PRIVATE FOREIGN INVESTMENT AND TRANSFER OF TECHNOLOGY IN NIGERIA SINCE INDEPENDENCE

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DECLARATION

This project has been read and approved as having met the requirements of the Department of Business Administration, Faculty of Administration, Ahmadu Bello University, Zaria for the award of Master of Business Administration (M.B.A.).

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C E R T I F I C A T I O N

This Project report/thesis/disseration entitled "PRIVATE FOREIGN INVESTMENT AND TRANSFER OF TECHNOLOGY IN NIGERIA SINCE INDEPENDENCE." by BABA GANA IBRAHIM meets the regulations governing the award of the degree of Master in Business Administration of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

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ABSTRACT

There is a belief that the answer to undedevelopment is private foreign investment. It bridges the balance of payment gap, the savings and the technological gap and the long-run per capita income gap. But others have argued that private foreign investment has been one of the major factors contributing to the development crises; that private foreign investment is merely the twentieth century refinement or the economic outcome of the gun-boat diplomacy of the imperialist powers of the last century. On this view, private foreign investment gives even greater foreign ownership of the capital stock, dominating development of market structures, determining the allocation of resources and distribution of income, more especially the shares going to the developed countries. By producing an even greater dependence of the underdeveloped economies upon those of the developed countries, private foreign investment is thought to stand in the way of national policy efforts at planned growth, and to frustrate the local enterprenural talent and the raising of employment. Against this backgroudn, the role of private foreign investment in the transfer of technology and how appropriate is technology transfered is viewed. Investigation into some selected sectors of the economy like manufacturing, building and construction, services and oil sectors reveals that the foreign capital

domination of these sectors is quite substantial. Applying 'litmus test' on the manufacturing and the oil sectors reveals the type of technology transfered. It reveals that the type of technology transfered is based on a narow product line - mainly the local assembly and processing of imported chemicals, and partially knock-down parts, for the production of light consumer goods with very little value added.

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CHAPTER ONE

INTRODUCTION

1.1 The Problem

The main issues surrounding the transfer of technological innovations from the advanced, highly developed industrialised countries to developing countries, or what has become known contemporaneously as the "Third World" have attained considerable degree of urgency since the early seventies. These issues have become urgent because of the continuing gravity of development problems in the less Developed Countries (LDCs), especially unemployment, underemployment, and dismal changes in labour productivity that have continued to compound the widening gap between these groups of countries and the industrialised countries even in the presence of major efforts towards rapid industrialization.

The transfer of the most advanced technology from the rich countries to the poor was considered desireable and necessary; and more generally, there were purely economic answers to the problem of underdevelopment. However, it does not follow that a transfer of Western technology to the developing countries would solve the

problems of the third world. On the contrary, it might well be that a transfer of this technology tends to aggravate rather than solve the development problems. The research and development done in the western world is based upon western requirements, and not upon the requirements relevant to the LDC's. Western technology are all capital intensive in nature, whereas the relative factor proportions of the LDC's would require a labour intensive or at least an intermediate technology. Apart from being too capital intensive, there is the problem that a substantial part of the research and development is not relevant for the LDC's. In the developing countries, new technological innovations are most needed in fields like agriculture. Even here, at first sight one would imagine that the import of agricultural tools and implements would have altered agricultural production or productivity in a dramatic fashion. Most surprisingly, the available data on land and labour productivity in agriculture has changed very little over the last twenty years and that total agricultural output has not increased substantially over this period. In addition to tools and equipment, there has been a considerable investment in large scale irrigation works such as dams and cannals (River Basins) This is not only characteristics of Nigeria, but can be noted elsewhere. For instance, since

the introduction of Green Revolution in Mexico in 1965, total agricultural production has not risen; some observers even believe that there has been a slight decrease. Although the Mexican agricultural output has been showing steady increases during the period from 1943 to 1965, the new superior technology not only arrested this growth, but has led to further social inequities. It is clear, then, that machines and new seeds in themselves, do not solve agricultural problems.

As most new technologies are developed from advanced countries, their potential relevance are limited to the so called modern sector, especially the manufacturing sector. And even in this limited field, the technologies available may be irrelevant, and sometimes harmful to the developing countries. The transfer of technology may, therefore, well lead to too capital intensive production methods and hence, less additional employment opportunities than would have been possible if the technology developed had been based on the factor proportions pertaining to LDCs.

Leaving aside the question of whether the technology available in rich countries is relevant to LDCs, lets now turn to the question of how to transplant technolgy. One of the ways open to LDCs to buy technical know-how is through licensing agreements. This option is often used by developing countries, and sometimes quite

successfully. On the other hand, the market for buying the know-how is a restricted one, in the sense that it is not generally possible to buy know-how, whereas sometimes the strings attached to licensing agreements are such as to make them unacceptable. Sometimes know-how may be obtained through technical assistance programmes of multinational or bilateral donors, but here, too, the possiblities are clearly restricted.

Another way for LDCs to obtain technology, and this is the most relevant to our discussion here, is, to import technology by means of private foreign investment (PFI). This is what is normally called the transfer of technology due to PFI. Although PFI certainly has introduced a large number of production processes to the LDCs, that could not have taken place without PFI, the impression here is that the word 'transfer' suggests more than might be appropriate. The new technology transfered in the sence that, through the PFI, it becomes available in a different country. This does not mean, however, that technology is transfered in the sense that it becomes part and parcel of the economy where the investment is made. Quite to the contrary, the new technology may well remain an element alien to the domestic economy, if it is kept under the complete control of the foreign firm and its expatriate staff. Of course,

there is the tendency to employ more and more local employees or even indigenization of some staff functions and to the extent this occurs, citizens of the host country may make themselves familiar with new technologies, or at least, part of it. Even then, it would, however, seem at least premature to speak about a transfer of technology as the benefits of the technology may remain internal to the foreign firm.

Also, the controversy over foreign Investment has generated more heat of recent. The activities of multinationals (which incidentally perform to a greater extent in the field of private foreign investment) has been under debate in both the United Nations and in the Parliament of many Third World Countries these days. Hence, there are two major schools of thought regarding the issue of PFI in developing countries. And they noth exist at the two oposite extremes of a continum.

Many believe that the key to underdevelopment is PFI. It bridges the balance of payments gap, the resources gap, the savings and the technological gap, and in the long run, the per capita income gap. But others have urged that PFI has been one of the major factors contributing to the development crises; that PFI is merely the twentieth century refinement or the economic outcome of the gunboat diplomacy of the imperialist powers of the last century.

On this view, PFI gives an even greater foreign ownership of the capital stock, dominating the development of market structures, determining the allocation of resources and and distribution of income, more especially the shares going to the developed countries. By producing an even greater dependence of the underdeveloped economies upon those of the developed countries, PFI is thought to stand in in the way of national policy efforts at planned growth, and to frustrate the local interprenural talent and the raising of employment.

1.2 The Objective of The Study

The aim here is to:

(i) Analyse critically, the role and effects of Private Foreign Investment and its agents, the multinational corporations in the area of transfer of technology, and therefore, the economic development of Nigeria:

(ii) Analyse the form and nature of private foreign investment by some sectors of the economy which are considered critical to the country's development.

(iii) critically evaluate the relevance or the appropriateness of the technologies so far transfered through private foreign investment. To this end, perspectives of the proponents

and those who hold the view that private foreign investment leads to strategic dependence, are considered.

(iv) examine on the basis of the perspectives of the two school of thoughts, two sectors - manufacturing and oil, which are considered here to be critical for the country's industrialization and attempt to analyse the extent to which transfer of technology has been successful through the use of private foreign investment.

1.3 Period Covered

The study attempts to cover the period since independence. Although the starting point is considered to be since 1960, historical perspectives are given where necessary. The history of foreign participation are delved into to give a picture of how far back it dominated that particular sector and to note the extent of changes that occured since independence. Thus, references are made even to thetime when Unilever started manufacturing in Nigeria, when the Bitumen Corporation started prospecting for oil, when Shell-BP first exported oil from Nigeria.

1.4 Methodology

Data collection in this study is predominantly secondary. In this regard, a number of publications, texts and position papers of scholars who have written on this area has been consulted. Extensive use of Central Bank Publications, trade journals, and national daily papers are used to collect data. Inspite of the absence of primary data due to time constreint, an optimistic stance is maintained that the exercise would add some value to growing public interest in foreign capital particiaption in Nigeria.

Data are drawn through extraction from tables where available, tabulated and percentages calculated where appropriate.

References are made for sectors which are considered important for the country's economic development. Thus studies of sectors like manufacturing, services, and oil are conducted. Manufacturing, because of its importance to industrial development, services, particularly banks and the life blood of economic activity and oil because of its strategic important to the economy. The bulk of the data are drawn from these sectors with regards to the actual operation of multinational operations in this country.

Even though the relevance or not of a particular technology transfered is hard to quantify, information on manpower development, net capital flows, type of products are refered to, to butress some arguments.

1.5 Justification, Scope and Limitation

There is an urgent need for Nigeria to make progress in her per capital income, overall income distribution, health, education and other indicators of economic and social welfare. These are the indicators that determine a country's level of development. Although progresses have been made along all these indicators, the changes, yet, are not substantial. For there to be substantial changes, Nigeria has to acquire a more sophisticated technology to produce the right goods in greater numbers.

One of the most important sources of technology acquisition is through the use of private foreign investment. Although private foreign investment brought about changes in terms of newer production processes, the question whether they are the right changes that help this country get out of its present social and economic quagmire is posed. There are two schools of thought as far as private foreign investment and transfer of technology are concerned, and they are at two extreme ends of a continum. One school of thought maintained that by

introducing new products and processes, this type of investment bring about increased economic capability and adds to our labour and capital productivity. The other school argues that such investment contribute to net capital outflow, displace indigeneous production facilities and encourage harmful consumption patterns. This study is aimed to contribute, not by holding brief to either school, but by taking an objective view to look at the extent to which transfer of technology has taken place through the use of private foreign investment and how that contributed to better our lot in terms of social and economic progress.

The greatest constraint concerning this work is the time factor. This fact manifests itself by the absence of primary data. It also affected the number of sectors considered. Had there been time and resources, a more comprehensive and detailed exposition would have been made.

The scope has been limited primarilly to role of private foreign investment in the transfer of technology since independence with some touch on historical perspectives that goes beyond 1960, where relevant, the sectors considered here include manufacturing, construction, banking, shipping and oil. Particular attention has been given to the manufacturing and the oil sectors.

1.6 Definition of Terms

The Multinational Corporations: (MNCs)

The MNC has become well recognised as a key feature of the changing international business pattern. But generally, agreement on the definition of the MNC does not exist. Some of the definitions proposed emphasise structural ownership by persons from many nations, or the nationality composition of top management. Other definitions stress performance characteristics such as the absolute amount - or the relative share - of earnings, sales, assets, or employees derived from or committed to foreign operations. Still other definitions are based on behavioural characteristics of top management such as 'thinking internationally'.

Another approach has proposed a set of definitions that suggest evolutionary process of internalization. In this scheme , a firm is classified as international if it engages in foreign business but has made no direct foreign investments. A Multinational corporation would be one which allocates company resources without regard to national frontiers but is nationally based in terms of ownership and top management. A transnational firm would be a multinational managed and owned by persons of different nationalities. A supranational firm would be transnational firm that is legally denationalised by becoming incorporated through an international agency, which or if, this posibilities exist.

The definitional debate is simply a matter of semantics. It is important in that sense that is reflects the heterogenuity of the field and the reality that there are a number of different kinds of so called multinational companies. It also one that researchers in the field need operational definitions that will permit them to identify with firms are to be included in their studies and which are not. Consequently, the users of research studies and statistics on multinational enterprises must be alert to the definition used.

With the growing international involvement of business firms more and more companies - American, European, Japanese, and others - are finding that a large share of their assets are deployed around the world, that many of their employees are foreign citizens, that a large amount of their earnings is in foreign currencies and that they are operating to an important extent outside the legal jurisdiction of the country in which the parent company is oncorporated. In these circumstances, the companies have become multinational corporations, and the nature of their operations has been significantly transformed. They came to be managed as world enterprises, with international consideretions dominating their decisions.

