EVALUATION OF PREBISCH-SINGER THESIS BETWEEN NIGERIA AND USA

NWANOSIKE, DOMINIC. U.
Department of Economics, Clifford University, Owerrinta, Abia, Nigeria
Email: nwanosiked@cliffordduni.edu.ng (08039260943)

UWAZIE, IYKE UWAZIE
Department of Economics, Michael Okpara University of Agriculture, Umudike
Email: ui.uwazie@yahoo.com (08033430010)

EKPENDU, E. JUSTICE
Department of Economics, Clifford University, Owerrinta, Abia, Nigeria
Email: ekpenduj@cliffordduni.edu.ng (08066199582)

ONWUKA, IZUNDU C. C.
Department of Economics, Clifford University, Owerrinta, Abia, Nigeria
Email: Onwukaizu@gmail.com (08063819183)

NNAMANI, ONYINYECHI B. F.
Department of Accounting, Enugu State University of Science and Technology, Enugu State
Email: onyigold.og@gmail.com (07056181116)

ABSTRACT
The Prebisch-Singer thesis (PST) states that the price of primary commodities decline relative to the price of manufactured goods on the long term, which causes the terms of trade of primary-product-based economies to deteriorate. The essence of PST is that the peripheral or less developed countries (LDC's) had to export large amounts of their primary products in order to import manufactured goods from the industrially advanced countries. Nigeria over the years seems to have been caught on this web of unequal trade interaction with the industrially advanced countries and therefore, needs a functional regional trade blocs to leverage on for a better terms of trade. This study therefore aims at ascertaining the degree of potential gains or loss of Nigeria's trade relation with USA, using a fixed-effect panel data model sourced from the world Development Indicators. The study revealed that PST is real in Nigeria, as successive trading with economically advanced and industrialized nations have kept the country's BOPs at a deficit. The study therefore argued that AFCFTA should be an option for Nigeria as it unlock manufacturing potential and facilitate industrialization, driving sustainable growth and jobs among other objectives. Findings from the study revealed the need for Nigeria to diversify into the manufacturing sector as a matter of urgency in order to avert declining terms of trade. Nigeria needs to take advantage of this AFCFTA agreement which is an intra-African trade, in order to provide a new era of development model for the African continent.
Keywords: Nigeria, PST, AFCFTA, BOPs, USA & Free Trade
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1. INTRODUCTION
The Prebisch-Singer thesis, developed independently by Raúl Prebisch and Hans Singer in the mid-20th century, is a fundamental concept in development economics. It posits that the terms of trade between primary commodity exporters and industrialized nations tend to deteriorate over time, leading to widening income disparities between developing and developed countries. According to this view, countries that rely heavily on primary commodities for export are likely

to experience declining real revenues from trade, while industrialized nations benefit from the rising value of manufactured goods, (Singer, 1949)..

Nigeria, as Africa's largest oil producer and a country heavily dependent on the export of crude oil, represents a classic example of a primary commodity exporter. The country's economic growth and foreign exchange earnings are closely tied to global oil price movements, making it vulnerable to external shocks. In contrast, the United States possesses a highly diversified and industrialized economy, with exports dominated by manufactured goods, high technology products, and services. This contrast provides a unique basis for empirically testing the validity of the Prebisch-Singer hypothesis. The deterioration of terms of trade has been a major inhibitory factor in the growth of Less Developed Countries (LDC's). This model argues that the price of primary commodities declines relative to the price of manufactured goods over long term, which causes the terms of trade of primary-product-based economies to deteriorate, (Singer, 1949).

