

# IMPACT OF GLOBAL ECONOMIC INTEGRATION ON THE NIGERIAN MANUFACTURING SECTOR



By

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## ABSTRACT

*This paper examines the effect of global economic integration on Nigeria's Manufacturing Sector during the period of 1981 to 2018. The study employs three variables as proxies for globalization; namely: trade openness, FDI, and exchange rate. Our findings showed that Openness and FDI have significant positive impacts on manufacturing sector growth in the long run; while interest rate has a long run negative impact on manufacturing output in Nigeria. Furthermore, our findings showed that exchange rate and financial deepening do not significantly contribute to Manufacturing Output in Nigeria in the long run. However, in the short run, all the explanatory variables exact significant impacts on manufacturing Output in the short run. While the impact of openness is positive in all the periods; FDI, EXR, FDEEP and INTR all have mixed impact on manufacturing Output in the short run. The study recommends that Nigeria must emphasize and vigorously pursue export-led growth through industrialization. Our export basket must be diversified and be dominated by manufactures, in order to fully harness the benefits that globalization offers.*

## 1.0 Introduction

The closing decades of the twentieth century witnessed a world that has become spatially smaller as a result of globalization-an all-encompassing process involving cultural, social, economic and political element of human civilization. It is a process that is spurred by advancement in science, and communication and information technology, spreading from one end to other

parts of the world with the aim of making the world system homogenous, uniform, and interdependent (Noon, 1995). The process has also meant the tearing down of artificial national boundaries and supportive of trade liberalization, the free movement of people and goods, unhindered access to information, expansion of communication and transportation network. Globalization might be characterized functionally by an intrinsically related series of economic phenomena. These include the liberalization and deregulation of markets, privatization of assets, retreat of state functions (particularly welfare ones), diffusion of technology, cross-national distribution of manufacturing production (foreign direct investment), and the integration of the capital markets (Orhewere, 2016). Economic globalization has remained a powerful force shaping world economies in recent decades.

Globally, there has been an increase in the degree of global economic integration through trade in goods and services, as well as capital market interdependence since the second half of the last century. Also, since the last three decades, a number of African countries suffering from fundamental macroeconomic crisis have adopted adjustment and reform programmes in line with dictates of the Bretton Woods institutions (Orhewere, 2016). Key points of economy policy in these various adjustment programme relate to trade and financial liberalization, public enterprise reform and the need for government to withdraw from active participation in productive economic activities, and allow the private sector to lead the development process. Understandably, these policy efforts were geared towards developing the pre-requisites for a more virile market economy, which is the focal economy in the new global order (Orhewere, 2016).

The trend toward more integrated world markets and economies has opened a wide potential for greater growth, and presents unparalleled opportunities for developing countries that are prepared to raise their standards of living. Indeed, over the past thirty-five years, greater integration into the world economy through trade has allowed a significant number of developing countries to partake in the opportunities and benefits of globalization, to develop their comparative advantages and gain access to newer, more appropriate technology, while financial liberalization has increased their access to international private capital, permitting them to realize higher rates of economic growth (Dreher, 2003; Sachs, 2004). The spectacular economic performances of the East Asian countries before the 1997/98 financial crisis reflected significant benefits from globalization (Economist Intelligence Unit – EIU, 2005).

The same cannot be said of the Sub-Sahara Africa (SSA) which has not

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kept pace with the world economy. In other words, Africa is the least integrated with the world economy, in terms of both trade and financial integration. Africa faces the challenge of overcoming structural, policy, institutional and external obstacles to its effective and beneficial integration with the world economy. In particular, Sub-Sahara African countries are yet to fully partake in the benefits of globalization. (Obadan, 2003)

Manufacturers are globalizing rapidly against a background of exceptionally fast growth in world trade. While the market opportunities are enormous, they are likely to face intense competition both in their home markets and in the foreign markets into which they need to expand (EIU, 2005). With this development, it becomes imperative to examine the way the Nigerian manufacturing sector has performed under globalization with a view to providing some insight into the opportunities and challenges Nigerian manufacturers are being faced with. Although there are a lot of empirical studies which examine the relationship between globalization and Economic growth in general, there are very few empirical literature focusing on the impact of Economic Integration on the Nigerian Manufacturing Sector. This study is intended to fill this gap.

The rest of this paper is structured as follows: Section 2 presents trends in Economic Integration and Manufacturing Trade as well as the effects of globalization on manufacturing, section 3 presents the methodology and data. In Section 4, we present and discuss the empirical findings. Section 5 contains the conclusion.

