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AQ: 1

Contingencies in the relationship between trade and internal conflict in Nigeria: the role of the quality of the political institution

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Abstract

Purpose – This paper empirically tests the relationship between conflict and trade in Nigeria from 1986 to 2017.

Design/methodology/approach – This study made use of secondary data. Time-series data were collected from CBN Statistical Bulletin, WDI of the World Bank, MEPV of the Centre for Systemic Peace database, Stockholm International Peace Research Institute, political risk ratings of the ICRG, Freedom in the World Country Ratings of Freedom House, and ACLED database. This study used descriptive and econometrics techniques to analyze the data. It adopted the IV-GMM techniques.

Findings – The study found that domestic trade has a negative and significant effect on internal conflict in Nigeria. International trade, on the other hand, does not affect internal conflict. In addition, the interaction of trade and institutions shows that more civil liberties (CL) and lower corruption (COR) complement the effect of domestic and international trade in reducing hostilities in Nigeria over the study period.

Research limitations/implications – The main limitation of this study is the inaccessibility of data. This study could not access the data on the volume of domestic trade in Nigeria. The study employed value-added tax on all domestic transactions in Nigeria as a proxy for domestic trade in the country. The study recommends that further studies should access the data on the volume of domestic trade as this could help further understand the relationship between domestic trade and internal conflict in Nigeria.

Practical implications – Since the improved domestic trade reduces internal conflict in Nigeria, the government should formulate policies that facilitate trade. Improving anti-graft efforts and CL will ease the process of formulating trade policies and increase the impact of domestic trade on internal conflict. Furthermore, these will reduce trade barriers and transaction costs. This can be achieved if the government strengthens its anti-COR agencies by making them more autonomous. CL can also be increased by enhancing voice and accountability in the country.

Originality/value – This study advances the literature by examining the role political-institutional quality plays in the relationship between trade and conflict.

Keywords Conflict, Trade, IV-GMM regression, Institutions, Nigeria

Paper type Research paper

1. Introduction

AQ: 5 International trade (INT-TRAD) generally stimulates cooperation by improving communication and international ties. Similarly, domestic trade (D-TRAD) significantly reduces conflict risk. Moreover, according to Cali (2015), D-TRAD encourages the reallocation of resources to more efficient activities, creating opportunities and employment.

Despite enormous theoretical and empirical support for the view that trade mitigates the likelihood of violent conflict, there's no consensus regarding the channels of this dyadic relationship (Polachek, 1980; Chang *et al.*, 2004; Heilmann, 2015). For example, Polachek (1980) found that trading decreased in the conflict between countries, while Chang *et al.* (2004) argued that geographical distances would increase transportation and other trading costs, thereby reducing cooperation in the increasing conflict.

Equally, conflicts (inter-state/civil) have also been argued to affect trade, both foreign and domestic. For instance, the halt in trading activities in the conflict-prone areas of northeast



Nigeria gives credence to this fact. Furthermore, the trading and other cross-border activities in Niger, Cameroon, and Chad (which shares a Lake Chad border with Nigeria) have also taken a hit due to border closures in Adamawa, Borno, and Yobe by the Nigerian government in 2011 (Kimenyi *et al.*, 2014). Furthermore, the crisis of Boko Haram in the Lake Chad region has harmed women's livelihood (Teniola, 2021), as extremists and other armed groups have looted and destroyed markets, cutting off many women's access to supplier credit. Furthermore, the crisis has damaged the trade in the region's trade economy by banning the trade of some goods, such as solid fertilizer, in Nigeria's north-eastern states, where it's used for explosives. This makes it essential to investigate the causality pattern between trade and conflict in Nigeria.

The consistent increase in the D-TRAD (see Figure 5), and conflict trends since the advent of democratic rule in Nigeria may suggest a positive relationship between trade and conflict in Nigeria. This could mean that other factors like political-institutional quality may play a role in this relationship. The political-institutional quality measures a country's political institution's quality (Okunlola and Ayetigbo, 2021). Political rights look at the freedom of citizens to participate in the political life of a state, CL are rights of individuals as guaranteed by the constitution, and COR measures the extent of discipline in the democratic and state institutions. On the other hand, COR is seen as the abuse of public office for personal aggrandizement (Okunlola and Ayetigbo, 2021). Political-institutional quality may affect the relationship between trade and conflict. The institution's quality is pivotal in explaining transaction costs (Levchenko, 2007).

