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Globalization and Its Brunt on Nigeria's Global Economic Competitiveness: The Need for Holistic and Dynamic Strategies

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Abstract: This study aims to examine the impact of globalization on Nigeria's economic competitiveness, focusing on how Nigeria's participation in the global economy has influenced its ability to compete with developed nations. The study employs the Least Squares method to analyze data collected from 2006 to 2017 from various sources, including the Nigeria Statistical Bulletin, World Economic Forum reports, and the United Nations Industrial Development Organization. The data analysis was conducted using Microfit 5.1 statistical software. The findings reveal a negative relationship between globalization and Nigeria's global economic competitiveness. The results indicate that globalization has not yielded the expected benefits for Nigeria, particularly in enhancing its competitive standing in the global economy. Instead, the intensity of globalization has contributed to the decline of many manufacturing industries in Nigeria, leaving them unable to compete effectively with products from developed countries. In conclusion, the study underscores the challenges that globalization poses to Nigeria's economic development. It suggests that Nigeria's current innovation strategies are insufficient when compared to those in developed nations, contributing to its lackluster competitiveness. The implications of these findings highlight the need for Nigeria to adopt more dynamic and innovative strategies to maximize the potential benefits of globalization and enhance its economic competitiveness.

Keywords: Developing economies, Economic competitiveness, Innovation, Globalization, Developing Economies

1. Introduction

Trade, communication, and other forms of interaction between people from different parts of the world have been occurring for more than a thousand years. These interactions were initially driven by trade, territorial expansion, labor demand, missionary activities, and other such motives. While these interactions laid the groundwork for what we now understand as globalization, the modern concept of globalization is increasingly centered around trade and the aspiration for a peaceful, harmonious world. Contrary to the initial belief that globalization would be mutually beneficial for all nations, evidence has shown that it has negatively impacted Nigeria's economic competitiveness. Konyeaso (2016) highlights the Silk Road, which connected Asia, Africa, and Europe, as an early example of the foundation of modern globalization. Following the end of communism and the Cold War, neoliberal economic policies—favoring capitalism on a global scale through trade liberalization, foreign direct investment, financial capital flow, and the relaxation of government regulations—have increasingly driven the global economy (Umar, Hamidu, & Musa, 2013).

Globalization is often described as a historical process involving the increasing integration of and interaction between countries, with national borders becoming less significant (Alleynea, Francis & Best, 2016). O'Rourke and Williams (2001) and Maddison (2001) similarly note that globalization, which gained momentum in the late 18th century, involves the integration of economic, cultural, political, and environmental dimensions. Scholars have also redefined the concept into politically and economically centered definitions. For instance, Schirato and Webb (2003) suggest that globalization functions as a set of texts, ideas, goals, values, narratives, and provisions—a template for organizing and evaluating activities that reflect the interests of those with access to it. On the other hand, the economically centered definition posits that globalization is a material reality in the contemporary world. Shamgquan (2000) defines economic globalization as the increasing interdependence of world economies due to the growing scale of cross-border trade in goods and services, international capital flows, and the rapid spread of technologies. This reflects the ongoing expansion and mutual integration of market frontiers, an irreversible trend in global economic development.

Given this context, the research problem addressed in this study is the existential challenge facing Nigeria due to its continued lag in global economic competitiveness.

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This imbalance is detrimental to Nigeria and other developing countries if not addressed through appropriate financial strategies. Consequently, our study hypothesizes that there is no positive relationship between globalization and Nigeria's economic competitiveness in the global arena. This study is motivated by the realization that the current global arrangement has failed to be mutually beneficial, leading to an ever-widening gap in competitive abilities between developing economies like Nigeria and developed economies.

2. Literature Review

Globalization Globalization is an inevitable and irreversible process that has brought the world closer through the exchange of goods, information, knowledge, and culture. However, this process has been more beneficial to some nations, particularly developed countries, while many developing countries have struggled to realize significant economic gains. These disparities can be attributed to the uncompetitive nature of developing economies. Kendall (2008) describes globalization as a process of continuous creative destruction, where uncompetitive countries fall further behind, exacerbating the plight of the unskilled and poor. This literature review explores the relationship between globalization and Nigeria's global economic competitiveness, hypothesizing that there exists a negative relationship between the two.

