

Export Performance in Nigeria and China: A Comparative Study

Mogaji, Oluwafemi¹, Falade, Abidemi Olufemi Olusegun²

^{1,2}Postgraduate Student, Department of Economics, Adekunle Ajasin University, Akungba-Akoko, Ondo-State, Nigeria

Abstract: Exports are drivers and indicators of long-term economic growth and sustainable development in any given economy. Despite its importance most of the reviewed studies focused on the export performance and macroeconomics variable in a country, without considering a comparative study between two countries.

The study therefore, examined the comparative analysis of export performance in Nigeria and China from 1980-2017. The study relied on secondary data which were collected from Central Bank of Nigeria (CBN) Statistical Bulletin and World Bank Development Indicator with the adoption of Vector Autoregressive model (VAR) for the formulated objective.

The VAR result showed that in both Nigeria and China gross domestic product stimulated export performance with 2.5% and 0.9% respectively. Also, findings revealed that gross fixed capital formation contributed 2.9% to Nigerian economy performance whereas, exchange rate contributed 1.9% to Chinese economy performance. Furthermore, consumer price index had no significance influence on export performance in both countries.

The study therefore, concluded that gross domestic product jointly influenced economy performance of both countries with greater effect on Nigerian export performance; while gross fixed capital formation and exchange rate individually influenced it in Nigerian and China. It was recommended that the governments in both countries should introduce policies that will promote exports through gross domestic product. Likewise, Nigerian government should continue spending on her fixed capital formation especially in areas like infrastructural development; while firms should be encouraged to spend more on fixed assets.

Keywords: Export performance, gross domestic product, gross fixed capital formation, Vector Autoregressive model (VAR)

I. INTRODUCTION

Exports of goods and services by a country provide foreign exchange to the country and enable such country to import its needs such as intermediate goods, consumption goods, capital goods, etc. According to Nguyen (2011) both imports and exports are beneficiary to a country that involves in them, imports of intermediate goods and capital goods facilitate economic growth through technological diffusion. For export, it makes foreign exchange available for a country likewise encourages local production especially in country that are more technological advance like China. In lieu of this, Awokuse (2007) remarks that exports allow capital formation and thus stimulates output growth through earning foreign exchange and imports of intermediate goods. The significance impact of exports on economic development in developing

and emerging economies like that of Nigerian and China has been widely recognized. Ideally, export activities stimulate growth in a number of ways including production and demand linkages, economies of scale due to larger international markets, increased efficiency, adoption of superior technologies, improvement of human capital development and increased productivity through specialization and creation of employment. (Fosu 1990; Basu 2000; Santos-Paulino 2000; Giles & Williams, 2000)

Nigeria has experienced economic growth over the past decades, in terms of increased revenue generation, enlarged budgeting and so on with little economic transformation when compared to other African countries in the sub-Sahara region like Kenya, South Africa and Egypt. Nigeria can be said to have experienced little economic transformation, due to factors that include large dependence on oil sector, increased government spending on recurrent expenditure projects and so on. Kumari and Malhotra (2014) argue that the rate at which an economy can experience transformation is a product of some factors such as efficiency in production and investment, good employment structure and most importantly export performance. Also, Hausman and Klinger (2006) shows that Nigeria's growth rate is slower than that of several other countries. For instances, Nigeria's GDP growth rate stood at 5.3% in 2000, 7.8% in 2005 and later declined to 2.7% within 10 years (2015); while that of China that was 8.5% in 2000 increased to 10.6% in 2010 and 6.9% in 2015 (World Bank, 2016).

One of the most amazing global economic developments in recent years has been the rapid emergence of China as a world economic power. China's economy is seen as one of the fastest growing economy of the world due to sound economic management, policy reforms, advancement in technology and diversification of its economy from agriculture to technology (Sacho & Wao, 2000). For instance, 7.8% was Chinese GDP growth rate in 1980, in 1985 it increased to 13.4%, 1992 14.2%, and declined to 10.6% in 2010. Similarly, World Bank (2015) with respect to nominal Gross Domestic Product (GDP) growth rate, the Nigeria and China economy are rated 23rd and 2nd position respectively in the world ranking of economies, with GDP (current US\$) of US\$486.793 billion and US\$11 trillion respectively. Also, in 2018, World Bank revealed that Nigerian GDP was US\$446.543 billion, while China GDP was US\$13.37 trillion. Also, China was rated 2nd while that of Nigeria was 27th in term of the world ranking of

economies and GDP growth. But in the 1990 ranking of the economies of the world based on GDP at current prices measure using the US\$ dollars China and Nigeria stood at the 11th and 35th positions respectively.

