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The Changing Pattern of Foreign Trade

by F. Akin Olaloku, Lagos*

Like many of the other less developed countries, one of the major sources of growth in the Nigerian economy is foreign-oriented. With exports accounting for close to one-fifth of the Gross Domestic Product and imports representing about the same proportion, external trade since World War II has been of particular importance to the economy.

Although they are now of declining relative importance, proceeds from the country's agricultural exports were for a long time the main source of foreign exchange.¹ The latter has been of considerable importance in the financing of vital imports (capital equipments and essential materials) for aiding the programme of rapid economic development. Duties, mostly on luxury imports have provided the bulk of government revenues out of which a substantial proportion of capital formation in the public sector has been financed. Thus, the country's commodity exports and imports have constituted a vital source of growth to the economy.

Growth of Exports and Imports

From Table 1, it can be seen that the value of imports rose from its immediate post-war level of 83.8 mn in 1948 to an all time high of N £ 752.4 mn in 1970. In other words, in the period of a little over two decades, the value of the country's imports increased ninefold. The post-war years have also witnessed a similar but less dramatic expansion in the value of exports. From the immediate post-war level of N £ 125.0 mn in 1948, it rose to N £ 885.4 mn in 1970. This is roughly a sevenfold increase. This rapid increase has occurred in spite of the falling off of export prices after 1954².

Up to 1954, the trend was towards favourable trade balances, but it was followed by a decade of persistent balance of trade deficits. These deficits were largely financed by the running down of foreign exchange reserves accumulated in the previous years of trade surpluses. One reason for the balance of trade deficits after 1954, was that the growth of the value of exports slowed down steadily after this year and in consequence export

value lagged behind import value, thus creating a steadily increasing export-import gap. The slowing down in export value was mainly if not exclusively due to the decline in the world market prices of Nigeria's major exports after 1954. Another reason for the trade deficits was the unprecedented increase in the value of imports. This was mainly the result of the upsurge in public spending in connection with the Government's

Table 1
Growth of Nigerian Exports and Imports
1948-1970

Year	Value of Exports (N £ mn)	Value of Imports (N £ mn)	GDP at Current Prices (N £ mn)
1948	125.0	83.8	n.a.
1954	298.8	228.2	1,548.4
1960	339.4	431.8	2,244.8
1965	536.8	550.6	3,080.6
1970	885.4	752.4	3,485.8

Sources: For 1948, 1954 and 1960 see Nigeria Trade Reports, 1958, 1960 and 1964; and for 1965 and 1970 see: Central Bank of Nigeria, Annual Report and Statements of Accounts for the Years ended 31st December, 1967 and 1971.

economic development programmes which were launched in 1955, following a period of persistent under-spending by the Government.³ It was this increased government spending on development programmes that led to a rise in import requirements and thus in the country's import bill.

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¹ This had remained the case until fairly recently when crude petroleum exports came into the picture.

² G. K. Helleiner, *Peasant Agriculture, Government and Economic Growth in Nigeria*, (Homewood, Illinois: Irwin, 1966), p. 30.

³ This under-spending was caused mainly by difficulties in executing public works programmes owing to the shortage of staff and materials. Cf. Federal Nigeria, Annual Report, 1957, (London: H.M.S.O., 1961), p. 50.

In order to bring out clearly the importance of foreign trade to the economy of Nigeria, trade has to be related to GDP. On average exports accounted for almost 20 p.c. of the GDP while imports represented a little less. Between 1954 and 1970, the former rose from 19.3 to 25.4 p.c. as a ratio of the GDP, while the latter increased from 14.7 to 21.6 p.c.

Commodity Pattern

The nature of both the commodity and geographical pattern of Nigerian foreign trade is a reflection of the basic feature of its economy. The predominance of agricultural production for exports has meant a great dependence on the importation of foreign manufactures mainly from the industrialized countries.

For example, in Table 2 all manufactured articles representing Standard International Trade Classification (SITC), categories 5, 6, 7 and 8 accounted for about four-fifths of total imports during the period under review. It is noticeable, however, that the composition of this category of imports has changed over the years. For instance, SITC category 7, machinery and transport equipment, increased its relative share at the expense of category 6, i.e. manufactured goods classified by materials. While the former category rose in relative importance from 18.1 p.c. in 1950 to 37.6 p.c. in 1970, the latter declined over the same period from almost 53.0 to 30.0 p.c.

