, or trade incentive. A protectionist trade policy allows the government of a country to promote domestic producers, and thereby boost the domestic production of goods and services by imposing tariffs or otherwise limiting foreign goods and services in the marketplace. (CFI team, 2019).

Types of Protectionism

Protectionist policies come in different forms, including:

1. Tariffs: The taxes or duties imposed on imports are known as tariffs. Tariffs increase the price of imported goods in the domestic market, which, consequently, reduces the demand for them. Consider the following example, which analyzes the UK market for US-made shoes. Due to the imposition of tariffs, the price for the product increases from GBP100 (P1) to GBP120 (P2). The demand for US-made shoes in the UK market decreases (from Q2 to Q4).

2. Quotas: Quotas are restrictions on the volume of imports for a particular good or service over a period of time. Quotas are known as a "non-tariff trade barrier." A constraint on the supply causes an increase in the prices of imported goods, reducing the demand in the domestic market.

3. Subsidies: Subsidies are negative taxes or tax credits that are given to domestic producers by the government. They create a discrepancy between the price faced by consumers and the price faced by producers.

4. Standardization: The government of a country may require all foreign products to adhere to certain guidelines. For instance, the UK Government may demand that all imported shoes include a certain proportion of leather. Standardization measures tend to reduce foreign products in the market. An economy usually adopts protectionist policies to encourage domestic investment in a specific industry. For instance, tariffs on the foreign import of shoes would encourage domestic producers to invest more resources in shoe production. In addition, nascent domestic shoe producers would not be at risk from established foreign shoe producers. Although domestic producers are better off, domestic consumers are worse off as a result of protectionist policies, as they may have to pay higher prices for somewhat inferior goods or services. Protectionist policies, therefore, tend to be very popular with businesses and very unpopular with consumers (CFI team, 2019).

Real exchange Rate

Exchange rate is the relative value between two currencies. It is the rate at which the amount of one currency can exchange for another (Kathleen Crislip, 2018). The exchange rate is the price of one currency quoted in terms of another currency. It is the price at which one nation's currency is exchanged for some other nation's currency. It could be at par, high, or relatively low. Thus, the exchange rate fluctuates relative to the comparative usage and need of the currencies concerned. According to Kimberly (2018), most exchange rates are determined by the foreign exchange market or forex. That is called a flexible exchange rate. For this reason, exchange rates fluctuate on a moment-by-moment basis. The real effective exchange rate (REER) is the weighted average of a country's currency in relation to an index or basket of other major currencies. The weights are determined by comparing

the relative trade balance of a country's currency against that of each country in the index. An increase in a nation's REER is an indication that its exports are becoming more expensive and its imports are becoming cheaper. It is losing its trade competitiveness (Adam, 2021).

Trade Openness

Trade openness refers to the outward or inward orientation of a given country's economy. Outward orientation refers to economies that take significant advantage of the opportunities to trade with other countries. Inward orientation refers to economies that overlook taking or are unable to take advantage of the opportunities to trade with other countries. Some of the trade policy decisions made by countries that empower outward or inward orientation are trade barriers, import-export, infrastructure, technologies, scale economies, and market competitiveness. Trade openness is the liberalization of the exchange of goods and services across borders through increased integration among countries. These countries are joined together in terms of the free movement of capital and labour, and free foreign trade and finance (Igudia, 2016). However, the debate surrounding the relationship between trade openness and economic growth in developing economies is between pro-traders and anti-traders (Oluwatoyin & Folasade, 2014).

Import Tariff

A tariff is a tax imposed by the government of a country or by a supranational union on imports or exports of goods. Besides being a source of revenue for the government, import duties can also be a form of regulation of foreign trade and policy that taxes foreign products to encourage or safeguard the domestic industry. Protective tariffs are among the most widely used instruments of protectionism, along with import quotas and export quotas, and other non-tariff barriers to trade. Tariffs can be fixed (a constant sum per unit of imported goods or a percentage of the price) or variable (the amount varies according to the price). Taxing imports means people are less likely to buy them as they become more expensive. The intention is that they buy local products instead, boosting their country's economy. Tariffs, therefore, provide an incentive to develop products and replace imports with domestic products. Tariffs are meant to reduce pressure from foreign competition and reduce the trade deficit. They have historically been justified as a means to protect infant industries and to allow import substitution industrialization. Tariffs may also be used to rectify artificially low prices for certain imported goods, due to 'dumping', export subsidies, or currency manipulation (Poole, 2014).