However, Export performances of a country can be influenced by various factors such as government policy, labor, natural resources, population growth and foreign direct investment. In spite of Nigeria's numerous mineral resources, vast arable land for agriculture and crude oil, export performance has remained poor if compared with the emerging Asian countries notably Thailand, Malaysia, China, India and Indonesia that were far behind Nigeria in terms of GDP per capita in 1970. These countries have transformed their economies and are not only miles ahead of Nigeria but also are major players in the global economy (Sanusi, 2010).

Yaqub (2011) asserted that the real growth of Nigerian economy is sluggish compared to the emerging economies in the world. Programs such as Austerity measure, Structural Adjustment Program (SAP), the National Poverty Eradication Program (NAEP), Economic Empowerment Policies and Strategies (NEEDs) and so on have been implemented to help improve the situation. These policies and strategies have not yielded the desired result of accelerated growth of the real GDP and economic diversification.

Many studies carried out on the relationship or effect of macroeconomic indices on export that include Abolagba *et.al* (2016) and Babatunde (2010) found a positive relationship between export and macroeconomic variables; while Ewetan and Okodua (2013) and Mishra (2011) found a negative relationship on export performance. Also, Rwenyagila (2013), Bbhavan (2016) and Wongit (2014) found inconclusive results on export performance. Although, most of the reviewed studies focused on the export performance and macroeconomics variable in a country, without considering a comparative study between two countries. In view of this, this study adds to literature through the comparative analysis of export performance of Nigeria and China.

1. Trend of Export Performances

Figure 1: Trend of Export Performances in Nigeria 1980-2017.

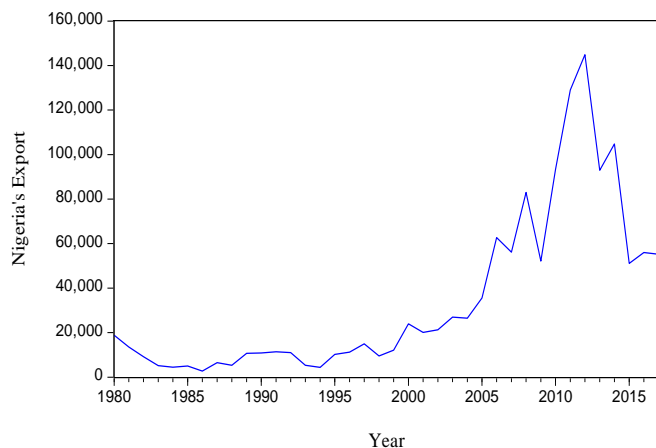
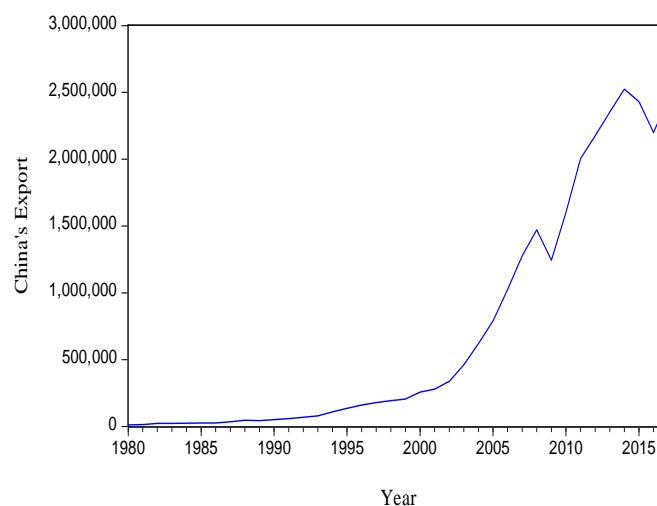


Figure 1 shows the trend of export performance between 1980 and 2017 in Nigeria. It was discovered that export performance in Nigeria declined between 1980 and 1986 from about 19 billion US dollar (\$19 billion) to about 2 billion US dollar (\$2 billion) and later increased to about \$6 billion in 1987. Between 1988 and 1991, export performance of Nigeria witnessed a minimal but steady increase ranging between \$5 billion to \$11 billion. Nigeria's export performance recorded inconsistencies growth between 1992 and 2001 ranging between \$4 billion and \$20 billion. However, export performance witnessed consistent growth in Nigeria between 2001 and 2006. The consistent growth during these period could be attributed to increase in sale of crude oil export. In 2007 Nigeria's export performance recorded a short fall and a subsequent increase in 2008. Export performance in Nigeria witnessed a sharp and remarkable increase between 2010 and 2012. For instance, within this 2 years' period exports increased by \$52 billion (\$93 billion - \$145 billion). As at 2013, exports stood at \$93 billion in 2013. In recent time (2015-2017) export performance in Nigeria has been inconsistent with low decrease and infinitesimal growth.

