Oil Exports, Non-Oil Exports and Exchange Rate in Nigeria (2000 - 2025)

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ABSTRACT

The study examines oil exports, non-oil exports and exchange rate in Nigeria. The Nigeria government relied mostly on oil exports for everything. It is clear that oil shocks and the dynamics in foreign diplomacy or global crises has a negative effect in our revenue generation from oil. This has reaffirmed the urgent need for economic diversification especially a drive towards non-oil exports where Nigeria have comparative advantage in terms of other countries. Therefore, this research adopts the library research methodology, which gives consideration to the kind of data used. The research assessed the various variables or components of non-oil exports and its contribution to the export's revenue. It was discovered that substantial revenue can be drawn from this sector particularly if the management of the economy focus towards non-traditional primary products (NTPP); process goods, manufactures. The study recommends that, the government should increase spending on agricultural products, exploration of solid minerals, and the manufacturing sectors to increase production and automatically it will lead to an increase in exportable goods and services. Generally, economic diversification will settle the critical issue of exchange rate determination.

Keywords: Non-Oil Exports, Oil Exports and Exchange rate

INTRODUCTION

Over the years, the Nigerian economy has suffered serious macro-economic instability ranging from unemployment, high inflation, huge fiscal and balance of payments deficits and excruciating debt burden. Some empirical factors have been identified, that is, weak agricultural growth, poor export performance, declining industrial output, increasing debt burden and foreign exchange shortages, these factors that are endogenous in nature can be redressed by the Nigerian government but factors like prices of export commodity and protectionism, etc. which are exogeneous are decided by the developed countries, therefore, emphasis should be shifted to the endogenous factors. Nigeria has remained a primary products export in a relative hostile international environment characterized by declining terms of trade, falling commodity prices, increased protectionism and the debt problem, the question that arises is, how did the Latin American and the South – East Asian countries achieve their success in the face of all these setbacks?

To attain the much-needed economic growth and development, there must be abundant foreign exchange (forex) and this can only be generated through a radical and comprehensive approach on 'Export promotion' (Ezeke & Ogege, 2012). This is an outward looking oriented industrialization approach, which has been perceived as a potentially effective strategy for dealing with the economic problems. Exports are major sources of finance for economic growth and development., several studies conducted by the United Nations, the World Bank and other bodies have shown that there is a positive correlation between the growth of a country's exports and its overall rate of growth, to promote exports implies the desire to earn foreign exchange. But the promotion of export cannot be effective in a commodity- dependent country like Nigeria.

It is obvious that, the Nigerian economy is heavily dependent on oil product and this dependency is the architect of our economic woes, Fajana (1994) wrote "Over dependence on oil has been a major cause of the country's crisis since the early 1980s. The manifestation of the crisis includes declining agricultural output (aggregated and per capita) and underutilization of production capacity, chronic under employment of both unskilled and

trained manpower, high rate of inflation, severe fiscal and balance of payment disequilibrium, unsustainable burden of external debts and a sharp decline in the general standard of living'.

As far back as pre- and post-independence era, non-oil exports occupied a substantial portion or provides the bulk of Nigerian forex but in recent times, this sector was totally neglected for crude oil. The discovery of oil in commercial quantities in the 70s blurred the positive and significant role played by non-oil exports, because the gains acquired during this period (1960 – 1970) could not be sustained and the sector (non-oil) was left to deteriorate, neglected and disregarding its potential to drive the desire growth and development of the Nigerian economy (Akpa, et al., 2022 & Anyanwu & Ojima ,2021), consequently, the volume of exports since then till date have been falling drastically and the prospects for its enhanced performance in the near future are not feasible, except and otherwise concerted effort are geared towards the improvement of the sector.

Non-oil sector has been constrained by numerous problems which include; decline in export volume, high cost of farm inputs, high demand (which cannot be met) for agricultural raw materials both for consumption and to service local industries, instability in primary product prices and earnings. (Akpan & Obayori, 2022). To address these problems, the country should make a swift change from the emphasis on traditional primary Product (TPP) for exports, to processed, manufactured and industrial products. The non-traditional primary products have fairy good export prospects in the long run.

