



FOREIGN DIRECT INVESTMENT, FOREIGN AID, REMITTANCES, AND GROWTH IN NIGERIA (1980-2024)

By

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Abstract

The study examines the nexus between foreign direct investment, foreign aid, remittances and economic growth in Nigeria covering the period 1980-2024. An autoregressive distributive lag (ARDL) model was employed to estimate the model. The findings revealed a positive and significant impact of official development assistance and remittances on growth. Foreign direct investment and institutional quality negative impact on growth and not significant at 5%. the role of institutional quality in attracting capital inflows cannot be overemphasized. This is because it provides incentive for either investors, or financial assistance because of the need for transparency and accountability in the processes. Also, official development assistance, foreign direct investment, remittances, institutional quality, inflation, and external debt have a long run relationship as revealed by the bound test to cointegration. Based on the findings of the study, the following recommendations were made: Strengthening institutional framework to promote transparency and accountability in economic management can help maximize the developmental impact of both FDI, foreign aid and remittances. This will augment savings-investment gap and reduce debt trap. Policies should encourage productive, sustainable foreign direct investment that complements rather than substitutes for development aid. There is need for complementary sound monetary and fiscal policies that enhance capital inflows and sustainable growth.

Keywords: FDI, foreign aid, remittances, growth, ARDL

JEL Codes: F21, F35, F24, O40, C22

1. Background to the Study

Foreign direct investment (FDI), foreign aid (FA) and remittances inflows are vital for economic growth and development in emerging and developing countries (Jude, 2024). Foreign direct investment is a critical buffer for current accounts in countries facing fiscal pressure. Remittances are stable source of external finance for households and economies. Remittances help smooth consumption, finance education and health, and improve household investment capacity, indirectly supporting growth and poverty reduction (Graham and Yongseok, 2019). Foreign aid especially the official development assistance (ODA) component augment the meagre domestic resources by influencing human capital development as it is largely channeled to education, health, housing and basic infrastructure. Foreign aid supports social sector programs and budget (Ishwor, 2020). All the inflows seeks to promote capital and technology transfer, human capital development, managerial ability, and technology transfer, thereby raising the productivity levels in the economy.

The inflows of FDI to Nigeria are modest relative to its economic size. The net FDI inflows were estimated to be about 0.4% of GDP, and total FDI receipts of about \$1.08 billion in 2024 (World Bank, 2024). Despite Nigeria being largest economy in Sub Saharan Africa (SSA), it has not established itself as a major source of regional FDI. The remittances inflow was about \$19.5 billion in 2023, representing 35% of all

remittance inflows in Sub-Saharan Africa, \$20.9 billion in 2024 and estimated to reach \$23.0 billion in 2025 (World Bank, 2025). Nigeria's economy shows moderate growth recently. The Nigerian economic was about 3.4% in 2024 and 3.9% in 2025 (NBS, 2025). The World Bank has projected that Nigerian economy will grow by 5.5% in 2026/2027 fiscal year aided in part by tax and fiscal reforms, exchange rate stability that can promote FDI, ODA and remittances inflows. This can influence external position and economic stability. However, macroeconomic constraints like inflation and infrastructure bottlenecks continue to dampen investment and productivity gains.

The effectiveness of FDI, remittances, and aid in promoting growth is influenced by financial development, governance, human capital, and infrastructure which are constrained in Nigeria. Therefore, this study examines the relation between FDI, remittances, aid and growth in Nigeria. To achieve this, the study is organized into 5 section. Section 1 is introduction. Section 2 is literature review. Section 3 is methodology. Section 4 is empirical analysis. Section 5 is conclusion and recommendations

2. Literature Review

2.1 Conceptual and theoretical issues

World Bank (2024) defined FDI as the net inflows of investment to acquire a lasting management interest in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. It is an international flow of capital that provides a parent company or multinational organization with control over foreign affiliates. It is investment of foreign assets into domestic structures, equipment, and organizations.

Remittances refer to money or other transfers (cash or in-kind) that migrants send from the country where they live or work to individuals or households in their country of origin. These transfers are usually sent to support family consumption, education, healthcare, housing and small scale investments (Ibukun, 2017). Remittances enhance household welfare by reducing poverty, smooth consumption and improve access to education and health services. It strengthen macroeconomic stability and economic development by providing foreign exchange and supporting local economy.