Figure 2: Trend of Export Performance in China, 1980-2017.



Also, figure 2 reveals the trend of China's export performance between 1980 and 2017. Export performance of China was constant and parallel to the horizontal axis during the early period of the study (1980-1982). Between 1983 and 1988, China's export performance slightly increased from \$22 billion to \$46 billion and further increased steadily between 1989 and 1992 from about \$43 billion to \$68 billion. The significant increase in this export might be due to consistent and viable China's economic policies. More so, China's export performance recorded a period of remarkable increase between 1993 and 2008 with increase that is more than 100% (\$79 billion to about \$1.4 trillion). In 2009, there was a subsequent decline of \$1.2 trillion in export. Furthermore, export performance sharply increased between 2010 and 2014 from \$1.6 trillion to \$2.5 trillion which later declined to \$2.4 trillion in 2015. Also, China's export increased between 2015 and 2017 from about \$2.1 trillion to \$2.4 trillion.

Empirical studies

Abolagba *et.al.*(2016) conducted a study on rubber export performance in Nigeria between the period of 1970-2015 using Ordinary Least Squared (OLS) techniques on macroeconomics variables such as exchange rate, interest rate, and import quantity and producer price. From the findings, it was discovered that interest influenced economic growth. On the contrary, Usman (2011), examined a study on performance evaluation of foreign trade and economic growth in Nigeria between the period 1970- 2005 using the same (OLS) techniques with the conclusion that foreign trade was inversely related to economic growth.

Kumari and Malhotra (2014) who conducted a research on trade led growth in India and China between 1980-2012 using Toda-Yamamoto (TY) approach and Cobb-Douglas production function on macroeconomic variables such as GDP per capita, export, import, gross capital formation and labour. The result found a unidirectional causality running from GDP per capita to export in India and bi-directional causality between GDP per capita and export in China.

Bhavan (2016) studied the determinants of export performance of Sri Lanka between 1980 to 2013 using Vector Autoregressive Model technique. The results submitted that all the variables identified in the model of study significantly influenced export in the long-run. Furthermore, in the long-run foreign direct investment (FDI), interest payment on foreign debt and import are found to have a positive impact, while gross fixed capital formation (GFCF) and per capita income are found to have a negative impact. Contrarily, Anagaw and Demissie (2011) conducted a research on the determinant of export performance in Ethiopia between 1970 to 2011 using the same methodology. It was discovered that REER, OPN, RGDP and PRC were directly related export performance. Also, real effective exchange rate, trade openness, real gross domestic product, Government spending on infrastructure and Private sector credit are positively related to export performance.

Wang (2013) conducted a research on the impact of determinants on textile and apparel export performance in 11 Asian developing countries using a Vector autoregressive (VAR) error model approach. The VAR result revealed that textile influenced export performance in the selected Asia countries. Rajini (2013) investigated the linkages between export, import and capital formation in India between 1991 to 2010 using Vector Autoregressive model techniques (VAR) and Granger causality. The VAR established a significant and direct effect of GDP capital formation on export growth. The results from granger causality test discovered a two-way relationship between export growth and capital formation.

II. DATA AND METHODS

This study focused more on the neoclassical theory of growth using the production function with the incorporation of the export as an additional input variable in the production process using Vector Autoregressive model (VAR).

$$Y = f(K, L, EXP) \quad (4.1)$$

Where; Y is the aggregate output (GDP), K is capital, L is labor force and EXP is total real exports of goods and services. However, economic theory says that both capital and labor have positive effects on overall output.

$$\Delta y_t = a_0 + \gamma y_{t-1} + a_{2t} + \sum_{i=2}^p \beta_i \Delta y_{t-i+1} + \varepsilon_t \quad (4.2)$$

