Positioning Nigeria For Global Competitiveness In The 21st Century: The Policy Imperatives

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Abstract: A competitive economy is one where the productivity level determines the rate of return investors can obtain in it. It is the one economy that is likely to sustain economic growth and development, enhance the productivity of nations for the general well-being of the citizenry. In the course of analyzing the Nigerian economy for the 21st century, several factors have shown that the economy is not globally competitive. Among the reasons for the poor competitiveness status of the economy include: macroeconomic instability, infrastructural failure, weak public institutions, poor quality of manpower, and slow pace of technological development among others. The paper concluded that there has to be some sort of “structured national efforts” directed at building institutions, enacting sustainable policies and restructuring the Nigerian economy in the light of emerging domestic and global challenges. The paper recommended immediate development of Agriculture, Solid Minerals, Tourism and the Service sectors of the economy. The paper also suggested that the private sector should be supported to develop as the engine of growth to drive the economy. Specifically, Nigerian government must invest heavily to upgrade infrastructure, reduce corruption, and develop the capacity to acquire modern technology through emphasis on science/technical education, and other knowledge resources required to meet the challenges of the 21st century.

Keywords: Global competitiveness, Positioning, Economy, Firm, Industry, Nigeria

1. Introduction

Positioning is the act of designing an organization’s (or a country’s) offering and image to occupy a distinctive place in the minds of a target market (Kotler, 2000). It is a process in which firms or countries try to create a perception in the consumers’ minds as to where a brand or product fits in relation to competition (Busch & Houston, 1985). The result of positioning is the successful creation of a market-focused value proposition, a cogent reason for the target market to patronize a firm or country’s goods or services.

Global is a concept that is seen as a firm’s or country’s commitment to integrate and coordinate economic activities across national boundaries in order to enjoy economies of scale, cost and reputation; and thus satisfy the needs of global customers better than competition. It involves the entire world, and not just a few countries (Johansson, 2003). *To compete* is to try to be more successful or better than somebody else who is trying to do the same thing as you. To be competitive describes a situation in which people or organizations compete in order to be as good as or better than others do. To quote Morgenstern (1972) - the meaning of competition is “one of struggle with others, of fight, of attempting to get ahead or at least to hold one’s place”.

Competitiveness therefore pertains to the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market, in relation to the ability and performance of other firms, sub-sectors or countries in the same market (www.wikipedia.org). The World Economic Forum defines competitiveness as “the set of

institutions, policies, and factors that determine the level of productivity of a country". The term is also used to refer in a broader sense to the economic competitiveness of countries, regions or cities.

Empirical studies confirm that resources (capital, labor, technology) and talent tend to concentrate geographically (Easterly and Levine, 2002). This result reflects the fact that firms are perpetually engaged in inter-firm relationships with networks of suppliers, buyers and even competitors that help them to gain competitive advantages in the sale of its goods and services. The idea of clusters, the creation of value chains, or industrial districts are models that highlight the advantages of networks. National competitiveness is said to be particularly important for open economies which typically rely on trade and foreign direct investment to provide the scale of economic activity necessary for productivity enhancements to drive increases in living standards. It distinguishes in particular between policy inputs in relation to the business environment, the physical infrastructure and knowledge infrastructure as well as the essential conditions of competitiveness that good policy inputs create, including business performance assessments, productivity, labour supply and the costs of doing business.

In the current challenging socio-economic circumstance in which Nigeria finds itself, this paper examines the importance of structural economic adjustments for sustained growth in the Nigerian economy. The focus of the paper therefore, is to highlight the critical areas of the Nigerian economy that deserves urgent attention - through diversification, restructuring, strengthening of institutions, and the necessary policy interventions required to move Nigeria towards sustainable economic growth and development.

1.1. Problem Situation

It is common knowledge that Nigeria is not where she ought to be in terms of economic growth and development. Most African and Asian countries who were at the same level of economic development with Nigeria in the 1960s have overtaken her. Such countries include: India, Indonesia, Thailand, Singapore, China, Malaysia, South Korea, just to mention a few. While most of these countries are enjoying strong economic growth, Nigeria has remained economically underdeveloped due largely to macroeconomic instability, poor infrastructure, government interference, inefficiency, weak public institutions, poor corporate governance, corruption and recently insecurity. Nigeria now belongs to the group of Extremely Poor Countries on earth (World Bank: March, 2014).

