Promoting Export Diversification for Economic Development in Nigeria: Challenges and Way Forward

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Abstract: The export landscape of developing economies like Nigeria is predominated with agrarian/primary commodities, whose net barter terms of trade have deteriorated secularly. This has adversely impacted its export revenue, economic development and growth. For this reason, Nigeria has been relying on export promotion and diversification strategies for remedies. However, Nigeria’s export promotion within a narrow range of export basket or diversified export basket may not result in huge export receipts, unless export transformation exhibits a preponderance of manufactures in addition to primary production. This will enable Nigeria to take advantage of transforming its economy with advancement in technological progress for export diversity, import competition and replacement. To achieve these objectives, distortive factors of economic and non-economic variety must be eliminated for export promotion and diversification programmes for economic progress to be worthwhile.

Keywords: Export promotion and diversification, import competition and replacement, capacity to import, shifting competitive advantage, authoritarian advantage, creative-destruction, imitations to innovations.

I. INTRODUCTION

Over the years, many developing economies have relied on exports to prod rapid and radical economic development and growth. In a non-autarky fashion, trade or exports could be seen as the engine of growth, a leading sector, or at least, a handmaiden of economic growth.

Conversely, developing economies’ exports or trade can be a lagging sector of growth, particularly when they are facing a narrow range of agrarian/primary commodity exports, the terms of trade factor of which have deteriorated secularly. This will penalize their export receipts over and above import payments for capital goods and services needed for rapid and radical economic development.

For this reason, there is the need to promote and diversify the export sector so as to generate the required receipts over payments in the external account to support economic development and growth.

In Nigeria, total crude oil and oil-related products contribution to overall foreign exchange earnings stood at 87.7% in the first quarter of 2018. More than 90% of Nigeria’s export earnings come from the oil and gas industry. However, in terms of contribution to Gross Domestic Product (GDP) from April to May 2018 agriculture, industries and services contributed 22.86%, 23.18%, 45.41% respectively. Thus the oil sector contributed 8.55% of GDP, while the non-oil sector contribution stood at 91.45%. Therefore, although the service sector drives the Nigerian GDP, the oil sector still dominates the export sector.

Because of the declining importance of the non-oil sector (agrarain and manufacturing), the Nigeria Export Promotion Council (NEPC) was set up to promote and diversify the export basket with suitable policy measures and programmes by the Nigerian government.

The existing export legislations to help in diversifying and promoting the export sector in Nigeria, among others include:

- Export License
- Export Development Fund
- Export (Incentives and Miscellaneous Provisions) Act
- Export Expansion Grant Fund
- Pioneer Status Export Incentive
- Export Adjustment Scheme Fund
- Manufacture-In-Bond Scheme and
- Export Procession Zones Incentives.

These notwithstanding, in terms of total earnings from the export sector, oil and gas still contribute more than 90%.

So, why have export promotion and diversification efforts failed to raise total earnings of the non-oil sector? How does a country generate enough foreign exchange earnings from her exports to balance imports of capital goods for rapid economic development, including the importation of consumer goods and services? Again, what nature of composition of a diversified export basket can generate export receipts over and above import...
payments so as to sustain radical economic development and growth? How does a developing economy promote exports as to earn sufficient exchange revenue for her development requirements? What are the distortive factors towards achieving these goals?

Therefore, it follows that the developing economies, apart from making efforts to eliminate the backwardness in the non-economic factors, in addition have to adopt policy measures to achieve economic growth with stability.

II. CONCEPTUAL TENETS

Economic Development and Growth

Conceptually speaking, economic growth and economic development are applied interchangeably. However, the problems of economic development are particularly those of the developing countries, whereas the problems of economic growth are those of the advanced and industrialized countries.

Economic Development

On the one hand, economic development has more to do with the non-economic factors than the economic factors. The non-economic factors include backward socio-cultural, political, and religious institutional set up, defective attitude to work, tribalism, indiscipline, corruption, historical antecedents and accidents, amongst others.

These factors act and react in such a way that the economic factors and growth are adversely impacted.

