NIGERIA'S INDUSTRIAL DEVELOPMENT, CORPORATE GOVERNANCE AND PUBLIC POLICY

Editors
Ndubisi I. Nwokoma
Wakeel A. Isola

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Essays in Honour of Michael O. Adejugbe
Professor of Industrial Economics

Edited by

Ndubisi I. Nwokoma
Wakeel A. Isola

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INDUSTRIAL POLICY FORMULATION AND IMPLEMENTATION IN NIGERIA: THE ROLE OF MULTINATIONAL CORPORATIONS

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Abidemi C. Adegboye and Perekunah B. Eregha

Abstract
Industrial Policy Formulation and Implementation is cardinal to the Nigerian Economy as this sector has received less attention and this has affected its needed growth in salvaging the country from the alarming rate of unemployment, poverty and the dependent on oil revenue that is faced with external shocks. The paper x-rayed the role of multinational corporations in adhering to industrial policy formulation and implementation in Nigeria. This is done based on theoretical review and expositions as well as a descriptive analysis to assessing industrial performance in Nigeria.

1.0 Introduction

The globalisation of the world economy has tended to create an integrated and unified market situation that has been imposed on all countries, especially on the smaller ones. This phenomenon has generated opportunities as well as threats for a country like Nigeria and calls for the initiation and implementation of appropriate accommodation and adjustments patterns to seize these opportunities and to minimise the threats. One of such areas is in the desperately needed industrialisation of the country.

Nigeria's experience with industrialisation has been a series of traumatic episodes (Ikpeze et al., 2004). Manufacturing value-added as a percentage of GDP has been consistently below five percent over the past decade (less than the proportion at independence in 1960-8.6 percent), making Nigeria one of the 20 least industrialised countries in the world. Industrialisation in Nigeria soared during the oil boom era (1973-81 with manufacturing share of GDP reaching 11 percent), but has had a precipitous decline to less than five percent in 2011. In the same year, manufacturing export was barely 0.5 percent of exports, while import of manufactured goods was about 15 percent of GDP or more than 60 percent of total imports. Thus, there has been rapid de-industrialisation, continuing loss of market shares in traditional export markets, and increasing import dependence in the country (Ikpeze et al., 2004). This is in spite of government's huge investment in the industrial sector and institutionalised industrial policies. Moreover, four different national development plans (1962-1985) had industrialisation as the major priority of successive governments in Nigeria.

Perhaps, the answer lies within the often highlighted problems regarding policy formulation and consistency of implementation in Nigeria, a phenomenon which has characterised most public policies in the past. Indeed, as noted in Ademisokun-Turton (1992), Nigeria's industrial policies, objectives and strategies are often subject to either modifications, or neglect or even total abandonment. In other words, industrial policies and practices are pursued on an ad-hoc basis and in a most uncoordinated manner. This major shortcoming partly explains the reason for the concentration of Nigeria's few industries in major cities in the country and why industrial location is not solely a function of reasoned entrepreneurial planning and decisions, since political and other external considerations are often given undue weight. This scenario calls for a re-examination of the effects of the so-called stakeholders on the formulation and implementation of industrial policies in Nigeria. One of such stakeholders is the Multinational Corporations.

According to Pack and Saggi (2006), industrial policy is basically any type of selective intervention or government policy that attempts to alter the structure of production toward sectors that are expected 'to offer better prospects for economic growth than would occur in the absence of such intervention, i.e., in the market equilibrium. Given this definition, it is not surprising that those who believe strongly in the efficient working of markets view any argument in favor of industrial policy as fiction or, worse, an invitation for all types of rent seeking activities. Studies on industrialisation process in Nigeria have paid great attention to a plethora of factors explaining the failure and halve successes of industrial policies in Nigeria (see for example Ikpeze et al., 2004; Ekuehare, 1996; Egbon, 1995; Ikpeze, 1991). However, "what is missing in this more technocratic exposure of the country studies is an analysis of political and sociological aspects of Nigeria's industrialisation regarding, for example, the state class, which has more or less ignored or hindered the development of domestic industries" (Kappel, 1991).

A new industrial policy was set to be formulated as suggested by the Federal Government in 2012. The new policy is expected to focus on industrial infrastructure development, innovation and technology and improvement of the business environment. These are areas where industrial development has stumbled over the years in the country and they can serve as catalyst for industrial revolution in Nigeria.

