NON-OIL EXPORT DEVELOPMENT AND PROMOTION AS A VITAL STRATEGY FOR INCREASING FOREIGN EXCHANGE EARNING IN AN ECONOMY

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Abstract
Crude oil has been a prominent feature of Nigeria's external sector, and has remained basically the same since the late 60's. The continuous crude oil and gas exploration in the oil producing communities resulted in environmental degradation which now leads to youth and militia Restiveness in these communities. This has led to the upsurge in development and marketing of quality agricultural produce as a means of enhancing the foreign exchange earning capacity of Nigeria.
The performance of Nigeria's non-oil exports has been impressive in recent years, in order to assess the situation the paper examines the contribution of the non-oil sector to the Nation's Gross Domestic Product using regression analysis.

The paper work recognizes that the non-oil sector can contribute more to the export earnings of Nigeria than the oil sector if properly managed and also sincere implementation of various policies aimed at improving the non-oil exports by the various tiers of Governments.

Keywords: *Environment, Export, Crude Oil, Degradation, Development, Promotion.*
JEL Classification: *H11, O13, O24, P33*

Introduction

Recent developments in the Nigerian economy had led to the recognition of the ultimate significance of development and marketing of quality agricultural produce as a means of enhancing the foreign exchange earning capacity of Nigeria. Simultaneous with this awareness is the growing concern of adherence to standard in order to maintain a reputation in the export market. It is therefore imperative that quality and standards are necessary conditions that must be given adequate attention in order to ensure the sustenance of Nigeria's competitiveness in the global market.

Nigeria is very popular in the area of production and export of top quality produce like Cocoa, Groundnut, Cotton, Gum Arabic, Sesame seed, Rubber, Ginger, mangoes, pineapples, coffee and host of others. Export markets for these products exist in USA, European Union, Gulf States, Japan, Singapore, China etc. Nigeria also has an added advantage over major Agricultural producers and exporters in the Eastern and Southern Africa in terms of fertile land, proximity to traditional and terminal markets in Europe by Air or by sea.

The advantages are numerous but the question has been whether Nigeria has succeeded over the years to translate this comparative advantages into gains. This brings us into the problem of "Quality" and "Standards". While Quality deals with the inherent nature of the product, standards reflects the "in use" requirements imposed by the local environment which may require modifications of the product. (Sasore, 2004**)**

A prominent feature of Nigeria's external sector has remained basically the same since 1960. The sector is characterized the dominance of a single export commodity. In the decades of the 1960's and 1970s the Nigerian economy was dominated by agricultural commodity exports. Such commodities included cocoa, groundnut, cotton and palm produce. From the mid-1970s crude oil is of the light and sweet type and is highly sought after in the international oil market.

The export of crude oil now constitutes about 90% of total exports. The performance of the non-oil export sector in the past two decades leaves title on nothing to be desired. The policy concern over the years has therefore been to expand non-oil export in a bid to diversify the nations export base. The diversification of the Nigerian economy is necessary for important reasons. Firstly, the volatility of the international oil market with the attendant volatility of government revenue gives credence to any argument for diversification of exports. Secondly, the fact that crude oil is an exhaustible asset makes it unreliable for sustainable development of the Nigerian economy.

This paper attempts to study the performance of non-oil exports on economic growth and proper solution to the over reliance on revenue from oil export.

Objective Of Study

The objective of this study is to examine the economic effect of overreliance on Oil export and also try to find role played by authorities to encourage the participation of non oil export both by the private and public sectors.

Methodology

In this paper, our task is to examine the economic effect of overreliance on Oil export and also try to find role played by authorities to encourage the participation of non oil export both by the private and public sectors. In doing so, the authors made use of regression analysis to measure the efffect of non oil export on the nation's Gross Domestic Product (GDP).

Literature Review

The development of the export sector has been shown to be critical to the growth of a developing nation like Nigeria's Leonidon and katsikeas (1996) postulate that export expansion improves economic development but requires incentives in the area of finance in developing nations. Zinkota (1994) states that export performance is important because it allows for accumulation of foreign exchange reserves, increased, employment level, Squire and waters (1990) and Terpstra and Sarathy (2000) concluded that export growth increases the corporate profit, strengthens competitive edge, and resource.

