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NIGERIA'S INDUSTRIAL POLICIES, SUSTAINABLE DEVELOPMENT AND THE CHALLENGES OF GLOBALIZATION

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ABSTRACT

Nigeria is a richly endowed country with abundant human and natural resources. The country is blessed with a variety of mineral deposits including petroleum, natural gas, uranium, tin, columbite, coal, precious metals and gemstones. Over the last three decades, the country has earned over US\$300 billion from oil sales (Imevbore, 2001). In spite of this wealth, the country's economy has tended to fluctuate widely over the years. The average GDP growth was 1.2 percent between 1979 and 1989 and 2.7 percent between 1989 and 1999 (Imevbore, 2001). Inflation rate continued to increase with the purchasing power of the naira declining steadily over the years. It can also be seen that even though Nigeria is a major supplier of crude oil, about 2 million barrels per day, and an influential member of the Organization of Petroleum Exporting Countries (OPEC), it is still a big debtor nation. Despite substantial adjustments during the past decades, Nigeria's industrial policy adopted since independence in 1960 was dominated by the goals and instruments of the 1970's. The policy has been one emphasizing import substitution (IS) strategy, which was necessary and inevitable for Nigeria having regard to her colonial experience in the area of economics and trade. In the 80's, it was felt that the strategy ought to have advanced to the stage of import displacement; that is producing locally made goods which are different from or at least

only similar to former inputs, but which are based on locally available inputs and technology and on real needs (as distinct from imported consumption patterns) of the economy. Nigeria's numerous surface-level challenges with industrialization are well documented. They include weak infrastructure, weak private sector, dumping of goods, effects of globalization, corruption, inadequate government support to industry, and so on. In particular, there is a widely held assumption that Nigeria's challenges are consequences of its status as an oil-producing country and suffers from the 'Dutch Disease'. Based on these assertions, this study tends to examine the Nigeria's Industrial Policies, Sustainable development and the challenges of globalization. This study uses the Modernization theory as its theoretical framework, since the theory recognizes the process of Modernization within societies.

Key words: Industrial Policies, Globalization, Sustainable Development, Economy, Modernization

Introduction

Industrial policy is an element of the global concept of economic development of a country. Its construction and realization entail an assumption that the state, its divisions and institutions, participate in the process of shaping the industrial development. A major dilemma connected with shaping the industrial policy is its scope and the instruments of intervention to be applied (Pierścionek, 1993).

The industrial policy ought to take into account the newest trends in economic and social development which fulfill the requirement of a balanced development, the nature of which consists in establishing the connection between the economic and social development by assuring an access to the renewable and non-renewable resources together with improving quality of life in a

natural and clean environment. Economic development ought to assure a more effective utilization of natural resources and other resources of nature, rationalization of the input of energy and work, as well as the development of pro-ecological technologies and the protection of environmental and cultural heritage.

Thus, the continuous and sustainable development is a humanitarian concept of global development, whose basic feature is the improvement of the quality of life and welfare of mankind under the conditions of a limited availability of natural resources, taking into account the far-reaching consequences of industrial development. This concept assumes a common responsibility and solidarity of the present and future generations (Adamczyk, Nitkiewicz, 2007).

Newer definitions of the industrial policy do include aspects of the sustainable development; nevertheless an attempt at providing a homogenous definition of the concept of "industrial policy" encounters many difficulties.

This is due to the fact that the concept in question is often mistaken with other spheres of economic policy, because both its objectives and the instruments implemented within its scope, as well as the entities which create these instruments, are frequently not specific to the industrial policy, but can also refer to other sectors of economy and other spheres of social life (Kazarowicz and Skowrońska, 2005). One of many definitions of the industrial policy has been formulated by Bartosik (1993) according to whom it comprises all the coordinated government activities directed at the shaping of conditions defining the reactions of business entities with the view of achieving goals considered to be important.

Therefore, the industrial policy ought to be perceived as the interventionist activity of the state conducted towards the industry.

which focuses on modifying the allocation performed by the market (Janasz, 2000). Under the conditions of market economy, business entities make decisions based on the signals from the market. As long as the requirements of competitiveness are met, there is no reason for the state to intervene.

The problem begins with the activation of mechanisms distorting the market, and thus also the competitiveness (e.g. state support, duty charges), which render the efficient functioning of the market impossible (Rainelli, 1996). At the time when such phenomena occur, the state authorities have to intervene in order to help the economy reach an optimal condition. In this situation it is necessary for the state to conduct the industrial policy.

