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Macroeconomic Implications of the Degree of Openness in Developing Countries: The Experience in Nigeria

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Authors' contributions

This work was carried out in collaboration between both the authors. Author MI designed the study, performed the analysis, wrote the protocol and wrote the first draft of the manuscript. Author RB managed the literature searches and perform the proofread. Both authors read and approved the final manuscript.

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ABSTRACT

Nigeria is significantly blessed with abundant of human and natural resources that can meaningfully position the country in the international product market and consequently achieve considerable economic growth through trade. Similarly, degree of openness of an economy has the potentials to encourage sustainable growth and development through its impact in integrating global countries, and nurturing of innovative and broader markets for numerous countries within the global environment. Several scholarly contributions in the literature shows a divergent view on the relationship between country's openness and growth. While some studies revealed a positive nexus, others shows a negative relationship. Therefore, further studies on this research domain remains incessant. It is in view of this background, that this study conceptually evaluates the effects of the degree of openness of the Nigerian economy and its macroeconomic implications on the desired level of growth. The study found that, despite the increased liberalisation and openness of the Nigerian economy to external trade, the contribution of country's openness revealed an

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insignificant results, evidenced by lower growth rates and other macroeconomic disequilibrium. Meaning that, the enormous advantage of liberalisation and the benefit of economies of scale are yet to be maximised in the Nigerian economy. The result apparently is not amazing given the high rate of social and religious conflicts including the Niger Delta crisis, terrorist activities by the Boko Haram militants, high rate of kidnapping, and other communal clashes within the domestic economy. This undoubtedly has frightened many foreign investors resulting to lower economic growth rates; increased unemployment and poverty ratios, persistent increase in price among the locally-produced commodities, as well as the unstable exchange rate. Obviously, there is gain in external trade and hence, Nigeria should thoroughly designed appropriate policies to allow for the attainment of desired level of sustainable growth. This implies the need to implement a robust macroeconomic strategy to combat the undesirable social crisis and terrorist attack that has grossly undermined the productivity status of the economy.

Keywords: Degree of openness; economic growth; positive relationship; negative relationship.

1. INTRODUCTION

In the recent growth and international trade literature, degree of openness is measured and regarded as a significant determinant of economic growth and has received the attention of numerous practitioners and academic scholars. Historically, restrictive trade policies were largely adopted by developing countries across the globe, until the advent of globalisation when the countries recognised the need to liberalise its economies and allow for international transaction through trade openness [1,2]. Lack of full adoption and implementation of openness policies in economic and developmental plans has resulted to minimal contribution of developing countries in the global economy [3,4]. The establishment of various regional economic groups including EU, OECD, OPEC, could be among the reasons for increased participation of the region with the aim of harmonising trade-related policies in order to gain the advantage of economies of scale [5]. As a result, Nigeria, in addition to other countries in West African region, has joined their counterparts in different part of the world to form a union called Economic Community of West African States (ECOWAS) with the view to maximise the comparative advantage among the member countries. In recent years, Nigerian economy has been characterised by high openness to global trade, high level of financial integration and development, and the increased trend towards liberalisation [6-8]. The high opennesss and increased liberalisation has encouraged the development and gradual increase in direct investment and foreign capital stock. The significance of trade on a nation's economy is not merely narrowed to monetary benefit, but also structural changes and expediting the movement of foreign capital within the economy [9,10]. Conventionally, trade enhances the efficient production of goods and services through the allocation of resources to countries that have a comparative advantage, allows for the dissemination of knowledge and technological progress, and encourages competition in domestic and international markets [11].

Nevertheless, there is lack of consensus among policymakers in the literature regarding the acceptable definition and measurement criteria of openness index, as no any index that provides an exact or perfect indication of significance for international trade. Conceptually, degree of openness is a measure of economic policies that either limits or encourages trade between countries. It is a measure of the extent to which an economy depends on trade with other countries of the world [12]. The openness index is calculated as the sum of exports plus imports of goods and services measured as a share of the country's gross domestic product. That is, the degree of openness = exports + imports/GDP. The higher the index, the larger the influence of trade on domestic activities, and the higher the economic growth, and vice versa. The degree of openness of an economy determines the freedom of the government to pursue economic policies of its choice, and the vulnerability of the country to international economic cycles [13]. Notably, favourable reform policies in trade has gradually become part of the conditions for developing countries to qualify for any foreign assistance. The international financial institutions, particularly the IMF and the World Bank has continued to show a growing concern regarding the trade barriers among developing countries. They are with the believed that increased liberalisation and degree of openness of an economy may leads to high economic growth [14].

