

Nigeria in Global Competitiveness Comparison

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Abstract

This paper examines the competitiveness of Nigeria as a resource-driven economy relative to four selected emerging market economies in Africa and Asia that has witnessed transition from the basic level of economic development. The central objective of the paper is to comparatively determine the strengths and weaknesses impacting Nigeria's competitiveness at each stages of economic development, using the Global Competitiveness Report's three stages of development and the competitiveness pillars characteristics of each stage as the basis of analysis. While Nigeria remain a resource-driven economy, its performance in the efficiency enhancers, and the more complex innovation and sophistication factors were found to be good for an efficiency-driven economy. Nigeria's abysmally low and deteriorating performance in the basic requirements remain its strongest challenge for competitiveness and long term growth.

Keywords: Nigeria, competitiveness, development, growth, productivity, reforms

1.0 Introduction

Competitive firms operating in a country are the source of wealth creation and accordingly the main engines of competitiveness. The Asian Development Bank (2003) claims that competitiveness is primarily a firm-level concept, therefore any understanding of the determinants of competitiveness must begin at that level. Though economic development research recommend sound monetary and fiscal policies, stable and efficient institutions, and a trusted and efficient legal system as corner stones of economic development. Recent research evidence, however, suggests that these factors only provide the opportunity to create wealth. They do not themselves create wealth as they bear indirectly on the productivity of firms. Porter (2005); Porter, Delgado, Ketels and Stern (2008); and Sala-i-Martin, Blake, Hanouz, Geiger and Mia (2009) linked the capacity of firms for wealth creation to their productivity, which arises first, from the sophistication of their operating practices and strategies, and secondly to the quality of the microeconomic business environment in which they operate. A higher-quality business environment will significantly affect the capabilities that firms can access, the competitive choices they can make, and the productivity that they can generate using their internal assets. Thus, the competitiveness of a country derives from the productivity of its firms. The degree of a country's competitiveness has two major implications for its development. It sets the sustainable level of prosperity that can be earned by the economy, such that more competitive economies tend to be able to produce higher levels of income for their citizens. Furthermore, it determines the rates of return obtained by investments in the economy (Global Competitiveness Report, 2008; 2009). A competitive economy is typically one which institutions, factors and policies continually enhances the productivity of its firms, produce sustainable high level of income for its citizens and offer better returns on investments than other economies. In this paper, Nigeria is benchmarked against four other large emerging market economies at different stages of economic development. Egypt and Indonesia were selected because they ranked as resource-driven economies alongside Nigeria in 2009, and subsequently have moved up to the next stage of development in the global competitiveness ranking within the study period.

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South Africa and Malaysia started out as efficiency-driven economies in 2009, Malaysia is currently in the transition phase to becoming an innovation-driven economy. Within the study period, only Nigeria and South Africa remain at the same stage of development they were at the start of the study. The broad objective of the paper is to identify the sources of Nigeria's competitive advantages and disadvantages when benchmarked against the selected countries with a view to ascertaining positive and negative gaps bearing on competitiveness at each stage of development. Our specific goal is to provide evidence for policy redirection aimed at stimulating the economy from resource-driven to efficiency-driven. The rest of this section gives a brief economic profile of Nigeria. The next four sections are structured in this order: review of extant literatures, methodology of research, comparative analysis of Nigeria's competitiveness from the standpoint of the Global Competitiveness Report (GCR), and conclusions with recommendations for policy consideration.

1.1 Nigeria: A Brief Economic Profile

Two oil booms in the 1970s provided a rare opportunity for Nigeria to leverage its economic growth. Growth was rapid in both industry and services, the economy grew 7.4% on average annually and as high as 27% in 1970. Per capita gross domestic product (GDP) increased 4% annually. The economy went through several years of contraction following the plunge in oil prices in the 1980s, and witnessed a negative growth rate of 1.4% in the decade 1980 – 1989. Modest economic recovery resumed in the 1990s with the economy growing at 2.6% annually but with negative growth rates in 1991 (-0.6%) and 1995 (-0.3%). With 2.80% annual growth in population, per capita GDP in current US dollars fell 65.6%, from \$871.1 in 1980 to \$299.3 in 1999 (Kwakwa, Adenikinju, Mousley and Owusu-Gyamfi 2008). High levels of Inflation averaging about 28.94% per annum was recorded over the same period. A major challenge for the Nigerian economy, as this trend portrays, is its macroeconomic volatility as a result of external terms of trade shocks and very high reliance on oil export earnings. In a 2003 World Bank report cited in Okonjo-Iweala and Osafo-Kwaako (2007) Nigeria's economy ranked among the most volatile in the world for the period 1960 to 2000. Fiscal expansions financed by oil revenues often cause real exchange rate volatility occasioning domestic currency appreciation, resource curse concerns, and worsening of the non-oil sector competitiveness.