However, according to Rainelli (1996), failures of the market do not necessarily have to lead to the implementation of instruments of the industrial policy. A majority of distortions can be regulated or, contrarily, deregulated. On the other hand, implementation of the instruments of the industrial policy may be justified by two premises which do not stand in opposition to the market:

Firstly, the industry plays a major role in the economic growth; this role results from the relation between the growth, the investments and the efficiency in particular branches of industry

Secondly, the results of international competition have to be appeased by state authorities; the industry constitutes a part of national economy which is subjected to the competition provided by foreign producers. The process of restructuring the production agents in particular sectors is very time consuming, and leaving the task exclusively to market regulations would have some burdensome socio-economic consequences. Nowadays, the industrial policy is conducted by all industrial countries, regardless of the model of market economy which can be encountered in these countries.

presently, the functions of the state are not solely political ones. Apart from these, the state also focuses on the indirect regulation and coordination of economic activity. In some cases the state is also involved in direct management, steering selected areas of the industry by establishing the pace and directions of their development. Should the state not participate in the industrial economic activity, it would be impossible to solve the most significant contemporary problems which have a serious social impact, such as, for instance, mass poverty in the regions where old-fashioned industries have been done away with, the increase of regional economic disproportions, as well as the protection of resources and natural environment (Białoń and Obrębski, 1993). The state may effectively influence the industrial economy, being a significant economic entity itself; it also possesses appropriate economic foundations which result from the following conditionings:

The state owns a certain number of companies and with respect to these companies it performs the function of an entrepreneur, regulating, for instance, their production, investments and technical development (Mazurkiewicz, 2000).

In the public sector, under the direct state supervision and regulation is taking place the realization of some investments which are the main form of introducing scientific and technical development in economy. A large part of the national income is being transferred through the state budget, which means that the state is an important contractor on the commodity market where it purchases industrial investment goods, materials and equipment. The state is an important contractor in the credit market, because it takes loans to cover some large-scale expenditure, e.g. in connection with undertakings which are especially capital-consuming.

The necessary functions performed by the state in the national economy are also due to the following reasons:

The necessity of performing by the state some indispensable functions having the character of social and infrastructural services, whose rendering requires the provision of material and financial means, as well as establishing and collecting taxes to attain such objectives. The necessity of performing some legislative and executive functions which establish, organize and correct the functioning of the regulatory system, and the legal and organizational order in economy. The necessity for the state to establish some general conditions (legal, institutional, organizational, monetary and currency ones and others) in order to assure the functioning and development of economy, economic cooperation with abroad, protection of the economic interests of a given country in international relationships, improvement of social cohesion, etc.

Through the industrial policy the state exercises its influence in a specific way, with the help of specific measures and specific institutions, in order to stimulate the economic development in accordance with social objectives. The necessity of conducting industrial policy as advocated by Markowski (2003) is to contribute to the reduction and even distribution of costs borne by the society due to structural conversions. The cost of adjusting some groups of industry to new conditionings ought to be distributed in such a way that it is borne by the whole society, which is possible only with the help of state intervention. The state, by developing programmes of re-qualification and re-allocation of workforce and capital, may reduce the social, political and economic costs of economic restructuring.

The state intervention is indispensable due to the disparity of criteria governing investment decisions of private and public investors. Private investors often do not take into account the external results of their investments. Under some circumstances (e.g. slow economic growth, high rate of inflation or uncertainty with respect to the shaping of demand), the market reacts too

slowly to affect the growth of production and work efficiency, and thus improve the competitive stance of industry. Under such conditions many investors assume a conservative investment strategy (Janasz, 2000)

Several other reasons for conducting the industrial policy by the government have been listed by Janasz (2000), according to whom:

The necessity to conduct such a policy is due to the very nature of its structure; only an economic centre is an entity endowed with a full picture of the development of the economy and industry as a whole; the response of supply and demand to market stimuli is varied; under the market economy the functions of economic objectives in the macro scale and the micro scale (companies) are separate.

Apart from the already mentioned ones, the following arguments can be added in support of the necessity to conduct the industrial policy. According to (Karpiński 1994), the argument of pragmatism, as the worldwide experiences shows that the measures of macroeconomic policy are insufficient to stimulate positive changes in the structure of industry. Decisions made solely within the framework of market mechanisms have a short-term horizon and the long-term development strategy cannot be founded on them; the argument of effectiveness; without the industrial policy which specifies structural goals and preferences the state cannot influence the industry in an effective manner.