No known study looked at political-institutional quality's role in the conflict-trade relationship. This paper departs from the study of Chang *et al.* (2004), Tanious (2019), Krpec and Hodulak (2019), and Su *et al.* (2020), among others who did not consider the possibility of political-institutional quality influencing the relationship between trade and conflict.

Thus, this study investigates the influence of political-institutional quality on the relationship between trade and conflict. Firstly, this is because it has been argued that weak institutions increase transaction costs, making trading between countries more expensive. Secondly, political instability, a common trend in Nigeria, stimulates crises. Apart from this introductory part, section 2 reviews the literature on trade-conflict relationships (henceforth TCR). Section 3 focuses on the methodology, while section 4 appraises the trends of conflict and trade. Section five is the analysis and the discussion, and lastly, section six concludes.

2. Evidence from the literature

This study is based on the liberalist proposition explaining the literature's TCRs. The liberalist argued that trade promotes peace and that international cooperation is being claimed to improve communication, reduce misunderstanding, and encourage cultural and institutional instruments that can mediate conflicts of interest that may come up (Barbieri, 1996).

For many authors in the liberalist school, trade symbolizes a pathway to peace and prosperity, as argued by the liberalists (Polachek, 1980; Barbieri, 1996; Cali, 2015, Tanious, 2019; Krpec and Hodulak, 2019; Su *et al.*, 2020; Lee and Pyun, 2009). Polachek (1980) provided evidence supporting the hypothesis that nations that experience a high level of INT-TRAD possess more incentives to keep healthy relationships with their trade partners.

Other empirical works that have demonstrated a close association between INT-TRAD and INT-CONF include Gasiorowski and Polachek (1982), Fearon (1995), Seitz *et al.* (2015), Paganelli and Schumacher (2018), Polachek and Robst (2004), Garfinkel and Syropoulos (2015), and Martin *et al.* (2012). A few other works examined factors that could influence the relationship between INT-TRAD and INT-CONF. Chang *et al.* (2004) and Lee and Pyun (2009) demonstrated that geographical location played a key role in the TCR. Lee and Pyun (2009)

noted that an increase in global trade openness reduces the probability of conflict more for countries far apart from each other than for countries sharing borders.

Contrarily, Gasirowski and Polachek (1982) and Polachek and McDonald (1992) demonstrated that INT-TRAD induces international cooperation, improving peace. However, there's not much evidence in the literature regarding the effect of D-TRAD on INT-CONF, except Sollfrank Jr (2009), who found that a high level of D-TRAD decreases a state's propensity to initiate an inter-state dispute or fall into civil war.

Conversely, INT-TRAD can also affect the risk of having CIV-CONF (Martin *et al.*, 2008; Fearon, 2005; Collier and Hoeffler, 2007; Magee and Massoud, 2011). INT-TRAD may act as a deterrent if trade gains are put at risk during civil conflicts (CIV-CONF). However, Magee and Massoud (2011), Fearon and Laitin (2003), and Martin *et al.* (2008) claimed that concluded that trade does not affect civil wars.

3. Methodology

This study is built on the Chang *et al.* (2004) model by incorporating other factors that could influence the TCRs in Nigeria. Chang *et al.* (2004) built on Polachek (1980) by introducing distance into the conflict-trade model. According to Chang *et al.* (2004), if, as expected, distance leads to less conflict and less cooperation, then the effect of distance on net conflict must be determined empirically:

$$net\ conflict_{ij} = \alpha_0 + \alpha_1 trade_{ij} + \alpha_2 distance_{ij} + \alpha_3 A_i + \alpha_4 A_j + \epsilon \quad (1)$$