There is a near-unanimous consensus among economists that tariffs have a negative effect on economic growth and economic welfare, while free trade and the reduction of trade barriers have a positive effect on economic growth. Although trade liberalization can sometimes result in large and unequally distributed losses and gains, and can, in the short run, cause significant economic dislocation of workers in import-competing sectors, free trade has the advantage of lowering costs of goods and services for both producers and consumers. Import tariffs are taxes charged by the customs authority on the importation of goods into a country. Usually, the value of the imported goods determines the amount that will be levied on them. In some contexts, import tariffs also mean import duties, customs duties, tariffs, or import tax. Economically, import tariffs are charged to generate revenue for the government and to protect local goods against the dominance of foreign products. However, there are other reasons for imposing taxes. One of them is to restrict foreign products from flooding the local market. Moreover, import tariffs are charged to penalize a country by means of a sanction mechanism (Rosenfeld, 2016).

Economic Development

The economic development of a country is defined as the development of the economic wealth of the country. Economic development is aimed at the overall well-being of the citizens of the country, as they are the ultimate beneficiaries of the development of the country. It is an increase in living standards, improvement in self-esteem needs, and freedom from oppression as well as a greater choice (Aliyu, 2013). The most accurate method of measuring development is the Human Development Index, (HDI), which takes into account literacy rates and life expectancy which affects productivity and could lead to economic growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment, and the conservation of the environment.

Galloping (2014), emphasized that development is not synonymous with economic growth. Development according to him involves qualitative transformation, while growth is essentially quantitative increase. The goal of development is to increase the quality of life of the human population; economic growth is only one means to this end (Sunday, 2013).

The development reflects social and economic progress and requires economic growth. Growth is a vital and necessary condition for development, but it is not a sufficient condition as it cannot guarantee development. The extent to which a country has developed may be assessed by considering a range of narrow and broad indicators, including per capita income, life expectancy, education, and the extent of poverty. In general, economic development is usually the focus of federal, state, and local governments to improve our standard of living through the creation of jobs, the support of innovation and new ideas, the creation of higher wealth, and the creation of an overall better quality of life. Economic development is often defined by others based on what it is trying to accomplish. Many times these objectives include building or improving infrastructure such as roads, bridges, etc.; improving our education system through new schools; enhancing our public safety through fire and police service; or incentivizing new businesses to open a location in a community. Economic development often is categorized into the following three major areas: Governments working on big economic objectives such as creating jobs or growing the economy. These initiatives can be accomplished through written laws, industry regulations, and tax incentives or collections. Programs that provide infrastructure and services such as bigger highways, community parks, new school programs and facilities, public libraries or swimming pools, new hospitals, and crime prevention initiatives. Job creation and business retention through workforce development programs help people get the needed skills and education they need. This also includes small business development programs that are geared to help entrepreneurs get financing or network with other small businesses (Song, G. Qi, Zhang, &. Vernooy 2013).

2.2 Theoretical Framework

2.2.1 Mercantilism Theory

Mercantilism is economic nationalism for the purpose of building a wealthy and powerful state. Adam Smith coined the term "mercantile system" to describe the system of political economy that sought to enrich the country by restraining imports and encouraging exports. This system dominated Western European economic thought and policies from the sixteenth to the late eighteenth centuries. The goal of these policies was, supposedly, to achieve a "favorable" balance of trade that would bring gold and silver into the country and also to maintain domestic employment. In contrast to the agricultural system of the physiocrats or the laissez-faire of the nineteenth and early twentieth centuries, the mercantile system served the interests of merchants and producers such as the British East India Company, whose activities were protected or encouraged by the state. Mercantilism is an economic theory that emphasizes self-sufficiency through a favorable balance of trade. Mercantilist policies focus on the accumulation of wealth and resources while maintaining a positive trade balance with other countries. By maximizing exports and minimizing imports, mercantilism is also viewed as a form of economic protectionism (Magnusson, 1994).