The absence of an industrial policy has negative consequences with reference to the privatization policy, trade policy and employment policy; equal treatment of all industries remains in contradiction with their objectives, processes and the roles they play in technical and technological development, as some of them perform the function of a driving force in the technological development, while others only use this driving force to their advantage.

Thus, various industries are not equal. What is more, particular

sectors of industry behave in the market in their own peculiar ways, being threatened by the competition due to an active industrial policy conducted by foreign partners and international corporations operating on the domestic market; the absence of the state's own industrial policy does not allow for a counteraction in the cases when they become a threat to the national interests; state intervention supports the synchronization of the processes connected with liquidating old-fashioned industries and replacing them with new ones; if such processes are not supported in any way by the state the society may suffer from their negative consequences, e.g. one of them being the mass scale unemployment.

According to Sadowski (2008), the necessity for conducting the industrial policy is further justified by the benefits it entails. The author claims that the competitive status of a particular country depends not on its total economy, but rather on the successes of particular companies. A large-scale establishment of conditions generally conducive to expansion by the macroeconomic policy is useful, but more benefits result from accompanying this kind of policy with the concentration of measures in the specific, most promising areas of economy. Then the growth of competitive force of domestic companies takes place not only thank to the establishment of generally favorable conditions connected with finance, taxes, credits and currency rates, but also thank to the focused activities which provide the companies producing particular goods with support in the sphere of export expansion or innovative processes (Sadowski, 2008).

Despite the presence of such considerable disparities in the opinions about the industrial policy, a majority of countries do conduct such a policy to a greater or lesser extent. The acceptance or negation of the industrial policy is not, however, a key dilemma connected with it. A more vital problem is to determine what the policy ought to be like, what objectives it is supposed to attain, and to specify the structure of future investments and name the sectors

that ought to be developed or restrained, as well as to decide what instruments should be implemented in fulfilling its tasks.

Thus, the industrial policy is an intentional activity. Playing the role of a corrective agent with reference to the market mechanism, the industrial policy enables the authorities to achieve goals, which are usually unattainable in any other way (Kazarowicz and Skowrońska, 2005). Thus, it may be concluded that the industrial policy can constitute a specific antidote to the imperfections of the market mechanism and supplement its functioning. This being so, the industrial policy is complementary, not competitive, with reference to the market mechanism. In the light of everything that has been said so far, it becomes justified to state that the industrial policy promotes the development of industry, improves its competitiveness in foreign markets, stimulates structural changes in the industry and alleviates the social effects entailed by the decay of some branches of industry. Furthermore, it improves the effectiveness of utilizing resources by their appropriate allocation, and stimulates innovativeness in the industry (Janasz, 2000).

However, independently of any point of view, it is a fact that the industrial policy, being a stimulus for certain expected changes in the economy, constitutes a kind of the state's interference. Based on the above assertions the paper tends to examine Nigeria's industrial policies, sustainable development and the challenges of globalization.

Evolution of Industrial Policies in Africa

Prior to gaining their independence from colonial rule, African countries' production patterns and markets were mainly organised to suit western interests. The continent's main raw materials, namely, minerals and agricultural goods, were produced and exported in their crude forms thus ensuring a steady supply of raw materials for the industrial expansion of some of the countries of Europe and the USA.

At the same time, African countries provided a willing outlet for manufactured goods, the raw materials of which were also of African origin. With independence, those production patterns and trade were easily inherited and, in the absence of appropriate policies and strategies, perpetuated by African governments. Being producers of raw materials in an increasingly buyers' market noted for its violent price fluctuations also had serious consequences on the implementation of national development plans which invariably depended on the proceeds of exports. Having endorsed agricultural development in the 1960s, as well as expanding mining activities to increase export earnings, African countries were self sufficient in food in the 1960s.

However, the relatively low demand for agricultural produce resulted in a fall in the prices of many of such raw materials in the world market. The developed countries' corresponding large-scale production of all sorts of synthetic products or alternatives to Africa's raw materials frustrated the countries' efforts to mobilize adequate foreign exchange earnings to transform the economic landscape. The prices of manufactured goods were rising; African countries had to produce more primary goods to purchase the same amount of manufactured goods or alternatively, had to procure less manufactured goods for the same amount of primary produce.