Evaluating the long-term trade relationship between Nigeria and the USA is therefore important in determining whether Nigeria's terms of trade have been improving or deteriorating. Understanding this dynamic will provide insights into whether Nigeria remains trapped in the structural dependence predicted by the Prebisch-Singer thesis, and whether there is a need for stronger diversification policies and value-addition strategies to enhance sustainable economic growth. This is necessary because Nigeria's exports to the U.S. are mainly in the oil sector (largely crude petroleum and natural gas), 95%; cocoa and cocoa preparations, 2.2%; tanned hides and skins, 0.7%; and crustaceans, 0.3%, (Ebenyi, Nwanosike, Uzoechina, & Ishiwu, 2017). Whereas, U.S. is a primary source of Nigeria's imports constituting private investment, technologies, and external development capital, (Ola, 2019). According to Anyanwu, Uwazie and Mbakwe, (2024), specialization in primary products exports can also cause currency overvaluation and Dutch Disease if not check. This is because, over-reliance on a single natural resource hampers the development of other sectors, with all the unfavourable impact on the rest of the economy and all the dangers of macroeconomic instability which a sudden boom in a major export sector could imply, (Anyanwu, Uwazie and Mbakwe, 2024). The Prebisch-Singer thesis argues that, over the long run, the terms of trade tend to deteriorate for primary commodity-exporting countries relative to industrialized nations. This implies that developing economies, which rely heavily on the export of raw materials, experience declining purchasing power for their exports when compared to the value of manufactured goods imported from developed countries, (Singer, 1949). Nigeria, as a resource-dependent economy with crude oil as its major export commodity, remains highly vulnerable to global commodity price fluctuations. Conversely, the United States is an industrialized and diversified economy that benefits from manufacturing and technology exports.

Despite decades of globalization and efforts at economic diversification, Nigeria continues to face significant challenges, such as foreign exchange instability, declining export revenues, and vulnerability to external shocks factors that could validate the Prebisch-Singer hypothesis. However, some scholars argue that structural changes in the global economy, increased value addition, and emerging market dynamics may have altered the long-term trajectory predicted by the thesis. This raises an important question: does the Prebisch-Singer thesis still hold true when comparing Nigeria's trade performance with that of the USA in recent decades? An empirical evaluation of this relationship is crucial to understanding whether Nigeria's terms of trade have indeed deteriorated and what policy implications this might have for sustainable economic growth. The study also explored the patterns of trade between Nigeria and her dominant trade partners USA and to ascertain if they are consistent with the Prebisch Singer thesis. In discussing the position of Prebisch - Singer thesis, we chose Nigeria-U.S trade relations based on certain peculiarities. Among the peculiarities are; the U.S. and Nigeria have

a mutual interest in promoting stable economic growth in Africa; Nigeria is rich in natural and human resources; Nigeria is of economic and political significance to the U.S.; trade represents a powerful tool for economic development; and reduction of trade barriers has enhanced Nigeria's commercial and political ties with the U.S. Therefore, the Prebisch - Singer Thesis is very important in determining the pattern of trade that Nigeria should adopt in order to benefit from the potential gains from African Continental Free Trade Area agreement. This study is also significant as it will help the Nigeria government to understand the need for an urgent diversification of the economy through expansion of sectors such as agriculture, manufacturing and service sectors. The result will help to take advantage of this African Continental Free Trade Area (AFCFTA) agreement which is an intra-African trade.

2. NIGERIA TRADE RELATIONS WITH USA BEFORE AFCFTA AGREEMENT

It is pertinent to note that Nigeria is one of the largest trading partners of the United States of America in Sub-Sahara Africa. In fact, United States' largest imports come from Nigeria and its second largest exports go to Nigeria. In a detailed study carried out by the United States International Trade Commission (USITC), though the leading export sectors in its trade relations with the U.S. are energy related, including petroleum and liquefied natural gas, its greatest export growth potentials lie in agriculture, forestry, fisheries, and agro-processing, including cocoa, cashews, sesame, shrimp, and prawns, and leather; energy-related, including petroleum and liquefied natural gas; manufacturing, including leather products; and minerals and metals, including tantalum and niobium.