### **2.0 TRENDS IN ECONOMIC INTEGRATION AND MANUFACTURING TRADE**

Economic integration occurs essentially through trade, migration and capital flows. Before about 1870, all these flows rapidly became substantial. What had been many separate national economies started to integrate; thereby creating a globalized world economy. Historically, the world economy has experienced three episodes of globalization.

The first wave of globalization occurred from 1870 to 1914. Advances in transportation and negotiated reduction of barriers opened up the possibility for some countries to use their abundant land more productively. New technologies such as railways created huge opportunities for land-intensive commodity exports. Flow of goods, capital and labour all increased dramatically. Exports as a share of world income nearly doubled to about 8 percent (Maddison 2001 as cited in World Bank 2002 Report)

Between 1914 and 1945, transport costs continued to fall but trade

barriers rose as countries followed beggar-thy-neighbour policies. As Mundell (2000) puts it: “The twentieth century began with a highly efficient international monetary system that was destroyed in World War I and its bungled recreation in the inter-war period brought on the great depression”. In turn, governments responded to depression by protectionism: a vain attempt to divert demand into their domestic markets. Globally, rising protectionism drove trade back down. According to the World Bank (2002) report, by 1950, export as a share of world income were down to about 5 percent-roughly back to where it had been in 1870: Protectionism had undone 80 years of technical progress in transport.

In retrospect, we can see the period encompassing the First World War, the Great Depression, and the Second World War as a giant step backward in global economic integration.

The horrors of the retreat into nationalism gave an impetus to internationalism. The same sentiments that led to the founding of the United Nations persuaded governments to cooperate to reduce the trade barriers they had previously erected. However, trade liberalization was selective both in terms of which countries participated and which products were included. Broadly, by 1980, trade between developed countries in manufactured goods had been substantially freed of barriers, but barriers facing developing countries had been substantially removed only for those primary commodities that did not compete with agriculture in the developed countries. In agricultural and manufacturing sectors, developing countries faced severe barriers. Further, most developing countries erected barriers against each other and against developed countries (Mundell, 2000)

The partial reduction in trade barriers was reinforced by continued reductions in transport costs: between 1950 and the late 1970s sea freight charges again fell by a third. Overall, trade doubled relative to world income, approximately recovering the level it had reached during the first wave of globalization. However, the resulting liberalization was very lopsided. For developing countries, it restored the North-South pattern of trade-the exchange of manufactures for land-intensive primary commodities-but did not restore the international movements of capital and labour (Maddison 2001).

During the second globalization wave, most developing countries did not participate in the growth of global manufacturing and services trade. The combination of persistent trade barriers in developed countries, and poor investment climates and anti-trade policies in developing countries, confined them to dependence on primary commodities. Even by 1980 only 25 percent

of merchandise exports of developing countries were manufactured goods (Maddison 2001).

The most recent wave of globalization starting around 1980 and continuing today has been spurred by technological advance in transport and communications technologies and by the choice of large developing countries to improve their investment climates and to open up to foreign trade and investment. For the first time, poor countries have been able to harness the potential of their abundant labour to break into global markets for manufactured goods and for services. Manufactures rose from less than a quarter of developing country exports in 1980 to more than 80 percent by 1998. There has also been substantial increase in FDI. Countries that strongly increased their participation in global trade and investments include Brazil, China, Hungary, India, and Mexico. Some 24 developing countries –with-3 billion people have double their ratio of trade to income over the past two decades. By 2000, the rest of the developing world actually traded less today than it did 20 years earlier (World Bank 2001). During this new wave of global market integration, world trade has grown massively. Markets for merchandise are now much more integrated than ever before.

## **2.1 Effects of Economic Integration on Manufacturing**

An important element in the on-going Economic globalization is the globalization of production. With the gradual dismantling of trade barriers, and capital flows becoming easier, globalization of production has flourished. It is no longer necessary to produce goods in one location. Even though a product may bear the mark of being produced in a particular country, its components may come from different locations. Particularly for high-tech products, research and development (R&D) is usually carried out in developed countries, components are made in different countries depending on their competencies, and the final assembly takes place in another country. This approach is also used for labour-intensive goods such as garments, shoes, etc (Islam, 2015).