The explanation for the fore-going trend can be found in the gradual but steady change that has been taking place in the structure of the economy. The increase in the share of total imports of SITC category 7 is the result of the surge in the demand for capital goods in the shape of machinery and other capital equipments to aid the Government's development programmes of rapid industrialization especially during the last decade of the period. On the other hand, the decline in the relative importance of category 6 has to do with the rapid growth of domestic industries specializing in the production of manufactures as substitutes for imports.

Increases in relative positions were also experienced by some other imports, while some suffered declines. For example, while the importation of chemicals and food to some extent increased considerably during the period, that of beverages, tobacco, mineral fuels, lubricants and related materials declined rather sharply. Again, the declines in the shares of the latter group of commodities is reflected in their increased domestic production.

Table 2 also shows very clearly that up till the early sixties, exports were dominated by five

major commodities: cocoa, palm produce, groundnuts, rubber and cotton. For a greater part of the period under review, these commodities between them accounted for well over three-quarters of total exports. This picture was dramatically altered during the sixties with the appearance of petroleum on the export scene. For example, by 1966, petroleum had become the most important single

Table 2
Commodity Pattern of Nigerian Foreign Trade
1950-1970, Selected Years

(As percentage of total value of exports and imports)

	1950	1954	1958	1962	1966	1970
Percentage Composition of Exports						
By Commodities:						
Groundnuts and groundnut products	17.7	23.8	24.4	24.5	19.8	8.8
Palm produce	32.7	25.6	26.5	16.3	12.0	2.6
Cocoa and cocoa products	22.1	27.8	21.3	21.1	10.2	16.8
Raw cotton	3.5	5.2	6.2	3.7	0.8	1.5
Natural rubber	3.3	2.0	6.1	10.6	4.1	2.0
Hides and skin	7.5	2.4	2.6	2.5	2.1	0.6
Timber (log and sawn)	2.8	2.5	4.2	3.6	2.1	0.7
Crude petroleum	—	—	0.8	10.6	33.1	57.6
Tin metal	7.0	3.7	3.1	4.4	5.5	3.8
Columbite	0.3	3.6	0.4	0.7	0.4	0.2
Manufactures and semi-manufactures	—	—	—	—	1.1	0.6
Other exports	3.1	3.4	4.5	2.0	8.7	4.8
Total *	100.0	100.0	100.0	100.0	100.0	100.0
Percentage Composition of Imports						
By Commodities:						
0. Food	5.5	10.5	10.9	10.2	10.1	7.7
1. Beverages and tobacco	5.0	3.9	3.4	2.3	0.6	0.5
2. Crude materials mainly inedible except fuel	2.2	1.3	1.2	1.2	2.5	2.2
3. Mineral fuels, lubricants and related materials	6.6	4.9	5.4	6.1	1.5	2.9
4. Animal and vegetable oil and fats	—	—	—	0.1	0.7	0.2
5. Chemicals	3.8	4.2	5.3	6.3	8.1	11.7
6. Manufactured goods	52.9	47.5	39.4	31.7	30.9	30.0
7. Machinery and transport equipment	18.1	17.6	23.6	33.6	37.2	37.6
8. Miscellaneous manufactures	6.0	8.2	9.3	7.4	7.3	5.3
9. Miscellaneous transactions and commodities not elsewhere specified	—	1.8	1.5	1.1	1.1	1.8
Total *	100.0	100.0	100.0	100.0	100.0	100.0

* Errors due to rounding off.

Sources: (I) Computed from: G. K. Helleiner, *Peasant Agriculture, Government and Economic Growth in Nigeria* (Homewood, Illinois: Richard D. Irwin, 1966), pp. 501-504. — (II) Central Bank of Nigeria, *Annual Reports*, (various years).

source of export income accounting for 33.1 p.c.⁴ Although this proportion fell somewhat towards the end of the sixties during the Nigeria civil war, it revived again after the war reaching an all time high of 57.6 p.c. in 1970. Other commodities that have contributed to Nigerian export income in varying degrees include tin metal, timber and manufactures which is a relatively newcomer. One important characteristic of the Nigerian export structure is its relatively greater diversification which tends to make the economy less susceptible to the risks of misfortune of weather or world market conditions than most single-export economies such as Ghana or Brazil.

