# ANALYSIS OF THE IMPACT OF TRADE LIBERALIZATION ON POVERTY IN NIGERIA

**By**

EJIKE CAJATAN ENWERE
*Department of Accounting,*
*Federal College of Education (Technical),*
*Umunze.*

**And**

NDAYEZHIN DANLADI SABA
*Department of Accounting,*
*Federal College of Education (Technical),*
*Umunze.*

**Abstract**

*Nigeria is rich but her people are poor. This irony has made it inextricably imperative to examine an aspect of her interaction with the global economy that has appreciable effects on its poverty alleviation drive which is trade liberalization. This paper, therefore, focuses on the poverty-trade liberalization nexus over the period 1970 to 2007 in other to establish the kind of relationship that exist between poverty reduction and trade liberalization in Nigeria since the introduction of structural Adjustment Programme (SAP) in 1986 using time series data. While the Augmented Dickey - Fuller (ADF) class of unit root test ascertain the stationarity of some variables at levels and the other at first difference, the conduct of Chow break-point test provides significant evidence that there was a structural break in the Nigeria economy by 1988 as against the apriory expectation of 1986, given that liberalization became more pronounced in Nigeria with the introduction of SAP in 1986. The study therefore, concludes that trade liberalization could be a viable policy for poverty reduction in Nigeria if the recommended issues are appropriately address. These recommendations include that issues relating to the nature and causes of poverty should be of utmost priority to policy makers, ensuring proactive foreign exchange policies for stability of the value of Naira alongside stability in major macroeconomic policies in the areas of Inflation, Unemployment, Savings and Investment. Furthermore, complementary and supportive policies, such as pro-growth regulation*

*and competition policies, investment in infrastructure, human resource development, good governance and rule of law should be properly addressed.*

The relationship between trade liberalization and poverty is a subject that has elicited controversies over the past two decades (Ogbuku, et'al 2006) particularly among the policy makers and researchers in developing countries. There is a considerable body of opinion arguing that liberalization of trade and finance has led to substantial economic progress among developed, developing and underdeveloped countries. In this context, the standard argument is based on the Stolper- Samuelson theorem (1941), according to which trade results in gain for labour since it is a relatively abundant factor in most low- income countries. On the other hand, many point to the challenges that it poses for many countries as well as for the most vulnerable socio-economic groups within countries. This judgment stems from the visible evidence of a wide gap that exists between the economic well-being of developed vis-à-vis developing countries, where poverty is prevalent Ogbuku et'al (2006).

It has been argued that trade liberalization though beneficial in the long run by improving efficiency in the use of productive resources, thereby leading to higher growth rates and lower poverty level. However, it may equally lead to higher poverty by reducing the demand for unskilled labor and worsening income distribution, at least, in the short run. Similarly, , financial integration may bring significant benefits in the long-term, it has also been associated with deep financial instability, economic crises and sharp increases in poverty rates, especially in developing countries. It is now a common knowledge that the process of liberalization (either of trade and/or finance) entails significant risks and enormous economic and social cost. Openness to global markets (liberalization) can expose domestic financial markets to greater volatility which could be more severe in countries with weak financial systems and economic policies lacking credibility.

The United Nations Human Development Report (HDR, 2001) indicates that while in the decade and a half before 1980 developing countries experienced a higher rate of income growth than developed countries, since 1980 this pattern has reversed. In Africa, South of the Sahara, 25% of the people, corresponding to 340 million people live on less than $1 dollar a day. This is further strengthen by the findings of Sala-i-Martin (2002), that as the world grows inextricably linked by globalization, Africa's share of world trade in general and raw materials in particular has been declining during the last two decades. Africa's average share of world exports dropped from 5.3% (1960-69) to 1.5% (1999). In 1970, the $1/day poverty rate (22.2%) was very similar to that of Asia (22.4%). By 1998, however, the African rate almost doubled to 40.5% whereas the Asian has almost disappeared (1.7%).