The relationship between globalization and a nation's economic competitiveness has been a contentious issue among policymakers and academics. Proponents of globalization argue that financial liberalization, trade openness, and the influx of foreign direct investment benefit all nations, as evidenced by Kumar and Pradhan (2002). They assert that these factors lead to increased economic growth and development, especially in nations that are able to integrate effectively into the global economy. However, critics of globalization contend that it is a system designed and operated by developed countries to dominate the global economy, often pushing industries in developing countries out of production through unfair competition. Ayenagbo et al. (2012) support this view, citing a UNDP report (2002) that highlights how trade liberalization has led to lower per capita income in 22 Sub-Saharan African countries between 1975 and 2000.

The Global Competitiveness Index (GCI), developed by Schwab (2015), provides a framework for evaluating a nation's economic competitiveness across several key pillars. These pillars include institutions, ICT adoption, macroeconomic environment, skills, product market, labor market, financial system, market size, business dynamics, and innovation capacity. Each of these pillars plays a crucial role in determining a nation's ability to compete effectively on the global stage. For instance, strong institutions and a robust financial system can enhance a country's attractiveness to investors, while innovation capacity is essential for driving long-term economic growth.

2.1. Economic Benefits and Disadvantages Associated With Globalization

Globalization is often praised for its economic benefits, which can be particularly advantageous for countries like Nigeria. Some of the potential benefits include increased specialization and efficiency, higher product quality at reduced prices, and economies of scale in production. Additionally, globalization can lead to enhanced competitiveness and increased output, technological improvements, and the development of managerial capabilities. Trade and investment opportunities created by globalization can help restructure economies, making them more competitive. Moreover, the spread of communication and mass media facilitates the exchange of information about goods and services, thereby boosting economic activities.

However, globalization has also brought significant challenges, particularly for developing countries like Nigeria. One of the major disadvantages is that globalization often leads to economic dependence on developed countries, undermining national economic and political independence. This dependence can create international disparities, as trade regimes in advanced economies generally discriminate against goods produced by developing countries, such as food, textiles, and clothing. Moreover, the historical exploitation of developing countries through colonialism and neo-colonization has been exacerbated by globalization, with developed countries continuing to extract resources from developing nations.

The policies of deregulation, privatization, and commercialization promoted by international organizations such as the International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO) often disregard the unique economic conditions of developing countries. These policies have not led to the expected technology transfer, as advanced technologies are often kept secret by developed nations, leaving developing countries at a competitive disadvantage. Additionally, the balance of payments in developing countries has been adversely affected by the massive importation of goods without corresponding exports. The loss of biodiversity, driven by globalization's impact on agriculture, has further weakened the economic status of countries like Nigeria.

2.2. Nigeria's Global Economic Competitiveness

Global economic competitiveness is defined as a country's ability to meet the international market's demands while maintaining and expanding the real income of its citizens under free and fair market conditions (Kharlamova & Vertelieva, 2013). According to Schwab (2017), competitiveness is the set of institutions, policies, and factors that determine a country's level of productivity, which in turn influences its long-term economic growth and prosperity.

Despite some improvements, Nigeria still ranks low on the Global Competitiveness Index. In 2018, the World Economic Forum ranked Nigeria 115 out of 140 countries, showing only a slight improvement from its 2017 ranking. Several factors contribute to Nigeria's low ranking, including weak institutions that fail to effectively tackle corruption, a fragile public finance sector exacerbated by low margins in the oil sector, and inadequate infrastructure. The country's infrastructure challenges include inadequate power supply, healthcare, education, and transportation networks, all of which hinder investment and economic growth. Furthermore, the widening inequality gap in Nigeria has resulted in more citizens falling into absolute poverty, further exacerbating the country's macroeconomic instability.

