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Empirical Review of Globalization and Nigerian Economic Performance

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Abstract
Globalization has increased the integration and interdependence of economies among one another. It has come to be seen as a panacea for improved economic growth. This is made possible by an integrated global market marked by improved technology, investment and competition. This study thus, examines the performance of Nigeria in the global economy. The study made use of five explanatory variables to test for the performance of the economy in the global market. Unit root test using the Augmented Dickey Fuller test was conducted to test for stationarity among variables employed. The Johansen Co-integration test was also employed to test for long run equilibrium relationship among the variables while the Granger Causality test was conducted so as to ascertain the causal relationship between variables. The ECM was also conducted. The paper concluded that globalization can stimulate the rise in economic growth of a country. Nigeria however has not benefitted enough from globalization owing to her over dependence on oil export as the major source of earning, thereby neglecting other potential sectors in the economy. The paper proffered diversification of the economy from crude oil, prudent government spending and conducive and enabling environment for both the growth of other important sectors and improved FDI as strategies to give Nigeria a stand in the competitive global market.
Keywords: Globalization, Economic Integration, Degree of Openness, Convergence and Economic Growth.

1. Introduction

Globalization is a phenomenon which has been embraced by all nations and shaped the global world. Although globalization is not new, it has intensified in its ramifications in recent years and become a very important issue for discussion in various forums as it began to occur at an increased rate over the last 20 - 30 years under the framework of General Agreement of Tariff and Trade (GATT) and World Trade Organization (WTO). Globalization is the increasing economic integration and interdependence of national, regional and local economies across the world through an intensification of cross border movement of goods, services, technologies and capital. Kwanashie (1998) sees globalization as a process of integrating economic decision making such as the consumption, investment and saving process across the world. Globalization is therefore seen as a situation where the world is viewed as a single market in the acquisition, utilization and development of productive resource. There exist as a single competitive market for all business transaction.

In reality, globalization is a new name for Laissez Faire economy and attempt to unify normative principle of organization for all the countries of the world by largely accounting for developed economies integrating with less developed economies by means of foreign direct investment, reduction of trade barriers and in many cases cross border immigration. Although the political, cultural, social and environmental aspects of globalization are no doubt important, the economic aspect is perceived to be at the heart of the globalization process (Obadan 2006). Economic globalization fosters the advancement of a global mentality and conjures the picture of a borderless world bringing growing tendency towards the universal homogenization of ideas, cultures, value and lifestyle through trade, banking, communication, transport etc (Akor et al 2012).

Trade has been a vital issue in the economic relations of countries. It goes beyond exchanging goods and services and leads to the urge to improve and advance further through knowledge, skill acquisition which improves development, capital and ideas are employed leading to expansion and improvement of quality and quantity of output (UNCTAD, 2010). It has however, been argued that globalization entails amplified risk and uncertainty as developing countries in particular becomes vulnerable in the international market due to their poor nature.

The level of success of Nigeria in the rapidly integrating world can be understood from certain indicators. The ratio of her international trade and foreign direct investment, access to international financial markets, relative openness of the economy are all guide to the level of globalization (Owolabi, 2005). As a policy objective of globalization, the liberalization and deregulation of the exchange control regime has also been designed to facilitate and enhance trading activities of the Nigeria economy with the rest of the world. Import prohibition list of items have been reduced as government opt to utilize tariff structures to protect end user product pricing of local industries and discourage frivolous import.

In consonance with the policy of globalization, the economic policy of the Nigeria government is intended to increase private sector participation, generate productive employment and raise productivity, increase export of locally manufactured goods and skills, improve technological skills and attract foreign direct investment (Feridun, Olusi, Folorunso, 2006). Nigeria has thus, become relatively integrated with the global economic system. She has applied various policies over the year to stimulate the productive and external sector of the economy so as to ensure she benefit positively from globalization. The major policy of the SAP were seen as those to improve globalization and openness such as deregulation of exchange rate, trade liberalization, deregulation of the financial sector, adoption of appropriate pricing policies especially for petroleum products, rationalization and privatization of public sector enterprise and abolition of commodity marketing boards (Obaseki, 1999).