We lack the necessary legal and administrative mechanisms to harness our rich heritage in Agriculture, Solid Minerals, Tourism and other non- oil sectors. With infrastructure deficit estimated to be in the region of \$300 billion, about 120 million Nigerians lack access to electricity (World Bank, 2013); transportation network is still very poor across the country thereby making movement of people and goods to be difficult and costly. For *macro- economic stability*, the good news is that inflation is down to single digit (7.6% in 2013), but interest rate is still high at 12%, with commercial banks lending to private entrepreneurs for as much as 30 to 34% interest (CBN, 2013) - which makes it difficult for Nigerian firms and industries to compete globally. In *health and education*, preventable public health diseases like malaria, typhoid, polio, cholera are still at epidemic proportions in Nigeria; taking their toll on the productivity of the labour force with the associated loss of man-hours in the economy. An estimated 56 million people in Nigeria are illiterates, i.e. cannot read or write in any language (UNESCO, 2014). We produce poor quality unemployable graduates who can hardly practice their profession. There's a weak linkage between educational institutions and industry. ICT penetration in Nigeria is very low- in a world that is becoming increasingly knowledge-based. With poverty at 69.9% and unemployment at 25% (NBS, 2013), we lack the purchasing power that is required to effectively stimulate and drive the consumption of goods and services. Again, Nigerians have a great appetite for foreign goods and this attitude is to the detriment of local producers. *Insecurity has become an issue in Nigeria* due to insurgency. Lack of protection of property rights has stifled creativity and innovation. Copyright laws are not strong enough to protect intellectual property rights. These issues must be adequately addressed for Nigeria's economic development to be on the development track.

1.2. Objectives of the Paper

The general objective is to emphasize the need for sustained structural reforms in critical areas of the Nigerian economy and provide policy recommendations for her global competitiveness in the 21st century.

The specific objectives of the paper include to:

- i) Identify and highlight the major factors militating against the achievement of economic growth and development.

- ii) Isolate and stimulate discussion on critical areas of the Nigerian economy that need urgent policy intervention and action.
- iii) Ascertain the role of government, policy makers, and the organised private sector in the entire economic process and seek the way forward.

The paper is significant as it will serve as handy toolkit for government officials and policy makers, captains of industries, economists/financial experts, investors (both foreign and local), development partners, entrepreneurs, researchers, academics and students to draw from as they engage Nigeria and Nigerians in their socio-economic development.

1.3. Profile of the Nigerian Economy

Nigeria is located on the gulf of Guinea in West Africa. Its area of over 923,773 square kilometers is entirely within the tropical zone between latitudes 4° and 14°N and longitudes 2°20 and 14°30'E. It extends westwards from the coastline for over 1,046 kilometers (Olaloku et al, 1984). Nigeria's population is estimated at 167 million people (2006 Census), and is the largest in Africa. Nigeria is a tropical country with a large expanse of arable land having a wide range of climatic conditions, which makes it conducive for agriculture. Nigeria is also the biggest oil exporter in Africa.

The Nigerian economy has essentially been agriculture- based, but with the discovery of petroleum in commercial quantity in 1956, drilling and mining have become a very important sector of the economy; contributing as much as 70% of government revenue annually. The petroleum sector has been the main source of the rapid growth of the Nigerian economy for the past five decades. This development notwithstanding, agriculture remains the broad base of the economy, especially in terms of the volume of employment, which it generates for the nation's labor force. More specifically, the agricultural sector provides employment for 70 to 80% of the country's rural labor force and contributes approximately 22% to the recently Rebased Nominal GDP as against petroleum and natural gas which contributes 14.4% to the Rebased Nominal GDP in 2013 (National Bureau of Statistics, 2013).

According to Ekpo, Ndebbio, Akpankpan and Nyong (2003), the structure of industry in the Nigerian economy has been oriented towards the production of consumer goods from the rich agricultural endowment of the country. Agro-industries such as vegetable oil extraction plants, tanneries, tobacco processing, textile and beverages, played a significant role in the industrialization of the country in the 70's. These activities were mainly private sector dominated. However, due to a number of constraints, including the global economic recession of the late 1970s and early 1980s, among others, the Nigerian economy failed to contribute substantially towards food self-sufficiency, employment and wealth creation. To rescue the economy from the problems of inflation and unemployment, the Structural Adjustment Programme (SAP) was introduced in 1986 by the Babangida regime. This programme was designed partly to revitalize the industrial sector by shifting emphasis to increased domestic sourcing of inputs and export-oriented production through monetary and fiscal policies. There were also measures to enhance competitiveness and eliminate market distortions and unnecessary government interference (Ndebbio and Ekpo, 1991).

Some Sectoral Contributions to Nigeria's Rebased GDP 2013 include:

- Crude Petroleum and Natural Gas contributed 14.4% to Rebased Nominal GDP.
- Agriculture contributed 21.97% to the Rebased Nominal GDP.
- Manufacturing/Industrial Sector contributed 6.7% to the Rebased GDP
- Quarrying/other minerals contributed 14.50% to the Rebased Nominal GDP
- Trade contributed (wholesale/retail) 17.20% to the Rebased Nominal GDP
- Music & Entertainment contributed 1.2% to the Rebased Nominal GDP
- Tax revenue contributed 12% to the Rebased Nominal GDP.
- Other Services contributed 1.68% to the Rebased Nominal GDP.