However, there are numerous studies that have attempted to ascertain the effects of country's openness on economic growth, particularly in developing countries. The nature and extent of this effect are truly being debated in the international trade literature among scholarly articles, though yielding conflicting results. A number of both empirical and conceptual studies have identified a positive relationship between a nations' rate of economic growth and its openness to international trade, while others identified a negative relationship between the two variables. This is because of the diversity in methods of analysis, scope of the related data used, and geographical region of the study area. Since previous studies suffers from enormous shortcomings including measurement criteria of openness and the appropriate estimation analysis, study on the relationship between degree of openness and economic growth remains wide-open and unending. Hence, the need for this study to conceptually identifies the macroeconomic implications of openness among developing countries of Sub-Saharan Africa with particular reference to the Nigerian economy using a long data span ranging from 1980 to 2015.

To ease understanding, the remaining part of this paper is organised into four different sub-headings or sections as follows: section 2 contain the detailed review of the literature relating to the relationship between country's openness and economic growth in many countries across the globe; section 3 highlighted and analysed the trend of openness in Nigeria and its macroeconomic implications on sustainable growth and development; section 4 evaluates the challenges encountered by the Nigeria's degree of openness towards encouraging growth and further raise output level; and finally, section 5 shows the summary of findings and concluded the paper with a number of practical policy recommendations towards realising a sustainable growth and development in the Nigerian economy.

2. EMPIRICAL REVIEW OF THE LITERATURE

In this section, this paper identifies from the literature a large number of related scholarly articles that expressed their views on the existence of possible relationship between degree of openness of a particular country and its economic growth. As previously mentioned, numerous intellectuals argued for the positive effect of openness on economic growth, while others debated for the negative relationship. Among these studies includes but not limited to the followings.

2.1 Evidence towards a Positive Relationship

This section of the study, identifies numerous scholarly articles and contributions related to the findings on the positive relationship between openness of a country and economic growth. In the literature, [9] employed error correction models in a panel data of 120 countries to determine the influence of trade openness on economic growth within the lower-income and higher-income countries. The results of the estimated Error Correction Model (ECM) for the entire panel data reveal a bi-directional positive long-run causality between GDP and trade openness, indicating that the degree of openness promotes economic growth and vice versa. Meaning that, the desired growth-led openness and openness-led growth hypothesis can only be maintained for upper-middle and high-income countries. Furthermore, [1] empirically investigates the effect of openness of an economy on the growth of output in Nigeria. The study utilised VAR and double-log model for the estimation on a time series data. The result shows a significant relationship between openness and economic growth. This implies that openness has a positive and significant effect on output growth in Nigeria, while FDI and aggregate external debt negatively affect output as established by the regression results.

In a similar development, [15] examine the relationship between trade openness and economic growth in the Niger Republic using VECM and Granger causality test. The study reveals a long-run relationship between the degree of openness and output growth. Furthermore, it appears that openness and exchange rate are among the fundamental factors to be considered for a sustainable and long-run economic growth. Similarly, [16] empirically analyses the relationship between trade openness and economic growth in Pakistan. Ordinary least square technique and granger causality are employed to determine the direction of causality. The study reveals that, though trade openness is a significant determinant of economic growth, but industrial value-added also positively and significantly contributed to the growth of output in Pakistan. The study further reveals that prospective benefits can be gained by Pakistan economy through the adoption of more openness policies.

More empirical support was provided by [17] in a study that evaluates the possibility of trade openness to cause economic growth using an OLS estimation techniques on time series data with particular reference to the Nigerian economy. The result shows that about 97.7% of total variation in GDP in the model is explained by the principal explanatory variable; trade openness (proxies as export). In other words, the relationship between openness and GDP was found to be positive and statistically significant, though import was positive but insignificant on output growth. In addition, [2] evaluate the effects of trade openness on economic growth in 38 African countries. Cobb-Douglas production function using alternative panel model is utilised in the study for estimation. Finding reveals that, exchange rates and trade openness demonstrated a positive and significant impact on GDP. However, the majority of the African countries shows below-average returns-to-scale with about 17 countries performing above-average growth. The study further submitted that countries with strongly outward-oriented economies tend to have increased in growth and productivity. This means, the effect of trade on productivity is much greater in outwardly-oriented economies than the inwardly-oriented countries of the world.

