Nigeria-United States Bilateral Trade Relations and its Implications on Nigeria's Economic Growth

Shuaibu A. Ibrahim PhD, Abdullahi M. Sallau PhD & Aminu Ibrahim

Abstract
This paper examines Nigeria–United States bilateral trade relations between 1999 and 2017. This work proceeds on the premise that no state in modern times can avoid involvement in international affairs, and this involvement must be systematic and based on certain principles. The objective of this work is to assess Nigeria-united states bilateral trade relation and its impact on Nigeria’s economic growth. The Neoliberal theory formed a framework of analysis. Data for this study is obtained from secondary sources; the survey research design was adopted while descriptive qualitative method is used as the method of data analysis. The research findings shows that although there is evidence that the two countries benefit significantly from their trade relations, US benefits outweigh that of Nigeria and the country is becoming increasingly dependent on US perhaps over relying on its domestic product. There exist a noticeable imbalance of trade between US and Nigeria which favors US but this notwithstanding, the volume of trade between US and Nigeria is still on the increase indicating an improved economic and trade relations between Nigeria-US since 1999. The study recommended that Nigeria should renegotiate her economy relations with U.S to avoid the dumping of goods in Nigeria and to promote indigenously driven industrialization of the economy with U.S assistant and cooperation. Nigeria-U.S bilateral trade relations should go beyond economy ties but rather be directed to collaborate in industrializing Nigeria economy through technology transfer in this respect.

Keywords: Economic growth, International trade, Trade, Terms and Balance of trade

Introduction
The independent nature of countries across the world compelled them to enter into relationship with one another for one reason or the other. Economic, socio-cultural, political and military cum peace and security make it mandatory for nation states to come together and conduct diplomatic business amongst them. Thus, bilateral and multi-lateral treaties are signed by the concerned state to seal their agreements. The United States established diplomatic relations with Nigeria in 1960, following Nigeria’s independence from the United Kingdom; from 1966 to 1999 Nigeria experienced series of military coups, including the short-lived second republic between 1979 and 1983 within this period of military intervention in politics the United States cuts its diplomatic ties with Nigeria. Following the 1999 inauguration of a civilian president, the U.S.-Nigerian relationship began to improve, as did cooperation on foreign policy goals and regional peacekeeping.
Nigeria and the United States of America both share similar history, political and economic greatness and hegemonic status which have made U.S the world power and Nigeria a force to reckon with in Africa and the world. The fall of the Soviet Union, the reunification of Germany, the end of the Cold War and the contemporary unipolar world, marked the United States as the only one super power in the world (Saliu and Aremu, 2006; Wilkinson; 1999, and Snyder, 1999). Apart from being one of the super powers America also has an economic and technological advantage. As Anyanwu (2001:123) noted:

America has become a Mecca for ambitious doctors, lawyers, academics, nurses and criminals alike. In fact, the United States is currently concentrating in itself all the attributes of power; strategic, political, economic, financial, military and even cultural (Anyanwu, 2001:12).

Economically, Nigeria has one of the most diverse economies in Africa, and in fact, has one of the largest GNP in the continent. More importantly, Nigeria is a home for crude oil, which is currently being seen as a strategic commodity. As a member of the Organization of Petroleum Exporting Countries (OPEC), Nigerian oil industry entered the global market as the sixth ranking oil-exporting nation in the world. Consequently, Nigeria with vast oil reserves and a quarter of Africa’s population, has long perceived itself and by others as a potential force for regional stability and development in Africa this explains why Nigerians see themselves as the giant of Africa.