Economic Growth

On the other hand, economic growth deals with how to achieve a stable steady increase in real investment so as to increase, by multiple times, national income, aggregate output and employment, consistent with price stability (neither inflation, nor deflation is desirable) in the internal account (see Appendix A).

External Account

In the external account, the economy will pursue equilibrium balance of payments (implying that neither deficits nor surpluses are desirable), consistent with exchange rate stability and reasonable external reserves (see Appendix A).

Broadly speaking, these are the goals of trading partners. However, in non-autarky fashion, developing economies like Nigeria face additional trade difficulties due to the narrow range of the composition of their export baskets and unfair trade practices from advanced economies, requiring them to diversify and promote their exports.

Export Diversification

By export diversification we mean the expansionary changes in the composition of a country’s existing export basket. It involves a structural widening of the range of commodities in a country’s export composition. This will enable it absorb adverse impact arising from deteriorating terms of trade against narrow range of primary commodity exports and receipts. It is a stabilization strategy to support economic growth of trading partners. For this reason, developing economies diversify the composition of their export basket to enable those overcome problems of export instability, improve on the problems of export debility, improve their competitive strength and support growth.

In Nigeria, a narrow range of export basket was clearly prevalent in the pre-oil boom period in which the agrarian sector contributed about 80% of the non-oil exports. It generated about 40% of the entire GDP, including a third of job opportunities (Olaleye, et al. 2013: 70).

Export Promotion

Export promotion refers to the measures taken by authorities to stimulate and expand the export sector of an economy. It helps in attracting more producing firms into exporting their products by providing incentives and assistance.

The assistance used in promoting exports may include, among others, training, trade fairs, payments guaranty schemes, trade visits, pre-shipment and post-shipment financing, identifying and developing markets, identifying and developing products, foreign representation, subsidies, tax exceptions, special credit lines, etc.

Furthermore, export promoting strategies could be adopted as a complementary approach to import replacement and import competition strategies.

The import substitution or import protective strategies allow the nursing of infant or baby industry, protects child industry and finally frees adult industry capable of competing in international division of labour.

In this regard, Export Oriented Industrialization (EOI) and Import Substitution Industrialization (ISI) are two sides of the same coin that help in achieving economic development and growth in a developing economy like Nigeria.

Notwithstanding studies suggesting that ISI measures produced less sustainable increases in terms of income per capital than EOI measures, the World Bank Report of 1993, supported the view that the East Asian Miracle, that is, the successful performance of the East Asian Economies followed the path of EOI.

However, this view did not consider the fact that their successes were preponderantly achieved by the “beggar-thy-neighbour” approach to international trade intercourse.
If this were not so, the USA under President Trump would not have been retaliating by imposing compensatory tariffs/duties on imports coming from these economies. In other words, ISI, as a strategy, was an integral aspect of the East Asian Countries, particularly in the 1950s and 1960s.

Furthermore, it is to be noted that the export promotion strategies and measures adopted by trading partners must comply with the World Trade Organisation (WTO) rules. However, trading economies adversely impacted by export promotion practices of their partners may seek redress through the WTO’s dispute settlement mechanism and, in some cases, may apply some retaliatory measures.

III. EXPORT AND ECONOMIC DEVELOPMENT: AN OVERVIEW

Do exports abet economic development and growth, particularly in developing economies? In the 20th century, growth was led by exports for the preponderantly oil-exporting economies like Nigeria. With huge export receipts, many oil-exporting countries failed to diversify their export baskets.

Before the advent of oil in the late 1950s, many plantation crops such as palm fruit and kernel oil, cocoa, rubber, coconuts and groundnuts with other primary exportables like hides and skins, solid minerals, etc., formed the major export basket in Nigeria.

However, with the increases or hikes in oil prices of the 1970s and 1980s, exports of primary commodities and interest in diversifying the export basket into manufactures were profoundly lacking.

Diversifying into manufactures export rather than primary commodities gives relative advantages in increasing returns to scale or decreasing costs. This is because manufactures are more receptive to the advancement in technical and technological progress.

Furthermore, manufactures output and diversification have the added capacity for the backward and forward linkages effect on both the primary (agrarian) sector and the tertiary (service) sector.