The questions arising from these include: Is the new industrial policy an offshoot of any pre-planned arrangement that would better accommodate multinational corporations (MNCs) in Nigeria? What aspects of the MNCs advantages are being harnessed for straightening our policy; are foreign advantages of the MNCs being leveraged on to make efficient policy directions? In this study, we investigate the impact of multinationals on the formulation and implementation of industrial policy in Nigeria. We do this by analysing the industrial policies in Nigeria over the years highlighting the infusions made by multilateral and drawing lessons and policy directions for the future.

This study is organised as follows: in section two we critically analyse the major conceptual and empirical issues regarding industrial policy and multinational corporations. Then, in section three, we examine industrial policy in Nigeria from a historical perspective and we ask how the multinationals have contributed to industrial policy in Nigeria in section four while in section five we provide some concluding remarks as we comment on the issue of 'policy space'.

2.0 Model Framework for Industrial Policy Analysis

Policy formulation tends to be a complex process, contested by various competing interests, and characterised by a 'chaos of purposes and accidents' (Sutton, 1999). In analysing the influence of multinationals on industrial policy formulation, it is helpful to review existing conceptual frameworks, and identify models appropriate to our present exercise. Following Ajayi and Osafo-Kwaako (2006) policy is a 'purposive course of action followed by an actor or set of actors'. Political economy literature presents two variants of model frameworks that can be used to characterise the industrial policy process and outcomes. We have further generalised these models into two other categories - the Rationalist versus the political models and the public choice versus the state-centred models.

2.1.1 Rationalist versus Political Models

Rationalist models of the policy process are essentially derived from rational choice theories, where agents make optimal choices in an environment of full information (Grindle and Thomas, 1991). Within this school, the linear, the incrementalist, and the interactive models are often identified. In the linear model, policy formulation is viewed to occur as a logical, technocratic sequence comprised of agenda-setting, decision-making, adoption, implementation and evaluation. The incrementalist model modifies this view and argues that policy-makers embark on policy changes by making small, marginal changes to existing policies (Grindle and Thomas, 1991). In this regard, policies evolve slowly, rather than changing in drastic steps. As noted by Sutton (1999), the incrementalist approach may be valid only in instances of policy reform, and appears to be inapplicable in cases when policies are being developed anew. Finally, in the interactive model, the focus is on the role of policy elites tasked with the actual implementation of policy changes (Grindle and Thomas, 1991). The model presents the policy process in a political economy framework, where various actors, who are likely to benefit or lose from a policy change, seek to influence the final outcomes of implementation. Although maintaining a rationalist framework, the interactive model acknowledges the policy process as well as the broader political context needed for policy reform.

Additional models influenced by theories from political science present a more complex characterisation of the policy process in the form of the political model. This model, developed by Easton (1965) is popularly believed to be more appropriately employed to explaining the policy making process of developing countries. Easton's (1965) 'political system' model views the policy process as a 'political system' responding to the demands arising from its environment or external factors. The 'political system' as defined by Easton is composed of those identifiable and interrelated institutions and activities in a society that make authoritative decisions (or allocations of values) that are binding on society. He explains that the environment provides inputs to the decision process/political system in the form of demands and supports. Inputs into the system are provided through outside interests particularly from pressure groups, consumer groups and interest groups. These environmental inputs are converted through the political system into outputs or policies. This policy theory is also related to industrial policy making especially when the environment becomes broadened to include foreign MNCs.

2.1.2 Public Choice versus State Centered Theories

The public choice model shares basic assumptions with pluralist thinking but views both societal interest groups and government officials as purely self-interested, with the latter predominantly concerned with maintaining power by attracting and rewarding supporters and favouring certain groups. Rent-seeking via policy formation and implementation is a major feature of this process. In the public choice model the competition among the various interest groups is inimical to the collective interest; rational politics generates irrational economic policies (Sadoulet 1995). Moreover, this theory argues that public policy at any given time is the equilibrium reached in group struggle. This equilibrium is determined by the relative influence of interest groups and policy will move in the direction desired by the groups gaining influence and away from the desires of groups using influence. The influence of groups is determined by their numbers, wealth, organisational strength, leadership, access to decision-makers and internal cohesion (Dye, 1981). On the other hand, the state-centred approach argues that the perceptions and interactions of policy elites and the broad orientations of the state more generally account for policy choices and their subsequent pursuit. This perspective views the state as analytically separable from society and the state elite as having interests, which they adopt and pursue, with some autonomy. These interests include the pursuit of ideologies of "national interest" or the achievement and maintenance of the state elite's own hegemony vis-à-vissocietal actors and the particular self-interests of regime incumbents (Sadoulet 1995).