To fully assess Nigeria's global competitiveness, it is essential to evaluate the factors that affect a country's competitiveness, particularly in the Nigerian context. Kharlamova and Vertelieva (2013) argue that a country's competitive level primarily depends on maintaining a productivity growth rate that is equal to or greater than that of its major competitors. Delgado et al. (2012) further emphasize that productivity extends beyond normal expectations per employed worker and is closely linked to investment in innovation. They argue that productivity growth is directly related to investment in innovation and the ability to mobilize a large share of the workforce.

Given the above analysis, it can be argued that Nigerian industries are currently struggling to compete with those in developed countries due to flawed economic policies implemented in response to globalization. These policies, such as the devaluation of the Nigerian currency, have exacerbated challenges faced by domestic industries. In some cases, globalization policies have led to the closure of small-scale industries, further weakening Nigeria's competitive position. Although globalization has fostered trade, it has also discouraged investment in productive activities, leading to a weak competitive stance for developing countries like Nigeria. Consequently, African countries face intense competition in both manufactured and primary products, which has further hampered productivity growth.

This study aims to explore why the economic strategies implemented by the Nigerian government to enhance its global competitiveness have not achieved the desired outcomes. It also seeks to provide recommendations for specific economic and related policies that Nigeria could adopt to improve its competitiveness in the global arena.

2. Methodology

This study employs a descriptive analysis to examine the time-series relationship between the globalization index and Nigeria's global competitiveness index for the period from 2006 to 2017. To comprehensively capture the anticipated effects of globalization on Nigeria's global economic competitiveness, an econometric model is specified. This model draws from the neoclassical theory of effective competition as reported by Siudek and Zawojska (2014). The structural autoregressive model utilized in this study is consistent with the approaches of Udegbunan (2002) and Reiss and Wolak (2007), and it is specified using annual time series data.

The econometric model is structured as follows:

GCI = f(TF, TO, GLOB)

$Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + et$

$GCI = \beta_o + \beta_1 TR + \beta_2 TO + \beta_3 GLOB + et$

Where:

- **TR** represents the Trade Freedom Index, which measures the absence of tariffs and other barriers affecting the international trade of goods and services. This variable is crucial as trade liberalization is a cardinal determinant of global economic competitiveness.
- **EF** is the Economic Freedom Index, which assesses the Rule of Law, Limited Government, Regulatory Efficiency, and Open Markets. This index is included as an explanatory variable because economic freedom fosters increased competition in the global arena. Economic freedom is scored on a scale of 0 to 100, where 100 represents maximum freedom.
- **GCI** stands for the Global Competitiveness Index, which is composed of 12 pillars of competitiveness. These pillars encompass basic requirements (such as Institutions, Infrastructure, Macroeconomic Stability, Health, and Primary Education), efficiency enhancers (including Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Sophistication, Technological Readiness, and Market Size), and innovation and sophistication factors (including Business Sophistication and Innovation).
- **GLOB** is the Globalization Index, which represents an average of the indexes for Economic Globalization, Social Globalization, and Political Globalization across all countries, including Nigeria.

The analysis is conducted using the Microfit 5.1 econometric software package. The study assumes that the time-series data collected from the Nigerian Statistical Bulletin and other statistical agencies are free from bias, as they were obtained from reputable third-party sources..

3. Results/ Analysis

The data collected for this study was analyzed using the Ordinary Least Squares (OLS) method with the E-Views econometric software package to explore the interactions among the selected variables. Several diagnostic tests were conducted to ensure the robustness of the analysis:

1. **Unit Root Test**: A Unit Root test was performed to ensure the stationarity of the dataset. The data was found to be stationary at the first difference.
2. **Jarque-Bera Test**: This test was conducted to check for normality and to avoid issues of serial correlation among the selected variables.
3. **Johansen Cointegration Test**: The Johansen test was carried out to investigate the long-run relationship among the variables.
4. **Granger Causality Test**: To determine the causal relationships between the variables, the Granger Causality test was conducted. The results indicated no significant causal relationship among the selected variables.

The results from the OLS regression analysis are summarized in Table 1 below.