The study disaggregated net conflict into international and CIV-CONF to appropriately identify the impact of trade on the two types of conflict. By incorporating institutional quality and regime type variables that could influence the TCR and other control variables, equation (1) then becomes:

$$Confl_t = \beta_0 + \beta_1 T_t + \beta_2 PR_t + \beta_3 CL_t + \beta_4 Cor_t + \beta_5 T * PR_t + \beta_6 T * CL_t + \beta_7 T * Cor_t + \epsilon \quad (2)$$

where $Confl_t$ is a vector of net conflict (internal and external), T_t is trade, PR_t , CL_t , Cor_t are political rights, CL, and COR that stand as proxies for the quality of institutions in Nigeria, $T * PR_t$, $T * CL_t$, and $T * Cor_t$ are the variables interacting with trade and the institutional quality proxies, and ϵ is the error term. The interactive variables interacting with trade and measures of the quality of political institutions (i.e. $T * PR_t$, $T * CL_t$, and $T * Cor_t$) are included based on the realist school proposition, which claims that the effect of trade is contingent on other factors in determining its influence on conflict.

Data of trade (domestic and international) were sourced from CBN Statistical Bulletin, military expenditure (henceforth MILEX), conflict, conflict fatalities, political rights (hereafter PR), CL (henceforth CL), and COR were sourced from World Development Indicators (WDIs) of the World Bank, Major Episodes of Political Violence (MEPV) of the Center for Systemic Peace database (CSP), MILEX Database-2019 edition of the Stockholm International Peace Research Institute (SIPRI), political risk ratings of the ICRG, Freedom in the World Country Ratings of Freedom House and Conflict Trend Report of Armed Conflict Location & Event Data Project (ACLED) database.

Data were analyzed using the econometrics method. Due to the claims in the literature and the argument of a bi-directional causality earlier in this study, a causality test is being conducted using the Granger causality test. The Granger causality test helps to show which of the two variables (trade and conflict) causes each other. A bi-causal relationship between trade and conflict will lead to the problem of simultaneity and homogeneity if it's being analyzed using regression. To address the issue of simultaneity and homogeneity in the

regression, the IV-GMM regression is employed. This method sees the TCR as simultaneous. Such that conflict affects trade, and trade affects conflict. Trade is considered an endogenous predetermined variable. Therefore, the IV-GMM regression technique is an appropriate econometrics technique for estimation when there's the presence of endogeneity in a model. The IV-GMM approach may also generate HAC standard errors: those robust to arbitrary heteroskedasticity and autocorrelation (Baum, 2007).

Before conducting the IV-GMM regression, pre-estimation tests like the stationarity test were conducted, while post-estimation tests like the Durbin and Wu-Hausman test, Sargan and Basman for over-identified restrictions as suggested by Kelejian and Oates (1974) was conducted after the IV-GMM regression.

4. Conflict and trade: the situation in Nigeria

Between 1985 and 2017, the type of conflict experienced by Nigeria was CIV-CONF, as there was no record of any hostility with other countries that led to the loss of lives or destruction. This can be seen in Figure 1, which shows the trend of CIV-CONF (in red line) and INT-CONF (in blue line) in Nigeria. Furthermore, Figure 1 shows that CIV-CONF has increased since the advent of democracy in 1999, reaching about 5 points in 2009. This corroborates the claim that democracy can be prone to violence, particularly at inception.

Figures 1 and 2 show the spread of conflict intensity across Nigeria from 1999 to 2020. This data shows the spread of conflict types like militancy and piracy, farmer-herder conflict, communal conflicts, terrorism and insurgency, banditry, political and electoral violence, and other violent crimes. Figure 3 shows the trend of both external and CIV-CONFs in Nigeria