According to Ikpeze (2004), "the specific policy choices and implementation in each of the policy regimes in Nigeria have largely reflected personal and special interests." This argument demonstrates the reality of the public choice model of policy making in the country even though the indication is that the state controls the domains of policy making and implementation. Interest groups with states and ethnic colourations have often flexed muscles in industrial arrangements in the country in terms of locations, tax waivers or control of such industries.

2.2 Dimensions and Domains of Industrial Policies

Despite its widespread use, industrial policy remains controversial in many respects. Haque (2007) shows that there is better tolerance of policies that aim only to create a favourable environment for industrialisation, such as macroeconomic stability, public provision of education, guaranteed property rights, and legal enforcement of contracts. But there can be considerable resistance to policies designed to promote specific industries especially when it directly presupposes exclusion of others. The failure of industrialisation in many developing countries is one reason why this viewpoint prevails (Pack and Saggi 2006). However, the main reason is that policies intended to promote particular industries go against the basic tenets of the prevailing economic orthodoxy. Interventions are held to distort market signals; governments are seen as incapable of successfully "picking winners", and the protected infants are believed never to grow up (UNCTAD, 2011).

In addressing the forgoing criticisms of industrial policy, it should be noted firstly that market prices fail to provide adequate incentives for developing skills and human capital or to guide investment decisions needed for structural transformation of developing economies (Lin, 2007). In such situations, policies are needed occasionally to reinforce, other times to counteract, the allocative effects of market signals Tanzi (1997). As conditions for perfect markets do not prevail in most developing economies, prices are often distorted even without state intervention (Haque, 1995).

"Picking winners" has also emerged as a strong industrial direction of many countries. The issue of "picking winners" arises when policies are targeted at specific industries (Haque 1995). The argument is that if governments should act morally, they do not have any basis for promoting one industry against another. However, this pattern of policy outcomes is not particularly inimical to countries where a large skew exists among industrial sub-sectors. It is consistent with realism that in selecting an industry for promotion, policy makers must obviously take account of market conditions and the country's existing capabilities. The viability of the industry in the long run is however dependent on a variety of factors, notably, perseverance in learning from experience, continual search for improvements in products and production methods, and agility in finding and securing new markets (Rodrik, 2004). Thus, it is not all about policy directions that favour particular industries, but internal and managerial efficiency of such industries in the long run. A good example is that of Nigeria where in the 1980s and 1990s there was special focus on the iron and steel industry with strong government fiscal support. However, this industry has failed to survive in the long run due to weak linkages, and inappropriate marketing strategies, besides corruption and fund mis-appropriation.

As Rodrik (2004) also noted, government can and do help to create conditions that permit a country to become particularly good at producing certain things, whether it is aircraft manufacturing in Brazil, steel in the Republic of Korea, or cut flowers in Kenya. Lin (2009) for example, argues that countries that protect sectors that do not exploit their (latent) comparative advantage grow more slowly. Lehmann and O'Rourke (2008) examine the pattern of protection and growth for a sample of developed countries during the period between 1875 and 1913 and find that while agricultural tariffs were negatively correlated with growth; industrial tariffs were positively correlated with growth.