If export promotion is simply finding markets abroad, then finding markets abroad for both the old (primary) products and the new products (manufactures, including services) is desirable, provided that the old products are produced at declining costs to enable competitiveness for the promoting and diversifying economy.

This way, the comparative advantage would not have shifted from the Western countries of Britain, France, Germany, the USA, etc., as previously the major exporters of iron rails, cotton textiles, locomotives, electricals and electronics, etc. to China, Japan, South Korea, Hong Kong, etc., with ease, as being witnessed today.

In this regard and in the Schumpeterian sense, trade and innovation are more of a creative-destruction export milieu in Western economies than in their Asian partners. As production of manufactures and their exportation stimulates the production of staples, in the Harold A. Innis sense through the backward linkage and the tertiary (service) sector through the forward linkage effect in the Albert O. Hirschman sense, it is very doubtful the Asian countries will observe the lessons of the Western countries. This will help countries in Africa to move into this line of shifting comparative and competitive advantage.

Other Factors Affecting Economic Growth of the Predominantly Primary Exporters

Declining Terms of Trade

Over a period of years as observed by Raul Prebisch, the terms of trade of primary commodities have deteriorated. This may mirror the nature of export instability and debility in relation to economic growth. Export promotion within a narrow range of primary exports, say oil, may bring enough revenue without diversification. Consider for example the Net Barter Terms of Trade \(\left(\frac{P_x}{P_m}\right)\) and the Gross Barter Terms of Trade \(\left(\frac{Q_m}{Q_x}\right)\), given by equation such as:

\[
\frac{P_x}{P_m} = \frac{Q_m}{Q_x}
\]

by rearranging the equation, we obtain:

\[
P_x Q_x = P_m Q_m
\]

That is, the value of exports \((P_x Q_x)\) as equal to the value of imports \((P_m Q_m)\). From this, three conditions emerge for a trading partner and they are:

\[
P_x Q_x > P_m Q_m \quad \text{(worthwhile)}
\]

\[
P_x Q_x = P_m Q_m \quad \text{(break-even)}
\]

\[
P_x Q_x < P_m Q_m \quad \text{(pointless)}
\]

The first and second conditions are worthwhile and acceptable, while the third condition is pointless.

Then suppose that a primary commodity exporter without diversification can promote her exports to the extent that the following situation emerges:

\[
P_x Q_x > P_m Q_m
\]

In this, the value of export revenue \((P_x Q_x)\) is greater than the value of import payments \((P_m Q_m)\). Therefore, export promotion of a narrow range of export basket, say dominance in oil and primary commodities may lead to a situation where export receipts are over and above import expenditures.
Thus it follows the old joke according to Charles P. Kindleberger (1973) that “We lose a little on every sale, but boy, do we have volume!” is the exact antithesis to “We make a big profit on every sale but we don’t sell much.”

Many developing economies with a preponderance of oil exports found themselves in this situation. That is to say, making huge profits on every sale of oil and gas with little or no export promotion and diversification.

Suppose that the export prices of oil rise but the volume of oil exports falls equally, then there may be no net change in the “Income Terms of Trade.” This could be referred to as the “Capacity to Import” for trading partners.

These results as presented may be misleading in the long run due to miscalculations of business expectations. Therefore, developing-trading partners must diversify and promote exports, particularly in competitive sectors of the economy.

**Engels Law**

This refers to high income inelastic demand for primary goods (foodstuffs). Therefore, as income grows in advanced industrialized countries their demand for foodstuffs/ primary goods declines.

**Monopolistic Tendencies**

The presence of monopolistic tendencies ensures that increases in prices and production are expropriated into administered prices and diverted into higher profits, higher incomes for the factors of production in advanced and industrialized countries more than in developing countries, for example, the EU bloc.

However, high levels of competitiveness among partners in developing countries leads to low commodity prices and factor incomes as compared to those of the advanced economies.

**Technology and Factor Growth**

In industrialized countries, as capital rich economies, capital grows faster than labour (population) and through technological progress, substitution of capital for labour grows more than in primary exporting economies that are relatively labour abundant.

