INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue V May 2025

Utilizing Trade Relations and Policies to Scale up Growth in Nigeria Lessons from South Korea

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DOI: https://dx.doi.org/10.47772/IJRISS.2025.905000421

Received: 16 May 2025; Accepted: 19 May 2025; Published: 19 June 2025

ABSTRACT

The Nigerian economy has been solely dependent on oil for exportation which may have increased GDP showing only an economic growth rate without sustainable economic development (Edo & Ikelegbe, 2014). According to OECD/WTO (2019), there is no single formula for economic growth that works with every country, however, diversification would work ultimately if more efforts were made in the improvement of skills, infrastructure, institutions, and governance. the Nigerian economy and pattern of growth have been unstable over the years and there are several challenges faced while the plans, reforms, and industrial policies are being carried out. Even though the country is richly blessed with natural resources, the Nigerian economy has fluctuated over the years. On the other hand, the Korean economy has been used as a model of growth for developing countries. Korean economic success and growth can be attributed to the effective industrial policies carried out over the last 50 years. Therefore, developing countries can emulate these trade policies to achieve the same success. This study seeks to analyze the challenges impeding economic growth and industrialization in Nigeria and also draw lessons from the effective trade policies in South Korea that promotes industrialization and grow several strategic sectors leading to sustainable growth and development which has not been enumerated in previous studies.

INTRODUCTION

Economic Background of the Study

The current events happening in the world create impediments to the growth of underdeveloped and developing countries. However, a variety of latest diversification may be accompanied to boost economic growth. When countries engage in international trade, it contributes to economic diversification and empowerment (OECD/WTO, 2019). Most developing countries are solely dependent on the exportation of a single exhaustible resource which does not lead to economic growth. Since the discovery of oil in the 1970s, the Nigerian economy has never been stable due to the fluctuating price of oil in the world. Also, export earnings from oil increased up to 90 percent but have done more harm than good as Nigeria is solely dependent on income from oil (Adesoji, 2020).

According to OECD/WTO (2019), there is not a single formula for economic growth that works for every country; however, diversification would work ultimately if more efforts were done in the improvement of skilled labor forces, infrastructure, institutions, and governance quality. Lee (2016) points out that there are common features from a successful instance of a sustained exchange-led structural change such as political commitment, export-led growth economy, technically capable administration, building human capital, and institutional capacity. Through export-oriented industrialization and production, South Korea was able to increase economic growth in recent years leading to a more stable economy (Harvie & Lee, 2003). Also, South Korea and China have experienced a faster growth rate than other developing countries in the last decades due to export-led economic growth strategies, strong investment, continuous improvement of institutions, and macroeconomic stability (Lee, 2016). In addition, Lee (2016) also states that developing economies need to cognizance extra on upgrading institutional satisfaction and enhancing productivity, especially inside the service region to maintain sturdy growth.

Economic and Industrial Challenges in Nigeria

The Nigerian economy has been solely dependent on oil for exportation, which may have increased the GDP showing only an economic growth rate without sustainable economic development (Edo & Ikelegbe, 2014). According to Uma et al. (2019), several policies have been enacted since the 1970s to promote industrialization and economic growth, however, there are impediments such as constant changing interventions and policies, foreign dependence on raw materials, disconnect between production and local inputs and the absence of homegrown technologies which have slowed down industrialization and sustainable development. Nigeria needs to invest more in the manufacturing sector by setting up technically dependent industries to couple up demand and supply. Economic policies should be designed to interconnect all resources including human resources within a society in such a way that they create new local jobs and match international and regional market demand (Temitayo et al., 2018). Furthermore, with trade openness, strong investment, continuous improvement of institutions, and macroeconomic stability, Nigeria's economic growth rate would increase rapidly as seen in the case of South Korea and China (Lee, 2016).

Thus, to drive industrialization in Nigeria, there is a need for Nigeria to learn from South Korea where several progressive policy reforms were embraced that triggered industrialization and sustainable growth. These policies include strong state intervention, promoting aggregate economic activities, government support for indigenous infant firms, tariff-free import of inputs, export-led industrialization, inclusive growth, incentives for heavy chemical industries, state-ownership of major industrial players (firms), and most importantly, strong state-participation in the industrial process, monitoring, and evaluation (Uma et al., 2019). Hence, this research work seeks to critically examine the importance of effective trade policies that promote industrialization and grow several strategic sectors leading to sustainable development which has not been enumerated in previous studies.