According to Ola, (2019), about a fifth of US exports flows to Nigeria, while there has also been an increasing rate of U.S. imports from Nigeria among all Sub Sahara Africa countries. In fact, there has been a rising trend of US imports of non-oil products from Nigeria, with specific reference to fish and crustacean; Lac; gums; Cocoa; Prep of cereal, flour and starch; Rubber; Raw hides and skins. Nigeria is the fourth largest supplier of oil to the US. Lee (2004) noted that "82% of all US imports came from only four countries – Nigeria, South Africa, Gabon and Angola. US imports from three of these countries come from oil-exporting countries, while imports from South Africa primarily consisted of diamonds, platinum, and motor vehicles. Apparel imports were the second largest source of goods sourced from SSA, followed by unwrought platinum and diamonds (UNCTAD, 2003).

It is important to note that Nigeria's exports to the U.S. are mainly in the oil sector. Major product groupings were mineral fuels (largely crude petroleum and natural gas), 95%; cocoa and cocoa preparations, 2.2%; tanned hides and skins, 0.7%; and crustaceans, 0.3%, (Ebenyi, Nwanosike, Uzoechina, & Ishiwu, 2017). In line with the ongoing emphasis on developing downstream processing, cashew kernels were identified as having substantial export potentials, particularly to the U.S. Nigeria currently exports only about 25 per cent of its production of cashew nut kernels, mainly to the U.S. and the United Kingdom, (Gbadebo, 2008).

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. constitute mainly primary commodities which suffered habitual price distortions and fluctuations. Nigeria's export activities with the U.S. account for the bulk of its gross national product (GNP) and as the source for procuring foreign exchange. On the other hand, U.S. exports to Nigeria were dominated by industrial and processed consumer goods with continuously escalating prices. The study shows that there are built-in impediments in the pattern of trade between Nigeria and the U.S. This made Nigeria export primary products to the U.S. and imported industrial goods from it. The years of trade relations simply expanded areas of further penetration by American capital, agencies, personnel, contractors, and consumer goods.

3. A BRIEF EVOLUTION OF *AFCFTA*

In line with African Union's plan for Africa to minimize reliance on the West led to the commencement of negotiations to promote intra-African trade. At the 2012 African Union summit in Addis Ababa, leaders agreed to create a new Continental Free Trade Area by 2017. In March 2018, at the 10th Extraordinary Session of the African Union on AfCFTA, the African Continental Free Trade Agreement was signed with two other documents among 54 of the 55 African Union nations, (Tralac, 2018). This free-trade area is the largest in the world in terms of the number of participating countries since the formation of the World Trade Organization. The agreement went into force on May 30th, 2019 and entered its operational phase following a summit on July 7, 2019.

The general objectives of the agreement are to:

- Create a single market, deepening the economic integration of the continent.
- Establish a liberalized market through multiple rounds of negotiations.
- Aid the movement of capital and people, facilitating investment.
- Move towards the establishment of a future continental customs union.
- Achieve sustainable and inclusive socio-economic development, gender equality and structural transformations within member states.
- Enhance competitiveness of member states within Africa and in the global market.
- Encourage industrial development through diversification and regional value chain development, agricultural development and food security.
- Resolve challenges of multiple and overlapping memberships.

Therefore, it is expected that Nigeria's involvement in AfCFTA will impact on local manufacturers and entrepreneurs and facilitate structural changes in African economies. Apart from the intra-African trade, it is also expected to boost Africa's trading position in the global market by strengthening Africa's common voice and policy space in global trade negotiations.