2.3 Multinationals and Industrial Policy

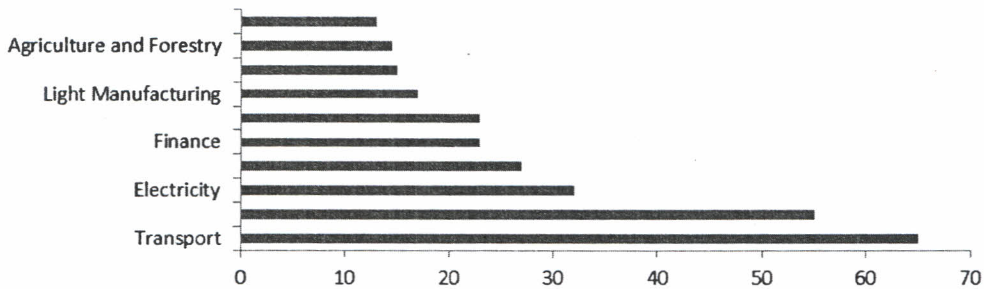
The inflow of multinational corporations to countries has been on the increase in the last few decades (UNIDO, 2010). This is usually encouraged through tax holidays, tariff exemption and subsidies for infrastructure because these countries expect that foreign firms will enable domestic enterprises to become technologically more advanced. In 1998, 103 countries offered tax concessions to foreign companies that set up production or other facilities within their borders (Hanson 2001). China, for example, offered significantly low corporate tax rates to foreign companies located there until 2008 and continued to subsidise infrastructure investments for multinationals locating in foreign enterprise zones. Harrison and Rodriguez-Claire (2010) have referred to this as "nothing other than industrial policy... While economists are generally skeptical of the benefits of intervening in trade, they are much more likely to have interventionist priors when it comes to foreign investment." The implication of the foregoing for Nigeria is that industrial policies are most successful when they are associated with increasing exposure to trade. In other words, interventions that increase exposure to trade (such as export promotion) are likely to be more successful than other types of interventions (such as tariffs or domestic content requirements). If such measures are part of a broader effort to achieve technological upgrading then they may be helpful, whereas if they are implemented in isolation they are likely to fail (Chang 2002).

Lall (1990) provided a framework for effective industrialisation to include the meta-level elements of systemic competitiveness. He posits that provided macro-economic conditions and physical infrastructure are appropriate, the progress of industrial development is a function of three sets of factors: incentives, capabilities and institutions.

Multinational investment policy interacts in close relationship with industrial development strategies (UNCTAD, 2011). In general, countries promote or restrict foreign investment within this context, depending on the industry in question and on the role they want to assign to foreign investment in domestic development. In some countries documents stating guidelines and other official operations with respect to foreign investment have been produced. Some guidelines specifically address the use of investment promotion instruments (e.g. the Republic of Korea's "FDI Promotion Policy in 2011", the Malaysian Industrial Development Authority's "Invest in Malaysia" policy, the Thailand Board of Investment's "Investment Promotion Policy for Sustainable Development", and the Nigerian Investment Promotion Commission). These guidelines may also relate to the interpretation of national laws and policies at the sub-national level (UNCTAD, 2011).

One direction taken by the implementation of such industrial cum FDI policies is to 'nudge' foreign investors into certain areas of the economy that are deemed necessary for national development. The "targeting" policies, often galvanised by the investment promotion agencies (IPAs), may be reinforced through linkage programmes, the promotion of industrial clusters, and incubation programmes to maximise spillover effects and other benefits (OECD, 2006). Policy measures taken usually involve imposition of both limitations and incentives on foreign ownership and investments for special development choices. Figure 1 provides an indication of industries that are most often affected by certain foreign ownership limitations. Restrictions mainly apply to transport and media, with more than half of the countries limiting foreign investment in these industries, often allowing only minority ownership.

Figure 1: Share of Countries with Industry-specific Restrictions on Foreign Ownership, by Industry, 2010 (Per cent)



Source: UNCTAD, World Investment Report (2011)

Another aspect where Multinational Corporations could affect industrial policy is through the complex governance structure of these firms. UNTAD (2011) highlighted the initial patterns of international production and operations of multinational corporations to include "FDI (equity holdings), creating an internalised system of affiliates in host countries owned and managed by the parent firm." The report also noted that recent international business spectrum have also included externalisation of activities throughout their global value chains. These involve building of interdependent networks of operations involving both their affiliates and partner firms in home and host countries. The description of MNCs' operations in domestic markets was also demonstrated in the report that

> Depending on their overall objectives and strategy, the industry in which they operate, and the specific circumstances of individual markets, multinational corporations increasingly control and coordinate the operations of independent or, rather, loosely dependent partner firms, through various mechanisms. These mechanisms or levers of control range from partial ownership or joint ventures, through various contractual forms, to control based on bargaining power arising from multinational corporations' strategic assets such as technology, market access and standards. Such mechanisms are not mutually exclusive and they can be as much complements as substitutes to FDI (pp. 124).

