



Asia Pacific Trade in Middle-Income Economies: Focus On Nigeria/Pakistan Import and Export Relations

By

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Abstract

Diplomatic and economic relations between Nigeria and Pakistan dates back to the late twentieth century, with bilateral trade that gained modest momentum amid expansion. Using trade data and policy records, the paper traces the evolution of merchandise exchange between Nigeria and Pakistan, with a gradual expansion that peaked between 2005 and 2024, followed by periods of fluctuations and declines. Throughout this period, Pakistan's exports to Nigeria were largely dominated by manufactured and semi-processed goods, while Nigeria's exports remained limited in volume and range. Despite sustained diplomatic engagement and formal agreements, the structure of trade continued to reflect long-standing imbalance and limited diversification. By placing Nigeria and Pakistan trade within the broader Asia Pacific trade environment and the China-Pakistan Economic Corridor (CPEC) emerging infrastructural framework of China, the paper argues that contemporary connectivity initiatives represent both continuity and potential departure from earlier patterns of engagement, and trade imbalance has not only continued to widen but has also intensified. The study concludes that while CPEC offers new possibilities for third-party participation and trade expansion, structural constraints continued to shape the depth and direction of Nigeria/Pakistan trade relations.

Key Words: Asia Pacific, Middle-Income Economies, Bilateral Trade Relations

Introduction

All through human history, nations learned and developed their lives through the acquisition of skills and mode of life that suits them; a process that has not changed, even at the contemporary era. Different nations that have dissimilar demographics and history, adopt and gain knowledge from each other. The cultural diversity between countries has its consequence on trade in a complex way. Correspondingly, there is a high possibility that nations with common cultural attributes might trade more. Although trade is built on comparative advantage, with diverse cultures, higher trading may be possible (Cyrus, 2011). The benefits from trade could differ from country to country based on its national welfare, economic, political, regional, and strategic state of affairs. Trade can be drawn from the need to exchange, which developed from the barter arrangement to the currency method. The world has significantly changed over many decades. Specifically, since the 1980s, the world economy has been guided by neoliberal economic policies that attempted to

promote capitalism at a global scale through trade liberalization, foreign direct investment (FDI), and financial capital flows, as well as the relaxing of government regulations, especially in financial, goods, and labour markets. These developments had succeeded in relatively shrinking the political, economic, and cultural barriers in favour of Western countries (Imam, 2009).

Pakistan and Nigeria are two important nations in Asia and Africa and are connected through the OBOR (One Belt, One Road) initiative, which has created new geopolitics in the region. The nations' diplomatic relations was established on March 22, 1961, spanning trade, defence, and cultural exchanges. Since independence, the two countries have worked together at various fora of the international community. Nigeria and Pakistan are both members of the Organization of Islamic Cooperation and have a number of bilateral agreements. Significantly, they agreed to cooperate on law enforcement, particularly with regard to narcotics shipping. In terms of internal political experience, both

countries adopted a parliamentary system of government, but in later periods, both suffered gross political instability. They have also gone through the ordeal of tragic civil wars. Like other nations, Pakistan is also altering its direction of policies towards growing efforts to grasp gains from trade through plurilateral and bilateral agreements.

However, this study is timely and important because Pakistan and Nigeria need new partners to boost their economies, as partners of China in the OBOR initiative. The aim of this study is to (i) to examine the impact of Nigeria-Pakistan bilateral trade relations (ii) examine the constraints facing bilateral trade relations between Nigeria and Pakistan. The study covers two middle-income countries, Nigeria and Pakistan, from 2005 to 2024. We adopt this period due to available data limitations. All exports and imports data were sourced from UN Comtrade database, and other data were sourced from the World Development Indicator (WDI). These data sources are considered reliable, consistent and transparent of their data and records.