The location of modern manufacturing in developing countries, by generating demand for skills of different types, creates one of the basic preconditions for skills development. Although R&D, design and planning are normally carried out in developed countries, and there may not be much scope for transfer of technology through locating parts of production activity, a process of 'learning by doing' may be engendered, thus creating grounds for entrepreneurship development. Further, opportunities for participating in the global value chain lead to investment, both by domestic and foreign investors, and thus creates the prospect of attaining higher growth (Islam, 2015).

Participating in global value chains and the resulting growth of economies has also incurred costs in terms of negative effects on work. One feature that distinguishes industries emerging from the globalization of production is their direct link with work orders from buyers, and hence the uncertainty in the size of operation that a producer needs to maintain. The risk that arises out of such uncertainty is usually borne by workers in terms of the flexible arrangements through which they are hired. Flexibility may be manifested in terms of temporary contracts, if a formal contract is even given to workers; the compulsory nature of overtime work often without appropriate compensation; the possibility of termination without notice and often without severance benefits; and so on. In fact, the workforce in such industries does not resemble the industrial labour force as it is commonly understood. (Islam, 2015)

Overall, globalization has accelerated the growth of the global economy, driven largely by strong growth in emerging markets and rapid growth in world trade. However, the distribution of GDP growth has been very uneven. Much of the experienced growth took place in emerging markets, in particular China and India. It is a similar story with world trade growth, with trade by emerging economies expanding almost twice as fast as that of developed ones. The emergence of China, in particular, as a manufacturing giant is certainly having a major impact on all industrialized economies (EIU, 2005).

### **3.0 Methodology**

The aim of this paper is to investigate empirically the relationship between Economic Integration and Manufacturing sector growth in the short and long run period in Nigeria, using ARDL techniques. If the variables (Manufacturing output and Economic Integration) at time  $t$  are considered as stochastic trends and if they follow a common long-run equilibrium relationship, then these variables should be cointegrated. According to Engle and Granger (1987), cointegrated variables must have an ECM representation. The main reason for the popularity of cointegration analysis is that it provides a formal background for testing and estimating short-run and long run relationships among economic variables.

Before the analysis was carried out, tests of the time series properties of the variables was undertaken to avoid spurious regression in the system. In this study, the procedure consists of the following steps: First, we began by carrying out unit root tests of all the variables in the models; using the Augmented Dickey Fuller (ADF) unit root test. This was used to test the

stationarity of variables in the system, and ascertain whether the variables are stationary in levels or otherwise. If we find that the variables are either  $I(0)$ , stationary in levels, or  $I(1)$ , stationary after first differencing, we test for the existence of a long-run relationship among non-stationary variables using Bound Test Co-integration techniques. Thus, the variables may be non-stationary, or may have unit roots, but they may exhibit a common trend which guarantees a long-run relationship between them.

### 3.1 Bounds Test for Cointegration

Pesaran and Shin (1999) demonstrate that cointegrating systems can be estimated as ARDL models, with the advantage that the variables in the cointegrating relationship can be either  $I(0)$  or  $I(1)$ . This procedure has additional advantages over other co-integration methods. For instance, it resolves the failure to test hypothesis due to endogeneity problems that is associated with the Engle and Granger method. Also, all variables are treated as endogenous and the long and short run parameters of the model can be estimated simultaneously. Besides, Pesaran and Shin note that unlike other methods of estimating cointegration, the ARDL Procedure does not require symmetry of lag lengths; each variable can have a different number of lag terms.

Using an ARDL cointegrating relationship, Pesaran, Shin and Smith (2001) develop the bound testing approach for testing whether the ARDL model contains a long-run relationship between the dependent variable and the regressors.

The Bounds test procedure has following representation:

$$\Delta X_t = \delta_0 + \sum_{i=1}^k \alpha_i \Delta Y_{t-i} + \sum_{i=1}^k \alpha_2 \Delta X_{t-i} + \delta_1 Y_{t-1} + \delta_2 X_{t-1} + V_{1t} \quad |$$

The long run relationship of the underlying variables is detected through the F-statistic (Wald test). In this approach, long run relationship of the series is said to be established when the F-statistic exceeds the critical value band. The major advantage of this approach lies in its identification of the cointegrating vectors where there are multiple cointegrating vectors. However, this technique will crash in the presence of integrated stochastic trend of  $I(2)$ . To forestall effort in futility, it may be advisable to test for unit roots, to know the number of unit roots in the series under consideration.