Where p is the number of lags, $\gamma = \sum_{i=1}^n a_i - 1$ and $\beta_i = \sum_{j=i}^p a_j$

Bi-variate VAR models with only endogenous variables with p -lags (L) are formulated as:

$$\begin{bmatrix} GDP \\ EXP \end{bmatrix} = \begin{bmatrix} \beta_{10} \\ \beta_{20} \end{bmatrix} + \begin{bmatrix} GDP(L) & EXP(L) \\ GDP(L) & EXP(L) \end{bmatrix} \begin{bmatrix} GDP \\ EXP \end{bmatrix} + \begin{bmatrix} \varepsilon_{1t} \\ \varepsilon_{2t} \end{bmatrix} \quad (4.3)$$

And VAR models with exogenous variables with b -lags (B) for each exogenous variable are formulated as:

$$\begin{bmatrix} GDP \\ EXP \end{bmatrix} = \begin{bmatrix} \beta_{10} \\ \beta_{20} \end{bmatrix} + \begin{bmatrix} GDP(L) & EXP(L) & GFCF(B) & LAB(B) \\ GDP(L) & EXP(L) & GFCF(B) & LAB(B) \end{bmatrix} \begin{bmatrix} GDP \\ EXP \end{bmatrix} + \begin{bmatrix} \varepsilon_{1t} \\ \varepsilon_{2t} \end{bmatrix} \quad (4.4)$$

Both bi-variate VAR models can be written compactly as:

$$y_t = \beta_0 + \beta_1 y_{t-1} + \beta_2 y_{t-2} + \dots + \beta_p y_{t-p} + \varepsilon_t \quad (4.5)$$

Modifying equation (4.5) to include variables which are also capable of affecting export performance then we have:

$$EXP = f(GDP, GFCF, CPI, EXR) \quad (4.6)$$

Where; EXP represents Export, GDP represents Gross Domestic Product, $GFCF$ represents Gross fixed capital formation, CPI represents Consumer Price Index, and EXR represent Exchange Rate.

In order to avoid scaling problem of variable with large figure and improve the linearity of the stated model the econometric and natural log form of equation (4.6) becomes;

$$\ln EXP = \partial_0 + \partial_1 \ln GDP + \partial_2 \ln GFCF + \partial_3 \ln CPI + \partial_4 \ln EXR + \mu_t \quad (4.7)$$

The related a priori expectations are: $\partial_1 > 0$, $\partial_2 > 0$, $0 > \partial_3 > 0$, $\partial_4 > 0$,

III. PRESENTATION OF RESULTS AND INTERPRETATION.

Table 1: Unit Root Test for Nigeria

VARIABLE	Augmented Dickey Fuller unit root test (Nigeria)			Phillips-Perron unit root test (Nigeria)		Conclusion
	Test Statistics	Critical values@5%	Conclusion	Test statistics	Critical values@5%	
EXP	-7.274903	-2.945842	I(1)	-7.222408	-2.945842	I(1)
GDP	-4.849880	-2.945842	I(1)	-4.892228	-2.945842	I(1)
GFCF	-5.517173	-2.945842	I(1)	-5.541007	-2.945842	I(1)
CPI	-3.143885	-2.945842	I(1)	-3.133519	-2.945842	I(1)
EXR	-3.333793	-2.945842	I(1)	-3.333793	-2.945842	I(1)

Source: Researcher’s Compilation, 2020

Table 1 reveals that both the Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) unit root test for all the variables in Nigeria were stationary at first difference I(1) using 5% significance level as the benchmark.

Table 2: Unit Root Test for China

VARIABLE	Augmented Dickey Fuller unit root test (China)			Phillips-Perron unit root test (China)		Conclusion
	Test Statistics	Critical values@5%	Conclusion	Test statistics	Critical values@5%	
EXP	-4.355585	-2.945842	I(1)	-4.355585	-2.945842	I(1)
GDP	-6.260385	-2.945842	I(1)	-3.713255	-2.945842	I(1)
GFCF	-3.564260	-2.945842	I(1)	-3.037335	-2.945842	I(1)
CPI	-2.987858	-2.945842	I(1)	-3.086452	-2.945842	I(1)
EXR	-5.172257	-2.945842	I(1)	-5.172257	-2.945842	I(1)

Source: Researcher’s Compilation, 2020

Table 2 shows that all the variables tested for stationarity using the ADF and PP unit root test were stationary at first difference I(1).

Table 3: Co-integration Test on the Model in Nigeria.