Source: National Bureau of Statistics, 2013

2. Theoretical Framework on Competitiveness

Studies have been done by academics, political economists, policy analysts on competition and competitiveness; including the works of Porter (1985), Porter (1990), Tyson (1991), Chakaborty (1991), Thurow (1992), Dunn (1992), Rugman and D'cruz (1993) Dunn (1994), Cohen (1994), Krugman (1994), Powell (2001), UNIDO (2001), Johansson

(2003), Onyemenam (2004), International Institute for Management Development (2006), World Bank (2006), Barney (2007), WEF (2012), Atkinson (2013).

Porter (1985) had stated that, “the only meaningful concept of competitiveness at the national level is productivity” and emphasized that productivity growth is the focus of national competitiveness strategies. Porter argues that the development potential of a country or an economy is determined by its ability to foster competitiveness, generate, retain and attract economic activities that will ensure prosperity. Porter identifies four broad attributes which individually or collectively could create a platform that enable an industry or industries in a country to develop and compete nationally or globally:

First, *factor endowments* of a country are prerequisites to efficient and competitive production. Factor endowments; include human and non-human resources such as land, labor, mineral resources, water, etc. Second, *the structure, size and rate of growth of domestic demand* for industrial products are also important for competitiveness. Third, the presence of *suppliers and related industries* that render support services such as information and communication technologies (ICT), financial services, market information are crucial. Fourth, the set of conditions including *corporate governance, cluster development and cooperation*, as well as domestic rivalry is a crucial factor for competitiveness. Porter added the fifth factor as *government's actions/inaction* as they are known to impact positively or negatively on the above four broad attributes. In Porter's view, industrial competitiveness determines national competitiveness; and so countries can have strong national competitiveness in some industries and not necessarily in all industries and remain globally competitive.

Atkinson (2013) argues that competitiveness is not the same as productivity. In his view, competitiveness relates only to the economic health of a nation's traded sectors. A nation could have high productivity in some sectors and still be economically unhealthy by not creating enough jobs. For him, economic health can only be defined in terms of the ability of a nation's economic sectors to add value and thus create jobs.

Onyemenam (2004) describes competitiveness as the “degree of superiority by which a firm or a nation produces goods, services and other related functions when compared to peers.” Nations are said to be competitive when they pursue a package of economic policies that emphasize private sector as the engine of growth and revolve around the market-oriented doctrine, and have the associated public institutions and continue to experience technological progress.

The World Economic Forum defines competitiveness as “the set of institutions, policies and factors that determine the level of productivity of a country.” The general assumption behind the World Economic Forum index is that competitiveness and economic growth complement each other. However, the International Institute of Management argues that economic growth alone cannot determine a country's competitiveness. Rather, it is only one of the factors that contribute to competitiveness.

According to (UNIDO, 2001), other critical factors that account for a country's competitiveness include; but not limited to domestic economic strength/viability, quality of corporate governance, macroeconomic stability, level of infrastructural development, managerial and leadership capabilities, scientific and technological capabilities and quality of manpower/ labor skill. Countries can create a favorable environment for firms to thrive but firms should be able to exploit such competitive advantages and overcome any diseconomies especially in terms of labor and other input costs.

Johansson (2003) however asserts that being better than competition means “assessing and responding to global competition by offering better value, high quality or low prices to the world. And this can only be achieved by building superior structures, processes and systems.”

In the authors' view, competitiveness describes the ability of a country to continuously implement a mix of economic strategies involving relevant institutions and stakeholders that emphasize productivity growth and job creation, with a view to increasing the overall living standard of the citizenry.

More specifically, competitiveness has a lot to do with deliberate efforts to continuously improve on the general business climate with a view to improving the productivity levels of firms in a country for the better living standards of

the people. Hence, the more competitive countries are those with lower relative costs of doing business. It is concerned with the export performance of firms located in those countries relative to their foreign counterparts (Barney, 1991).

It is important however, to distinguish between the competitiveness of a country - a term which refers to the economic strength of a national economy on world markets; and its possible consequences, i.e. the increasing or decreasing living standards in a particular country during a certain period of time. Thus, understanding the nature of competition of nations does imply a specific goal system different from simply increasing the living standard per capita in every country. Why should nations compete against each other if they were simply driven by the same motive of improving their people's living standards which are largely driven by domestic factors?

Krugman (1994) argues against the idea that a country's economic fortunes are largely determined by its success on world markets, and maintains that such a hypothesis is 'flatly wrong'. He thinks competitiveness skews domestic policies, leads to trade conflicts among nations, and threatens the international economic system. In his essay, he criticised the notion that the bottom line of a nation's economy is simply its trade balance, in which case competitiveness can only be measured by the ability of a country to sell more abroad than it buys. He maintains that "any government wedded to the ideology of competitiveness is unlikely to make good economic policies" and concludes that a trade surplus may be a sign of national weakness, as much as a trade deficit could be a sign of strength.

Tyson (1994) agrees that in an economy with very little international trade, the growth in living standards and thus "competitiveness" would be determined almost entirely by domestic factors, primarily the rate of productivity growth; not productivity growth relative to other countries. In other words, for an economy with very little international trade, "competitiveness" would mean "productivity" and would have nothing to do with international competition. He argues that even in countries where world trade is large and increasing, national living standards are overwhelmingly determined by domestic factors rather than by some competition for world markets.