The UNDP Human Development Index (HDI), ranked Nigeria as 142nd with an HDI of 0.400 among the 174 countries listed in 1997. By 1998, the country dropped to 146th position and fell among the 40 poorest countries. The conviction, therefore, is that poverty line has been on the increase. This is in line with the recent observation, using

UNDP Human Development index (HDI) economic and social indicators, that Nigeria is one of the poorest countries in the world. The incidence of poverty has been high and on the increase since 1980.Data from the Federal Office of Statistics (FOS) on poverty profile in Nigeria showed that the incidence of poverty rose from 28.1% in 1980 to 43.6% in 1985, but dropped slightly to 42.7% in 1992 from where it rose sharply to 65.6% in 1996 and steadily rose to 70.2% in 2003. The question is whether the rising incidence of poverty in Nigeria since the 1980s is a direct consequence of trade liberalization or whether there are other internal factors within Nigeria responsible for this trend?

Conditional to accessing foreign credits, the International Monetary Fund (IMF) and the World Bank in the 1980s have increasingly required certain measures to be adopted by low-income borrowing countries. These, without contest, have included cuts in public spending, privatization of inefficient public enterprises, removal of government subsidies, trade liberalization, deregulation of the financial system, and to some extent deregulation of labour market among others. All these measures have tended to open up poor countries while the plight of the poor in these countries has worsened. As a result, concerns about the adverse effects of liberalization, have increased. In fact, the nagging question is whether the over 1 billion people who still live on less than $1 a day ( Todaro and Smith, 2006) are sharing in the benefits of greater integration or are disproportionately hit by the short-run crises and economic downturns? In spite of the challenges that trade liberalization has posed to poor countries, it is only recently that a systematic research has been conducted into the nature of the relationship between poverty and trade liberalization.

As rightly pointed out, the liberalization of economies which is not unconnected with at least one of the remote course of global financial crisis has been a major constraint to growth in most countries, a situation that has been aggravated by banking system crisis (Sanusi, 2009). This kind of study is therefore, of great importance as it provides opportunity to understand the kind of relationship that exists between poverty and trade liberalization. It is in the light of the above that this study is of significant value addition towards resolving the controversy of trade poverty-liberalization nexus in Nigeria. Following the introduction, is the review of empirical literature, methodology of the study, analysis of data and results, conclusion, and recommendations.

## Empirical Literature Review

The literature on trade liberalization is vast, complex, and expanding exponentially with diverse conclusions. Nevertheless, a common theme running through it is that spatial, economic, and technological integration has changed the nature but not the extent of the importance of political institutions and civil society (Held et al 1999, Beck 2000). Economic theory traditionally considers trade liberalization to be the reduction or complete removal of existing trade restrictions and economists typically endorse it as allowing for efficiency,(Elana,2005). In the word of Daouas Mohammed (2001),"liberalization means an intensification of cross border trade and increased financial and foreign direct investment flows, prompted by open border policies". Economic liberalization of market, finance and banking such as convergence of interest and exchange rate in the various countries, the adoption of the tenets of good governance and transparency in economic policy making and integration, and the scaling down of protectionist trade policies have been identified as the drivers of the world economy; Aminat, (2000); Jerome, (2002); Obadan, (2002). However, a deep insight into the existing literatures of the relationship between trade liberalization and poverty features controversy between "it is good" and "it is bad" without conclusion, because, the debate on whether or not "openness" is good for growth and poverty reduction does not die down. For example: According to winters (2000) "trade liberalization is generally found to increase economic opportunities for consumers and producers and to raise earnings for workers". Ogbuku et'al (2006), On the other hand, it is absurd to pretend that liberalization never pushes anyone into poverty, or even that liberalization cannot increase the extent or the depth of poverty in some circumstances.

The World Bank's World Development Report 1990 placed the problem of poverty reduction in a global context for the first time (World Bank, 1990). UNCTAD (1996) provided a first estimate of the impact of the international trade regime on poverty in developing countries. But most policy-oriented poverty analysis in the 1990s continued to focus on the role of national factors as causes of poverty, and particularly household characteristics (such as the level of education of household members, their access to land and credit, type of employment, and rural or urban location), and it generally ignored the influence of international economic relations on poverty. In the recent years all this has changed. There has been a proliferation of studies on the subject of trade and poverty. This has occurred partly because poverty reduction has increasingly become a focal concern of national and international development policies, and partly because the social consequences of liberalization have become a major political issue in both developed and developing countries (DFID, 2000; World Bank, 2002; OXFAM, 2002; UNDP et al., 2003).