H ₀	Trace Max-Eingen Statistics			Max-Eingen Statistics		
	Trace Statistics	Critical value at 5% level	Prob	Max-Eingen Statistics	Critical value at 5% level	Prob
r = 0	242.2899	125.6154	0.0000*	106.3508	46.23142	0.0000*
r = 1	135.9391	95.75366	0.0000*	44.90403	40.07757	0.0132*
r = 2	91.03507	69.81889	0.0004*	31.22448	33.87687	0.1004
r = 3	32.54891	29.79707	0.0235*	21.18041	21.13162	0.0492*
r = 4	11.36850	15.49471	0.1898	7.382934	14.26460	0.4449

* denotes rejection of the null hypothesis at the 0.05 level

Table 4: Co-integration Test on the Model in China.

H ₀	Trace Max-Eingen Statistics			Max-Eingen Statistics		
	Traces Statistics	Critical value at 5% level	Prob	Max-Eingen Statistics	Critical value at 5% level	Prob
r = 0	215.7721	125.6154	0.0000*	67.68243	46.23142	0.0001*
r = 1	148.0896	95.75366	0.0000*	43.76350	40.07757	0.0184*
r = 2	104.3261	69.81889	0.0000*	37.73721	33.87687	0.0164*
r = 3	34.11389	29.79707	0.0150*	27.56557	21.13162	0.0054*
r = 4	6.548312	15.49471	0.6307	5.524105	14.26460	0.6747

* denotes rejection of the null hypothesis at the 0.05 level

Tables 3 and 4 indicated that long-run relationship between export, gross domestic product, gross fixed capital formation, consumer price index and exchange rate in the model of Nigeria and China for the period of the study.

Table 5: Vector Auto-regression (VAR) Model Estimation

Results of Vector Auto regression Model (Nigeria)				Results of Vector Autoregression Model (China)		
R-squared = 0.868349; Adjusted R-squared = 0.790556; (F-statistic) = 11.16221				R-squared = 0.995312; Adjusted R-squared = 0.992187; F-statistic = 318.4983		
Variable	Coefficient	Std Error	t – value	Coefficient	Std Error	t – value
C	12.10920	6.87046	1.76250	1.272907	3.22922	0.39418
$\ln(EXP(-1))$	0.404586	0.16768	2.41291	0.677267	0.13141	5.15382
$\ln(EXP(-2))$	0.090046	0.23515	0.38294	0.156968	0.20387	0.76992
$\ln(GDP(-1))$	0.271840	0.19945	1.36296	-0.014962	0.17660	-0.08472
$\ln(GDP(-2))$	0.025936	0.01003	2.58664	0.034821	0.00984	3.53872
$\ln(GCFC(-1))$	0.029986	0.01620	1.85098	0.012657	0.00895	1.41434
$\ln(GCFC(-2))$	-0.023247	0.00428	-5.43154	0.023712	0.04001	0.59259
$CPI(-1)$	0.002374	0.16563	-0.01433	-0.000662	0.18636	-0.00355
$CPI(-2)$	-0.002502	0.13141	-0.01904	0.000817	0.15804	0.00517
$EXR(-1)$	0.003556	0.00558	0.63728	0.019219	0.00631	3.04798
$EXR(-2)$	0.000606	0.01675	0.03616	0.003112	0.00646	0.48173
$t_{0.05} = 1.697$ for one-tail						

Source: Researcher's Compilation, 2020

The results of the VAR estimates from Table 5 indicates that export for one lagged period and two lagged period had co-efficient values of 0.404586 and 0.090046 respectively. The findings showed that one lagged period of export ($\ln(EXP(-1))$) had a direct and significant effect on export performance with the t-statistic (2.41291) greater than the student t-test ($t_{0.05} = 1.697$) at 5 % significance level. In economic term, this implies that increase in sales and profits earn from the goods or service produced or manufactured in Nigeria and sold out to other developed and developing countries was due to immediate past performance in export. For China, the same conclusion was established with the one lagged period of export ($\ln(EXP(-1))$) showing a direct relationship and significant with the co-efficient value of 0.677267 and t-value of 5.15382. The co-efficient value of one lagged period of export in China is greater than that of Nigeria. The statistically implication of this finding is that immediate past export in China contributed 67.7% to annual increase in export performance while 40.4% was contributed to that of Nigeria.