The distribution of this F-statistics is non-standard; it depends upon (i) whether variables included in the ARDL model are  $I(0)$  or  $I(1)$ , (ii) the number of regressors, and (iii) whether the ARDL model contains an intercept and/or a trend. Pesaran, Shin and Smith provide critical values for the cases where all

regressors are I(0) and the cases where all regressors are I(1), and suggest using these critical values as bounds for the more typical cases where the regressors are a mixture of I(0) and I(1). The results can be interpreted about the long run association as follows: The null hypothesis is rejected If the estimated F-statistic comes above the upper level at integrated of order one, which suggests a relationship among the variables. In other case, the null hypothesis is accepted if the estimated F-statistic comes at bottom level integrated at level, which is the sign of no long run relationship. If there is a case in which computed value of F-statistics comes within the top and lower level, then no conclusion can be drawn from this result. It is necessary to know about time series properties before reaching any conclusion in this condition (Pesaran, Shin & Smith, 2001). However, according to Narayan (2005), the existing critical values in Pesaran, Shin and Smith (2001) cannot be applied for small sample sizes as they are based on large sample sizes. These critical values are generated for sample sizes of 500 and 1000 observations and 20,000 and 40,000 replications, respectively. Hence, Narayan (2005) provides a set of critical values for small sample sizes, ranging from 30 to 80 observations. Given the relatively small sample size of 48 observations in this study, we extract the appropriate critical values from Narayan (2005) which were generated for small sample sizes.

In order to empirically examine the relationship between Economic Integration and the Nigerian Manufacturing sector, this study will estimate the following equation:

$$MQ_t = a_0 + a_1 OPN_t + a_2 FDI_t + a_3 EXR_t + a_4 INTR_t + a_5 FDEEP_t + E_t \dots \dots \dots (2)$$

Where: MQ = Manufacturing Output; OPN = Openness; FDI = Foreign Direct Investment;

EXR = Real Exchange Rate; INTR = Interest Rate; and FDEEP = Financial Deepening.  $a_0, a_1, a_2, a_3, a_4, \& a_5$  = Parameters and  $E_t$  = Error term.

Equation (2) represents only the long-run equilibrium relationship and may form a cointegration set provided all the variables are either I(0) or I(1). Where cointegration is established, the conditional ARDL(  $p_1, q_1, q_2, q_3, q_4, q_5$ ) long-run model can be estimated as:

$$MQ_t = d_0 + \sum_{i=1}^p \partial_1 MQ_{t-i} + \sum_{i=0}^{q_1} \partial_2 OPN_{t-i} + \sum_{i=0}^{q_2} \partial_3 FDI_{t-i} + \sum_{i=0}^{q_3} \partial_4 EXR_{t-i} + \sum_{i=0}^{q_4} \partial_5 INTR_{t-i} + \sum_{i=0}^{q_5} \partial_6 FDEEP_{t-i} + \varepsilon_t \dots \dots \dots 3$$

Where: all variables are as defined.  $\partial_i$ s are the long run multipliers,  $d_0$  is the drift and  $\varepsilon_t$  is the white noise error.



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The process involves selecting the orders of the ARDL (  $p_1, q_1, q_2, q_3, q_4, q_5$ ) model in the six variables using Akaike information criteria (AIC).

Thereafter, we obtain the short-run dynamic parameters by estimating an error correction model associated with the long-run estimates. This is specified as follows:

$$\Delta MQ_t = u + \sum_{i=1}^p \partial_i \Delta MQ_{t-i} + \sum_{j=1}^q \phi_j \Delta OPN_{t-j} + \sum_{k=1}^q \delta_k \Delta FDI_{t-k} + \sum_{l=1}^q \gamma_l \Delta EXR_{t-l} + \sum_{m=1}^q \sigma_m \Delta INTR_{t-m} + \sum_{n=1}^q \omega_n \Delta FDEEP_{t-n} + \theta ecmt_{t-1} + \varepsilon_t \quad \text{-----4}$$

Where:  $\partial, \phi, \delta, \gamma, \sigma$ , and  $\omega$ , are the short-run dynamic coefficients of the model's convergence to equilibrium and  $\theta$  is the speed of adjustment.

### 3.2 Data

We employ secondary data which covers the period of 1981 to 2018. Data are collected from CBN annual statistical bulletin. Openness (OPN) is measured as the ratio of Total Trade to RGDP while Financial Deepening (FDEEP) is measured by the Ratio of Credit to Private Sector to RGDP.