While the Advocates of openness often argue that it enhances the standard of living and prosperity of participating countries, through rising income and transfer of modern technologies from advanced economies to the less developed economies. In addition, it is believed that the process promotes human freedom by spreading information and increasing choices, (Annam-Yao 1996). According to Ajayi (2001) liberalization of national and global market will enhance free flow of trade, finance and information which will produce the best outcome for both economic growth and human welfare". This is so, because countries can gain from trade through augmenting their comparative advantages and realize their specialization by intensifying their factors of production. As well they can gain from trade by realizing their economies of scale in production, as the more of one good a country produces, the lower is cost of production it becomes (Dun and Mtti, 2004). However, when a country achieves its economic growth and utilizes its economic endowments, then it changes its terms of trade, i.e., the rate of a country exports prices to its imports, as high terms of trade imply large welfare benefits from trade and vice versa.

The World Bank (2002) finds that the countries that have opened themselves the most to trade in the last two decades have, on average, grown the fastest. Because trade is good for growth, and growth is allegedly good for the poor (on average, increased growth raises the incomes of the poor in proportion to those of the population as claimed by Dollar and Kraay (2001), whose study concludes that trade (or, more generally, international economic integration) is good for the poor. Channing (2005) opined that the goal of trade liberalization is to redirect productive resources to areas of comparative advantage. At the global level this implies that production patterns will shift across countries. Within countries, some industries are likely to contract thereby freeing productive resources which at least in principle might allow other industries to expand. International trade and the reduction of protectionist barrier (liberalization) is a means to increasing efficiency, it is a powerful tool to spur economic growth and reduce poverty in developing nations, (Alexandrio 2005).

Nwafor et al (2007) examined the effect of trade openness on poverty in Nigeria. Using a dynamic equilibrium model, their result showed that opening up to trade has positive implications for urban households while having negative implications for rural households whose income is land and labour dependent. Nemedia (1998) found the new direction of trade in the wake of increased openness as quite unfavourable to developing economies especially in Africa. The changing feature of the World commodity market, which is reflected in slow growth of World trade in primary product, a major speciality of developing economies has indeed constituted a formidable challenge to the growth and poverty reduction efforts of these economies.

Ajayi (2003) observed that foreign direct gives disproportionately to the richer Countries even though the expectation is that marginal returns from investment will be higher in poor Countries or regions due to acute scarcity of capital. He further observed that though foreign direct investment has increased in recent years, Africa's share of total has remained as low as three percent, a situation that engenders poverty in the region. Nwafor, (2004) observed that Nigeria's pattern of growth and socio-economic features have not been supportive of a negative relationship between openness and poverty, by implication, if growth is not encouraged poverty reduction is made more difficult as trade openness alone is not sufficient to increase growth and productivity, there is a need for other supporting factors to be in place, greater openness will make importation of capital goods more expensive and consequently affect output while markets may not be completely destroyed, there are indications that some markets will be suppressed especially with the preference for imported goods and the relative cheapness and/or higher quality of some imported products, leading to job losses and thus aggravating poverty.

Kakwani (1990) examined the relationship between poverty and economic growth using living standards survey data from Cote d'Ivoire. He argued that the relationship between change in poverty and economic growth has not been thoroughly investigated, but evidence reveals that Countries with a high concentration of the poor have also experienced lower growth rates. He investigated the impact of economic growth on poverty through measuring separate impact of changes in average income and income inequality on poverty. His result proved that poverty was highly sensitive to economic growth and should decrease faster than economic growth rate, provided the growth process did not lead to an increase in income inequality. If inequality deteriorates during the course of a Country's economic growth, then poverty may even increase because the poverty measures were found to be considerably more elastic for changes in inequality. A lot of empirical reviews have been carried out by researchers in the area of openness and poverty. According to the United Nations Department of Public Information (UNDPI, 1996), developing Countries increased per capita food productions by some 18 percent during the 1980s,mainly through Green Revolution, and the percentage of the worlds population ranked low in terms of Human Development reduced from about 73 percent in1960 to 35 percent in 1990. The World Health Organization (2001) observed that too frequently, the poor in fertile developing Countries stand by watching with empty hands and empty stomachs while ample harvests are exported for cash from their lands.

Furthermore, the United Nations Food and Agricultural Organization (1998), observed that the number of chronically hungry people in the World has increased since the early 1990s, after declining steadily during the previous decades. This was mainly because there has been little progress in mitigating presence of absolute poverty. And also the widening gap in income distribution that caused undernourishment in many regions of the World is a disturbing trend.