Foreign aid as international transfer of public funds in the form of loans or grants either directly from one government to another (bilateral assistance) or indirectly through the vehicle of a multilateral assistant agency such as World Bank (Jude, 2024). It is characterized by non-concessional terms that is, the interest rate and repayment period for borrowed capital should be softer (less stringent) than commercial terms.

Theoretically, endogenous growth theory or AK model emphasized increase capital accumulation, transfer of technology and enhanced productivity as vital for citizens welfare. The AK model of economic growth is an endogenous growth model used in the theory of economic growth. A fundamental reason for this is the diminishing return of capital with absence of diminishing returns to capital. The AK model production function is a special case of a Cobb–Douglas function with constant returns to scale where $Y = AK$. With knowledge spill over, the production function can be written as: $Y = B \cdot K^\alpha L^{1-\alpha}$ where Y represents the total production in an economy. A represents total factor productivity, K is capital, L is labor, and the parameter measures the output elasticity of capital. In this model, FDI, ODI and remittances can influence growth through A , K and L (Lucas (1990), Romer, 1986).

2.2 Empirical review

There are studies that have examined the nexus between foreign aid, foreign direct investment, exchange rate and growth. Odhiambo and Asongu (2025) assessed the relevance of foreign aid to the incidence of capital flight and unemployment in 20 countries in sub-Saharan Africa for the period 1996–2018 using



interactive quantile regressions. The findings shows that capital flight has a positive unconditional incidence on unemployment. For the positive incidence of capital flight to be completely dampened, foreign aid thresholds of 2.230 and 3.964 (% of GDP) are needed at the 10th and 25th quantiles, respectively. Foreign aid in crowding out the unfavourable incidence of capital flight on unemployment is significantly apparent only in the lowest quantiles or countries with below-median levels of unemployment.

Wang and Fillat-Castejon (2024) employed structural equation modelling to investigate the direct and indirect effect of aid on FDI via economic institutions for 42 African countries for the period 2002-2016. The findings shows direct positive effect of aid and institutions on FDI as a productive financial source. The aid-dependent de facto political power does not improve the economic institutions, and within a broad institutions. Similarly, Ömer and Mustafa (2024)

investigated the relationship between development aid and growth as well as examines the role of the institutional development levels of countries. The analysis covers 64 countries receiving official development assistance in the 2000–2020 period. A significant relationship between official development assistance per capita and growth exist.

Adewale, Olopade and Ogbaro (2024) investigated the relationship between exchange rates, remittances and FDI for the period 1981-2021. Fully Modified Ordinary Least Squares (FMOLS) regression analysis was adopted and the study reveals a significant positive correlation between exchange rates and FDI. It also found a positive but statistically insignificant association between trade openness and FDI. Binuyo (2023) employed ARDL to examine the relationship between FDI, ODA and growth. The findings revealed a significant long-term relationship between GDP and the exchange rate, while the relationship between GDP and foreign direct investment was not statistically significant.

Godfrey and Makoni (2023) employed the panel ARDL and ECM approach to examine the foreign direct investment, official development assistance and economic growth nexus for 20 selected African countries from 2000 – 2018. The results indicated a notable positive long-term cointegrating relationship between official development assistance and economic growth, and between economic growth and foreign direct investment, as well as a cointegrating link between FDI and ODA. Adenuga (2023) used Generalized Method of Moments (GMM) covering the period 1996-2019 to examine the relation between FDI ODA and growth. The results showed that the composite institutional index, control of corruption, voice of accountability, government effectiveness has a positive and significant effect on foreign direct investment inflows in Nigeria.

Panel dynamic ordinary least square estimation technique was employed by Iwegbu and Dauda (2022) to investigate the effectiveness of foreign aid in poverty reduction in Africa; the role of fiscal policy using data from 1980 to 2017. The results revealed that foreign aid augmented with effect the fiscal policy on education significantly improves the income level in all the regions except central Africa and consumption in the western and central regions. Unah, Charles, & Nwonye (2022) explored the interrelationships among foreign direct investments (FDI), exchange rate, capital expenditure, and economic growth in Egypt, between 1990 and 2020 using fully modified OLS and Dynamic OLS. The result of Johansen cointegration test shows that there is cointegration among foreign direct investments, exchange rate, capital expenditure and economic growth in Egypt in the long run. Evidence from the FMOLS and DOLS results shows that FDI, exchange rate, capital expenditure and economic growth in Egypt have a long-run relationship.