Comparative Perspectives on Trade Policies and Industrialization

Several studies have been carried out on the Nigerian economy and the need for industrialization and sustainable economic growth (Chete, 1999; Edo & Ikelegbe, 2014; Peter, 2017; Temitayo & Kim, 2018; Uma et al., 2019). Chete et al. (1999) discussed the industrialization policies of Nigeria and the want to link the industrial pastime with the primary area activity, global and home exchange, and the provider activity, respectively. The authors recommended the private sector as particularly important in the attainment of economic growth and to foster industrial advancement, there is the need to develop industrial parks, industrial clusters, and incubator facilities in Nigeria.

Edo and Ikelegbe (2014) analyzed the Nigerian economic structure and performance and noted that the growth rate had been volatile over the years. Moreover, there are several challenges faced while the plans, reforms, and policies are being carried out. They also stated that the Nigerian economy's dependence on crude oil since the 1970s may have increased GDP only as an economic growth rate, however, there has not been sustainable development in Nigeria. Hence there is a need for progressive industrial policies to scale up inclusive growth. The government has not been able to diversify the economy from petroleum or any other sector. Nigeria has the potential for sustainable development with the numerous natural and human resources it has if the right economic and political reforms are implemented.

Uma et al., (2019) compared the industrial policies in Nigeria vis a vis those of South Korea. According to them, constantly changing interventions and policies, foreign dependence on raw materials, disconnect between production and local inputs, and the absence of homegrown technologies are the main factors impeding industrialization and growth in Nigeria. In finding out the economic impact of democratization on the Nigerian and South Korean economies, Peter (2017) performed a comparative qualitative analysis of the economic progress in both countries from 1999 to 2009. Data used in the study was sourced from the United Nations Development Programme(UNDP), Central Intelligence Agency, Central Bank of Nigeria, African Development Bank, Bank of Korea, Asian Development Bank, Department for International Development, etc. Employing the theory of the developmental state, he analyzed data using statistical charts, tables, and percentages. This theory proposes that prevailing institutions and value systems, agile leadership, and a disciplined society are critical factors for development. While Korea had a significant increase in life expectancy, GDP, and Human Development Index (HDI), Nigeria only experienced marginal growth with a decline in the UNDP HDI index within the period. While development in South Korea kicked off during the autocratic regime and further progressed after democratization, development in Nigeria has not progressed significantly the type of regime notwithstanding. The study presents useful insight into the critical role of the state in driving the developmental process and places emphasis on the importance of good political institutions for sustained economic progress.

Temitayo et al. (2018) provide lessons for Nigeria through an analysis of the Korean National Innovation system. The authors employed a systematic review cum structured questionnaire and interview to provide critical analysis of the link between the National Innovation system economic development plans (EDPs) and economic growth. Remarkably, the authors proposed a novel "Multiple skipping" development model to drive innovation in Nigeria. Furthermore, intellectual property rights had been mentioned by Kwon et al., (2014) as a stimulant for information advent and rights to inventions. With this in place, innovation policies will be encouraged leading to conducive environments for entrepreneurship and creative ideas in the economic spectrum. This will eventually create incentives for private sector participation in production, and increase national competitiveness and aggregate exports.

The phrase 'Natural Resource Curse' was coined by Auty (1993) to describe the phenomenon in which countries with abundant natural resources tend to remain less developed compared to countries with few natural resources that are more developed. This situation seems to paint a picture of natural resources being a curse to some countries rather than a blessing due to the results gotten from these countries.

Frankel (2012) further analyses the 'Natural Resource Curse' stating that countries with abundant natural resources especially oil tend to perform badly economically compared to countries with fewer resources. He suggests that there might be several reasons for this phenomenon. These include shifting production away from the manufacturing sector and the physical establishment of social structures that allows for corruption, especially by political officers. While on the other hand, countries with fewer resources tend to diversify their economies with market incentives that allow for the promotion of manufacturing. They also develop decentralized and democratic governments that are less autocratic and corrupt. The natural resource curse is evident, especially in Africa, Latin America, and the Middle East. These places are naturally endowed yet they are the countries that are least developed and industrialized. Their economic performances are very poor unlike the rocky islands and peninsulas of Taiwan, Korea, Japan, and Singapore which have few natural resources. These islands have been able to achieve western level standards of living with very good economies.

