Economic Diversification in Nigeria: Lessons from Chile and Malaysia

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An earlier version of this paper was published in the 2019 International Conference Proceedings organized by the Faculty of Management Sciences, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria on "Managing Nigeria's Economic Diversification: Lesson From Other Climes".

Abstract

There have been series of policies and strategies mapped out by the Nigerian government in a bid to diversify the economy but the implementation is far from being achieved. This paper identified that the government officials make economic diversification a daily discourse whenever the fortunes of oil as the major foreign exchange earner begin to oscillate below expectation thereby threatening the ability of the country to generate funds for development. Regrettably, in times of relatively high oil price, it becomes business as usual for the government. This approach to diversification has hampered the pace of diversification in Nigeria. Gleaning from the experiences of Chile and Malaysia, it is evident that diversification requires a long process with sustained efforts. Effective diversification can only be achieved when the country successfully creates a large quantity and array of high-value-added exports (goods and services) and attracting global purchasers for them. The most noticeably outcome necessary to assert that the Nigerian economy is well diversified is non-oil sector's contribution to over 50 percent of its exports. However, with long-term commitment to the fundamentals as well as renewed vigor towards economic diversification drive, the country will make considerable progress.

Keywords: Economic diversification, resource curse, Dutch disease, economic concentration

1.1 Introduction

The plunge in global oil prices in 2016 reveals a rudimentary weakness in the Nigerian economy relying heavily on oil as a single source of revenue and foreign exchange earnings. Despite the claims by the government to have diversified away from oil, there is no doubt that Nigeria's economy is still very much vulnerable to crude oil price shocks (IMF, 2018) and will remain vulnerable as long as the oil sector is depended upon for most of the income required to implement annual budgets (Sheriffdeen,2018). As at 2017, the value of petroleum exports was **$**38,607 million representing about 83 per cent of total exports revenue(OPEC, 2018). Due to the uncertainty and economic problems created by the current global environment for countries heavily dependent on the production and export of a small range of products, various stakeholders have decried the need for the Nigerian economy to be diversified as the golden age of crude oil prices increasing beyond $100 per barrel is history and might not return so soon or ever. The revenues generated from oil and gas constitutes majorly what is shared among the three tiers of government and the major requirement to implement national budget. So, persistent decline in oil price which hurts fiscal revenues may adversely affect budget implementation and collapse the economy as over 30 states excluding Lagos, Rivers and Akwa Ibom cannot survive without federal allocation (BudgitT, 2019).

Oil shocks can be mitigated with the development and diversification of high-value-added exports of goods and services. Hence, studies by Ghosh and Ostry (1994); Bleaney and Greenaway (2001) suggest that export diversification is necessary to cushion the effects of export instability and stabilize export earnings in the long run. Economic diversification is synonymous with the saying that one does not “put all eggs into one basket”. In other words, countries should not rely heavily on a particular sector to drive growth. Economic diversification helps manage volatility and provide a more stable path necessary for countries’ to achieve equitable long-term economic growth and development. Hence, Nigeria’s reliance on oil and gas alone will not produce the long-run level of growth needed in the economy but involves transitioning of manufacturing toward high-potential exports to help the country’s industrial development and create employment opportunities in addition to modernizing and using public resources in agriculture more efficiently to increase productivity (Asian Development Bank, 2018).Poverty-reducing trade-driven growth has been particularly difficult to achieve in countries whose economies are concentrated upon commodities and natural resources.

A diversified economy helps support multiple businesses within thereby offering greater opportunities for employment in growing sectors to compensate for employment losses in declining sectors. Hence, the reason some policymakers and regional economists refer to diversification as ‘employment insurance. The most evident advantage of adequate diversification is that it increases the resilience of an economy to external events and developments. In other words, there is a logical link between low levels of economic diversification and high levels of vulnerability. Lack of economic diversification is associated with increased economic vulnerability such that external shocks can undermine the development process. It increases the exposure of an economy to sector specific shocks.