Not all international business is conducted by MNCs. Export and Import activiteis, for example, do not require that a company establish and operate overseas

branches, affiliates, or other units of the home corporation. The licensing of patents and technology in foreign countries can be accomplished without a predominantly domestic company becoming a multinational. The dividing line to mark the stage at which a company becomes multinational, however, is difficult to determine. Many domestic companies go through gradual evolution towards making direct investments, first establishing marketing, procurement offices, or wharehouses in foreign countries Even if big firms owes the imaginary and imprecise boundry between domestic and multinational, its degree of multinational commitments and the internationalization may range over a wide spectrum.

1.6.2 Technology

It is difficult to define what a technology is, and correspondingly, it is difficult to measure. Technology is the stock of knowledge of industrial arts. In the broad sense, it includes a craftsman know-how, as well as industrial applications of scientific theories and laws. In this sense, international direct investment flows may be its agent.* Douly and Janakiraman (1985) made the following observations concerning technolgy:*

1. technology is not restricted to machines and tools even though they are its most visible manifestations (the situation is akin to strikes as the most overt form of

industrial conflict)

2. technology is required, not only in the actual production process, but also for the procuring of the imput of materials, capital, labour, and the disposing of the output to some other organisation e.t.c.
3. Arising from the above, it is possible to distinguish between;
   a. operations technology (the uniformity of the material used)
   b. knowledge technology (the proportion of exceptional cases)

Hence, Donly and Janikiraman contended, technology involves rational, well organised oncorporation of scientific knowledge in all processes of production system right from the receitp of raw materials to the shipment of finished products. Technology is thus, a commodity which can be acquired for a price, sold, modified, rented or absorbed, but unlike the transfer of other commodities, the transfer of technology does not deplete the suppliers available technology."*

A widely recognised corolary of foreign investment to developing countries is the flow of technology, nee production techniques, and processes, as well as managerial and organizational know-how. Technology in this broad sense

denotes the sum of knowledge... scientific, empherical, artistic... or, in general, experien e and skills necessary for manufacturing a product or roducts and for establishing an enterprise for this purpose.* Technology flows through the embodiment of knowledge in capital equipment, and intermediate goods, techniques or processes, skilled manpower, and through the flow of propriety and non proprietary information. Virtually, all technology flows form the highly industrialised countries to the developing countries are proprietary, in that when technology is made 'available' it is customarily paid for by the receipient. Technology has been and continues to be a vital imput in the economic development process. Unfortunately, in addition to rapid socio-economic changes, it constantly generates its political abuse has rendered more and more susceptible and suboptimal use as well as misuse.

The importance of technology as an intergral of foreign investment and its capability of contributing to long-range economic transformation and growth in the real income of each person have yet to be thoroghly examined and understood in the formation of political objectives for the technological development in Nigeria. Furthermore, the successes or failures encountered in the flow of technology as a constituent part of foreign investment have yet to be fully documented.

1.6.3 Private Foreign Investment

Investment is any activity for which the required outlays and benefits are not expected to be concurrent. It is the acquisition of right to property for the conservation of capital or to earn some income. Thus, private foreign investment is the investment made by individuals who are not citizens of the host country. There are two types of foreign private investment.

There is the direct invesment which gives the investor the right for running the affairs and the execution of project. There is also the portfolio investment where the investor(s) only buy(s) shares but leave the running of the project to the management. Here, the main concern of the investor is to conserve capital and earn some income in the form of foreign investment.. Whereas, an investor is expected to participate in the running of the company in direct investment, he is not expected to, nor is he called upon to do so in the second situation.

1.7 Organization of Study

Chapter two takes a look at private foreign investment in manufacturing, and construction sectors. It takes a look at the amount that flowed into the two sectors and sources of such investment. It also gives the type of industrial activities undertaken by such investment. Chapter

Three exposes the dominance of multinational participation in the shipping and banking sectors while chapter Four surveys the amount of foreign participation in our oil sector. Chapter Five deals with the assessment of the types of technologies transfered to the manufacturing and oil sectors and chaper Six concludes the work and gives recommendations.

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CHAPTER TWO

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CHAPTER TWO

2.1 Private Foreign Investment In Manufacturing, Building, and Construction.

Manufacturing

Manufacturing in the modern sense of the word, was largely absent in Nigeria until the post-war period. In 1950, value-added in modern manufacturing, that is establishments employing more than ten people, was only ₦5.4 million. As a percentage of Gross Domestic Product (GDP), the share of manufacturing and utilities was only about 1.4 per cent in the same year. Since then, the manufacturing sector has expanded considerably. By 1960, value added in manufacturing was ₦109.6 million and 3.22 per cent of the GDP.*[1] In 1975, the figure were ₦579.1 million and 9.49 per cent respectivly. For 1977, the corresponding figures were ₦584.8 million and 7.8 per cent.* The manufacturing sector recorded the highest cumulative foreign private investment from 1978 to 1981. There was a continuous increase in cumulative investment in this sector from ₦1.263 billion in 1978; ₦1.403 billion in 1979, ₦1.504 billion in 1980, to ₦1.706 billion in 1981. The sector also accounted for 44.5 per cent, 41.5 per cent and 45.5 per cent of total investment in 1970, 1980, and 1981 respectively. [2]

2.1.1 The Origin of Manufacturing In Nigeria

After 1945, the colonial government launched the Ten-Year programme of development and welfare for Nigeria, which not only initiated infrastructural development, but also brought the Nigerian economy to the attention of foreign investors. As an indication, the number of companies registered in Nigeria rose from an average of 18 per cent between 1912 and 1946, to 93 companies per year btween 1946 and 1958.[3] One effect of these development was the rapid growth of imports and the general increase in demand in the Nigerian market.

Until the early 1950's, the Nigerian economy was dominated by commercial multinationals like U.A.C., John Holt, A.G. Leventis, and Paterson Zochonis. With the attractiveness of the Nigerian market, these merchants houses were challenged by other importers/distributors, by overseas manufacturers eager to secure a foothold in Nigeria, and, to much samller extent, by Nigerian traders. As a result of thse competitive pressures, the leading foreign merchants found it necessary to deploy part of their capital in the establishment of semi-autonomous manufacturing firms.[4]

At the same time, a combination of tax, infrastructural and credit incentives as well as tariff protection was being adopted to aid industrial development generally.

The aid to Pioneer Industries Ordinance of 1952, Industrial Development (Import Duties Relief) Ordinance of 1957, and the Industrial Development (Income Tax) Act of 1958, are notable examples of these promotional measures. Insutrial estates were also established as a means of forsterin investments, and the average tariff rate was raised from 23 per cent in 1957, to 37 per cent in 1962, and to 59 per cent in 1967.[5]

By 1969, the result of competitive pressures and government policy had led to import-substitution industrialization behind high protective tariffs. Taking advantage of their knowlege of the economy, the trading multinationals took the lead in Nigerian manufacturing. From the start, therefore, the role of multinational corporations (MNCs) in manufacturing has been very important.

2.1.2 The Current Structure of Manufacturing

Output in the contemporary manufacturing sector of Nigeria is dominated by a few industries namely, food, beverages, textiles, tobacco and miscallaneous products of petroleum and coal. Over 90 per cent of total output in manufacturing consists of consumer goods.[6] Table (2.1) shows the contribution of major industrial groups to manufacturing valeu-added. A significant feature of the industrial structure revealed in the table is that it is

dominated by low technology activities. High technology activities like production of basic iron and steel, industrail chemicals, electrical appliances, machinery and transport equipment are essentially absent. The picture is presented more clearly in Table (2.2). Many of the manufacturing activities are merely local assembly of completely knocked down parts (CKD) imported from abroad. This is the case with the local vehicle assembly plants (like peogeout and Volkswagon), refrigderators, air conditioners, e.t.c.

Another characteristics of multinaitonals in Nigeria is the high degree of import dependence. In the first place, the ratio of imports to total industrial supply is very high; hing 9 per cent and 94 per cent for industrial and agricultural machinery respectively; household appliances, 94 per cent, ship-building, 89 per cent, basic industrial chemicals, fertilizers and pesticides, 89 per cent, wearing apparel, 89 per cent Even, more important, however, is the fact that the proportion of imported raw materials in total manufacturing materials is also high. Even for food and beverages, the ratio of imported raw materials ranges from 63 per cent for sugar and chocolate confectionery to 92 per cent for bakery products.[7]

TABLE 2:1

Contributive of Major Industrial Groups To Manufacturing Valeu Added in 1970 (%)

I S I C CODE	% CONTRIBUTION
311/312	11.73
313	15.30
314	8.67
321	14.79
322	0.51
323	0.51
324	1.02
331	1.53
332	0.51
341	1.53
342	2.04
351	0.51
352	0.51
354	8.16
355	1.53
356	1.02
361	1.51
362	0.51
369	2.04
371	-
372	0.51
381	6.12
381	0.51
383	0.51
384	0.51
385	0.51
390	0.51

SOURCE: Forth National Development Plan. Vol.1 pg. 172 - 173

TABLE 2.2

Type of Investment In The Manufacturing Sector 1965 - 75

(Based on Total Capital Invested)

YEAR	Agro-Industrial Activities %	Low Technology Manufacturing %	Hight Technology Manufacturing %	Miscel laneous %
1965	17.1	67.5	1.5	13.9
1966	16.8	69.2	4.1	9.9
1967	20.3	65.4	6.4	7.9
1968	17.2	74.8	3.3	4.7
1969	15.9	78.8	4.0	1.3
1970	16.9	75.8	3.1	4.2
1971	11.5	77.6	10.8	0.8
1972	11.2	75.8	12.2	0.8
1973	13.5	73.2	12.6	0.7
1974	12.1	74.1	13.2	0.6
1975	12.7	73.1	13.5	0.7

SOURCE: Fourth National Development Plan pg. 174 - 175

But perhaps the most important characteristics of the manufacturing sector, in terms of the role of the MNCs, is the high rate of return on investment. Table 2.3 presents the result of a survey of thirty-five randomly selected manufacturing establkshments in Nigeria enjoy high profitablity. The major factors accounting for this profitability would appear to be the monopoly which most manufacturing enterprises enjoy, and the degree of protection given them.

TABLE 2.3

Average Rate of Returns In Nigerian Manufacturing (%)

	1975	1976	1977	1978
Profit before tax/capital employed	43.7	31.7	46.6	19.7
Profit after tax/capital employed	24.3	18.4	14.4	10.3
Profit before tax/turnover	8.5	12.0	9.9	8.0
Profit after tax/turnover	3. 3	7.3	4.4	5.1
Dividend/capital employed	12.7	7.8	4.4	7.3
Dividend/issued share capital				

SOURCE: Fourth National Development Plan pg. 406

2.1.3 The Scope of Multinational Investment In Manufacturing

The cumulative foreign private investment in the manufacturing sector is shown in Table (2.4). By 1975, foreign private investment, which is undertaken mainly by the MNCs was over N500 million. The table suggests an overall upward trend in foreign investment inflows. As a percentage of total foreign capital, investment in the manufacturing sector has shown only minor variations over the ten-year period of 1965 - 1975. A further breakdown of foreign capital inflows by source of funds reveals that for the whole economy, unremited profits have been the main sources of foreign investment funds. A contribution of share capital and loan capital to new

investment has been minor. These facts imply that much of the multinational investment in manufacturing has arisen from capital formation within Nigeria. This implies that the extent of imports of capital of the manufacturing sector as shown by the scope of multinational manufacturing is exagerated. Unfortunately, the limitation of data do not permit an alalysis of investment in manufacturing by functional sources of funds.

Table (2.5) shows the geographical sources of multinational investments in Nigeria. Again, the information can only suggestive of the manufacturing sector. It is clear, however, that Britain and the U.S.A dominate foreign private investment in Nigeria. The growing integration of the country into the world economic system is reflected by the decline in share of Britain, which fell from 56.0 per cent in 1965 to 48.3 per cent in 1975. Correspondingly, while the share of the rest of Western Europe has fallen from 22.6, per cent in 1965 to 11.4 per cent in 1975, the shares of the US increased from 13.4 per cent in 1965 to 30.6 per cent in 1975.