The Problem

Trade has contributed significantly to a country's rapid economic growth in developed countries like China and India, helping them to transit from agrarian-based economies to major global players, thus lifting millions out of poverty (Lin, 2001). However, the same cannot be said for many middle-income countries, including Pakistan and Nigeria, which despite participating in global trade, have not seen comparable levels of economic growth. This, as observed by Collier (2007), raises concerns about whether trade alone can serve as a reliable tool for development in such regions. Nigeria and Pakistan are two key post-colonial regional powers located in two critical regions of West Africa and South Asia. Both countries find themselves passing through a developmental stage characterized by high growth potential, low to medium actual annual growth, middle income economy with heavy focus on primary production and a diverse population with overall modest levels of human capital formation.

In recent decades, both countries have had to spend a significant number of resources and security planning on combating terrorism and dealing with other forms of domestic instability. This has negatively impacted the overall growth trajectories of Nigerian and Pakistani economies. As major regional powers in critical geostrategic regions, Nigeria and Pakistan have also had to smartly navigate the fluid and wide-ranging competition among global powers as well as other great powers. This has made them fairly practiced in dealing successfully with global powers and great powers. More so, various social, economic, political, security, and structural challenges, with which most regional powers are beset in the contemporary era, have also prevented the actualization of an elaborate bilateral cooperation between Nigeria and Pakistan. Again, it has become difficult for countries to survive without a form of transaction which involves money, ideas, product and technology in the world today. As a result, every economy is affected either positively or negatively. Despite the potential in these countries, over reliance on high volume of imports, particularly of machinery, equipment, and food

products, has left the countries vulnerable to global market fluctuations.

Conceptual Review

Trade

Many scholars have defined the concept of trade over the years as a voluntary exchange of goods or services between economic actors. According to Akrani (2015), trade has to do with the buying and selling of goods and services. There are two types of trade: domestic trade and international trade. Domestic trade involves buying and selling of goods and services within a country, while international trade involves buying and selling of goods and services among foreign actors located in different parts of the world. International trade provides a platform where firms compete with others in the international market with a view to selling their products. Buying and selling of goods in the international market has significant effects on a country's economic development because the increase in a country's volume of exports ultimately leads to increase in her balance of international payments and contributes largely to a country's Gross Domestic Product (GDP).

International Trade

International trade basically refers to the exchange of goods or services conducted through imports or exports between at least two different countries. It essentially depicts some form of transactional relationship between countries or organizations or firms across national borders through the exchange of goods and services at some fixed price or consideration. As an idea, it underscores the indispensability of each nation in the context of trade within the comity of nations. International trade demonstrates that countries in the global community are mutually interdependent for purposes of growth and development. Globally, international trade has become an instrument of economic diplomacy through the process of Foreign Direct Investment and enhancement of power dynamics. It is a composite of bilateral and multilateral business anchored on the principle of sustained economic growth and development within and among nations. It defines a country's economic potentials and showcases her areas of need. The basic attributes of international trade include her productive capacity in terms of equitable combinations of the productive forces, social relations of production, distribution and exchange which translate to the country's Gross Domestic Product. In other words, international trade enhances the efficient production of goods and services through allocation of resources to countries that have comparative advantage in their production. It occurs in the form of inflow (import) and outflow (export) of goods and services in a country and a country's imports and exports represent a significant share of her gross domestic product (Babatunde, Jonathan and Muhyideen, 2017; Maria, 2020; Odey, Oko and Onwuneme, 2022; (Diptibala, 2022).