Dunn (1994) believes however, that countries do compete economically, *though in a different way than corporations do and opines that* countries are not only economic entities, but defined by political and social features too. Improving the living standard per capita might be an economic objective of a political élite particularly if it is committed to democratic principles, but it is certainly not the only element within the politically defined goal system of a nation. Other motives like gaining bargaining power and influence on other countries, strengthening the country's position in international negotiations and institutions, increasing its prestige and military power, and so on, play an even greater role in public policy.

Krugman points out that international trade is not a zero-sum game where one nation's gain is another's loss. He however, acknowledges there is always rivalry for status and power among countries; "but saying that one nation's growth diminishes another's standard of living cannot be true, and that is what the concept of competitiveness preaches".

However, Dunn (1994) posits that the "win-lose" character of power motivation determines the way nations act economically, too. States (or their political elites) treat their economy as the major source of economic means to achieve politically-defined national interests. Countries compete economically because they compete politically to gain regional and global power and influence. Conversely, countries may not go out of business (like firms), but they might very well become dependent upon other countries to such an extent that their sovereignty is undermined. Therefore, as countries compete economically and promote their nation's industries trade might become a zero-sum game.

The view that competitiveness identifies with a nation's living standard at all times as canvassed by proponents of national competitiveness may not be true in all cases. For instance, the rising standard of living in East Germany (before unification) was not a sign of growing competitiveness of its industries but the effect of an enormous flow of capital aid and public spending on the social services. Singapore and Hong Kong whose industries meet international competition standards extremely well still have the living standards in both countries comparatively low.

Many less developed countries (e.g. India), whose industry competitiveness depends almost entirely on the nation's comparatively low wage level, have lower living standards. But even in highly industrialized countries like Germany and Japan, the competitiveness of a national economy is to some extent, dependent on the existing wage level of the overall economy.

The measurement of competitiveness has always been problematic. This is because the driving factors behind a nation's competitive performance are often varied and interconnected. Therefore, to measure competitiveness it is important that the underlying economic factors measured (by an indicator or set of indicators) correspond to the economic features of a country's economy. Again, measuring the competitiveness of a national economy by using one indicator only or by isolating one economic factor from its economic environment can only yield poor results (Cohen, 1994). However, this measurement difficulty implies that further research is needed in this area.

Krugman is, therefore, right in pointing out that blaming foreign competition for unemployment and low wages is in many cases wrong, when they are mainly caused by domestic factors. Both Krugman and Dunn are right in their criticism that competitiveness cannot simply be measured by the living standard or by trade balances and their changes alone. Some other interrelated variables also play their role.

Many determinants drive productivity and competitiveness ranging from investments in physical capital and infrastructure, to interest in other mechanisms such as education and training, technological progress, macroeconomic stability, good governance, firm sophistication, and market efficiency, among others. They are not mutually exclusive— as two or more of them can be significant at the same time in an economy. These components are grouped into 12 as the pillars of competitiveness (See figure 1 below) which is used as the paper model

Figure 1: The Global Competitiveness Index Framework
Source: World Economic Forum (Global Competitiveness Index, 2013)

In such economies as Nigeria, companies compete on the basis of price and sell basic commodities (especially agricultural products), with their low productivity reflected in low wages. Maintaining competitiveness at this stage of development hinges primarily on well-functioning public and private institutions (pillar 1), a well-developed infrastructure (pillar 2), a stable macroeconomic environment (pillar 3), and a healthy workforce that has received at least a basic education (pillar 4).

As a country becomes more competitive, productivity will increase, and wages will rise with advancing development. Countries will then move into the efficiency-driven stage of development. At this point, competitiveness is increasingly driven by higher education and training (pillar 5), efficient goods markets (pillar 6), well-functioning labour markets

(pillar 7), developed financial markets (pillar 8), the ability to harness the benefits of existing technologies (pillar 9), and a large domestic or foreign market (pillar 10). Finally, as countries move into the innovation-driven stage, wages will have to rise so much that firms/countries are only able to sustain those higher wages and the associated standard of living only if their businesses can compete with new and/unique products, services, models, and processes. At this stage, companies must compete by producing new and different goods through new technologies (pillar 12) and/or the most sophisticated production processes or business models (pillar 11).

3. Academic Reviews on the Concept of Competitiveness

The most known competitiveness models of macro level are: the Porter's (1990) "Theory of Competitive Advantage", the "Nine-Factor Model of International Competitiveness" by Cho (1994), the "Double Diamond Model" by Rugman and D'Cruz (1993), the models presented in the reports on competitiveness of national economies by the World Economic Forum (2006), the International Institute for Management Development (2006), the World Bank (2006). However, most of these studies focus on economic factors of place competitiveness; other areas such as social, historical, cultural, legal, political, environmental, etc. aspects receive no or minor attention.