4. THEORETICAL AND EMPIRICAL LITERATURE REVIEW

There are many theories of international trade and trade relations between and among countries of the world. Few of these theories that tried to explain the unequal trade balances between the global North and South are however reviewed in this study. For instance, Adam Smith, in his book *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), advocated the principle of absolute advantage as the basis for international trade. He demonstrated that the potentials to be gain from specialization applies not only to the assignment of tasks within a firm but also to trade between countries (Nwosu, Marcus, Ukwunna, & Emeh, 2024). A country should export products in which it is more productive than other countries: that is, goods for which it can produce more output per unit of input than others can and in which it has an absolute advantage. The country should import those goods where it is less productive than other countries and has an absolute disadvantage. According to Ellsworth (1975), Smith assumes without argument that international trade requires a producer of exports to have an absolute advantage. Following Smith argument, David Ricardo's theory insisted that countries can reap welfare gains by specializing in the production of those goods with the lowest opportunity cost and trading the surplus of production over domestic demand, provided that the international rate of exchange between commodities lies between the domestic opportunity cost ratios, (Ricardo, 1817).

In another perspective, Hecksher-Ohlin theory had stated that the main determinant of the pattern of production, specialization and trade among regions is the relative availability of factor endowments and factor prices. Regions or countries have different factor endowments and factor prices. Some countries have much capital, others have much labour. The Hecksher-Ohlin theorem states that a country will export the good that uses intensively the factor in which it is relatively abundant, (Heckscher, 1919). This theory argues that countries will export goods that use their abundant factors of production (land, labor, capital) and import goods that require factors that are scarce domestically. It emphasizes the role of factor endowments in determining trade patterns, (Adegboyega, Lawrance & Hamza 2024). The Hecksher-Ohlin theorem can be explained in terms of two criteria: Price criterion and Physical criterion. The Price criterion focuses on the difference in factor prices between two countries in trade, (Heckscher & Ohlin, 1933). The main thrust of Heckscher-Ohlin framework is to encourage a nation to use their relatively intensive abundant factors of production to satisfy domestic production and international markets for the purpose of achieving and accelerating economic growth and development, (Nwanosike, Ebenyi, Uzoechina, & Ishiwu, 2017).

Differing in argument, the Prebisch-Singer Thesis had taken the proposition that the net barter terms of trade between primary products (raw materials) and manufactures have been subject to a long-run downward trend. This implies that, barring major changes in the structure of the world economy, the gains from trade will continue to be distributed unequally or unfairly between nations exporting mainly primary products and those exporting mainly manufactures. The inequality of per capita income between these two types of countries will be increased by the growth of trade, rather than reduced. This could be, and has been, taken as an indicator of the need for both industrialization and tariff protection, Prebisch, (1945) and Singer, (1949).

The empirical evidence on Prebisch-Singer thesis presents the consensual position that the typically large variance of relative commodity prices makes it difficult to ascertain the existence of a trend. For instance, a study attempted by Amelia and Thirlwall indicated that there was an annual decline of terms of trade of LDC's for all the primary commodity exports at the rate of 0.36 percent, (Amelia & Thirlwall, 2004). On the basis of their study which is related to exports of manufactured products from LDC's to advanced countries during 1970-87 period, Sarkar and Singer found that the terms of trade of LDC's declined by about 1 percent per annum (Sarkar & Singer, 1991).

Olaleye, Edun, and Taiwo, (2013) observed that the prices of primary products tends to have a secular or cyclical trend. Thus, export diversification entails changing the composition of a country's export mix, which includes the number of commodities in the export basket mix as well as the distribution of individual commodity share of the total export of the country. This paradigm shift is becoming more interesting as diversifying export is popularly seen as a way towards achieving trade stability and growth oriented policy objectives, this means indirectly advocating that there is a relationship between economic growth and export diversification.

According to South Commission, compared with 1980, the terms of trade of developing countries had deteriorated by 29 percent in 1988. The average real price of non-oil commodities had declined by 25 percent during 1980-88 period compared with the previous two decades. The terms of trade of non-oil developing countries had deteriorated during 1980-88 period by 8 percent compared with 1960's and 13 percent compared with 1970's (BILGE, 2010).