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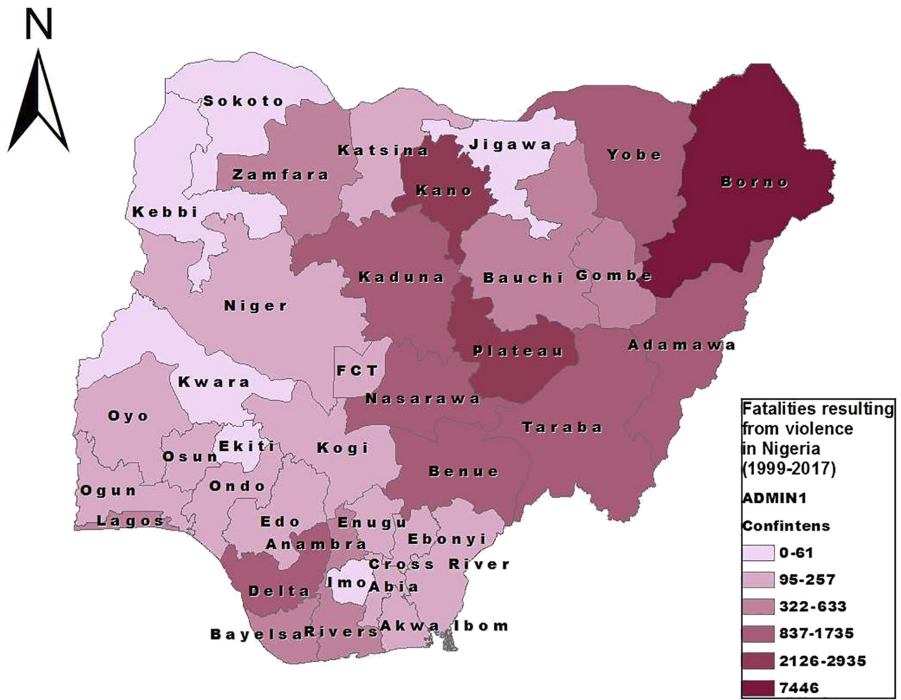
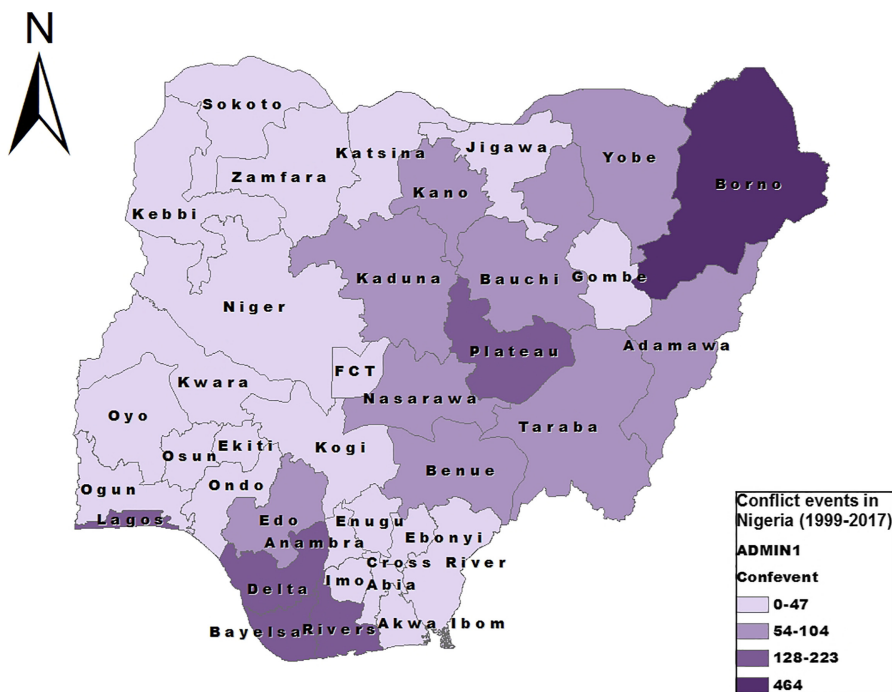


Figure 1. Conflict fatalities/ Intensities in Nigeria (1999-2017)

Source(s): Authors' Computation



Trade and internal conflict in Nigeria

Figure 2. Conflict incidences in Nigeria (1999–2017)

Source(s): Authors' Computation

Trend of CIV- & INT-CONF in Nigeria (1985-2017)

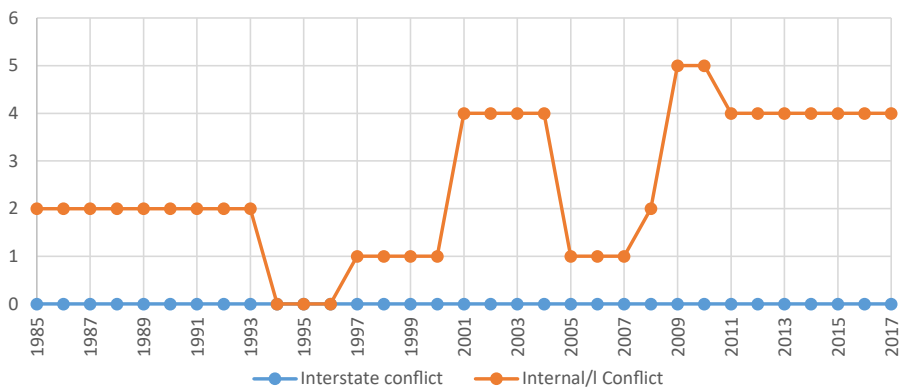


Figure 3. Trend of INT-CONF and CIV-CONF s in Nigeria (1985–2017)