The generalised methods of ownership and control of the firms connected with MNCs poses strategic challenges to domestic policy initiators since MNCs investments often essentially involve more than one type of governance pattern

(Table 1). For instance, the joint venture ownership pattern may suit host countries seeking to develop local markets while improving on its technological and managerial efficiency. However, these joint ventures are only really feasible when MNCs are resource-seeking and do not generally work out in sectors like manufacturing and telecommunications requiring high sunk capital investment. In this wise, industrial policy would have to continuously be updated to accommodate different MNC control patterns. Situations could actually arise where industrial policy makers are arm-twisted to make certain favourable policies for the MNCs either because of the purported beneficial effect on the entire economy in the long run or because the effect of the policy may directly improve local firms which are affiliates or partners of the MNCs.

Table 1: Different Modes of Multinational Corporations Governance in Global Value Chains

Typ es of Governance	Translation to Modes of International Operation	OLI -model		
		Ownership Advantages	Locational Advantages	Internalisation Advantages
Control through Ownership	FDI, direct participation in host -country firms	v	v	v
Contractual Levers of Cont rol	Contractual agreement conditions the behaviour of a host country firm	v	v	-
Control Based on Bargaining Power	Host-country firm dependence on access to TNC strategic assets and the TNC network conditions its behavior	v	v	-
No Control	Arm's -len gth market transactions, trade	v	-	-

Source: UNCTAD, World Investment Report (2011)

3.0 Nature of Industrial Policy in Nigeria

The 1960s: From Independence to the End of the Civil War

With independence in 1960, the nationalist rulers aggressively pursued import substitution industrialisation (ISI) as part of the response to the minuscule industrial base bequeathed by the colonial masters (Ikpeze et al., 2004). The adoption of the Import Substitution industrialisation strategy was aimed at attracting foreign investment (Odusola, 2002). In doing this, government cautiously compelled the trading companies such as UAC, Lever Brothers, Paterson and Zochonnis among others to establish plants in the country. The regional governments in the three regions — East, West, and North, and later 1964 Mid-West, deliberately promoted industrialisation even without any formal industrial policy (Ikpeze, 2004). Manufacturing sector indicators were quite robust during the period even with the devastating civil war towards the end of the first decade of independence (see Table

2). Thus, the industrial policy stance of government in that era seemed to have generated a platform for further industrial growth in the economy.

Table 2: Performance of the Industrial Sector; 1964-72

Indicator	Growth Rate Percent (annual average)
Number of Establishments	12.1
Number of Employees	12.6
Wage-Bill	17.9
Gross Output	16.4
Gross Value Added	18.7

Source: Berger 1975

The 1970s: Indigenisation Policy

Prior to 1970, the pattern of ownership in the manufacturing sector had become heavily skewed in favour of foreigners, thanks to the special incentives given to the MNCs because of their capabilities. After the civil war, the military government reacted to this development by embarking upon an indigenisation effort. The Nigerian Enterprises Promotion Decree of 1972 reserved certain categories of industrial activity, mostly services and manufacturing for Nigerians and limited foreign participation in a few others. According to Ikpeze (2004), the policy as well as its revision in 1977 "serves historically to provide a classic illustration of the interplay of the interests of military regimes, the state bureaucracy and the business community (alien as well as indigenous) in the formulation and implementation of policy on industrial development."

A major conclusion from the formulation and implementation of indigenisation of policies is that both the society-centred and public choice models played important roles. On the one hand, the national interest (state-centred model) was central to the agenda setting, that is, to the formulation of the policies. On the other, in the implementation stage, private interests (including those of MNCs) took over and ensured that the outcomes benefited some individuals and sections of the society more than others.

The National Industrial Policy of 1989

In 1989, the Babangida government launched the first formal and comprehensive Industrial Policy of Nigeria, which was revised in 1998 and 2004. According to the Federal Ministry of Industries (1988), "the overriding objective of industrial policy is

Nigerian Investment Promotion Commission (NIPC)

In a complete diversion from the previous policies on industrial development, the Federal Government introduced the Nigerian Investment Promotion Commission (NIPC) decree in 1995 which allows 100% foreign ownership of firms outside the petroleum sector, where investment is limited to existing joint ventures or new production-sharing agreements. Foreign investors in any enterprise were also guaranteed unconditional transfers of funds through any authorised dealer in freely convertible currency, of

a. dividends or profits (net of all taxes) attributable to the investment;
b. payments in respect of loan servicing where a foreign loan has been obtained; and
c. the remittance of proceeds (net of all taxes), and other obligations in the event of a sale or liquidation of the enterprises or any interest attributable to the investment.