A key insight from all of these works at both national and international levels is that the direct impact of trade liberalization on poverty varies widely from country to country depending on internal structures, and also domestic factor markets are critically important to the nature of the relationship. This has prompted further research on country specific investigation of the trade liberalization-poverty nexus.

The experience of liberalization in Nigeria affects different sectors of the Nigerian economy. One of the actions taken by the government under Structural Adjustment Programme (SAP) was deregulation and liberalization of finance and banking system, Akomoye (2005).This policy manifests in the deregulation of interest rate, through the raising of minimum rediscount rate, Obadan, et'al (2001), other areas of liberalization include the adoption of a floating exchange rate in an attempt to obtain a realistic exchange rate for the naira and the liberalization of the issuance of banking license from 1988 (Ibid). Economic liberalization had also been recorded in other sectors of the economy, for instance, changes in the industrial policy strategy that gave birth to development planning effort of 1962 to 1975.This planning effort emphasized the inward looking Import Substitution Industrialization (ISI) strategy based on industrialization backward, serving the local market Akomaye (2005). Also, as pointed out by Obadan (1987), government efforts toward export promotion (EP) beginning with the establishment of the Nigeria export promotion council are all fall-out of liberalization policy in Nigeria.

## Data and Method

Annual time series data on the selected variables for Nigeria have been used for this study. The sample point for the variable is 1970 to 2007. Variables are: poverty rate (Pov) proxy by Yearly Average per Capita Income, trade liberalization (Trade) proxy by the Ratio of Export plus Import to GDP, foreign direct investment (FDI) i.e the Ratio of Foreign Direct Investment to GDP, relative prices (RLTVP) proxy by consumer price index and inflation rate (INFR). Missing values have been replaced by the simple average of the two preceding values. The data are obtained from several issues of the Central Bank of Nigeria, statistical Bulletin, World Bank Data base, http://www.imf.org/external/pubs/ft/weo/1999/01/data/index.htm and http://iresearch.worldbank.org/PovcalNet/jsp/index.jsp.

**Model Specification**

Investigating the relationship between trade liberalization and poverty, usually will pose some challenges which relates to the appropriate definitions of variables to use. For the purpose of this study, we use as poverty indicator, the yearly average GDP per capita. Since the average income of a Nigerian per day falls below the $1/day threshold, this index has been generalized to mean that the average Nigerian is living below the poverty line.

Similarly, we used trade and financial liberalization, which should ideally measure how open domestic markets are to foreign markets. In previous studies, quite a number of variables have been used (see Edwards (1998), Harrison (1996), Harrison and Hanson (1999), and Rodriguez and Rodrik (1999). However, because of data considerations, we use two relatively most popular indicators of liberalization. TRADE, the ratio of the sum of imports and exports of goods and services over GDP (this is referred to as the “trade openness indicator”). For financial openness, we use FDI representing the ratio of foreign direct investment flows to GDP. Other variables include relative prices proxy by consumer price index, inflation rate and exchange rate.

This study follows the lead of Rodrik (1999) and Henry N. Ogbuaku, et’al (2006), with little modification to suite the specific objective of the study. In the light of the variables defined above, we test whether a statistically significant relationship exists between the yearly average per capita income and the degree of liberalization.

In order to accomplish this goal, we specify a simple model of poverty and Liberalization as follows:

$$POV_t = \beta_0 + \beta_1 TRDL_t + \beta_2 RFINL_t + \beta_3 RLTVP_t + \beta_4 INFR_t + \beta_1 EXCHR_t + \mu_t \ldots\ldots eqn1$$

Where:

| | | |
|---|---|---|
| $POV_t$ | = | Yearly Average per Capita Income |
| $TRDL_t$ | = | The Ratio of Export Plus Import to GDP |
| $FINL_t$ | = | The Ratio of Foreign Direct Investment to GDP |
| $RLTVP_t$ | = | Relative Prices |
| $INFR_t$ | = | Annual Inflation Rate |
| $EXCHR_t$ | = | Exchange Rate |
| $Ui_t$ | = | Error term with all the associated assumptions |

## Time Series Properties

### Unit Root Test

We conducted a unit Root test on the variables of interest to ensure the order of integration (Stationarity test) of the variables (dependent and independent) based on the Augmented Dickey fuller (ADF) class of unit root test, the ADF test the null hypothesis for variables of interest that are non-stationary and ascertained the number of times a variable need to be differenced to arrive at stationarity.