According to Ajakaiye (1987) in examining the structure and growth of non-oil export since the late 1980s, it is pertinent to compare the situation with those that prevailed prior to the commencement of Structural Adjustment Programme (SAP).

Oyedeji, (1986) prior to the mid 1980s, policies about agriculture prices were specially rigid, often amounting to revaluation of the naira led to the discouragement of the agricultural export. In the same vain, pegging of interest rate were mostly beneficial to the "big" borrower farmers, Ojo (1989). The domestic prices paid to export crop producers relative to the external prices reared by the erstwhile commodity boards were low, virtually amounting to implicit taxation or negative projection of farmers, Abalu (1975).

However, a number of empirical studies which have investigated the export-led-growth hypothesis, have found that exports have been instrumental to Nigeria's growth performance suggesting that in Nigeria export-led-growth hypothesis holds, falana (1979), Langley (1968), Olomola (1998),Ekpo and Egwaikhide (1994). Amsden (1989), describes in detail the measures the south Korea government used in trade ptotection and trade promotion such as selective credit subsides, export targets, public ownership of banking sector, export subsidies and price control. This is to some extent popular in Nigeria.

Nigeria is one of the founding members of Economic Community of West Africa States and the World Trade organization and signatory of the Lome Convention Ogunkola and Oyejide (2001) despite these efforts non-oil exports have dwindled in the period of great openness. There are only a few empirical studies on the impact of global integration on non-oil export in Nigeria. However, a number of empirical studies which, have investigated the export-led growth hypothesis, have found that exports have been instrumental to Nigeria's growth performance suggesting that in Nigeria export-led growth hypothesis holds Fajana (1979), Langley (1968), Olomola (1998), Ekpo and Egwaikhide (1994). The introduction of the index of openness, that is, (export + imports)/GDP revealed a negative relationship between output growth and openness Oladipo (1998), Olomola (1998). Ogunkola and Oyejide (2001), in their study of market assess for Nigerian exports in the European Union (EU) found that the impact of commodity specific and the generalized trade liberalization have remained minimal.

Given this scenario, the paper posits that the dependence of the Nigerian economy on the world market for the supply of industrial and agricultural inputs as well as expertise for industrial and agricultural production is likely to be reinforced with the implementation of the terms of the WTO agreement.

The Growth Of Non-Oil Sectors

The Nigeria economy is highly dependent on proceeds from oil, which constitutes over 90% of total foreign exchange earnings required from financing several national development projects. Invariably, whenever oil prices rise or fall, the fortune of increased/reduced revenue will automatically manifest itself on the economy of Nigeria.

Also, the Nigeria Agricultural sector has always been expected to perform the roles of providing employment for the labour force, staple foods and raw materials for domestic and export needs. Until the 1970s, Nigeria depended mainly on agriculture for its export revenue. In 1960, the contribution of agriculture to foreign earnings was about 83% from 1960 - 1970, the export crop sub-sector contributed on the average 58.4% annually to the total foreign exchange revenue. Nigeria experienced substantial capital inflow largely in the form of oil sector earnings. The large oil revenue coupled with the accumulation of reserves in major foreign currencies became enabling factor in the decision to revalue the naira. Adeyemi (2004).

Nigerian Export Promotion Council (NEPC)

The Nigerian Export Promotion Council (NEPC) was established through the promulgation of the Nigerian Export Promotion Council Act No. 26 of 1976 and formally inaugurated in March, 1977. This Act was amended by Decree No. 72 of 1979 and further amended by the Nigerian Export Promotion Decree No. 41 of 1988 and complemented by the Export (Incentives and Miscellaneous Provisions) Decree No. 18 of 1986. Furthermore, the Nigerian Export Promotion Council Amendment Decree No 64 of 1992 was promulgated to enhance the performance of the Council by minimizing bureaucratic bottlenecks and increasing autonomy in dealing with members of the Organised Private Sector. (NEPC).