Technological change will bring a reduction in export prices to enable more competitive strength in trade. However, manufactures are more receptive to advancement in technical and technological progress. They enable developing economies and their entrepreneurs to move from imitations to innovations with the creative-destructability variety and production possibilities in the Schumpeterian sense (Schumpeter, J.A., 1934).

**IV. DISTORTIVE FACTORS**

There are several distortive factors comprising economic and non-economic obstacles that could act and react in such a way that the export promotion strategies and export diversification measures in developing economies like Nigeria, fail to achieve the desirable results of the export sector contributing as a major impact and/or as a leading sector of economic growth and development. These factors include, among others:

**Major Economic Factors.**

This will include among others:

(i) **Capital deficiency**, general poverty, low saving capacity, inadequate banking facilities, wasteful consumption expenditure, low rate of investment and Marginal Efficiency of Capital (MEC).

Others are market imperfections (including undeveloped money and capital markets) and monopolistic tendencies (including wrongful application of patent right), preventing the proper allocation and optimum utilization of resources for growth and diversity.

(ii) **Inadequate basic service** (infrastructural facilities) These include education, health, road, railway and waterway transportation systems, irrigation, electricity, etc.

(iii) **Demographic obstacles.** These include the preponderance of rural population (unequal population distribution), high level of Illiteracy and inefficient work force, high dependence ratio (unproductive population) reflecting population backwardness, etc.

**Non - Economic Factors**

A developing economy like Nigeria may not make progress in the desired direction of economic development and growth through export promotion and export diversification due to:

(i) **Defective administration** or maladministration and political set up.

(ii) **Discrimination** on the basis of tribe, zones, religion, gender or party affiliation, which may lead to deficiency in occupation mobility and mediocrity.

(iii) **Religion backwardness** where people prefer spiritual and religious welfare to material and economic welfare. In this regard, they do not believe in hard work and education, but believe in only God for socio-economic welfare.

(iv) **Socio-Cultural backwardness** reflected in superstitions, tradition, conservatism, fatalism, joint family system, class conflict, taboos (Osu and Ume caste systems in Igbo land) and unequal distribution of wealth and income.

Other factors include insecurity of life and property, indiscipline, corruption, defective attitude to work, etc.
According to Nurske, “Economic development has much to do with human endowments, social attitudes, political conditions and historical accidents.” Also, cultural traditional beliefs and psychological factors impact more on economic development than economic factors (Nurske, R., 1953).

Again, these factors combine to act in a way that they adversely impact on capital formation (investment), output growth, jobs and export promotion and diversification leading to immiserizing growth (see Appendix B).

V. EXPORT PROMOTION IN NIGERIA

As can be observed, export manufacturers under the Export Processing Zones (EPZ) enjoy a number of incentives, which inter alia, include exemption from levies, duties and taxes as well as foreign exchange concessions within the EPZ, including cent per cent ownership and easy access to the repatriation of foreign exchange investment proceeds. Also, this includes profit and dividends accruing from their manufacturing activity concessions. There exist relaxed expatriate engagement conditions within the EPZ. However, this is subject to obtaining a valid permit and paying the requisite duties. Also, exporters are allowed to sell up to 25% of their manufactured goods domestically in Nigeria.

Specifically, these incentives include:

- **Export Expansion Grant Fund**
  This was established to provide cash inducement to exporters, provided that they fulfill the grant objective. To qualify for the grant, exporters must provide to the Nigerian Export Promotion Council (NEPC) evidence of export proceeds and receipts from the CBN. The NEPC relies upon the CBN documents to administer this and other export incentives.

- **Export License**
  For export purposes, this has been discontinued or is no longer required. However export of the primary goods like raw and unprocessed goods, including mineral and agriculture must fulfill the requirement as follows:
  I. Payment of an export levy and registration by NEPC
  II. Compliance with the existing foreign exchange regulations and
  III. Compliance with the existing and applicable taxes.

- **Export (incentives and miscellaneous provisions)**
  These provides incentives to exporters of domestically manufactured goods. Under the law, NEPC is charged with the responsibility of administrating all export incentives.

- **Pioneer Status-Export Incentive**
  Manufacturers exporting up to 50% of their total manufactured goods qualify to approach NEPC for pioneer status and tax exemption. NEPC processes all applications to The Ministry of Industry, Trade and Investment for approval.