### The Chow's Breakpoint Test Method

In order to determine the liberalization date, we run a chow Break-point test. This enables us to fit the equation separately for each sub-samples and to see if there are significant differences indicates a structural change in the relationship. The chow breakpoint test compares the sum of squared residuals (RSS) obtained by fitting a single equations to each sub-sample of the data.

### Estimation Technique

We applying the ordinary least square (OLS) econometric techniques on the simple poverty-trade liberalization linear regression model and the chow's breakpoint test, to ascertain the effect of the independent variables on the dependent variable and determined the liberalization dates.

## Empirical Results

This section presented the econometric analysis of data used in this study alongside the interpretation of results of the preliminary test. Hence, all the results obtained from the application of the E-views are presented and discussed.

First, we conducted stationarity test on all the variables of interest using Augmented Dickey-Fuller (ADF) class of unit root test to ascertain the number of times each variable need to be difference to arrive at stationarity and the results were summarized in the table 1 bellow. This is due to the nature and inherent characteristics of time series data, particularly in econometric analysis.

**Table 1: Augmented Dickey-Fuller Test result for the series of the variables**

| **Variable** | **POV** | **TRDL** | **RFINL** | **INFR** | **EXCH** |
|---|---|---|---|---|---|
| ADF Statistics | -4.114754 | -4.181010 | -3.863618 | -4.775101 | -3.899695 |
| Order of Integration | I (1) | I (0) | I (1) | I (1) | I (1) |

Critical values: 10%= -2.6608, 5% = -3.0400, 1% = -3.8572.

From the above table, while trade liberalization (TRDL) assume stationarity at levels, poverty (POV), financial liberalization (RFINL), inflation rate (INFR), and exchange rate (EXCH) variables were not stationary at levels but became stationary after first difference at 1%, 5% and 10% MacKinnon critical values for rejection of hypothesis of a unit root.

**Interpretation of Result**

The estimated equations presented in equation one and two (eqn1 & eqn2 ) below are based on data for two sub-periods 1970 to 1987 representing the era before liberalization in Nigeria (pre-liberalization era) and 1988 to 2007 representing the Liberalization era as suggested by Chow-Break-point test of parameter constancy. As a result of the structural change, two separate models were estimated each representing pre-liberalization period (1970 – 1987) and the liberalization period (1988– 2007). The estimated result for the pre-liberalization and liberalization period for Nigeria is as presented below:

**Pre-Liberalization Era**

**POV = 32.69807 + 193.362TRDL - 6.887D(RFINL) - 3.352D(INFR) + 153.551D((EXCH))**

(1.593) (0.906) (-2.659) (-2.096) (4.612) ----- -- Eqn1

$R^2 = 0.774751$ $\bar{R}^2$ Adjusted = 0.672365 DW = 2.380259 Fc = 7.566981

**Liberalization Era**

**POV = 401.547 – 652.396TRDL - 1.202D(RFINL) - 353.728D(INFR) + 566.354D(EXCH)**

(0.032) (-0.035) (-0.047) (-0.932) (2.339) ----- Eqn2

$R^2 = 0.618820$ $\bar{R}^2$ Adjusted = 0.509912 DW = 1.699 $F_c = 5.682$

The equation of poverty-liberalization in Nigeria given above revealed that trade liberalization (TRDL), financial liberalization (RFINL), inflation rate (INFR) and Exchange Rate account for about 62% of the variation in poverty level in Nigeria as captured by the coefficient of determination ($R^2 = 0.618820$). This implies that about 62% of changes in the income poverty level in Nigeria is accounted for by the changes in these variables.

However, the two sets of equations as estimated for the two periods (period before liberalization and the period of liberalization) was suggested by chow break-point test which reveals that though liberal policy started in Nigeria in 1986 with the introduction of Structural Adjustment Programme (SAP) but the impact became evident in 1988. This therefore, necessitates the estimation of equation for 1988 to 2007 in order to capture the impact of trade liberalization on poverty in Nigeria.

The two estimated equations above were free from the effects of serial correlation as revealed by Durbin-Watson statistics (DW =1.699 and DW = 2.380) respectively, though the relationship between the explanatory variables and its dependent variables does not follow the same direction for the two estimated equations, and the reliability of the fitted model confirm by F-statistic of $F_c = 7.566981$ and $F_c = 5.682$ for the equations two and one respectively.