Peculiar economic-incentive structure created by large oil revenue inhibits economic diversification. Hence, it becomes challenging for many resource-dependent countries to design and implement public investments and policy reforms that provide a framework for diversification. Nigeria had at different times, experienced the economic consequences of ignoring the importance of diversification yet the country’s economic diversification initiative has been more about political pronouncements than real efforts to raise the volume of output and revenue in addition to broadening the base of the country’s resources(Nelson, 2018**)**.The perpetual economic diversification chant has become a recurring phenomenon in the vocabulary of any existing government, with officials making it a daily discourse whenever the fortunes of the major foreign exchange earner (crude oil) begin to oscillate below expectation thereby threatening their ability to generate funds for development. Regrettably, in times of relatively high oil price, it becomes business as usual for the government. This approach to diversification has hampered the pace of the diversification in Nigeria.

Natural resource revenues have also been linked to slow economic growth rates, inequality, and poverty as a result of ‘resource curse’ and ‘Dutch disease’ (Stewart, 2012).Nigeria is among the resource rich countries suffering from these twin effects. However, in recent years the “resource curse” view has somewhat been altered as many OECD countries such as Australia, Canada, or the Scandinavian countries which started out as resource-based economies have succeeded in diversifying their economies. In as much as resource rich countries face the challenge of diversifying their economy, countries like Chile and Malaysia have managed to break free from dependence on their dominant resource. Hence, Nigeria has no excuse not to diversify. Against this backdrop, this study focusses on examining issues of economic diversification in Nigeria and drawing from the successful diversification experiences of Chile and Malaysia.

2.1 Literature Review

2.1.1 Concept of Economic Diversification

The two related dimensions of diversification include trade diversification (exporting new or better products, or to new markets) and domestic production diversification toward new activities within and between sectors which can lead to better resource allocation and improve overall productivity. The pattern of diversification in an economy can be analyzed at different levels of the value chain: diversification of imports, intermediary production, of factor endowments, of technology, of production and of exports of goods and services or even destinations of exports (Wiig and Kolstad, 2012). Sometimes, a country may diversify its economy by anchoring new activities to the dominant one (such as an oil-dominant economy moving to petrochemical products), or to other existing but weaker activities in line with product space dynamics by economists Dani Rodrik and Ricardo Hausmann, whereby economies diversify by moving from existing products to related ones by leveraging skills, institutions, infrastructure, and business models associated with their traditional areas of activity (Akhtar, 2017).However, all levels diversification implies a lower level of concentration but for the purpose of this study emphasis is on diversification of exports.

Generally, economic diversification refers to the process in which a growing range of economic outputs is produced in an economy (Le-Yin, 2003). It also means the diversification of markets for exports or the diversification of income sources away from domestic economic activities to income from foreign investment. According to Ogbonna (2017), "a diversified economy is an economy that has a number of different revenue streams and provides nations with the ability for sustainable growth because there is not a reliance on one particular type of revenue. This diversification provides nations with the security and reliability that they need so that if one economic revenue stream should fail, the nation falls back on several other options for revenue". Economic diversification is also known as economic *c*omplexity which refers to the fact that countries should not be dependent upon a limited number of products for their economic livelihoods. Hence, any economy predominantly based on oil production is neither particularly complex nor economically diverse. Conversely, any economy with a strong manufacturing base, a vibrant services sector, a burgeoning natural resource sector, and a booming agricultural sector is quite complex and diverse. The more economically complex a country is, the more likely that it will have a low level of volatility in its GDP (Madjd-Sadjadi, 2016).