The fall in prices of primary produce, therefore, had catastrophic declines in the growth rates, as well as in export volumes of most commodities and in export earnings with tremendous deficit in the balance of trade of the African countries. The dependency and reliance of African countries on the export of primary produce whose prices were determined externally for foreign exchange earnings, made African countries very vulnerable and contributed immensely to their 'underdeveloped status'.

These countries were characterised by poverty, illiteracy, ill health, high mortality rates, etc. Realising the dangers of depending solely

on raw material exports, the African countries began to diversify their economies through multifarious, but quite homogeneous programmes of industrialisation with a view to accelerating economic growth, generating employment and income, alleviating poverty and raising standards of living. The industrial base at independence was extremely small.

In the early 1960s the contribution of manufacturing to gross domestic product (GDP), in most countries, was less than 5 percent. The very first attempt to define industrial policies in Africa focused on the production of basic consumer goods and a limited range of intermediate goods to replace imports. Africa was not alone. Traditional policies in Asia and Latin America also aimed at import substitution with elements of state control and growth poles. In the case of Africa, the domestic markets were limited and the population's purchasing power was low. Import substitution was a natural ingredient in the growth process.

A good number of industries were established in individual countries throughout Africa. Such industries utilised very little or no domestic raw materials. The raw materials and other inputs were mainly imported. A variety of policy instruments were employed to promote infant industries, many of which were foreign owned. They were exempted from taxes, offered duty free privileges for raw materials and machinery and some were even granted subsidies and other tariff and non-tariff protection. Export oriented industries were also encouraged to develop as an important means of structural change.

The export-oriented strategy was mainly agricultural led, although the processing of basic metals was also promoted to satisfy both domestic needs and for export. Egypt, Morocco and Cote d'Ivoire adopted export-oriented strategies. Between 1963-1970 the average annual growth of GDP in Africa was about 4.7 percent compared to about 2 percent in the 1950s. The manufacturing

sector grew at a rate of 8.3 percent. The contribution of industry to the GDP rose from about 14.5 percent in 1960 to approximately 20 percent in 1970, and to about 25.8 percent in 1977 (UNIDO, 1983).

The share of value added of manufacturing in industry at constant factor cost (1970) was approximately 13 percent. The percentage share of individual countries, Nigeria included, was between 6 to 20 percent.

According to the Economic Commission for Africa, (ECA, 1974), of the 39 countries for which data was available, in the 1960s and 1970s, the share of manufacturing to GDP was less than 5 percent in 15 countries in the 1960s. However, by 1974, seven countries had a share of less than 5 percent (UNIDO, 1983).

Twenty-three countries had a manufacturing contribution of 5 to 15 percent to GDP in the 1960s, but by 1974, there were about 28 countries in this category (ECA, 1974). Some countries recorded 15 to 20 percent manufacturing contribution to GDP. The main reason for the growth was increased production in response to growing real demand in the countries. The increased prosperity in the industrial sector was accompanied by increased population growth rate and low agricultural productivity (UNIDO, 1983). The industries that were established produced mainly light consumer goods to satisfy the demands of a relatively small sector of the urban population. Such industries failed to establish meaningful forward or backward linkages within the industrial sector and with other sectors of the economy, notably the agricultural sector.

The continent was littered with non-competitive high cost import substitution industries, heavily dependent on external sources for

raw materials and other factor inputs. In addition, industries so established did not mitigate the problem of unemployment. Requisite knowledge of engineering design, process technologies and production methods were held back by the foreign partners. The full range of knowledge required for the efficient and effective operation and maintenance of plants and machinery were hardly shared with the African industrial labour force a trend, which perpetuated the continent's weakness in technological capacities and capabilities for sustainable industrial development.

The import substitution policies in Africa did not result in the desired transformation of the economic landscape. Because of the heavy reliance on light consumer goods industries and total neglect for the production of intermediate and capital goods, Africa continued to rely on external sources for such goods, including spare parts and components - a trend which also encouraged an unprecedented borrowing of foreign capital from abroad, mainly from private sources, on onerous terms and conditions.

The export promotion strategy, adopted by some African countries, as indicated above, encouraged the ploughing back of foreign exchange earnings into downstream processing activities.