Export procedures

It has been observed that the world's economic and scientific development and progress is towards increasing the need for documentation rather than decreasing it. To make a success in export trade, the exporter must adopt an integrated systems approach a well-defined export price and payment policy. This approach must start right form the quotation stage when the price and offers are being made for presentation to the potential overseas buyer.

Correct documentation, therefore, is the lubricant of international trade and its importance cannot be overemphasised. Incorrect documents cause delays at ports when clearing the goods through customs, resulting in extra costs, failure to met delivery dates and, in some cases, seizure of such goods. Unfortunately, some exporters fail to realise the importance of correct documentation and thus develop bad reputation for their export business. In order to save extra costs and possible delays a the point of import, the potential exporter should ensure that he is full acquainted with all aspects of the actual procedure involved in getting the goods from factory/farm gate to the consignee. It is therefore, important to know what documentation will be needed to get the goods out of the country of production and into the foreign market with the least possible delay and expense.
Also, it is necessary to know what special certificates are required e.g. health, sanitary, free sale and the like.

Classification of goods

Most countries have now adopted the Customs Co-operation Council Nomenclature (CCCN) formerly known as the Brussels Trade Nomenclature (BTN). The CCCN is comprised of 99 chapters with many sub-divisions in each chapter. The first four digits are similar in all countries using the CCCN and EEC countries the first six digits are similar but any further breakdown in code numbers may vary from country to country. Any export should be familiar with this trade code to ensure effective communication between and his buyers. Though codification products in trade can hardly be misunderstood.

The Federal Government of Nigeria issued new guidelines for both exports and imports in 1996. The new guidelines for export were aimed at ensuring strict adherence to accountability and transparency in the conduct of international business by Nigerians as a first step towards building a good image for the country. The objectives would be achieved by ensuring that the quality and quantity of all exports as well as the true value of goods to the consignee tally with the claims on all accompanying documents. The new guidelines have been used to update and review the publication on export procedures and documentation in Nigeria. (NEPC).

Youth Militancy and Conflict in the Niger Delta

The Niger Delta has an estimated population of 29 million people, the bulk of which lives in rural fishing and farming communities. Their socio-economic conditions are worrisome as 73% of the people lack access to safe drinking water, about 70% of households lack electricity, 94% of the population lack access to telephones and primary school enrolment rate is below 40% (Ibeanu 2006). These situations show that poverty and underdevelopment remains widespread in the Niger

Delta in spite of its abundant resources (Okoko 2004). The Niger Delta in Nigeria is one of the world's largest wetlands and the largest delta in Africa.

The context of the Niger Delta struggle is defined by the Nigerian national question with grave implication for conflicts. Dimensions of conflicts in the Niger Delta include conflicts between the multi-national oil companies, the Nigerian State and the host communities as well as intra and inter communal conflicts. Complexities of these conflicts stem from contradictions in the exploitative production systems and hostile exchange relations between two major coalitions comprising the multi-national oil companies and Nigerian State on one hand and the youth and peasant communities on other hand. The major oil companies in the area include Shell, Exxon-Mobil, Elf Aquitane, Chevron-Texaco, Eni-Agip, and TotalFinaElf (Iwayemi 2006; Ibeanu 2006). Their operations are principally organized as joint ventures with the Nigeria National Petroleum Corporation (NNPC). In the 1970s, the Nigerian governments used indigenization policy to acquire 60% equity in the major multinational oil companies and 80% in Shell-BP. Some multinational oil companies however abandoned their operations in Nigeria due to the implementation of the policy. The attendant decrease in foreign investments and the perceived failure of indigenization policy motivated the Nigerian governments to move towards partial deregulation and commercialization of various operations of the NNPC, which was commercialized with the creation of 11 subsidiaries in 1988. The governments have shifted emphasis from ownership of the petroleum industry in favour of complete deregulation of the industry and selling of NNPC. However, petroleum sector workers embarked on strike in August 2002 to protest against government attempt to privatize the NNPC owned refineries. The Nigerian governments were however reputed for curtailing labour rights and weakening labour movements as an important part of their economic strategies (Okafor 2007).