Given the nature of the statistics and result from the above estimated equations for the two sub-sampled period pre-liberalization and liberalization era in Nigeria, the discussion of the its unique characteristics as it relate to it implication for the poverty and consequently development of the Nigerian economy is of paramount importance.

Table:2 below present a summary of the regression result for both periods: the pre-liberalization and liberalization Eras Using ordinary least squares (OLS) the table shows that the key determinants of income poverty in Nigeria include the trade liberalization proxy by the ratio of import and export to Gross Domestic Product (GDP), financial liberalization proxy by the ratio of Foreign Direct Investment (FDI) to GDP, inflation rate, and exchange rate

**Table 2: The Regression Result for the Pre-Liberalization and liberalization Era**

| | | Income poverty | | |
|---|---|---|---|---|
| **Variables** | **Pre-Liberalization Era** | **Significance Level** | **Liberalization Era** | **Significance Level** |
| **Trade Liberalization (TRDL)** | Positive(+ 193.362) | Not significant | Negative (-652.395) | Not significant |
| **Financial Liberalization (RFINL)** | Negative (-6.887) | Significant at 1%, 5%, and 10% | Negative (-1.201635 ) | Not significant |
| **Inflation Rate (INFR)** | Negative (-3.352) | Significant at 1%, 5%, and 10% | Negative (-353.7277) | Not significant |
| **Exchange Rate (EXCHR)** | Positive (153.551) | Significant at 1%, 5%, and 10% | Positive (566.3541) | Significant at 1%, 5%, and 10% |

**Sources: Econometrics Result From E-views.**

However, while trade liberalization (TRDL), financial liberalization (FINL) and inflation rate (INFR) were have negative but statistically insignificant impact on the level of poverty in Nigeria during the liberalization era, the exchange rate variable (EXCHR) on the other hand is positively related to poverty and statistically significant at 1%, 5% and 10%. This suggests that trade liberalization and financial liberalization which are the major component of liberalization have demonstrated that it could be a force to aid poverty reduction if complemented with efficient domestic stabilization policies as signal by the insignificant t-statistics. This is in line with the argument of the proponents of trade liberalization. For example, “trade liberalization is generally found to increase economic opportunities for consumers and producers and to raise earnings for workers” (Winters, 2000). One major factor accountable for such relationship is the increasing inflow of goods and services since 1986 (CBN, 2002). Such as investment in the Nigerian telecommunication sector, banking sector, and to some extent foreign investment in the Nigerian capital market, this and many others have created job opportunities and have increase the earnings of both skilled and unskilled labour (World Bank, 2002). The Exchange rate variation, which is positively signed and statistically significant, is more worrisome given the high dependence of the Nigeria economy on imported goods and services.

The implication of these findings on the overall impact of the trade liberalization on poverty reveals that there is strong evidence that the poverty in Nigeria will reduce as the economy grows more open in terms of trade and finance. On the other hand exchange rate has had some serious impact on the poverty rate in Nigeria, such that as the exchange rate increases the poverty rate equally increases. Surprisingly, this relationship has been given less research attention despite the dependent nature of the Nigerian economy.

**Conclusion**

This paper, has attempted to examine the poverty-liberalization nexus in Nigeria. The empirical evidence, based on multiple regressions and conduct of chow break-point test reveals that trade liberalization and financial liberalization which are the major component of liberalization has a positive effect for poverty reduction in Nigeria, though insignificant. We have equally found that over the same sample period, exchange rate has a significant adverse effect on poverty reduction sufficient to offset the positive effects of liberalization. What become clearer is that while, liberalization may have the capacity to enrich some countries, especially the leaders of the process. In Nigeria, however, liberalization has not had the same significant positive effects on poverty reduction as anticipated. This has been hindered by factors, such as the rate at which naira is exchange for other currency (i.e. the exchange rate) and other domestic macroeconomic instability.

**Recommendations**

From the above, if Nigeria will share in the benefits of liberalization process, then certainly, new policies decisions need to be reach and proper implementation ensured. Such policies should include the following:

First, the Nigerian government has to ensure tackling the internal causes of poverty, identifiable by ways of scientific investigation into the nature and causes of poverty at all levels of government.

Secondly, Development of proactive foreign exchange policies that will ensure favourable value of naira before the international currencies together with stability in major macroeconomic policies, especially as it affect inflation, unemployment, savings and investment most be of top priority for efficiency gain from liberalization to be fully realized.