The information available on Fixed Assets confirms the relative position of manufacturing with the Nigerian economy. Table (2.6) shows the Book Value of direct foreign investment in manufacturing. More important, however, it confirm the significance of multinational investment in Nigerian manufacturing.

TABLE 2.4

Cumulative Foreign Private Investment In The Manufacturing Sector 1965 - 77 (# Millions)

YEAR	Paid Up Capital Includuing Reserves	Other Liabilities	Total (1) + (2)	As % Total Foreign Private Investment
	(1)	(2)	(3)	(4)
1965	76.4	59.3	135.7	18.5
1966	90.7	49.4	140.1	17.5
1967	105.3	67.6	172.9	22.2
1968	94.9	74.9	169.8	20.0
1969	119.3	76.7	196.0	22.2
1970	132.8	92.1	224.9	22.4
1971	277.1	101.8	379.9	25.6
1972	241.9	114.7	356.6	22.7
1973	275.6	133.5	409.1	23.2
1974	142.9	144.2	287.1	28.7
1975	359.4	146.8	506.2	22.1
1976	437.9	112.8	550.7	23.6
1977	599.8	104.0	703.8	27.8
1978	934.5	328.9	1,263.4	44.1
1979	1,026.9	375.6	1,402.5	44.5
1980	1,085.4	418.5	1,503.9	41.5
1981	1,147.4	558.3	1,705.7	45.4

SOURCE: C.B.N., Economic & Financial Review, various years

While the total multinational investment in manufacturing was ₦163.7 million and 26.4% of total fixed investment for 1965, the amount was ₦614.1 million or 32.9 per cent of total investment in 1975 - it rose by 200 per cent between 1971 and 1975.

2.1.4 The Allocation of Multinational Investment In Nigeria

Table (2.7) shows a breakdown of multinational investment by type of manufacturing activity. The important role of the MNCs in individual activity is evident. It is also clear, however, that direct investment by MNCs has been concentrated in food, beverages, tobacco and textiles. In 1975, the book value of foreign investment in these three activities was ₦9.6 million, ₦120.8 million, ₦21.1 million and ₦80.7 million respectively. The situation is consistent with the historical origin of the MNCs in Nigeria as described earlier.

One significant aspect of the table is the very low share of heavy manufacturing activities. For example, the shares of the machinery, electrical machinery and transport equipment (last five years (rows) of the table), are uniformly very low throughout (except for transport equipment in the last two years) This shows the virtual absence of capital goods manufacturing involving heavy industries and high technology in the country. Such heavy manufacturing industries also demand large capital investment involving high risk.

TABLE 2:6

BOOK VALUE OF DIRECT FOREIGN INVESTEMNT IN MANUFACTURING

1965-81 (N Millions)

Year	Amount	As % of Total Fixed Assets
1965	163.7	26.4
1966	171.4	26.4
1967	170.2	25.0
1968	174.3	24.5
1969	228.8	27.0
1970	281.5	39.5
1971	201.8	25.8
1972	344.9	25.0
1973	330.1	25.2
1974	559.7	33.2
1975	614.1	32.9
1976	607.3	32.7
1977	730.0	33.2
1978	1,022.0	40.0
1979	939.2	36.2
1980	840.9	31.7
1981	772.3	30.4

SOURCE: C.B.N., Economic and Financial Review, various years

2.2 Construction

Construction constitute one of the high technology areas, in addition to manufacturing, petroleum, and mining. On account of highly skilled technical manpower, sophisticated machinery and equipment, and large capital requirements, these sectors generate high technology rent. As a high technology area, that demands large investments in research and development (R+D), this sector has been dominated by multinationals.

The history of foreign investment participation in construction in Nigeria dates back to the colonial era when major civil engineering works were dominated by the British. Thus, William Shelford of Messrs Shelford, a British consulting firm, was awarded a contract for surveying the routes of Nigeria's first railway during 1895/95. Subsequently, the British companies, Costain and Taylor Woodrow, and later the Italian contruction firm, Cappa & D'Alberto, together with Isreal's Solel-Boneh, dominated the construction sector during colonialism. It was much later, during the 1970s and particularly during the oil boom of 1973/77, that the multinational construction firms invaded the country.

Table (2.8) shows that building and construction haboured a maximum of 5.3% in 1965, and 1976 and a minimum of 1.2% in 1971 during the thirteen year period.

TABLE 2:7

Fixed Assets At Book Value in Manufacturing Sector By Industry Type (₦ millions)

Type of Activity	1965	1966	1967	1968	1969	1970
Food	23.756	21.310	23.542	24.812	32.568	39.054
Beverages	13.388	16.034	18.716	19.112	25.098	32.072
Tobacco	10.198	12.190	8.718	11.750	15.423	14.980
Textiles	18.182	16.240	21.204	32.304	42.463	54.572
Footwear & Apparel	1.584	1.726	1.534	2.388	2.850	4.874
Wood & Cork	0.230	0.248	0.218	0 .258	0.336	0.338
Furniture & Fixtures	1.508	1.582	1.276	1.364	1.790	3.604
Paper & paper products	6.200	3.992	5.618	3.636	4.770	17.708
Printing & publishing	2.206	1.736	1.634	3.818	5.009	2.178
Leather & leather products	0.098	0.104	0.270	0.252	0.331	0.950
Rubber products	9.806	10.760	17.666	8.088	10.615	8.902
Chemicals	9.372	10.304	11,480	12.578	16.509	18.902
Products of Petroleum & Coal	18.782	27.328	16.844	16.518	21.682	17.698
Non-metalic Min' products	32.908	32.228	23.880	22.208	29.198	38.436
Iron & Steel	4.258	2.446	3.200	3.104	4.671	2.528
Metal Products	8.834	9.610	6.826	5.838	7.662	8.814
Machinery	0.096	0.312	0.276	0.156	0.208	0.302
Electrical Machinery	0.400	0.518	0.516	0.888	1.111	1.088
Transport Equipment	0.886	1.854	6.424	5.038	6.612	6.098
Miscellaneuous	1.026	0.672	0.312	0.250	0.605	9.228
Total	163.712	171.394	170.154	174.330	228.848	281.512

SOURCE: Economic & Financial Review, Various years

TABLE 2.7 (ctd)

Type of Activity	1971	1972	1973	1974	1975	1976
Food	33.706	35.630	43.393	64.528	39.563	39,790
Beverages	18.522	28.610	37.448	54.539	123.836	123,772
Tobacco	9.538	4.600	15.764	63.386	21.056	20,152
Textiles	46.742	72.764	70.532	130.900	30.699	81,872
Footwear & Apparel	2.728	4.818	9.364	22.993	6.403	6,406
Wood & Cork	0.240	.234	0.311	5.104	1.823	1,753
Furniture & Fixtures	3.876	8.962	8.753	15.063	8.660	8,836
Paper & Paper products	13.558	15.718	20.501	6.613	6.728	6,742
Printing & Publishing	0.044	5.318	1.919	2.060	3.094	3,178
Leather & Leather products	0.664	1.590	2.070	5.618	165,990	154,853
Rubber products	8.868	9.796	35.811	52.101	43.392	4,579
Chemicals	8.868	9.996	35.811	52.101	43.392	43,620
Products of Petrol & coal	7.902	7.426	5.896	7.451	10.607	10,552
Non-metallic Mineral products	33.414	66.998	37.892	55.009	42.169	42,623
Iron & Steel	4.530	5.082	4.486	5.272	6.031	6,269
Metal products	1.880	3.688	7.720	0.721	7.672	8,013
Machinery	0.502	0.376	4.699	7.524	2.023	2,016
Electrical Machinery	1.024	1.060	0.234	0.073	0.017	633
Transport Equipment	1.188	10.704	0.685	18.118	23,279	23,615
Miscellaneous	8.602	19.066	13.462	24.669	16.640	17,981
TOTAL	201.836	344.840	330.097	559.697	614.062	607,255

TABLE 2.7 (ctd)

Type of Activity	1977	1978	1979	1980	1981
Food		170,168	75,506	69,578	67,613
Beverages	130,760	138,635	56,101	51,808	45,268
Tobacco	38,198	84,285	71,247	44,330	35,898
Textiles	99,362	181,021	236,456	196,275	159,659
Footwear & Apparel	8,282	18,393	11,665	10,107	8,977
Wood & Cork	2,320	19,782	8,749	7,478	6,147
Furniture & Fixtures	9,962	29,085	30,895	26,234	21,522
Paper & Paper products	9,361	33,580	15,957	13,517	11,679
Printing & Publishing	4,073	14,735	24,258	21,282	18,110
Leather & Leather products	177,402	4,534	7,553	7,110	6,949
Rubber products	9,968	25,236	45,555	38,443	32,330
Chemicals	50,629	72,552	85,732	78,052	71,351
Products of petrol & Coal	15,433	3,796	2,761	2,179	1,788
Non-metalic Mineral products	54,121	70,180	72,884	63,172	54,281
Iron & Steel	10,294	18,913	20,619	19,474	17,711
Metal products	10,483	24,848	36,807	51,875	40,767
Machinery	4,185	1,810	8,323	7,877	8,830
Electrical Machinery	1,711	27,680	27,583	24,281	20,396
Transport Equipment	24,081	1,473	23,558	40,062	81,707
Miscellaneous	22,357	81,859	76,821	68,738	61,306
T O T A L	730,036	1,021975	939231	840872	772289

These shares have been rising since 1971, and had a structural shift with increased multinational investment since the oil boom in 1973/74. The boom in engineering works involved in the military's massive programme of lucrative contracts for roads, expressways, flyovers, bridges, hobours, ports, e.t.c during 1973/79 should have raised these shares as they sky-rocketed the total multinational investment in these sectors.

The figure in the table hide some facts. One is the proportion of total investment in the sector represented by these shares of total foreign investment. The figure offer no clue to the division between indegeneous Nigerian and foreign capital shares represented by these percentages. Thus, the minimum share of the sector in foreign investment of 1.2 per cent in 1971 may account for even 60 per cent of the total investment in the sector.

While the average proportion of foreign monopoly capital invested in construction during 1962 - 1966 was 3.9%, the multinationals controlled 29 out of 32, 38 out of 41 and 39 out of 42 contracts over ₦200,000 in 1962, 1964, and 1966 respectively, unfortunately, that information is not yet available for subsequent years.

Another is the extent of control of multinationals over this and other sectors transcend the relative size of foreign capital. It includes the supply of capital goods,

TABLE 2.8

Relative Share Of Construction In Total Foreign Capital In Nigeria 1962 - 81

Year	Percentage Share	Year	Percentage Share
1962	3.8	1970	1.4
1963	4.2	1971	1.2
1964	3.8	1972	2.2
1965	5.3	1973	2.6
1966	2.2	1974	3.5
1967	2.5	1975	4.9
1968	2.4	1976	5.2
1969	2.5	1977	4.8

SOURCE: Central Bank of Nigeria. Economic & Financial Report

like machinery and equipment, as well as technical personnel.

There are three aspects to be observed of multinational participation in the construction sector to be observed. First, it is concentrated in the relatively high technology engineering areas of construction of dams, harbours,, ports, housing, expressways, flyovers, spanning bridges, over rivers, oil refinery, etc. These are areas where the demands of heavy industry impose a serious challenge to Nigerian technical know-how and creativity.

Second is that the multinational invasion of the construction sector has been largely a post-1970 phenomenon.