Today as part of moving with the globalization trend and trade liberalization, Nigeria is a member of and signatory to many international and regional trade agreements such as IMF, WTO, and ECOWAS etc. The policy response of such economic partnership on trade has been to remove trade barriers, reduce tariffs and embark on outward-oriented trade policies. However economic growth in Nigeria has been disappointing. Despite her large market size ranked 32nd position, which should give her significant economies of scales in production and attract investors, Nigeria still relies heavily on importation of consumable goods with level of poverty. The world economic forum using her Global Competitive Index introduced in 2004, placed Nigeria on 120th of 148th poorest nation, using 12 pillars of competitiveness namely- Institution, Infrastructure, Macroeconomic environment, Health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. Food import-export gap has widened. BOP has been under pressure as a result of external debt service burden. Despite implementation of trade liberalization measures taken, reduction in external debt and debt services, some macroeconomic indicator show a poor performance of the economy characterized by infrastructure inadequacy, widespread corruption, inefficiency in the public sector, low degree of savings, low capital formation and capacity underutilization. The major objective of this study is to evaluate the performance of the Nigeria economy in the face of globalization, her benefits from integration with the global world in order to ascertain the level of convergence.

2.1. Conceptual Framework

2.1.1. Benefits and Challenges of Globalization

Adam smith (1770) demonstrated that specialization leads to increased output and increased output improves welfare. The free flow of capital associated with globalization enables maximum return to accrue. In the international market according to Jhingan (2001), stable foreign exchange rate will reduce capital flight and encourage capital inflows which consequently will enhance domestic production. Salimono (1999) opines that globalization offers economies the potentials of eliminating poverty. This is seen with the increase in prosperity in South Korea, India, Japan and South Africa through increase in their exportable goods and services. Kanter (2005) contends that the U.S.A. was able to attain its present status principally because of its global economic policies, which made it conducive for the implementation of “market capitalism” on a global scale. Kanter (2005) argues further that this priority given to globalization on “market capitalism” in the U.S.A. has made it possible for the achievement of imperative economic growth, combined with relatively equal distribution of income and the absence of large scale unemployment.

Advancement in technology, international trade/trade liberalization, human capital and education development, foreign capital inflow and investment, sound macroeconomic policies (fiscal, monetary, exchange rate and income) and capital formation are all benefits of globalization. However many countries are yet to benefit from globalization especially in Africa. Globalization is a very uneven process with unequal distribution of resources and human capital. Globalization has widened the gap between the rich and poor nations. Trade policies and comparative advantages tend to favor rich and more industrialized nations. An integrated financial market, tend to affect the poor nations in period of economic shock due to fluctuations in foreign exchange rate, leading to capital flight accompanied by flight of other resources (manpower inclusive) from poor nations to rich nation thereby weakening the poor nations and widening the gap, (Tsokata 2000).

Instability in the world oil market sometimes negatively affects oil export leading to a decline in foreign exchange earnings in monocultural countries such as Nigeria. This explains the country’s recourse to external funding in order to meet its development challenges. External borrowing however causes indebtedness. Servicing of this debt also depletes the nation’s treasury as funds which ought to be used for other economic purposes are channeled to debt servicing.

2.1.2. Nigeria in the Global Economy

Baker (1996) from a market stand point views globalization as the driving of societies into global commonality and thus harmonizing markets everywhere. In other words, it is the creation of a common market for all. Nigeria is made weak in the global market due to her mono cultural dependence on crude oil, inadequate domestic economic capacity and social infrastructure as well as high debt and debt service burden.

Nigeria after independence was an agricultural based economy and was a large exporter of agricultural products which include cocoa, rubber, palm oil, groundnuts, cotton and palm kernel. Agricultural export contributed about 69.4% of total GDP in 1963/1964 (Olaloku, 1979). Crude oil, with its discovery, became the main source of foreign exchange earning of Nigeria. 80% of the federal revenue is gotten from crude oil, it also contributes 89.1% of export earning while agriculture plummeted to 6.8% (CBN, 2012).