Recently, countries are increasingly looking at their competitiveness on global markets. Ireland (1997), Saudi Arabia (2000), Greece (2003), Croatia (2004), Bahrain (2005), the Philippines (2006), Guyana, the Dominican Republic and Spain (2011) are some examples of countries that have advisory bodies or special government agencies that tackle competitiveness issues. Even regions or cities, such as Dubai or the Basque Country (Spain), are considering the establishment of such a body (wikipedia.org).

The institutional model applied in the case of National Competitiveness Programs (NCP) varies from country to country; however, there are some common features. The leadership structure (of NCPs) relies on strong support from the highest level of political authority. High-level support provides credibility with the appropriate actors in the private sector. Again, most programs share a common view on the importance of networks of firms or "clusters" as an organizing principal for collective action. Globalization is becoming a centerpiece in the business strategy of many firms and countries, and so the ability to manage the "global knowledge resources" to achieve competitive edge in today's knowledge-based economy is one of the keys to sustainable competitiveness" (Hollensen, 2000:9).

The empirical study by Sinkiene (2009) dwelt on "city competitiveness model" and suggesting the key factors and elements of micro and macro environment that determine the competitiveness of a contemporary city. The key scientific problem addressed in this study is that contemporary discussions do not provide a clear definition of the concept "city competitiveness", the most important factors influencing city competitiveness are not defined, and the system of comparable and acceptable city competitiveness factors does not exist. This agrees with the positions of Krugman (1994), Budd (1998), and Sheppard (2000) in the literature that national competitiveness is at best a relative concept whose factors are not clearly defined, and therefore difficult to measure.

The study proposed four major categories of internal factors that influence city competitiveness: human factors, institutional factors, physical factors, economic factors; emphasizing that the analysis of the factors improving city/national competitiveness must be carried out without any preference to one particular factor. "All internal and external factors create one entire system, all factors are interdependent. All factors are incorporated into one integrated and dynamic system, where each factor supplements and supports one another".

The study findings indicate that competitiveness is a multifaceted and relational concept and has to be analyzed with reference to factors having the greatest importance in a specific market of competitiveness. "Every city territory competes with other city territories by its functions and sphere of influence (global, national or regional) within which they specialize". Sinkiene (2009) specifically revealed the following; that:

- The external environment factors providing basis for improvement of competitiveness of cities in Lithuania are considered weaker than the internal factors, i.e. competitiveness of Lithuanian cities mostly depends on the domestic (internal) factors of the cities.
- The greatest importance for competitiveness of Lithuanian cities has the following external factors: macroeconomic situation of the state, national income level, national fiscal policy, national demographic situation, and development of communications in the country. In order to retain or improve the existing competitiveness level of Lithuanian cities, a well-balanced development of these factors is necessary.

- Efforts to improve on the competitiveness of cities should focus on strengthening the internal factors: raising effectiveness of local government activity (to raise quality of implementation of government functions), to improve city infrastructure (to develop city transportation, energy supply, water treatment, public spaces and other systems), to assure better city accessibility (by all means of transport and telecommunication networks).

Sun et al, (2010) also did a study to analyze “the interactions among the competitiveness factors of the real estate industry”--using Porter's Diamond Model in the cities of Beijing and Tianjin in China. Based on Porter's Diamond Model, the study classified the competitiveness factors into four key categories: (productivity element, demand constraint, the strategy or structure of relevant and supportive industry, and horizontal competition). Findings – supported by empirical evidence, revealed that “related industries” have the most significant influence on competitiveness of real estate industry in the two cities under study, and the second most important is “demand factors”.

In a related study, Bakan and Dogan (2012) examine ‘why some states are more competitive and why some industries within states are more competitive than others’, Porter’s diamond model of national competitiveness was again used “to assess the sources of competitive advantages of an industry in a particular country and how this can help raise the competitive status of a nation in global competition”. This model consists of four national determinants of competitive advantage: factor conditions, demand conditions, related and supporting industries, and firm’s strategy, structure and rivalry. The study revealed that achieving a sustainable competitive position can be realized only through firms and sector-specific strategies, since nations compete through their firms/industries. Reviewing the results of the study, it was observed that the “conditions of demand” affect sectors’ competitiveness more than any other factor in the Diamond Model. The second factor is “the government”. “Related industries” follow these two. The last is “factor condition” and it is not surprising because the competitive advantage is gained with the inimitable qualities of the firms. Hence, the factor conditions of the firms are not easily copied by observing and imitating the rival firms. This study is valuable as it depicts strategic ways in achieving a competitive advantage and also the importance of the factors of competitiveness in Kahramanmaraş firms in the various sectors of that nation’s economy.

Li (2012) study focused on “national competitiveness through strong brands industry distribution”. The study analyzed and compared the world’s top 500 brands and the world’s top 500 brands’ distribution in different countries and their GDP, in order to find the causal relationship between the industrial competitiveness and the national competitiveness of those countries with such brands. Results indicate that the more industries with strong brands of a country, the stronger industrial/ national competitiveness a country has. Li’s research results reveal that the distribution density of the countries’ world brands and the countries’ GDP under study has a strong causation. Research implications: focus on brand building and nurture certain quantity of strong brands as an important way to enhance industrial and national competitiveness. The study indicates that brand is an important intangible asset of enterprises and nations and that strength and high value about brands reflects corporate and national wealth creation ability. Therefore, “strong brands and their number” are important manifestations of national competitiveness. Hence, industrial competitiveness is the basis for national competitiveness, and so the brand status of a nation’s industries can as well represent the distribution of industrial/national competitiveness.