Table 1: Summary of the OLS regression analysis on GCI *(N=13)*

Variable	B	SEβ	β(prob)
Constant	8.29	1.87	.01*
Trade freedom	0.43	0.02	.01*
Globalization	-0.06	0.03	.04*
Economic Freedom	-0.19	0.03	.01*
Model Fit: R^2	.84		
F-Value:	20.33**		

Note: All values are rounded to two decimal places. *$P < .05$, **$P < .01$.

The regression results indicate that Trade Freedom ($\beta= 0.43$, $P < .05$), Globalization ($\beta= -0.06$, $P < .05$), and Economic Freedom ($\beta= -0.19$, $P < .05$) are statistically significant predictors of Nigeria's economic competitiveness. The overall model fit is $R^2 = .84$, suggesting that 84% of the variance in the Global Competitiveness Index (GCI) is explained by the model. The F-value of 20.33 ($P < .01$) confirms that the model is statistically significant and adequate for the analysis.

The findings reveal that Trade Freedom positively and significantly impacts Nigeria's global competitiveness during the period under review. However, both Globalization and Economic Freedom have a negative impact on Nigeria's global economic competitiveness, consistent with earlier studies such as Ayenagbo et al. (2012). It is important to note that Globalization and Trade Freedom entered the analysis with a one-year lag, as Nigeria's data on these variables heavily rely on the output from previous periods.

4. Discussion

The process of globalization has undeniably posed substantial challenges to the economic competitiveness of developing economies, including Nigeria. This study's focus on evaluating the impact of globalization on Nigeria's global economic competitiveness is particularly relevant given the mixed effects that globalization has had on developing countries. The empirical findings of this study confirm the hypothesis that Nigeria's deeper integration into the global economy has, paradoxically, weakened its economic competitiveness. This outcome is consistent with the conclusions drawn by Kendell (2008) and Ayenagbo et al. (2012), who observed that the influx of superior and competitively priced products from developed countries has eroded the market share of local products in Nigeria. This decline is largely attributed to the economies of scale and advanced specialization achieved by developed nations, which give them a competitive edge over less industrialized economies like Nigeria.

The findings of this study carry significant practical implications. To mitigate the negative impact of globalization and to harness its potential benefits, Nigeria must take proactive measures to enhance its global economic competitiveness. Key to this is investing in innovation, which will drive productivity and enable Nigeria to compete more effectively on the global stage. Additionally, improvements in critical social development sectors such as education and health are vital. Strengthening these areas will not only bolster the country's human capital but also ensure sustained productivity growth that is at par with or exceeds that of its international competitors. These steps are imperative if Nigeria is to leverage globalization to its advantage and secure a stronger position in the global economic landscape.

5. Conclusion

Undoubtedly, developing countries face an existential challenge in building their capacity to counter the apparent negative impact of globalization on their competitive abilities. Rather than remaining passive victims of globalization, these nations must actively work towards enhancing their global competitiveness. This study has successfully achieved its objective by investigating the reasons behind Nigeria's poor performance in global economic competitiveness, identifying globalization as a primary factor contributing to this issue. To address this challenge, Nigeria needs to develop holistic and dynamic strategies rooted in innovation, creativity, good governance, transparency, and accountability—essential elements for a genuinely competitive economy on the global stage. To reach this goal, Nigeria should prioritize research and development, foster investment in innovation, and improve key social development sectors such as education and health.

6. Limitations And Future Recommendations

The primary limitation of this study stems from the use of secondary data sourced from various governmental and international statistical agencies, which may involve a certain degree of extrapolation. Additionally, the study is constrained by the data analysis method employed, which is a simple linear regression equation. It is important to note that while global competitiveness represents one aspect of globalization that has not been favorable to developing countries like Nigeria, other dimensions, such as political globalization, may have had positive impacts on the socio-political lives of these nations. Therefore, future research should consider simultaneously assessing and estimating the combined effects of social, economic, and political globalization on developing countries to provide a more comprehensive understanding of globalization's overall impact.

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