This direction of policy thus gave indication that government was warming to or outrightly succumbed to the complete participation of multinational corporations in the country either resulting from external organisations' pressure (due to globalisation and abolition of restrictive practices) or in response to the dire need for additional capital for industrial growth in the country. The Act explicitly provides that government will not nationalise or expropriate any enterprise established under the Act and that "no person who owns, whether wholly or in part, the capital of any enterprise shall be compelled by law to surrender his interest in the capital to any other person."

Recent Moves towards Industrial Policies

Most industrial policy issues have been embedded in strategic plans of government since the new civilian regime came on board. However, major policy measures have been put in place to ensure industrial growth in the country. For example, within the NEEDS framework, privatisation of government enterprises was heavily pursued with the establishment of the Bureau of Public Enterprises. Privatisation has also been accompanied by deregulation of various economic sectors to encourage private sector participation, notably in telecommunications, power, and downstream petroleum sectors. Indeed, most of the firms that participated in the deregulation and privatisation exercise were MNCs. For instance, the first two telecommunications firms granted licenses to operate were foreign firms; the Nigerian Airways was sold to a foreign firm. In the same vein, many MNCs (especially, Asian) have been given a lot more space in participating in upstream oil sector.

4.0 Multinational Corporations and Industrial Policy in Nigeria

The fact that promotional policies played a significant role in the development of both industrial and newly industrialising economies (NIEs) provides a solid rationale for the adoption of similar policies in the industrially lagging countries. However, the global context in which governments and firms operate today is rather different from the situation that prevailed barely two decades ago. Therefore, as Rodrik (2007) argues, "policy must be anchored in the local context. Just as considerable adaptation and innovation is required in taking advantage of borrowed technologies, deftness and creativity are the hallmarks of successful policy making." Foremost among the developments that constrain government's room for maneuver ("policy space") is the fact that today's policy environment is one of market liberalism which has been more or less embraced by virtually all developing countries.

The role of industrial policy is also circumscribed by the WTO's increased intrusiveness into what were previously domains of domestic policy. The new rules governing trade now also cover trade related measures with respect to foreign investment (countries cannot apply domestic content or performance requirements) and intellectual property (laws governing intellectual property must meet certain specified minimum standards). The rise of bilateral or regional trade agreements has further eroded the policy space available to developing countries. The U.S. for instance has pushed for tighter restrictions in the areas of investment regulations, intellectual property protection, and capital account whenever it negotiates a free trade agreement with a developing country. This was the case in the adoption of the African Growth Opportunity Act (AGOA) Africa.

One critical aspect of industrial policy as it relates to the global context is that a high proportion of world trade today is not conducted in competitive markets, but rather consists of intra-firm trade or trade within commercial networks. Apart from the use of transfer pricing by multinationals to minimise tax burden (Rodrik 2007), this development has the implication of excluding less developed economies from reaping the benefits of external markets that could be available for venting any surplus accruing from industrialisation. This has often formed a major barrier on attempts made by these countries to participate in world trade, especially for manufactured or processed commodities (UNIDO, 2010).

4.1 Directions of Multinational Corporation's Effect on Industrial Policy in Nigeria

As noted earlier, the effect of MNCs on industrial policy in Nigeria have primarily been focused on the implementation stage since it has become difficult to preclude these organisations at this stage and primarily because a vast amount of resources needed for successful implementation of policies lie in the hands of foreign firms (UNCTAD, 2011).

4.1.1 Investment in, and Location of Industries

In Nigeria, investment in industrial sectors by MNCs has tended to favour particular sectors of the economy. Table 3 below shows the equity participation of multinationals in certain sectors of the economy.