- **Manufacture-In-Bond Scheme**
  This allows all exports to enjoy duty suspension, or manufacture-in-bond schemes and duty drawbacks upon applying for the purpose from NEPC. The programmes enable those exporting manufactured goods to enjoy duty-free import of scarce and urgently required raw materials for the purpose of manufacturing exportable goods in Nigeria.
  Under this scheme, the imported raw materials must be backed by the issuance of a bond by a recognized financial institution like a merchant or commercial bank, insurance company or the Nigerian Export–Import Bank (NEXIM) in favor of the exporter.
  Once export of the manufactured goods and the repatriation of the foreign exchange proceeds of the exports are produced and confirmed by the CBN, the imported raw materials are deemed duty-free.

- **Export Processing Zones Incentives**
  By virtue of the enabling act, Export Processing Zones (EPZ) can be established in any part of the country. The EPZ as they exist allow trading partners to encourage and boost exports of manufactured goods.

- **Export Adjustment Scheme Fund**
  This is a supplementary export subsidy designed to help hedge against high cost of production due to infrastructural deficiencies and extraneous factors beyond the control of the exporter.
  To benefit from this facility the exporter must come up with verifiable claims that are accurate enough to enable NEPC defray them.

- **Export Development Fund**
  This facility provides financial assistance to cover some of the initial export promotion expenses of the private sector exporting companies. They include expenses on research, advertising and publicity campaigns abroad, product design and workshops, seminars, training courses attended by them, etc. Funds for export development activities come from the Federal Government of Nigeria and private sector exporters’ contributions.
Incentive and Export Promotion Strategies

The Nigerian Export Promotion Council was established in 1976 by the Federal Government of Nigeria, particularly to diversify the productive base of the economy and market Nigeria’s non-oil products for stable and sustainable economic growth. For this reason, Nigeria participates in trade fairs and exhibitions, including administration of grants and related benefits towards export promotion and growth. It is projected that by 2021, Nigeria through these efforts could raise an estimated 6 million USD as accretion to export of sheep, lamb and leather potential.

NEPC market information is predominantly on primary/agrarian goods, cashews, cocoa, (dry) beans, ginger, leather, and sesame seed.

Export promotion incentives, the details of which will be presented later, include among others, Export Duty Drawback for Customs, Central Excise, Service Tax Rebate and Duty – Free Import Authorization.

Other incentives include, Export Development Fund, Export Expansion Grant and Export Adjustment Scheme Fund.

Up until 2013, only the Export Expansion Grant (EEG) had been in operation. It was redesigned in 2005 and is currently administered by the Nigerian Customs Service. These measures were adopted to enable Nigeria’s non-oil exporters reduce costs arising due to production, logistics and distribution and to ensure that these variety of commodities gain competitive strength in trade intercourse.

From the 1999 fiscal year, instead of paying physical cash to beneficiaries, the grant came in the form of Negotiable Duty Credit Certificates (NDCCs) issued by the Nigerian Custom Services (NCS) which could be used to settle and/or reduce excise and export duties.

However, due to corruption and abuses in the period between 2005 and 2013, the scheme was suspended and reactivated for a record of 8 times. It was suspended permanently in August 2013.

As could be observed, such policy inducements, though desirable, failed to bring about confidence in the export promotion agenda and in the management of its affairs in Nigeria. This was due to flip-flops, sudden reversals and inconsistency occasioned by abuses.

In this regard therefore, we recommend that incentives arising as discounts for export promotion exercise must be applied as a percentage of the amount at the time of export receipts.

This notwithstanding, judging from the rebased GDP, the non-oil sub-sector, including agriculture, manufactures, services, telecoms, among others, contributed 74.1% to the GDP while the oil sector contributed 15.9%. But in terms of export revenue, the oil and gas subsector, contributed more than 80% of the total export revenue in Nigeria.

As could be observed, these incentives and strategies have failed to induce investments and capital formation so as to push product transformation of the export sector.

Export promotion and diversification in Nigeria mirrors the narrow range of primary (agrarian) commodity exports rather than manufactures. This has penalized export revenue due to over reliance of this export subsector.