Olufemi (2020) employed panel data set of 46 countries from 1996 to 2016 to examine the relationship between foreign aid and foreign direct investment in Africa; the mediating role of institutional quality and financial development. The findings showed that the effectiveness of foreign aid in attracting foreign direct investment is greater in countries with better institutional quality and sound financial development. Foreign direct investment and exchange rate fluctuations in Nigeria was examined by Ogu (2019). The study adopted the ordinary least square method of estimation using data from 1980 to 2016 and the results indicated exchange rate fluctuations has a positive relationship with foreign direct investment. It also showed that interest rate and inflation contributed positively to the inflow of foreign direct investment in Nigeria while gross fixed capital and gross domestic product has a negative relationship with the inflow of foreign direct investment in Nigeria.

3. Methodology

3.1 Model specification

In specifying the model, the study adapted the model used by Adenuga (2023) whose variables employed in the study are relevant to the theoretical framework developed by Arrow (1956) and Romer (1986) in the AK model. Thus, we specify our model as follows:

$$LRGDP_t = \alpha_0 + \sum_{i=1}^p \beta_i LODA_{t,i} + \sum_{j=0}^{q1} \gamma_j FDI_{t,j} + \sum_{k=0}^{q2} \delta_k LINF_{t,k} + \sum_{m=0}^{q3} \theta_m LREM_{t,m} + \sum_{n=0}^{q4} \phi_n LEXP_{t,n} + \sum_{r=0}^{q5} \vartheta_r LEXD_{t,r} + \varepsilon_t \quad (1)$$

Where;

$LRGDP_t$ is the log of GDP, FDI_t is foreign direct investment, $LODA_t$ is log of official development assistance, institutional quality, $LINF_t$ is the log of inflation, $LREM_t$ is the log of remittances, $LEXD_t$ is the log of external debt, α is the intercept term, $\beta_i, \gamma_j, \delta_k, \theta_m, \phi_n, \vartheta_r$ are the coefficients of the dependent and independent variables and ε_t is the error term.

The model in equation (1) can further be express for estimation as follows:

$$LRGDP_t = \alpha_0 + \sum_{i=1}^p \beta_i LREM_{t,i} + \sum_{j=0}^{q1} \gamma_j FDI_{t,j} + \sum_{k=0}^{q2} \delta_k LINF_{t,k} + \sum_{m=0}^{q3} \theta_m LODA_{t,m} + \sum_{n=0}^{q4} \phi_n LOPN_{t,n} + \sum_{r=0}^{q5} \vartheta_r LEXD_{t,r} + \varepsilon_t \quad \text{.....eqn(2)}$$

Where $LREM_t$ is the log of remittances, $LFDI_t$ is the foreign direct investment, $LINF_t$ is the log of inflation, $LODA_t$ is the log of official development assistance, $LOPN_t$ is the log of trade openness, $LEXD_t$ is the log of external debt, α is the intercept term, $\beta_i, \gamma_j, \delta_k, \theta_m, \phi_n, \vartheta_r$ are the coefficients of the dependent and independent variables and ε_t is the error term.

3.2 Nature and sources of data

Secondary data was used in this study and collected from sources such as the World Bank, International Monetary Fund, and Central Bank of Nigeria. The variables used in the study were carefully selected based on their theoretical and empirical underpinning as regards the relationship including the control variables. The variables are summarized below:

Table 1: Data source and measurement

Variables	Measurement	Expected sign
Official development assistance proxy	Net official development assistance and official aid received (current US \$)	Positive
Foreign direct investment	The net inflow of FDI (% of GDP)	Positive
Institutional quality	Measurement by control of corruption	Negative
Remittances	Remittances as % of GDP	Positive
External debt	Public and publicly guaranteed debt comprises long term external obligations of public debtors, including the national government, Public Corporations, State Owned	Negative
Inflation rate	Consumer price index	Negative
Real GDP	Real gross domestic product	Dependent
Trade openness	Sum of exports and imports over gross domestic product	Positive

3.3 Data analysis technique

In the course of this study, the researcher used some methods to test for hypothesis on the impact of Foreign Direct Investment, Foreign Aid and remittances on growth. The ARDL model was developed by Pesaran, Shin and Smith (2001). It is a modeling technique used in time series analysis to examine the long run and short run relationships between variables. It combines autoregressive (AR) and moving average (MA) components to capture both lagged values of dependent variable and lagged values of the independent variables. ARDL models are commonly employed in econometrics especially when dealing with cointegration and dynamic relationships in economic time series data.