Concept of International Trade

International trade is the exchange of capital, goods and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). While international trade has been present throughout much of history, its economic, social and political importance has been on the rise in recent centuries. All countries need goods and services to satisfy human wants of their people (Marshall, 2001). No country can produce all the goods and services that it requires it has to buy from other countries what it cannot produce or can produce less than it requirements. Similarly, it sells to other countries the goods which it has in surplus quantities. Nigeria buys from and sells to US various types of goods and services. Generally, no country is self-sufficient. It has to depend upon other countries for importing the goods which are either non-available with it or are available in insufficient quantities. Similarly, it can export goods, which are in excess quantity with it and are in high demand outside. International trade means trade between the two or more countries. International trade involves different countries and is regulated by laws, rules and regulations of the concerned countries. Thus, international trade is a complex phenomenon (Jenkins, 2012).

The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and cost associated with country differences such as language, the legal system or culture. International trade consists of ‘export trade’ and ‘import trade’. Export involves sale of goods and services to other countries. Import consists of purchases from other countries (Chand, 2012).

The basis for foreign trade rests on the fact that nations do differ in their resource endowment, preferences, technology, scale of production and capacity for growth and development (Adesanya, 2012).

Concept of Balance of Trade

According to Smith (2003) Balance of trade refers to the difference between the monetary
value of a nation's exports and imports over a certain period. Sometimes a distinction is made between a balance of trade for goods versus one for services. "Balance of trade" can be a misleading term because trade measures a flow of exports and imports over a given period of time, rather than a balance of exports and imports at a given point in time. Also, balance of trade does not mean that exports and imports are "in balance" with each other or anything else (Smith, 2003).

If a country exports a greater value than it imports, it has a trade surplus, positive balance, or a "favorable balance", and conversely, if a country imports a greater value than it exports, it has a trade deficit, negative balance, "unfavorable balance", or, informally, a "trade gap or trade Imbalance". A positive balance adds to gross domestic product, while a negative balance subtracts from GDP (O'Sullivan, Sheffrin & Steven, 2003). The balance of trade forms part of the current account, which includes other transactions such as income from the net international investment position as well as international aid. If the current account is in surplus, the country's net international asset position increases correspondingly. Equally, a deficit decreases the net international asset position. The trade balance is identical to the difference between a country's output and its domestic demand (O'Sullivan, 2003).

Concept of Economic Growth

The term growth generally carries a connotation of quantitative increase. Perhaps the most explicit statements that this connotation should be critical in interpreting the concept of economic growth are to be found in the writings of Kuznets. He argues rather forcefully that “economic growth is essentially a quantitative concept” (Kuznets, 1955; 16), and hence if we are to make substantial progress in the empirical and theoretical analysis of the growth phenomenon, we must consider the quantitative aspect as basic. This point is generally accepted. However, there remains widespread disagreement as to the magnitude which is in fact the relevant measure of growth. Indeed, about the only unifying element in the various quantitative” definitions of economic growth is agreement that what ideally should be measured is the contribution of economic activity to the achievement of higher states of human welfare.

In defining economic growth in this sense, it is argued that economic activity is purposive activity—that economic activity can only be identified and its results measured if there is a prior identification of the underlying purpose of that activity. It is admitted that the concept of purpose is somewhat vague, that a single purpose cannot be objectively established but must be imputed, that empirical verification of any imputed purpose is impossible, and that by consequence any of a variety of purposes might be imputed with equal scientific impunity (Buchanan & Ellis, 1953).