Frankel also analyses six channels whereby natural resources have been supposed to have negative outcomes on economic performance, which include: The volatility of Commodity prices being very high, Autocratic, and corrupt institutions, and persistent displacement of manufacturing, where it is considered that spillover effects are maximized. Another channel is a cyclical expansion of the non-traded sector via the Dutch Disease, the Long-run trend of world commodity prices, unsustainability, and anarchy. However, Frankel believes that the abundance of resources does not lead to poor economic and political development, however, it is ideal to see the wealth of resources as a double-edged sword that has both advantages and drawbacks. Rather countries should prioritize ways to sidestep the pitfalls and find paths to success. He also suggests measures like hedging export proceeds on options markets, as Mexico has done, and indexing oil or mineral contracts to global commodity prices. A nation should also have an exchange rate strategy from the beginning that reduces the upward pressure on foreign currency by sterilized involvement in the foreign exchange market and a clear commodity budget. Another idea is the fiscal regulations used in Chile, which call for a structural budget surplus and employ impartial expert panels to determine what long-run price of the export good should be assumed when forecasting the large budget denomination of debts in terms of the arena fee of the export good.

Furthermore, Frankel and Romer (1999) analyzed the impact of international trade on standards of living. The writers tried to explain the correlation between trade and income to determine the effect of trade as it is not only determined by exogenous factors. They proposed geography as an alternative instrument for trade. Geography is a determinant of bilateral trade, and it is also true for a country's overall trade. For example, the proximity of a country to others makes them trade more easily and increases their income while countries situated far from others do not trade more often thereby reducing their trade volume and income. In their analysis, they find out that there is a positive association between international trade and income. As countries engage more in trade, it leads to higher incomes. The relationship between income and the geographic component of trade proposes that an increase of one percentage point in the ratio of trade to GDP leads to a rise in income per person by at least one-half percent. Hence, it can be concluded that exchange increases a country's profits by encouraging the acquisition of physical and human capital and growing output for given ranges of capital. The writers also propose the hypothesis that more trade within a country raises the country's income. For example, larger countries have opportunities to carry out more trade within their borders thereby increasing incomes and capital accumulation. Results from the writers' analysis buttress the case for the significance of trade and alternate-promoting guidelines, hence countries like Nigeria should engage more in international trade and effective trade policies. There is, however, limited research on the need for effective and progressive trade policies that have worked in developed economies like South Korea which can be replicated to scale up Nigeria's economic growth and industrialization. This research work seeks to fill this gap and provide necessary recommendations.

Nigeria's trade and industrial policies since the 1960s

Several studies have been carried out on the Nigerian economy and the need for industrialization and sustainable economic growth (Chete,1999; Edo & Ikelegbe, 2014; Peter, 2017). According to Edo & Ikelegbe (2014), the Nigerian economy and pattern of growth have been unstable over the years and there are several challenges faced while the plans, reforms, and industrial policies are being carried out. Even though the country is richly blessed with natural resources such as petroleum, tin, columbite, uranium, coal, precious metals, and gemstones, the Nigerian economy has fluctuated over the years. There is little or no growth as the economy has been dependent on crude oil since the 1970s which may have increased GDP at some point. However, there has not been sustainable development. Despite being a significant member of the Organization of Petroleum Exporting Countries (OPEC) and one of the world's largest suppliers of crude oil—about 2 million barrels per day on average—Nigeria is also a sizable debtor nation.

After gaining independence in 1960, there were several policies and plans adopted as industrial policies to promote economic growth and development. The first Plan was from 1962-1968 with an emphasis on the Import substitution (IS) Strategy which was important and inevitable for Nigeria having regard to her colonial revel within the vicinity of economics and exchange (Ajakaiye & Akinbinu, 2000). In the 1970s, the second Plan was adopted with attempts to move away from import substitution to import displacement which involved producing goods locally using available inputs and technology. This strategy was designed to replace the import substitution strategy, which involved importing raw materials for nearby production of goods similar to those that were previously exported. (Dayo, 2000). The administration also agreed that encouraging export-focused commercial business firms would help complement import displacement and substitution. This second development plan coincided with the discovery of oil in 1973, hence there were huge earnings and foreign exchange inflows from the sale of oil which made the authorities embrace bold and high-priced business projects in sectors such as iron, steel, cement, salt, sugar, fertilizer, etc. However, due to the shallow nature of Nigeria's technology, most of these industrial projects failed in their elementary stages. There was also an adjustment in policy from personal to public sector-led industrialization. Several challenges were encountered during this period, more evidence is the heavy reliance on overseas technical abilities and services because there were little or no human capabilities and skills needed to initiate, implement, and manage industrial projects.