According to NSE (2012), foreign investors control an average of 60% of all trading done on the Nigeria Stock Exchange. The World Investment Report (WIR) of the UN Conference of Trade and Development (UNCTAD) (2012) revealed that in 2010, FDI flow to Nigeria fell to 6.1 billion dollar from 8.65 billion dollar realized in 2009, showing a 29% decline. This led to increased unemployment which stands at 23.9%, rise in poverty level which stands as high as 60%, (NBS, 2012). The decline has been attributed to the increasing rate of insecurity in the country as well as infrastructural decay.

Analysis of Nigeria economy show that the nation recorded increased openness, with the introduction of the SAP in 1986, the degree of openness moved from 0.058 to 7.108 to 27.13 in 1986, 2000 and 2012 respectively. Statistics on import values as contained in the Table 2.1 below, showed a rising pattern over the years, increasing from ₦ 5,983.6 million in 1986 to ₦9,109,032.5 million in 2012 while export rose from ₦ 8,920.6 million to ₦15,002,867.7 (CBN 2012). Export was more on crude oil which stood at ₦14,526,757.0 in 2012, while non-oil export stood at ₦6,020,198 million. The manufacturing sector recorded a slow growth rate contributing 9.1% to the GDP in 2009 and dropping to 4.16% in 2012, (NBS, 2012), while capacity utilization rate dropped from 73.3% in 1981 to 56.22% in 2010 (CBN, 2012). The deterioration in performance was attributed to environmental factors particularly the worsening power supply situation which raised the cost of production, and also there was the unfair competition from cheaper imports (CBN, 2006).

Table 2.1a: Import and Export Trend in Nigeria

	Import (₦)		Export (₦)		Total Trade (₦)	
Year	Oil	Non-oil	Oil	Non-oil	Oil	Non-oil
1986	913.9	5,069.7	8,368	552.1	9,282.4	5,621.8
1991	7772.2	81,716.0	116858.1	4,677.3	124,630.3	86,393.3
1996	162178.7	400,447.9	1286215.9	23,327.5	1,448,394.6	423,775.4
2000	220817.7	761,204.7	1920900.4	24,822.9	2,141,718.1	789,027.6
2004	318,114.7	1,668,930.6	4489472	113,309.4	4,807,586.9	1,782,239.9
2008	1,315,531.5	3,922,663.7	9,861,834.4	252,903.7	11,177,366.0	4,175,567.4
2012	3,088,833.7	6,020,198.8	14,526,757.0	476,110.7	17,615,590.5	6,496,309.5

Source: NBS, (2012)

Table 2.1b: Import and Export Trend in Nigeria (contd.)

Year	Total Export	Total Import	Manufacturing contribution to GDP %	Manufacturing growth rate %
1986	8,920.6	5,983.6	7.98	3.4
1991	121,535.4	89,488.2	8.5	8.1
1996	1,309,543.4	562,626.6	6.5	2
2000	1,945,723.3	985,022.4	6.7	3.6
2004	4,602,781.5	1,987,045.3	7.4	10.1
2008	10,114,738.2	5.238,195.2	3.6	9.1
2012	15,002,867.7	9,109,032.5	4.16	6.5

Sources: NBS, (2012); CBN, (2012)

Though globalization has expanded Nigeria frontier in the global world, research has so far shown that there has been more import of goods and services in Nigeria than export of goods and services since 1986. This is so due to the poor performance of key sectors in the economy. In comparison to Austria, Thailand, Iran and South Africa, whose manufacturing sector alone contributes 19%, 34%, 13% and 12% respectively in 2012, the Nigeria manufacturing sector contributed a low 4.16% of the total GDP despite the country's endowment with natural resources and labour force. This has made production of required household goods and services to satisfy the need of Nigerians difficult. Most goods and services are thus sorted for externally as many of the products used in Nigeria are either from other countries' companies or subsidiaries located in Nigeria, such as Proctor and Gamble, Julius Berger, Toyota, Samsung, Nokia, Tecno, Chevron, Shell, Unilever, Glaxo, Johnson Wax, Beecham, etc.