In a separate study, Harvey, Neil, Kellard, Madsen and Wohar, (2008) observed that Primary commodity production contributes a significant fraction of the export volume of many developing countries, though, with a negative trend. For example, in the relative price of a country's main export commodity indicates the need to consider diversifying the export mix. Given the subjugation of the trend of prices by the variance of prices, the empirical results with respect to trend existence and direction are unsurprisingly mixed. In particular, the results are often conditional on the assumed order of integration of the relative price processes. Whereas

Ihugba, ndukwe, Idika, Okonkwo and Onelade (2024) suggested that promoting domestic production through policy incentives and technological investments can reduce import dependence and mitigate trade imbalances.

Applying time series techniques, Harvey, Leybourne and Taylor, (2008) assessed the trend function and the existence of any possible structural breaks. The tests employed are robust to the order of integration issues which have plagued the extant literature. It was found that eight commodities (Aluminum, Coffee, Jute, Silver, Sugar, Tea, Wool and Zinc) present a secular downward trend. The findings from the study further revealed that relative price of an important commodity like coffee has been declining at an annual rate of 0.77% for a long time. This provides much more robust support that the Prebisch-Singer hypothesis is a relevant phenomenon for commodity prices.

Having gone through the literature, the paper observed that in all the works reviewed, no one paid attention whether prices of Nigerian primary commodities declined relative to the price of manufactured goods over the long run as stated by Prebisch-Singer Thesis. Although, Gbadebo, (2008) and Ola, (2019) examined trade relations between Nigeria and USA in non-oil export. Therefore, this study contributes to knowledge by testing the applicability of Prebisch-Singer Thesis on commodity verses manufacture terms of trade as postulated by the theory. Another area the study contributes to knowledge is unveiling how Nigeria has fared in her trade relation with USA. This will guide in determining the pattern of trade that Nigeria should adopt in order to benefit from the potential gains from African Continental Free Trade Area agreement.

5. METHODOLOGY

The analytical framework of the model was specified on the basis of an individual-specific effect model which is applied to panel data. The individual-specific effect model is based on the presence of an unobserved heterogeneity across the individual units in the panel dataset. The unobserved heterogeneity often denoted as α_i is treated either as a fixed effect or a random effect based on the assumptions made about the unobserved heterogeneity. And treating this unobserved heterogeneity across the individual unit in the panel dataset implied adopting a random effect model.

The treatment of the individual effect as a Random Effect Model is based on the assumption that the unobserved heterogeneity (α_i) is uncorrelated with the observed heterogeneity (X_{it}). However, our choice of treating the unobserved heterogeneity α_i as a random effect model was justified after subjecting the model to Hausman test as suggested by Cameron and Trivedi (2005). The general model is specified in its implicit form as follows:

$RGDP_{it} = f(AEXP_{it}, AIMP_{it}, MEXP_{it}, MIMP_{it}, AVA_{it})$ - - - - - - - - - - (1)

where:

$RGDP_{it}$ = Real Gross Domestic Product across the individual countries and over time;
$AEXP_{it}$ = export trade across the individual countries and over time,
$import_{it}$ = import trade across the individual countries and over time,
AVA_{it} = Agriculture, value added (% of GDP) across the individual countries and over time,
$MEXP_{it}$ = Manufactures exports (% of merchandise exports) across the individual countries and over time,
$MIMP_{it}$ = Manufactures imports (% of merchandise imports) across the individual countries and over time.

The model in (1) is generally specified in its econometric form as follows:

$$RGDP_{it} = \beta_{0t} + \beta_1 AEXP_{it} + \beta_2 AIMP_{it} + \beta_3 MEXP_{it} + \beta_4 MIMP_{it} + \beta_5 AVA_{it} + \alpha_i + V_{it} --2$$

From equation 2, i is country index, t is time index, βs are the parameters to be estimated, α_{it} is unobserved country-specific effect term and V_{it} is the usual error term.

The test which was developed by Hausman (1978) is carried out by comparing the difference between fixed effect and random effect estimators. Under the null hypothesis, individual effect is fixed. Thus, rejecting the null hypothesis means that the individual effect is random. The study covered the periods from 1981 to 2024. The choice of the period is due to availability of data. The data is obtained from World development indicator 2024. The data is analyzed using Eview 8.0 software.