Theoretical Framework: Neo-liberalism

The foundations of Neo-liberalism dates back to Adam Smith and his great work, The Wealth of Nations. Over the past two centuries Smith's arguments have been formalized and developed with greater analytical rigour, but the fundamental assumptions underpinning neo-liberalism remain those proposed by Adam Smith. The liberal doctrines propounded by Adam Smith came under attack from two directions. On the one hand, Smith's ideal society was one of isolated individuals, each pursuing his own self-interest. Neoliberal theory claims that a largely unregulated capitalist system not only embodies the ideal of free individual choice but also achieves optimum economic performance with respect to efficiency, economic growth, technical progress, and distributional justice (Friedman, 1951). The policy recommendations of neo-
liberalism are concerned mainly with dismantling what remains of the regulationist welfare state. These recommendations include deregulation of business; privatization of public activities and assets; elimination of, or cutbacks in, social welfare programs; and reduction of taxes on businesses and the investing class. From only a handful of mentions in the 1980s, use of the term has exploded during the past two decades, appearing in nearly 1,000 academic articles annually between 2002 and 2005 (Boas and Morse, 2009; 2). Before 1980, neo-liberalism was an esoteric term, used scarcely, and then, only by economists. Since then, it has become one of the most widely used terms across many social science disciplines except in economics where it has disappeared. During this period, there has been a steady trend to rediscover neoliberalism as more complex than previously considered, and to re-theories it as a more subtle, latent, ubiquitous, or expansive phenomenon (Hayek, 1944). As a result, it has been drawn far beyond its conceptual crib in economic policy, political economy, and the states versus markets debate, towards issues of power and ideology, reflecting a shift in theoretical inspiration from Keynes towards Marx, Gramsci, and Foucault. The Neoliberal theory is relevant to this work as it focuses on the relationship between and among nations in the global scene which is interpreted in terms of mutually beneficial cooperation, which could lead to increased interdependence and the improvement of equality between States. The model of development underlying this view is one that sees mutual benefits resulting from the further integration of African states into the world economy.

Nigeria-US Bilateral Trade Relations
Nigeria is the largest US trading partner in sub-Saharan Africa, based mainly on the high level of petroleum imports from Nigeria. Since 1960 United States had become the major consumer of Nigeria’s oil. United States accounts for 40% of the country's total oil exports. Nigeria provides about 11% of overall US oil imports and ranks as the fifth-largest source for US imported oil. Significant exports of liquefied natural gas started in late 1999 and are slated to expand as Nigeria seeks to eliminate gas flaring. Total two-way trade was valued at $30.8 billion in 2006, a 19% increase over 2005 (Ojiako, 2010). Leading US exports to Nigeria were machinery, wheat, and motor vehicles. Leading US imports from Nigeria were oil and rubber products. Nigerian exports to the United State under the African Growth and Opportunity Act (AGOA), including its Generalized System of Preferences (GSP) provisions, were valued at $25.8 billion during 2006, a 15% increase over 2005, due to an increase in oil exports. Non-oil AGOA trade (leather products, species, cassava, yams, beans, and wood products) totaled $1.4 million in 2006, almost double the amount in 2005. Large portion of US exports to Nigeria is believed to enter the country outside of the Nigerian Government's official statistics, due to importers seeking to avoid Nigeria's excessive tariffs (Ojiako, 2010).

Table 1: United States trade in goods with Nigeria (1999-2016). All figures are in millions of U.S. dollars on a normal basis.

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S Exports to Nigeria</th>
<th>U.S Imports from Nigeria</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,894.9</td>
<td>4,176.0</td>
<td>-2,281.1</td>
</tr>
<tr>
<td>2015</td>
<td>3,435.1</td>
<td>1,915.8</td>
<td>1,519.3</td>
</tr>
<tr>
<td>2014</td>
<td>5,965.9</td>
<td>3,839.5</td>
<td>2,126.4</td>
</tr>
<tr>
<td>2013</td>
<td>6,388.4</td>
<td>11,723.9</td>
<td>-5,335.5</td>
</tr>
<tr>
<td>2012</td>
<td>5,029.3</td>
<td>19,014.2</td>
<td>-13,984.9</td>
</tr>
<tr>
<td>2011</td>
<td>4,904.8</td>
<td>33,854.2</td>
<td>-28,949.4</td>
</tr>
</tbody>
</table>
Source: U.S. Census Bureau, 2017. Complied by the researcher.

Figure 1: U.S & Nigeria Trade Relations

Figure 1 indicates goods trade relations between U.S. and Nigeria for the period of 1999 to 2017. The trend shows increasing trade relations between U.S. and Nigeria from 1999 till 2008. There was a slow decline in the trade relation from 2008 to 2015. In 2014 and 2015, Nigeria recorded unfavourable balanced of trade which could be due to decline in crude oil production.