Human capital development also, plays a pivotal role in benefitting from globalization. Human capital measures the economic value of an employee's skill set. The concept of human capital recognizes that not all labour is equal and the quality of employee can be improved by investing in them through education and health. This improves the economic value of labour thereby improving the economy as a whole. Yusuf (2003) observed that the unskilled and high uneducated countries benefit less in the global competitive market.

Human capital development in Nigeria is quite disappointing. According to the Human Development Index (HDI) report 2013, despite an increase in economic growth in Nigeria by 6.99% in 2012, life expectancy in Nigeria was put at 52 years while health indicator reveal that 1.9% of the nation's budget is expended on health. Also, 68% of Nigerians live below 1.25 dollar PPP per day, mortality rate was put at 158 per 1000 live births in 2011, while adult illiteracy rate is as high as 61.3% (UNICEF, 2011).

2.2. Theoretical Framework

Globalization has progressed with developments in the world economy. The phenomenon has benefitted immensely from multilateral trading and investment arrangements, advance in technology and communication, and the opening up of trade and investment through liberalization of current and capital account transactions. The concept of globalization has robust theoretical underpinnings. The promotion of trade as the bedrock of the wealth of nations was first espoused in the "mercantilist" doctrine before the Adam Smith's and David Ricardo's theses on international trade. The neo-classical model of growth was later countered by the radical theorists on the inviolability of trade for ensuring the growth of nations. The radical theorists and the early proponents of development economics were of the view that growth can be internalized. However, recent developments in the world economy have shown that it is futile for countries to isolate themselves in a rapidly integrating world.

The wide spread acceptance and adoption of economic liberalization policies, rapid technological change and the spread of democratic ideals have resulted in upsurge in trade, integrated world capital market marked by huge capital flows and foreign direct investments. This signifies new international economic order which envisages the following:

- Free flow of the trade of goods and services between different countries of the world.
- Free flow of capital among countries.
- Free flow of technology among different countries of the world
- Free movement of labour or people internationally (Ahuja, 2013).

All these have brought unprecedented growth and development in the developing world, reducing the number of poor by 125 million between 1990 and 1999, (World Bank, 2000). Economic theory predicts that countries that adopt a more open stance towards globalization enjoy higher growth rates than those that close their economies to trade (Sachs and Warner, 1995; Frankel and Romer, 1999; Hill, 2004; Obadan, 2010).

Economic growth through globalization also involves foreign direct investment. Foreign direct investment (FDI) facilitate growth, it is hinged on the traditional neo- classical growth models and the modern growth theories. The traditional growth model is credited to Solow's growth model (1956) which posited that FDI promotes economic growth by directly increasing the volume of investment. It facilitate the process through technological innovation and efficient deployment of resources, to achieve lower unit cost of production thereby increasing global wealth, enhance living standard, ensure poverty reduction and improved welfare for individuals.

This idea brings to light that openness of an economy to the world economies has with it an unprecedented increase in financial and capital flow it brings about better and superior technology from abroad available to domestic firms, leading to better productive capacity for domestic manufacturing industries. In addition, opening an economy to foreign competition might stimulate efficiency in domestic production (Akinmulegun, 2011).

The benefits from globalization nevertheless, remain unevenly distributed in developing countries including most countries in Africa, middle east and the former soviet union, with a combined population of about 2 billion, growth declined in the 1990s while poverty has been rising and these countries risks becoming even more marginalized.(Alonso Gamo, Fedelino & Horvitz 1997, World Bank 2002). While globalization presents opportunities for nations to improve their economic performance, it also poses several risk and challenges. Globalization benefits are not automatic, nations takes the opportunities afforded while minimizing the risk.

2.3. Empirical Literature

Obaseki (2000) concludes that Nigeria has not benefitted enough from globalization owing to the undue dependence on crude oil exports, low manufacturing exports and the under-development of the domestic, financial markets. Dreher (2003), in his study of 123 countries across the world in 1970 – 2000, concluded that globalization indeed promotes economic growth attended to by higher productive capacity through enhanced technological advancement.