Following the return to democracy in 1999, the new civilian administration introduced far reaching reforms to reposition the economy for sustainable long term growth. Between 1999 and 2003, the focus of reform was to ensure political stability, strengthening of democratic practises, and to tackle corruption. From 2003, policy was focused at macroeconomic reforms, structural reforms, and institutional and governance reforms. These reforms, among others, brought about the introduction of a new and more appropriate fiscal rule, a Due Process Mechanism for public procurement, the adoption of the Extractive Industries Transparency Initiative (EITI), and the introduction of two anti-corruption institutions to prosecute corrupt practices. Between 1999 and 2006, about 116 public enterprises were privatised. Telecommunications, power and downstream petroleum sectors were deregulated to encourage private sector participation (Okonjo-Iweala and Osafo-Kwaako, 2007). Responding to these reforms, the economy experienced the fastest growth in over two decades posting growth rates higher than both the West African sub-regional level and the sub-Saharan Africa level. (Barungi, 2014; IMF, 2015). Between 2011 and 2013 the non-oil sector annual growth averaged 7.1% with a peak of 8.3% in 2012. Agriculture, particularly crop production, and trade and services continue to be the main drivers of non-oil sector growth. In 2014, Nigeria rebased its GDP from 1990 to 2010 resulting in an 89% increase in the estimated size of the economy. The newly rebased GDP at current market prices was estimated to be around USD 510 billion by the end of 2013 (Barungi, 2014). The Nigerian economy now accounts for 35% of Sub-Saharan Africa's GDP (IMF, 2015). Despite the size of the economy and its recent growth progress the Nigerian economy continues to face significant competitiveness challenges.

2. Review of Literature

2.1 Evolution of Competitiveness

The increasing concern about national competitiveness in recent times can be attributed to the response to economic challenges faced by the United States (US) in the 1970s. Following the oil embargo of 1973 and the energy crisis of 1979, United States witnessed a period of stagnating productivity and price inflation. From mid-1960s to 1980, the four major European economies -West Germany, France, Italy and Britain- along with Japan experienced growth rates in real GDP consistently higher than the US challenging the US economic supremacy (Pianta, 1988).

Many American scholars, managers, and politicians opined that the US was facing a sudden and profound decline in industrial competitiveness and there was a need for the government to come up with a comprehensive policy to boost its traditional industries and foster the emergence of high-technology industries.

Competitiveness soon entered mainstream US economic policy debate in spite of some criticisms (Burton, 1994). At about the same time, European leaders began a discourse of Europe's competitiveness reasoning that European unemployment is attributable to the lack of competitiveness of their economies in relation to that of the US and Japan. The publication of the European Commission's White Paper on competitiveness in 1993, along with the two British White Papers on competitiveness (see Commission of the European Community, 1993; HMSO, 1994, 1995) subsequently brought the concept of national competitiveness to the fore of policy discourse in Europe and making improving national competitiveness a key policy theme of the 1990s' (Eltis & Higham, 1995). Today, governments in different parts of the world are setting up institutions at apex policy levels to monitor and advise on competitiveness issues confronting countries and regions. The Competitiveness Council (COMPET) of the Council of the European Union created in June 2002 and the North American Competitiveness Council (NACC) are examples of such institutions at regional level. At national level, the US Competitiveness Policy Council operated from 1991 to 1997. Also, the President's Council on Jobs and Competitiveness advised President Obama on the US economy between 2009 and 2012. In Africa, Egypt (2003), Nigeria (2013), and Zimbabwe (2015) have established Councils or Commissions on national competitiveness

Understanding the process of competitiveness and its driving factors has occupied the thoughts of economists for hundreds of years. The concept of competitiveness as we have it today is the result of a long history of thoughts which has helped to identify and define the various aspects of the concept. In 1776, Adam Smith proposed that division of labour and specialisation at country level will greatly improve the productivity of work. At international level, division of labour and international trade based on specialisation in activities in a country's areas of absolute advantage is a positive-sum game for all nations. Therefore, any government restrictions on international trade will hamper the natural growth of economic activities (Cho and Moon, 2000). David Ricardo (1817) extended the free trade proposition advancing that specialisation based on comparative advantage, rather than absolute advantage, benefits nations and attributed comparative advantage to superior labour productivity. Heckscher (1919) and Ohlin (1933), made significant contribution to the comparative advantage theory. Unlike Ricardo, they attributed comparative advantage to difference in factor endowment among nations. The Heckscher-Ohlin theorem predicts that a country has a comparative advantage in products which uses its most abundant factors relatively intensively and hence is able to export those products while import those products which are relatively intensive in those factors with which it is poorly endowed. The comparative advantage theory regarded by Krugman (1996) as a fundamental element in the neo-classical trade theory has witnessed a fairly long chain of refinements including Samuelson's (1948, 1949) factor equalisation theorem. Other important contributions to understanding the underlying factors of competitiveness include works which emphasised; the role of the entrepreneurs in innovation and technological improvement (Schumpeter, 1942), the role of management at firm level (Sloan, 1963, Drucker, 1969), and the prominence of education, technological innovation and increased know-how (Solow, 1957). Several modern economists including Romer (1990) and Warsh (2006) have provided further evidence supporting the prominence of knowledge as an important determinant of competitiveness. Porter (1990) aggregated of all these thoughts into a systemic model which establish the basis for the definition and measurement of national competitiveness currently used in the annual Global Competitiveness Report (GCR) of the World Economic Forum (WEF).