In Egypt for example, the country's natural resources and relatively cheap labour were favourable factors for success at the initial stages. However, in common with the import substitution policy, most export oriented enterprises maximised the importation of factor inputs, thus frustrating the domestic production of such factor inputs and suppressing the development of entrepreneurial capabilities and technology development. Export oriented industries were also heavily protected by tariff and non-tariff measures, as well as being subsidised.

Historical Perspective of Policy Development in Nigeria

Nigeria's industrial policy adopted since independence in 1960 was dominated by the goals and instruments of the 1970's. The policy has been one emphasizing import substitution (IS) strategy, which was necessary and inevitable for Nigeria having regard to her colonial experience in the area of economics and trade (Ajakaiye and Akinbinu, 2000). In the 80's, it was felt that the strategy ought to have advanced to the stage of import displacement; that is producing locally made goods which are different from or at least only similar to former inputs, but which are based on locally available inputs and technology and on real needs (as distinct from imported consumption patterns) of the economy (Imevbore, 2001).

Such a strategy of import displacement was meant to significantly replace the erstwhile strategy of simple import substitution, which involved the importation of inputs for the local production of goods identical with the former exports (Dayo, 2000). An input displacement strategy was considered to be a most effective avenue for significantly enhancing local value added, stimulating the development of home grown and modified or adapted technology and minimizing the offshore cost of manufacturing. The government also agreed that import substitution and displacement ought to be complemented by the stimulation of export oriented industrial enterprise.

One philosophy which was utilized with the hope to promote economic development in the 1970s was the Indiginization Decrees of 1972 and 1977. The idea behind Indiginization was to give Nigerian's greater opportunities compared to preceding years to participate in the productive sectors of the economy. The decrees sought also to limit the sections of the economy in which foreign

companies could operate.

The overall aim was to push foreign capital into higher technology areas thereby creating opportunities for Nigerian's in other areas (Imevbore, 2001).

The Indiginization Policy was only partly successful in that it did not shift control to Nigerians and it reduced the extent of Foreign Direct Investment (FDI) which came into the country (Dayo, 1999). In 1986 a technology policy was formulated to complement the industrial policy whose major strategy was import substitution. The technology policy relied on transfer of foreign technology as well as endogenous technology development as vehicles for achieving the nation's industrial goal.

These policies gave rise to the promotion of large and medium scale light consumer goods industries, through Foreign Direct Investment (FDI) and joint ventures; large scale public core projects in the area of steel, cement, pulp and paper, fertilizer, petrochemicals, sugar, machine tools and the like using the same mechanism for private small and medium enterprises and employing considerable labour.

An Overview of Nigeria Industrial Policy in the Present Political Dispensation (1999-2015)

Since 1999, the civilian government has stepped up measures to promote industrialization through various policies that are put in place. Besides the drafting of a new industrial policy-with the array of incentives, Government has also embarked on two new bold, albeit controversial, initiatives to boost industrialization- the

setting up of the new Bank for Industry (BOI), and the Small and Medium Industries Equity Investment Scheme (SMIEIS). The bank was introduced as a development institution to accelerate Nigeria's industrial development through the provisions of term loans, equity finances and technical assistance to industrial enterprises. It is a combination of the Nigerian Industrial development Bank (NIDB) and Nigerian Bank for Commerce and Industry (NBCI) (Uzochukwu, 2008).

The orientation has been developmental in nature to make a considerable impact in terms of long-term (sanctions and disbursement), employment generation, industrial dispersal and promotion of indigenous entrepreneurship. It inherited under its fold the Industrial and Insurance Brokers (IDIB), Leasing Company of Nigeria Limited (LECON), NIDB Consultancy Limited and NIDB Trustees Limited, which belong to the old NIDB. The Nigerian Bank for commerce and Industry another bank which it inherited was established in 1973 with an authorized share capital of N200 million while its capitalization was expected to be N600 million at the conclusion of the re-structuring in 1999 to enhance its delivery capacity (Uzochukwu, 2008).

The bank was established to provide financial, technical and management support services to Small and medium scale industries. The SMIESIS Fund, to which commercial and merchant banks are expected to contribute about 10 percent of their profits is another scheme directed at promoting the SMEs. The major pressure point about these measures pertains to the non-market features and hence the susceptibility to failures as with the earlier directed credit schemes. Given the pervasive corruption and the

weak institutional foundations, many analysts fear that the funds might end up as another piece of 'national cake' to be eaten up by corruption. The funds are unlikely to get to the intended beneficiaries, and the loans might end up as bad and doubtful debts-which would cripple the operations of the funds in the future (Ikpeze, 1991).