The government in 1972 came up with the Indigenization Policy to sell monetary improvement in the 1970s. The intention became to provide Nigerians extra possibilities to take part in the efficient sectors of the economic system. Finally, it was revised, repealed, and amended by the Nigerian Enterprises Promotion Act of 1977. The policy's main goal was to:

Transfer possession and administration of those businesses that were previously owned (in whole or part) and managed by foreigners to Nigerians. Create opportunities for indigenous Nigerian businesspeople. Encourage more ownership of organizations by Nigerian citizens. Encourage international investors and buyers to move from less complex economic sectors to those that require substantial investments.

From 1975-1980, the third development plan was launched, and this was at the height of the oil boom. About 42 million was mapped out for this plan to invest specifically in public sector industries. Due to the oil boom during this period, the gates of the economy were opened to all sorts of imports. This had a weakening effect on real industrial growth as there was no improvement despite the huge income from oil sales. As a result of this, the

Fourth National Development Plan was launched from 1981-1985. A global economic downturn that occurred during this period resulted in lower foreign exchange revenues, a disequilibrium in the balance of payments, and increased unemployment in the Nigerian economy. Since there was no foreign currency available to import fresh components and materials for production, this had an impact on the import-dependent industrial sector. Nigeria's fragile industrial infrastructure and policies were brought into stark view by the falling global prices and the current economic downturn. It was clear that the current policies couldn't help with social issues or the issue of economic underdevelopment. Hence, there was a need to seek other policies and strategies to help improve Nigeria's industrial policies.

In 1986, the Structural Adjustment Programme (SAP) in turn failed to further remedy the Nigerian trouble. Its goal blanketed promoting investments, stimulating non-oil exports, and offering a base for non-public quarter-led development, privatizing, and commercializing country-owned establishments to promote business performance: growing and using home technology by using encouraging multiplied improvement and use of nearby raw substances and intermediate inputs instead of imported ones. Also formulated in 1986 was a National Science and Technology (S&T) Policy. The Raw Materials Research and Development Council was established by Decree No. 39 in 1987 with the primary objective of raising public awareness of science and technology and the crucial role they play in national development to support the realization of the S&T coverage's goal of "Self-reliance." In order to guarantee that appropriate standards and quality are met in industrial production, Nigeria's Standard Organization was founded. The S&T strategy placed a strong emphasis on shifting from foreign-era enterprises to local ones through the licensing and registration of patents, trademarks, technical support contracts, research and development, instruction, and business operations. There may not be much proof that this approach was effective, though. It could be argued that in the period of Nigeria's business development there has been no innovation because the S&T strategy was no longer fully adopted or made extensive modifications within the economic system.

The policy of financial and trade liberalization was put into effect in 1989. To increase efficiency, it attempted to boost competition between domestic and foreign businesses. This was to be accomplished by lowering tariffs and non-tariff barriers, dismantling commodity marketing boards, allowing the market to determine the exchange rate, and regulating interest rates in an effort to promote economic productivity and financial efficiency. In the same year, the National Economic Reconstruction Fund (NERFUND) was established as an addition to industrial policy. The policy's goal was to reverse some of the stipulations of the Nigerian Indigenization Policy and to welcome foreign investors into the country.

The Bank of Industry (BOI) was founded in 2000 to serve as an improvement organization that would promote economic growth by giving business organizations access to long-term loans, equity, capital, and technical help. Nigeria currently offers several advantages for exporting goods, but it defends its manufacturing and agricultural sectors by prohibiting imports. This makes sense given how poor the domestic manufacturing sector is, how dependent it is on imports, and how limited its technological capacity is.

Trade Performance of Nigeria since 1960

After gaining independence in 1960, Nigeria experienced rapid growth in industries and agricultural manufacturing until the mid-1970s when oil suddenly became important in the world. Hence attention was shifted to the exploration of oil and since then has remained the mainstay of the economy. Nigeria has been a trading nation and is said to be the 50th largest export economy in the world. The major export consists of crude oil, gold, cocoa, and nuts with oil taking over 70.8% of the total exports. On the other hand, imports consist mainly of refined petroleum, wheat, vehicle parts, cars, raw sugar, rubber tires, and telephones. Currently, the major export is oil, and the export sector has been on a downward slope indicating that the numerous import substitution and export promotion programs have not yielded positive results in the economy.