2.2 Definition and Determinants of National Competitiveness

Governments across the globe frequently appeal to competitiveness as a central objective of national economic policy. However, at policy and academic research levels there appears to be no consensus as to the exact meaning of the concept and of how to achieve it (Boltho, 1995). Competitiveness is linked in different ways to overall economic outcome like growth or specific objectives like job creation and foreign direct investment (FDI). Other perspectives associated competitiveness with specific local conditions such as low wages or balanced budget. Yet, some researchers expressed distrust about the concept, partly due to some policies designed to promote it (Delgado, Ketels, Porter and Stern, 2012). To Krugman (1994) the pursuit of improving national competitiveness could result in misallocation of resources, protectionism and trade wars as well as produce bad public policy on a range of important national economic issues. In all, the evolution of the debate on competitiveness has revolved around three main ideas of global market share, costs, and productivity (Delgado et. al, 2012).

The market share definition of competitiveness advanced through the strategic trade/ industrial policy research of the 1980s (Krugman, 1986; Spenser and Brandner, 2008; Lall, 2001) advocated the use of policies that helps firms gain market share in the global market.

According to Delgado et al. (2012) this view seemed to suggest that countries could increase their prosperity by achieving leading market positions in sectors characterised by, for example, high economies of scale, through the use of targeted government support. Competitiveness thus becomes a zero-sum game. In contrast, Atkinson (2013) upheld the market share view of competitiveness but controlled for targeted and distortive government supports by introducing the concept of valued added. A country's competitiveness is measured by its ability to export more in value added terms than it imports. By this definition, a large trade surplus is not indicative of competitiveness if it weakens the country's terms of trade. In the same way, the OECD advanced that the root cause of competitiveness and a country's capacity to sustain and increase its share of global market rests on its meeting efficiency standards and product quality relative to the rest of the world, rather than by the use of measures generally associated with reduced real income. Accordingly, a country is competitive to the degree it is able under free trade and fair market conditions produce goods and services which meet the test of international markets while simultaneously maintaining and expanding the real income of its people over the long term (OECD, 1992; 1996). Another critical measure of a country's competitiveness often put forward is the structure of production cost. Unit labour costs (ULCs) are widely used as a straightforward yard-stick for international competitiveness comparisons (van Ark, Stuijvenwold & Ypman, 2005). They are also used to evaluate whether a country's balance of payments is likely to be sustainable (European Central Bank, 2008). In 2014, Sirkin, Zinser and Rose identified wages and labour productivity among the four major elements driving global corporate manufacturing investments and sourcing decisions.

While the ULCs can be important indicators of competitiveness, they are only one element of the costs faced by firms operating in a country (Iarossi, 2009). In a study applying the ULCs to the Slovakian economy, De Broeck, Guscina, and Mehrez (2012) drew attention to some drawbacks of the ULCs. They claimed that ULCs are affected by shifts in the composition of output and by sector-wide changes that could be misinterpreted as changes in external competitiveness. Besides, ULCs reflect various sector-specific developments that may have no direct impact on external competitiveness. In response to these divergent views and sometimes outright misconceptions about the concept of competitiveness, the global debate on competitiveness is now converging on the notion that competitiveness is what underpins wealth creation and economic performance (Porter, 1990). The European Commission Competitiveness Advisory Group in its first report of 1995 established a nexus between competitiveness, productivity and rising living standards. It was established that competitiveness implies elements of productivity, efficiency and profitability which provides basis for raising people's earnings in a non-inflationary way. Competitive economies thus tend to be able to produce higher levels of income for their citizens and are more likely to grow faster over the medium to the long run (Sala-Martin et al. 2008). Grounding competitiveness on productivity, the GCR (2009) defines competitiveness as the set of institutions, policies and factors that determines the level of productivity of a country. World Competitiveness Yearbook (2003) of The Institute for Management Development (IMD) adopted a similar perspective of the connection between competitiveness and productivity (in so far as the ability to create value at firms' level and prosperity at the national level are functions of productivity). Competitiveness is thus related to the facts (such as natural resources endowments and land area) and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people.

2.3 Measuring and Ranking Competitiveness

Conceptually, two classifications of levels of international competitiveness exist; competitiveness at the micro level involving quantitative parameters, and competitiveness at the macro level involving qualitative parameters (Ezeala-Harrison, 2014). Global competitiveness at the micro level is defined in terms of technology and scale: a country is competitive if its industries have an average level of Total Factor Productivity (TFP) greater than or equal to that of its foreign competitors (Dollar, 1993; Rao & Lempriere, 1992; Markusen, 1992; Porter, 1990). Alternatively, it may be defined in terms of costs whereby a country is competitive if its industries have an average level of unit costs lower than or equal to that of its foreign competitors.