This was intensified during the military regimes of Gowon and Obasanjo. For example, while the number of foreign construction companies in Nigeria barely exceeded 6 in 1978, they were about 65 in 1979 at the end of 14 years of military rule as shown below;

Nigeria: Major Foreign Construction Companies, 1979

	Foreign Construction Company	Country of Origin
1	A. Micheletti Limited	Italy
2	Borini Prono & Co Ltd	Italy
3	Brnilli Construction Co Ltd	Italy
4	Beaver Construction Co Ltd	British
5	Cappa & D'Alberto Ltd	Italy
6	Costain (W.A) Ltd	British
7	Cubolts Nigeria Ltd	
8	D'Alberto Giampaeli Ltd	Italy
9	De-Simone (Nig) Ltd	
10	Dimson Construction Co Ltd	
11	Dolano & Co (Nig) Ltd	Italy
12.	Dumez (Nig) Ltd	France
13	Dys Troca Valsesia & Co Ltd	
14	Edilit Ltd	
15	Edok-Etor Mandilas Ltd	
16	E. M. Michaeletti & Sons Ltd	Italy
17	E. Piass & Co. Ltd	

Table of Companies (Ctd)

18.	Eziconi (Nig) Ltd	
19	Farabametz Construction Co Ltd	
20	Fongerolle (Nig) Ltd	France
21	G. Coppa Ltd	Italy
22	George Wimpey (Nig) Ltd	British
23	Guffanti (Nig) Ltd	Italy
24	Horatio & Co Ltd	
25	Howard Construction Ltd	
26	Hokoson Eng. Company	
27	Italo Builder	Italy
28	Impesit Bokolori Ltd	
29	James Kilpatirck (Nig) Ltd	
30	JLCT Construction Ltd	
31	Julius Berger (Nigeria) Ltd	W. Germany
32	John Kaid Const. (Nig) Ltd	
33	Joort Inited Construct. & Engr Ltd	
34	Kuepper (Nig) Ltd	
35	Lodigiani (Nig) Ltd	Italy
36	Lovel Stewart (Nig)	
37	L D'Alberto & Co Ltd	Italy
38	Laing Construction Ltd	
39	Leander Constru & Civil Engr,	
4	Mother Cat Overseas (Nig) Ltd	
41	NACCO Ltd	
42	NECCO Ltd	
43	Nova Coke Builders Ltd	
44	Overseas Construction Co	
45	Pauling (Nig) Ltd	
46	Pedrochi & Co Ltd	
47	Pernsythre Nigeria	
48	Petro-Monk Eng. Ltd.	
49	Flisson Fisko (Nig) Ltd	
50	Poletti Brothers & Co Ltd	
51	Ponto & Co Itaware Ltd	
52	P. Beccarelli & Co Ltd	
53	Raycon & Co (Nig) Ltd	
54	Roccon Ltd	
55	Ronasco Inter Co Ltd	
56	Sainrapt Brice (Nig) Ltd	
57	Shinco (Nig) Ltd	

Table of Companies (ctd)

58	SOCEA (Nig) Ltd	
59	SolelBoneh Overseas Ltd	Isreal
60	Songhai Nig Ltd	
61	Stirling Civil Eng. Ltd	Britain/Italy
62	Stabilimg Visioni Ltd	
63	Strabag-Bau-Ag (Nig) Ltd	W. Germany
64	Taylor Woodrow	Britain
65	S. Tilbury	Britain
66	Energoproject	Yugoslavia

SOURCE: Daily Times Saturday 3, November 1979.

Third, the increase in number of companies has corresponded with the virtual explosion of the construction sector since the end of the civil war. The leading members of the multinationals companies in construction are Julius Berger of Western Germany, which contructed the flyovers in Lagos, Dimez of France, which built the Lokoja bridge, Sterling Astaldi which is based in Kaduna, and handled many projects in the northern parts of the country Strabag of West Germany which build the Ilorin and Ibadan airports in addition to other projects, Guffanti of Italy which specialises in housing construction in Nigeria, since the colonial times, Solo Lonch of Isreal; Costain of Britain and Tilbury also of Britain and so on.

Conclusion

The overall picture that emerges concerning manufacturing is one of multinational domination of the sector in Nigeria since the start of industrialization in the post war era, participation of MNCs in Nigeria in the manufacturing sector is concentrated on consumer goods manufacturing with low technology, high input dependence and low value-added. There are virtually no heavy manufacturing of capital goods in Nigeria. In such critical areas, as the net export of capital to the host country (Nigeria), technology transfer and generation of linkages with the rest of the economy, the multinationals in Nigerian manufacturing have contributed little. Moreover, the concentration of research and development (R & D) activities in the home countries of the MNCs helps to ensure the technological monopoly of the multinationals and impedes the technological development of this country.

Two major effects of multinational domination of the construction sector involve the massive transfer overseas of the country's national economic suplus and the technological pre-emption of the country. These results in the usual decapitalization and technological stagnation of the country. Overcharging of building and construction contracts are additional diverse consequences.

In building and construction, scandalously inflated contracts have not only imposed huge losses of funds to the country, but operated to restrict the number of ecnomically viable projects that could be undertaken at any given time. This is because overblown contract charges are major cost items for engineering projects such as irrigation, habours, airports, e.t.c. which must show economic profitability before they are undertaken. The fact that all major contracts are undertaken by Multinati nals means sustained surplus transfer, technological monopoly by multinationals in this sector and adverse effect on our balance of payments.

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CHAPTER THREE

Private Foreign Investment In Service Sector

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CHAPTER THREE

PRIVATE FOREIGN INVESTMENT IN SERVICE SECTOR

3.1 Shipping

Foreign domination of ocean shipping to and from Nigeria started in precolonial days, persits to the day. Britain has persistently dominated not only Nigeria's import-export trade, but the ocean shipping for conducting that trade from the begining of Nigeria's oil industry in 1958, and particularly after 1970, when crude oil exports have been rising sharply to the point of accounting for 80 per cent of the country's export earnings, Britain and other countries have dominated the oil tanker trade between them and Nigeria.

In the colonial era, the British Elder Dempster Lines operated regular mail and passenger services to and from West Africa. In 1924, the African Shipping ring was re-constituted to include the continental lines operating in West Africa. Other colonial shipping lines included the American West African French Compagnie Fabre Et Fressinet and the Italian Navigazione Libra Tractina Line.[1]

An analysis of Nigeria's balance of payments shows clearly that since independence, Nigeria has always had an unfavourable balance on the maritime account, this being implicit in our relatively small share of the world tonnage. The table (3.1) illustrates the extent our

balance on maritime transport account affects the balance on our current account.

From Table 3.1, it could be observed that in all the years considered, Nigeria recorded a deficit in the net balance on services otherwise known as the invisibles. Even in those years that Nigeria recorded a surplus on the balance of trade, the volume of deficit in Nigeria's invisible trade wiped out the surplus on the balance of trade, thereby leaving us with a staggering deficit of balance on current account.

For all the years considered, our balance on services are negative with balance on maritime transport accounting for more than half in our years reviewed. The balance on maritime transportaccounted for 68.9, 54.8, 53.9, and 69.4 per cent for 1978, 1980, 1982, and 1983 respectively. It accounted for lesser portion of the balance of services recording only 11.6 per cent in 1970 and 33.2 per cent in 1975.

During the fifth national development plan period, it is envisaged that about N10 billion would be expended on freight payments. With only about twenty vessels currently on our national register of ships, the disequilibrum in the balance of maritime transportation account will continue unabetted.[2]

The foregoing clearly reveals that not only is our maritime trade dependednt on and controlled principally

by foreign shipping lines, and interests, the maritime transport services, component of our balance of payment is negative, thereby retarding the rate of socio-economic transformation of our country. Worst still, the developed traditional maritime countries who, incidentally are our major trading partners and who play a dominant role in the various shipping conferences serving Nigeria's international seaborne trade, have also made access to higly-freighted cargo difficult, if not impossible for Nigerian carriers.

TABLE 3.1

Effect of Balance On Maritime Transport Account On The Balance of Current Account

(Millions of US $s)

Year	Balance on Current Account	Balance on Trade	Balance on Services	Balance on Maritime Transport	Balance on Maritime Transport*
1970	-420.0	309	-740	-85.9	11.6
1975	57	-2,844.7	-2,676	-944.7	33.2
1978	-3,745.9	-1,174.3	-2,350.7	-1,586.3	66.9
1980	-4,435.6	11,180.2	-6,334.6	-3,472.0	54.0
1981	-5,730.7	-471.7	-4,815.7	-2,266.6	47.1
1982	-7,209.7	-3,892.7	-3,059.2	-1,803.02	58.9
1983	-4,737.0	-1,690.6	-2,784.0	-1,931.6	69.4

SOURCE: Chief M.K.O. Abiola: African Ocean Line, Towards A Maritime Transportation Balance. National Concord Thursday 11, 1985.

*Note: Balance on maritime transport, % of balance on services.

In 1981, out of the 23.6 million metric tonnes generated by our international trade, Nigerian carriers were only able to lift about 1.8 tonnes, representing a meagre 7.5 per cent of the total volume of cargo available. In 1984, indegenous shipping companies were only able to lift about 5.41 of the total tonnage generated by our international trade. The Nigerian Ports Authority envisages that the volume of general merchandise handled in our ports will increase from 17.7 million tonnes in 1984 fiscal year to 28 million tonnes in 1990.

In 1985, out of 23.6 million tonnes generated by our international trade, foreign carriers lifted about 21.8 million tonnes, representing a colosal 92.83 per cent of the total volume of cargo avaialble. Also, in 1984, foreign shipping companies lifted bout 94-59 per cent of the total generated by cur international trade.

3.2 Banking

The multinationals also participate actively in the country's fianancial sector. But before elaborating on the pattern of multinational control, a brief description of the structure of the sector will elucidate the exposition. Inthis respect, though banking and insurance constitute the generic structure of the financial sector, some nine different financial institutions are in fact identifiable These include commercial banks, investment companies, and

mortgage institutions, (which both dominate the capital market). Insurance compani s, hire purchase companies and the National provident fund (NPF), which is a public institution. The commercial banks dominate the money market. The assets of these major financial institutions are shown in table 3.3 for 1970/71 and 1974/75.

TABLE 3.3
ASSETS OF MAIN FINANCIAL INSTITUTIONS BY TYPE OF INSTITUTION

Financial Institutions	1970/71		1974/75	
	₵ Million	% Distri'	₵ Million	% Dis'
1. Commercial banks (a)	1,134.63	87.0	2,767.45	85.8
2. Merchant Banks	13.26	1.0	114.25	3.5
3. Development banks & Investment companies	54.07	4.2	124.29	3.9
4. Mortgage Institutions	12.13	0.9	41.08	1.3
5. Insurance companies	n.a	n.a	n.a	n.a
6. National Provident Fund.	86.50	6.6	170.78	5.3
7 Hire Purchase companies.	3.98	0.3	8.54	0.3
	1,304.57	100.0	3,226.39	100.0

SOURCE: C.B.N (1976) Consolidated Tables of the main financial Institutions .

Note: (a) Includes cooperative banks, total assets are net of customers liabiiities,

n.a means not available.

While the development banks, investment companies mortgage institutions and the National Provident Fund, which accounted for 10.15 per cent of the total of 1974/75 are mainly public owned, as parastatals, the others, constituting 89.5 per cent of all the financial institutions are largely private enterprises. This means that the activities of all the imperialist financial institutions span both the money and capital markets.

The nature of multinational participation in the financial sector involves ownership of equity and paid-up-capital. Uptill 1972, some financial institutions were wholly foreign owned. But since 1976, 60 per cent equity participation was accorded Nigerians in commercial banking and insurance.[3]

Foreign participation in commercial banking started in Nigeria in 1891 with the entry of the British-owned African Banking Corporation into the country as the first banking enterprise. It was bough over by the Britishowned Elder Dempster Company in 1892, when it became banker to the British Colonial Administration. Then, on 31 May 1894, the bank of British West Africa (BBWA) was established with monopoly of commercial banking in the country. In 1912, it took over the bank of Nigeria, another foreign bank, established in 1899.[4] This meant that from 1917, when Barclays Bank entered Nigeria, to 1960, BBWA, Barclays, and other expatriate banks controlled 80 per cent of

commercial banking, owning 130 out of 195 bank branches in the country. The CBWA, which later became Standard Bank, and is now called First Bank of Nigeria, was also the sole agent of West African Currency Board, (the colonial Central Bank for West Africa), and the colonial administration. There was no indegenous bank until 1920, and by 1945, there were only two (the National Bank of Nigeria, established in 1933, and the Mutual Aids Society).