There are some relevant questions of interest, for example;

1. Since non-oil sector has contributed so much in the past, why was it suddenly abandoned?
2. Are the government policies aimed at revamping the non-oil sector sufficient? Or are there poorly implemented?
3. Should the government continue to rely on oil revenue?
4. Should emphasis in export promotion strategy be focused on agricultural or manufactured exports?
5. Why should Nigeria after all these years as a nation is still addressed as an underdeveloped country?
6. What should be the optimum pattern of Nigeria's non-oil exports?
7. Should the county seek to export every possible tradable good or attempt to specialize?

A serious consideration of these problems reveal that a low production and high cost of production of both manufactured and agricultural produce are fundamental, therefore, any measures aimed at reducing costs and boosting production that will lead to an increase in forex earning will be welcomed.

Government policies put in place was supposed to have boost the non-oil sector but have been poorly implemented, most often, these policies have tempered with the development of the sector. The only yardstick that is recommended broadly in the later chapter is the diversification of the sector and to rejuvenate and properly co-ordinate the export promotion policy aimed at integrating non-oil products with an eye on non-oil traditional primary products (NTPP). These are the concern of this research work.

LITERATURE REVIEW

Policies and strategies of non-oil exports in Nigeria:

The Nigerian government has initiated policies and strategies to increase non-oil exports, however, despite all these policies and incentives there are still problems, which are yet to be addressed in order to pave way for a reliable export diversification strategy. Some strategies introduced by the government cannot be implemented due to the problems associated with policy implementation, inconsistency in government, political instability and administrative bottlenecks.

The intensive research and strategies on how to increase non-oil exports started in 1979, during this period there was fear and speculation amongst the economists and policy makers on the heavy reliance on crude oil as the only export commodity in Nigeria's export trade. A number of insinuations and questions began to generate and increase the tempo of Nigerians. If there is a downturn of event in oil market what will be the position of the Nigerian economy. These fears gingered up to the government to introduced measures aimed at alleviating the problem.

Later in 1980, the fear was materialized because there was a sharp decline in oil revenue due to glut in the international oil market. Nigeria policy makers hurriedly rolled out policies, strategies and decrees in order to conserve the already earned forex and to diversify the export base by expanding and promoting non-oil exports, but the efforts are yet to be realized because it is still and continuing to contribute less in forex earnings and the overall GDP.

The government for example introduced Nigeria Export Promotion Council (NEPC) in 1978, there was export incentives and promulgation decree of 1986, structural adjustment programme (SAP) of 1989 in addition to other abandoned campaigns like Operation Feed the Nation (OFN) and Green Revolution. All these policies were formulated to emphasize on the production of agricultural products but the lack of impact from these policies was as a result of poor implementation, co-ordination and an integration of other policies like self-reliance and employment generation. Due to this lack of articulated and conscious agriculture policy, non-oil exports declined in absolute terms from #3212 million or 97 per cent in 1960 to only #89.8 million or 1.8 per cent in 1961. In 1963 to 1970, the average volume of non-oil exports in relation to total exports was 68 per cent. It dropped to 21 percent between 1971 and 1980 rising to 41 per cent between 1981 and 1987, since there is a gradual rise in non-oil export, as indicated a lot of factors were responsible for the dramatic turn to agricultural production and exports besides the undesirable domination of crude oil. Sequel to the narrow base economy, the non-oil sector has been saddled with re-orientation and neglect, consequently, some major agricultural commodities such as cotton, palm, timber, groundnuts, hides and skins have virtually disappeared from the export list. The diversification of this sector is an outward looking oriented development policy, it had been observed that, the East Asian countries are succeeding as a result of this policy. Those countries placed emphasis on non-traditional primary products such as, processed primary products, semi manufactures and manufactured goods but the Nigerian policy makers are still looking at the traditional primary products, even when there is a rapid shift to the non-traditional primary products (TPP) the problem ridden industrial sector may not have the capacity of producing exportable surpluses of real manufactured goods (Obadan, 1994).