Originating in 16th-century Europe, mercantilism is now viewed as a mostly outdated economic theory, replaced by the supply and demand forces of the market economy. Present-day mercantilism commonly refers to economic policies that restrict the importation of foreign goods. The dominant economic theory was that the global supply of wealth was finite, and it was in the nation's best interest to accumulate as much as possible. During that time, wealth was measured by a country's quantity of silver and gold. To accumulate more wealth, European countries, such as Britain and France, would focus on maximizing their exports and minimizing imports, which resulted in a favorable balance of trade. For countries with a negative trade balance with a mercantilist country, the difference would be paid back in silver or gold. To maintain a favorable trade balance, the early mercantilist countries would enact imperialist policies by setting up colonies in smaller nations. The aim was to extract raw material to send back to the home country, where it would be refined into manufactured goods. The goods would then be resold

to the colonies, allowing early mercantilist nations to accumulate wealth through a positive trade balance (Smith, 1937).

As an economic theory, mercantilism relies on government intervention to regulate international trade and protect domestic industries. Mercantilist policies involve the protection of domestic corporations through regulations and the promotion of trade surpluses. In the context of international trade, a favorable trade balance is achieved through government regulations, such as tariffs and restrictions on imports. On the domestic side, mercantilist policies support domestic industries by establishing monopolies and allocating capital to encourage growth. Such policies are a form of economic protectionism meant to encourage self-sufficiency and are in direct opposition to the free-market economics of trade and globalization.

2.3 Empirical Review

Temidayo, Opeyemi & Grace (2022) carried out a study on Institutional Quality, Trade Protection Policy, and Macroeconomic Performance in Nigeria. Annual data on the exchange rate, corruption, unemployment, economic growth, trade protectionist policy, government capital expenditure, government expenditure on education, and government effectiveness covering the period from 1981 to 2019 were sourced from World Bank Development Indicators (WDI), Central Bank of Nigeria (CBN) Statistical Bulletin and International Country Risk Guide (ICRGs). Data collected were analyzed using the autoregressive distributed lag (ARDL) model and VAR Granger causality test. The results showed that due to the high level of corruption and low level of government effectiveness in the economy, institutional quality plays a negative role in the relationship between trade protectionist policy and macroeconomic performance in Nigeria. The study also found that trade protectionist policy causes and significantly explains changes in the exchange rate and economic growth in Nigeria while unemployment causes and explains changes in trade protectionist policy in Nigeria. This study concluded that the absence of institutional quality mitigates the effectiveness of trade protectionist policy on macroeconomic performance in Nigeria.

Olufunke & Olufemi (2022) carried out a study on trade protectionism and the manufacturing sector: a review of border closure policy in Nigeria. This study empirically investigates to ascertain the impact of trade protection vis-à-vis border closure policy on the manufacturing sector in Nigeria between January 2018 and June 2021 using monthly secondary data. The study employs the traditional theory of protectionism as its theoretical framework. The Chow breakpoint result revealed that there is a significant change in the parameters of the model in July 2019 which coincides with the time the policy implementation started. It employs a dummy variable to investigate the impact of the policy on manufacturing sector output as against the use of two regression models. The regression analysis revealed that in the short run, the impact of the border closure on the manufacturing sector was positive but later became adverse in the long run. Also, the interaction of the border closure with the inflation rate revealed that the inflation rate became high during the period but the government generated income from tariff increases. This revealed that there are leakages through the land borders that need to be curbed through legislation. Sequel to these findings, the study makes the following recommendations: government should not consider closing the borders again as closures constitute a drag to the manufacturing sector growth; rather than closing borders, the government should formulate policies to enforce trade protection; lastly, should it become exigent for the government to close the border, they should allow moderate inflation rate that the economy can tolerate in order to spur manufacturing output.

Li and Whilley (2021) examined the relationship between Trade protectionism and manufacturing sector employment in the United States of America (USA) over the period of 1976–2008 employing the General equilibrium model. The study established that trade protectionism could increase the demand for USA domestic manufactured goods as a result of decreased foreign demand but the simulation results showed that USA trade protectionism reduced manufacturing sector employment.

Ugwuja and Chukwukere (2021) examined the concept of trade protectionism and border closure in Nigeria from the political economy perspective by reviewing rice production from 1984 till date. This study established that

even though trade protectionism will boost the domestic economy which is in line with the international trade theory, not all stakeholders will benefit from it as there was evidence of food inflation within the period under review.