Geographical Structure of Foreign Trade

Another significant feature of Nigerian foreign trade is its geographical distribution. The United Kingdom remained for a greater part of the period the most important single source of Nigerian imports and the chief purchaser of its exports; this importance waned steadily over the years. For example, whereas the United Kingdom bought 82.7 p.c. of Nigerian exports in 1949, a decade later this proportion had fallen to 52.4 p.c. By 1970, the ratio had experienced a further fall to an all time low of 34.9 p.c. As a source of Nigerian imports, the Kingdom also suffered a decline in its relative position. From a level of slightly under 50 p.c. in 1949, the proportion had dropped to 29.2 in 1970.

The decline in the relative importance of the United Kingdom as a market for Nigerian exports as well as a source of its imports was paralleled over the period by a development that represents a new pattern of trade which began to emerge clearly after 1954. This is the relative growth of the European Economic Community as a market for Nigerian exports as well as a source of its imports. Accounting for only 3.8 p.c. of the Nigerian export market in 1949, by 1970 the Community, by purchasing as much as 36.9 p.c. of Nigerian total exports had displaced the United Kingdom as the most important single export market. The share of the country's total imports from the Community also increased, though, not nearly as fast as exports. Although in the immediate post-war years Nigeria had a sizeable trade with the countries of the Community, especially the Netherlands, Western Germany and France, the very strong trade links between these countries and Nigeria as they exist at present came after the signing of the trade agreement by which Nigeria became a member of the Community by association in July 1966.⁵

In addition to the countries of the EEC there are many other countries which increased their relative positions as Nigeria's trading partners at

the expense of the United Kingdom. These include the USA which increased its share of imports from a bare 4.1 p.c. in 1949 to 14.6 p.c. in 1970. As a market for Nigerian exports, its share rose less dramatically from 9.4 p.c. to 11.4 p.c. over the same period. The country's imports from and exports to the countries of Eastern Europe also increased during the period. The former rose from 1.4 p.c. in 1949 to 3.8 p.c. in 1970, while the latter increased from 0.2 p.c. to 2.8 p.c. over the same period.

Crude Oil as Essential Factor

In this short article we have attempted to highlight the main features of Nigerian foreign trade since World War II.

The growth of the Nigerian economy during this period has meant not only an expansion of its export trade but also considerable increase in its import demand.

The very important change in the structure of imports was primarily due to the relatively rapid growth of industries specializing in the production of light import-replacing consumer goods. This development affected the structure of import demand in two respects. First, domestic production of light import-replacing consumer goods led to a fall in the importation of this category of commodities. Secondly, the growth of import-replacing industries increased the import demand for machinery, capital equipment and industrial raw materials.

Given the tremendous growth potential of the Nigerian economy, the observed changes in the pattern of its foreign trade are likely to become more intensified in the future. The ever increasing production of crude petroleum is bound to effect a further change in the export structure, while the continued growth in the tempo of industrialization will further alter the structure of imports first, by reducing the country's dependence on foreign manufactures which are domestically produced and second, by increasing the country's import requirements for machinery, capital equipments and industrial raw materials. Finally, the search for export markets, especially for the country's manufactures which will make increased industrialization possible, will likely lead to a wider geographical spread of the country's foreign trade.

⁴ It is of interest to note that no other single commodity export during the period reached such a position of relative importance. Even during the early fifties when agricultural exports enjoyed a boom the high ratio for petroleum was only closely approached.

⁵ Federal Republic of Nigeria, Agreement Establishing an Association between the EEC and the Republic of Nigeria. (Lagos: Federal Ministry of Information, 1966). For the details of the implications of this agreement for Nigeria's foreign trade, see P.N.C. Okiagbo, *Africa and the Common Market*, (London: Longmans, 1967), especially Chapter 6.