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INTERNATIONAL TRADE EFFECT ON DOMESTIC FINAL CONSUMPTION IN NIGERIA

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ABSTRACT
This study is an impact analysis of the impact of international trade on domestic consumption in Nigeria from 1981 to 2021. Trade data were segregated into total trade, oil trade and non-oil trade three of which form the independent variables. Domestic also was disaggregated into total final consumption expenditure (TFCE), final consumption expenditure of household (FCEH), and final consumption expenditure of general government (FCEGG). The three were used as dependent variables. The data were collected from Bank of Nigeria (CBN) statistical bulletin. The data collected were analysis with ordinary least squares multiple regression with the aid of Stata version 15 software. Because of normality problems, the data were transformed using natural logarithm base 10 before analysis. The implication of this is more trade reforms in Nigeria. The three models produced by the analysis, models 7-9, show that total trade has no statistically significant effect TFCE, but oil trade and non-oil trade have significant effects on total final consumption expenditure. Also, the three trade variables do not have any statistically significant effect on (FCEGG) final consumption expenditure of general government. The implication of these is that oil trade exerts most influence on TFCE, FCEH and FCEGG more than non-oil trade. Export instability and commodity concentration are other issues in international trade but were not considered in the analysis and further research incorporating these variables is recommended.

Keywords: international trade, final consumption expenditure of household, final consumption expenditure of government, total trade, oil trade, and non-oil trade.

1. Introduction
Consumption refers to the direct utilization of goods and services by consumers, excluding the use of means of production, such as machinery and factories. Thus, the term consumption as used in this paper excludes the use of intermediate products in the production of other goods. Economists use statistical information on income and purchases to trace trends in consumption, seeking to map consumer demand for goods and services. In classical economics, consumers are assumed to be rational and to allocate expenditures in such a way as to maximize total satisfaction from all purchases. Income and prices are seen as two major determinants of consumption. Critics of the model, however, point out that there are many exceptions to rational consumer behaviour for instance, the phenomenon of conspicuous

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consumption, in which the high price of a product increases its prestige and adds to demand. Other exceptions to rational consumer behaviour stem from a situation like in Nigeria where imported products are raised to status symbols. Ukwu (1982) argues that too much of marketing effort in Nigeria is being expended on the servicing of imports and the consumption of luxury items by the urban elite with too little being invested on stimulating local productivity. Elmawazini and Manga (2008) maintain that trade and financial globalisation can affect the inequality within countries through three channels. The first channel is the changes in wages. The second channel is the changes in relative prices and consumption. The third channel is the change in household production. This study focuses on the second channel. The economic growth and recovery plan (ERGP, 2017-2020) of the federal government of Nigeria states:

> *After a shift from agriculture to crude oil and gas in the late 1960s, Nigeria's growth has continued to be driven by consumption and high oil prices…Oil accounts for more than 95 per cent of exports and foreign exchange earnings while the manufacturing sector accounts for less than one percent of total exports…Decades of consumption and high oil price-driven growth led to an economy with a positive but jobless growth trajectory (FGN, 2017, p. 10).*

Empirical investigations on the effects of international trade on domestic consumption are very scanty. Ogbeide (1990) studied the effects of international trade on domestic consumption patterns in third world countries. Though the findings of the study and the method of analysis are quite revealing, it is a cross-country analysis and analysts (Rodriguez and Rodrick 2001) question the methodological foundations of those arguments. Additionally, the study made use of panel data from 1960 to 1970, thus, there is need for further empirical investigation on individual country case analysis. The effects of international trade on domestic consumption in Nigeria attracted the attention of Ukwu (1985) which made use of panel data on Nigeria, but no model was used in measuring the effects; as it is a theoretical analysis. Besides the study is over many decades old hence there is need for fresh study that employ models in measuring the effects of international trade on domestic consumption in Nigeria. Accordingly, the objective of this study is to find out the relationship between international trade and domestic final consumption; and to find out which of the two variables. The paper is divided into five parts: introduction; literature review; methodology; data analysis; and discussions, conclusions and implications.