Sectoral Output Performance and Growth

Although aggregate output fell by 3% between 1980-1985, which was reflected in the respective decrease in output across the three main economic sectors (services, agriculture, and industry) the industrial sector has been the most affected. This is attributable to various macroeconomic crises that greatly retarded productivity within this period. With the attendant fall in oil prices during the late 1970s, Nigeria experienced fiscal deficits, resulting in the accumulation of external and domestic debts which thereafter affected output growth and investment. However, improvements were observed across all economic sectors with up to 5% aggregate increase during the 1985-1990 period with the service sector having the highest increase followed by the agricultural sector. The adoption of stabilization measures in 1982 and the Structural Adjustment Program of 1986 played a major role in the fiscal improvements observed during this period. The major policy reforms were increased investment, commercialization, trade liberalization, export promotion, and privatization. Unfortunately, SAP became obsolete by the end of 1993.

This was followed by a decrease to 3.4% and 2.9 % in aggregate output during the 1990-1995 and 1995-2000 periods respectively. While the industrial sector experienced negative output growth, during 1990-95, the agricultural sector had a remarkable output rise during the 1995-2000 period. Next, a significant increase in individual sector output and of course aggregate output was observed during the 2000-2004 evaluation period particularly in the industrial and service sector. Notable improvements are attributable to both the oil boom in terms of increased exports and trade and government input to the non-oil sector.

Table 1: Nigerian sectoral GDP share 1980-2004

Sectoral GDP share (%)	1980	1990	1995	2001	2004
Services	33.00	26.00	31.00	25.00	30.00
Agriculture	27.00	33.00	43.00	30.00	31.00
Industry	40.00	41.00	26.00	45.00	39.00
Output Growth Per Sector	1980-85	1985-90	1990-95	1995-2000	2000-2004
Services	-0.3	7.6	6.8	2.5	6.74
Agriculture	-1.5	6.4	2.7	4.5	5.27
Industry	-6.1	2.1	-0.5	1.8	6.78
Aggregate Output Growth	-3.0	5.0	3.4	2.9	5.96

Source: African Development Indicators, World Bank.

Challenges Impeding Economic Growth and Industrialization in Nigeria

Industrialization could be very essential for any country to expand economically. Invariably it can be said that all economically developed countries are industrialized. According to Kida & Angahar (2020), industrialization is the process by which a country moves from a primarily agricultural economy to a manufacturing-based economy. Over the years, Nigeria has implemented several development plans and policies to promote industrialization and economic growth, but there have been numerous challenges that have hindered and slowed down growth. These include.

Lack of Basic Infrastructure: Infrastructure connotes the basic structures that aid the development of an economy, for example, transport and communication systems, and power and water supplies (Cambridge, 2020). The lack of these basic systems and services has always been the major obstacle to development and industrialization in Nigeria. It is unarguably true that adequate infrastructure is highly needed for the operation of industries in any country. The lack of a steady supply of electricity is a major problem in Nigeria. The epileptic situation of electricity in Nigeria is a major constraint to high levels of private investments and increases the cost of establishing industries and businesses. Poor infrastructure does not support entrepreneurship in Nigeria such as a lack of good roads, electricity, and basic facilities, making it unfavorable for individuals to go into business. This has hindered the progress of the industrial sector and discouraged potential industrialists.

Political Instability: The Nigerian economy has been characterized by frequent changes in government and economic policies. Since 1960 it has not aided industrialization and economic growth in Nigeria. Each government comes up with new policies that have affected and hindered economic activities in the country. The political crisis and incessant insurgencies have not created an enabling environment for both local and foreign investors to invest in the economy.

Dependence on foreign raw materials: The over-dependence on foreign raw materials has also posed a huge challenge to the industrialization of Nigeria. The agricultural sector is not well developed and does not produce enough raw materials for the manufacturing sector hence there is no mass production of goods. Foreign raw materials are imported into the country at expensive rates that discourage industrialization and economic growth. **Illiteracy and lack of skilled workers:** The lack of skilled qualified persons has been a challenge to the industrialization of the country as there is a huge dependence on foreign expatriates to handle technical machines used for production. Even at the tertiary level, students are not been trained in vocational and technical areas that would better prepare them as skilled persons. This has hindered industrial growth in Nigeria.