Source(s): Authors' Computation

from 1985 to 2017. From [Figure 3](#), we can see that Nigeria recorded fewer cases of INT-CONF during the period of study than other nations. However, CIV-CONF was relatively low between 1985 and 1999. After the advent of democracy in 1999, there was a sudden increase in violence in Nigeria (see [Okunlola, 2019](#)). Also, in 2010, there was a surge in violent conflict in

Nigeria (see Figure 3), particularly in the northeast region. This is mainly due to the activities of the Islamic militant group Boko Haram. The northeast region also experienced some of the greatest intensifications in the conflict in the country during this period, in terms of both the number of conflict fatalities (see Figure 1) and the number of conflict events (see Figure 2).

For instance, about 28.7% and 18.5% of fatalities and events recorded come from Borno state alone. Other regions of the country, particularly the middle belt and North-West states of Plateau, Benue, Nasarawa, Kano, Katsina, and Kaduna, also experienced intensifying long-standing conflicts. These two regions confront conflict issues like the farmer-herder crisis, communal, and religious.

Contrastingly, trade volume in Nigeria continues to fluctuate over the study period. Therefore, this study chooses the period of 1985–2017, which symbolizes the period of adoption of the Structural Adjustment Program (henceforth SAP) in Nigeria.

Figure 3 shows the trade volume as the sum of exports and imports of goods and services measured as a share of gross domestic product. Figure 4 shows that trade (domestic and external) as a percentage of GDP was below 20% between 1985 and 1988 in Nigeria and also below the average trade (%GDP) over the study period. On the other hand, both D- and INT-TRAD slightly increased above average in 1996, 2000, 2004, and 2010. However, after 2011, INT-TRAD as a percentage of GDP began to depreciate consistently in Nigeria. This period coincided with the peak of insurgency in the northern part of Nigeria. The insecurity in Nigeria might have scared Nigeria’s trading partner, thereby shrinking the INT-TRAD component of the economy. D-TRAD, contrastingly, in that period, continues to rise despite the enormous insecurity burden in the country. With this trend, one can claim that there exists a negative relationship between violent conflicts and INT-TRAD in Nigeria.

F4

5. Empirical analysis

Table 1 shows the result of the test of stationarity of the variables in the study. This study used the Augmented Dickey-Fuller (ADF) and Philip-Peron(PP) stationarity tests. The result shows that the variable used are stationary at both level and first difference, implying that there exists a mix of I(1) and I(0) variables. Table 1 also shows the Granger causality test conducted on D-TRAD and CIV-CONF in Nigeria and INT-TRAD and CIV-CONF on the one

T1

Trade as a Percentage of GDP in Nigeria (1985-2017)

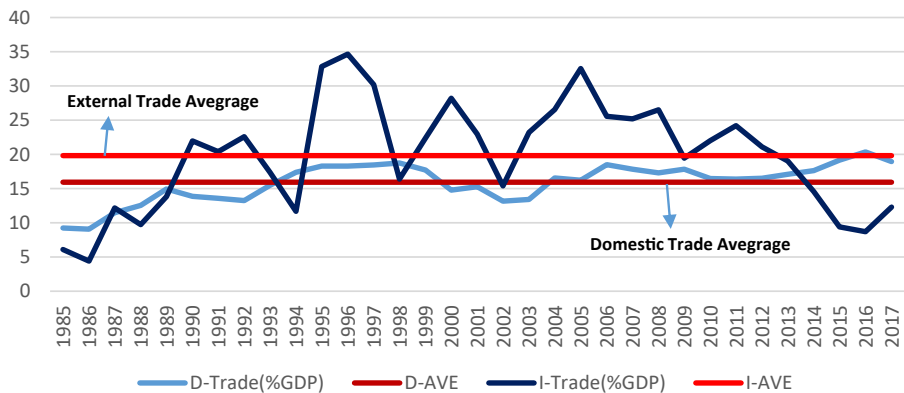


Figure 4. Average and percentage of D-TRAD and INT-TRAD in GDP in Nigeria (1985–2017)