2. Literature Review: International Trade

Trade is a repeated sequence of exchanges of goods through market transactions (Abebefe 1995). It is referred to as international if it involves transactions beyond the boundaries of a sovereign political authority. Accordingly, Samuelson and Nordhaus (2002) see international trade as the system by which, nations export and import goods, services, and capital. They identify three differences between domestic and international trade as: expanded trading opportunities, sovereign nations and exchange rates adding that these have important practical and economic consequences. International trade has far reaching-implications and consequences on domestic consumption in Nigeria and in many developed and developing world. Rodney (1981) believe that it is typical of underdeveloped economies that they do not (or are not allowed to) concentrate on those sectors of the economy that will generate growth and raise production to a new level altogether, and there are very few ties between one sector and another so that (say) agriculture and industry could react beneficially on each other. He

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adds that whatever savings are made within the economy are mainly sent abroad or are frittered away in consumption rather than being redirected to productive purposes. International trade could be a disruption to domestic production.

The forces that lie behind international trade are that trade promotes specialization; and specialization increases productivity (Ingram and Dunn 1993 & Samuelson and Nordhaus 2002). Over the long run increased trade and higher productivity Samuelson and Nordhaus say raise living standards for all nations, adding "gradually, countries have realized that opening up their economies to the global trading system is the most secure road to prosperity" (Samuelson and Nordhaus 2002, p-297). Adam Smith argued in the wealth of Nations that economic growth is limited by the size of the market (1975 Reprints), Smith and classical economists were ardent supporters of free trade, because they saw trade as the engine of economic growth, opening up opportunities for people in all countries to improve their welfare. This view, and the related support for free trade policies has been the cornerstone of neoclassical trade theories like the Hecksher-Ohlin-Samuelson (HOS) model, where firms are supposed to compete on static comparative advantages in the realisation that free trade could maximize both national and international welfare. On the other hand, structuralist theories see trade between developed and underdeveloped countries as a zero-sum game in which the gains of one person directly correlates with losses of the other; as developed countries win perpetually at the expense of developing countries. Hartungi argues:

> *Many developing countries have weak economic, legal and political institutions, making them vulnerable to high levels of corruption, insecurity, and conflict. This situation is worsened due to lack of competitiveness in terms of labour, technology and skills. In the opposite, the developed countries have already had better infrastructure, highly skilled labour, advanced technology and good managerial skills. That in turn makes developing countries unattractive for foreign direct investment. Therefore, free trade as a game is an unfair competition and will only benefit the highly industrialized countries (Hartungi, 2006, p. 730).*

Nigeria and the other sub-Saharan African SSA countries have witnessed increased concentration on a few primary commodities with highly volatile terms of trade with, according to World Bank group of researchers, annual income loss due to terms of trade estimated at an average of $68 Billion per annum for SSA for the period 1972-1997 (in Soludo & Ogbu 2004). In spite of this huge yearly loss, cooperation systems between western and third world countries are flourishing though to the advantage of industrialized countries. Total world trade as at 2003 stood at US $13.5 trillion, a disaggregation of which showed that industrialized countries accounted for US$10.6 trillion or 78.4 percent of the total, while developing countries share was US$2.9 trillion or 21.6 per cent (CBN- ARSA, 2003). Of the total trade of developing countries, the non-oil exporting countries accounted for US$2.4 trillion or 81.8 per cent, while the oil- exporting countries were responsible for the balance of US$0.5 trillion or 18.2 per cent (CBN-ARSA, 2003). The import of this is that understanding consumption requires a basic understanding of the distribution of economic power and potential around the world. Consumer goods or goods for final consumption accounted for 43.0 per cent of the total imports in Nigeria in 2018 (CBN-ARSA, 2019). A breakdown according to the CBN revealed that importation of durable goods, valued at US$16.16 billion, accounted for 24.2 per cent of the total, while non-durable goods, at US$12.57 billion, represented 18.8 per cent of total consumer goods import for the year 2019. In terms of exports, the CBN reports:

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> *Aggregate merchandise export grew by 6.1 per cent to US$64.98 billion, equivalent to 13.7 per cent of GDP in 2019, compared with US$61.22 billion or 14.5 per cent of GDP in 2018. The increase was attributed to the significant rise in non-oil export receipts during the review period. A breakdown showed that crude oil receipts fell by 3.4 per cent to US$47.94 billion or 10.1 per cent of GDP in the review period, relative to US$49.61 billion or 11.7 per cent of GDP in 2018, attributed, largely, to decline in the price of Nigeria's reference crude, Bonny Light, by 8.4 per cent to US$66.41 per barrel in the review period, compared with US$72.53 per barrel in 2018. The decline was occasioned by the persistence of geopolitical tensions, slowdown in the Chinese economy, and dampened global demand. Gas export, including liquefied natural gas and condensate, also declined by 5.4 per cent to US$6.57 billion or 1.4 per cent of GDP, compared with US$6.94 billion (1.6% of GDP) in 2018. The value of non-oil export increased significantly to US$10.47 billion (2.2% of GDP) in the period, compared with the US$4.67 billion (1.1% of GDP) in 2018, resulting from increased export of agricultural products, reflecting steady progress in the diversification drive of the Federal Government (CBN-ARSA, 2019, p. 187).*