## 4.0 Presentation and Analysis of Results

### 4.1 UNITROOTTEST

Table 1 : UNITROOTTEST

VARIABLES	AT LEVELS			FIRST DIFFERENCE			Conclusion
	ADF STATISTICS	ADF CRITICAL VALUE (5%)	REMARKS	ADF STATISTICS	ADF CRITICAL VALUE (5%)	REMARKS	
MQ	-1.775687	-3.54032	Non stationery	-3.899061	-3.552973	stationery	I (1)
OPN	-2.360690	-3.536601	Non stationery	-4.874657	-3.540328	stationery	I(1)
FDI	-4.051629	-3.536601	stationery	-	-	-	I(0)
EXR	-1.945782	-3.540328	Non stationery	-4.548282	-3.540328	stationery	I(1)
FDEEP	-1.873625	-3.536601	Non stationery	-4.810807	-3.540328	Stationery	I(1)
INTR	-5.065221	-3.557759	stationery	-	-	-	I(0)

We test for non-stationarity of all the variables. The results of the unit root test as summarized in Table 1 shows that FDI and interest rate are stationery at levels; while all the other variables are stationary after the first difference. This implies that MQ, OPN, EXRT, and FDEEP can be treated as  $I(1)$  at the 5% level of significance.; while FDI and INTR are treated as  $I(0)$  at the 5% level of significance

#### 4.2 Cointegration Test

Given the result of the unit root test where the variables were of different order of integration, the bounds testing cointegration procedure was used. The result shows an F stat. of 18.25515 which is higher than the Narayan's 5% critical values of 2.823 and 3.872 at the lower and upper bounds respectively (see appendix). Hence, we reject the null hypothesis of no cointegration and conclude that there exists a cointegration among the variables. Given the result of the existence of a long run relationship among the variables, we proceed to estimate the long run equation and the Error Correction model.

Table 2 : BOUND TEST FOR COINTEGRATION

##### ARDL Bounds Test

Sample: 1985 2018

Included observations: 34

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	18.25515	5

##### Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

### 4.3 Long run equation

Having established the existence of long run relationship, equation (4) was estimated using the following ARDL (1,4,3,4,4,4) specification; which was selected based on Akaike information criteria. The table below gives the result of the estimated long run model.

Table 3 LONG RUN ESTIMATES

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
OPN	25390.11602	5998.938041	4.232435	0.0029
FDI	0.193732	0.049192	3.938298	0.0043
EXR	-10.480403	5.680769	-1.844892	0.1023
FDEEP	-113.543310	90.513241	-1.254439	0.2451
INTR	-189.890035	55.843594	-3.400391	0.0094
C	4488.702179	1228.910675	3.652586	0.0065

$$MQ = 4488.7 + 25390.12OPN + 0.1937FDI - 10.4804EXR - 113.54FDEEP - 189.8900INTR$$

An examination of the result in table 3 shows that OPN and FDI (our proxies for Economic integration) have positive signs; this implies that they have positive effects on manufacturing output in Nigeria in the long run. Both variables have significant positive effect on manufacturing output at the 1% critical level. A unit rise in the degree of openness improves manufacturing output by 25390.12 units in the long run. Similarly, a unit increase in the level of FDI inflow raises manufacturing output by 0.193732 in the long run. The positive and significant impacts of FDI and openness validate the claims of globalization supporters. The negative sign of the coefficient of interest rate conforms to apriori expectation. The coefficient of interest rate is statistically significant at the 1% level of significance. Thus, interest rate has a long run negative impact on manufacturing output in Nigeria. A unit rise in the interest rate deteriorates manufacturing output by 189.89 units. The coefficients of the other two variables (EXR and FDEEP) are not statistically significant. Thus, these variables do not significantly contribute to Manufacturing Output in Nigeria in the long run.

#### 4.4 Error Correction Model

The results of the short-run dynamic coefficients associated with the long-run relationships obtained from the ECM equation (4) are presented in table 4 below.