The one lagged and two lagged periods coefficient of gross domestic product in Nigeria were 0.271840 and 0.025936 respectively. The result established that two lagged period of gross domestic product ($\ln(GDP(-2))$) had a significant and positive effect on export performance with the t-statistic (2.58664) greater than the student t-test ($t_{0.05} = 1.697$) at 5 % significance level. Also, for China, two lagged period of gross domestic product was significant with a direct relationship on export performance with the coefficient value of 0.00984 and t-value of 3.53872. In economic term, the finding implies that the market value of both the Nigeria and China on all the finished goods and services yearly stimulated export performance. In Nigeria, 1% increase in gross domestic

product improved export performance by 2.5%; while that of China was 0.9%. The finding showed that in Nigeria gross domestic product contributed more to export performance than that of Chinese economy, this is due to factors such as; Nigerian economy is a mono-economy, it depends sole on the sale of crude for her greater percentage of revenue generation; therefore, sale and export of crude oil determine increase in gross domestic product which contributes significantly to export performance. The signs of the coefficient conformed with the *a priori* expectation. This finding supported the works of Abolagba *et.al.*(2016) and Usman (2011) that established a direct and significant effect of GDP on export performance.

More so, the coefficient results for gross fixed capital formation in Nigeria were 0.029986 and -0.023247 in both the lagged one and two periods respectively. The findings established that gross fixed capital formation in Nigeria in both lag periods were statistically significant at 5% level with two lagged period having an indirect effect on export performance. In China, both lag periods had no significant effect on export performance. In Nigerian context the finding implies that in some certain period in Nigerian history improvement in fixed assets, total value of acquisitions by producers in the economy and the non-produced assets value jointly stimulate export performance. Also, in some certain period ($\ln(GCFC(-2))$) gross fixed capital formation became non-significant. For instance, prior to the discovery of crude oil in large quantity, Nigerian solely depend on revenue from export both in the Southern and Northern Nigeria. In the Southern part, rubber and cocoa were the traded export while that of Northern is groundnut. This revenue solely contributed to the country's fixed capital formation that later stimulate export performance before becoming insignificant. Whereas,

in China, gross fixed capital formation has never determined or influenced increase in their export. The non-significant nature of fixed capital formation in China could be attributed to development of her human capital which is not part of fixed capital formation.

The coefficient of consumer price index in both Nigerian and China showed positive and negative relationship with non-significant effect on export performance in the one lagged and two lagged periods. This finding is due to the fact that price of goods and services on weighted average have infinitesimal effect on export performance compared to exchange rate and others macroeconomic indices that have greater effect on it.

Furthermore, the coefficient of exchange rate in both lagged periods were 0.003556 and 0.000606 with non-significant effect on export performance in Nigerian. Whereas, in China, exchange rate one lagged period was 0.019219 with a direct and significant effect on export performance with the t-statistic (3.04798) greater than the student t-test ($t_{0.05} = 1.697$) at 5 % significance level. The positive sign of the coefficient of the exchange rate conformed with the *a priori* expectation. The significant nature of the exchange rate has two economic implications on export performance. Firstly, overvalued exchange rate encourages export; therefore, encourages most industries in the country especially the developing countries to embark on mass exportation of their raw material. For instance, China produces massively in their country and shipped to developed countries like America, Canada, Europe and others.

IV. CONCLUSION

The export performance of both Nigeria and China is an important one for policy makers in both countries. Based on the findings, it is established that export performance of Nigeria had similarities with China's export in the early period of the study but the China's export recorded a significant growth around late 1980s to early 1990s. This shows that in both Nigerian and China gross domestic product stimulated export performance with GDP contributing more to Nigeria's export than that of China, gross fixed capital formation was also a significant factor for Nigerian while that of China was exchange rate. Also, consumer price index had no impact on both Nigerian and China's export performance.

V. RECOMMENDATIONS

The governments in both countries should introduce policies that will promote exports through gross domestic product. Nigerian government should continue spending on her fixed capital formation especially in areas like infrastructural development; while firms should be encouraged to spend more fixed capital that include properties, plant, and equipment. Taking this action by the firm increases its stock fixed capital and for the government, it facilitates movement of goods and increase which have a greater influence on export performance. Also, exports facilitating schemes like export bonus, export financing and export credit guarantee schemes should be promptly announced to encourage the

exports in Nigeria and China. More so, both countries need to create more trade friendly environment in the economy by reducing tariff rates and putting exchange rate policies into efforts to favour exports.

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