A major limitation we found in the study is the paucity of data in most of the variables for the individual countries. This has prompted us to limit the scope of the study to 2024 which is the year that has adequate data for all the variables in the study and for the two countries in the World Development Index (WDI).

6. EMPIRICAL RESULTS AND DISCUSSIONS

The model to be estimated is a panel data model, hence, the Hausman test was carried out in order to test for the presence of fixed effect. The Hausman test is a test that compares the fixed and random effect models. If both fixed and random effects turn out significant, Hausman test will give you a good idea when choosing one between the two. The null is that the two estimation methods are both satisfactory and that therefore they should yield coefficients that are "similar". The alternative hypothesis is that the fixed effects estimation is justify and the random effects estimation is not; if this is the case then we would expect to see differences between the two sets of coefficients.

Table 1: The Hausman Test Result.

Test Summary	**Chi-Square**	**D.F**	**Prob.**
Cross-section random	8.587445	4	0.0112

Source: Authors' computation 2025.

The result of the Hausman test in table 1 reveals that the null hypothesis is rejected in favour of the alternative implying that the fixed effect estimation is most appropriate to use in estimating the degree of potential gains or loss of Nigeria's trade relation with USA. The Arellano-Bond test was also conducted to check for specification, validity of instruments and autocorrelation in the residuals. The *p-value* of Arellano-Bond test shows that differenced residuals should does not exhibit significant autocorrelation in AR(2) process. Accordingly to Arellano and Bond (1991), the GMM approach is considered consistent only if there is no evidence of significant second-order autocorrelation, AR(2) process in the differenced residuals although first order autocorrelation, AR(1) process need not be zero.

The pairwise correlation analysis as presented in Table 2 provides the interconnections between the variables (correlation matrix). Due to the ordinal character (i.e. rank between these two countries) of these variables, Spearman's (rank) bivariate correlation procedure is deemed to be more appropriate.

Table 2: Correlation matrix amongst variables

	RGDP	AEXP	AIMP	MEXP	AVA
RGDP	1.000000				
AEXP	0.528114	1.000000			
AIMP	0.343893	0.239415	1.000000		
MEXP	0.464705	0.092547	-0.058715	1.000000	
AVA	0.693266	0.614804	0.507000	0.299547	1.000000

Source: Authors' computation 2025.

Table 2 which that correlation matrix result, none of the correlation coefficient is in excess of 0.8, and hence none gave serious indication of multicollinearity. And therefore, indicates no multicollinearity in the work. The result of the estimated model is therefore presented in Table 2 below.

Table 3: Summary of the Regression Result with RGDP as Dependent Variable

Variable	*Coefficients*	*T-Value*	*Prob. value*
AEXP	*-7.6843711*	-3.588106	0.0014
AIMP	*-3.4159311*	*-0.728751*	*0.4729*
MEXP	*9.88016410*	*2.246894*	*0.0337*
MIMP	*-1.27390111*	*-2.174150*	*0.0394*
AVA	*7.92700210*	*1.861277*	*0.0745*
C	*4.82771312*	*1.662218*	*0.1090*
	F-Stat =33.60207	*sigma_u = 68.535806*	*sigma_e = 3.0832363*
	R2 = 0.980288	*Adj. R2 = 0.951115*	

Source: Authors' computation 2025.