4. Empirical Analysis and Interpretation of REsults

The empirical results is provided and discuss providing descriptive statistics, correlation analysis and ARDL estimated results

4.1 Descriptive statistics

Table 2 shows the descriptive statistics of the variables under study. Descriptive statistics are used to describe features of the data in a study. They provide simple summaries about the sample and the measures. The mean values for official development assistance, foreign direct investment, institutional quality, inflation, gross domestic product, remittances, external debt and trade openness were respectively 21.0, 1.41, 2.17, 4.44, 5.45, 4.66, 0.68 and -0.57. The computed standard deviation for official development assistance, foreign direct investment, institutional quality, inflation, interest rate, exchange rate, external debt and trade openness were 1.18, 0.85, 0.78, 0.73, 6.29, 0.32, 1.63 and 0.10 respectively. These results implies that the numbers are close to average.

A distribution or data set is symmetric if it looks the same to the left and right of the center point. The skewness for a normal distribution is zero. Negative values indicate data that are skewed left and positive values are skewed right. On the other hand, kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution. A standard normal distribution has a kurtosis of zero. While positive and negative kurtosis indicates a heavy tailed distribution and light tailed distribution respectively.

Table 2: Descriptive statistics

	LRGDP	FDI	LODA	LREM	LIST	LINF	LEXD	LOPN
Mean	21.016	1.411	2.173	4.443	5.450	4.663	0.684	-0.575
Median	21.373	1.523	2.388	4.476	6.055	4.610	0.357	-0.534
Maximum	23.159	2.900	2.940	5.589	18.180	5.609	3.782	-0.406
Minimum	18.973	0.137	-0.636	3.079	-5.627	4.250	-1.373	-0.798
Std. Dev.	1.188	0.857	0.780	0.734	6.294	0.320	1.633	0.109
Skewness	-0.394	0.080	-2.433	-0.234	-0.098	1.482	0.483	-0.513
Kurtosis	2.229	1.870	9.144	2.080	2.411	5.338	1.985	2.158
Jarque-Bera	1.065	1.139	53.771	0.931	0.337	12.473	1.718	1.541
Probability	0.587	0.565	0.000	0.627	0.844	0.001	0.423	0.462
Sum	441.34	29.648	45.636	93.312	114.45	97.937	14.380	-12.079
Sum Sq. Dev.	28.250	14.716	12.171	10.786	792.40	2.058	53.750	0.239
Observations	43	43	43	43	43	43	43	43

Note: RGDP = real gross domestic product, FDI=foreign direct investment, LODA= official development assistance, LIST= institutional quality, LINF= inflation, LEXR= remittances, LEXD= external debt, OPN = trade openness

4.2 Correlation analysis

Table 3 above shows the correlation analysis for all variables used in this analysis to explain the strength of the relationship between the variables. Exchange rate and external debt are negatively correlated with official development assistance. While institutional quality and inflation showed a positive strong correlation with official development assistance. The study further revealed that all the explanatory variables have a weak positive and negative relationship with themselves, except external debt which shows a strong relationship with trade openness.

Table 3: Correlation matrix

Probability	LRGDP	FDI	LODA	LINF	LIST	LREM	LEXD	LOPN
LRGDP	1.0000							
LFDI	0.1030	1.0000						
	0.6567	-----						
LODA	0.5371	-0.0721	1.0000					
	0.0120	0.7559	-----					
LINF	0.7478	-0.2291	0.4668	1.0000				
	0.0001	0.3178	0.0329	-----				
LIST	0.0139	-0.0305	0.2389	0.3613	1.0000			
	0.9523	0.8955	0.2969	0.1075	-----			
LREM	-0.1629	-0.6612	0.3267	-0.0899	0.1620	1.0000		
	0.4802	0.0011	0.1483	0.6983	0.4829	-----		
LEXD	-0.4551	-0.1149	-0.3798	-0.7395	-0.4889	0.2301	1.0000	
	0.0382	0.6197	0.0894	0.0001	0.0245	0.3156	-----	
LOPN	0.6055	-0.1026	0.6927	0.7715	0.4287	0.1479	-0.8441	1.0000
	0.0036	0.6579	0.0005	0.0000	0.0525	0.5222	0.0000	-----