Bilateral Trade

Bilateral trade refers to the exchange of goods and services between two countries on the basis of mutual agreements and trade policies. It plays a significant role in promoting

economic growth by increasing exports, creating jobs and attracting foreign investment, and makes countries specialise in the production of goods and services in which they have a comparative advantage, which leads to an increase in efficiency and productivity. This contributes to higher economic growth (Temjanovski, 2011). Bilateral trade agreements are also a channel for technology transfer with the new innovations. By importing high-tech products and collaborating with technologically advanced partners, countries can boost their technological progress, like India's trade relations with the United States, partnerships in the information technology and pharmaceutical sectors, promoting innovation and skills development (Chanda, 2017). The bilateral trade allows countries to expand their economies. The nations with a narrow economic base can expand their export portfolio by entering a new market. Bilateral agreements between developing and developed countries enable the exports of raw materials and agricultural products by importing advanced technologies and machinery to reduce reliance on a single sector. Competition created by the bilateral trade also promotes efficiency of the cost by getting cheaper inputs from the trade partners, and the companies also lower their production costs, which reduces the prices for consumers.

Economy and Trade

Pakistan and Nigeria share similarities in growth rates, population trends, trade patterns, remittances, and the overall economic structure. With massive service sectors and developing industrial sectors, both countries are poised to benefiting from increased economic cooperation and expanded bilateral trade. Pakistan and Nigeria are the 5th and 6th biggest potential consumer markets, respectively, in terms of population. They remittances also fall broadly within the same range. Pakistan received 29.4 billion US dollars in foreign remittances in 2020-21, while Nigeria was the recipient of projected 17.6 billion US dollars in 2021. Huge remittances endow both countries with huge consumer buying power. Both economies are dominated more or less by one top-heavy sector. In the case of Nigeria, oil and gas sector makes up about 10 percent of GDP, while petroleum export revenues account for around 86 percent of total export revenues. In the case of Pakistan, the textile sector contributes 8.5 percent to GDP, and accounts for 60 percent of total exports.

Figure 1: Trends Analysis of Nigeria-Pakistan Bilateral Trade



Source: Author's Computation using Eview 10 (<https://uncomtrade.org/docs/>)

Figure 1, reveals the trends in Nigeria-Pakistan bilateral trade relations of both exports, imports, and total trade from 2005 to 2024. It shows a decrease in imports from Pakistan by Nigeria within the period, while exports equally decline from 2008 to 2014, and gradually increase from 2015 to 2018. Similarly, the decrease in the rise of exports in 2019 and 2020 is attributed to the global economic shock (Covid-19), which affected the economy of many countries, particularly developing countries to which Nigeria and Pakistan belong. Moreover, the decline in imports is as a result of the recent Nigerian government policy aimed at reducing the importation of foreign-manufactured goods. This had a lot to do with Nigeria's trade relations with other countries, including Pakistan. The surge in exports from 2021 to 2024 is a result of Nigeria's major commodity export, for which Pakistan is one of the major importers, making the total trade rise as exports rise.

Figure 2: Trends Analysis of Pakistan-Nigeria Bilateral Trade



Source: Author's Computation using Eview 10 (<https://uncomtrade.org/docs/>)

Figure 2. depicts the trends in Pakistan-Nigeria trade relations of both exports, imports and total trade for the period of 2005-2024. It shows a decrease in exports from Nigeria by Pakistan within the period, while Pakistan's imports equally decline from 2005 to 2016, and gradually increase from 2017 to 2018. Similarly, the decrease in imports from 2019 and 2020 is equally attributed to the global economic shock (Covid-19) which affected Pakistan as well as many other countries. The surge in imports from Nigeria between 2021 to 2024 is as a result of Nigeria's major commodity being purchased by Pakistan, which affected the total trade volume for Pakistan. Overall, the trend shows a strong trade relationship between Nigeria and Pakistan in terms of the major export commodity of export in Nigeria. Indicating a need for both countries to boost their export supply not only to each other, but to the world in general through trade relations.

Related Empirical Review

Khan et al. (2013) analysed Pakistan's bilateral trade with major trading partners and used panel data from 1990 to 2010. The results obtained show that the variable of cultural similarities is negatively related to trade volume. Gul and Ahmad (2018) investigated the overall trade pattern in Pakistan and trading partners, using the gravity model and panel data from 2005. Their results suggest that the size of the economy, development level, and trade are positively related. The study finds a negative relation between trade and

distance. The study suggests that Pakistan should focus on both product and market diversification.