Chimobi (2010) investigated the causal relationship among financial development, trade openness and economic growth in Nigeria and discovered that trade openness and financial development has causal impact on economic growth in Nigeria.

Severe studies on the relationship between globalization and productive capacity of nations, found a significant positive impact of globalization on economic growth resulting from enhanced manufacturing capacities of different countries (Fosu and Magnus, 2006; Kandiero and Chitiga, 2003; Damijan, Majcen, Knell, and Rojec, 2003; Javorcik, 2004; Blalock and Gertler 2008; Adenikinju and Enofe, 2006).

Using three measures of integration namely, Participation in International Trade (PIT), Participation in International Capital Markets (PICM), and Real Interest Rate Parity (RIP), Adegbite (2009) found that Nigeria is poorly integrated into the global market. Only PIT, which is the ratio of trade (exports plus imports) to GDP, shows appreciable integration while others do not. In terms of international marketing activities, Nigeria's level of integration remains extremely low.

3. Method of Study

Globalization manifests in increased movement across boundaries of goods and services through trade and investment. Consequently, in order to understand its influence on the Nigeria economy, we specify a model which tries to capture globalization's impact on economic growth. Economic growth will therefore depend on globalization. Researchers have shown that trade openness and market constitute the platforms of economic globalization (Obadan, 2008). Exchange rate also has its effect on the economy. Obadan (2006) revealed that the naira exchange rate devaluation or depreciation (i.e. naira rising) will encourage export which is an injection into the economy and is expected to have positive impact on economic growth. Trade openness/Degree of openness captures the flow of trade in and out of a country. Positive or larger trade openness improves economic growth.
The study will thus employ econometric techniques using the OLS method to estimate the relationship between economic growth proxied by real GDP and proxy variables of globalization for the period 1986 - 2012

$$LGDP = f(DO, EX, INF, FDI, GEX)$$
$$LGDP = \beta_0 + \beta_1 DO + \beta_2 EX + \beta_3 INF + \beta_4 LFDI + \beta_5 LGEX + \mu$$

LGDP = Real Gross Domestic Product (Logged)
DO = Degree of Openness
EX = Foreign Exchange Rate
INF = Inflation Rate
LFDI = Foreign Direct Investment (Logged)
LGEX = Government Expenditure (Logged)
μ = Error term
The a priori expectations for the coefficients are as follows:
$\beta_0 > 0$; $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 < 0$; $\beta_4 > 0$; $\beta_5 > 0$

The estimation of the model specified may yield spurious regression if the variables are not stationary. The unit root test using the ADF will be employed in order to check this problem. Co-integration test will also be carried out so as to confirm if the series are indeed co-integrated with economic growth. The ECM technique will be employed to derive parsimonious models used for further analysis.

4. Analysis of Result

The estimated procedure in this study draws on the recent development in co-integration analysis and the error correction model (ECM) that have been used to explore several economic phenomena. The purpose is to overcome the problem of spurious estimates often associated with non-stationarity macroeconomic time series data.

4.1. Unit root test

The Augmented Dickey-Fuller (ADF) test for testing stationarity of time series data was employed to test for stationarity in the study. The test showed as seen in the table below that all time series data were stationary at first differencing at 1% level of significance.

Table 4.1: Augmented Dickey-Fuller Test

	T-Statistic	Critical Value 1%	Critical Value 5%	Critical Value 10%	Prob.	Order of Integration
D(LGDP)	-3.790772	-3.724070	-2.986225	-2.632604	0.0086	I(1)
D(DO)	-5.966235	-3.724070	-2.986225	-2.632604	0.0000	I(1)
D(EX)	-4.843957	-3.724070	-2.986225	-2.632604	0.0007	I(1)
D(INF)	-4.996898	-3.737853	-2.991878	-2.635542	0.0005	I(1)
D(LFDI)	-8.421814	-3.724070	-2.986225	-2.632604	0.0000	I(1)
D(LGEX)	-6.196885	-3.724070	-2.986225	-2.632604	0.0000	I(1)

4.2.Cointegration Analysis

The Johansen co-integration test was used to determine if there exists long-run equilibrium relationship among the variables under study.