Small and Medium Industries Equity Investment Scheme (SMIEIS)

The Nigerian Bank for commerce and Industry another bank was established in 1973 to provide financial, technical and management support services to Small and medium scale industries. The SMIESIS Fund, to which commercial and merchant banks are expected to contribute about 10 percent of their profits is another scheme directed at promoting the SMEs.

The Small and Medium Industrial Development Agency of Nigeria (SMIDAN) is set up to help in the coordination of the scheme with a guideline that 60 percent of the SMIEIS fund should go to core real sector, 30 percent to services, and 10 percent to micro enterprises through NGOs. The objectives envisaged for SMIEIS are as follows:

1. Increasing per capita output/income and initiating/constituting changes in the structure of business and the society through growth, increased output and employment opportunities
2. Enhancement of Regional economic balance through industrial dispersal
3. Moderating rural urban migration
4. Easily adaptable to local technology
5. Promotion of effective resource utilization

Incentive Structure for SMIEIS in Nigeria

- i. Tax relief in the first five years of operation (company's income tax policy of 1990)
- ii. Lower duties on imported raw materials by small and medium scale businesses
- iii. Review of the seven-year tariff regime (1995-2001) in consonance with economic realities and the desire to build a stronger and more viable real sector
- iv. Tariff on industrial machinery and spare parts have been reviewed downwards to as low as 2.5 percent
- v. Duty on imported finished goods have been substantially increased to discourage dumping in Nigeria

Numerous problems are faced by SMEs while trying to assess the fund and they include: poor management, poor internal control system, improper keeping of financial records, high rate of business failure, lack of technical and economic counseling, weak working capital base, non disclosure of information, susceptibility to sudden policy changes, poor accounting standards (improper records of business transactions), limits accessibility to institutional credit and shortage of skilled manpower (Ikpeze, Soludo and Elekwa 2001).

Summarily the SMEIEIS funds suffer from inadequate financial resources to hire skilled manpower, which has restrained the expansion and limits productivity. Others include financial indiscipline, loan diversion, aversion to disclosure of information on supply sources, production processes and production costs.

Nigeria's Industrial Policies in response to the challenges of Globalisation

In an increasingly globalised economy with emphasis on competitiveness, the increasing role of the private sector in

economic development, in particular industrial development, it has become quite apparent that traditional approaches to policy development, implementation and monitoring, whereby the government is the only stakeholder responsible for all three functions is no longer appropriate. Prior to the 1990s, an industry policy was considered as a policy towards industry whose essential ingredients are the specific objectives of the policy and the strategy for its implementation, highlighting the policy instruments to be employed and the policy environment in which the industrial policy would be applied (UNIDO, 2007).

An industrial policy was, therefore, a framework for industrial development covering such aspects as macroeconomy, fiscal factors and infrastructure that should be in place for industry to thrive. Such policies were considered as reactive and bureaucratic. By the early 1990s, there were signs of discontent. The key stakeholders, namely the government and the private sector, began to recognise that neither the government nor the private sector, per se, could promote and develop the industrial sector. It was no longer considered appropriate for the government to formulate industrial master plans.

The rise to prominence of the private sector in the economic development of the developing countries in Africa has led to various kinds of strategic networking among the stakeholders and the acknowledgement by government of its facilitating role and responsibility for governance and economic management, as well as the promotion and development of public private sector consultative mechanisms and partnerships. The latter provides a unique opportunity for policy development to be done in an atmosphere of transparency and trust. The continuing importance

of public private partnership has enabled the government and the private sector including, where appropriate, academia to collectively address the complexities of economic development, the implications of industrialisation in an increasingly globalised economy and to make informed policy decisions that will improve the enabling environment for a competitive and sustainable industrial sector (UNIDO, 2007).

The 1990s witnessed the emergence of policies focusing on industry level competitiveness with the firm as the core factor. Policy instruments were designed to improve first and foremost productivity, while at the same time promote and facilitate the introduction of new technologies, organisational methods, research and development (R&D) resources, including knowledge resources to strengthen the capacity of the industrial firm to produce good quality products at reasonable prices. Industrial policies were therefore targeted at "the facilitating firms to acquire the knowledge embodied in capital goods, design and other non-tacit sources of technology" (Claudio, 1997).