It has resulted in excessive borrowing from both internal and external sources to meet the ostentatious and conspicuous consumption lifestyle of both the political class and the government officials at all levels.

For this reason, external debt stock in Nigeria rose to USD27.16bn in the second quarter of 2019. This was almost a four-fold increase from the all-time low of USD7.80bn in June, 2011. However, the total debt stock stood at USD81.27bn in March, 2019.

Therefore, it follows that if Nigeria does not transform the composition of her export basket, then with the declining importance of fossil fuels due to alternative sources of energy in the world, and coupled with the emerging fields of oil exploration and exploitation in the rest of the world, Nigeria has apparently been mortgaging the socio-economic prosperity and welfare of her future generations.

VI. RECOMMENDATION AND WAY FORWARD

A developing economy like Nigeria may wish to adopt export promotion and strategic measures such as the following:

1. The organization and sponsorship of trade fairs both at home and abroad to promote exports and increase demand for them.
2. Engagements with the rest of the world, particularly bilateral and multilateral diplomatic relations and trade agreements with governments which must include captains of industries, including those in manufacturing, agro-base commodities and services. This will help secure exposure and create markets to enable increased exports.
3. Aid to foreign countries must contain, if not all, a large quantum of made-in-Nigeria goods and services. This will help to expose and create future demand for Nigerian made goods.
4. States and Federal Government, particularly Ministries, Departments and Agencies (MDAs) must buy made-in-Nigeria goods (manufactures) and services. If the Nigerian masses and governments do not
reveal their preferences for made-in-Nigeria commodities, the rest of the world, particularly trading partners will lack confidence in made-in-Nigeria goods and services.

Recently, the Anambra State Government purchased Innoson vehicles for the Police and other security agencies within the state. This is the way to build confidence in made-in-Nigeria goods- “Be Nigerian, Buy Nigerian.”

5. Export duty waivers and discounts should not be paid in cash to exporters (either in home or foreign currencies), rather certificates of value could be issued, indicating the percentage of monetary discount/waiver for a particular transaction at the time of receipt. Such certificates issued through the CBN to the resident bank on behalf of the exporter must not be for encashment purposes, rather should be utilized for further export/import transactions, including defraying import duties for the exporting-resident company.

6. Regarding trade between Nigeria and South Africa, there seems to exist a phenomenon of factor intensity reversals. In this regard, Nigeria as an oil-exporting country, should be relatively capital abundant, while South Africa should be a relatively labour abundant country. However, as it appears, the foreign investments from South Africa to Nigeria are relatively capital intensive. These include among others: MTN, DSTV, Stanbic IBTC Bank and Pension, whereas Nigerian’s export to South Africa are relatively labour intensive, such as medical doctors, teachers (university lecturers), traders, artisans etc. This type of exchange shows the deficiency in technology, including the available state of the arts existing in both countries that influence the direction of exports.

Therefore, as Nigeria and South Africa acquire and transfer the deficient factors, then both countries will tend toward a situation of factor-price equalization. This will happen, provided that the monopoly/monopolistic tendencies, including patents rights are gradually eliminated with time.

7. To curb smuggling activities across land borders, temporary closures are necessary to enable the authorities to assess the impact of loss in import duty/export tariff revenues and to restrategize.

With a huge population size of about 196 million people, Nigeria becomes a large market for African countries and the rest of the world. Therefore, Nigeria stands at a better competitive strength of reciprocal demand on a bilateral basis in trade negotiations.

Furthermore, the Calabar, Port Harcourt and Warri seaports should be functional at optimum capacity to enable exporters ease difficulties of distance, transportation costs and irksomeness.

8. The effect of export promotion measures on the receipts of the trading partners, particularly in Nigeria, should be interpreted marginally. If fiscal, monetary and direct intervention policy measures do not lead to phenomenal or even marginal increases in the reporting countries claims and/ or reduce the rest of the world’s claims against the reporting country, say Nigeria, then the export promotion policy measures and actions within a given period of time are pointless.