Cheng et al. (2021) studied the impacts of trade protectionism on the Indian economy especially on the manufacturing sector from 1970 to 2017 using the ordinary least square (OLS) econometric technique. The study opined that there are two sides to the trade protectionism theory. In their analysis, it was stated that even though trade protectionism provides a less competitive market for domestic industries and provides a relatively stable environment for their growth; encourages exports, and also increases revenue to the government, the policy may not be sustainable as the high tariff rate will eventually harm the economy GDP.

Abegunde and Fabiyi (2020) reviewed the implication of the recent Nigeria-Benin border closure on Nigeria's economic development. He employed the OLS technique and affirmed that border closure which had the major aim of protecting the economy has only increased smuggling which is carried out by citizens of both countries. He also established that domestic production, income, and patronage increased with reduced national fuel consumption and increased seizure of contraband goods. He, therefore, concluded that the border closure was not to the economic development of Nigeria.

3 Methodology

Descriptive analysis was used. It entails the systematic collection and prescription of data to give a clear picture of a particular situation. It can be carried out on a small or large scale (Eboh, 1998).

This study employs the Classical Linear Regression Model to investigate the effect of protectionist policies on economic development in Nigeria. The Classical linear regression model is useful when the relationship that exists between variables is linear.

Functional Form of the Model

RGDP = f(TO, EXR, IMT, INF)

Mathematical Form of the Model

$$\mathrm{GDP}_t = \beta_0 + \beta_1 \mathrm{TO} + \beta_2 \mathrm{EXR} + \beta_3 \mathrm{IMT} + \beta_4 \mathrm{INF}$$

Econometric Form of the Model

$$\mathrm{GDP}_t = \beta_0 + \beta_1 \mathrm{TO} + \beta_2 \mathrm{EXR} + \beta_3 \mathrm{IMT} + \beta_4 \mathrm{INF} + \mathrm{U_t}$$

Where GDP = Gross Domestic Product

TO = Trade Openness

EXR = Exchange Rate

IMT = Import Tariffs

INF = Inflation Rate

β_0 = Intercept Parameter

$\beta_1 - \beta_3$= Coefficients of the variables

U_t = Error Term

4. Data Analysis

Preliminary Descriptive Statistics

Test for Stationarity (Unit Root Test)

The Augmented Dickey Fuller (ADF) was employed for this study, to determine if the variables in the model are stationary, that is to ascertain whether the mean, variance, covariance of each of the variables used in the model are constant over time, generated through a stochastic process. For the ADF test, a variable is stationary if the absolute ADF value is greater than any of the absolute Mckinnon critical values (at either 5%, 1% or 10%).

H_0: The time series variables have unit root.

H_1: The time series variables are stationary.

Decision rule: Reject H_0 of the absolute value of ADFis greater than any of the Mckinnon critical values in absolute terms. We fail to reject, if otherwise.

Table1: Result of ADF Unit Root Tests

Variable	Level Form	5% Critical Value	First Difference	5% Critical Value	Order of Integration
LGDP	-4.186	-2.954	__	__	I(0)
IMT	-2.299	-2.954	-5.953	-2.957	I(I)
TO	-3.402	-2.954	__	__	I(0)
EXR	1.161	-2.954	-4.536	-2.957	I(1)
INF	-3.377	-2.957	__	__	I(I)

***Source**: E-views 9 software*

The data for the variables gross domestic product and trade openness are all integrated at levels, while data for the variables import tariffs, inflation and exchange rate are integrated at I(I). This is also to say that these variables do not have a unit root or that they are stationary. Since these variables are stationary, we are going to carry out the co-integration test to determine if they have a long run relationship.

Co-Integration Test

Variables might not be stationary at levels but from their linear combination might be stationary at level form. Since all the variables are stationary, we adopt the co-integration test, to check for long-run relationships in the model. This study adopted the Johansen co-integration test methods. In this test, trace statistics were used to interpret the outcome**.**

Test of Hypothesis:

H_0: There are no co-integrating equations.

H_1: Co-integrating equations exist.