The Nigerian exports are classified into two categories: oil and non-oil. The non- oil sector is made up of traditional export products, and non-traditional export products, while the traditional export products are dominated by agricultural products which together with manufactures accounted for over 60 per cent of non-oil GDP.

Performance of non-oil sector

During the period 1981-1991, agriculture policy measures were designed to minimized and constrained on agricultural production. The scheme and campaign put in place were; Accelerated Development Area Projects (ADAPs), National Accelerated Food Production (NAFP), provision of extension services, roads and other infrastructures. Measures to encourage the use of modern technologies were pursued through the establishment of state farms and scheme, for example, River Basin Development Authority (RBDA) granting credits and marketing. In 1986-1988, the policies were to improve the declining agricultural sub-sector. Some of the packages include:

(1) Export credit scheme, export credit guarantee insurance, rediscounting non-oil short term bills, liberalization of exchange and retention of forex earnings by non-oil exports.

(2) Abolition of the commodity boards which hitherto had enjoined the monopoly of buying and marketing agricultural products

(3) Establishment of Directorate of Food Road and Infrastructure (DFRI) for the improvement of feeder roads and opening up rural areas.

(4) Rationalizing the activities of the River Basin and Rural Development Authority (RBRDA)

(5) Agricultural Development Projects (ADPs) and others

During this period tight monetary measures were adopted to reduce government deficits complemented by fiscal measures, likes;

(a) Abolition of the 30 per cent import surcharge, to reduce the expected inflationary impact of SFEM, Other import is rationalized, for example imports duties on agricultural imports, including tractors (CKD) were reduced.

(b). Industrial Policy: Industrial policy during the period of 1981-1986 were aimed at correcting the BOPs position, reduce the rate of inflation, accelerated growth in domestic production, mobilize domestic savings to facilitate the expansion and maintained social stability.

In order to achieve these objectives, a combination of fiscal and monetary policies and physical controls were employed throughout the period. SAP was introduced during the period of 1986-1988 to correct past distortions. This program was aimed at diversifying the production base, reduce dependence on the oil sector and achieve a BOPs viability. The industrial policies under SAP include among other objectives, the introduction of export incentives and promotion measures, that is, rediscounting of short terms bill for exports, 100 per cent of retention of forex earnings by non-oil exporters, simplification of export documentation procedures and re-organization of the Nigeria Export Promotion Council (NEPC). The objectives of these policies reform were to:

(1) Improve the efficiency and competitiveness of the manufacturing sector, its large-term growth potential and its use of scarce resources in the economy in line with Nigeria's comparative advantage,

(2) Promote the increase use of domestically sourced of raw materials and international goods.

(3) establish basis for the development of manufactured exports.

© Performance of agricultural sector: During this period agricultural performance was below expectation, going by CBN index for instance, agricultural production increased at an annual rate of 2.1 per cent subject to erratic fluctuation. In 1983, there was a decline by 8.9 per cent, while it increased by 6 per cent in 1986. However, the sluggish performance did not distort the output. GDP increased steadily from 33.4 per cent in 1981 to 27.9 per cent in 1986 which was as a result of gradual decline in the share of petroleum output.

Performance of agricultural in food production was discouraging, total food production as total agricultural production excluding forest product(s) increased at a rate of about 25 per cent, it was well below the estimated population growth rate of 25 – 30 per cent which is an important bench mark for evaluating national food sufficiency.

The inadequacy of food production instigated food importation, for example food imported in 1985 amounted to over two million metric tons, which was three times greater than the level in 1970s. the worst of it all was the importation of traditional primary products like palm produce, groundnuts and dairy products. Price of food items also increased at an annual rate of 20. 8 per cent and accounted for half of the total increase in consumer price index CPI).