The import of the above is that crude oil still dominates Nigeria as crude oil still accounts for over 70 per cent of total export earnings. This as reported above is followed by export of agricultural products with little or no value addition. Reliance on primary products exports aids and breeds corruption as it produces and exacerbates rent-seeking within an economy (see: Soludo & Ogbu, 2004).

Ogbeide (1990) analysed the effects of international trade on the patterns of consumption in the public (state) and private sectors of 59 Third World Countries. Using regression statistical technique with cross national data obtained from World Bank country statistics/world tables, the study finds that international trade has significant positive effects on public consumption but significant negative effects on private consumption. Based on this, Ogbeide argues that, all things being equal, international trade distorts the economic structure (and hence the developmental process) of Third World countries by enriching the elite-dominated public (state) sector while devastating the private sector that directly affects the life chances of majority of Third World populations. The findings of the study also show that the percentage of GDI devoted to public consumption negatively correlates with total population and total population growth rate but positively correlates with urban population; while the percentage of GDI devoted to private consumption also negatively correlates with total population and total population growth rate but positively correlates with urban population. The obvious implication of the findings of this study is that for a country like Nigeria, one has to be connected with the international economy and or be in government/politics to be able to break the cycle of poverty. Thus, Ogbeide argues further that the world economy (measured by foreign trade, investment or indebtedness) and/or the expansion of the national state (measured by government spending) have aggravating effects on social inequality (measured by the Gini coefficient) in the Third World. This conclusion is in line with the more recent study of Elmawazini and Manga (2008). Though Ogbeide (1990) is a cross national study, the findings are quite revealing and there is need for fresh insight into this problem this time on a country case methodology approach.

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Trade Policy and Domestic consumption: Any country that engages in international trade must evolve a set of policies to govern its international transactions, including payment arrangements. According to Uduebo (1990), such policies are often influenced by many factors, including the country's development strategy, such as the need to protect local industries; developments in the external sector such as low levels of external reserves; socio-political factors like the decision not to trade with particular countries; and adherence to rules and regulations of organisations/institutions to which the country belongs.

From the mid-1970s and onward, Nigeria's main trade policy instruments shifted markedly away from tariffs to quantitative import restrictions, particularly import prohibitions and import licensing. The pervasive use of import restrictions/prohibitions as an instrument of policy in Nigeria derives from a longstanding import policy regime which was designed to promote and protect domestic industry, employment and BOPs objectives in context of an ISI strategy. Besides the protection of domestic industries, import restriction were somehow necessitated by unfavourable external circumstances, including a deterioration in terms of trade and sharp decline in the nations' oil revenue and foreign exchange reserves. The pervasive use of import prohibitions in Nigeria has another perhaps equally important reason, it was administratively easier Thliza pointed out adding that restrictive trade policies began to emerge between 1976 and intensified in the period 1978 and 1980. Also, the restrictive trade policies and the ban on certain imports were an avenue for operationalising the objective of self-reliance and reduced economic dependence as well as serve as a medium for promoting discipline in our consumption habits (Obadan, 1980). Studies on the impact of trade policies on domestic consumption (Akande 2003; Daramola 2005; & Mesike, Giroh and Owie 2008) show that domestic consumption is the major constraint to export. Mesike et. al argued that given the production constraint, the exporters of rubber latex were more induced by the output and producers price to supply for export. Studies on the effect of trade policy and the Nigerian rice economy (Akande 2003, & Daramola 2005) show that Nigeria has not been able to satisfy domestic demand for rice because the policies have not been effective and that given the increasing population, the problem may continue for some time. Nigeria is an importing country and may be affected by international trade policies only to the extent that such policies affect countries from which Nigeria imports rice.