Thirdly, trade liberalization alone cannot generate desired results. Complementary and supportive policies are required for effectiveness of trade liberalization and to ensure its optimal significant impact on poverty and then the economy, such policies could include among others: stable macroeconomic policies, pro-growth regulation and competition policy, investments in infrastructure, human 'resource development, governance and rule of law. Beyond the agro-economic policies are specific policies necessary to address infrastructural bottlenecks, sector-specific problems and bridge the various "disconnects" among complex network of actors in the economy. This is so because at the heart of coordinated policies is the need to ensure macro-economic stability.

Finally, Developing countries and Nigerian in particular must besides instituting complementary policies that will guarantee benefits of liberalization, strengthen her analytical, policy and negotiating capacities, so as not to allow the powerful actors to determine international and national policies alone.

**References**

Aboyade, O. (1995). On the need for an operational specification of poverty in the Nigerian Economy In: *Poverty Alleviation in Nigeria.* Proceedings of the 1975 Annual Conference of Nigerian Economic Society.

Ajayi, S.I (2001). *What Africa need to do to benefit from globalization.* Globalization and Africa; Finance and Development. December.

Akomaye, V.A (2005). *Nigeria's strategies and policy response to globalization*. NESG Economic Indicators.

Allessandro, Nicita (2005). Multilateral trade liberalization and Mexican households. World Bank Policy Research Working Paper, September 2005.

Aminat, E. (2000). In Akomaye (2005). *Growth and stability in Latin America and Caribbean,* Challenges on the Epoch of Globalization.

Burkey,S. (1993). *People first; A guide to self-reliant participatory rural development,* ZED Books, London.

Daouas Mohammed (2001). Africa faces challenges of globalization. Finance and development, *Journal of African Economic*s, December. Federal Office of Statistics (FOS) Publications (Various Years).

Kwanashie, M. (1998). *The concept and process of globalization*; Presented at the CBN Executive Policy Seminar.

Laabas, B. & Limam, I. (2004). *Impact of public polices on poverty, income distribution and growth,* on http://www.arab-api.org/wps0401.pdf

McCulloch, Neil, I. Alan Winters, & Xavier Cirera (2004). *Trade liberalization and poverty: A handbook,* Centre for Economic Policy Research, UK

Nwafor, et al (2007). *The impact of trade liberalization on poverty in Nigeria*; Dynamic simulation in a CGE Model.

Obadan, M.I. (2002). *Globalization: Concepts, challenges, opportunities and risk; Nigeria and global economy*. Paper presented at workshop on economic reform, Abuja.

Ogbuuku, H.N., et'al, (2006), *Does globalization lead to increased poverty? Empirical* *evidence from Nigeria. Nigerian economy: Essays on Economic Development.* MPRA Paper No. 1025, posted 04. December 2006 / 19:37. Published in the United States of America, at Lulu Press, Inc Online at http:// mpra.ub.uni-muenchen.de/ 1025/

Sala-i-Martin (2002). *The world distribution of Income (Estimated from individual country distributions),* NBER working paper series 8933.

Soludo & Oji (2003). *Does trade openness make sense at this time in Nigeria.* Trade and Macroeconomic Working Group, TRADEMAC.

Sommer, J.G. (1997). Beyond Charity, U.S voluntary aid for changing third world ODC survey. *African Development Review.* 12(.2).

Thirlwall, A.P. (2000). *Trade agreement, trade liberalization and economic growth: A selected United Nations,* Human Development Report (2001). www.undp.org/hdr 2001 Washington D.C.

Winters, A. L. (2000). *Trade policy and poverty: What are the links*, London, CEPR discussion Paper, No. 2382.

World Bank (2002). *Globalization, growth, and poverty: building an inclusive world* economy, A World Bank Policy Research Report, Oxford University Press. Available on http://wwwwds.worldbank.org/servlet/WDS_IBank_Servlet?

World Bank, (2002), *Globalization, growth and poverty the World Bank* (Washington DC).

World Bank, *Development Reports*: 1978, 1980, 1982, 1984, 1985, 1986, 1995 and 1997.

World Bank, *World Development Indicators*: 1998, 1999, 2000.worldbank.org/servlet/ WDS_IBank_Servlet?

Xinshen et al (2000). *A Global Analysis of Agricultural Reform in WTO member Countries.* WTO working paper.