According to the United States Department of Commerce (2017), the top export categories (2-digit HS) in 2016 were: machinery ($350 million), vehicles ($300 million), cereals (wheat) ($293 million), mineral fuels ($152 million), and plastics ($129 million). U.S. total exports of agricultural products to Nigeria totaled $370 million in 2016. Leading domestic export categories include: wheat ($265 million), corn ($26 million), prepared food ($23 million), condiments & sauces ($12 million), and processed vegetables ($10 million). U.S. exports of services to Nigeria were an estimated $2.5 billion in 2016, 7.0% ($185 million) less than 2015. Leading services exports from the U.S. to Nigeria were in the travel, transport, and technical and other services sectors.

In 2016, U.S. goods imports from Nigeria totaled $4.2 billion in 2016, up 118.0% ($2.3 billion) from 2015, but down 85.0% from 2006. The top import categories (2-digit HS) in 2016 were: mineral fuels ($4.0 billion),...
special other (returns) ($79 million), artificial flowers, feather or down articles ($7 million), fertilizers ($7 million), and food waste, animal feed ($7 million). U.S. total imports of agricultural products from Nigeria totaled $28 million in 2016. Leading categories include: feeds & fodders ($7 million), spices ($6 million), cocoa beans ($5 million), tree nuts ($3 million), and tea, herb ($2 million) U.S. imports of services to Nigeria were an estimated $411 million in 2016, 11.4% ($53 million) less than 2015. Leading services imports from Nigeria to the U.S. were in the travel, transport, and professional and management services sectors (Okoye, 2014).

The U.S. trade balance with Nigeria shifted from a goods trade surplus of $1.5 billion in 2015 to a goods trade deficit of $2.3 billion in 2016. The United States has a services trade surplus of an estimated $2.1 billion with Nigeria in 2016, down 9.5% from 2015. The U.S invested in non-oil products such as tobacco, telecommunications, textile and the banking sector of the Nigerian economy. U.S. imports from Nigeria include cocoa, rubber, returns, antiques, and food waste. Nigeria’s export products in the non-oil sector include agricultural goods such as cashew, cocoa, coffee, shrimps, ginger, gum-Arabic, rubber products and local foods (Nwangwu & Okoye, 2014). The 2000 African Growth and Opportunity Act enabled African states including Nigeria to export into the United States duty-free and quota-free market preferences for approximately 6400 products from Sub-Saharan Africa to United States markets till 2025 (Alao, 2011).

Figure 2: U.S. AID to Nigeria (1999-2016)

Source: U.S. Government agency for international aid (USAID), Foreign Aid Explorer (FAE), (2017)

Table 4.2 indicates the total amount of AID given to Nigeria in all sectors cumulatively by United State Government for each fiscal year from 1999 to 2016. The U.S. assistance to Nigeria increased rapidly from $58 million in 1999 to $718 million in 2016. It is an indication that United States and Nigeria are having closer relationship. Also, Figure 2 depicts the trend of U.S. aid to Nigeria from 1999 to 2016.

The U.S. Agency for International Development (USAID) provides trauma counselling to survivors and their families, including those directly affected by the Chibok abduction, through a $4.5 million, five-year (2010-15) program. USAID also recently
completed its third training for psycho-social support teams based in Borno—the locus of Boko Haram’s violence. The role of these social workers, health care providers, and other community members is to sensitize communities to prevent stigma against abductees when they return, and to provide psycho-social first aid to girls and their families. USAID is starting two new programs that will address critical educational needs for both girls and boys in northern Nigeria. A $20-30 million crisis response program will provide basic education to internally displaced persons and others affected by the violence in the northeast. In addition, a flagship five-year, $120 million program will strengthen education systems so that they can provide greater access and improve reading among primary school children.