9. Furthermore, trading partners experiencing huge deficits in their balance of payments can promote their exports through bilateral agreements based on reciprocal demand with their trading partners. This will be in addition to the multilateral trade agreements between Economic Unions. Also, because the national incomes of trading partners hang together, reciprocal demand for each other’s exports on the bilateral basis can help to achieve a multilateral equilibrium balance of payments.

10. Authorities should provide support for Research and Development (R&D). They should be able to review and evaluate the impact of royalties and licensing, particularly duties and tariffs on export promotion and diversification. The promotion agent should cooperate and coordinate the activities of the private sector and other factors toward promoting exports, their diversification and economic growth.

11. Some countries like China, with relatively low labour costs, coupled with their authoritarian advantages and their increased integration into the world economy, accumulate huge surpluses in their external account. This places an additional adjustment burden on their trading partners, particularly when they refuse to revalue their currencies. This is sometimes referred to as currency manipulation.

For this reason, the developing trading partners must not only pursue export oriented goals, but must grow equally in an import replacement and competitive-bias fashion. This will help these varieties of economies avoid the beggar-thy-neighbor trade disposition of their relatively advanced and industrialized trading partners.

**VII. SUMMARY**

These are as follows:

1. That export promotion is a measure taken by authorities in various nations involving both monetary and fiscal (including concessions on duties, tariffs, grants, tax holidays, etc.) to boost export revenue. Also, that this can happen both with the narrow range or diversified range of exports.

2. That export diversification expands the volume and variety of export baskets, particularly allowing trading partners to avoid export instability effects on export revenue and economic growth.
3. That both economic development and growth could be used interchangeably. However, economic development is a challenge facing developing economies and has more to do with non-economic factors than economic factors.

4. That these non-economic factors and their adverse impact on growth must be eliminated or reduced drastically for the export, diversification and promotion measures to achieve the desired results on growth.

5. That as the incomes of the advanced industrialized economies increase, their importation of agrarian/primary commodities declines. Therefore, primary commodity exporters, particularly those of developing economies must transform production possibilities into manufactures.

6. That this production transformation could start from imitation and innovation in consumer goods manufactures to capital goods manufactures for import competition and exports.

7. That efforts to promote and diversify the export basket for accretion in revenue without eliminating the backwardness in the socio-political, economic, cultural and religious institutional setup, including attitude to work, corruption and indiscipline may lead to immiserizing welfare and growth.

CONCLUSION
It is our belief that if these recommendations are adopted by authorities in developing economies like Nigeria with preponderance of primary commodities in their export baskets, the challenges of export diversification and promotion for radical economic development and growth will rapidly peter out.

VIII. REFERENCES


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APPENDIX A

Chain of Causation

The efforts of the authorities through monetary and fiscal policy measures to promote and diversify exports for rapid economic growth could be captured by using the Keynesian Chain of Causation in the Quantity Theory of Money given as:

$\uparrow Ms \rightarrow \downarrow i \rightarrow \uparrow I \rightarrow \uparrow Y \equiv O \equiv N \rightarrow \uparrow Cost \rightarrow \uparrow P$

This shows that increase ($\uparrow$) in money supply (Ms) leads to a fall ($\downarrow$) in interest rate, depending on liquidity preference which is constant ($\equiv$) in the short period, leads to increase in investment, depending on marginal efficiency of capital (MEC). This then will further lead to increase in national income (Y), aggregate output (O) and employment (N) as being identical ($\equiv$) to each, depending on the multiplier (K). Also, depending on the elasticity of supply, this will lead to increase in cost and the general price level (P).

Equally, it is also expected that similar causational implications could result from government expenditure (G) given as:

$\uparrow G \rightarrow \downarrow i \rightarrow \uparrow I \rightarrow \uparrow Y \equiv O \equiv N \rightarrow \uparrow Cost \rightarrow \uparrow P$

We can as well modify the chain of causation to reflect the expected reaction from the external balance, as follows:

$= mBOP \rightarrow \uparrow I_f (X - M) \rightarrow \uparrow Y \equiv O \equiv N \rightarrow \uparrow Cost \rightarrow \uparrow P$