In 1981 – 1986 the performance was still the same, total agricultural exports stood at 1.4 million metric tons. This resulted to a fall in total agricultural export earnings, for example, total agricultural exports, largely accounted for by cotton

Performance of the manufacturing sector: During this period 1981 -1986 and despite the policy measures adopted so far, the output of manufacturing took a downward trend. The index of manufacturing production (1972 -100)

fell by 71.4 per cent from 394-9 in 1981 to 325.5 in 1986. The contribution of manufacturing sector as a proportion of real GDP declined from 11.4 per cent in 1981, though 9.6 per cent in 1984 to 9.4 per cent in 1986.

The introduction of SAP saw a sudden upsurge performance of manufacturing sector and the declining forex earnings from the distressed oil sector since mid-1981. The input dependent for manufacturing sector tracked the availability of forex for procuring imported inputs such as raw materials, intermediate products, spare parts and machinery, etc. in 1981 about 60 per cent of the raw materials required for this sector (manufacturing) were imported. Output increased during the past SAP period from 3.9 per cent in 1986 to 31. 2 and 35.8 per cent in 1987 and 1988 respectively. The share of manufacturing in GDP rose from 9, 4 per cent in 1986 to 9.7 per cent in 1987 to 10.0 per cent in 1988. Manufacturing output also increased in the agro-based processing industries, for example food processing, vegetable oils. Textiles, wood products and leather.

Theoretical framework

One of the classical theories of international trade is the theory of comparative costs advantage propounded by David Ricaedo as an extension of Adam Smith (1876) theory of absolute advantage.

Adam Smith suggested that each country would benefit if it specialized in the production of those commodities which it could produce at a lower absolute cost than the other countries, indicating that countries should specialize in the production of those commodities and services in which they have an absolute advantage. Ricado did not object to Smith's analysis. It is obvious that, if one county has an absolute advantage over the other in one line of production and the other country in the second line of production both countries can gain by trading. The question now is what if it is more productive than the other country in all the lines of production.

In comparing the relative costs of producing one commodity in terms of another in the same country, Ricardo (1817) concludes that, if opportunity cost differs between two countries, it would be mutually advantageous for them to trade even though the absolute advantage is in favour of one country, that is, the law of comparative cost advantage.

Due to differences in climate, natural resources, geographical situation and efficiency of labour, a county can produce one commodity at a lower cost than the other, according to Ricardo each country will specialize in the production of those commodities in which it has greater advantage or least comparative disadvantage, that is, a country will export those commodity in which its comparative advantage is greeter and import those commodities in which its comparative advantage is the least, for example, if country A has an absolute advantage in the production of Cocoa as well as in the production of wheat, therefore, the lower cost of producing each unit of the commodities if less in country A than in B.

To demonstrate the gain from trade by each country in the face of absolute advantage of country A it is useful to introduce the concept of Opportunity Cost. Opportunity cost of good X for example, is the amount of other goods which have to be given up (forgone) in other to produce one additional unit of x, A country therefore has a comparative advantage in producing a good if the opportunity cost for producing the good is lower at home than in the other country.

As long as this is the case, both countries will gain from trade, regardless of the fact that, one of the countries might have an absolute advantage in both lines of production, specializing in commodity for which its costs are comparatively lowest, a trading nation would in Ricardo's words increase the 'sum of commodities and mass employment.

In modern times, according to economists like Hechsher and Ohline, they contended that, the immediate cause of international trade is the differences in relative commodity prices caused by differences in relative demand and supply of factors (factor price) as a result of differences in factor endowments between two countries. This approach is more fruitful because it brings factors of production into play, and it forces us to study in detail – factors, their interrelationship between commodities and factors outputs.

Indeed, John Stuart Mill states that trade according to comparative advantage result in a more efficient employment of the production forces of the World and that, this might be considered the direct economic advantage of trade. If trade should increase one's capacity for development, the larger the volume of trade, the greater should be the potential for development.