Lack of credit facilities: Financial constraints are also evident in Nigeria as most entrepreneurs do not have access to external finance to invest more. Local investors hardly access loans, grants, or subsidies to boost their businesses. Both local and foreign investors are also not willing to invest in starting or growing industries due to an unfavorable investment climate. Financial organizations are also not willing to lend their money to new industries. The few that are willing to give out loans spell out stringent requirements and high-interest rates that discourage entrepreneurs. This is a major problem that has limited industrialization and investments in Nigeria.

Effective and successful trade policies in South Korea

Korean economic success and growth can be attributed to the effective industrial policies carried out over the last 50 years. It is believed that the industrial policy benefited only a few of the Koreans at the expense of the welfare of the working-class Koreans. However, these policies not only led to rapid economic growth but also placed the Korean economy as one of the top 10 economies in the world by GDP (Holcombe, 2013). South Korea is known for export-led growth and the dominance of its chaebols (large business conglomerates). In the 1950s, Korea had to find ways to export goods, which proved difficult with an overvalued exchange rate due to dependence on foreign aid. The government also set out to change the strategy of relying on imported goods used for manufacturing. Hence, they invested in heavy chemical industries and manufacturing firms to get their raw materials for manufactured exports. There was strong government intervention in the earlier period but with time this was reduced and there was more reliance on the market.

Unlike, many other countries, the Korean approach to industrialization was different in the sense that there was a high level of government intervention in which the government developed industries by providing infrastructures, giving cheap credits and monopoly of the markets to the heavy industries (Perkins,2022)

Impact of Effective Trade Policies on Economic Growth

The world economy today is characterized by few countries that are very rich compared to others that are extremely poor. Many factors have resulted in the difference in status between nations of the world. With the increasing Globalization in the world, interactions between countries are expedient to carry out trading activities. The economic growth of a country has a lot to do with the country's interaction with other members of the international community. In other words, the income levels of each country are interdependent on one another. Also, trade policies help to foster interactions between countries, Hence the impact of trade policies on the economic growth and development of nations is highly controversial because there are several growth strategies and economists are yet to agree on how trade policies and economic growth are related. Some believe that trade is crucial and highly needed to promote development. Through trade, there is access to technology, foreign markets, and resources. Trade liberalization is highly encouraged and has been advised for developing economies to increase their foreign revenues and exports.

Trade policies have effects on trade quantities and volumes. A change in a country's trade policy leads to trade in new goods. Countries usually embark on effective international trade policies that are in their best interest.

Developing countries such as Nigeria are finding it difficult to ascertain effective ways to integrate their economies with the world economy that will also allow them to grow. There are mainly two approaches to resolve this.

1. **Import substitution:** This approach has to do with replacing the previous imports with domestic production. Developing countries have been using this strategy to reduce foreign dependence and protect their infant industries. Several measures like import quotas, tariffs, and government loans are used to grow local industries. However, this strategy does not encourage trade openness as it aims to protect her industries, improve domestic markets, and reduce imports. Several countries have tried the import substitution strategy but discontinued it as it was not successful. The experience of Latin American countries especially Brazil is an example. Brazil had to dump this strategy and moved to an outward-looking strategy that improved its economy. When countries embark on an outward-looking strategy, it yields a better increase compared to the inward-looking strategy because countries can learn new technologies from other countries as they engage in international trade. A good example of this is the increased learning of technology by the Koreans as their exports of electronic equipment grew.
2. **Export Promotion Strategy:** Increasing exports and outward activities encourage international trade. This strategy involves the manufacture and sale of products to other countries. It increases trade rather than reduces trade. It is a better policy as it makes industries shift to focus on domestic markets to be competitive with international markets and achieve greater economies of scale. It also proffers incentives to firms to encourage them to export more.

A look at the Korean experience shows us that it started with the import-substitution strategy and moved to the export-led policy which increased the country's growth. If Nigeria is to emulate the export-led strategy, there are lots of lessons for Nigeria to learn from the Korean experience with trade policies.