Hanif (2018) analysed Pakistan's international trade, particularly exports, with different perspectives like traded goods, partners, regions and Economic Cooperation Organizations, using Pakistan data collected from 2003 to 2015. The findings suggest that despite Pakistan's trade relations with multiple countries, over different regions, the actual size of exports is far below the potential volume and resultantly, it faces a trade deficit. The study suggested that Pakistan can utilize the available cheap young population through skill formation, the cheap local raw material, natural resources, existing industrial infrastructure and agricultural potential to boost economic growth and hence, exports. Khan et al. (2019) examined the trade intensity, its volume and direction between Pakistan and the Central Asian Republics i.e., Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan using the data of 1995-2017. The findings indicate that Pakistan has a greater export intensity in overall trade and low import intensity and is more specialized than CARs. It further highlights that Pakistan has enough potential to diversify exports and boost trade with the CARs by signing more trade agreements with countries in the region.

Manjo and Devyani (2014) examined the dynamic of trade in pharmaceutical among China, India, Pakistan and South Asia Free Trade Area Agreements. The findings showed that there exists an unfavourable treatment to China in items on Pakistan's negative or sensitive list. The study further revealed that favourable tariff treatment to China may have an effect on India's low trade in pharmaceutical products with Pakistan. The study suggested the need for government to initiate and strengthen its export promotion policies to maintain existing product comparative advantage.

Lytle (2017) studied climate change as a contribution to terrorism: a case study of Nigeria and Pakistan. Primary and secondary methods of data collection were adopted. It was found that in Nigeria, climate trends and agriculture influence terrorism trends in the country, specifically with the insurgent group named Boko Haram, who recruits young men from families in poverty. Yusuff, Adekanye, and Babalola (2020) investigated how foreign trade affects the expansion of the Nigerian economy from 1986 to 2017 using Ordinary Least Squares (OLS) estimation techniques. Their results showed a negative connection between foreign trade and GDP per capita during the study period. Edoumiekumo and Opukri (2013) examined the contributions of international trade (proxy with export and import values) to economic growth in Nigeria measured by real gross domestic product (RGDP), using quantitative method. The results showed that a positive relationship exists between the variables and there is co-integration among the variables. Elijah and Ahmed (2019) examined trade liberalization as one of the drivers of economic development between 1986-2016, the study findings revealed that trade liberalization did not cause growth during the period of the study. However, in all the empirical studies, the challenges facing bilateral trade relations between

nations and the measures to have a favourable balance of trade was not identified.

Data and Sources

The study used quantitative research methods, involving the use of time series secondary data covering a period of 20 years from 2005 to 2024. Time series data on values of bilateral trade flow for Nigeria and Pakistan was obtained from UN Comtrade database. Other explanatory variable data of each country (Gross Domestic Product (GDP), Foreign Direct Investment (FDI) were obtained from world Development indicator (WDI). However, there was no data for total trade and trade openness, the study generated the data for total trade by summing export and import of each country, while data for trade openness was generated by summing export and import values and divide it with the GDP of each country.

Methodology

Panel Least Squares (PLS) is econometrics technique in panel data analysis which simplifies relationships between the variables of both time and cross-sectional dimensions. The method combines both the cross sectional and time series data with a strong statistical analysis (Baltagi and Baltagi 2008), and is used where data is structured in the two-dimensional arrangement with observations repeated across the time for various cross-sectional observations. PLS method is selected in this study due to its account for unobservable heterogeneity across the cross-sectional data such as data of countries. By including both the fixed and random effects in the model. It can effectively control for fixed effect over the time factors which can bias the results, and allows for a more detailed analysis by using maximum variations from the cross-sectional units over the time (Wooldridge, 2002). PLS method shows that the individual effects have relation with the dependent variables. This model removes the fixed characters by converting the data through within transformation, which ensures that the effects of missing variables which are constant over time by reducing the risk of the bias. Mathematically the model is expressed as:

$$Y_{it} = \beta X_{it} + \alpha_i + \mu_{it} \quad (1)$$

Where Y_{it} is the dependent variable for the i at the time t . The X_{it} is represent the independent variables for i at the specific time t . β is the coefficient of the explanatory variables which are to be estimate. α_i is the specific fixed effects of variables which are unobserved heterogeneity and is constant over the time for every observation and μ_{it} is error term which represent individuals over the time (Greene, 2012). Panel Least Square also assumes that the unobserved effects do not have relation with the independent variables. This enables the model to maintain the degrees of freedom by making it more efficient rather than the fixed effects and to decide between the fixed and random effects models (Hausman, 1978).

Model Specification

The study is built on the gravity model. The theoretical foundations of the gravity model have been improved over time, particularly due to the contributions of Anderson (1979),

Bergstrand (1985), Helpman and Krugman (1985) and Anderson and Van Wincoop (2003). The model suggests that the magnitude of bilateral trade flow between two trading regions is directly proportional to the product of their economic size measured by the Gross Domestic Product (GPD) and inversely proportional to the square of their distance apart. The basic gravity model is expressed as follows:

Model 1:

$$\ln X_{ijt} = \alpha_0 + \beta_1 \ln Y_{it} + \beta_2 \ln Y_{jt} + \beta_3 \ln T_{ijt} + \varepsilon_{it} \quad (2)$$

Where X_{ijt} indicates bilateral trade flow between two countries i and j ; α_0 is constant term and $\beta_1, \beta_2, \beta_3$ are the coefficient of terms. Y_i and Y_j is the GDP of country i and country j , respectively; and t_{ij} is the time or the year for country i and j , $\ln$ is natural log, and ε_{ij} is the error term. However, with the increasing number of studies applying the gravity model to international trade analysis, more explanatory variables have been added to the gravity model to reduce potential omitted variable bias. Following Baier and Bergstrand (2007), Carrere

(2006), and Kahouli and Maktouf (2014), the current study modified the model to include other explanatory variables such as Gross Domestic Product, Foreign Direct Investment (FDI), Total Trade Volume, and Trade Openness.

The modified gravity model is specified as:

$$\ln TT_{ij} = \alpha_0 + \beta_1 \ln GDP_i + \beta_2 \ln GDP_j + \beta_3 \ln FDI_i + \beta_4 \ln FDI_j + \beta_5 \ln EX_i + \beta_6 \ln EX_j + \beta_7 \ln TOP_i + \beta_8 \ln TOP_j + \varepsilon_{ij} \quad (3)$$

Where TT_{ij} indicates bilateral trade flow between two country i (Nigeria) and country j (Pakistan); α_0 is constant term and $\beta_1, \beta_2, \beta_3$ are the coefficient of terms. GDP_i and GDP_j represent the GDP of country i and country j respectively; FDI_i and FDI_j represent the foreign direct investment of Nigeria and Pakistan; EX_i and EX_j represent the export of country i and j ; TOP_i and TOP_j represent trade openness between the two countries; $\ln$ is natural log and ε_{ij} is the error term.

Table 1 Descriptive Statistics Analysis of Key Variables (2005-2024)

	GDPj	GDPi	FDIj	FDIi	TOPj	TOPi
Mean	26.77995	26.42346	-0.060775	-0.185778	-8.676273	-8.041143
Median	26.89414	26.40627	-0.158532	-0.362798	-8.545599	-8.170324
Maximum	27.01650	26.74117	1.064797	1.110448	-7.002137	-6.504869
Minimum	26.33630	26.07399	-1.693790	-1.068705	-11.47355	-8.991427
Std. Dev.	0.209495	0.214960	0.829162	0.626171	1.137691	0.720219
Skewness	-0.903998	0.017222	-0.202382	0.895151	-0.731178	0.669799
Kurtosis	2.449736	1.634310	1.880165	2.814503	3.262931	2.534123
Jarque-Bera	2.976364	1.555245	1.122477	2.699660	1.839679	1.676303
Probability	0.225783	0.459497	0.570502	0.259284	0.398583	0.432509
Sum	535.5991	528.4691	-1.154725	-3.715562	-173.5255	-160.8229
Sum Sq. Dev.	0.833872	0.877944	12.37518	7.449721	24.59246	9.855604
Observations	20	20	20	20	20	20