Table 4.2: Johansen Cointegration Test

Sample (adjusted): 1988 2012
Included observations: 25 after adjustments
Trend assumption: Linear deterministic trend
Series: LGDP DO EX INF LFDI LGEX
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.815276	118.0397	95.75366	0.0006
At most 1 *	0.634398	75.81731	69.81889	0.0153
At most 2 *	0.532540	50.66204	47.85613	0.0266
At most 3 *	0.467198	31.65101	29.79707	0.0302
At most 4 *	0.426951	15.91089	15.49471	0.0433
At most 5	0.076561	1.991274	3.841466	0.1582

Trace test indicates 5 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.815276	42.22236	40.07757	0.0282
At most 1	0.634398	25.15527	33.87687	0.3746
At most 2	0.532540	19.01103	27.58434	0.4137
At most 3	0.467198	15.74012	21.13162	0.2404
At most 4	0.426951	13.91962	14.26460	0.0566
At most 5	0.076561	1.991274	3.841466	0.1582

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

The trace statistic in the table above, it indicated 5 cointegrated equations at 5% critical value. We therefore, do not accept the null hypothesis and conclude that there exists long run equilibrium relationship among the dependent and independent variables. Similarly, the maximum eigenvalue indicated one cointegrating equation at 5% level with Max-eigen statistic of 42.22 which is greater than its 5 percent critical value of 40.08, thereby corroborating the result of the trace statistic test of long run equilibrium relationship between the dependent and the independent variables.

4.3 Error Correction Model

The result from the parsimonious model below revealed that the degree of openness (DO) has a direct and significant relationship with real gross domestic product (LGDP) at 10 percent level of significance. Although direct foreign investment (FDI) was significant at 5 percent critical level, it shows an inverse relationship against a priori expectation of direct relationship (indicative of greater out-flows than in-flows) as has actually been the scenario in Nigeria over the past years. The determinant of correlation (R square) revealed that 82 percent changes in real gross domestic product in Nigeria are explained by the explanatory variables in the model, while 43 percent disequilibrium in real gross domestic product is corrected for in the long run.

Table 4.3: Error Correction Model

Dependent Variable: D(LGDP)
Method: Least Squares
Sample (adjusted): 1990 2012
Included observations: 23 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.067192	0.020478	3.281229	0.0168
D(DO)	0.004301	0.001874	2.295372	0.0615*
D(DO(-2))	-0.001713	0.001789	-0.957666	0.3752
D(DO(-3))	-0.002525	0.002391	-1.056255	0.3315
D(EX)	-0.000393	0.000225	-1.746551	0.1313
D(EX(-1))	-0.000656	0.000333	-1.970231	0.0963*
D(EX(-2))	-0.000701	0.000331	-2.118909	0.0784*
D(LFDI(-1))	-0.048634	0.028684	-1.695538	0.1409
D(LFDI(-2))	-0.065683	0.027623	-2.377814	0.0549*
D(INF)	0.000358	0.000274	1.306036	0.2394
D(INF(-2))	0.000422	0.000277	1.523630	0.1784
ECM(-1)	-0.431196	0.209586	-2.057374	0.0854*

R-squared	0.816522	Mean dependent var	0.020821
Adjusted R-squared	0.327248	S.D. dependent var	0.011953
S.E. of regression	0.009804	Akaike info criterion	-6.277556
Sum squared resid	0.000577	Schwarz criterion	-5.438278
Log likelihood	89.19190	Hannan-Quinn criter.	-6.066480
F-statistic	1.668843	Durbin-Watson stat	1.032424
Prob(F-statistic)	0.272958		

** denotes rejection of the hypothesis at the 0.05 level
* denotes rejection of the hypothesis at the 0.10 level

4.4Granger Causality Test

A variable granger causes another if the F statistic is significant at P value of 5% or less. In adopting the Pairwise Granger Causality test, we analyze the result gotten.