A well-diversified economy is one that is not overly dependent on a single commodity and insulated against the vagaries of its domestic economy. Economic diversification away from heavy dependence on a single dominant sector or a few typically natural-resource-based commodities is important because it minimizes the risks and vulnerabilities associated with a narrow economic base, and enhances a nation's ability to produce high-quality items that other nations may wish to buy (Gylfason, 2016).One of the arguments for economic diversification is that diversified economies perform better over the long term (Hess, 2008; Leiderman and Maloney, 2007). More so, diversification serves as a self-insurance against the large macroeconomic shocks transmitted to countries that heavily depend on a limited range of export commodities as a result of wide swings in resource prices. The rationale for economic diversification according to Le-yin (2003) includes trends in terms of trade, price instability in primary commodity markets, depletion of mineral resources, economies of scale and external economies associated with manufacturing, reduction of portfolio risk.

Some empirical evidence exists suggesting that economic diversification and long-run economic growth tend to go together over time as well as across countries, partly because diversified economic activity and diversified exports reduce risk and instability, thus strengthening the foundation of economic growth over time (Hess, 2008; Leiderman and Maloney, 2007).This implies that economic diversification is a necessary condition for achieving long term sustainable growth. More so, a well-diversified economy tends to be more efficient as well as more open to trade, and thus have a greater capacity for rapid long-run economic growth(Gylfason, 2016).A diversified economy creates a sustainable cycle of economic activity where busine**ss**es continually feed off on one another and grow larger as the economy grows. As more and more businesses open their doors, it leads to the growth of supporting industries. Export diversification helps promote the emergence of high-quality exports, i.e., exports with high unit value. Diversification of products, economic activities and markets is one of the fundamental factors for demographic growth and economic development both at local and regional level(Volpato, 2008).Countries should aim towards diversifying their economic structure, rather than focusing exclusively on one or few sectoral specializations, so as to expand and multiply economic growth opportunities and benefit from the several external economies arising from the presence and proximity of different kinds of economic activities (Maria and Massimo, 2012).

It has been established in literature that there is a nexus between low levels of economic diversification and high levels of vulnerability (Le-Yin, 2003). In consonance with the studies by McLaughlin (1930) and Tress (1938), it has been hypothesized that the more diverse the economic activity of a region, the more stable is its economic performance. Hausmann and Rodrik (2003);Hausmann, Hwang and Rodrik (2006); Hausmann and Klinger (2006) contend that economic growth is not driven by comparative advantage but by countries' diversification of their investments into new activities. Furthermore, there is strong evidence that export concentration is detrimental to the economic growth of developing countries in the past years due to the declining terms of trade, especially for commodity-dependent countries (Heiko, 2008). Poor economic diversification (reliance on a single economic sector) tends to have an unfavorable effect on the productivity and competitiveness of the other lagging sectors thereby slowing economic growth and threatening a nation's long-term and sustainable economic development.Hence, diversification is necessary for a country to attain sustainable economic growth.

2.1.2 Measures of Economic Diversification

Economic diversification can be measured in different ways. The simplest way to measure economic diversification includes share of manufacturing in GDP and share of manufactured goods in merchandise exports (Le-yin, 2003). However, these measures are insufficient to fully capture the range of exports within the manufacturing sector and other sectors of the economy. Consequently, UNCTAD developed the measure of Export Concentration Index (ECI) and Economic Vulnerability Index (EVI) which takes into account the instability of agricultural production and the instability of exports of goods and services. ECI is the normalized value of Herfindahl-Hirschman Index with an index from 0 (no concentration) to 1 (extreme concentration). Thus, a decline in the index signifies less concentration in the dominant industry or greater diversification. An increase indicates more concentration in the dominant sector or greater specialization.

Herfindahl-Hirschmann Concentration Index of market concentration has also been used as a measure of economic diversity (Tauer, 1992) and shows whether exports are concentrated on some products or distributed in a more homogeneous manner among a series of products. The Herfindahl index indicates the extent to which a particular regional economy is dominated by a few firms. However, one of the pitfalls of Herfindahl index is that it does not capture all exports of an economy such as services, and therefore it can only be seen as an imperfect proxy for the level of export diversification in any given country (Heiko, 2008). Similarly, EVI is a composite index based on the share of manufacturing in GDP, the share of labour force in industry, annual per capita commercial energy consumption and the ECI (UNCTAD, 2000a). According to Gylfason (2016), the IMF also constructed an export diversification index (EDI) based on the Theil index which equals the sum of measures of diversity across sectors (vertical diversity or extensive margin, meaning new export products or new export destinations) and diversity within sectors (horizontal diversity or intensive margin, meaning a larger volume of exports of old products). The more diversified a country´s exports, the lower the EDI.