The descriptive statistics show that the mean value for trade openness between Nigeria and Pakistan during the study period is negative, with -8.041 and -8.676, respectively, while the mean value for gross domestic product (GDP) was 26.78 and 26.42. Considering the standard deviation (SD), which measures the level of variation or degree of dispersion of the variables from their mean, the actual deviation of the data from their means is relatively small, as all the standard deviations are visibly low. In consideration of the skewness

and kurtosis, the variables for Pakistan's GDP (GDPi) mirror a normal skewness than its partner country (GDPj). All other variables were leptokurtic, which suggests that they have a positive kurtosis (peaked curve), indicating that there are more high values than the sample mean. From the Jarque-Bera statistics with the corresponding probabilities, none of the variables is normally distributed.

Regression Results and Discussions

Table 2: Result of the Panel Least Squares (PLS) Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.30E-06	1.56E-06	-5.321486	0.0000
GDPJ	1.75E-17	3.38E-18	5.177035	0.0000
FDIJ	5.68E-07	2.32E-07	2.445801	0.0200
EXPORTJ	1.000000	1.05E-14	9.57E+13	0.0000
IMPORTJ	1.000000	1.33E-14	7.50E+13	0.0000
TOPJ	0.029728	0.005250	5.662046	0.0000
R-squared	1.000000	Mean dependent var		1.42E+08
Adjusted R-squared	1.000000	S.D. dependent var		1.44E+08
S.E. of regression	9.29E-07	Akaike info criterion		-24.79913
Sum squared resid	2.85E-11	Schwarz criterion		-24.54319
Log likelihood	489.5829	Hannan-Quinn criter.		-24.70730
F-statistic	1.82E+29	Durbin-Watson stat		1.008343
Prob(F-statistic)	0.000000			

The GDP of the countries shows a positive effect on trade. It represents that the 1 percent change in the GDP of Nigeria and Pakistan will increase by 1.75 percent, which is statistically significant. This shows that the GDP has a significant impact on the total trade volume of the two countries, representing more production and economic growth. By which each country can produce extra goods and services more than its domestic needs and export them to other countries (Krugman, 2009). With the growth of GDP, the country's economy becomes more efficient and capable of producing more goods and services, which leads to an increase in the quantity and quality of exports and imports. It also leads to innovations and improvements in technology. This advancement makes the country's products and services more competitive in the global market, making the country more attractive to foreign investors (Kalaitzi and Chamberlain 2020).

The FDI inflow is statistically significant and has a positive impact on trade between the two countries. It indicates that a 1 percent change in FDI of the two countries will increase by 5.68 percent. This makes the two countries an attractive place to foreign investors, and brings about advanced technologies, managerial expertise, and access to the global supply chains that improve efficiency. Similarly, trade openness has a positive effect on the total trade of Nigeria and Pakistan, and is statistically significant. Indicating that if both countries enter into a trade agreement with reduced tariffs, it will improve the overall trade inflow and outflow, balance of payment, and boost their economic growth. Exports and Imports were significant, with a positive impact on the total trade volume of each country. This finding is also in line with the work of Gul and Ahmad (2018), who found that the size of the Pakistan economy, development level and trade are positively related.