The macro level indicators of competitiveness are comprised of factors that are not unique to any particular firm or industry, but rather affect the economy as a whole. These include the variables of government policy actions, the existence and adequacy of infrastructure, and the availability and quality of other institutional parameters such as legal, educational, health and paramedical, and financial infrastructure (Ezeala-Harrison, 2014). There are several theoretical approaches to measuring competitiveness such as the World Competitiveness Yearbook published by the IMD, the Business Competitiveness – Ease of doing Business Report of the International Finance Corporation, and the global competitiveness index (GCI) of the WEF. Of all these approaches, the GCI appeared to be more generally regarded by policy makers and investors.

The GCI framework incorporates a comprehensive set of factors that matters for competitiveness as well as highlights the strengths countries can build on and the weaknesses they have to overcome to reach higher levels of productivity and become more globally competitive. The theoretical foundation for GCI rested on the foundations of productivity. The emphasis on productivity reflects the goal of identifying the determinants of sustainable prosperity, whether they operate through inputs or through the efficiency with which these inputs are employed (GCR, 2008). The rest of this review will be devoted to the GCI framework as designed by the WEF. Porter et al. (2008) explained that three broad building blocks underpins the GCI framework: endowments, macroeconomic competitiveness, and microeconomic competitiveness. Endowments like oil resources and a country's geographic location works through productive economic activities to create wealth that adds value to available labour and natural assets. Two broad areas of macroeconomic competitiveness were distinguished: macroeconomic policy (MP), and social infrastructure and political institutions (SIPI). Furthermore, SIPI differentiated into three dimensions of basic human capacity, political institutions, and rule of law. Empirical growth literature found SIPI as having a strong impact on prosperity levels and the most important factor that matters for long-term differences in prosperity of countries (Hall and Jones, 1999; Glaeser et al.2004). Factors in microeconomic competitiveness operate directly on firms in affecting productivity. There are two broad areas of microeconomic competitiveness recognised as the sophistication of company operations, and the quality of the business environment. The factors summarised under these three broad building blocks of competitiveness formed the basis for the design of the 12 pillars of competitiveness according to which countries are grouped into three stages of development. The 12 pillars are summarised under three sub-indexes each carrying different weight for economies at different stages of development as shown in the table below:

Table 1: GCR's 3 Stages of Development

Sub-index	Factor-driven stage (%)	Efficiency-driven stage (%)	Innovation-driven stage (%)
Basic requirements	60	40	20
Efficiency enhancers	35	50	50
Innovation and sophistication factors	5	10	30

Source: GCR, 2009

Basic requirements comprise four factors that characterises the competitiveness challenges facing factor-driven economies namely; institutions (pillar 1), infrastructure (pillar 2), macroeconomic stability (pillar 3), and health and primary education (pillar 4). As a country becomes more competitive, they move into the efficiency-driven stage. At this stage competitiveness is increasingly driven by the efficiency enhancers: higher education and training (pillar 5), efficient goods market efficiency (pillar 6), labour market efficiency (pillar 7), financial market development (pillar 8), technology readiness (pillar 9), and market size (pillar 10). The highest level of development is attained by innovation-driven economies where business sophistication (pillar 11) and innovation (pillar 12) are critical. While all of the pillars will matter to a certain extent for all economies, they will affect different economies in different ways depending on each country's stage of development. As countries move along the development path, productivity improves by focusing policies around the factors that drives competitiveness at the desired stage of development.

3. Methodology

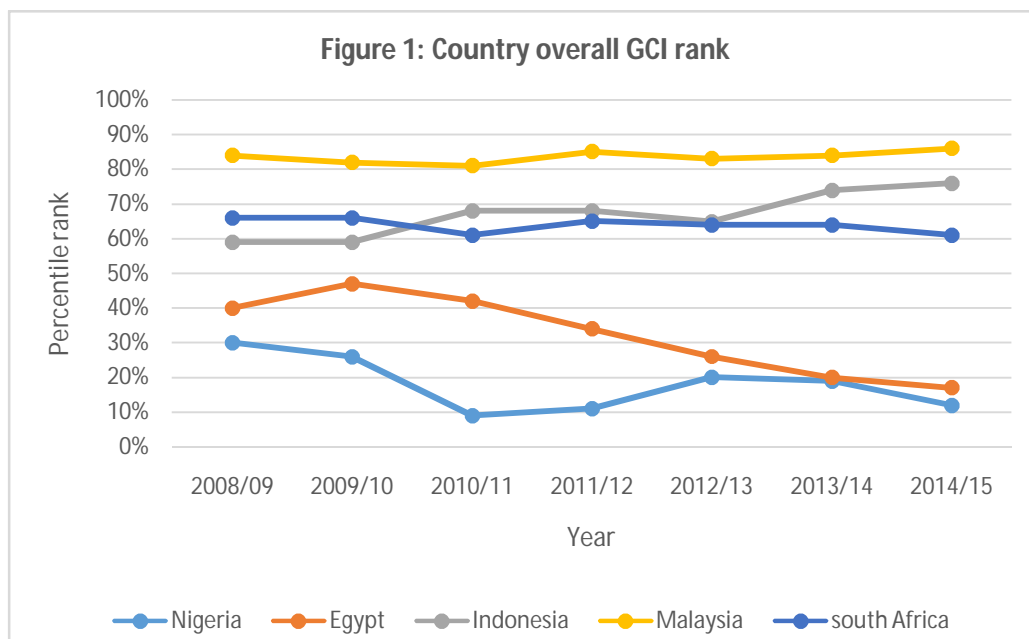
This paper used data from the GCR 2008/2009 to 2014/2015 editions to benchmark Nigeria's competitiveness against four countries listed alongside Nigeria among the 20 largest emerging market economies ranked in the 2014-2015 GCR edition. We use the percentile GCI ranking to examine overall competitiveness performance of the five countries between 2008 and 2014.