3. Methodology

This is panel data research and the data used in the study were sourced from official documents published by the relevant government agencies mostly the various editions of the Central Bank of Nigeria (CBN) Statistical Bulletin and the Annual Report and Statement of Accounts. Being panel data research, the population corresponds to the documents studied as well as the variables concerned, that is domestic consumption, segregated into final consumption expenditure of household and final consumption expenditure of government. International trade is divided into oil trade and non-oil trade. the sample corresponds to the period covered and that is 1981 – 2021, which is a 41-year period. The variables/constructs used in our analysis are: total trade, oil trade, and non-oil trade as independent variables; total final consumption expenditure (TFCE), total final consumption expenditure of household (FCEH) and total final consumption expenditure of general government (TFCGG) as the dependent variables. Ordinary least squares regression analysis was employed in the data analysis and the models are:

$$TFCE = a + \beta(\text{Total trade}) + \beta(\text{Oil trade}) + \beta(\text{Non-Oil trade}) + \varepsilon i \text{------(1)}$$
$$FCEH = a + \beta(\text{Total trade}) + \beta(\text{Oil trade}) + \beta(\text{Non-Oil trade}) + \varepsilon i \text{------(2)}$$

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$$FCEGG = a + \beta(\text{Total trade}) + \beta(\text{Oil trade}) + \beta(\text{Non-Oil trade}) + \varepsilon i \text{------(3)}$$

Where: β is the coefficients
E is the error terms

The variables/constructs are not of equal weightings. Some are in few billions while others are large billions. Also because of normality issues, the figures for the variables were brought to natural logarithm base10, hence the final models are given thus:

$$\text{Log}(TFCE) = a + \log\beta(\text{Total trade}) + \log\beta(\text{Oil trade}) + \log\beta(\text{Non-Oil trade}) + \varepsilon i \text{------(4)}$$
$$\text{Log}(FCEH) = a + \log\beta(\text{Total trade}) + \log\beta(\text{Oil trade}) + \log\beta(\text{Non-Oil trade}) + \varepsilon i \text{------(5)}$$
$$\text{Log}(FCEGG) = a + \log\beta(\text{Total trade}) + \log\beta(\text{Oil trade}) + \log\beta(\text{Non-Oil trade}) + \varepsilon i \text{------(6)}$$

The last stage of the analysis is the Regression model testing. The whole analysis was conducted with the aid of Stata 17 software.

4. Data Analysis

This section is the analysis of the panel data and the analysis was done in three stages. First is the panel data shown in Table 1, which contains data on domestic consumption, and trade. The second stage of the descriptive analysis and tests of normality.

Table 1: Nigeria External Trade and Domestic Final Consumption 1981-2021 @ Current Market Prices.

Year	TFCE (₦'B)	FCEH(₦'B)	FCEGG (₦'B)	Oil Trade (₦'M)	Non-Oil Trade(₦'M)	Total Trade(₦'M)
1981	16.07	13.60	2.47	10,800.30	13,062.60	23,862.90
1982	21.42	18.28	3.14	8,228.70	10,748.20	18,976.90
1983	36.67	33.37	3.30	7,372.80	9,033.40	16,406.20
1984	62.21	58.74	3.47	9,123.00	7,143.30	16,266.30
1985	93.01	89.36	3.64	11,275.50	7,507.90	18,783.40
1986	86.06	82.24	3.82	9,282.40	5,621.80	14,904.20
1987	106.54	102.55	3.99	31,378.70	16,843.60	48,222.30
1988	159.80	154.90	4.90	32,238.50	20,400.00	52,638.50
1989	128.67	123.21	5.46	59,688.40	29,143.00	88,831.40
1990	176.04	170.00	6.04	112,699.60	42,904.40	155,604.00
1991	235.38	228.17	7.20	124,630.30	86,393.30	211,023.60
1992	418.94	400.39	18.55	220,945.40	127,817.50	348,762.90
1993	613.79	586.78	27.01	254,914.90	129,484.60	384,399.50
1994	947.42	916.13	31.29	243,059.80	125,788.20	368,848.00
1995	1,663.36	1,627.21	36.15	1,083,391.20	622,397.90	1,705,789.10
1996	2,338.51	2,301.28	37.23	1,448,394.60	423,775.40	1,872,170.00
1997	2,445.42	2,405.09	40.32	1,379,401.90	707,977.40	2,087,379.30
1998	2,978.92	2,912.81	66.10	893,640.70	695,634.70	1,589,275.40
1999	2,911.97	2,836.13	75.84	1,381,138.70	670,346.80	2,051,485.50
2000	3,007.48	2,857.51	149.97	2,141,718.09	789,027.60	2,930,745.69
2001	5,094.90	4,930.98	163.92	2,077,052.08	1,149,082.10	3,226,134.18
2002	7,540.82	7,386.64	154.18	2,011,155.83	1,245,717.18	3,256,873.01
2003	8,951.37	8,822.34	129.03	3,392,032.26	1,776,089.40	5,168,121.66