Despite the weaknesses inherent in the assumptions of the theory of comparative advantage, critics have only been able to modify and amplify it (Jhingan, 1994). The theory is still a useful basis for any economy. Paul Samuelson pointed out that, 'if theories like girls could win beauty contests, comparative advantage would certainly rate high, in that it is an elegantly logical structure'

Nigeria has no choice than to apply this theory in its production and export of non-oil products, especially with the obvious fact that Nigeria has a comparative cost advantage in the production of raw materials and process goods from non-oil commodities.

Empirical review

Recent evidence in Agricultural Non-Oil Export and International Reserve Accumulation (NJBFI Vol 11, 2025): the Study noted in resource-rich economies like Nigeria that, oil and non-oil exports represent two primary channels for forex accumulation. Over 90 per cent of foreign reserves derived from oil exports (Akighir & Kpoghul, 2020), with non-oil underestimated. Federal government should prioritize non-oil agricultural products (cocoa, palm oil, rubber) as viable forex channel while reserve accumulation serves as macro buffer to stabilize exchange rates.

Hinmikalu and AC-Ogbonna (2024) -studied that Effect of Non-Oil Export on Growth: The work employed ARDL modeling. Findings showed clearly that, non-oil export from agricultural commodities, craft/manufactured products and solid minerals do not have significant effect in short-run but does in long-run. They Concluded that, non-oil export will enhance economic growth and forex earnings if promoted.

Olawale and Emeso (2023), examined the effect of non-oil exports on economic growth in Nigeria from 1980-2022 using ARDL and ECM. The result found out that, oil exports and inflation had significant impacts, while non-oil exports showed mixed results with limited positive effect due to exchange rate instability and structural imbalances. They recommended stability macroeconomic variables for non-oil to maximize forex effect.

Okonkwo and Akamike (2023) wrote on Non-Oil Exports, Exchange Rate Management and Economic Growth: the annual data of ARDL technique was used from 1981-2021. The results showed that, oil and gas accounted for over 90 per cent of forex earnings since 1970s, but non-oil exports showed improvement in period 1960-1986. It also found out that, foreign exchange rate has negative and significant impact on economic growth rate, limiting non-oil export competitiveness.

Agu et al. (2021) - Balance of Payment and Non-Oil Export: Focused on impact of non-oil export on Nigeria's balance of payment 1981-2020. He used ARDL and ECM and found out that, non-oil exports have strong positive impact on Balance of Payments (BOP) both in short and long-run. A 1per cent increase in non-oil export increases BOP surplus by 31.47 per cent in the long-run. He recommended shifting from oil to non-oil as main source of foreign exchange in Nigeria.

Orji et al. (2021) studied non-oil export and Exchange Rate Nexus: He examined the nexus between Exchange Rate and Non-Oil Export 1985-2018 using data from CBN, NBS, World Bank. The study adopted ARDL with 7 variables: NOE, EXR, Credit to Private Sector, Trade Openness, Inflation, Interest Rate, FDI. The results showed that, exchange rate has positive and significant impact on non-oil export. The study recommended that, improving financial institutions and export-oriented policy to boost forex earnings.

Olawale (2018) cited in IJSMS (2021): he Investigated the impact of non-oil exports from 1980-2016 using FMOLS and Bounds test. The result revealed existence of long-run equilibrium and positive significant impact of non-oil export on economic growth. The study recommended that, government should provide infrastructural framework to broaden non-oil export base as alternative forex source in Nigeria.

Kromtit et al. (2017) cited in IJSMS (2021): the study analyses contribution of non-oil exports to economic growth from 1985-2015 using ARDL. The study findings revealed positive and significant relationship between non-oil exports and economic growth. Exchange rate had insignificant negative effect on GDP. He recommended that credit to non-oil sectors at lower interest rate to enhance forex earnings should be encouraged.

METHODOLOGY

The study adopts a qualitative descriptive research design. Descriptive research design involves the systematic collection and interpretation of information relating to existing conditions, policies, institutional arrangements, and economic realities. The choice of descriptive qualitative design is appropriate because the study seeks to critically examine the trend, policy implementation, and implications of non-oil exports and exchange rate administration in Nigeria rather than merely estimating statistical relationships. According to Saunders, Lewis, and Thornhill (2019), descriptive qualitative research enables researchers to explore policy issues comprehensively and explain relationships between economic variables within their real-life context. The design is therefore suitable for examining the complexities surrounding non-oil exports and exchange rate determination.