Source(s): Authors' Computation

Variables	ADF			PP		
	Levels	1st Diff	Rmks	Levels	1st Diff	Rmks
INTCONFL	-1.855	-4.947***	I(1)	-2.009	-5.059***	I(1)
MILEX	-1.192	-6.129***	I(1)	-1.205	-6.141***	I(1)
PR	-1.167	-5.219***	I(1)	-1.643	-5.208***	I(1)
CL	-3.488**		I(0)	-2.174	-6.141***	I(1)
COR	-2.027	-3.227**	I(1)	-1.554	-3.112**	I(1)
D-TRAD	0.944	-5.979***	I(1)	1.157	-5.973***	I(1)
DTRAD*PR	-0.273	-4.508***	I(1)	-0.331	-4.399***	I(1)
DTRAD*CL	-5.784***		I(0)	3.157	-5.781***	I(1)
DTRAD*COR	-0.174	-4.158***	I(1)	1.173	-5.842***	I(1)
INT-TRAD	-2.983**		I(0)	-2.903*		I(0)
INTTRAD*PR	-2.903	-7.642***	I(1)	-2.615	-7.773***	I(1)
INTTRAD*CL	-3.379**		I(0)	-3.227*		I(0)
INTTRAD*COR	-3.029**		I(0)	-2.937*		I(0)
Trade Freedom	-1.28	-4.972***	I(1)	-1.272	-4.988***	I(1)
TRADFREE*PR	-1.742	-5.517***	I(1)	-1.727	-5.542***	I(1)
TRADFREE*CL	-1.28	-4.973***	I(1)	-1.272	-4.988***	I(1)
TRADFREE*COR	-1.215	-4.939***	I(1)	-1.181	-4.989***	I(1)

Causality Test			
Model	Null Hypothesis	F-statistic	Prob
A	CONFL does not Cause DTRAD	2.91696	0.072
	DTRAD does not Cause CONFL	2.77185	0.0811
B	INT-TRAD does not Cause CONFL	1.14329	0.3343
	CONFL does not Cause INT-TRAD	1.37721	0.2701
C	TRADFREE does not Cause CONFL	4.04616	0.029
	CONFL does not Cause TRADFREE	1.48699	0.245

Note(s): ***, ** and * indicate level of significance at 1, 5 and 10%, respectively. Unit root was conducted with intercept and no trend

Source(s): Author's computation

Table 1. Stationarity result and causality test

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hand. Granger causality is a statistical concept of causality based on predictions. The Granger test for the causality technique is such that it seeks the direction of causality between conflicts and trade in Nigeria.

The probability values in Table 1 reject the null hypothesis of “no causality” and accept the alternative hypothesis of “the presence of causality” in model A at a 10% level of significance. This implies that there's bidirectional causality between CIV-CONF and D-TRAD in Nigeria. The result of model B in Table 1 shows the causal relationship between INT-TRAD measured by trade as a percentage of GDP and CIV-CONF in Nigeria. The result shows high probability values indicating the acceptance of the null hypothesis of “no causality” between CIV-CONF and INT-TRAD in Nigeria. This implies no causal relationships between INT-TRAD and CIV-CONF in Nigeria throughout the study.

In studying the effect of trade on conflict, this study uses the IV-GMM estimation to give a better estimate than the traditional two-stage least squares (2SLS) approach. In Table 2, it's instructive to note that the Wu-Hausman and Durbin tests of endogeneity show that MILEX is truly an endogenous variable as the *p-values* for models (A&B) are less than 5%, which calls for the rejection of the null hypothesis of “exogeneity.” This implies that the study accepts the alternative hypothesis that MILEX is an endogenous variable. Similarly, the partial *R*-square showing the correlation between the endogenous variable and the instruments is significantly high for the two models.