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2004	11,583.81	10,716.10	867.71	4,807,586.91	1,782,239.90	6,589,826.81
2005	14,899.53	13,848.74	1,050.78	7,937,877.86	2,109,513.27	10,047,391.13
2006	16,818.22	15,261.24	1,556.98	7,901,768.64	2,531,431.31	10,433,199.95
2007	26,093.17	22,816.87	3,276.30	8,878,727.22	3,342,983.73	12,221,710.95
2008	27,658.55	23,891.29	3,767.27	11,177,365.98	4,803,508.09	15,980,874.07
2009	33,187.00	29,427.61	3,759.39	9,174,200.04	4,912,775.80	14,086,975.84
2010	41,284.57	36,452.43	4,832.15	13,057,662.52	7,117,787.92	20,175,450.44
2011	46,849.73	41,437.72	5,412.01	17,366,751.38	8,865,778.24	26,232,529.61
2012	48,069.12	42,115.91	5,953.21	17,324,246.83	7,581,636.04	24,905,882.87
2013	64,542.29	58,745.85	5,796.44	16,561,219.19	8,140,219.13	24,701,438.32
2014	70,163.87	63,524.49	6,639.38	14,222,131.08	9,278,810.27	23,500,941.35
2015	80,059.90	74,410.95	5,648.95	9,909,705.44	10,011,521.71	19,921,227.15
2016	88,741.17	83,218.22	5,522.95	10,563,230.42	7,752,748.35	18,315,978.77
2017	96,659.36	91,599.98	5,059.38	15,528,695.64	9,264,293.40	24,792,989.04
2018	105,626.58	98,392.13	7,234.46	20,968,131.07	11,184,309.11	32,152,440.17
2019	116,200.84	108,085.82	8,115.02	20,238,224.32	20,122,277.88	40,360,502.19
2020	111,149.89	97,718.07	13,431.82	13,775,162.11	19,357,622.74	33,132,784.85
2021	117,472.21	108,468.24	9,003.97	22,825,184.53	18,773,484.43	41,598,668.96

Source: Data compiled and computed from Central Bank of Nigeria (CBN) Statistical Bulletin 2021

Notes: TFCE = Total final consumption expenditure; FCEH = Final consumption expenditure of household; FCEGG = Final consumption expenditure of general government. TFCE = FCEH + FCEGG.

As we can see in table 1, data on consumption are in billions while trade data are in millions so the we brought all data to same base by dividing the trade data by 1000. By this, all data were in billions before we proceeding to the analysis. After this we carried out a descriptive analysis to check the behaviour of the data before the main analysis.

```
. summarize OilTrade NonOilTrade TotalTrade TFCE FCEH FCEGG
```

Variable	Obs	Mean	Std. Dev.	Min	Max
OilTrade	41	6321.011	7229.394	7.3728	22825.18
NonOilTrade	41	4040.119	5599.843	5.6218	20122.28
TotalTrade	41	10361.13	12495.22	14.9042	41598.67
TFCE	41	28221.82	38883.16	16.07495	117472.2
FCEH	41	25833.89	35765.61	13.60023	108468.2
FCEGG	41	2387.932	3328.301	2.47472	13431.82

```
. swilk OilTrade NonOilTrade TotalTrade TFCE FCEH FCEGG

                    Shapiro-Wilk W test for normal data
```

Variable	Obs	W	V	z	Prob>z
OilTrade	41	0.82061	7.227	4.168	0.00002
NonOilTrade	41	0.73840	10.539	4.964	0.00000
TotalTrade	41	0.80636	7.801	4.330	0.00001
TFCE	41	0.73876	10.525	4.961	0.00000
FCEH	41	0.73526	10.666	4.989	0.00000
FCEGG	41	0.74687	10.198	4.894	0.00000