TABLE 3.4

Indegenuous and Foreign Banks In Nigeria, Selected Indices 1973 - 1975

	December 1973		December 1974		December 1975	
	(a)	(b)	(a)	(b)	(a)	(b)
No of branches	156	204	182	228	198	247
Paid up Capital	34,057	35,385	36,086	40,925	42,763	54,440
Deposits	261,025	769,097	823,371	1,228,833	885,790	2,016,927
Loans & advances	288,470	465,727	333,116	602,986	426,452	1,122,161
Accept-ances, credit, e.t.c	56,058	198,470	67,444	335,449	90,054	512,137

SOURCE: C.B.N. (1976) Consolidated Tables of The Main Financial Institutions: Paid up capital in N000s.

(a): Indegenuous, (b): Foreign

Since independence, other expatriate banks have joined the British banks in the country. The major expatriate banks in the country in 1981 were First Bank, Union Bank, United Bank for Africa (UBA), International Bank for West Africa, Bank of America, Chase Mahnattan, Savannah Bank, Bank of India, Habib Bank, Arab Bank, and Societe Generale.

The feature of foreign dominance is reflected in Table 3.4. One of the features is the wi ening gap between the indigeneious and foreign shares in all the given indecies from 1973 to 1975. Thus, while the foreign banks lead in deposits was only ₦508.1 million in 1973, it rose to over ₦1 billion in 1975. Another feature is the dominance by foreign banks of credit as revealed by differences in loans and andvances as well as acceptances, credit, e.t.c. (Indices 4 and 5 in the table). In 1975, the foreign banks controlled a total credit offer of ₦1,734.3, whereas indigenous banks provided only ₦516.5 million.

A disaggregation of the deposits and loans of the indigenous and foreign banks also reveals the dominant shares of the expartriate banks in the financial sector. This is shown in Table 3.5. Foreign banks accounted for ₦863,230 of current account deposits or 68.14 per cent of

the total current account deposits for all banks which is ₦1,266,819. Foreign owned banks controlled ₦376,836 of the total savings accounts deposts compared to ₦144,470 of indegeneous banks out of a total of ₦521,306. They (the foreign banks) controlled 72.28 per cent of the total savings accounts deposits. With ₦713,415 out of ₦1,851,050 foreign banks accounted for 67.87 of the total of time deposits of all banks. Foreign owned banks controlled 68.80 per cent of the total deposits by having ₦1,753,481 out of ₦2,839,175. They also had 71.1 per cent of loans and advances of the total for all banks combined by issueing ₦1,049,159 out of the ₦1,475,613 issued as loans and advances in 1975.

TABLE 3.5

Deposits And Loans Of The Commercial Banks, Dec. 31 1975

Items	Total in all banks (₦)	Total in expertriate banks	Total in indegeneous banks	Shares held by exp' Banks
1. Current account deposits	1,266,819	863,230	403,589	68.14
2. Savings a/c deposits	521,306	376,836	144,470	72.23
3. Time deposits	1,851,050	713,415	337,635	67.87
4. Total deposits	2,839,175	1,953,481	885,694	68.80
5. Loans & Advances	1,475,613	1,049,159	426,656	71.09

SOURCE: C.B.N. Economic Review & Financial Report 1976

Banks with some expartriate ownership find operating in the country very profitable. They operate at a higher rate of profitability than the parent banks abroad or their associate. A case in point is that of the Berclays Bank of Nigeria. Berclays Bank International of London owns 40 per cent shares of the Union Bank,[5] which formally was the Berclays Bank of Nigeria. With a total of over 100 branches in Nigeria, the Berclays Bank of Nigeria, or the Union Bank of Nigeria made a profit of ₦34.5 million in 1977 alone. This gave the bank a profit margin/turnover of 14.5 per cent in 1976 against the corresponding meagre ration of 3.7 per cent recorded by its parent company, the Barclays Bank of the United Kingdom.[6]

Distribution of Commercial Bank Branches as At Dec. 1982

I	Expatriate/Mixed	Total No of Branches
1.	Savannah Bank of Nigeria Ltd	18
2.	Nigeria-Arab Bank	19
3.	Union Bank of Nigeria Ltd	166
4.	Allied Bank (Nig) Ltd	46
5.	International Bank for West Africa Ltd	18
6.	First Bank of Nigeria Ltd	199
7.	United Bank for Africa Limited	100
8.	B.C.C.I	12
9.	Societe Generale	11
		585 (59.1%)
II	Indigeneous	
10.	African Continental Bank	81
11.	Bank of The North	55
12.	Co-Operative Bank of Eastern Nigeria (Co-operative & Commerce)	34
13.	Kaduna Co-operative Bank	10
14.	Kano Co-operative	9
15.	Co-operative Bank of Nig. Ltd	28
16	Merchantile Bank Limited	19
17.	National Bank Limited	81
18.	New Nigerian Bank Ltd	30
19.	Pan African Bank Limited	25
20	Wema Bank Limited	26
21	Progress Bank Limited	1
22.	Owena Bank	5
		404 (40.8%)
		989

SOURCE: Bullion: CBN Silver Jubilee Edition (1959 - 1984) Vol I pg. 17

TABLE 3.6

Profitability Of The Biggest Three Banks With 40% Foreign Participation

Bank	Total Assets	Turnover Earnings	Profits (Net after tax)	Dividend	Deposit (Current & others	Loans & Advances
Union						
1980	1,825,362	138,942	28,7888	6,532	1,624,586	931,654
1981	2,567,166	201,817	29,801	6,532	2,318,280	1,395,593
1982	3,182,266	284,838	32,623	8,165	2,853,545	1,654,710
First						
1980	2,610,887	126,633	17,967	10,754	2,141,980	1,039,239
1981	2,641,547	209,598	20,402	11,004	2,262,066	1,339,420
1982	n.a	n.a	25,230	n.a	n.a	n.a
U.B.A						
1980	1,715,883	124,699	20,036	6,362	1,576,225	864,836
1981	2,518,970	176,835	22,715	6,389	2,407,218	1,161,294
1982	2,826,935	232,195	26,602	8, 003	2,548,230	1,519,426

SOURCE: Business Concord, 18th March 1983 Note: Given figures are in thousands (N000s.

The total assets of the three banks in the country kept increasing for the three years under review. The total assets of the Union Bank increased from ₦1.8 billion in 1980 to ₦3.2 billion in 1982. First bank's assets increased from ₦2.61 billion in 1980 to ₦2.64 in 1981. Total assets of the United Bank for Africa (UBA) increased to ₦2.8 billion in 1982, form ₦1.7 billion in 1980. The net profit turnover of the Union Bank increased from ₦20.8 million in 1980 to ₦32.6 million in 1982. First bank's net profit also increased from ₦18 million in 1980 to ₦28.4 million in 1981. This is the nature of the relationship to net profit to total assets for the three greatest banks in the country with at least 40 per cent foreign participation.

3.3 Distributive Trade

The domination of Nigeria's distributive or commercial sector by the multinational corporations is related both to external and domestic trade. Foreign trade consists of exports ofprimary products, which are mainly crude oil, tin and agricultural products, and imports of capital goods as well as different manufactured consumer goods. The expo t of the agricultural products is handled by the Marketing Boards and the National Produce Marketing Company in Lagos, while the export of the predominant crude with has been accounting for about 80 per cent of all export earnings since 1974, is monopolised mainly by multinational oil companies.[7]

Most of the imports are handled by expatriate companies, with the government and individuals playing

very minor roles. Multinational corporations also dominate the internal trade with large companies and department stores.

Overall, the distributive sector grew from 9.1 per cent of G.D.P in 1960 to about 16.9 per cent in 1980.[8] During 1960 - 1975, its mean annual growth rate was 12 per cent. This made it the third fastest growing sector in 1980, after the manufacturing and transport sectors. In the same year, it was the second largest sector to oil in the economy in terms of its contribution to G.DP.[7]

The sectoralso attracted sizeable foreign capital arising from ₦522.5 million in 1978, to ₦550.5 million in 1979, ₦693.3 million in 1980, and ₦767.2 million in 1981. Its share of overall investment in the three years (1978 - 81) amounted to 17.5 per cent 19.5 per cent and 20.4 per cent.[9]

3.1.1 The Pattern of Foreign Participation In Distribution

The start of foreign participation in Nigeria's distributive trade dates back to 1485, when the Portuguese, landed in the old Benin Kingdom. The British challenged the Portuguese, monopply by granting a royal charter to the First English African Company in 1588. This was followed by the "Company of Royal Adventurers of England Trading In Africa.", which was granted a royal charter in 1662, with monopoly rights from the straits of Gibralter to the cape of Good Hope. The company later sold out to the Royal

African Company and the African trade was opened to all British subjects in 1698. Then, the African Association for Merchantilist Adventurers was formed in 1780, after which McGregor Laird founded the African Shipping Company in 1849.[10] These pre-colonial foreign trading companies sought gold, pepper, Ivory and palm oil.

The major commercial landmark came after the formal colonisation of Nigeria in 1860. The United African Company (U.A.C) was formed in 1879 out of four other British companies: Messrs Alexander Miller Brothers and Company (Glassgow), James Pinnock and Company (Liverpool), West African Company (Manchester) and Central Trading Company (London) all with a combined trade of over £300,000 a year among them. Then, in 1886, a charter was granted the Royal Niger Company for political authority over most of Nigerian territory, with its headquarters at Asaba and its own constabulary, High Court of Justice, etc. The company monopolised Ale trade and extracted tributes from foreigners and Nigerians for permission to trade in its teritories. However, on January 1, 1900, its charter was abrogated with compensation of £450,000 and the promise of a royalty payment of 50% for 99 years for all minerals found in its teritories. The U.A.C then succeeded the Royal Niger Company in commercial domination of the country.[11]

Other commercial multinationals in Nigeria include Union Trading Company (U.T.C) Leventis, Bohjsons, Chellarams, May & Baker,(M&B) Pfizer, GEAM(British Equipment & Machinery) Rank Zerox, CFAO, SCOA, R.T. Bristoe. etc.

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6. The Economist, 7 February 1976

7. Oloyide, S.O. Ed. (1976) Economic Survey of Nigeria 1960 - 1975 (Ibadan Aromolaran Publishing Company) Ch. 1 and 9

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CHAPTER FOUR

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CHAPTER FOUR
PRIVATE FOREIGN INVESTMENT IN OIL MINING

4.1 INTRODUCTION

By their very nature, oil and mining constitute traditional and modern domains of foreign capital in the Third World Countries. Nigeria was incorporated into the world oil industry dominated by multinationals as early 1937 by Shell - BP, and the Nigerian oil industry remains a foreign dependent enclave economic activity right from exploration to development and production of crude; its export or refininf and marketing. And this dependency is made more pervasive by the nature of the ownership and control of the technology and management of the oil industry which normally facilitates profit maximization by various multinational oil corporation operating in the country.

4.2 HISTORY OF OIL CONCESSIONS

The history of foreign capital in the Nigerian oil sector dates back to 1908 when exploration was started by a German Company called the Nigerian Bitumen Corporation! It was reported to have drilled fourteen (14) wells in the present Lagos State before ceasing operation on the outbreak of the Second World War. By 1937, interest in oil exploration was revied with the establishment of Shell D' Arcy Exploration Parties, a consotrim equally owned by Royal Dutch Shell and British Petroleum, Later called Shell - BP. In November 1938, the British Colonial administration declared the total land area of Niger as an oil concession to the company through an Oil Exploration Licence (O E L).

During 1938 and 1941, Shell - BP undertook preliminary geological reconnaisance with geophysical surveys in 1945/51 . The first wildcat well was drilled dry in 1951, when Oil eploration licence was limited to 58,000 square miles in Southern Nigeria along the entire East-West Coast. The Company made the first commercial discovery in 1956 at Obibin in the present Rivers State.