Variables	INT-CONFL	INT-CONFL	INT-CONFL
	Model A: D-TRAD	Model B: INT-TRAD	Model C: Trade freedom
MILEX	0.0061*** (0.007)	0.0025*** (0.000)	0.0036*** (0.000)
PR	0.0340 (0.885)	-1.2071** (0.023)	-0.691*** (0.000)
CL	-0.5297* (0.079)	-2.442*** (0.002)	-1.121*** (0.000)
Cor	-4.8791*** (0.000)	9.6874*** (0.004)	4.987 (0.124)
Trade	-0.0415*** (0.001)	-0.0727 (0.497)	-0.810 (0.430)
Trade*CL	-0.0029*** (0.007)	0.060*** (0.005)	0.355*** (0.000)
Trade*Cor	0.0382*** (0.000)	-0.227*** (0.009)	-1.248 (0.127)
Trade*PR	-0.0001 (0.874)	0.028 (0.158)	0.182** (0.027)
C	-8.7445*** (0.003)	1.623 (0.722)	0.083 (0.988)
Durbin	19.371 (0.000)	6.0743 (0.014)	16.765 (0.000)
Wu-Hausman	32.691 (0.000)	5.1887 (0.032)	23.752 (0.000)
Sargan	4.287 (0.746)	7.0898 (0.131)	6.86 (0.444)
Basmann	2.538 (0.924)	5.4725 (0.242)	4.461 (0.725)
Partial R-sq	0.3338	0.7951	0.7037
Robust F (8, 17) Cal	87.96	12.422	50.46
Tabulated(5%)	20.25	20.25	20.25

Table 2. IV-GMM regression.
Dependent variable: CIV-CONF (INT-CONFL)

Note(s): The values in parenthesis are the probability value for each coefficient; ***, **, and * indicate levels of significance at 1, 5, and 10%, respectively

Source(s): Authors' Computation, 2021

Furthermore, the calculated robust F-statistic is significantly higher than the tabulated F-stats at a 5% significance level, indicating that the instruments used are not weak but strong. And lastly, the probability values of the Sargan and the Basmann tests of over-identification are significantly high for models (A&B). This suggests that the instruments used in models (A&B) are correctly specified and valid.

Table 2 shows a positive and significant relationship between MILEX in Nigeria and CIV-CONF. A 1% increase in the military will increase hostilities in Nigeria by 0.6%. This implies that the more fund the Nigerian government spends on the military, the greater the incidence of conflict. However, this finding contradicts *a priori* expectations and the results of many empirical works (Collier, 2006). This is because military spending is believed to act as a deterrent to war. However, the reverse can be the case if the increased MILEX does not appear to be an effective deterrent to hostilities and rebellion. This is because an increase in MILEX may result from an increase in hostilities and not the other way round. In this case, the increase in hostilities might not be adequately explained by increasing MILEX. Additionally, conventional military structures, tactics, and presence, such as the absence of training of soldiers in barracks to understand the new trend of hostilities, will render MILEX ineffective. Furthermore, COR, which is endemic in Nigeria, may largely be responsible for the positive relationship between MILEX and conflict.

In model A, the result shows PR and CL, which are measures of political-institutional quality, have a significant positive effect on CIV-CONF. In contrast, the positive impact of the PR is insignificant. For the institutional quality measures, PR and CL ratings accessed from the freedom house ranges from 1 to 7, with 1 signifying freest and 7 least free (Abramowitz, 2018). This implies that the more the value of PR and CL tends to 1, the higher their levels, and the more the value increases to 7, the lower the level of PR and CL. The positive sign of the coefficient of CL indicates that a reduction in the CL index's value (which implies more CL) will reduce the level of conflict. The negative sign of the COR coefficient also indicates that an increase in the COR index (which is a lower incidence of COR) reduces CIV-CONF.

Furthermore, the findings in model A in Table 1 show negative and statistically significant (at 1% level) relationships between D-TRAD (proxied by tax and other tax

revenue in Nigeria) and CIV-CONF. A one percentage increase in D-TRAD will reduce CIV-CONF by 4% in Nigeria. This result suggests that more trading activities among states, cities, and communities will reduce the occurrences of hostilities among them. This supports the argument of the school of thought that says nations/communities that trade with each other find conflicts and hostilities between each other unattractive and costly, thereby reducing the probabilities of engaging each other in violent conflict. This finding is also consistent with the empirical findings of Martin *et al.* (2012), Seitz *et al.* (2015), Polachek (1980), Chang *et al.* (2004), Krpec and Hodulak (2019), Paganelli and Schumacher (2018), and Garfinkel and Syropoulos (2015). They found that countries with greater trade engage in the least amount of hostilities.