Note: LRGDP = Real gross domestic product, FDI=foreign direct investment, LODA = official development assistance, LIST= institutional quality, LINF = Inflation, LREM = remittances, LEXD= external debt, OPN = trade openness.

4.3 Unit root test

The study commenced its analysis by conducting unit root test to check whether the variables are stationary or not using the Augmented Dickey Fuller test (ADF) and Phillips Perron test (PP). Some of the variables were tested in log form using 5% significance level. The outcome of the ADF test showed that official development assistance, foreign direct investment, institutional quality, interest rate and exchange rate were stationary at levels while inflation, external debt and trade openness were stationary at first difference. The result for the PP test showed that foreign direct investment, institutional quality and

interest rate were stationary at first difference (Table 4).

Table 4: Summary of unit root test

Variables	Augmented Dickey Fuller			Phillip Perron Test		
	5% critical value	Included in the equation	Remarks	5% critical value	Included in the equation	Remarks
LRGDP	-3.529	Constant & trend	I (0)	-2.938	Constant	I (1)
LFDI	-2.935	Constant	I (0)	-2.935	Constant	I (0)
LODA	-3.012	Constant	I (0)	-3.012	Constant	I (0)
INF	-2.938	Constant	I (1)	-2.938	Constant	I (2)
LIST	-2.935	Constant	I (0)	-2.935	Constant	I (0)
LREM	-2.936	Constant	I (0)	-2.936	Constant	I (1)
LEXD	-2.936	Constant	I (1)	-2.936	Constant	I (1)
LOPN	-2.945	Constant	I (1)	-2.945	Constant	I (1)

Source: Author's Computation, 2025 using Eviews 13 software

4.2 Autoregressive distributed lags estimates

To estimate the variables in the model, the study resolves to select Akaike Information Criterion (AIC) for an optimal lag selection. Subsequently, it chose ARDL (1, 2, 2, 2, 1, 2) which the results followed it as presented in Table 5

The short run ARDL estimate in the Table 5 was estimated using some of the variables in log form. Official development assistance, institutional quality, inflation, exchange rate and external debt are the variables in log form while foreign direct investment is the variable not in log form. The result shows that the model is a fitted one with an R-square value of 0.9755 and an Adjusted R-square of about 0.8533. This clearly shows that about 97 percent of official development assistance is explained by foreign direct investment, institutional quality, inflation, exchange rate and external debt while the remaining 3 percent is being explained by variables that are outside this model. All the variables are also found not to be jointly significant to explain the dependent variable as revealed by the F statistic of 7.9813 and its probability value of 0.056322.

From the table 5 findings revealed that inflation, exchange rate and external debt all have positive impact on official development assistance. Precisely, a unit change in inflation would result in about 5.98 percent increase in official development assistance over the period under study and it is statistically not significant at 5 percent. The findings is supported by Jude (2024) and Ishwor (2020).

Similarly, it was also revealed that a unit change in exchange rate and external debt would result in about 3.71 percent and 0.32 percent increase in official development assistance in Nigeria over the period under study and it is statistically not significant at 5 percent level. In the same vein, a unit change in foreign direct investment and institutional quality would result in about -0.11 percent and -0.23 percent decrease in official development assistance respectively in Nigeria over the period under study and it is also statistically not significant at 5 percent level. This is supported by Adenuga (2023) and Olufemi (2020).