The results of the above studies all agree with extant literature that national competitiveness is a multifactor interrelated concept which is best handled with the systems approach. The study results also agree with the theoretical position that levels of competitiveness as interpreted and practiced in many countries are based on the economic features of such countries. The above empirical results all indicate that internal/domestic factors play much greater role than external factors in determining the competitiveness of national economies.

4. Discussion

To achieve objective 1 of the paper, discussion on the major militating factors against Nigeria’s competitiveness is necessary. Figure 2 (below) presents the most problematic factors for doing business in Sub-Saharan Africa, including Nigeria:

Figure 1: Problematic Factors for doing business in Sub-Saharan Africa

Source: World Economic Forum, 2012

In Nigeria, the most active segment of industry still remains the Small/Medium Scale Enterprises (SME's) even though most of their activities are not well-documented. These indigenous private small and medium industries are able to manufacture a range of products which ordinarily improve competitiveness, but they are constrained by policy inconsistencies, lack of access to credit and global markets, and harsh business environment. Specifically, the poor competitiveness status of Nigeria over the years is a product of many constraining factors including:

- Political Instability: the incursion of the military in government clearly undermined national competitiveness.
- Past developmental strategies adopted based on import-substitution policy resulted in damaging effects on the country's competitiveness. This policy carved out a leading role for the state as the engine of growth and development to the exclusion of private sector participation.
- The dominance of the petroleum sector over agriculture undermined the importance of agro-business which would have improved the value chain, created wealth and generated millions of jobs.
- High transaction costs and generally high cost of doing business due to inefficient bureaucracy.
- Infrastructure failure is one constraint to competitiveness whose policy has not been adequately addressed over the years. Obviously, the most important determinant of firm level competitiveness in Nigeria today is infrastructure,, especially power. Firms have resorted to self-help by way of acquiring generator sets to make their businesses survive. Substituting internal capital in this way for publicly provided inadequate infrastructure represents major costs/problems. Unless preconditions for the competition are met locally, global competitiveness would not be feasible.
- Others constraints to Nigerians competitiveness include:

Lack of access to credit, Macroeconomic instability, bureaucracy, poor quality labour force, crime/theft, corruption, lack of property rights, insecurity etc.

The graph above reveals that access to financing, corruption, and inadequate supply of infrastructure are seen to be significant hindrances to doing business in Nigeria. These are issues that must be tackled in order to encourage wealth creation and reduce unemployment. Nigeria's ability to move its economy on a sustainable growth path will depend on

critical improvements across all sectors; with special focus on strengthening institutions, infrastructure deficit, macro-economic stability, health/education, and insecurity.

To achieve objective 2 of the paper, highlights on the critical areas of the Nigerian economy that deserves urgent intervention is discussed-using figures 1 and 2 (above).

With a population of 167 million people, Nigeria is the largest country and market for goods and services in Africa. It is blessed with a large expanse of arable land for agriculture, and assorted solid minerals. It is the biggest oil exporter in the continent of Africa with about 43 billion barrels of crude oil and 187 trillion cubic metres of natural gas reserves (NNPC, 2012). With these large reserves of human and natural resources, the country is expected to build a prosperous economy, significantly reduce poverty, and provide health, education and infrastructure services to meet its population needs.

Nigeria has been implementing an ambitious reform agenda for the past ten (10) years. The economy responded with strong growth between 2003 and 2010, averaging 7.6%. Nigeria was among the first countries to adopt and implement the Extractive Industries Transparency Initiative (EITI) to improve governance in the oil sector. The power sector reform initiative recognizes that improving power sector performance is critical to addressing industrial development challenges; to expand supply, open the door to private investment and address some of the chronic sector issues hampering improvement of service delivery (CBN bulletin, 2012).

However, weaknesses in the oil sector have increased macroeconomic risks. Oil accounts for close to 90% of exports and roughly 70% of consolidated budgetary revenues. The decline in oil output, weak demand, together with recent lower oil prices, can be associated with a weakening of the country's balance of payments and shortfalls of budgetary revenues into the federation account. Despite strong economic growth record in recent times, poverty is still significant at 69.9%, unemployment is still high at 25%; and reducing them will require strong non-oil growth and a focus on human capital development.

Therefore, urgent intervention is needed to diversify towards Agriculture, Solid Minerals, Tourism/Hospitality, Music/Entertainment, Sports and improve their value chain. This is not to say that the petroleum sector should be abandoned. But, we need to move beyond trading on crude oil alone; and begin to establish petroleum product processing industries-like petro-chemical, fertilizer and plastic industries. The service sector is another untapped area that Nigeria can harness to reduce poverty and unemployment as the economy gets advanced to the next level. And these initiatives must be allowed to be private- sector driven.