**Nigeria Balance of Trade**

Exports of commodities (oil and natural gas) are the main factor behind Nigeria's growth and accounts for more than 91% of total exports. In 2014, Europe and Asia were the country's main trade partners. Europe accounted for 43% of total sales and 34% of total imports while Asia accounted 29% of total shipments and 43% of total purchases. Nigeria Balance of Trade - actual values, historical data, forecast, chart, and statistics, Nigeria Balance of Trade - actual data, historical chart and calendar of releases - was last updated on July of 2019.

**Figure 3:** Showing Trade Balance Between U.S and Nigeria.

![Trade Balance Between U.S and Nigeria](image_url)

**Source:** So Atlas media edu data source.

From the figure above shows that as of 2017 Nigeria had a positive trade balance of $12.7B in net exports. As compared to their trade balance in 1995 when they still had a positive trade balance of $6.96B in net exports. Nigeria is the 49th largest export economy in the world and the 124th most complex economy according to the Economic Complexity Index (ECI). In 2017, Nigeria exported $46.8B and imported $34.2B, resulting in a positive trade balance of $12.7B. In 2017 the GDP of Nigeria was $375B and its GDP per capita was $5.87k.
Table 2: Showing terms of trade between Nigeria and United States

<table>
<thead>
<tr>
<th>Nigeria Trade</th>
<th>Last</th>
<th>Previous</th>
<th>Highest</th>
<th>Lowest</th>
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<tbody>
<tr>
<td>Balance of Trade</td>
<td>450034.62</td>
<td>503798.02</td>
<td>2177553.08</td>
<td>-622103.84</td>
<td>NGN Millions</td>
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<td>Current Account</td>
<td>-1087.90</td>
<td>1104.57</td>
<td>10383.67</td>
<td>-5695.27</td>
<td>USD Million</td>
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<tr>
<td>Current Account to GDP</td>
<td>2.00</td>
<td>-1.80</td>
<td>32.80</td>
<td>-18.70</td>
<td>Percent</td>
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<tr>
<td>Imports</td>
<td>1001962.25</td>
<td>929475.94</td>
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<td>Terms of Trade</td>
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<td>Index Points</td>
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<tr>
<td>Foreign Direct Investment</td>
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<td>Terrorism Index</td>
<td>8.66</td>
<td>9.01</td>
<td>9.31</td>
<td>3.86</td>
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Source: State Department Congressional Budget Justifications for Foreign Operations 2019.

Table 2 above shows that the terms of trade index is calculated as the percentage ratio of the export unit value indexes to the import unit value indexes, measured relative to the base year 2000. Unit value indexes are based on data reported by countries that demonstrate consistency under UNCTAD quality controls, supplemented by UNCTAD’s estimates using the previous year’s trade values at the Standard International Trade Classification three-digit level as weights. To improve data coverage, especially for the latest periods, UNCTAD constructs a set of average prices indexes at the three-digit product classification of the Standard International Trade Classification revision 3 using UNCTAD’s Commodity Price Statistics, international and national sources, and UNCTAD secretariat estimates and calculates unit value indexes at the country level using the current year's trade values as weight.

Implications of Nigeria Bilateral Trade Relations with United States on Nigeria’s Economic Growth

Nigeria, Africa’s largest and most populous country (more than 180 million), is one of the U.S.’s largest trading partner in Africa and the world’s ninth largest oil producer. When Nigeria became independent from Britain in 1960, its size, natural resource wealth, and well-educated leadership positioned it as a regional power in West Africa (Samara, 2008). As a member of the Non-Aligned Movement, Nigeria never officially sided with the U.S., but its foreign policies and UN votes did not contradict American interests. The U.S. welcomed Nigeria’s political moderation, encouraged its regional prowess, and tolerated a string of military governments, punctuated by brief intervals of civilian rule.

Together with Britain, U.S. military assistance and arms sales helped equip Nigeria’s army, the largest in Africa. Except for the Biafran civil war (1967-70), Nigeria had been relatively stable (Eugene, 1998).