Likewise, [6] investigate the relevance of trade openness in Nigeria using time series data on Pairwise-Granger causality technique, Autoregressive Conditional Heteroskedasticity (ARCH) and Generalised Autoregressive Conditional Heteroskedasticity (GARCH). The result of the estimation shows that, there is a positive and significant relationship between trade openness and economic growth and that economic growth Granger causes trade openness during the review period. In the same vein, [18] examine the impact of trade openness on output growth in Nigeria using Non-monotonic modelling and OLS as the estimation technique. Findings reveal that there exists a positive and statistically significant relationship between trade openness and economic growth within the review period.

Similarly, [7] evaluate the relationship between trade openness, capital formation, FDI and economic growth in Nigeria by analysing time series data on OLS estimation technique. Results show that trade openness and capital formation, established a positive and statistically significant effect on economic growth, while on the other hand, positive and significant relationship also exist between trade openness and economic growth. In addition, [19] investigate the nexus between FDI, trade openness and economic growth in Nigeria by employing Toda-Yamamoto non-causality test and Autoregressive Distributed Lag (ARDL) model for the estimation. The study reveals a unidirectional causality running from trade openness to output growth. In other words, trade openness is positive and statistically significant in explaining output growth in Nigeria.

In addition, [4] investigate the causal relationship between trade openness, financial development and economic growth in Kuwait. The study utilised VAR model and granger causality technique for the estimation. The result shows no cointegration relationship among the variables. Meaning that, a long-run relationship does not exist among financial development, trade openness and economic growth. In addition, Granger causality test reveals the existence of unidirectional causality between output growth and financial development in one hand, and the presence of unidirectional causality between the degree of openness and economic growth on the other hand. This implies that economic growth Granger cause financial development, while the degree of openness Granger causes economic growth. But no relationship whatsoever between the degree of openness and financial development.

Similarly, [11] investigate the impact of trade openness on the economic growth of Pakistan by employing Granger causality, Johansen cointegration and VECM techniques. As a result, the long-run estimates of VECM states a negative relationship between trade openness and economic growth of the country. While the short-run estimates reveal a positive impact of trade openness on the GDP growth. Therefore, the degree of openness can be considered as an essential instrument in enhancing the economic growth, at least in the short-run in Pakistan. The short-run results also confirmed the presence of bidirectional causality between GDP and degree of openness.

Furthermore, [20] evaluates the role of trade openness and institutions on economic growth in a sample of thirty (30) sub-Saharan countries for the period 1985 to 2012. The study utilised Least Square Dummy Variable (LSDV) and Generalised Method of Moments (GMM) technique, estimates reveal that while institutions have a significant impact on output growth, trade openness has an insignificant impact on the economic growth of selected sub-Saharan countries, although the relationship is positive. This implies that openness has a little beneficial effect on the economies under review.

In another perspective, [3] examines the effect of trade openness on economic growth during the pre and post-SAP era in Nigeria by utilising Engel-granger cointegration technique and Granger causality test for the estimation. Findings reveal that trade openness does not cause economic growth; rather it is economic growth that causes openness during the pre-SAP period. Empirical evidence from the regression results confirms that the effect of openness on economic growth is statistically insignificant. Therefore, the result of causality test is consistent with the “growth-led trade” hypothesis. However, in the post-SAP period, openness significantly influences growth and also both granger-causing each other, supporting the existence of “trade-led growth and growth-led trade hypothesis”, respectively.

Moreover, [21] examine the causality relationship between trade openness and economic growth in Nigeria by employing Johansen cointegration and Granger causality test using two different adjustment periods – post and pre-SAP. The result shows that there exist a long-run relationship between trade openness and economic growth only during the post-SAP period. In addition, empirical evidence from granger causality test reveals a unidirectional causality, with the causality running from trade openness to economic growth with no feedback effects. However, during the pre-SAP period, the empirical result was found to be otherwise. Equally, [10] examine the causal link between trade openness and economic growth in Nigeria using Johansen cointegration, VECM and Granger causality test for the estimation. The study found that economic growth and openness are cointegrated, hence there exist a long-run relationship between the variables depicting the positive influence of output growth on openness (growth-led trade). Furthermore, unidirectional causality exists from economic growth to trade openness as no interactive (feedback) nexus exists between openness and economic growth.