WTO Tariff Bindings and Nigeria's Commitments

The WTO negotiations led to the promulgation of general rules that apply to all members, and specific commitments made by the individual governments. These are listed in documents called "schedule of concession". For goods in general these consist of maximum tariff levels. For agriculture, they also include tariff quotas, limits on export subsidies and some kind of domestic support (WTO 2003a). A country can change its bindings, but after negotiating with its trading partners, which could mean compensating them for loss of trade. The Uruguay Round of Multilateral Trade Talks has so far achieved an increase in the amount of trade under binding commitments. In agriculture, 100% of products now have bound tariffs. The result is a substantially higher degree of market security for traders and investors (WTO 2003a).

The Round Agreement has achieved an increase in the number of import whose tariffs rates are "Bound". The increase for developed countries was from 78% to 99%. For developing countries, the increase was considerable from 21% to 73%. Economies in Transition from central planning increased their binding from 73% to 98%.

According to WTO assessment, this all amount to a substantially higher degree of market security for traders and investors (WTO 2003a).

Table 1: Incentives Schemes Adopted to Boost Non-Oil Exports in Nigeria

Incentive scheme	Operation Agent	Objective and Remark
1. Refinancing & discounting facility (RRF)and foreign input facility	CBB/NEXIM	To provide liquidity to banks in support of their export finance business directed at export promotions and development
2. Current retention	CBN and the Commercial/merchant Banks	To enable exporters to hold export proceeds in foreign currency in their banks
3. Tax relief on export earned by banks on export credit	Banks and Federal Board of Inland Revenue	To encourage banks to finance export by reducing their tax burden.
4. Export credit guarantee and insurance scheme	CBN/NEXIM	Assists banks to bear the risks in export business and, thereby facilities export financing and export financing and export volumes.
5. Duty drawback Scheme	Customs Department; standard Organization of Nigeria, Nigeria Export promotion Council (NEPC) commercial and merchant banks	To reimburse customs duty paid by exporters on imported input used for export production. This has not been widely used by exporters due to the cumbersome procedural requirements involved, although the fund has been increased to $50 million
6. Export expansion NEPC grant		To encourage companies to engage in export business rather than domestic business: especially exporters who have exported N50,000 worth of semi-manufactured or manufactured products.
7.Export price adjustment	NEPC	This is a form of export subsidy designed to compensate exporters of products whose foreign prices become relatively unattractive, due to factors beyond their control.
8. Subsidy scheme for use of local raw materials in export production.	NEPC	To encourage exporters to use local raw materials in export production.
9. Export development fund	NEPC	To assist exporters in partly paying the costs of participation in trade fairs, foreign market research e.t.c.
10. Abolition of export licensing	Federal ministry of commerce & Tourism	To remove administrative obstacles from the export sector as much as possible.
11. Supplementary allowance in favour of pioneer companies	Federal ministry of commerce & Tourism	To extend supplementary incentive to pioneer companies that export their products
12. Accelerated depreciation and capital Allowance	Federal ministry of commerce & Tourism	To extend supplementary incentives to industrial organization for export of their products
13. Manufacturing Bond Scheme	Federal ministry of commerce & Tourism	To assist potential exporters of manufactured product to import raw materials duty free for production of exportable products.
14. Export Liberation Measures Buy back arrangement	Federal ministry of commerce & Tourism	To liberalize, and promote export trade
15. export processing Zone	Federal ministry of commerce & Tourism	Opened in mid-1996 in Calabar, to facilitate and enhance exports.

RESEARCH METHODS AND MODEL SPECIFICATION

Data were gathered from secondary source i.e. from the Central Bank of Nigeria (CBN) Annual reports. The data used covered a period of 23 years (1980-2003).

The method of analysis was based on Regression analysis using coefficient of multiple determinant (R2). The value of R2 was obtained for the oil exports and non-oil export for the period 1980 to 2003.