The study relies primarily on secondary sources of data. The secondary data used in this study are obtained from textbooks and development economics, peer-reviewed journal articles, reports from the Central Bank of Nigeria (CBN), National Bureau of Statistics (NBS) reports, publications of the World Bank, publications from the World Trade Organization, reports from the United and conference papers and policy briefs, etc.

Data Presentation, Results and Discussion

Table 1 Annual exports of oil and non-oil including exchange rate

Year	Oil Exports	Non-Oil Export	Exchange Rate
2000	1,920,900.40	24,822.90	101.7
2001	1,839,945.30	28,008.60	111.94
2002	1,649,445.80	94,731.80	120.58
2003	2,993,110.00	94,776.40	129.22
2004	4,489,472.20	113,309.40	132.89
2005	7,140,578.90	105,955.90	131.27
2006	7,191,085.60	133,595.00	128.65
2007	8,110,500.40	199,257.90	125.81
2008	9,861,834.40	252,903.70	118.55
2009	8,105,455.10	296,696.10	148.9
2010	11,136,167.80	405,856.10	150.3
2011	13,742,623.60	497,608.60	153.86
2012	14,526,757.00	157.5	157.5
2013	14,237,000.00	512,400.00	157.31

2014	11,947,000.00 594,700.00	158.55	358.81
2015	6,696,000.00	616,000.00	192.44
2016	8,527,000.00	685,200.00	248.8
2017	13,598,000.00. 1,204,900.00	305.79	305.79
2018	15,424,000.00. 1,445,000.00	306.08	306.08
2019	14,263,000.00. 1,717,000.00	306.95	306.95
2020	7,456,000.00. 1,540,000.00	358.81	358.81
2021	13,159,000.00	2,562,000.00	410.68
2022	20,187,000.00	3,207,100.00	439.5
2023	26,450,000.00	4,100,000.00	776
2024	28,100,000.00	5,400,000.00	1,481.00
2025	24,920,000.00	6,100,000.00	1,550.00

Source: National Bureau of Statistics and Statistical Bulletin (various Issues)