The United States has not been known as “father Christmas” in the past, and can never be one. The truth of the matter is that U.S. never indulge in a trade that they will not incur huge profit. U.S. economic policies toward Nigeria seem as if they mean well for Nigeria, but it is a sham as they have an ulterior motive behind their benevolence to nation Nigeria. The U.S. buys 44% of Nigeria’s oil and four U.S. oil companies are drilling in Nigeria. These four oil companies are: Mobil, Chevron, Ashland, and Texaco. They also have drilling operations in the Nigeria’s offshore and

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because of these oil companies established in Nigeria’s Niger-Delta region by the United States, the U.S. has set up some economic policies such as MCC and AGOA are important programs meant to strengthening Nigeria economic health and underscore the cardinal interest of the United States in the country’s economic affairs toward Nigeria.

It is incredible that even till date, Nigeria does not know the exact quantity of crude oil these four American oil companies are lifting and exporting to their country. This is partly due to the high rate of corruption in Nigeria as those who should know and who should verify have been settled with thousands of dollars to keep mute (Adam, 2012). With this U.S. economic policy invoke, Nigeria will be over dependent on the United States on economic and socio-political issues thereby, serving as a rubber stamp in the hands of the U.S. government. The U.S economic policies will make our economy to be ineffective to some extent and will have an interference with the nation’s economic policies and this is a bad omen. The U.S. economic policies will engender imperialism in the country leading to inflation and devalue of our local currencies (Adam, 2012).

Discussion of Findings
i. United States commitment in relating with Nigeria in terms of trade has improved which as presumed will continue to have an impact on Nigerian ranking trade freedom score despite Chinese businesses in Nigeria.
ii. Nigeria had prioritized trade in its relations with US which has lead increased trade links between the two countries however in terms of benefit U.S outweigh that of Nigeria.
iii. Nigeria’s bilateral relations with the United States have been increasingly driven by the US pursuit of its pragmatic national interests while perpetuating foreign dependency, domination and exploitation on other nation.
iv. The study found that USAID is trying to help Nigeria towards economic reforms and agricultural growth and strengthening government’s economic management capacity and promoting private sector participation particularly in Agriculture.

Conclusion
This study has therefore not only traced Nigeria’s trade relations with US from 1999 to 2017; it also illuminates one central fact about Nigeria’s economic relations with the U.S. That is, no nation, no matter how populous or geographically impressive is economically self-sufficient and every nation in one form or the other imports or exports some types of economic goods and service from one or more other states. Nigeria’s economic relations with the U.S. have greatly intensified over the years, despite ostensible efforts at diversification and professed promotion of intra-African economic promotion. The U.S. was a primary source of Nigeria’s imports, private investment, technologies, and external development capital. Nigeria’s exports to the U.S. constitutes of primary commodities which suffered habitual price distortions and fluctuations within 1999 to 2017.

Recommendations
i. The crucial goal of the politics of U.S-Nigeria trade relation and economic partnership should not merely be the exchange of primary commodities for industrial goods or seeking of foreign loans, as has been the case, instead the focal point should be diversification into areas that support skills acquisition, technologies and investment of capital for economic transformation in Nigeria.
ii. The trade relationship should go beyond market for the U.S to buy her crude oil and sell her manufactured goods but on collaboration for even development of both economies.
iii. United States should be treated as a means to acquiring and indigenizing new technologies for Nigeria. Nigeria-U.S bilateral trade relations should be capable of increasing the net gains for Nigeria through diversification of her trade toward other economic goods/service. This will strengthen the relationship and reduce the trade imbalances overtime.

iv. USAID assistance should be focused on economic management and reforms, including budget process design and implementation of key policies, such as privatization, export promotion, technology and commercialization, rural sector development and micro-enterprise development.

References


World Development Index, World Bank Data Base, www.data.worldbank.org