In a similar study, [22] examine the relationship between financial development, trade openness and economic growth in Saudi Arabia by utilising OLS and Granger causality technique. Empirical results of the study hold the view that financial development and trade openness are strong essential factors that accelerate the pace of economic growth in Saudi Arabia. Likewise, the Granger causality result shows a unidirectional relationship between trade openness and economic growth, meaning that, trade openness positively leads to output growth. In the same vein, [23] investigates the impact of trade openness and external debt on economic growth in Asian and Middle East countries by utilising panel regression analysis and neo-classical growth model for the estimation. The result shown is consistent with the argument that, well-developed trade openness in developing countries may significantly contribute to an increase in output which causes economic growth. This implies that trade openness has a positive effect and a statistically significant coefficient on economic growth.

Furthermore, empirical support from [24] in a study that examine whether openness spurs economic growth in Nigeria using a Classical Linear Regression Model (CLRM) technique on time series data shows that, openness significantly affect economic growth positively. The study further shows that one unit increase in the degree of openness leads to about five percent increase in the level of output growth. Moreover, using a panel data analysis method, [25] evaluates the effect of openness on economic growth in a sample of five developing countries. Finding reveals that trade openness in the model was the most effective variant of growth, depicting a strong positive and significant relationship between openness and output growth in all the review economies. However, if openness is to be measured as one of the most essential variables of output growth for the countries, then, increase in foreign trade, particularly in export, encouragements for FDI and increased level of financial development must be accorded with adequate attention.

In an early attempt, [13] measures the dynamic gains from trade in a panel of 57 countries using a classical production function model. The result shows that trade openness affects economic growth positively through an increase in the ratio of investment to GDP. In other words, the degree of openness serves as a channel through which sound trade policies increase output growth.

Similar results were obtained by [26,27] using a panel data of 93 and 22 LDCs, respectively. Furthermore, [8] investigates the association between openness, stock development and industrial growth in Nigeria using an OLS estimation technique on time series data. However, empirical findings provide strong support for the proposition that openness and stock market development are among the basic determinants of industrial growth in Nigeria.

In the same vein, [28] explore the relationship between trade openness and economic growth in twenty-five (25) selected Muslim countries within Africa and Asia by utilising Pedroni and Kao Cointegration test as well as random effect and fixed effect models. Findings from the estimation reveal that openness has a positive and significant effect on economic growth in all the study countries. However, [29] investigates the relationship between international trade openness and economic growth in fifty (50) developing countries by employing panel data fixed-effects models and two-stage least square (2SLS) technique. The results show that trade openness within the context of developing countries has a positive and significant influenced on economic growth. In other words, the positive effect of both the openness measures (the ratio of exports-imports to GDP and industrial output as a ratio of GDP) on economic growth certainly indicates that trade openness enhances economic growth in developing countries. Similarly, using a conceptual approach to evaluate the diverse literature on the link between openness and economic growth, [30] concludes that there exists a positive and significant relationship between openness and economic growth.

Moreover, [31] explore the effect of international trade on economic growth in Nigeria using an OLS estimation technique. The results from the analysis shows that relationship exists between the degree of openness (proxies as international trade) and its various components with economic growth. This implies a positive and significant relationship among the variables in the model, though interest rate shows a positive but insignificant effect. Likewise, [32] evaluate the effects of trade openness on the Nigerian economy using OLS estimation techniques. The result indicates significant and positive relationships between all the variables, and each variable reveals a positive effect on economic growth.

In addition, using Cobb-Douglas production function, [33] investigates the relationship between trade openness and economic growth in Nigeria. Estimates from the study show a long-run equilibrium relationship between trade openness and economic growth. That is, trade openness exerts a positive effect on output growth, but the coefficient of the effect is statistically marginal which may partly be due to delay in the implementation of trade-related policies and over-reliance on the exportation of primary product with no added value by the market-driven economy. Further empirical evidence using OLS and 3SLS techniques by [12] in a study that empirically investigates the impact of trade openness on economic growth using a cross-section of OECD and non-OECD countries established that the effect of trade on output growth with developed countries are not significantly different from developing countries. Hence, the empirical results for trade volume provide considerable support for the proposition that trade openness stimulates economic growth within the review period.