Decision Rule: Reject the null hypothesis if trace statistics > 5% critical value. Do not reject if otherwise.

Table 2: Output from the Johansen Co-Integration Test

Hypothesized No. of CE	Trace Statistics	0.05% Critical Value
None*	112.7775	69.8189
At Most 1*	54.87491	47.8561
At Most 2	23.86100	29.7971
At Most 3	10.56256	15.4947
At Most 4	0.006139	3.84146

***Source**: E-views 9 software*

From the Table 4.3, it is evident there exist a long-run relationship since the trace statistics is greater than the 0.05 critical value. The co-integrating rank is 2 (i.e., number of variables of study minus number of co-integrating vectors: 5 – 2 = 3). Thus, at 0.05 level of significance, we reject the null hypothesis and conclude that there is co-integration amongst the variables in the model. This suggests long run relationship amongst the variables.

Regression Results (OLS)

After the application of the ordinary least square (OLS) estimation method on the model earlier suggested in the previous chapter, the following results shown in the table below was obtained.

Table 3: OLS Estimation Result (Dependent Variable: LGDP) Newey-West HAC Applied

Variable	Coefficient	Standard Error	t-Stat	p-Value
IMT	-0.0037	0.0189	-0.2001	0.8427
EXR	0.0160	0.0031	5.0756	0.0000
TO	0.0354	0.0241	1.4668	0.1532
INF	-0.0137	0.0135	-1.0183	0.3169
C	27.299	1.5058	18.128	0.0000
R^2 = 0.83, Adjusted R^2 = 0.81, F-Stat = 37.8969, Prob(F-stat) = 0.0000 DW = 0.357				

***Source**: E-views 9 software*

Discussion of Results

Import tariff has a coefficient of -0.003, and this shows that a unit increase in the import tariff will reduce the gross domestic product of Nigeria by 0.003 units, which is insignificant. The exchange rate has a coefficient of 0.016. This means that a unit increase in the exchange rate will increase the gross domestic product in Nigeria by 0.016 units. The value of the t-statistics and the p-value indicate that this effect is statistically significant. The fact that the inflation rate has a coefficient of –0.013, shows that a unit increase in the inflation rate is going to cause the gross domestic product to decrease by -0.013 units. However, the effect of the inflation rate on gross domestic product is insignificant as shown in the t-statistics, which is lesser than 2. Trade openness has a coefficient of 0.035 which shows that a unit increase in trade openness is going to increase the gross domestic product of Nigeria by 0.035 units. This goes in line with the a priori expectation because an increase in the rate of export as a ratio of imports adds extra value to economic output.

Diagnostic Tests

1. Test for Multicollinearity: One of the assumptions of the OLS is the assumption of no multi-collinearity among the regressors in the model. In carrying out this test, a simple rule of thumb is used to search for a high pairwise or zero-order correlation between any two regressors. If the correlation coefficient is in excess of 0.8, then multi-collinearity is a serious problem (Gujarati and Sangeetta, 2007).

Decision rule: If the correlation coefficient is in excess of 0.8, then there is multi-collinearity between two regressors.

Table 4 Correlation Matrix

	LGDP	IMT	EXR	INF	TO
LGDP	1.000000	-0.603506	0.880708	-0.581218	-0.093181
IMT	-0.603506	1.000000	-0.544250	0.794118	0.002611
EXR	0.880708	-0.544250	1.000000	-0.451688	-0.342143
INF	-0.581218	0.794118	-0.451688	1.000000	-0.216832
TO	-0.093181	0.002611	-0.342143	-0.216832	1.000000

***Source**: E-views 9 software*

The correlation matrix above tells us that the independent variables used in this study are not strongly correlated with one another. This is because the correlation coefficients between the variables are all less than 0.8, as explained by Gujarati (2005).

2. **Test for Heteroskedasticity:** The White General Test for Heteroskedasticity (gross terms) is employed in this study. That is, the squared residuals from the original regression are regressed on the original regressors, their squared values, and the cross product(s) of the regressors.

H_0: The variances are homoscedastic vs **H_1**: The variances are heteroskedastic

Decision rule: If the p-value of the Chi-Square <0.05, we reject the null hypothesis. And we fail to reject if otherwise.