According to Claudio (1997), the buildup of capabilities is a purposeful act of creating comparative advantages while helping more firms along the technological gradient. Thus, in attempting to build industrial capabilities, the object is not only to improve the environment for technology development, but materially contribute to enlarge the endowment base (Claudio, 1997).

The main issue, however, is that firms should be in a position to master and use technologies bearing in mind the pressures and influences, both internal and external that could impact positively or negatively on technology decisions. With the current thrust for

export promotion in a competitive global economy, some countries are opting for sub-sectoral targeting of industrial policies. In general, specific sub-sectors contribute substantially to manufacturing output, employment and, in some cases, export earnings. Nigeria, by the end of the 1990s, was seriously thinking in terms of increasing the competitiveness of its products through increased research and development (R&D), introduction of new technologies and the overall restructuring of its production patterns (UNIDO, 2007).

Essential Elements of Industrial Policies in a Globalized Economy

Academic literature took the lead in defining how in a globalised world a future oriented industrial policy could be different from the past. The following elements seem to be common to these 'new approaches' (Aiginger, 2014):

Industrial policy should be a state of mind create a climate of cooperation between government and the private sector a discovery process generate positive spillovers to other sectors and not be based on purely financial incentives (Rodrik, 2011). It should target activities and broad sectors, never firms; it should promote new activities not prevent exit, that is follow markets instead of leading them (Aghion et al., 2011).

Industrial policy is necessary to prevent 'lock-in' situations, of investing in old technologies. Producers of 'dirty products' tend to innovate in 'dirty programmes'. In a nutshell Aghion et al. (2011) argue that new research follows old paradigms and that companies invest where they have been successful in the past. The task of industrial policy is to prevent conservative path-dependent decisions. Industrial policy should create new comparative

advantages and help developing countries like Nigeria to diversify. It should stimulate exports, not prevent imports. New industries should favour competition, instead of being an adversary. Competition policy. Industrial policy should not protect non-viable domestic firms (a criticism of older industrial policy); Aghion et al. (2011).

Governments should only intervene where they have a long-term interest (not just short-term goals such as saving jobs in distressed regions or during the depths of a recession); it has to be connected with societal needs. Industrial policy should benefit society as a whole, not just individual companies (Aghion et al., 2011; Rodrik, 2008, 2011). Industrial policy should no longer be an isolated policy. It has already merged with innovation policy, it has to build up and be supported by education policy. It has to be systematically pushed by competition, pulled by 'beyond-GDP' goals (Aiginger, 2012).

Industrial policy should start from the vision of where an economy wants to be in 20 or 30 years in the future, of which factors (income, social goals, ecological sustainability) will define welfare, and which capabilities will provide competitiveness and growth on a path aligned with these pillars (Aiginger-Bärenthaler-Sieber-Vogel, 2013). Mazzucato (2011) - focusing on the interface of industrial and innovation policies - advocates a procurement policy that actively promotes innovation, specifically innovation in non-technical fields, i.e. social and ecological innovation.

The state is an important source and catalyst in virtually all new technologies. The vision of an entrepreneurial state facilitating the emergence of new generic technologies may be a little over-

optimistic, nonetheless because of path dependency, government decisions are vital, if big changes in technology or society are to occur. Meanwhile, Johnson (2009) calls for industrial policy to rebalance the economy towards non-financial sectors (such as manufacturing) and away from the financial sector.

Sustainable Industrial policy in a Globalised World

Sustainability is defined as meeting the needs of the present, without compromising the ability of future generations to meet theirs. That implies a healthy environment, a healthy economy, and a healthy society, built on sound foundations and maintained through good global governance. An industrial policy is a plan to encourage desired patterns of industrial development and growth. It should strategically target specific industries and sectors, as well as consider broader needs such as transportation and communications infrastructure, education and skills training, research, and energy (IGU, 2013).

A sustainable industrial policy must create a healthy economy and quality employment (decent, secure work that pays a living wage) while minimizing negative environmental impact and advancing the interests of society as a whole. Sustainable industrial policy is not about creating conditions for companies to thrive at the expense of workers, society and the environment. It's about creating conditions under which companies can operate in order to make a sustainable contribution to society. Global corporations act to maximize private control over resources, production, consumption and investment, while spreading the costs and risks of their activities over the rest of society. Their focus is on maximizing short-term profit, in full knowledge that this is unsustainable (IGU, 2013).