Moreover, [34] explore the nexus between trade openness, foreign investment and economic growth in Nigeria by employing a growth regression model. Result found that trade openness growth rate has a significant influence on output growth within the review period. In a similar analysis, using the Johansen cointegration technique, VECM and Cobb-Douglas production function, [5] examines the economic performance of trade openness on ECOWAS member nations with particular reference to Nigeria and Ghana. The result shows a long-run relationship between trade openness and economic performance for both countries. In other word, trade openness has a positive and significant effect on the economies of Ghana and Nigeria, respectively.

2.2 Evidence towards a Negative Relationship

From the literature, this section identifies several scholarly articles and contributions justifying the existence of negative relationship between country's openness and economic growth. The justification was supported by their empirical findings from across the globe. In the literature, [35] study the impact of trade openness, FDI, exchange rate, and inflation in Pakistan using Dynamic OLS and cointegration technique. Results indicate that trade openness is negatively related to economic growth in

Pakistan; this is largely due to the huge volume of imports resulting in trade deficit and depreciation of the exchange rate. Furthermore, foreign direct investment and exchange rate have a positive but not significant impact on output growth. In addition, [36] empirically investigates the nexus between FDI, trade openness, capital formation, and economic growth within the context of Bangladesh economy by analysing time series data using VAR, VECM and Johansen cointegration technique. Findings reveal that trade openness shows a significant and negative, but a diminishing effects on the rates of economic growth. While FDI and capital formation reveal significant positive effects on changes in real output. However, trade openness appeared to be insignificant, as compared to FDI and capital formation in influencing the output growth rate.

Similarly, [37] empirically examine the effect of trade on growth in Nigeria using an OLS estimation technique on time series data. The study found that openness established a significant and negative impact on the growth of the Nigerian economy; while total trade, FDI flow and exchange rate have a positive effect on the growth of output. Further evidence by [14] in a study that debated on whether the degree of openness affects growth in developing countries by using a regression estimation technique on a panel data among ten (10) developing countries including Nigeria reveals that the degree of openness has established different effects on the output growth of each country. Results further show that degree of openness has a positive and significant effect on GDP only in three out of the ten sample countries. Moreover, it reveals a negative and significant effect in one country and was not significant statistically in six countries during the review period.

In another related development, [38] investigates the relationship between the term of trade, trade openness and economic growth in Sub-Saharan African countries using fixed effects, random effects and variance components models. Empirical results show that openness has a negative impact on economic growth. This implies that international trade and other related trade policies are not beneficial to sub-Saharan African countries. Likewise, [39] utilised augmented neoclassical growth model and Bayesian averaging technique to examine the openness-growth nexus in a panel of 68 countries. The result shows that trade openness and other growth variables are found to be negatively associated with economic growth. By implication, trade openness alone does not guarantee long-run economic growth, but, improving the quality of economic institutions and adopting viable fiscal-monetary policies are key factors to promote economic growth in the long run.

Similarly, using cointegration technique and granger causality test on time series data, [40] examine the causal relationship between trade openness and economic growth in Nigeria. The result shows that there are no cointegrating relations between financial development, GDP and trade openness, suggesting that there exist no long-run relationship between trade openness and economic growth. Furthermore, growth was found to have a causal effect on trade openness, but no support for trade openness having a causal effect on growth. Likewise, [41] explore the impacts of trade openness on output growth for Pakistan using cointegration and Engle-Granger causality test. The estimated cointegration equation shows that there exist a long-run negative relationship between trade openness and economic growth. While, the causality test reveals an insignificant relationship between the two policy variables, though investment growth was found to have a significant relationship with economic growth.

More empirical support was provided by [42] in a study that investigates the relationship between trade openness and growth among 82 developing countries of the world using dummy variable and OLS estimation technique. Estimates from the analysis show a weak and negative contribution of openness to economic growth, which may partly be explained by the declining revenue in agricultural export-earning, and deterioration of external balance caused by over-dependency on mono-product in such respective countries especially as being witnessed in the Nigerian economy.

From the aforementioned, it can be deduced that there exists a relationship between the degree of openness and output growth which can either be positive or negative depending on the technique of analysis, scope of the study, and the peculiarities of the respective country under the study. There is no any gainsaying that Nigeria is blessed with vast natural resources that can significantly position the economy in the international market and consequently achieve considerable economic growth through trade, unfortunately, only crude oil export constituted the largest portion of Nigeria's external trade while other resources remained un-utilised due to poor economic policies and diversification of the economy.