The mean percentile rank was computed for each of the 12 pillars as a basis for benchmarking Nigeria against Egypt and Indonesia to locate those positive and negative gaps that represents Nigeria’s relative competitive strengths and weaknesses, respectively. Finally, we look out Nigeria’s progress in enhancing competitiveness through the advancements in the 12 pillars in the six years following its best performance in 2008. In this regard, the mean of six years global ranking for each pillar was plotted against 2008 rankings. In all cases, higher percentile value indicates better performance.

4. Analysis and Discussion

4.1 Overall Competitiveness Performance

In this section we look at Nigeria’s global competitiveness performance Nigeria vis-à-vis the comparator countries. Both the size of the Nigerian economy and its over two decades of impressive growth rates has not correspondingly translated into any appreciable advancement in its global competitiveness performance. The Nigerian economy which now accounts for 35% of Sub-Saharan Africa’s GDP (IMF, 2015) has consistently fallen behind those of Tunisia, South Africa, Mauritius, Egypt, Morocco, Botswana, Namibia and Kenya in global competitiveness ranking. Dropping for the second consecutive year, Nigeria rank 127th out of 144 economies in 2014 to fall 21 places behind Gabon, 16 places behind Ghana, and 15 places behind Senegal. Figure 1 reveals the wide gap in competitiveness performance between Nigeria and the comparator countries.



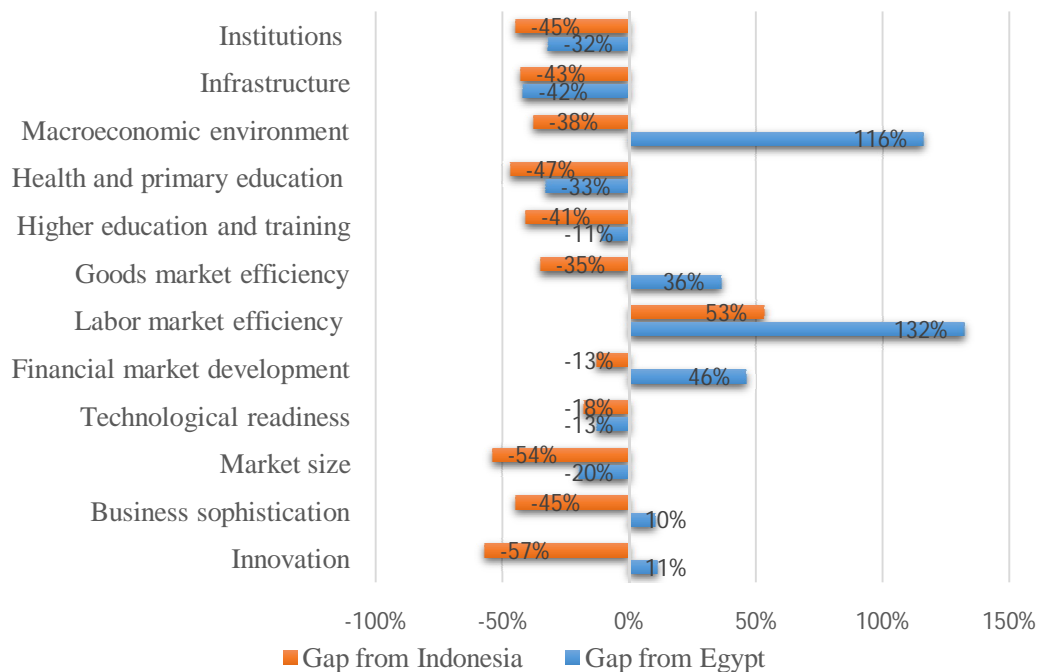
As the gap between Nigeria and Egypt began to significantly narrow from 2012, Nigeria’s competitiveness performance relative to South Africa, Indonesia and Malaysia appeared to be sharply deteriorating throughout the study period. Nigeria’s worsening competitiveness ranking relative to the other countries may be attributed to the change in development status of some of these countries as Nigeria remain fixed as a resource-driven economy. Egypt and Indonesia which were grouped alongside Nigeria as resource-driven economies in 2008 began transition to efficiency-driven economies in 2009. Indonesia joined the ranks of efficiency-driven economies in 2011 and Egypt in 2013. Malaysia entered the transition phase to become an innovation-driven economy in 2012 aspiring to join the league of developed economies. Nigeria and South Africa however remained at their respective development stage throughout the study period. The widening of the competitiveness gap between Nigeria and South Africa and the latter’s close call to Indonesia may indicate South Africa’s boding for transition the phase to becoming innovation driven. Aside from being the least competitive of the five emerging economies, Nigeria also show a greater degree of variability in yearly competitiveness ranking. Going up one place in 2008, Nigeria went down 34 places in 2010 and moved up 12 places in 2012.