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The first part of the analysis output as shown above is the descriptive statistics which show the number of observations, mean, standard deviation, minimum and maximum. Descriptive statistics are used to check the behaviour of data hence we utilised these descriptive statistics to check the behaviour of the data we collected for the study. As we can see in the analysis output the standard deviation is more than the mean for all our data, that is, for the six constructs used in the study. This shows that there is very high variability in the data sets. To further check on the behaviour of the data we ran a normality check using the Shapiro-Wilk W test for normal data. As shown in the second part of the analysis output, the z-values for all the data are all above with p-values well below the 0.01 margin of error or level of significance. This shows that the normality tests for all our data are all highly statistically significant, thus indicating that for all the data sets the normality assumption is violated. The data sets are not normally distributed. Because of this, we transformed the data sets using logarithm base 10 before utilising the OLS regression for analysis. The multiple (OLS) linear regression with the transformed values is the next discourse.

```
. mvreg LgTFCE LgFCEH LgFCEGG = LgTotalTrade LgOilTrade LgNonOilTrade, corr
```

Equation	Obs	Parms	RMSE	"R-sq"	F	P
LgTFCE	41	4	.1975281	0.9758	496.4826	0.0000
LgFCEH	41	4	.1991175	0.9752	484.7234	0.0000
LgFCEGG	41	4	.3487493	0.9359	180.0437	0.0000

	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
LgTFCE						
LgTotalTrade	-5.367815	2.746606	-1.95	0.058	-10.93297	.1973363
LgOilTrade	3.514834	1.682277	2.09	0.044	.1062174	6.923451
LgNonOilTrade	2.897597	1.093213	2.65	0.012	.6825373	5.112658
_cons	2.163607	.818256	2.64	0.012	.505663	3.821551
LgFCEH						
LgTotalTrade	-6.133794	2.768706	-2.22	0.033	-11.74373	-.5238633
LgOilTrade	4.016872	1.695813	2.37	0.023	.5808278	7.452916
LgNonOilTrade	3.156346	1.10201	2.86	0.007	.9234622	5.389229
_cons	2.366919	.82484	2.87	0.007	.6956349	4.038204
LgFCEGG						
LgTotalTrade	4.018537	4.849319	0.83	0.413	-5.807116	13.84419
LgOilTrade	-2.675903	2.970174	-0.90	0.373	-8.694047	3.342241
LgNonOilTrade	-.224871	1.930142	-0.12	0.908	-4.13571	3.685968
_cons	-1.990067	1.444686	-1.38	0.177	-4.91728	.9371458

There three models in the regression output: TFCE model, FCEH model and the FCEGG model. the first model is the aggregate and this shows that log (Total Trade) has a coefficient

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of -5.3678. This means that a one unit or one billion Naira increase in total trade will produce a 5.3678 billion increase in total final consumption expenditure. Log (Oil Trade) has a coefficient of 3.5148 and this implies that a one billion increase in oil trade will increase total final consumption expenditure by 3.5148 billion naira. Log (Non-Oil Trade) has a coefficient of 2.8976 which means that a billion naira increase in non-oil trade will result to 2.8976 billion naira increase in total final consumption expenditure. These imply that bulk of items consumed in Nigeria are imported, that is to say that Nigeria domestic consumption is import dependent with oil trade accounting and explaining the bulk of Nigeria's domestic final consumption expenditures as shown by the size of the coefficients. The second model is the FCEH model with the trade variables. Log (Total Trade) has coefficient of -6.1338 which means that a one million increase in total trade will lead a 6.1338 billion naira decrease in in the FCEH. This implies that both items go in opposite direction. Log(Oil Trade) coefficient is 4.0169 and this implies that a one billion naira increase in oil trade will lead to a 4.0168 billion naira increase in FCEH. Also, log (Non-Oil Trade) has a coefficient of 3.1563 which implies that a one billion naira increase in non-oil trade will lead to a 3.1563 increase in FCEH. The last model is the model of FCEGG. Under this last model, log(Total Trade) coefficient is 4.0185 and this implies that a one billion naira increase in total trade will result to a 4.0185 increase in FCEGG. Log(Oil Trade) has a coefficient of -2.6759 which implies that a one billion naira increase in total trade will lead to 2.6759 decrease in FCEGG. Lastly, log(Non-Oil Trade) coefficient is -0.2249 which implies that a one billion naira increase in non-oil trade will lead to a 0.2249 billion naira reduction in FCEGG.

Regression Equation:
Lg(FCEGG) = -1.99 - 2.68 Lg(Oil Trade)- 0.22 Lg(Non-Oil Trade)+ 4.02 Lg(Total Trade)---(7).