Lessons from Korean Experience

We can draw some generalizations about economic development from Korea's experiences. First, the market is built on principles of individual private property rights and economic liberty. This tries to explain that government has a slim chance of delivering economic development without the help of private organizations. In other words, private organizations are important in supplementing market failures. Hence, through its economic policies, the government should promote corporate partnerships and private enterprise. A key factor in Korea's economic development has been the government's corporate-promotion policies. By assisting those who performed better than others, the program offered a separate incentive system based on the performances and treated various economic performances differently. As a result, it can be said that economic discrimination is a requirement for economic growth. (Jwa, 2017).

According to Jwa (2017), egalitarian policies that aim to artificially reduce economic distinctions operate against economic dynamism and development since they do not improve the market's discriminating function. This is the second principle for economic development. Both developing and industrialized nations that have implemented egalitarian political systems like socialism, reformed capitalism, social democracy, and populist democracy have struggled economically during the past 30 years. Therefore, it may be concluded that the existence of economic egalitarianism is a necessary prerequisite for economic stagnation. These two ideas can be gained from other countries' experiences as well as Korea's economic successes and failures around the world. There were several strategies carried out by Korea that aided economic growth and development, these includes:

The Industrialization Strategy

As part of the government's policy instrument, industrial policy should be considered and adopted as a corporate-promotion policy based on market performances (Jwa, 2017). The Koreans relied heavily on the markets with little government intervention. The government of developing countries such as Nigeria should carry out industrial policies that are aimed at promoting the manufacture of goods that can be exported and at the same time rely on market forces. The export-led strategy is very viable and important in increasing a country's GDP and promoting economic growth. The Koreans in the 1960s developed their industrial base by promoting industries that increased the provision of raw materials for industries. Hence, Nigeria can invest more in the

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue V May 2025

cultivation of cotton to provide raw materials for the textile industry which would in turn encourage mass production leading to exportation. Also, the availability of manpower in Nigeria would be an added advantage as labor can be gotten cheaply. Furthermore, mechanized, and commercialized agriculture is highly encouraged as a strategy to promote industrialization and grow the Nigerian economy. The manufactured goods can be exported easily through the various seaports we have in Nigeria.

To achieve rapid industrialization in Nigeria, it is advisable policies are learned from the Korean experience where import substitution was done behind high protective barriers. The Nigerian market is relatively big hence import-substitution would work well leading to more exportation. According to Nam (1993), it is quite tough to differentiate between an import industry and an export industry. Taking the Korean textile industry for instance was initially aimed at import substitution and later grew into a major export industry in later years. What matters is the country’s prospect of being able to compete in the world market. In the infant stage of the industry, Protection is highly needed as time is needed to garner stability and profits in the first few years, especially in a developing country. The important issue is for the industry to compete favorably in the global market within the given time without further protection. With this, the argument for the protection of industries that worked for the Koreans should be replicated in Nigeria to protect infant industries and prepare them for competition in the world.

Export Promotion Strategy

A critical look at the economic performance of Nigeria shows that import is much higher than export which does not encourage growth. Korea made use of strategies such as currency devaluation to help reduce imports and increase exports. Industries that export goods were also given financial subsidies and tax exemptions to help them boost their performance and withstand competition from the world market. According to Jwa (2017), the Export promotion policy constantly favored those that export more The policy entailed government aid to the higher exporters for their tough work in earning more foreign exchange. These benefits helped the Korean industries to expand and diversify their production. The government of developing countries such as Nigeria can learn from this and encourage their industries by providing benefits to scale up growth in their countries.

Foreign Direct Investment

In Africa, Egypt and Ethiopia are the top economy hosts for foreign direct investments (FDI) followed closely by Nigeria as the third economy. Despite the Covid-19 pandemic that led to the global financial crisis, there is a slight increase in the FDI flows to Nigeria totaled USD 2.4 billion in 2020, showing a slight increase from the previous year. Some of the main investing countries in Nigeria include the United Kingdom, France, the Netherlands, China, and the USA. With the abundance of natural resources, the large size of the domestic market, and the low cost of labor, Nigeria is a viable ground for FDI by these developed countries.

Table 2: The table below shows number of Foreign Direct Investment into Nigeria according to UNCTAD reports.