3. AN OVERVIEW OF THE DEGREE OF OPENNESS IN NIGERIA

Nigeria is among the countries in sub-Saharan Africa that is blessed with enormous natural resources including petroleum and gas, which is largely assumed to significantly position the economy in international market and consequently achieve considerable economic growth through trade. Unfortunately, out of the numerous natural endowment, crude oil exportation has solely accounted for the largest portion of Nigeria's external trade in spite of the numerous efforts to increase the country's export competitiveness. However, this study adopted a conceptual method to provides insight and organise ideas in order to establish and identify the implications of Nigeria's degree of openness and its relationship with macroeconomic growth. The approach is primarily adopted with the view to exploring the trend and provides better understanding of openness in Nigeria in potential preparation for future quantitative analysis. This will further uncover the pattern of openness in developing countries and also assist to formulate findings based on the scenarios. Despite the increased liberalisation and openness of the Nigerian economy to external trade over the years, the contribution of trade openness (as a share of GDP) produced an insignificant results, evidenced by lower and declining growth rates (see Figs. 1 and 2, respectively). The rate of openness averaged 48.57% in 1980, but slightly decline to 48.29% in 1981. From 1983 to 1986, the value operates in an average of 23%, respectively [43]. In addition, the implementation of complementary measures in Structural Adjustment Programme (SAP) are designed to revive the economy from recession and chart a future course for macroeconomic stability and solvency, but yet, the contribution of trade openness to the total output during the period severely decline and remains insignificant. These inefficiencies are the direct outcome of poor utilisation of resources, lack of proper accountability coupled with large scale corruption in the public sector, and inefficiency in domestic administration.

The value later increase to 41.65% in 1987 due to increased liberalisation and sound trade policies as contained in the SAP policy documents. In 1988, the value slightly increases to an average of 35.31%, and 53.03% in 1990. The value later rises to 64.88% in 1991 but later begins to decline to an average of 61.03% in 1992; 58.11% in 1993; 42.31% in 1994; And afterwards rises to an average of 59.77% in 1995, which may be attributed to overall decline in the value of both export and import as well as poor trade-related policies within the period.

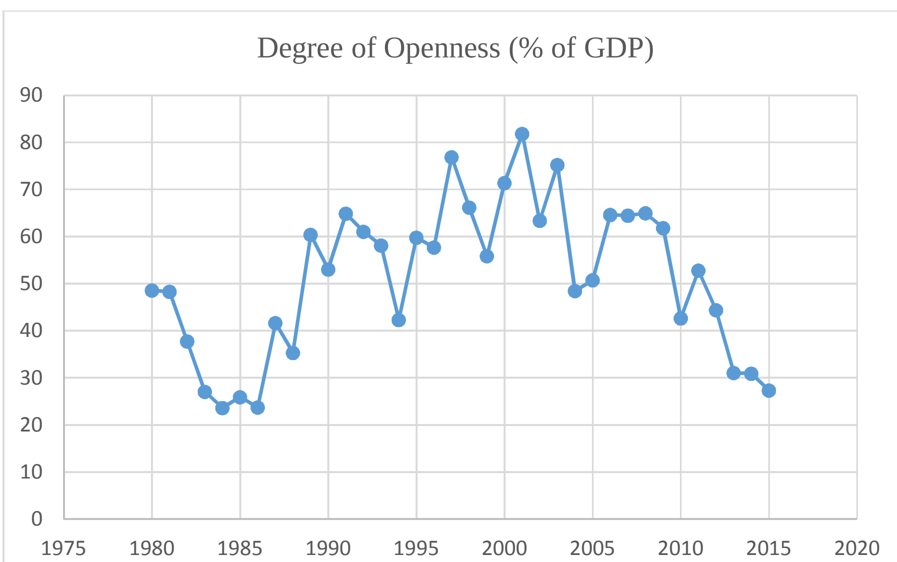

Fig. 1. Unstable trend of openness of the Nigerian economy
Source: Author's computation (2017) using World Bank 2016 National Account Data