To achieve an objective (iii) of this paper; the role of the government, policy makers, and the organised private sector in the new economic process is discussed followed by policy recommendations on the way forward.

The history of industrialization in Nigeria shows that the public sector has been playing a dominant role. The core industrial projects initiated in the 1970s and 1980s tilted the structure of industrial ownership in favour of the government. Most of the large enterprises owned by the government were poorly conceived and operated inefficiently, with a great deal of political interference in management; thus leaving no room for competition or private participation. There were no policies in place to enhance the competitiveness of the Nigerian economy. However, recent government efforts are directed towards restructuring, privatizing and commercializing most of these enterprises as a step towards competitiveness and efficient management. Efforts are now being made to encourage and support the development of the private sector (through SMEs) to play the key role of driving the Nigerian economy. New economic policies are now being put in place to make the economy more competitive. Such policies include the new Modern/Commercial Agric. Policy, the Power Roadmap, the Automotive policy, the new Integrated Tax Scheme (ITAS), the Integrated Infrastructure Master plan, the Petroleum Industry Bill (PIB) aimed at reforming the oil/gas sector, to mention a few.

In spite of several reforms, recovery of the Nigerian economy has been slow. There is no doubt that some level of success had been achieved in stabilizing the financial sector, but the real (industrial) sector of the economy is still suffering from weak institutional environment, huge infrastructural deficit evidenced by poor network of roads, epileptic power sector, lack of access to credit facilities low demand for indigenous products and no government support, among others. (Ebong and Udoh, 2009).

Even though the country operates mainly at the factor-driven level of the global competitiveness framework and despite the economic problems confronting Nigeria, the Global Benchmarking Network has ranked Nigeria 115th out of 144 countries in its annual Global Competitiveness Reports for 2013 (See Ranking Index/Appendix). According to the report, Nigeria moved up to the 115th place in this year's ranking due to improved macroeconomic conditions which reflect a positive government balance and a drop in inflation to single digit. The report indicates that Nigeria has some strengths on which to build, including the "relatively large market" which ranked 33rd (see appendix). There are also indications of improvements in the labour market based on more efficient use of talent. Nigeria's status/position in the other sub-indexes (WEF Report, 2013) are described as follows:

- Low quality education & training, evidenced by poor quality graduates from our higher institutions (Pillar 5)
- Improved Goods market efficiency (Pillar 6)
- Improved labour Market efficiency based on efficient use of talent (Pillar 6).
- Resilient and stronger financial market development (Pillar 7)
- Low level ICT penetration in terms of technological readiness (Pillar 9)
- Large Market Size-which is Nigeria's strength (Pillar 10)
- Improved Macroeconomic conditions reflecting positive government balance and a drop of inflation to single digit (Pillar 3)
- Business sophistication is high by regional standards (Pillar 11)
- Nigeria is still average on innovation (Pillar 12)

The report adds that Nigeria received poor assessments for its infrastructure whose deficit is put at US\$300 billion. This implies an expenditure of \$30 billion annually for the next 10 years. For health, Nigeria still has the highest rate of infant and maternal mortality in the whole world. In education, 56 million people are reported to be illiterates i.e. can not read or write in any language. The report also says the country is not harnessing the latest technologies for productivity enhancements, as demonstrated by its low rates of ICT penetration at 112th position for "Technological Readiness" index. In spite of successful initiatives in human development, Nigeria may not be on track to meeting most of the Millennium Development Goals (MDGs) come 2015 deadline. Underpinning these challenges is the core issue of governance, especially at the state level. Fiscal decentralization provides 36 states and 774 local governments considerable policy autonomy, control of 48% of government revenues, and responsibility for delivery of public services. Capacity is weak in most states, and improving governance will be a difficult long-term process.

In the light of these developments, sustained structural reforms aimed at enhancing competitiveness will continue to be necessary for Nigeria to stabilize economic growth and ensure the rising prosperity of her growing population going into the future. To better enable the Nigerian economy to ensure solid future economic performance, Nigeria must continue to make efforts to develop economic environments that are based on productivity enhancements. This means keeping a clear focus on strengthening the institutional, physical, and human capital requirements for a strong and competitive private-sector-led development.

To reposition Nigeria, one can only look for ways to overcome Nigeria's barriers (threats and weaknesses) to global competitiveness in terms of those factors that constrain us from improving domestic productivity, and generally increasing the living standard of our people. Matching Nigeria's areas of strength with the emerging global opportunities will require that we get our domestic policies on a sound footing. This will imply a specific focus on some specific areas of the economy as earlier enumerated. In repositioning Nigeria, the image is everything and communication are key. We must establish a mechanism to change the way Nigeria is perceived by the rest of the world. We must consistently communicate strongly that Nigeria is not a country of fraudsters, armed robbers, kidnappers, militants or terrorists. Not all Nigerians are corrupt...that we are a proud, decent, hardworking and God-fearing people.