Foreign Direct Investment	2019	2020	2021
FDI Inward Flow *(million USD)*	2,305	2,385	4,844
FDI Stock *(million USD)*	99,709	87,013	91,857
Number of Greenfield Investments*	76	54	43
Value of Greenfield Investments (million USD)	10,196	6,625	1,508

Source: UNCTAD, Latest available data

*Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.*

However, several factors are limiting the country's FDI potential, these include:

Political instability caused by deep ethnic and religious divisions Increasing insecurity, especially in the northeast of the country (activities of Boko Haram) has made the country unsafe for foreign investors. Poor infrastructure which results in high operating costs High tax burden. An inefficient judicial system to settle disputes

The Nigerian government needs to learn a lot from the Korean experience by making efforts to resolve these obstacles stated above and provide an enabling environment for foreign investors so they can invest and increase the number of industries in the country.

Government Intervention

One of the critical factors that stimulated Korea's economic growth and development in the 1960s-1970s was the leadership of Park Chung Hee. Park did not allow political considerations to override and contaminate his economic decisions. He demonstrated this by exercising economic discrimination in economic policies and placing economic bureaucracy above the political machinery when it comes to economic decisions. It can be said that he economized Korean politics for the sake of national development (Jwa, 2017). Also, there was the establishment of a Trade Promotion Organization such as KOTRA founded in 1962 to promote trade activities and export-led economic development. Another important part of government activity will be the regular month-to-month meeting of the extended export merchandising committee consisting of export-related ministers, commercial enterprise representatives, and bankers led by President Park since 1965. The meetings monitored the trends month-to-month, and export performances and assisted in deciding the policy route for export promotions. Hence, Nigeria should emulate these government activities to upscale the growth of exports leading to economic development. The government needs to also encourage savings and capital accumulation so funds would be available for investing.

Furthermore, the Koreans invested in and developed their educational sector, which made the country have a highly skilled labor force. Developing countries should invest more in education and vocational training skills which would further prepare them for technological advancements. A highly educated populace is needed to enhance the skills and technical knowledge that is needed to industrialize the country.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Nigeria's current situation needs effective policies that would rescue the country from extreme poverty, especially with the rising population. From the discussions above it can be concluded that Nigeria is a developing country that has enough resources and necessary conditions to replicate the strategies carried out in Korea for economic growth. Hence, an outward-looking strategy is a better strategy for Nigeria. Even though each country has challenges peculiar to them, the export promotion strategies and policies carried out by the Koreans are excellent lessons to Nigeria. The following are recommended for the Nigerian economy to promote growth:

The Nigerian government should encourage export-led strategies. Also, the exportation should not be solely dependent on oil, there should be diversification of products. Other resources such as gold, cotton, cocoa, and cashews should be exported in large quantities.

Import substitution has not worked for Nigeria over the years, therefore there should be a shift to export promotion policies that would expand the Nigerian industries and make them more competitive in the international markets.

The efforts of the Korean government cannot be over-emphasized; hence the Nigerian government needs to put more effort into stabilizing the economy and creating a conducive environment for investors and industries. The Koreans also invested a lot in education, which made them have a highly skilled labor force. The skilled labor force was a contributing factor to economic success. It is advisable, therefore, that Nigeria invest more in education and vocational skills which will better prepare the workforce for technological advancement. Also, I analyzed the challenges that are impeding foreign direct investments in Nigeria. The government needs to create an enabling environment, solve security issues and reduce tax burdens to attract foreign investors. This could be learned from the Korean experience and replicated in Nigeria to accumulate capital.

However, it should be noted that due to the current realities in the world, the policies carried out by the Korean people might be difficult for developing countries like Nigeria to replicate. It is worthy of note that the Park Chung Hee government added rapid economic growth to the Korean economy however the prize of freedom and human values was paid as his government was more of an authoritarian rule. The dark facets of the economic miracle in Korea, which entailed a lack of social and democratic values, autocracy, and environmental degradation, cannot be certainly disregarded as unimportant. Corruption was however not permitted in the Korean case as the government was strict and handled key politics. Therefore, Nigeria should emulate the positive government interventions in Korea but not the authoritarian rule as it is not permissible currently in a world filled with democratic and sovereign states.

Also, the WTO rules and laws on trade restrictions make it difficult to tighten a country's imports just like the Koreans did in earlier years. This is a limitation to developing countries trying out the trade policies by Korea as trade liberalization is encouraged more according to the rules of the international organization. Nigeria should try to monitor trade performances while it adheres to the WTO rules so that exports will be more than imports. Finally, the export-led strategy is still viable, although much more difficult today because there are many more competitors trying to enter the manufacturing market, especially China which Korea did not experience at the time. Developing countries like Nigeria should be prepared to face competition while carrying out the export-led strategy.

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