In 1957, Shell-BP reduce its mainland monopoly acreage to 40,000 square miles of Oil Prospecting Licences (OPLs). Before exporting oil from Port-Harcourt in 1958, other forign oil companies entered the country. The first of the newcomers to bid for mainland concessions was Mobil Nigeria Limited, an affiliate of the American Socony - Mobil Oil Company, that got concessions of 281,782 square miles in 1955, which it returned in 1961 in exchange for other concessions subsequently. Next was Tenessee, another American oil company which got 6863 square miles from 1960 to 1965, Gulf followed from U.S.A again in 1961/62, Agip from Italy in 1962, SAFRAP from France, and Philips and Esso both from the U.S.A. in 1965. By 1960 and 1961, Shell-BP had converted about 15,000 square miles of its concessions into Oil Mining Leases (OMLs) and returned the rest to the Nigerian government.

The Continental Shell concessions were also shared by these oil multinationals and dominated by Shell-BP.

On December 1, 1961, Shell?BP obtained 4 lots, while Gulf, Mobil and American Overseas Petroleum Ltd., got 2 lots each with each block for ₦500,000 single premuim payment. In 1964, Mobil got an extra lot.

4.3 THE MAJOR OIL ACTIVITIES.

The oil industry is structured in an way that makes full participation by companies from a developing country hardly feassible. Indeed some of the so-called minors not accommodated by the 'seven sisters' though having a global networks, still find it difficult to operate fully in all the activities related with the oil industry.

The main activities in the oil industry cover mostly exploration and development, production of crude oil, refining, transportation and marketing. The amount of the technology and management skills required for every phase of oil operation is presently beyond the reach of most companies in the under-developed countries. Those activities involve five broad areas of specialization involves the mother companies or multinational corporation which acquire relevant leases and licences for all the processes from the Nigerian government. There mother companies are Shell-BP, the largest, formally Dutch - British owned before BP was nationalised in 1979 to become the African Petroleum (AP), Gulf, Mobil and Pan - Ocean (American), A gip (Italian), Phillips American, Safrap and ElF (French) 4.

Next there are four servicing companies, which got contracts from the mother companies to execute specific assignments like exploration, prospecting, production and pipelining for transportation. They manufacture or import their own equipments such as drilling rigs, barites and bentonite treatment plants, safely valves, parkers, pipes etc. These service companies in 1978 were Forex, Dresser Marcoba, Dowell Schlumberger, Camco, Otis, Flopetrol, Baker, Bonny and Nisco which is the only significant Nigerian service company, as the others are mainly American and French. These service companies engage in the drilling of wells, running pressure surveys and drill site test, Construction of oil Flow statins and pipelines, supply of parkers and valves, etc.

The third specialization in the oil industry involves the marketing companies for crude oil, which are the oil producing multinational companies and the Nigerian National Petroleum Corporation (NNPC), formally the Nigerian National Oil Corporation (NNOC). The leading marketing multinations that correspond to the mother companies. The NNPC which is authorised to produce oil, in addition to its marketing and supervisory functions, is solely responsible for any export of Federal government's share of crude oil produced by the Oil multinationals under their participatory agreement, and for any crude oil produced by the NNPC itself.

It now owns BP and Ashland 100% on behalf of the Federal Government. The introduction of "third party" buyers from the NNPC in 1978 has included other foreign crude oil marketing companies; Pan Ocean Nigeria Limited, Phillips oil company Nigeria ltd, J. J. Brandler, Beijer International etc.

The forth line of specialization is the refining of crude oil. This is handled in Nigeria and abroad. Within the country, the Nigerian Petroleum Refining Company first established a refinery with capacity of 1.9 million tons at Elasa Elema near Port - Harcourt with 50 percent ownership by the Federal Government, 25 per cent by Shell and and 25 per cent by BP. BP also acted as the managing partner.

This was the sole refinery up till 1978 before the Warri Refinery was commissioned. A third refinery was commissioned at Kaduna in 1980. Even with this refinery, less than 40 per cent of Nigeria's crude oil output is refined in the country; the bulk of it is refined abroad in Western Europe and North America by different multinational corporations. They re-export some of the refined products to Nigeria since 1973.

Finally, the domestic distribution of refined Petroleum products (Petrol, diesel, kerosine, engine oil, and lubricants) used to be shared between road haulage subsidiaries of multinational corporation like Shell-BP, etc. and assorted Levantine companies like Khalil and Dibbo, until indigenization introduced indigeneous participatio

TABLE 4.1 : PETROLEUM COMPANIES OPERATING IN NIGER, NOVEMBER, 1973.

Company	Percent Equity Shares	Affiliation
Nigerian Agip Oil (Nig)	33.3	Subsidiary of the Italian State Company ENI.
Phillips Oil Company (Nig)	33.3	Subsidiary of Phillips Petroleum Co. U.S.A.
Nigerian National Oil Corporation	33.3	Nigerian (Public Corporation)
Deminex	30	Subsidiary of German Oil Consoturin
NNOC.	51	Nigerian (Public Corporation.
Niger Petroleum Company	19	Nigerian (Private) Independent.
Japan Petroleum (Nig)	49	Japanese Consotium.
NNOC	51	Nigerian (Public Corporation).
Niger Oil Resources Co. Ltd.	9	Nigerian (Private) Independent.
Japan Petreleum (Nig.)	40	Nigerian (Public Corporation)
NNOC	51	Nigerian (Public Corporation)
Tenneco Oil (Nig)	37.5	Subsidiary of Tenneco Inc., U.S.A.
Mobil producing Nigeria	50	Nigerian (Public Corporation).
Sum DX Nigeria	12.5	Subsidiary of Sun O.1 Company U.S.A.

Occidental Petroleum (Nig)	49	Subsidiary of Occidental Petroleum Company U.S.A.
NNOC	51	Nigerian (Public Corporation)
Pan Ocean Oil (Nig)	n.a	Subsidiary of Pan-Ocean U.S.A.
Delta Oil	n.a	Nigeria(Private) Independent.
Safrap (Nig)	65	Subsidiary of French Elf Erap group.
NNOC	35	Nigerian (Public Corporation)
Shell (Nig)	32.5	Subsidiary Royal Dutch Shell, UK, Netherlands.
British Petroleum (Nig)	32.5	British Petroleum Oil Company, UK.
NNOC	35	Nigeria (Public Corporation)
Hennry Stephen & Sons	49	Nigerian (Private Independent
NNOC	51	Nigerian (Public Corporation)
Taxaco Overseas Petroleum(Nig)	50	Subsidiary of Texaco U.S.A.
Chevron Oil (Nig)	50	Subsidiary of standard Oil of California, USA.
Gulf Oil (Nig)	100	Subsidiary of Gulf Oil USA.
Mobil Producing Nigeria	100	Subsidiary of Mobil oil Corporation USA.
Phillips (Nig)	100	Subsidiary Phillips oil company USA.
Great Basins Petroleum Dev. Co.	100	Nigerian (Private) Independent.

n.a. = Not available.

Note: Companies with Nigeria after their names are Incorporation in Nigeria, in most cases, under the name of the parent company.

Sources:- Thomas, D. Babatunde (1976) Importing Techno into Africa: Foreign Investment and the supply of Technological Innovations. Praeger, NY.

TABLE 4.2.

Production and Export of Crude Petroleum

1962, 1966, 1969/83

Year	Production Index (1962 = 100)	Value of Petroleum Export(₦ M)	Petroleum Exports as % of Total Exports	Average Fosted price (US) Per Barrel
1962	25.9	33.5	9.9	n.a.
1966	152.3	184.0	32.4	n.a.
1969	197.1	262.0	41.2	2.17
1970	389.1	510.0	57.6	2.25
1971	568.5	953.0	73.7	3.39
1972	662.5	1176.2	82.0	4.80
1973	750.0	1893.5	83.1	4.80
1974	822.8	5365.7	92.6	14.69
1975	650.9	4629.6	92.9	12.95
1976	n.a.	6321.6	n.a	n.a
1977	n.a.	7969.2	n.a	14.00
1980	2.06	-	About 80	40.00
1981	1.43	-	-	36.00
1982	1.82	-	-	34.00
1983	0.75	-	-	32.00

Source: African Business: various years.

4.4 MARKET STRUCTURE, ORGANISATION AND OUTPUT SHARES

To appreciate the control of the oil multinational Corporations on the Petroleum sector and the surplus appropriation (profit repatriation) involved, it is necessary to examine their competitive structure, output shares costs, pricing and profitability.

One of the most visible signs of domination of the oil sector by multinational corporations is their control of output of crude oil. Indeed, until OPEC started pushing for participation after 1970, the multinational corporation had 100 per cent control over production and disposal of output. Even after participation was sanctioned, these foreign companies still dominated production almost completely, though they have been forced to share the volume of crude oil produced by them with the Federal Governments NNPC.

TABLE 4.3

DAILY OUTPUT OF CRUDE OIL BY MNCS FEBRUARY, 1976

	MNC	OUTPUT
1.	Shell-BP	1,250,783
2.	Gulf	289,123
3.	Mobil	221,930
4.	Agip - Phillips	182,692
5.	Taxaco	35,873
6.	Elf	75,532
7.	Ashland	11,471
	Total	2,070,424

Source: Tenisa Turner (1976) "Notes on the Nigerian Oil Industry".

Since 1965, the market structure of Petroleum production has been a fairly tight oligopoly or cartel dominated by Shell-BP (See table 4.3) Even the nationalization of BP has not altered this structure dramatically because of the long entrenchment of Shell. While six of the multinational corporation, constituted this Oligopoly during 1965/72, seven of them held sway over the industry by 1976. Throughout the industry, the output of Shell-BP has been persistently greater than the combined output of all the other multinationals, except in 1968 when Shell-BP's output was merely 15, 915, 867 while that of its closest rival, Gulf, was 35, 991, 227 - an exigency of the 1967/70 civil war. The production cartel, moreover, consists of the mother companies (See tables 4.5 and 4.6.)

TABLE 4.4

TABLE 4.4

SUMMARY OF MONTHLY CRUDE OIL PRODUCTION BY COMPANIES, JUNE '79

NAME OF PRODUCING COMPANY	PRODUCTION IN BARRELS	% SHARE	CUMULATIVE PROD. IN BARRELS
1. Shell-B.P.	40,946,246	56.6	4,629,662,879
2. Gulf	11,690,512	16.2	1,185,986,105
3. Mobil	8,064,797	11.1	637,775,457
4. Agip	7,201,777	10.0	450,570,383
5. Elf	2,268,462	3.1	76,143,674
6. Texaco Cherron	224,756	0.2	72,927,604
7. Pan-Ocean	224,756	0.3	10,341,305
8. NNPC	273,405	0.4	13,100,449
9. Tenneco	119,634	0.2	3553552462
	72,371,002		7,076,863,328

Notes: The first seven multinational Corporations (1-7) were written jointly in the source table with NNPC because it owns participatory shares in them.

Source: The Nigeria Trade Journal, April 1980, P.31.

TABLE 4.5

PERCENTAGE DISTRIBUTION OF CRUDE OIL EXPORTS BY MAJOR DESTINATIONS - SEPTEMBER 1977 & JUNE '79

Country	June 1979	September 1977
U.S.A.	42.4	46.0
Netherlands	12.3	8.2
W. Germany	10.9	6.7
U.K.	10.3	7.9
Bahamas	4.9	3.3
Italy	4.0	7.1 (Cacarao)

Source: the Nigeria Trade Journal, April 1980, P. 30

As discused above service Companies are also an oligopoly of about nine foreign enterprises. The marketing of crude oil is also controlled by the oligopoly Companies which produce the crude, build pipe lines for export from oil terminals along the coast and organise farther fleets for Ocean shipping. The import of refined petroleum products is controlled by the marketing subsidiaries of six of the leading oil multinationals. The NNOC and later NNPC, however, has monpolised the marketing of Federal Government crude oil and collected royalties and taxes from the oil multinationals. Before OPEC's price-fixing intervention, which Nigeria joined in 1971 when the NNOC was also esterblished, the marketing oligopoly also dictated crude oil prices.