Table 3: Result of the Fixed Effect (FE) Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.97E-06	1.21E-06	-4.946925	0.0000

GDPJ	1.33E-17	2.81E-18	4.751232	0.0000
FDIJ	5.10E-07	1.81E-07	2.825146	0.0081
EXPORTJ	1.000000	6.22E-15	1.61E+14	0.0000
IMPORTJ	1.000000	7.88E-15	1.27E+14	0.0000
TOPJ	0.015320	0.003139	4.881139	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	1.000000	Mean dependent var	1.42E+08	
Adjusted R-squared	1.000000	S.D. dependent var	1.44E+08	
F-statistic	4.36E+29	Durbin-Watson stat	0.804439	
Prob(F-statistic)	0.000000			

The results of the fixed effects estimation follow a similar path to that observed in the panel least squares estimation. The result indicates that GDP, Foreign Direct Investment (FDI), Trade Openness (TOP), imports, and exports increase significantly with the total trade volume of each country and are statistically significant at the 1 percent level of

significance. Equally, a 1 percent increase in GDP, FDI, TOP increases each country's total trade flow by 1.33 percent, 5.1 percent, 0.02 percent, and 1.0 percent, respectively. Thus, we conclude that a significant relationship exists between GDP, FDI, TOP, imports, and exports and total trade flows in Nigeria and Pakistan.

Table 4: Result of the Random Effect (RE) Estimates

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.11E+08	68059937	-1.623747	0.1127
GDPJ	0.000671	0.000178	3.779415	0.0005
Effects Specification				
			S.D.	Rho
Cross-section random			1.917360	0.0000
Idiosyncratic random			1.10E+08	1.0000
Weighted Statistics				
R-squared	0.213392	Mean dependent var	1.38E+08	
Adjusted R-squared	0.192691	S.D. dependent var	1.44E+08	
S.E. of regression	1.29E+08	Sum squared resid	6.32E+17	
F-statistic	10.30866	Durbin-Watson stat	0.572509	
Prob(F-statistic)	0.002694			
Unweighted Statistics				
R-squared	0.213392	Mean dependent var	1.38E+08	
Sum squared resid	6.32E+17	Durbin-Watson stat	0.572509	

The Panel Least Squares model often neglects the panel structure of the data and individual heterogeneity in the model. To address this concern of heterogeneity, the study

moves further and estimates the fixed effects and random effects. In estimating the fixed effects and the random effects, we addressed individual heterogeneity and controlled for the

individual uniqueness of each of the cross-sections. Thus, through the Hausman test estimation, the random effect was found to be more efficient and fits into our model as it controls for both individual and between-individual variation.

Conclusion and Policy Recommendation

The study examines the impact of Nigeria-Pakistan bilateral trade relations and the constraints facing trade relations between Nigeria and Pakistan. Using UN Comtrade trade data between 2005 and 2024. It adopted the gravity trade model with the aid of panel least squares estimation techniques. The results obtained showed that the GDPs of both countries, GDP_i and GDP_j, had a positive effect on the total trade volume. This represents the importance of economic size and its impact on the total trade flows. The trend reveals that Nigeria's export to Pakistan has not kept pace with its import from Pakistan; this trade imbalance has not only continued to increase but also intensified. The growth in Nigeria's trade imports from Pakistan and Pakistan's trade exports to Nigeria has continuously declined throughout the period, indicating challenges in the bilateral trade relations between the two countries. Overall, the study showed that the foreign direct investment and trade openness had significant impact on the total trade volumes of each country. Indicating that trade openness between Nigeria and Pakistan will boost their total trade volume, economic stability, and economic growth potential by increasing FDI. Based on the findings, the following recommendations are made: (1) Nigeria and Pakistan should improve their trade agreement policies by reducing tariffs and non-tariff barriers to encourage trade relations. (2) Pakistan should increase its trade with large economies, as a positive relationship between GDP and total trade volume exists. (3) Both the Export Promotion Bureau of Nigeria and the Trade Development Authority of Pakistan should formulate export strategies that would address various problems regarding the import and export of commodities outside the two countries.

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