Table 3: Cumulative Multinational Investment in Nigeria by Type of Activities (Percentage Distribution)

Year	Mining and Quarrying (%)	Manufacturing and Processing	Agriculture, Forestry and Fisheries	Transport and Communication
1970-1980	40.0	29.9	2.1	1.2
1981-1990	14.4	35.7	2.3	1.4
1991-2000	36.0	29.9	1.4	0.9
2001-2005	31.9	31.1	0.6	0.7
2006	22.0	44.2	0.4	1.9
2007	23.9	39.7	0.2	1.9
2008	24.0	39.2	0.2	1.9

Source: Central Bank of Nigeria (2009)

The table shows that most of the investment by foreign firms in Nigeria has been concentrated in the mining and quarrying and the manufacturing and processing activities. It shows that multinationals focus on areas they already have advantage (such as agglomeration and infrastructure) and not on the areas that are really pertinent to the economy. These outcomes posses a formidable challenge for the effective industrialisation of the other sectors in which Nigeria has comparative advantage like agriculture. The focus of multinationals in the oil sector has perhaps forced the government to concentrate industrial policy measures on the sector. The joint venture strategy developed and deepened in the oil sector by government is a means of leveraging on multinational's economic and technical weight in carrying out the extractive activities. In the same vein, the location of industries in Nigeria (and their head offices has been mostly influenced by the powerful multinationals which have tended to concentrate on the urban centres and has greatly skewed development in favour of some choice cities in the country. For instance, till recent times, head offices of most multinational oil companies have been located in Lagos even though their operational and production activities are mainly in the Niger Delta region.

Table 4 shows that the pattern of MNC investment has not changed in the last few years. The share of MNCs investment in the agricultural sector actually fell between 2010 and 2011 by over 20 percent, but the increases in the share for banking and business services sectors were 75 percent and almost 350 percentage points respectively during the same period. The share of MNC investment flowing into extractive industry has remained high with a larger portion of the investment going into the oil and gas subsector.

Table 4: Sectoral Distribution of Nigeria's FDI (N' Billion)

Sector	2010	2011	Growth between Periods	Sectoral Share (%) 2010	Sectoral Share (%) 2011
Agriculture, Hunting Foreztry and Fishing	8	6.09	-23.84	0.1	0.06
Banking	2111.99	372.42	75.68	2.61	3.91
Insurance	10.62	10.23	-3.68	0.13	0.11
Business Services	13.69	61.54	349.52	0.17	0.65
Real Estate	7.86	7.61	-3.28	0.1	0.08
Extractive of which	3955.43	4853.76	22.71	48.78	51.05
Oil and Gas	3925.85	4805.68	22.41	48.41	50.5
Non-oil	29.57	48.08	62.58	0.36	0.51
Construction	122.06	156.31	28.07	1.51	1.64
Manufacturing	1911.99	2309.87	20.81	23.58	24.28
Transport	1264.08	1164.69	-7.86	15.59	12.24
Wholesale and Retail Trade, Catering and Accomodation	603.27	572.81	-5.05	7.44	6.02

Source: Tumala et al., 2011

4.1.2 Ownership and Employment Policies

The ownership structure of multinational corporations in Nigeria has evolved over the years with the focus currently placed on joint ownership. In the oil sector, most of the participation has been on a joint venture basis, with domestic investors getting the higher shares of the companies. The intuition behind this development has been that while foreign firms provide the much needed capital investment, full ownership should not be given to foreigners. Thus, the indigenisation policy of the 1970s seems to still be in effect, although at a mitigated level.

The employment policy arising from the effect of multinationals has led to the implementation of the federal character in recruitment. It has been shown that remuneration in multinational companies is higher than that in locally owned firms (OECD, 2008). One reason for this is that most Multinational corporations in Nigeria are into capital intensive activities where highly skilled labour is required. However, wages paid by firms that operate at horizontal levels or ones that compete in same market tend to be equalised for both multinational firms and the local ones. In the telecommunication industry for example, there is little differentiation among all the competing firms in terms of wages. The MNCs have apparently influenced the employment and remuneration structure of industries in the country. Higher wages stems from the drive for efficiency by the MNCs through minimising workers turnover and reduction in monitoring costs.

4.1.3 Privatisation and Private - Public Partnership

Privatisation policy seeks to reverse the massive grip of government on economic activities. This policy has been wide-spread since the 1980s and has reached advanced levels in recent years. So far, over 100 State-Owned Enterprises (SOEs) have been privatised or concessioned with privatisation proceeds exceeding US$3billion (Okojo-Iweala, 2007). Most of the privatised firms have been taken over by foreign firms. A couple of productive sector privatisation also yielded some positive economic stories about employment increase and income growth especially in the cement and sugar sub-sector. One area where multinationals have participated is in the power sector, especially at the generation level, where government has evolved the private-public partnership (PPP). Foreign firms have mostly bought into this policy and progress seems to have been made so far.