Figure 1

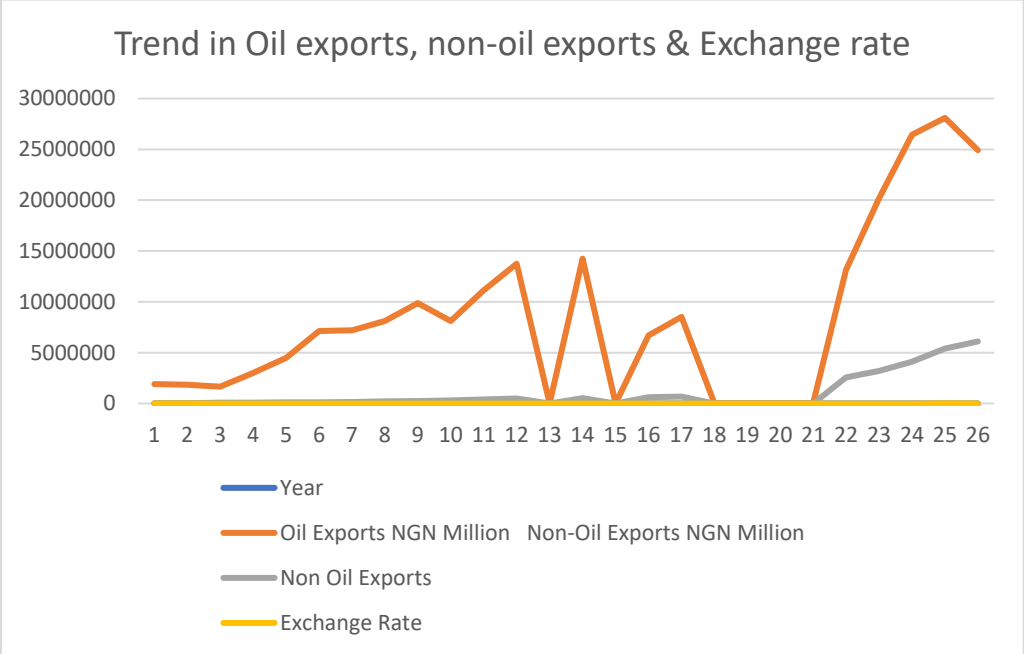


Figure 1 clearly show the trend of annual exports; that of oil and non-oil exports. From the chart oil exports fluctuated in 2013 to 2017, it rose astronomically in 2021 to 2025. While oil exports fluctuate non-oil exports was constant and very low pararell to the horizontal line until 2021 when it starts a sluggish upward trend. However, the fluctuations observed in oil exports and constant movement of the non-oil exports has no effect in the exchange rate. It shows that, the determination of the exchange rate does not come from exports of oil and non-oil. We may look at the specific or components of non-oil exports like the observation made in this research. The Non-Traditional Primary Products like the semi manufactured goods, manufactures and processed goods that have fairy good export prospects in the long run.

DISCUSSIONS

The promotion of exports (especially non-oil products) in Nigeria's development strategy is not a misplaced. If Nigeria is to derive significant benefits in her international trade, the country's export policies and strategies have to be well designed and efficiently implemented. For example:

(1) The focus of the strategy should be on the development of dynamic rather than static comparative advantage of the nation. Emphasis in the promotion of non-oil sector (NOE) should be encouraged but not Traditional Primary Products (TPP).

(2) To enhance efficient productivity and competitiveness of enterprises in the export sector. The following measures are necessary:

(i) upgrading of infrastructures

(ii) enhancement of human capital development

(iii) development and improvement of technology through increased allocation of resources to research and development (R&D).

(iv) provide support for the establishment and development of export markets.

(3) Improvement of investment climate in Nigeria for the inflow of private foreign investors.

(4) Preference should be given to exporters of manufactured goods in the allocation of forex-via dual exchange rate.

(5) Export earnings of preferred sector should be exchanged at higher rate than earning of non-priority sectors.

(6) Promotion of exports within the context of sub-regional and regional economic integration should be vigorously pursued.

(7) Development of new export products, and

(8) The import-substitution policy and export promotion are not mutually exclusive; they can be simultaneously developed as import substitution could be made in one industry which export promotion could be attempted in another.

The drive towards exports of manufactured goods

A lot of policies and programmes have been put in place to diversify the export base as far back as the early 1980s, when it was done to the nation that continuous reliance on oil can be fatal in economic growth and development, but not much has been achieve in terms of the objectives of these policies because the diversification is not broad based rather it centres on traditional primary commodities.

The unimpressive performance of non-oil exports despite the various export incentives and other export measures, which the government have introduced since 1986 shows that Nigerian economy relies mostly on traditional agricultural exports to the detriment of manufactured exports.

Experience drawn from the south east Asian countries indicate that, their break-through as the newly industrialized countries (NICs) is as a result of extensive investment on non-traditional exports.

CONCLUSION AND RECOMMENDATIONS

For a country to be developed, it is not a miracle but a long run concerted and coordinated planning. A country like Nigeria with vast variety of resources and manpower, her development process would not have been a problem. However, this research is an eye opener to the government agencies concern. Nigeria cannot be tied down on the apron string of the "wealth illusion" that is oil. This research has enhanced an immense opportunity for government to examine critically the various contributions of oil and non-oil sectors in Nigeria to its overall development.

It is agreed that, Nigerian development lies on the combined strength of oil and non-oil. In furtherance of this diversification process, manufactures and processed goods are the yardsticks for rapid economic emancipation and the movement from the doldrums of debt trap.