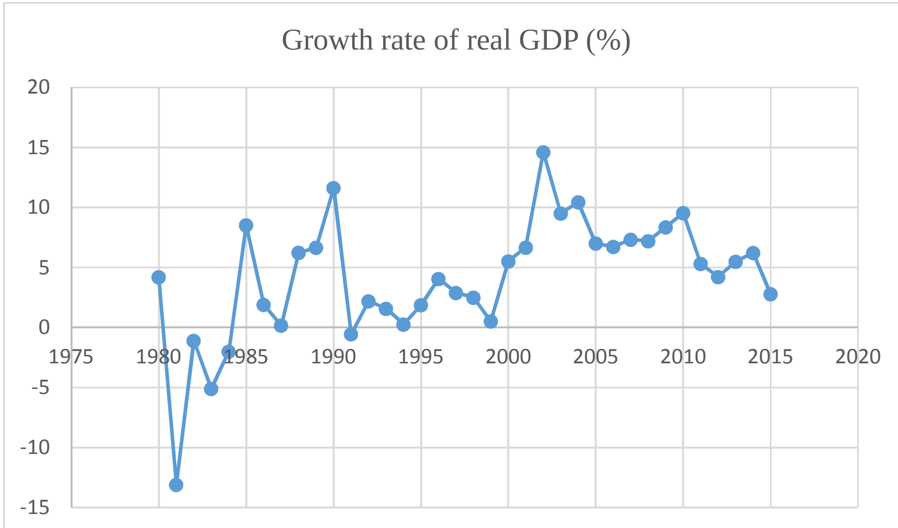

Fig. 2. Inconsistent trend of real GDP growth rate
Source: Author's computation (2017) using 2015 CBN Statistical bulletin

These are viewed among the negative effects of SAP in Nigeria particularly given the dismal rate of growth attained during the entire adjustment period. From 1996 to 1999, openness index stood with an average percentage of 55%, respectively. With transition to democracy and jettisoning the military style of leadership, the value increases from 71.38% in 2000 to 81.81% in 2001, during which the economy record an increase of over 20% in contrast to the previous years. In the second administration of Obasanjo's government in 2003, the value stood at 75.22%. The strategies of debt cancellation and rescheduling as occurred in 2003 played a vital role to increased openness of the economy. Surprisingly, the value afterwards started to fluctuates drastically from 48.45% in 2004 to 5.75% in 2005.After which, an estimated average amount of 64% was realised for the period of 2006 to 2009, respectively. With the newly elected President in 2009, the value started to decline from 2010 up to 2015 with an estimated contribution of 42.65%; 52.79%; 44.38%; 31.05%; 30.89% and 27.32%; respectively [43]. However, the declining rates of openness index over the years indicate the extent to which Nigerian economy is vulnerable to external shocks, hence leading to a general state of disequilibrium. In addition, the overall effects of this consequence was the decline in foreign earnings and unstable exchange rate.

The effects became more pronounced given the unstable trend and negative growth rates of real GDP over the years (see Fig. 2). Numerical evidences available from the [44] indicate that by 1980, the growth rate of real GDP stood at 4.2%, but later decrease to a negative amount of -13.1% in 1981. This negative trend continues up to 1984, where growth rates produce a negative value of -2.0%. For a country to consecutively realise a negative growth rates in productivity operations, it indicates the extent of deterioration and decay of economic activities resulting from poor policy implementations within the domestic economy. By 1986, it was 1.90%, but later accelerated to an average of 11.63% in 1990.

In spite of the numerous criticism and condemnation of the Structural Adjustment Programme (SAP) in Nigeria, the rates of growth realised during the SAP period outweigh the early pre-SAP period, specifically from 1980 to 1984. In 1991, the growth rate shows a negative value of -0.55%, but increase up to 5.5% in the year 2000. This increasing trend in growth rates continues to occur up to 2010 where it stood at 9.54%.However, from 2010 to 2015, the value shows a declining percentage from 5.13% in 2011 to an average of 2.79% in 2015 becoming the lowest rate ever attained in sixteen years since the transition of the Nigerian economy from military rule to democratic style of government. This instability is largely attributed to the decline in the world price of crude oil, social and political unrest within the domestic economy, and the situation of current economic recession that heightened unemployment and poverty rates among the citizenry. Nigeria is therefore advised by several policy makers to ensure proper utilisation of the existing natural resources and diversified the economy in order to reduce the present over-reliance on petroleum and gas, hence, further exploit other prospective areas with high potentials that have promised in alleviating poverty and increase employment opportunities in the long-run, particularly the agricultural sector and small-medium enterprises.