Table 4.4: Pairwise Granger Causality Tests

Pairwise Granger Causality Tests
Sample: 1986 2012
Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
LGEX does not Granger Cause LGDP	26	0.03495	0.8533
LGDP does not Granger Cause LGEX		0.02537	0.8748
LFDI does not Granger Cause LGDP	26	0.57307	0.4567
LGDP does not Granger Cause LFDI		7.68422	0.0108
INF does not Granger Cause LGDP	26	0.01501	0.9036
LGDP does not Granger Cause INF		1.85492	0.1864
FEX does not Granger Cause LGDP	26	4.57972	0.0432
LGDP does not Granger Cause FEX		1.03396	0.3198
DO does not Granger Cause LGDP	26	1.01921	0.3232
LGDP does not Granger Cause DO		10.1127	0.0042
LFDI does not Granger Cause LGEX	26	0.15167	0.7005
LGEX does not Granger Cause LFDI		6.52880	0.0177
INF does not Granger Cause LGEX	26	0.16709	0.6865
LGEX does not Granger Cause INF		2.95390	0.0991
FEX does not Granger Cause LGEX	26	0.15034	0.7018
LGEX does not Granger Cause FEX		2.92779	0.1005
DO does not Granger Cause LGEX	26	0.34886	0.5605
LGEX does not Granger Cause DO		3.32727	0.0812
INF does not Granger Cause LFDI	26	0.03334	0.8567
LFDI does not Granger Cause INF		3.83485	0.0624
FEX does not Granger Cause LFDI	26	2.95569	0.0990
LFDI does not Granger Cause FEX		1.61016	0.2172
DO does not Granger Cause LFDI	26	3.36706	0.0795
LFDI does not Granger Cause DO		2.26201	0.1462
FEX does not Granger Cause INF	26	1.77826	0.1954
INF does not Granger Cause FEX		1.59538	0.2192
DO does not Granger Cause INF	26	2.25712	0.1466
INF does not Granger Cause DO		0.00130	0.9716
DO does not Granger Cause FEX	26	0.14263	0.7091
FEX does not Granger Cause DO		7.41767	0.0121

The result revealed no bidirectional relationship among the variables, rather unidirectional causal relationship exist running from real gross domestic product (LGDP) to foreign direct investment (LFDI), real gross domestic product to the Degree of Openness (DO) this collaborates the result of the parsimonious model, and from Government Expenditure (LGEX) to foreign direct investment (LFDI).

5. Conclusion

The aim of the study was to ascertain the performance level of the Nigeria economy in the face of globalization and economic integration. The study revealed that the explanatory variables: Degree of Openness, Foreign Direct Investment, Foreign Exchange rate and Government Expenditure conform to a priori expectation. The study also showed that there exist a causal relationship between economic growth and degree of openness and economic growth and Foreign Direct Investment. Thus collaborating Chimobi (2010) that trade openness and financial development has causal impact on economic growth in Nigeria. It is therefore pertinent to conclude that globalization and foreign direct investment can stimulate the Nigerian economy to full employment equilibrium if the conducive and enabling environment is created. Thus, policies to bring about global integration should be an important factor to consider in making economic decisions in the country. We therefore proffer the following recommendations:

- The study showed a causal relationship between economic growth and degree of openness. However from our finding, Nigeria's benefit from trade openness centers on crude oil exportation. Diversification of the economy and improvement in other key sectors of the economy is important and necessary so as to give Nigeria competitive advantage and improve her performance in the global market
- Prudent government expenditure should be embarked on so as to improve dormant sectors or activate sleeping sectors of the economy. Expenditure that harms the growth of the economy should be discouraged for those that promote it.
- Foreign Direct Investment should be encouraged as an increase in FDI tends to improve economic growth of the country. Also investment in non-oil sector should be encouraged while creating conducive environment for investments is a sine qua non for improve economic growth.

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