***Source**: E-views 9 software*

Heteroskedasticity Test: White

F-statistic	1.424338	Prob. F(14,19)	0.2330
Obs*R-squared	17.41069	Prob. Chi-Square(14)	0.2350
Scaled explained SS	5.484663	Prob. Chi-Square(14)	0.9779

Source: Eviews 10.0

Since the probability of chi-square is 0.2350 which is greater than 0.05, we do not reject the null hypothesis and conclude that there no is heteroskedasticity in the model.

3. Test for Autocorrelation: The purpose of this test is to verify whether the errors corresponding to different observations are uncorrelated. The Breusch-Godfreytest is adopted for this test.

H_0: There is no autocorrelation

Decision rule: If the value of the p-value of Chi-Square <0.05, we reject the null hypothesis. We fail to reject if otherwise.

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	35.54655	Prob. F(2,27)	0.0000
Obs*R-squared	24.64154	Prob. Chi-Square(2)	0.0000

***Source**: E-views 9 software*

Since the probability of chi-square is 0.0000 which is less than 0.05, we reject the null hypothesis and conclude that there is autocorrelation in the model. This presence of autocorrelation in the model means that the standard errors of the estimation may be bloated due to the serial correlation of the error term. In order to correct this, the Newey-West HAC Method was employed in the regression estimation process.

Evaluation of Research Hypotheses

The research hypothesis of this study is evaluated in this section. As a reminder, our stated hypothesis includes;

H_{01}: There is no existing long-run relationship between protectionist policies and economic development in Nigeria

H_{02}: There is no significant effect of trade openness on economic development in Nigeria

H_{03}: There is no significant effects of import tariffs and exchange rate on economic development in Nigeria

Hypothesis one states that there is no existing long run relationship between protectionist policies and economic development in Nigeria. However, the Johansen cointegration tests conducted in the study highlighted the presence of two cointegrating equations, indicating that a long-run relationship exists between protectionist policies such as import tariffs, exchange rate and trade openness, and economic development in Nigeria.

Hypotheses Two state that there is no significant effect of trade openness on economic development in Nigeria. The regression analysis reveals a P-Value of 0.1532 for trade openness, (the proxy for protectionist policies), which is greater than 0.05. This means that trade openness has a positive and insignificant effect on economic development in Nigeria.

Hypothesis Three states that there are no significant effects of import tariffs and exchange rates on economic development in Nigeria. The regression analysis reveals a P-Value of 0.8427 for import tariffs, which is greater than 0.05, and a p-value of 0.0000 for the exchange rate, (the proxy for protectionist policies), which is lesser than 0.05. This means that the exchange rate has a positive and significant effect on economic development in Nigeria, while import tariffs have an insignificant negative effect on economic development.

Conclusion

The results of the ordinary least squares indicate that protectionist policies have a mixture of significant and insignificant effects on gross domestic product. The protectionist variables used in the study include import tariffs, exchange rates, and trade openness.

Recommendations

These recommendations bellowed are very important because they will create a net positive impact on the Nigerian economy. The government and all concerned parties are advised to heed these recommendations. Autarky, or government policies aimed at stifling the free flow of goods and services in and out of a country, have over time, been found to negatively hinder the economic activities of such nations. They are unable to make use of the various comparative and absolute advantages available due to such a situation. A nation prospers because it modifies its activities, by adapting to high-yielding economic practices, which is hardly possible in a protectionist regime.

The study recommends the following;

i. There should be a deliberate effort on the part of the government to make policies that will favour the exportation of products. This is because doing such means a high trade openness, and will have a positive effect on the economic development of the country, with the market for local goods being expanded, and the pool of natural resources and human resources widened.

ii. Also, import tariffs are used by the government to control imports into the country, and also as a source of revenue. Given that the study found import tariffs to have a negative effect on economic development, the study recommends that government reduces its import tariffs so as to help boost the overall economic output within the country.

iii. Furthermore, the study found exchange rates to positive impact on economic development. Therefore, the study recommends a strong exchange rate regime that will help local companies to compete with their global counterparts. Also, the exchange rate will help the country in building its foreign reserves. And inflation rate has a negative effect on economic growth, and rightly so, as inflation increases the cost of production of business organizations. The government is advised to apply all necessary measures to check the rate of inflation increase in the country.

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