Other measures of economic diversification include the Finger-Kreinin index of export diversification (Finger and Kreinin, 1979) with index from 1 (no diversification) to 0 (full diversification); Economic Complexity Index (ECI) and the Product Complexity Index (PCI). ECI developed by Hidalgo and Hausmann (2009) ranks countries by the diversity and complexity of their export structure. It measures the knowledge intensity of an economy by considering the knowledge intensity of the products it exports whereas PCI measures the knowledge intensity of an economy or a product by considering the knowledge intensity of its exporters. Greater economic complexity is reflected in a higher value of the ECI. The complexity of an economy is proportional to the average complexity of its products, and, vice versa, the complexity of a product is proportional to the average complexity of its producers. The most complex products are sophisticated chemicals and machinery, while the least complex products are raw materials and simple agricultural products. Countries that produce complex goods as well as a large number of products are typically more advanced or likely to experience more rapid economic growth in the future than are countries producing fewer and less complex products.

However, this study focused on Economic Complexity Index (ECI) based on availability of data. Researchers suggest that ECI is an overall measure of the complexity of a country's products. ECI produces a measure of economic complexity containing information about the diversity of countries, ubiquity of products, diversity of a country's export and their sophistication. Countries with high ECIs export many goods that are of low ubiquity and produced by highly diversified countries, indicating that these are diverse and sophisticated economies whereas countries with low ECI export only a few products, which are of relatively high ubiquity and which are exported by countries that are not necessarily very diversified, indicating that these countries have little diversity and that the products they export are not very sophisticated. The more countries direct their efforts to more sophisticated products, the more it is reflected in the ECI score, and hence their potential economic growth. The Table below contains information on Nigeria's ECI for the period 1995-2017.

Table1: ECI of Nigeria between 1995 and 2017

Year	ECI	ECI Ranking
1995	-2.1764	128
1996	-1.8922	127
1997	-1.8305	128
1998	-1.7649	128
1999	-1.8914	128
2000	-2.204	132
2001	-1.9803	131
2002	-1.7498	132
2003	-1.6696	131
2004	-2.4237	132
2005	-2.2959	132
2006	-1.9356	132
2007	-1.9246	132
2008	-1.6688	130
2009	-1.7536	131
2010	-1.7349	131
2011	-1.882	133
2012	-1.6254	131
2013	-1.6249	128
2014	-1.7716	133
2015	-2.1734	133
2016	-1.6442	130
2017	-1.6801	130

Source: http://atlas.cid.harvard.edu/rankings/

Using the EC Index as the measure of diversification in table 1 above, it is obvious that the Economic Complexity index (ECI) of the Nigerian economy has been negative from 1995 to 2017. The low ECI implies that the country exports only few products which are of relatively high ubiquity and is not necessarily well-diversified. In other words, the Nigerian economy has little diversity and exports products that are not very sophisticated.

2.1.3Three-Pronged Strategy/Approach to Diversification

According to World Bank Group, three factors consistently emerge as key to promoting diversification. They include;

(i) Getting the fundamentals right (macroeconomic stability; control of inflation; an open trade policy; transparency and good governance; a conservative and countercyclical fiscal policy; a healthy banking sector; and an independent Central Bank). Severe macroeconomic instabilities in Nigeria make export diversification more difficult. Hence, there is need to ensure fiscal discipline, maintain a stable exchange rate and a single digit inflation.