While refining of crude oil in Nigeria is monopolised by the Federal Government through the Nigerian Petroleum Rifining Company, with its three refineries at Port-Harcourt, Warri and Kaduna, the bulk of Nigeria's crude is refined Abroad. This makes Petroleum refining the next most competitive aspect of the oil industry, after the internal distribution of refined Petroleum products.

The performance of the oil multinationals and the Nigerian Petroleum sector itself is closely tried to the quality of Nigerian Crude Oil, the sectors cost structure and the pricing policy. The quality of the Nigerian Crude is reportedly high with low sulphur content, corresponding to 0.3 per cent for AP 134.67 crude with high fuel yield and excellent blending properties, though its low Kerosine yield is said to render it relatively unattractive for the smaller West African Market.

The 1966 average production cost associated with this high quality crude was 30.7 cents per barrel. This compared with the African highest cost per barrel of 45.9 Cents for Algeria and 15.2 Cents for Libya as Africa's lowest cost producer. The associated world's lowest cost per barrel was 4.2 Cents for Iraq, while the USA registered 156 Cents per barrel". This very high last figure is a major explanation for the number of American oil multinational Corporations in Nigeria and elsewhere in the Third world .

The corresponding prices for Nigerian Crude oil, which were dictated by the oil multinationals are low. In 1969 the average posted price per barrel was barely ₰ 2.17 and ₰4,80 in 1973 (See table 4.2). Since the intervention of OPEC, these prices have risen sharply to 14.69 per barrel by the end of 1974 before falling to ₰14.00 at the end of January, 1977 for Nigeria's Crude Oil auction sale of 300,000 barrels per day at the time.[12] The more recent prices are shown in tables 4.2 and 46).

TABLE 4.6

COMPARATIVE QUALITY AND PRICES OF CRUDE OIL, 1977/78

Country	Quality	October 1978 $/barrel	January 1978 $/barrel	July 1977 $/barrel	January 1977 $/barrel
1. Nigeria	Medium 26°	13.47	13.68	13.73	13.73
	Forcado 31°	13.62	14.03	14.42	14.10
	Pennington 34°	13.88	14.24	14.54	-
	Excravos 36°	13.94	14.30	14.60	-
	Bonny 37°	13.97	14.33	14.63	14.33
	Brass River 41.5°	14.00	14.38	14.72	14.42.
2. Libya	Es Sider 37°	13.68	13.80	14.00	13.74
	Zentine 40.5°	13.90	14.05	14.00	14.00
3. Algeria	Zaraitine 41°	14.05	14.02	14.25	14.25
4. North Sea	Forties 37°	14.05	13.75	14.05	-
	Ekofish 40°	14.20	13.80	14.15	-

Note:- Posted price of "AP 134 Crude"

Source:- K. Panter - Brick (1978). Soldiers and Oil (London Frank Cass)

4.5 GOVERNMENT INVOLVEMENT IN THE OIL INDUSTRY.

The initial interest of the government in the Oil industry was limited to collecting the royalities and other dues which the oil companies offered to pay to it, and making laws albert rudumentary, to regulate the activities of the industry. Thus the extent of regulation was rather limited before the late 60^{s}, due primarilly to the relative insignificance of oil in the economy and lack of personnel with requisite skill and experience[11].

Nigeria introduced the oil in Pipeline Act chapter 142 in 1965 to regulate the provision of transport infrastructure for the export of Crude Oil and in 1968, the government enacted the Oil in Navigable Water bear, which prescribed measures to combat oil pullution as the volume of production and export increased. In this era, the primary concern of government was to provide the right climate for the smooth operation and development of the industry, and the enterprenuer oil companies responded by dictating very low levels of government for oil produced. They also determined production levels.

Nigeria introduced in 1967, the Petroleum profit Tax (Amendment) Decree No. 1 in an attempt to improve its financial receipts from the oil industry. The decree based the calculation of royalty and Petroleum profit Tax on posted prices and provided for expensing of royalty.

Immediately after the Civil War, oil became predominant and more strategic to the economy of Nigeria.

Nigeria also joined the OPEC in July 1971 as the eleventh Member Country and in the same year the Nigerian National Oil Corporation was established by Decree number 18 of 1971 and was immediately charged with responsibilities for all upstream and down stream activities of the oil industry.

As a result of these developments, government in its new stature and association decided on participation in the industries activities. These events help this decision. First in 1962 ENI, the Italian oil conglomerate offered to government the option to acquire 33⅓ per cent equity interest in the Nigerian Agip Oil Company (NAOC) in the event of commercial discovery in its oil concessions. Secondly, Nigeria as a member of OPEC intended to comply with the organisation's Resolution XVI Article 90 of June, 1968 which enjoined all member countries to acquire participating interest in the operations of the oil companies operating in their territories. Thirdly, government decided that some of its goals of rapid industrial and commercial development would be enhanced it it has more say in the running of its oil industry. Hence the second National Development Plan, 1970-74 stated that government would participate in exploration and production of Nigeria's mineral resources, in view of the crucial role which the mining sector in general and petroleum in particular, was expected to play henceforth, in the economy.

In pursuance of this policy, government on 1st April, 1971 acquired 33⅓ of equity interest in NAOC in accordance with its concession Agreement and stand and posture of France in the Nigerian Civil War.

TABLE 4.7 GOVERNMENT JOINT VENTURE PARTICIPATION INTEREST IN THE OIL INDUSTRY.

Company	Participation %	Date Acquired	No of Licences
ELF	35	1/4/71	4
	35	1/4/74	4
	60	1/7/79	4
AGIP/PHILLIPS	33⅓	1/4/71	4
	55	1/4/74	4
	60	1/7/79	4
SHELL -BP	35	1/4/73	58
	55	1/4/74	58
	60	1/7/79	58
	80	1/8/79	58
GULF	35	1/4/73	10
	55	1/4/74	16
	60	1/7/79	16
TAXACO	55	1/5/75	6
	60	1/7/79	6
MOBIL	35	1/4/73	4
	55	1/4/74	4
	60	1/7/79	4
PAN-OCEAN	55	1/1/78	1
	60	1/7/79	1
ASHLAND	n.a.	June 1973	2

Source: A review of Nigerian Oil Industry - L. Amu

NNPC Publications.

There was also ministry of Petroleum resources operating comurdantly with NNOC but its functions were mainly regulatory and did not involve any participation.

However in 1977 in order to create a more virile oil agency, and optimise the scarce human infrastructural resources available to the government, the NNOC and Ministry of Petroleum resources were merged to form the Nigerian National Petroleum company, by Decree 33. The functions of the NNPC necessarily comfined the commercial objectives of the NNOC antecedent (namel exploration, production, transportation, refining, processing oil, marketing Crude oil and products as well as research) and the regulatory functions are still excercised by an independent arm of the NNPC called the Petroleum Inspectorate. As at today, NNPC is organised in eight major divisions, covering distinct activities as follows:-

(1) Exploration and Exploitation Division which conducts direct exploration activities and additionally, manages government's interest in foreign companies operating in the country.

(2) Products Marketing Division which operates and maintains NNPC's system of over 3000 kilometres of Crude oil and products Pipelines and twenty three Petroleum products storage depots and inaddition has responsibility for refined products sales.

(3) Product Engineering Division which undertakes all major engineering and construction activities for all divisions of the corporation.

(4) Commercial Division which is responsible for marketing crude oil, central purchasing functions and gas development.

(5) Petrochemicals Division which is charged with the production of petrochemicals from crude oil, gas and refined products.

(6) Marine Transportation Division which is responsible for moving NNPC's crude oil, products and Cargo by Sea.

(7) Personnel and services Division which provides the administration, personnel and ancilliary support services for the corporation.

(8) Finance and Accounts Division.

In addition, the Petroleum inspectorate exists as an independent arm regulatory arm.

The Warri and Kaduna refineries operate as autonomous units of the NNPC. The Nigerian Petroleum Refining Company near Port Harccurt, although supervised by NNPC, is a limited liability company owned 50 per cent by NNPC, 30 per cent by Ministry of Finance Incorporated and 10 per cent by Odua Investments (former Western Region) and 10 percent residual interests of some states from Northern and Eastern States.

At different stages in the evolution of the country's oil industry, government has successfully negotiated and takenover increasing levels of participation interest in oil producing companies.

By 1977 when NNPC was established, Nigeria has acquired majority participating interest in all the oil producing companies (See table 4.7)

In the early seventies, some OPEC member countries particularly Indonesia pioneered a production sharing arrangement which vested 100 per cent control in the host government. In view of the success of that arrangement, Nigeria followed suit in 1973 by signing a similar agreement required with Ashland Oil Company. The agreement required Ashland to put the necessary fund to explore, develope and produce oil on behalf of the Nigerian government. Thereafter their proceeds will be shared aside up to 40 per cent of the products for the recovery of costs and payment royalties, and 55 per cent to offset Petroleum profit Tax, while the balance defined as "Profit Oil" be shared 65/35 per cent between the government and company and 70/30 percent when topped 50,000 barrels per day.

Between January, 1978, and July, 1979, government increased its participating interests in oil producing companies to 60 per cent and in August, 1979, as a political move against the British government widely publicised decision to provide crude oil to South Africa, government nationalised all British Petroleum (BP) in Shell-BP thus increasing the government's participation interest to 80 per cent. As a result of this, the Federal Government has right to about 70 per cent of total oil produced in the country.

September, 1979 witnessed another experiment in the Petroleum industry as NNPC moved from the production sharing contract to Risk Servicing Contract in the unallocated acreage areas of the country. Agip Africa, ELF Acquitane and Nigers Petroleum Companies entered into the Risk service contract under which they are to provide all the funds for exploration, development and production of oil. Each Service Contract is related to a separate block or contract area, the primary term is between two and four years after which if there is no discovery the Contractor forfiets all rights in the contract area. If a commercial discovery is made, the Contractor will be repaid his investments and as an active incentive for the risk taken, be paid remuneration based on an agreed formula. He also has the first option to purchase a fixed quantity of crude oil produced from the area.

For completeness, it is patinent to mention that government has entered its participation policy into the downstream operations of the oil industry, firstly in conjunction with other state governments in the Federation, it acquired 100 per cent equity interest in Port Harcourt Refinery, and all subsequent additional refineries are wholly owned by the government.

By provisions of the Nigerian Enterprises Act of 1977 indigeneous participation was fixed at 60 per cent, except for unipetrol which is wholly owned by the government.

Due to the strategic importance of the oil service companies to the industry, government through NNPC acquired an average 36 per cent of equity interest in all these services comp anies while 60 per cent remained with the Foreign owners and the remaining 4 per cent went to the workers in the sector of the industry.

4.6 CONCLUSION.

The analysis of the extent of Foreign Capital participation in Nigeria potrays that multinational corporations dominated the sector since the commercial production of crude oil started in the country in 1957. The study demonstrates the stiffling domination of the most important sector of the country by private foreign investment. From acquisition of concession to exploration, production, marketing, refining of crude oil and import of refined petroleum products and derivatives, multinational corporations maintain a stronghold over the mainstay of the Nigerian economy. Although Official policies were taken to reverse the situation, what was done so far was not enough.

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CHAPTER FIVE

Transfer of Technology By Private Foreign Investment

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INTRODUCTION.

The two sectors are chosen for study here due to their importance to the economy in as much as transfer of technology is concerned. The manufacturing sector is reviewed here because it is considered to be the most important indicator for industrialization and therefore economic development. The transfer of Oil technology is taken because of the strategre nature of the oil sector to the nation's economy. In this chapter the transfer of oil technology and transfer of technology in manufacturing are dealt with. The concluding part assesses the extent to which the transfer of technology has occurred in each of the sectors considered and the relevance or the appropriatiness of the technologies trarsfer so far is looked into.