Regression Equation:
Lg(FCEH) = 2.367 + 4.02 Lg(Oil Trade) + 3.16 Lg(Non-Oil Trade)-6.13 Lg(Total Trade)---(8).

Regression Equation:
Lg(TFCE) = 2.164 + 3.51 Lg(Oil Trade) + 2.90 Lg(Non-Oil Trade)-5.37 Lg(Total Trade)---(9).

As shown in the three models above, total trade has no statistically significant effect TFCE, but oil trade and non-oil trade has significant on TFCE. The three trade variables have statistically significant effect on FCEH. Also, the three trade variables do not have any statistically significant effect on (FCEGG) final consumption expenditure of general government. The implication of these is that oil trade exerts most influence on TFCE, FCEH and FCEGG more than non-oil trade.

5. Discussions, Conclusions and Implications

This paper is an empirical analysis of the effects of international trade on domestic consumption and was based on panel data covering the period 1981 – 2021. Multiple linear regression was used to analyse the effects of international trade on domestic consumption. Table 1 above contains data on components of domestic consumption and trade. The three models produced by the analysis, models 7-9, show that total trade has no statistically significant effect TFCE, but oil trade and non-oil trade have significant effects on total final

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consumption expenditure. Also, the three trade variables do not have any statistically significant effect on (FCEGG) final consumption expenditure of general government. The implication of these is that oil trade exerts most influence on TFCE, FCEH and FCEGG more than non-oil trade. All these show that international trade has serious and undesirable effects on domestic consumption and this agrees with Ogbeide (1990) and Ukwu (1985) that international trade has negative effect on domestic consumption as it brings about segregated development. Ukwu argued that too much of marketing effort in Nigeria is being expended on the servicing of imports and the consumption of luxury items by the urban elite with too little being invested on stimulating local productivity. The obvious implication of the findings of this study is that international trade should aid domestic production and not just consumption. Mesike et. al (2008) emphasize that another channel by which trade liberalization can be expected to provide major benefits to the performance of developing countries, is through its competitive effect by fostering domestic competition on domestic pricing; pointing out that if this channel were to be more widely recognized, then trade policy may be viewed as another effective policy to promote competition. The Nigeria federal government national development plan, 2021-2025 states that: *strengthening the coordination of monetary, fiscal, trade and industrial policies, in a manner that recognises and resolves any trade-offs or indeed, tensions, across these policies to maintain the optimal growth trajectory, is critical* (p.178).

The forces that lie behind international trade are that trade promotes specialization; and specialization increases productivity (Ingram and Dunn 1993 & Samuelson and Nordhans 2002). In Nigeria, this study has shown, international trade is yet to achieve this as trade is yet to bring about specialisation and the attendant increase in productivity. Inconsistency, in Nigeria's trade policy implementation has continued to rub the country of its economic potential. Domestic demand in Nigeria attest to a market that is under-served with massive scope for growth. This has implications for further trade reforms such that trade enhance productivity and not just consumption. The federal government ERGP states:

> *Oil dominates Nigeria's export of goods and services, with crude oil exports accounting for 94 per cent of our export earnings (2011-2015). Imports are more diversified. Given the reliance of exports on oil, any external price shock or internal production disruption affects the trade balance. In 2015, the trade balance worsened and went into deficit as oil prices plummeted. As foreign reserves are used to meet import needs, the relative demand for naira weakens and the currency depreciates. This situation is not sustainable. To increase the resilience of the trade balance and guarantee the continued availability of foreign reserves, Nigeria must diversify its export base* (p.49).

Finally, this study has looked into the effects of international trade on domestic consumption in Nigeria with total trade, oil trade and non-oil trade as independent variables. But there are other variables in international trade like export instability and commodity concentration; and other determinants of consumption and economic growth like population. Further studies are required in these areas and the import of it that Nigeria is still a mono-cultural economy with one dominant export commodity, crude oil. Importantly, studies linking the stunted economic growth of less developed countries to export instability were reported (in Mesike, et. al 2008). We noted in the literature that Nigerian and the other sub-Saharan African SSA countries have witnessed increased concentration on a few primary commodities with highly volatile terms of trade with annual income loss due to terms of trade estimated at an average

of $68 Billion per annum for SSA for the period 1972-1997 (see: Soludo and Ogbu 2004). Further empirical studies incorporating these variables are therefore recommended.

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