(ii)Investing in basic infrastructure like good road network, communication, and access to electricity and water. These investments are important for reducing the cost of doing business and improving competitiveness. In recent years, Nigeria's FDI has been struggling. The FDI which was $5billion in 2008 declined to $981million in 2017 and could be attributed to prolonged insecurity, a huge infrastructure deficit (lack of stable power, bad road networks), a poor investment climate characterized by overly stringent government policies, bureaucratic bottlenecks for securing permits, and a weak legal framework, thus making the country appear highly risky to long-term foreign investors. More so, Nigeria is ranked 145thout of 190 countries in the world for its ease of doing business, which demonstrates the riskiness of investment into Nigeria.

(iii) Investing in people especially in education at all levels. Since 2009 till date, the Federal government's budgetary allocation to the educational sector has always been less than 10% with 7.25% in 2009 and 7.03% in 2018 with the highest 9.94% in 2014 which is nothing closer to the 26% recommended by UNESCO (United Nations Educational, Scientific and Cultural Organization). Consequently, the educational sector has always been poorly funded especially at the tertiary level resulting in recurring strikes and bulk number of lecturers leaving Nigeria for greener pastures elsewhere i.e. brain drain. More so, according to the National Commission for Mass Literacy, Adult and Non-Formal Education (NMEC), about 60 million Nigerians, or 30 percent of the population, cannot read or write(NMEC, 2020). This high illiteracy level is only symptomatic of the poor funding accorded education in our clime. Hence, to invest in education at all levels as suggested by World Bank as a strategy to achieve diversification, the federal government should strive towards implementing UNESCO's recommendation.

2.2 Theoretical Review

For the purpose of this study, the following theories are considered;

i. Portfolio Theory: Originally, portfolio theory by Markowitz (1959) was applied to financial assets. A portfolio-theoretic approach to analyzing economic diversification was first proposed by Conroy (1974, 1975). Thereafter, several other studies have employed the portfolio theory in analyzing economic diversification. Every sector is considered an individual regional investment, while the bundle of sectors is considered as a portfolio of investments. For investments in financial assets, a nexus (trade-off) between their expected returns and associated risk exists. Therefore, a similar relationship (trade-off) between risk (economic instability) and expected returns (income, employment or output growth) could also be hypothesized for a regional economy with a portfolio of sectors. Every region is endowed with a limited quantity of resources, producing a stream of stochastic returns (such as income, employment and output). In this context, economic diversification aims to reduce instability in aggregate income, output and employment growth (returns) to the region by allocating its limited resources to the portfolio of sectors. Some studies have used the portfolio variance as a measure of economic diversity, with a lower δ^2P indicating a more diversified economy (Conroy, 1974; Brewer and Moomaw, 1985; Wundt, 1992).

ii. Structural Models of Economic Development: According to Chenery (1979) and Syrquin (1989), countries should diversify from primary exports into manufactured exports in order to achieve sustainable growth.

iii. Export Base Theory: Export base theory or economic base theory views regional economic growth as being driven by exogenous final demands, primarily exports. Industries contributing to exogenous or external final demand are termed basic industries and those serving primarily endogenous or internal demand are termed non-basic industries. For basic (export) sectors, part of their output is assumed to be exported outside the region whereas the outputs of non-basic are assumed to be sold within the domestic economy.

iv. Prebisch-Singer Thesis: According to this thesis, vertical export diversification could reduce declining terms of trade for commodity-dependent countries.

v. Economic Development Theory: According to this theory, economic diversification is viewed as driven by simultaneous changes in production, consumption and trade patterns (Schuh and Barghouti, 1988; Barghouti,*et al.*, 1990; Petit and Barghouti, 1992). It has been argued that diversification may be expedited by forces of unbalanced growth, particularly the faster growth of sectors with high income elasticity of demand.

vi. Industrial Organization Theory: Under this theory, a more diversified sector (less concentrated) is assumed to be more competitive (Scherer, 1980). A region with a greater number of sectors and/or a more even distribution of economic activities is associated with higher diversity (Maliziaand Ke, 1993). The more evenly a region's economic activity is distributed among its sectors, the greater the diversity (Rodgers, 1957).