GDP = a0 + b1OE + b2NOE + mt
Where
GDP = Gross Domestic Product
OE = Oil Export
NOE = Non-Oil Export
mt = Error Term

Analysis and Findings

Model 1 - 1980 - 2003	**Model 2 -** 1980 - 2003
GDP - Dependent Variable	GDP - Dependent Variable
Oil Export - Independent Variable	Non-Oil Export- Independent Variable
R2 = 0.945	R2 = 0.780

The R2 values for models 1 and 2 represent the proportion of the variation in the Gross Domestic Product that is explained by the variation in the oil export and non-oil export from 1980 to 2003.

The R2 values for models 2, 4 and 6 represent the proportion of the variation in the Gross Domestic Product that is explained by the variation in the non -oil export from 1980 to 1994, 1995 to 2003 and 1980 to 2003 respectively.

Table 2: Basic External Data of Nigeria (1980-2003) (N' Million)

Years Factor Cost	GDP Current	Oil export	Non-oil Export
1980	49,632.3	13,632.30	554.40
1981	50,456.1	10,680.50	342.80
1982	51,653.40	8,003.20	203.20
1983	56,312.90	7,201.20	301.30
1984	62,474.20	8,840.60	247.40
1985	70,633.20	11,223.70	497.10
1986	71,859.0	8,368.50	552.10
1987	108,183.0	28,208.60	2,152.00
1988	142,618.0	28,435. 40	2,757.40
1989	220,200.0	55,016.80	2,954.40
1990	271,908.0	106,626.50	3,259.60
1991	316,670.0	116,858,10	4,677.30
1992	536,305.10	201,383.90	4,227.30
1993	688,136.60	213,778.80	4,991.30
1994	904,004.70	200,710.20	5,349.80
1995	1,934,831.0	927,565.30	23,096.10
1996	2,703,809.0	1,286,215.90	23,327.50
1997	2,801,972.60	1,212,499.40	29,163.30
1998	2,721,178.40	717,786.50	34,070.20
1999	3,313,563.10	1,169,476.9	19,492.90
2000	4,727,522.60	1,920,900.40	24,822.90
2001	5,374,334.80	1,973,222.20	28,008.60
2002	6,232,243.60	1,787,622.10	95,046.10
2003	6,061,700.0	2,794,754.2	95,092.50

Source: Central Bank of Nigeria Statistical Bulletin-2004

Findings and Discussion

From our analysis above, it could be observed that the contribution of non-oil export during the first period i.e. 1980 - 1994 was not impressive compared with the contribution of oil export during same period. There was slight improvement in the performance of non-oil export during the second period i.e 1995 - 2003 compared with contribution of oil export during same period. Below is the summary of the contribution of oil export and non-oil export to the changes that occur in the GDP.

Table 3

	1980 -1994 %	1995 – 2003 %	1980 -2003 %
Oil Export	90.7	75.8	94.5
Non-Oil Export	77.7	56.4	78

The overall performance of non-oil export cannot be compared with performance of oil export, but there has been an appreciable improvement especially in the second period of analysis. This is largely due to the policies of the various tiers of Government to develop the non-oil sector due to the fluctuations in the International oil market and the incessant conflicts in the oil producing areas of Nigeria.

Recommendation and Conclusion

The government needs to invest in the non-oil sector adequately so as to be able to strike a balance, between the oil and non-oil sector and other sectors of the economy. In order to achieve this, the following steps must be taken.

- Investments in agriculture i.e. cultivation of vast plots of land, for the farming of crops, in areas, where these crops thrive most e.g. sugarcane (for the production of sugar) in Bacita, Rubber in Edo and adequate management/administration should be provided for these crops, wherever they planted, so that high revenue yields can be got from agricultural products' exports.

- The government should try to develop the mining of solid minerals. This entails the training of people (Engineers, Economists, Scientists, and Geographers etc) for the activity of mining. The mineral output should be well-processed so as to meet international market standards. Research has shown that if well developed, this sector can provide high revenue amounts for the federal government of Nigeria.

Finally, this paper has shown that the non-oil sector can contributes more to the export-earnings of Nigeria than the oil sector if properly managed. The policies of the various tiers of Government are geared towards the development of the non-oil sector due to the fluctuations in the International oil market and the incessant conflicts in the oil producing areas of Nigeria.

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