Where $=mBOP$ is equilibrium or surplus balance of payments which will, depending on interest rates ($i$) leads to increase in foreign investments ($I_f$) implying exports minus imports ($X-M$) and depending on foreign trade multiplier ($K_f$), leads to increase in $Y \equiv O \equiv N$ which leads to increase in the cost of production (Cost) and general price level ($P$) depending on elasticity of supply ($Es$). This must be consistent with the exchange rate stability and reasonable external reserves.
APPENDIX B

The Bhagwatian Immiserizing Growth

The Marxian expression regarding the immiserization of the poor was extended by Jagdish N. Bhagwati in analyzing the impact of growth in a more income inelastic demand for primary exports of developing economies that will leave them worse off than in the pre-trade era (Kindleberger, C.P.; 1973:79).

This is more likely to happen to a predominantly exporting and developing country like Nigeria as the rest of the world moves away from fossil fuels to alternative sources of energy for automobile, airplanes, railways, etc.

In Figure A, the tools employed are the usual neoclassical ones and are therefore subject to the assumptions enabling their applications. For example, only two commodities are produced for exports, that is, manufactures and agriculture (primary goods) with allowance for substitution along the consumption contour. The

Figure A
The Export-Led Immiserizing Growth

same condition applies to the production transformation contour.

From Figure A, AB and A'B' are the pre- and post-export diversification and promotion output transformation contours. CWC and CWC' are the pre- and post-export diversification and promotion community welfare contours. The price lines of the pre- and post-diversification and promotion are PP and PP'. Manufactures, exports and primary exports are taken on the x-axis and y-axis respectively. Observe that the expansion of primary goods production is larger than the expansion in manufactures,exports production. That is, from OA to OA' of
primary exports, and from OB to OB$^1$ of manufactures exports on the y-axis and x-axis, which is equal to AA$^1$ and BB$^1$ respectively.

Also, that the gradients of the terms of trade (price lines) of growth of exports of primary and manufactured goods arising due to promotion and diversification shows that PP is flatter and PP$^1$ is steeper. This implies that the prices of manufactures are dearer relative to primary (agrarian) goods in the post-diversification and promotion era and vice versa.

Furthermore, the post- and pre-promotion and diversification of exports of primary (agrarian) goods and manufactures community welfare due to consumption is represented by CWC$^1$ being lower than CWC. Usually, one would have expected that after growth of manufactures and primary (agrarian) goods led by the diversification and promotion measures, the country would have been put on a higher consumption welfare curve. But these efforts lower the community welfare milieu from a higher, due to the various distortive factors prevalent in this variety of countries like Nigeria.

Note that the demonstration as presented did not in any way preclude the expansion of output of manufactured goods and agrarian goods through diversification and export promotion measures. But rather, in this variety of economies efforts must be made to avoid growth in exportables that are facing inelastic demand and/ or must grow in a competitively import-bias fashion.

Given the “state of the arts” as expressed by Frank W. Tausig, the two expansion paths of OR$^1$ and OR expound the technical or the technological progress. In this regard, OR$^1$ and OR are drawn in such a way that the former is ultra-primary (agrarian) export bias, while the latter is ultra-manufactures export bias. Production of both the manufactures and the agrarian exportables takes place at points T and T$^1$, that is, in the pre- and post-export promotion and diversification measures, whereas their consumption and welfare, in the pre- and post-promotion and diversification measures take place at points e and e$^1$, respectively.

Observe that the growth of exports (manufactures and primary commodities) in the post-promotion and diversification era has damnified the community welfare milieu, that is:

$$e \lessdot e^1$$

From the foregoing, the export promoting and diversifying economy of our variety like Nigeria, has suffered immiserizing growth and community welfare atrophy in the post-export promotion and diversification era and pre-export promotion and diversification period.

This is due to the existence of the distortive factors of economic and non-economic nature. With the elimination of these factors, the export promoting and diversifying efforts of the economy would have led growth in an import-bias fashion, implying ISI (import substitution, replacement or competitive industries) rather than the existing export-bias industries (EOI) which is still predominated with agrarian/ primary commodity export basket.

In other words, stubbornness in promoting and diversifying exports of agrarian/ primary commodities instead of manufactures has left the Nigerian economy worse off in the post-export promotion and diversification era.