2.3 Economic Diversification: Lessons from Chile and Malaysia

Empirical study by Lederman and Maloney (2008) assert that there is a tendency for high export concentration (heavy dependence on the dominant sector) in resource-rich countries. However, resource-abundant developing countries like Chile and Malaysia which were once heavily dependent on their dominant sector have been able to achieve successful export diversification. Chile, Malaysia, and Nigeria have some similarities which formed the basis for this comparative study of their economies. They are all resource rich countries and have all suffered the consequences of heavily depending on natural resources for bulk of its exports. Chile is the world's largest copper producer but the end of the mining boom highlighted the urgent need for Chile to diversify its economy away from commodity-intensive sectors. Chile is regarded as a successful example of a resource based country that diversified into new export activities such as wine, pork meat, salmon, fruits and vegetables which are close to its comparative advantage (Agosin and Bravo-Ortega, 2009). Malaysia was the world's largest producer of natural rubber and tin ore but the collapse of global rubber and tin prices in the early 1980sprompted a shift in commodity output. Nigeria (largest oil exporter) was severally affected by the collapse in global oil prices.

Copper is the major traditional commodity exports for Chile while tin and rubber are the traditional commodity exports for Malaysia. The Chilean economy has successfully transitioned from acopper dependent economy to a well-diversified economy and for four decades, the Chilean authorities pursued a very active policy to support the diversification in order to reduce the excessive reliance on copper. Chile's strategy resulted in the internationalization of domestic enterprises and in a dramatic increase in access to global markets. The number of its exporting companies and export products between1975 and 2006 increased from 1,000 to more than 7,000 (Prochile). More so, the non-traditional (non-mineral) exports increased from 7 percent of total exports in 1962 to 44 percent in 2008 (Gijón-Spalla, 2010).

Similarly, Malaysia has transitioned from a commodity dependent economy to a diversified industrialized economy and has sustained over four decades of rapid, inclusive growth, reducing its dependence on agriculture and commodity exports to become a more diversified, modern and open economy (OECD).Malaysia promoted other commodities, particularly palm oil, and equally focused on higher value-added products like electric and electronics in a bid to diversify away from its two main sources of export which are rubber and tin (Reinhardt, 2000; Simeh and Ahmad, 2001). Consequently, a drastic transformation in Malaysian exports was witnessed as the share of tin and rubber in total exports declined from over 60 percent in 1962 to below 3 percent in 2008 (COMTRADE). Conversely, over the same period, electronics and telecom components increased from less than 1% to about 50%, thereby becoming the largest Malaysian exports. However, larger oil exporting countries like Nigeria have not substantially expanded the range of products produced and exported. How Chile and Malaysia achieved their diversification will be a great lesson for Nigeria. For both countries, relative good governance, friendly FDI regime, and strong cooperation between the private and the public sectors were fundamental.

2.3.1 Chileans Strategy to Diversification

According to Gijón-Spalla (2010), the strategies followed by Chile include the following;

i. making the tradable sector a key policy priority and encouraging public and private cooperation by developing an institutional network that links the production support institutions with the export promotion agency.
ii. ensuring a stable macroeconomic environment with predictable fiscal and monetary policies aided by an efficient financial sector and appropriate exchange rate;
iii. active trade openness policy through unilateral liberalization and free trade agreements: Chile has signed bilateral free trade agreements with more than 51 countries representing 81% of world GDP, and became a member of the World Trade Organization (WTO) in 1995.
iv. a proactive FDI policy, making Chile one of the largest FDI recipients in Latin America, with an average of 3.6 percent of GDP between 1970 and 2007;
v. creation of sound infrastructures to reduce costs; and
vi. supporting private sector development through sound business climate regulation, which resulted in Chile's relatively good position in international business climate rankings (41out of 189 countries in World Bank's 2015Doing Business Report and 59th out of 190 in the World Bank's 2020 Doing Business Report).