Finally, government are advised to re-adjust their policies which are insufficient and instituted pragmatic policies in order to increase the forex earnings, standard of living of the people, a balance of payments surplus, a realistic exchange rate and a virile industrial nation so that we can move from the vicious cycle of underdevelopment to virtuous cycle of development.

Recommendations

We have seen government actions in revamping the non-oil sector, the activities of the exporters and the international market, these three components combine to form the panacea for radical transformation of the Nigerian economy and the improvement of non-oil sector. Some solutions are suggested below and expectations to their impact cannot be over emphasized.

1. Economic diversification

Nigerian backwardness is traceable to her small and relatively poor industrial base. As a result, export trade is concentrated on one particular product (crude oil) sometimes primary products, the demand for which is inelastic. It is advisable that, Nigeria should diversify her economy, by designing an appropriate export promotion strategy with emphasis on the export of processed primary products, manufactured and manufactures. This area for export provides a strong impetus for accelerating industrial take-off, which can reduce volatility in the stream on foreign exchange earnings arising from dependence on one commodity.

Also, the diversification of markets is very important, most Nigerian products hitherto have been exported to western Europe whose market is saturated, it is high time we spread our tentacles to other markets like Eastern Europe, the socialist countries, the south-south trade especially trade within the ECOWAS sub-regions.

2. Increase in manufactured activities

The industrial capability of the East Asian's tigers anchored on manufactured goods. When a country is industrialized, there is variety of manufactures being exported. Nigeria must increase the tempo of manufactures by rolling out policies that may discourage export of traditional primary commodities, after all Nigeria has the man-power and the resources.

The trade in manufactures constitutes one of the most dynamic elements in international trade. It is not marked by such defects as persistent deterioration in terms of trade and instability of export earnings, which are basic features of the commodity trade. From our investigation, manufactures have however not made the desired impact in Nigeria's export list. Its contribution to total exports has declined tremendously over the years.

3. Promotion of non-oil exports

Policies necessary for the promotion of non-oil export are basically two-fold: the first-best and the second-best policies. The first best aim at liberalizing trade, that is:

(i) Abolition of commodity marketing boards

(ii) Removal of controls of the exchange rate

(iii) Abolition of import and export licensing system

(iv) Drastic reduction of the list of banned items

These measures are to reduce the high level of protection that existed in Nigeria before 1986. The second-best policies involved the institution of trade incentives and export subsidies, they include:

(a) Tax relief to manufactures

(b) Establishment of export processing zone

(c) Tax relief for interest income earned by banks on loans granted in aid of export activities.

(d) Refund of import duty on raw materials used for the production of export product under the duty draw-back scheme.

(e) Retention of export proceeds by non-oil exporters in domiciliary account of banks of their choice.

(f) Simplification of the export procedures and documentation.

(g) Increase the activities of Nigerian Export Promotion Council (NEPC)

(h) The establishment of the Nigerian export-import bank (NEXIM)

4 Government policies on non-oil exports

Government policies are yet to create an impact to non-oil promotion, except the exchange rate policy, others like infrastructures, technical education, expansion of physical and human capital etc. The major reason why government policies are still a drop of water in the ocean is the frequent change in government and policy. These cause macro-economic instability and is compounded by lack of co-ordination to policy implementation, which severely erodes policy credibility and sustainability, Orimaye (1997). Policies should be stable, appropriate, timely implemented, consistent and continuous.

To summaries the recommendations, the following suggestions are made below:

1. Over dependent on a particular commodity (crude oil) for export is not more than damaging the economy but expose it to external shocks.

2. Non-oil exports should be part and parcel of the export promotion strategy.

3. Government policies and incentives on non-oil exports expansion are necessary but not sufficient.

4. For industrialization to succeed, there must be an outward-looking oriented industrialization approach with a shift on non-traditional exports (manufactures and processed goods).

5. The government should diversify her export base to non-oil exports.

If all these suggestions and recommendations are rigorously pursued, there is the tendency for higher foreign exchange receipts and acquisition of greater comparative advantage and the end result is a virile industrial development.

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