It went down five and seven places in 2013 and 2014 respectively. Between the peak advance and worst loss of competitiveness position is negative 22 places for Nigeria, negative five places for South Africa and negative two places for Egypt. Indonesia posted a range of positive eight places. The Malaysian economy demonstrated the least variability in competitiveness placement with a range of positive one place between its greatest improvement of five places in 2011 and its worst dip by four places in 2014. The relative stability in Malaysia's competitiveness performance may indicate that the country is able to sustain investment in its competitiveness factors at levels that guarantees its efficiency-driven status as well as enhancing advancement in the more complex requirements of an innovation-driven economy. Malaysia entered the transition phase to advanced economy in 2011; a status it has kept notwithstanding going down four places in 2012.

4.2 Benchmarking the 12 Pillars of Competitiveness

In this section we disaggregate the overall competitiveness position into its constituent 12 pillars. The pillars gives clearer picture of the competitiveness strengths and weaknesses hidden in the overall ranking. Figure 2 benchmarked Nigeria's mean percentile rank for the period 2008-2014 against Egypt and Indonesia for each of the 12 pillars. The comparison of Nigeria's competitiveness with Egypt and Indonesia in the 12 pillars depicts significant gaps of over negative 30% in almost all the 12 pillars in favour of Indonesia. Egypt, on the other hand, performed most strongly against Nigeria in the basic requirements. Although, Nigeria, Egypt and Indonesia were all resource-driven economies in 2008, the other two countries transited to become efficiency-driven economies while Nigeria remained a resource-driven economy. What is Nigeria not doing right? Answering this question will focus on comparing Nigeria and Egypt as the relative area of competitive advantages and disadvantages between the two countries presents prospect for a more robust discussion.

Figure 2: Benchmark against Egypt and Indonesia



Nigeria's competitive advantage against Egypt has been strongest in macroeconomic environment (pillar 3), goods market efficiency (pillar 6), labour market efficiency (pillar 7), and financial market development (pillar 8). In the period 2008-2014, Nigeria outperformed Egypt by over a 100% in improvements recorded in the macroeconomic environment. Notably, in this regard, Nigeria's significantly very low government budget deficit, low general debt as a percentage of the GDP, and impressively high gross national saving as percentage of GDP gave it an edge. Also, Nigeria provides better labour market conditions for its businesses. Crucial labour market factors were 53% and 132% better in Nigeria than in Indonesia and Egypt respectively.

The relative advantage here is partly attributable to Nigeria's greater propensity to engage professional management, retain and attract talents, encourage women participation in the labour force as well as flexible hiring and firing practices. The implication is that the Nigerian economy is better able to allocate workers to their most effective use and provide incentives for them to give their best at work (GCR, 2014). Other significant competitive advantages over Egypt includes financial market development (46%), goods market efficiency (36%), innovation (11%) and business sophistication (10%). As shown in figure 2, Nigeria logged it's combined most severe competitive disadvantages against Egypt and Indonesia in infrastructure, health and primary education, and institutions, correspondingly.

Other notable areas of competitive disadvantages against the two countries includes; higher education and training, technology readiness and market size. Given that competitiveness is measured by the productivity with which a country's human, capital and natural resources are engaged through economic activities to create wealth (profit for firms and prosperity for country). Areas of competitive disadvantages, such as are identified above, represent necessary constraints to productivity growth and are accordingly precursor of low wages, weak currency, unattractive returns to capital, and ultimately low standard of living. For Nigeria, the most severe challenges to productivity growth are in the basic requirements which accounts for 60% of the overall competitiveness placement of a resource-driven economy. Institutions are generally defined as rules or norms of behaviour, the mechanisms that enforce them, and the organisations through which they are applied so that people can interact effectively in conducting economic and social transactions (North, 1990). The institutional environment of a country is a strong determining factor of its competitiveness and growth (Chang, 1998; Rondinelli, 2003; Acemoglu et al., 2001). It defines the quality of space available to economic actors and the scope of their interaction to sustainably generate income and wealth. Empirical literatures suggests that the availability, quality and productivity of factors in competitiveness depend to a large extent on the institutional context within which the factors are provided and operates. Sala-i-Martin & Subramanian (2008) found a nexus between oil revenue and quality of institutional environment in Nigeria. Oil windfalls works to impair institutional quality resulting in a negative effect on growth, such that rapid accumulation of physical capital is accompanied both by negative TFP growth and low manufacturing capacity utilisation suggesting that about two thirds of the investment in manufacturing in Nigeria is consistently wasted. Bevan, Collier and Gunning (1999) attributed the humongous waste characteristic of the Nigerian economy to lack of civil service skills.

Electricity provision in particular rank topmost in manufacturing un-competitiveness of Nigeria (Malik, A., Teal, F and Baptist, S.2006). In a study cited by Biggs (2002) manufacturing firms in Nigeria often respond to infrastructure deficiencies through business relocation, factor substitution, private provision and output reduction.