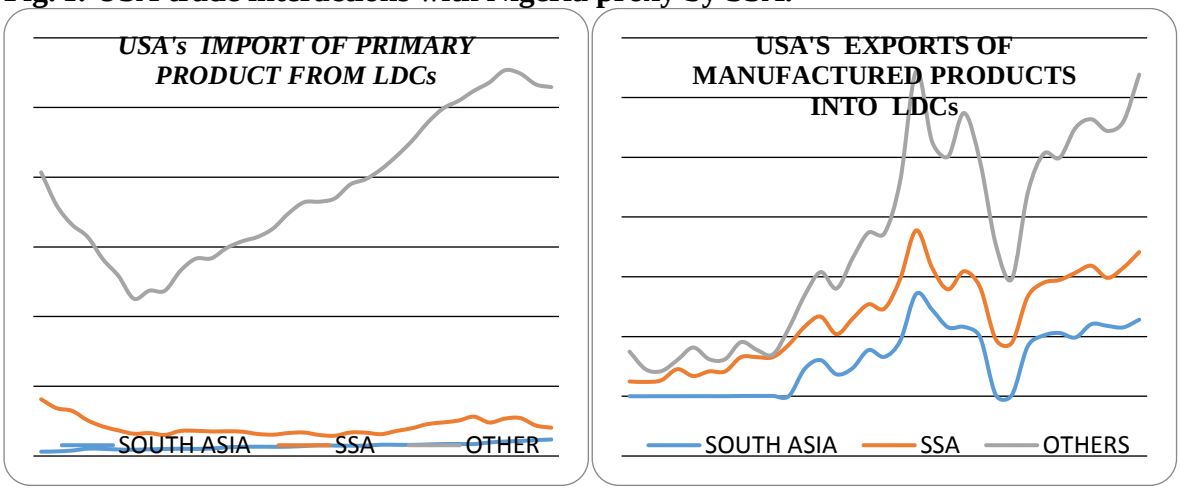
From the estimation, the model was considered as fixed effect model. The term "fixed effect" is due to the fact that, although the intercept may differ across individual countries (here the two countries, Nigeria and USA), each individual's intercept does not vary over time; that is, it is time invariant. This is in line with Hausman (1978) which was carried out to view distance measure between the fixed effect and the random effect estimators (that is, by comparing the difference between fixed effect and random effect estimator). Under the null hypothesis, individual effect is random, thus rejecting the null hypothesis means that the individual effect is fixed. This offers the model the benefit of being consistent even when the estimators are correlated with the individual effect.

Furthermore, the result from estimation show that trade relationship between USA and Nigeria are unbalanced and unfavorable. This is depicted by the coefficients of agricultural exports and agricultural import between the two countries. Merchandise agricultural export earnings of Nigeria as a percentage her GDP had for example declined to 8%, (-7.6843711) thus showing a tremendous deterioration of Nigerian exports within the time under review. The result also shows that agricultural imports also declined at 1% and not statistically significant at 5% level. It should be noted that agricultural export is Nigerian main bargaining power in this trade relation between these two countries (Nigeria and USA).

Additional evidence from the result revealed that manufactured products exports earnings (% of merchandise exports) of USA as a percentage her GDP had steadily increased by 10%, *(*9.88016410*)* thus showing an improvement in the exports of manufactured products within the time under review. In the same vein, the study also revealed that manufactured products imports earnings conforms to approiri expectation and statistically significant, showing that merchandise imports of the two countries as a percentage of their GDP had declined by 1%, *(*-1.27390111). It is pertinent to note that in the trade relation between Nigeria and USA, manufactured products is dominant for USA and as such, a major bargaining power in US trade relation with Nigeria.

This study's finding of unbalanced trade relations can further be supported with graphical demonstration. See figure I below.

Fig. I: USA trade interactions with Nigeria proxy by SSA.



Authors' computation with data from WDI

From figure 1, there has been a rising trend of US export of manufactured products into Nigeria represented by Sub-Sahara Africa with a stable and stiff imports of products from Nigeria imports (represented in the graph by sub-Sahara Africa). This is supported by Lee (2004) that observed that 82% of all US imports came from only four countries – Nigeria, South Africa, Gabon and Angola and that Nigeria is the fourth largest supplier of oil to the US. This finding on the steady stiff nature of US's imports from Nigeria differs from Ola, (2019) that observed an increasing rate of U.S. imports from Nigeria. But according to Gbadebo, (2008), the stiff U.S. imports from Nigera and other Less Developed Countries can be attributed to the fact that Nigeria's exports of primary commodities suffered habitual price distortions and fluctuations. This indeed is a confirmation of Prebisch- Singer thesis that price of primary commodities declines relative to the price of manufactured goods over the long term, which causes the terms of trade of primary-product-based economies to deteriorate, (Singer, 1949).