5. Recommendations

Competitiveness policy is very broad in scope and relates to almost every aspect of a nation's economic life. It is therefore necessary that issues of economic growth and development be addressed at the national level with the involvement of all the key stakeholders. With this in mind, the following policy options are recommended:

- **Integrated Development Policy**

An interactive industrial development strategy involving the full participation of the government, the private sector, in consultation with other key stakeholders, should be adopted to drive Nigeria's economic development.

- **Public-Private Mechanisms**

Public-private sector consultation in Nigeria is weak. In countries where there are sustainable national public-private consultative mechanisms, such mechanisms have proved extremely useful in improving the efficacy of public policy and investment decisions.

- **Macroeconomic Stability**

Monetary, fiscal, investment and trade policies should be periodically assessed to ensure that they are in line with the country's development aspirations. The country's monetary policy should ensure that inflation is kept under control. The low value of the Naira against major international currencies threatens not only the performance of industries, but the ability of existing enterprises (SME's) to compete. Exchange rate policy should be flexible enough to accommodate the needs of the industrial sector at specific times. CBN should go beyond price stability, and pursue an effective and realistic interest rate policy based on monetary conditions and certain targeted level of economic activities.

- **Finance And Credit Policy**

Finance is a major constraint on economic development. It limits industry's ability to expand, acquire new technologies, restructure and modify production processes and compete. The financial market in Nigeria is getting stronger with the reforms in that sector. However, the success of the financial sector reform should trickle down to the real sector and agriculture in particular.

Commercial banks and other financial institutions should be encouraged to grant soft (low interest) loans to SME's, especially those involved in the production of intermediate goods, spare parts and components.

- **Fiscal Policy (A National Tax Policy)**

Transparency and consistency in fiscal policy would provide an environment in which industries can organize production, plan future expansion without substantial losses in profits as a result of high levels of taxation or double taxation.

It is simply uneconomic and unsustainable to run any economy outside of tax revenue. A national tax policy is therefore urgent and necessary in Nigeria to reduce over-reliance on oil revenue for development. The segment of our population (economy) in the informal sector is huge, and the aim of this policy would be to bring all taxable citizens (both corporate and individuals) into the tax net. The general tax contribution to the Rebased nominal GDP is 12%, and has dropped to 4% since after rebasing. And this is the lowest in the world (NBS, 2013).

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- **Human Resource Development Policy**

To achieve the goal of a healthy labour force to drive the economy, we must invest in the health needs of our people. Human resources development is important if competitiveness is to be achieved. The focus should be on future industry- specific needs for each of the sectors/sub-sectors, but more specifically for industries with the ability to compete in the global market. The government and the private sector should promote and develop university-industry linkage for research and development, skills development and innovation. In particular, the government should invest heavily on science and technology education (including ICT and digital technologies) and other knowledge-based resources for development and improved competitiveness.

- **Infrastructure Development Policy**

The contribution of the deplorable state of infrastructure to the poor competitiveness status of the Nigerian economy is widely acknowledged.

Electricity supply and cost are critical for competitiveness. The billions of cubic metres of gas we flare annually can be channelled to meet our energy needs if properly harnessed. Effective energy management measures should be introduced to ensure continuous electricity supply at lower cost. The private sector should also promote the development and effective utilization of alternative sources of energy for industrial use, e.g. solar, wind, nuclear to complement existing hydroelectric power stations.

- **Anti-trust and Consumer Protection Policy**

There's need for anti-trust laws that guarantee fair competition in the economy. This is necessary to promote healthy rivalry among firms in an industry, ensure continuous improvements in product service and quality, as well as protect intellectual property and consumer rights.

- **Agricultural Development Policy (The GBB Scheme)**

The present government has taken the initiative of moving agriculture towards the “development model” beyond subsistent farming. The emphasis is now on modern commercial farming and improving the value chain. As a part of this model, we need to establish agro-processing industries in order to improve the value chain. Government should also institute a Government Buy-Back scheme of agricultural products for preservation. This will help to stabilise the price of agricultural products, encourage farmers to engage in year-round production, ensure food security and reduce waste of agricultural produce every season.

6. Conclusion

Specifically, the paper exposes the most problematic factors for doing business in Nigeria; indeed Sub-Sahara Africa, and reveals that access to financing, corruption, and inadequate infrastructure are seen to be significant hindrances to doing business in Nigeria. We must continue to restructure and diversify the Nigerian economy towards Agriculture, Solid minerals, Tourism, Music/Entertainment, & other Services with a view to improving their value chain. It is important to develop a robust framework of policies and institutions that will enable the private sector drive the economy. Nigeria also need to invest massively in infrastructure, health, and education: especially science/ technical and vocational education. Let the Nigerian government evolve a national communication mechanism/strategy to change the negative perception about Nigeria to the outside world, encourage creativity by protecting intellectual property rights, and deal with growing insecurity in the land. Above all, effective leadership will also be required for us to drive through this ‘new’ process. That way, we may be positioning Nigeria to play big in the global economy this 21st century.

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