While Biggs could not find much evidence of business relocation, much evidence supports factor substitution. Firms adjust their mode of production in favour of less electricity-intensive inputs avoiding machines with electronic controls which are more susceptible to damage from power fluctuations and outages. On the contrary, better electricity supply enabled automated machinery to be used by similar- sized firms in Malaysia which resulted in three times the output obtainable in Nigeria. Output reduction and product substitution were also reported. Biggs' study found a firm reduced its product range from 26 to 5 due to outages affecting refrigerated storage in the supply chain. Infrastructure deficiency forcing firms to reduce output, adopt less efficient production methods or produce products that are less technology intensive, as the case in Nigeria, denies operating firms the benefits of technological learning, and economies of scale and of scope. A large mass of industrial capacity stays idle and costs rises relative to firms in other countries. Coming behind Egypt and Indonesian pillar 4 (basic health and primary education) and pillar 5 (higher education and training) signals Nigeria's considerably low capacity to educate its young population, provide good conditions for a healthy workforce, and leverage the productivity of its businesses. This has several implications for the economy including; low capacity of the workforce to adapt to advanced production processes and to rapidly changing environments, low pace of business development, low capacity of firms to integrate into the global supply chain and offer more value-intensive products to the world market (GCR, 2014). As access to quality basic health and education, and higher education and training directly affects firms ability move up the global value chain also directly increases the market size of a country. This factor may, in part, account for Nigeria's competitive disadvantage in market size against Egypt and Indonesia, despite Nigeria's large domestic market.

The GCR (2009, 2014) identified Nigeria's slow rate of technology adoption, in particular information and communication technologies (ICT), as a serious competitiveness concern. Nigeria's ICT penetration is the least of the five countries for the seven years study period. Lack of productivity enhancement arising from wide-spread ICT adoption may affect the costs of firms and an important factor in manufacturing competitiveness of Nigeria. Comparing Nigeria and Egypt for the efficiency enhancers, Nigeria demonstrated better competitive advantage in three of the pillars than it was competitively disadvantaged in the other three. As Figure 2 depicted, Nigeria's competitive advantages in goods market efficiency, labour market efficiency, and financial market development appears to more than compensate its disadvantage in higher education and training, technology readiness, and market size. Also, at the innovation-driven stage, Nigeria out-performed Egypt by not less than 10 percentage points in each of the two factors of business sophistication and innovation. While Indonesia undoubtedly out-performed Nigeria in virtually all the indices, it is not the case with Egypt. The important question arising from the analysis in this section is; why is Egypt a more competitive economy than Nigeria? Table 2 explains the facts.

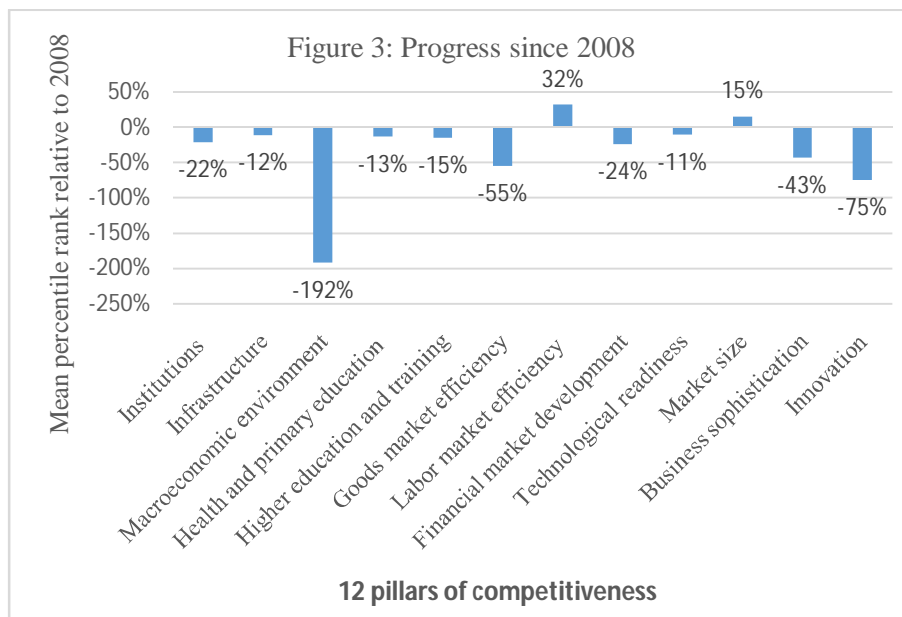
Table 2: Why Egypt is more Competitive than Nigeria

		2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Basic requirements	Egypt	83	78	89	99	110	118	121
	Nigeria	105	118	136	139	130	136	140
Efficiency enhancers	Nigeria	71	77	84	80	78	83	82
	Egypt	88	80	82	94	101	109	106
Innovation factor	Nigeria	64	70	83	69	73	82	103
	Egypt	74	71	68	86	96	104	113