Another essential finding in the study lies on the pattern of trade between Nigeria and her major trade partner USA. The study revealed that Nigeria specialized in the exportation of primary products like Crude oil, Coffee, Raw hides and skins, leather, Lead, Cocoa, Rubber, flour and starch. On the other hand, USA exports manufactured products like machinery, and manufactured goods like textiles, clothing and footwear to Nigeria. This is similar to Gbadebo, (2008) that found that Nigeria exports 95% of her crude petroleum products to US, 2.2% of cocoa, 0.7% of hides and skins, while Nigeria's imports from US composed of private investment, technologies, and external development capital. This is in conformity with the Prebsich-Singer thesis that spells out in trade relationship between the peripheral and industrially advanced countries, that the exports of the peripheral will likely be dominated by primary products in order to import manufactured goods from industrially advanced countries.

7. POLICY IMPLICATIONS OF FINDINGS

Although, so far this trade interaction has fostered favourable political and economical relations between Nigeria and the U.S., such that Nigeria has enjoyed much aid from USA. But from this empirical test of Prebisch-Singer thesis between Nigeria and USA, it is revealed that deterioration of terms of trade has been a major inhibitory factor in the growth of Nigerian economy. This is as a result of persistent unequal trade between Nigeria (periphery) and USA (an advanced industrialized economy).

Following the findings of this study, Nigeria is majorly an agricultural producer and exporter of cocoa, cashew nuts and crude petroleum products. Although there have been efforts towards diversification of the export sector, Nigeria's exports are still dominated by primary agricultural products. There is an urgent need for the government to intensify its efforts towards diversifying its export sector. This will in turn reposition the country for greater competitive advantage not only in her trade relationship with USA, but in this newly formed AFCFTA.

In line with the findings of this study, the paper recommends reduction in importation of goods especial agricultural and consumers goods from advanced countries. This will help to address the mismatch and trade imbalance between Nigeria and her trading partners. The Nigerian government needs to address the issue of employment generation in the country. This will however, help to address the insufficient exports of agricultural products in the country, which will have multiplier effect on productivity in the economy.

Finally, Nigerian government should set out to identify viable trade strategy and macroeconomic policy characterized by technological acquisition and export. This can be done by giving subsidies to manufacturing companies. This will help to position Nigeria to gain in trade from the newly African Continental Free Trade Area agreement which she is a member.

8. CONCLUSION AND RECOMMENDATIONS

Following the findings of this study about how prices of primary commodities declines relative to that of manufactured goods over the period reviewed which has caused the terms of trade of Nigerian to continue. This implied that over reliance on trade with industrially advanced nations might not offer trade advantage to Nigeria, therefore, African Continental Free Trade Area stands to be a better viable trade option.

It is important to note that the goals of AFCFTA are in line with the developmental objectives of the Nigerian trade policy in particular and the macroeconomic policy thrust in general. Therefore, for Nigeria to gain from this AFCFTA agreement, Nigeria needs to create prime exporting industries for commodity which she has competitive advantage and aligning with regional bloc(s) to foster trading policies (such as tariffs and protectionist policies) that will help leverage international terms of trade.

In reality, African continent success cannot be tied to an individual country or competition amongst primary producers rather a collective action which will entail sharing of expertise, trade by barter, etc. Therefore, Nigeria as the giant of Africa needs to lead in the diversification of its economy, as well as maintaining friendly trade relations with other continents especially industrially advanced nations. Finally, Nigeria needs to provide a new era of development model for the African continent by rationally reduce her imports through boosting local production of consumer goods.

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