Also, in determining the role of institutions in the TCRs, this study interacted the institutional quality measures (i.e. PR, CL, and COR) with trade. Given the presence of weak institutions in Nigeria, such as COR, and the lack of implementation of property rights, which may influence transaction cost and, the cost of trading, the potency of trade as a tool for mitigating conflict may decline. The interaction term as presented in Table 1 shows that the interactive effect of trade and CL on CIV-CONF is negative and significant at a 1% level. This suggests that a 1% decline in the interactive term of D-TRAD and CL will reduce CIV-CONF by 0.29% and vice versa. Furthermore, the negative interactive term of D-TRAD and CL implies buffering interaction. This suggests that a lower value of the CL index (i.e. more CL) will increase the impact of D-TRAD on CIV-CONF. This result, however, shows that more CL complements and enhances the effect of D-TRAD on CIV-CONF in Nigeria.

Furthermore, the interactive term of D-TRAD and COR is positive, indicating a complementary interaction. By complementary interaction, it implies that an increase in COR index (i.e. lower incidence of COR) will increase the impact of D-TRAD on CIV-CONF and vice versa. This result, however, shows that a lower incidence of COR complements the effect of D-TRAD on CIV-CONF. Similarly, the coefficient of the interactive term of D-TRAD and PR has a negative sign but is insignificant. This could result from the fact that PR has no significant impact on CIV-CONF in model A.

In model B, MILEX, CL, and PR have a positive and statistically significant effect on CIV-CONF. This is similar to the result in model A, while COR has a negative and significant impact on both models. In the case of INT-TRAD, the result shows a negative but insignificant effect of INT-TRAD on CIV-CONF. This corroborates the finding of the causal relationship in Table 1. It indicates that there is no relationship between INT-TRAD and CIV-CONF in Nigeria although the interactive terms suggest that INT-TRAD, interacting with CL and COR, has a significant impact on CIV-CONF. This may be due to the influence of both CL and COR on the interaction.

The result in model C also shows that MILEX has a positive effect on CIV-CONF as in models A & B, and it's statistically significant. Similarly, CL and PR indexes have negative signs and are statistically significant. This implies that more CL and PR reduce CIV-CONF in Nigeria. Model C shows that trade freedom harms CIV-CONF but is not statistically significant. This may be so because trade freedom has a foreign dimension. It refers to the economy's openness to the flow of goods and services as affected by the presence or absence of tariff and non-tariff barriers that affect trade generally (Jairo, 2014). As INT-TRAD does not significantly affect CIV-CONF in Nigeria, trade freedom does not substantially affect internal hostilities.

Conversely, the interactive term of trade freedom and CL and the interactive term of trade freedom and PR in model C indicate a complementary interaction. This implies that an increase in the CL index (i.e. a lower level of CL) will increase trade freedom's impact on CIV-CONF. Also, the interactive term trade freedom and PR indicates that an increase in the PR index (i.e. lower level of PR) will increase the impact of trade freedom on CIV-CONFs in Nigeria. Finally, the interactive term of trade freedom and COR in model C shows a buffering interaction, but it's not statistically significant.

6. Conclusion

Since the improved domestic trade reduces internal conflict in Nigeria, the government should formulate policies that facilitate trade. Improving anti-graft efforts and CL will ease developing trade policies and increase the impact of domestic trade on internal conflict. Furthermore, these will reduce trade barriers and transaction costs. By exploring the contingency of the TCR on the quality of political institutions, this study expands on other studies' contributions in the trade-conflict literature by explaining the role the quality of political institutions plays in the TCR.

This study concludes that the role of trade is key in the process of peacebuilding and conflict resolution in Nigeria. This is critical given the enormous trading potentials among the communities and states in Nigeria, which, if well explored, will reduce the tendencies of hostilities. However, the main limitation of this study is the inaccessibility of data.

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