Egypt's competitiveness as an efficiency driven economy is 50% determined by its global competitiveness in the six efficiency enhancers, and 40% by the four basic requirements. Advancing to a developed economy rest on making appreciable progress in the innovation and sophistication factors while maintaining competitiveness in the efficiency enhancers. Nigeria while remaining a resource-driven economy largely out-performed Egypt in the efficiency enhancers and innovation factors. Nigeria's far more impressive performance in the efficiency enhancers and innovation factors can only be explained by its poor performance in the basic requirements which determines 60% of its competitiveness. As Table 2 indicates, Egypt's foundation for development was laid in the basic requirements which were far more robust than Nigeria's. Egypt's global ranking in the basic factors towers above Nigeria's by as high as 40 places between 2009 and 2011, and hovers around 20 places in the other years. Given that competitiveness progress is made by focusing policies on factors critical to competitiveness at a country's stage of development, it is obvious that policies in Nigeria are not very effective at addressing deficiencies in the basic requirements as to appreciably influence transition to higher levels of development. It could be said that Nigeria is performing most poorly where it matters most for its competitiveness – the basic requirements.

4.3 Internal Progress Assessment

This section examines Nigeria's progress at improving its competitiveness position by the progress made in the 12 pillars over the seven years under review. Nigeria recorded its best competitiveness performance in 2008 (94th of 134), we therefore benchmark the following six years against 2008 using the mean percentile rank for the six years, 2009 – 2014. This enables us to track improvements made in each of the twelve pillars since 2008. The exercise is summarised in Figure 3.



The slide in Nigeria’s overall GCI rank since 2008 could be explained by the facts revealed in Figure 3. In the six years (2009-2014) Nigeria, on the average, lost grounds in 10 out of the 12 pillars relative to their positions in 2008. Improvements were recorded only in labour market efficiency and market size. Though the country showed very strong competitive advantage in comparative terms in macroeconomic environment, goods market efficiency, labour market efficiency, financial market development, business sophistication, and innovation (see Figure 2), the reality of Figure 3 is that most of these pillars are indeed steadily declining over the years relative to their 2008 position. Analysing the observed trend for the three stages of development, all the four pillars comprising the basic requirements which are most critical for the competitiveness of a resource-driven economy went down relative to 2008. The macroeconomic environment experienced the greatest dip falling about 200%, on six years average, below its spot in 2008. Institutions fell, -22%; Infrastructure, -12%; and health and primary education -13%. At the second stage of development, efficiency enhancers also dipped on 6 years average. In this category efficiency of the labour market improved 32%, and market size also recorded 15% improvement. Conversely, the fall goods market efficiency over the same period more than offset the gains made in both labour market efficiency and market size. At the third and most advanced stage of development where competitiveness hinges on two factors of business sophistication and innovation, both factors fell -43% and -75% respectively relative to their spots in 2008. The observed poor performance in almost all of the 12 pillars of competitiveness bears directly on the country’s overall GCI ranking and explains the loss of 33 places in global competitiveness position in 2014 relative to 2008.

5.0 Conclusions and Recommendations

The Nigeria’s experience has shown that oil revenues constitute an enormous opportunity for sustainable growth and rising living standards only if the institutional environment is supportive of growth. The catastrophic failure of public policy in Nigeria was that oil windfalls were not transformed into a higher level of sustainable consumption. As noted by Collier (2008), policy during the booms ensured that future consumption would be lower, as public policy was more consumption oriented rather than investing in productive assets. Nigeria is characterised by institutional environment unsupportive of a competitive economy due to global concerns about insufficient protection of property rights, undue influence, poor ethics, high levels of corruption, government spending that is perceived as wasteful, as well as grave security challenge that has paralysed the economy of the once thriving North-eastern region of the country (GCR, 2014). Severe weaknesses across a broad spectrum of areas continue to plague the economy constraining its capacity to harness opportunities to grow citizens’ income over the long-term. Africa’s largest economy thus continue to witness deterioration in its global competitiveness ranking plunging 33 places in 2014 relative to its position in 2008, and often lagging behind smaller and more fragile countries in sub-Saharan Africa.

The present shock resulting from falling oil prices confronts policy makers with new economic management challenges. There is serious concern about government being able to implement the 2015 budget as a result of falling oil revenue. These challenges underscore the necessity of creating a competitiveness-supporting economic environment that can mitigate the effects of international shocks on the national economy. It is critical that the incoming government in May 29, 2015 keep the ongoing reform momentum to diversify the economy and increase the country's long-term competitiveness. Nigeria as a matter of necessity must continue to upgrade its infrastructure, improve access to quality health, primary and higher education and training as well as harness the latest technologies for productivity enhancements in all sectors of the economy. The most crucial investment in improving competitiveness and economic growth for Nigeria will be made in institutional development. To act as catalysts for market development, regulators, enablers of productivity and efficiency, promoters of private sector expansion, and stimulators of human and capital resource development, the government must continuously invest in its own capacity to create and sustain institutions, enacts and implement policies that are required to make firms increasingly more competitive in a globalising economy. Creating the institutions and policies supporting efficient market systems and facilitating national competitiveness requires long-term political commitments by governments with strong developmental orientations (Rondinelli, 2003). No less will be expected of governments in Nigeria if the country's is to improve its competitiveness level and create structures for long term growth.

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