Table 4 DYNAMIC ERROR CORRECTION ESTIMATES

ARDL Cointegrating And Long Run Form

Dependent Variable: MQ

Selected Model: ARDL(1, 4, 3, 4, 4, 4)

Sample: 1981 2018

Included observations: 34

Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(OPN)	3149.137219	1117.299219	2.818526	0.0225
D(OPN(-1))	-308.966893	949.563094	-0.325378	0.7532
	-			
D(OPN(-2))	2770.285836	882.168534	-3.140314	0.0138
	-			
D(OPN(-3))	4273.422317	2146.850673	-1.990554	0.0817
D(FDI)	0.025508	0.005723	4.456986	0.0021
D(FDI(-1))	-0.012197	0.005182	-2.353623	0.0464
D(FDI(-2))	-0.028068	0.006693	-4.193841	0.0030
D(EXR)	-0.877068	2.627289	-0.333830	0.7471
D(EXR(-1))	-7.667590	2.614055	-2.933217	0.0189
D(EXR(-2))	-2.661182	2.672237	-0.995863	0.3485
D(EXR(-3))	7.645218	2.542408	3.007077	0.0169
D(FDEEP)	-121.462985	25.341978	-4.792956	0.0014
D(FDEEP(-1))	76.592365	32.525559	2.354836	0.0463
D(FDEEP(-2))	64.333483	26.843993	2.396569	0.0434
D(FDEEP(-3))	-124.709598	24.627821	-5.063769	0.0010
D(INTR)	-22.922646	9.120440	-2.513327	0.0362
D(INTR(-1))	13.048783	9.231990	1.413431	0.1952
D(INTR(-2))	47.807408	9.670129	4.943823	0.0011
D(INTR(-3))	21.063475	10.605949	1.986006	0.0823
CointEq(-1)	-0.415807	0.092755	-4.482848	0.0020

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The result presented in table 4 revealed that openness has a net positive and significant impact on manufacturing output in the short run. Conversely, FDI has a significant, negative net impact on the manufacturing sector in the long run. Exchange rate had negative and significant impact on manufacturing output during the first lag while its impact during the third lag was positive and significant at the 5% significance level. Similarly, current and third period lagged FDEEP have negative impacts on manufacturing output and are both significant at the 1% level of significance; while 2<sup>nd</sup> and 3<sup>rd</sup> period lagged FDEEP have positive and significant impacts on manufacturing output at the 5% level of significance. Interest rate has a contemporaneous negative impact on manufacturing output, while interest rates in the previous periods were found to positively impact on manufacturing output in the short run.

Furthermore, the coefficient of the Error Correction Mechanism is -0.415807 and it is very significant at the 1% level. This implies that the speed of adjustment to short run changes is high, as the MQ adjust to 41.58% of the changes in the explanatory variables in the previous period. Thus, it will take a little above 2 years for MQ to adjust completely to a given change in the explanatory variables.

### 5.0 Conclusion and Recommendation

The main objective of this paper is to examine the effect of global economic integration on the Nigeria's Manufacturing Sector during the period of 1981 to 2018. The study employs three variables as proxies for economic integration; namely: trade openness, FDI, and exchange rate,

Our findings revealed that Openness and FDI have significant positive impacts on manufacturing sector growth in the long run. Conversely, this study established that interest rate has a long run negative impact on manufacturing output in Nigeria. Furthermore, our findings showed that exchange rate and financial deepening do not significantly contribute to Manufacturing Output in Nigeria in the long run. However, all the explanatory variables exact significant impacts on manufacturing Output in the short run. While the impact of openness is positive in all the periods; FDI, EXR, FDEEP and INTR all have mixed impact on manufacturing Output in the short run.

On the whole, globalization has exerted a significant positive influence on the Nigerian manufacturing sector. Notwithstanding, in adopting and continuing with globalization as a development Strategy, Nigeria must emphasize and vigorously pursue export-led growth through industrialization. Knowing that primary commodity exporting nations are usually disadvantaged in the global market place; our export basket must be diversified and be

dominated by manufactures, in order to fully harness the benefits that globalization offers. since we already live in a global economy where flows of trade, capital and knowledge across national borders are not only large but also are increasing every day, and year, the issue then is not whether to join forces with globalization or not but how to avoid the risk of being marginalized by the forces of globalization.

To this end, domestic firms in Nigeria must be upgraded in terms of training, skills, and technology. It must be noted that trade liberalization in Nigeria implies that Nigerian firms must compete with already established firms in developed countries with vastly superior technology (and also superior managerial skills, financial abilities, and even intangible assets such as brand-name loyalty). In the presence of this kind of competition, it may be difficult for Nigerian firms to survive adequately in their own domestic market, not to speak of breaking into export markets, if free trade prevails. Therefore, some protection or subsidization of the infant industries in Nigeria would be required initially before exposing them to international competition. In essence, without protection for several industrial activities with strong learning and scale economies, de-industrialization might occur.

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