4. CHALLENGES OF THE DEGREE OF OPENNESS IN NIGERIA

Many developing countries of the world are classified under small open-economies including Nigeria and are believed to have no command of their international economic transactions, instead, complying and acting in accordance with the predatory policies of the capitalist economies of the world, whom unfavourable economic strategies are proven to be disastrous to the sustainable growth of the Nigerian economy. Without any gainsaying, the essential component of industrial development particularly to the developing countries is the growth of trade and the mechanism for transmitting the performances which are embedded in trade liberalisation. The interesting question to ponder on is whether these developing countries are simultaneously prepared to take advantage of liberalisation practices while curtailing the hazardous or disrupting effects of globalisation within their respective countries. With the prime assumption that no country is an island, the benefits of country's openness can be transmitted into the economy which can be observed through evaluating the macroeconomic advantages and weaknesses as posed by the liberalisation process. After numerous efforts by various administrations to develop the industrial sector of the Nigerian economy, by all measures, the country is still regarded as industrially underdeveloped. In spite of the availability of vast natural resources coupled with unlimited investment opportunities, the performance of industrial and manufacturing sector appeared very marginal. The critical condition of the infrastructural facilities which are meant to encourage both private and foreign investors into the economic activities, are the major hindrance to foreign investment.

Similarly, the extent of openness of the Nigerian economy has for long been generating numerous economic and social challenges, including instability in price; exchange rate fluctuation; Increased poverty and unemployment rates; As well as general macroeconomic disequilibrium. Remarkably, liberalisation practices increase the unemployment rate in countries with relatively low-skilled labour as seen in many developing economies. Because the liberalisation has high element of labour mobility. In essence, liberalisation have a tendency to encourage interdependence of policy among nations while at the same time decreasing the sovereignty of domestic policy, particularly for small-open economies. Further challenges of liberalisation arising from degree of openness include the rapid transmission of external shocks and disturbances. Even though these shocks can be managed by large economies, they however engender critical complications to the realisation of macroeconomic stability in small-open and developing countries. Since the degree of openness allow other trading countries to transfer investment, there may be an increased flow of foreign capital into the domestic economy with the view to benefits largely from the existing high interest rate in the local market. If the inflow of such capital are not regulated or designed to encourage the tempo of economic activities and further raise output level, it may resulted to macroeconomic disequilibrium particularly in the long-run. Another critical challenge of openness is the possibility of continued increase in exchange rate fluctuation particularly in the external sector, hence reduce the competitive drive of an economy. This may likely occur especially when there are withdrawals of foreign investment from the economy due to the future fear or expectations that no long-term prospect for productive investment in the domestic country. As a result, degree of openness of an economy due to trade liberalisation posed a critical challenge to macroeconomic stability most especially in developing countries of the world.

5. CONCLUDING REMARKS

Degree of openness of an economy has the potentials to encourage sustainable growth and development through its impact in integrating global countries and development of innovative and broader markets for numerous countries within the global environment. It is in view of this, that this study evaluates the effects of the degree of openness and its macroeconomic implications on the growth of the Nigerian economy, and concluded that the enormous advantage of liberalisation and the benefit of economies of scale are yet to be maximised in the Nigerian economy. The result apparently is not amazing given the high rate of social and religious conflicts including the Niger Delta crisis, terrorist activities by the Boko Haram militants, high rate of kidnapping, and other communal clashes within the domestic economy. This undoubtedly has frightened many foreign investors resulting to lower economic growth rates; Increased unemployment and poverty ratios, persistent increase in price among the locally-produced commodities, as well as the unstable exchange rate. Obviously, there is gain in external trade and therefore, Nigeria should thoroughly designed appropriate policies to allow for the attainment of desired level of sustainable growth.

6. POLICY RECOMMENDATIONS

As a matter of recommendations, Nigeria need to implement a robust macroeconomic strategy to combat the undesirable social crisis and terrorist attack that has grossly undermined the productivity status of the economy. This necessitates the introduction of various skill acquisition programmes with the view to accelerate employment creation and utilisation of idle resources. Given the negative effects of the degree of openness of the Nigerian economy, trade-related policies should be reviewed and strengthened with the view to enhancing the gain from international trade through diversifying the economy; Increasing investment in potential sectors like agriculture; Small and medium enterprises; And industrialisation; Increasing the export volume of value-added products; Discouraging the importation of consumable products that are locally been manufactured in the country, and largely by weakening or depressing the exportation of primary product into the global market. In addition, the need for government to improve the condition of the dilapidated infrastructures cannot be undermined. The business operations and environmental conduciveness of manufacturing as well as industrial firms largely depends on the state of infrastructure and other government policies. Hence, the ample need for government to invest and improve the conditions of these facilities in order to attracts more foreign investment and further restore the image of Nigeria as the giant of Africa.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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