4.1.4 Local Content Requirement

The local content initiative as an aspect of the national industrial policy was to allow Nigeria to develop vertically integrated production structures by building up domestic manufacturers' supply capacity. However, there has been considerable doubt about the effectiveness of this initiative since local input has not been found to be more cost-effective. A tax credit of 20% is granted for five years to industries that attain the minimum level of local raw material sourcing and utilisation. The minimum levels of local raw materials sourcing and utilisation by sectors are Agro-allied - 70%; Engineering - 60%; Chemicals - 60% and Petrochemicals - 70% (Tumala, et al., 2011). This seems to be one area where the industrial policy has effectively utilised the economic advantage in the country to direct multinational corporations' activities in the country.

The trade-related Investment Measures (TRIMS) agreement introduced during the Uruguay Round however bound the imposition of 'performance requirements' such as the 'local content' requirement. This again illustrates the effect of foreign influence on the industrial policy in Nigeria. In spite of this, the government has gone ahead to introduce the local content initiative, especially in the oil sector. This has generally gone on to boost local participation in the sector. The cost-efficiency of this initiative is however yet to be seen.

5.0 Conclusion

The basic aim of this study has been on the industrial policy formulation and implementation in Nigeria, particularly with regard to the role of multinational corporations. It has been shown that although the influence of the MNCs on the policy framework has not been as overt as it used to be in the early periods, it still remained potent. More interestingly, it seems that current industrial policy measures have relapsed to the pre-indigenisation era where foreign companies had free access and stronghold on firms in the country. Indeed, many of the nationalised companies in the country are being sold back to MNCs and the share of foreign ownership in many extractive and manufacturing enterprises in the country is on the increase. However, industrial legislation has tried unsuccessfully to push MNCs into a diversified network that can really leverage on the major sectors where the country has comparative advantage (e.g. agriculture).

The implication of this is that while industrial policy is being influenced by MNCs in the country, it is difficult for these policies to channel MNCs to attain the desired and necessary results. One major contributing factor to this situation has been the strategic technical and economic strength that the MNCs possess. Moreover, the globalised system of trade and industrial relation has thrown Nigeria open to the effect of foreign super firms as major stakeholders in the determination of the policy arena of government. The rapid flow of knowledge, large capital movements, new emerging patterns of international trade, WTO rules and disciplines, the rise of bilateral/regional trade agreements, all have created new opportunities as well as challenges for Nigeria. Industrial policy must be such that can accommodate this fast pace of globalisation through maximisation of the benefits - such as technology transfer and increased capital formation, and minimise the costs in order to ensure the welfare of Nigerians.

Finally, the increasing importance of South-South trade raises somewhat different set of issues for industrial policy in Nigeria. Manufactured exports from developing countries-mostly, the East Asian newly industrialising economies (NIEs) now account for more than one-third of world trade in manufactures, compared to less than 20 per cent barely two decades ago. The main markets for these exports now constitute the bulk of manufactures imported into the developing world including Nigeria. Thus, if Nigeria is to industrialise, appropriate policy should be put in place for covert protectionism - not so much from the industrial countries as from the NIEs - which continue to pursue active promotional programmes while maintaining higher levels of protection on their own.

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This book is a compendium of essays in honour of Michael O. Adejugbe, the renowned Professor of Industrial Economics and former Head, Department of Economics as well as Dean, Faculty of Social Sciences, University of Lagos, Nigeria.

It provides very useful analytical and empirical insights into Nigeria's industrial development and the resultant corporate governance and public policy in this regard. The quest for the growth of the country's industrial sector has been in the front burner of government policy since independence with various efforts and policy guidelines rolled out over the years. The book articulates all these, both from the historical perspective as well as the in-depth analysis of various aspects of Nigeria's industrialization efforts. It also proffers solution on the way forward, particularly in this era of green industrialisation. The 36 chapters in the book address these issues as well as propose public policy measures to enhance the growth of the industrial sector as well as macroeconomic stability in the country. The book is divided into five parts. The first part is the introduction followed by part two which contains papers on industrial development. Part three focuses on public policy and industrial growth in Nigeria while part four addresses issues on the macro economy and industrial corporate governance. Finally, part five contains papers on infrastructure and other development issues, as they relate to industrialisation.

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