Table 5: ARDL estimate results

Selected Model: ARDL(1, 2, 2, 2, 1, 2)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LRGSP(-1)	0.2984	0.3143	0.9495	0.4124
FDI	-0.1129	0.3573	-0.3161	0.7726
FDI(-1)	-0.2580	0.2356	-1.0949	0.3536
FDI(-2)	-0.3853	0.2121	-1.8166	0.1669
LIST	-0.2376	0.9076	-0.2618	0.8104
LODA(-1)	-0.0499	0.6482	-0.0771	0.9434
LODA(-2)	0.7272	0.4857	1.4970	0.2313
LINF	5.9827	6.0758	0.9846	0.3974
LINF(-1)	3.8431	12.139	0.3165	0.7723
LINF(-2)	-12.262	7.0991	-1.7273	0.1826
LREM	3.7137	1.4346	2.5887	0.0812
LREM(-1)	1.4717	1.6933	0.8691	0.4487
LEXD	0.3238	0.2762	1.1722	0.3257
LEXD(-1)	0.0779	0.2434	0.3201	0.7698
LEXD(-2)	-0.1391	0.1395	-0.9973	0.3921
C	0.8264	9.3005	0.0888	0.9348
R-squared	0.975554	Mean dependent var		21.64493
Adjusted R-squared	0.853324	S.D. dependent var		0.666794
S.E. of regression	0.255371	Akaike info criterion		-0.053817
Sum squared resid	0.195643	Schwarz criterion		0.741500
Log likelihood	16.51126	Hannan-Quinn criter.		0.080783
F-statistic	7.981309	Durbin-Watson stat		2.857947
Prob(F-statistic)	0.056322			

Source: Author's Computation, 2025 using Eviews 13 software

4.5 Bound test for co-integration

The co-integration test criterion for an autoregressive model is bound test. This is done to detect whether there is/no long-run relationship among variables. To ascertain the presence of co-integration among variables, the F-statistic would be compared with the upper and lower bounds test critical values as compiled by Pesaran, et al., (2001). According to Kihcarslan (2018), when the estimated F-statistic exceeds the upper bounds critical value, then there exists a long-run relationship among variables of interest, while an estimated F-statistic below the lower bound critical value connotes no co-integration among variables. Moreover, when the estimated F-statistic lies in between the lower and the upper critical values, then an indeterminate conclusion is reached.

Table 6: Estimates of ARDL bound test

Test Statistic	Value	K
F-statistic	6.8575	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.08	3
5%	2.39	3.38
2.5%	2.7	3.73
1%	3.06	4.15

Source: Author's Computation, 2025 using Eviews 13 software

However, the results obtained as presented in table 4.4 revealed that the null hypothesis (that there is no long-run relationship among official development assistance, foreign direct investment, institutional quality, inflation, exchange rate and external debt is rejected. This is because the F-statistic was greater than the bound upper critical value. It is therefore concluded that, in other words there is long-run relationship among the variables.

Table 7: Autocorrelation and heteroscedasticity

Model	F-statistics	Probability
Serial Correlation LM Test	165.24449	0.0549
Heteroskedasticity Test	0.452208	0.8710

The model does not suffer from autocorrelation and heteroscedasticity as suggested by the Breusch-Godfrey Serial Correlation LM Test with an observed R square probability value of 0.0549 and Breusch-Pagan-Godfrey heteroscedasticity test with an observed R square probability value of 0.8710 which are shown in table 4.7.

5. Conclusion and Recommendations

The study examines the nexus between foreign direct investment, foreign aid, remittances and economic growth in Nigeria covering the period 1980-2024. An autoregressive distributive lag (ARDL) model was employed to estimate the specified model. The findings reveal a positive and significant impact of official development assistance and remittances on growth. Foreign direct investment and institutional quality negative impact on growth and not significant at 5%. the role of institutional quality in attracting capital inflows cannot be overemphasized. This is because it provides incentive for either investors, or financial assistance because of the need for transparency and accountability in the processes. Also, official



development assistance, foreign direct investment, remittances, institutional quality, inflation, and external debt have a long run relationship as revealed by the bound test to cointegration.

Based on the findings of the study, the following recommendations were made: Strengthening institutional framework to promote transparency and accountability in economic management can help maximize the developmental impact of both FDI, foreign aid and remittances. This will augment savings-investment gap and reduce debt trap. Policies should encourage productive, sustainable foreign direct investment that complements rather than substitutes for development aid. There is need for complementary sound monetary and fiscal policies that enhance sustainable growth. Trade liberalization policies should be structured to improve export competitiveness. Diversifying exports and reducing over reliance on imports can help maintain a stable exchange rate despite increased trade openness.

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