2.3.2 Malaysian's Strategy to Diversification

As noted by Yusof and Bhattasali (2008) and cited in Gijón-Spalla (2010), the Malaysian model was based on;

(i) significant public investment in education to create a highly skilled labor force and in new economic sectors (e.g. heavy industry);
(ii) close collaboration between the government and the private sector to define policies, develop market know-how, and make policy adjustments;
(iii) gradual disengagement from the state in the economy through privatization of state-owned companies initiated in the 1980s to empower domestic private investors;
(iv) an open FDI regime to develop nascent industries(e.g. telecommunications and the automotive sector) and the development of a good business climate; the Electrical and Electronics (EandE) sector represents 48.7% of exports and 32.5% of employment in Malaysia
(v) excellent infrastructure development (e.g. roads, telecoms, free ports) to support export industries; and

(vi) active trade openness policy by signing bilateral, regional (ASEAN), and multilateral (WTO) trade agreements.

The Malaysian authorities developed diverse tools targeted to support the export sector which includes;

(i) targeted export incentives that provided tax concessions and exceptions on inputs and export goods;
(ii) creation of EPZ with good access to major export infrastructures, such as free ports for companies exporting 80 percent of their output;
(iii) international procurement centers to provide services to producers for exporting manufactured goods and purchasing intermediary inputs, including raw materials, and semi-finished and finished goods;
(iv) creation of instruments to provide export insurance and short-term financing to exporters and input importers; and
(v) financial regulation with no exchange controls for exporters and access to long-term foreign currency financing.

The continuous adjustment of export policies through the cooperation between the private and public sectors and the creation of highly skilled labor force made the Malaysian export model relatively versatile. In the World Bank's 2015Doing Business survey, Malaysia ranked 18th out of 189 countries and 15th out of 190 countries in the World Bank's 2020 Doing Business Report.

3.0 Conclusion

The Nigerian economy having relied majorly on the export of a single commodity (oil) for so long, can achieve sustainable growth by adequately diversifying her economy. However, diversification does not mean that we do not need the oil. In reality, oil is necessary to achieve the diversification because the sector generates the bulk of the revenue. Experiences of Chile and Malaysia have shown that export diversification in resource rich countries is achievable. Effective diversification can only be achieved when the country successfully creates a large quantity and array of high-value-added exports (goods and services) and attracting global purchasers for them. The most noticeably outcome necessary to assert that the Nigerian economy is well diversified is the contribution of non-oil sector to over 50 percent of its exports.The successful diversification experienced by Chile and Malaysia involved very long process (about four decades) of developing the non-extractive export-oriented sectors in addition to a long-term commitment to the fundamentals. Hence, policies focused on diversification should be robust and sustained over time. In conclusion, achieving a well-diversified economy requires a very long process and very challenging, but not impossible.

4.0 Recommendations

The Chilean and Malaysian successful experience provides some lessons for Nigeria and the basis for which the following recommendations are made;

i. To promote exports, efforts should be made to produce products consistent with the quality demanded in foreign markets thereby permitting significant exports.
ii. The trade associations should investigate the array of regulations in the major importing markets which must be met in order to be able to sell in them and stick to them.

iii. The trade associations should be involved in relaying to producers key information about the requirements of foreign market sand organizing the attendance of producer sat major trade fairs in the world and subsidized by the government.

iv. Decline in export tariffs will encourage producers to thinking of exporting to other countries.

v. There should be availability of foreign exchange with which to import capital equipment suitable for export production so as to promote large volumes of exports.

vi. There should be increased negotiation of free-trade agreements with major importers as it provides the necessary space for a major increase in exports.

vii. Encouraging business/trade associations to partner with the universities for the purpose of conducting research that is directly beneficial to producers after which the technological innovations would be sold to member firms.

viii. The government (NEPC) should be actively involved in financing export promotional activities, abroad through campaigns to create a 'country image' and the dissemination of marketing information to producers.

ix. Investors should be given tax incentives for pioneering investments in the non-oil sectors.

x. The government should provide sector-specific public goods or services with large sunk costs that would not have been affordable by most producers.

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