5.1 TRANSFER OF TECHNOLOGY IN MANUFACTURING.

HISTORICALLY Multivational manufacturing companies, like multivational oil enterprises came to Nigeria first to sell some established sales Ontlets. No manufacturing was above before the second world war. The reason was that the Nigerian Market was not large enough to warrent manufacturing..Neither taiff baoriers nor competitive pressures compelled it. Multivational manufacturing companies also came to Nigeria for supplies. Some integrated backwards to invest in mining or agriculture.

To the extent that the manufacturing companies was a trader, it introduced new wants as did other traders. Sometimes in connection with mining and agriculture, companies built processing plants. Not until the late 1950s and 1960s did multivational manufacturing enterprises begin on a general basis to establish subsidianices with factories to serve Nigerian markets. When they did so, it was because they could no longer penetrate those markets with exports from abroad. From pharmacenticals to detergents, products once imported were made in Nigeria.

The charge during the postman period was dramatic. An example lies in the transformation of unilever operation from 1949 to 1965. In 1949 unilever, through United Africa Company, grew bananas,

oil palm, timber, and rubber in Nigeria. By 1965, the company manufactured in Nigeria rubber cushions and pillows, crepe rubber and sheet, vehicles (assembly only), leaf springs, cigarettes, meat products, packing materials, cotton yarn, plastics, prestressed concrete, cement,bicycles, matresses, furniture, raclios (assembly only) sewing thread, cotton textiles, ice - cream, car batterres, toilet preparations, stout, beer, mineral waters, reconstituted milk, and stationary. By 1965, unilever has univested in 72 factions in tropical Africa, sometimes on its own and sometimes in joint ventures, mainly with European partners. It provided commercial management for 55 of these ventures and technical management for 34.

Whether a multinational company established a processing plant in connection with its mining of agricultural venture or a manufacturing unit to serve the country, the multivational corporations transfered technology. The difusion process was, however, slow. It took time for Nigerian to learn the foreign technology. United Africa company, the unilever subsidiany had established its first training school in Nigeria in 1934, at burutu, which was the headquarters of the company's river fleet. The technology taught there was not that of manufacturing.

At sapele, where it had a timber operation, and came to manufacture plywood and blockboard as well as crepe rubber and sheet, united Africa company established another training school. One of its partners in manufacturing, Niger Motors opened a training school in kano.

Before the 1950s, foreign companies that came to Nigeria and went elsewhere, difused technology primarily because it was profitable for them to do so. New concepts offered the basis of profits. The teaching of specialised skills meant a better work force or cheaper higher quality, purchased supplies and services. Industrial discipline meant higher productivity. Sometimes it is politically desirable, and thus profitable, for the foreign firm to diffuse technology. The multivational coroporation in the post-world war II period, operation are not charitin or public service enterprises. They have technological know-how and talent and can, will, and do transfer and diffuse this technology within the context of private gain 4. They often have superior access to other's technology than for a firm in a developing country. This is because they have the capital and trained man power to do so.

The waves of foreign companies bringing technology from overseas have acted to alter the economy of the country.

Technology has been transfered to Nigeria, that is, physically caoried here, in terms of products, concepts and processes. But the absorption has been a slow and gradual affair. The result, however, should not be never estimated. The charge has been substantial, 5

As was noted earlier in table and with the unilevers example just given above, the type of univestments in manufacturing is clominated by low technology activities. Investments in low technology manufacturing stood at 67.5 percent of the total investment in manufacturing in 1965 compared with on 1.5 per cent for high technology manufacturing. Also while low technology manufacturing accounnted for 75.8 per cent of total investment in manufacturing in 1972, the corresponding figure was only 12.2 per cent for high technology manufacturing. Therefore the type of manufacturing done by the multivational corporations are mainly consumer foods like cigarettes, beer, furniture and so on. But there is no doubt that transfer or diffusion of technology has taken place. The question is whether the multivational corporation is diffusing the right technology, the one appropriate in terms of the nations factor costs or in terms of the country's need to create full employment2.

One of the propornects that technology transmitted or transfered by multivational corporation can be appropriate is professor Raymond Vernor. In response to charges by critics of multivational corporation that the MNCS encourage inappropriate patterns of consumption in underdeveloped countries, he contend: MNCS even if they influience the patterns of consumption in the less developed countries they do not distort it. According to him the multivational corporation uses the world as its market, it has advantage in the development and marketing of new products and a bank of information from which to forecast greener pastures and that employing advertising skills to desseminate new products or create a demand for it is not a distortrin but an excercise of marketing concept .3

Another view points sees the multivational corporation as the veritable vehicle for transfering technology. The early precepts for development adopted by the lessdeveloped countries recogorises that to tranform their societies, the lessdeveloped countries should industrialise by encouraging private foreign investments. Also international trade provides an opportunity for them to buy technology from the market. The M N C is recognised as the commercializer within this market. Having reduced technology to purchasable commodity, one

one can acquire the machines, the materials and the management staff to operate it for a price. The resposibility rests on the host country to acquire the right or the appropriate technology - the production technology and discard the consumption technology. 4

Vernon also rejects the nation that uses of advertising and resulting product dissemination are harmful to underdeveloped countries, stimulation of demand for any product is nota distion. So long as the M N C S introduce products and processes that are new to less developed areas that would otherwise not have been introduced, there is a high probability that such enterprises add to the capabilities of productivity the local labour and capital. 5

Therefore to the proporents, multivational corporations have an advantage in product minovation, development and marketability as a result of which it aspires to maintain digopoly advantages through various marketing and advertising techniques. M N C S uncrease economic capabilities of the host countries through product improvements adds to productivity of labour and capital by establishing subsidianies and transfer new market techniques. finally by establishing subsidianies, investing capital and providing personel, the MNCS erode

The base of their bargaining power vi- a- vis the host country.

But here in this country what we actually have are bicycle and car assembly plants, paint mixing, canning and bottling using imported chemicals. This has led to a type of strategic dependence. Whereas we were previously dependent on imports of manufactured items now we are increaseingly dependent on the importation of equipments and raw materials and spare parts, without which our manufacturing industries will grind to a half.

In 1960 consumer goods accounted for over 60 per cent of total imports; by 1983 it has declined to about 27.5 per cent. This does not mean successful industrialization for us. Because now machinery and raw materials accounted for over 67 per cent of our imports. This high import intensity lends credence to the suggestion that what is happening is not production, but really a disguised importation. This high import dependence could also be seen in another way. There industries have very little, or no linkages, with the rest of the economy. In 1966 a study slowed that 93 per cent of the total sales by the agricultural sector is made to other counties and to households, and only 7 per cent is made to local industries 6. What situation has not charged much can be seen from recent reports. Not only have the old establishments

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been either closing down or working at less then full capacity. The textiles industry which employ almost 250.000 workers, is in serious trouble because the Nigerian cotton Board is enable to supply even the 70,000 bales it promised (out of an estimated requirements of 650,000 bales of cotton) (7). The peak milk factory was shut down three times in 1984 above due to shortage of raw-materials, reducing supply by an estimated 510,000 (8) cartons. The Nigerian Tobacco Company, the country's largest Tobacco manufactures, said it may shut down its two factories due to shortage of raw materials. This was not Tobacco which was locally produced by some 60,000 farmers, and account for 97 per cent of raw materials imports, but it would not secure the other 3 per cent - wrapping paper and filter tips. (9) while the general manager of west african portland cement compay, with two factories, and supply over 60 per cent of the total local production of cement, claim that the major problem of the industry was a shortage of cement paper sacks 10. Detergent production, one of the few areas where we are said to be self sufficient also suffered from raw material shortages. production of detergent declined by 60 per cent last year 11.

The other major problem with the manufacturing sector is the types and prices of its products the bulk of the products are concentrated on a narrow range of industrial enterprises

and product types; the largest being food, drinks, beverages and tobacco industries, followed by textiles and leather products, drugs and chemicals, metal products (pans, beds, roofing sheets etc), paper products and, increasingly, vehicles assembly. The choice of products is typical of the import substilution strategy, which gives prominence to consumer goods previously being imported, ostensibly to save foreign exchange. But this strategy increases import dependence. These products are the wrong type to start with, because they are neither geared to the needs of the vast majority of the people of Nigeria, nor based on local resource-use; nor do they develope the technology and skills required to re-produce themselves and other industries.

Not only are these products the wrong type for any country wanting to industrialise, they are extremely expensive; a combination of lack of competition due to tariff barriers; high import content; inflated machinery and building costs. The Cement Company of Northern Nigeria, Sokoto, in a case in point. Commissioned in 1965, it never really took off, and it soon became obvious that not only was the price of the machinery inflated, but it was the wrong type of machinery, and a reconditioned one at that. By 1982 and additional ₦15.928 million had been spent and the factory was still in new of a further ₦20.773 million.

just to make it financially viable, most of it being payments for equipment, and management consultancy, etc, to a few European firms. It is doubtful if the company could find its footing even by the end of the resurcitation programme.

Another example is the savannah sugar company at Numan, which was conceived in the second Development Plan period; 1970-74, as a complex estimated to cost under ₦60 million. The cost kept on rising until in 1982 when the government took over full control. By then it was on the verge of collapse short of chemicals and parts, owning more than ₦28 million and unable to operate even at 10 per cent capacity, while total amount spent by 1984 was over ₦297 million. The central problem was that all the machines were old. All these extra costs (plus commissions and kickbaks) would have to be aharged untimately to the consumers of the sugar.

Another important problems of this sector are the extent of foreign control of, and surplus extraction from this sector. Triba calculated that of the 2079 shareholders in registered companies, about 39.5 per cent are Nigerian and 60.4 per cent foreign. The expatriate control is even higher if we take only those owing shares above ₦200.000 - 26.4 per cent to 73.6 per cent of Nigerian and expatriates respectively 13. This was before the indiginiztion deczee.

The financial times estimates are shown for 1966 to 1976 in table Although

Ownership of Manufacturing Enterprises In Nigeria: 1966,1970 & 1976.

	YEAR		
	1966	1970	1976
Foreign	81.5	57.3	56.7
Nigerian	18.5	42.7	43.3

Sorra: Nigeria Twenty Years of Independence, financial Times, 1980 P 70

update table.

the decree had promoted Nigerian shareholding, foreign control over the economy is still massive.

The near total, effective foreign control over our economy has serious consequences, not the least of which is that, especially in manufacturing, the decissions about what to produce, with which machines, using what raw materials, who is to manager the operation, and at what costs; all there are left to foreign, or "technical" partners as they are called, as they are called. The Nigerian are mostly concerned with how much equity they control, who gets the constructing and other subcontructing jobs and how to conrner the marketing of the products. The end result is the massive over incoicing, transfer pricing and excessive consultancy fees, collected by the foreign mother company.

The issuance of import licences and foreign exchange for these means taking money to relatively safer places abroad. What is perhaps not fully appreciated, however, is the little these foreign firms came in with from the start and the extent to which their past and current activities have been mostly, financed by loans from local Nigerian source. The table below (table 5.2) shows how much foreign firms brought into Nigeria as equity investment and how much they take out as declared profits, patent fees, etc.

Flow of Payments on foreign Direct Investments:

Nigeria 1970 - 80

	OUTFLOW	INFLOW
Year	Amount	(US$ Million)
1970	385.0	205.0
1971	475.4	285.8
1972	609.1	305.1
1973	937.0	373.1
1974	610.9	275.4
1975	627.7	471.7
1976	579.6	339.4
1977	783.4	439.0
1978	408.8	212.8
1979	205.4	310.1
1980	875.9	600.00
	6,498.2	3,817.4

Source : Alkassum, Abba And Others (1985)
The Nigerian Economic Crises (A S U U)

5.2 TRANSFER OF OIL TECHNOLOGY

Unlike hight industries - saw milling, bread-making, furniture- in which Nigerian private capital investment and enterprenuership participated in their development, the Oil industry has been exclusively a foreign operation. Before recent major government equity participation and the establishment of the Nigerian National Oil corporation (NNOC) in 1971 and the Nigerian National Petroleum Corporation (NNPC) in 1977, the exploration, production, export, and marketing of crude oil and all petroleum products and derivatives thereof, were undertaken by foreign oil companies and their subsidianies or affiliates in Nigeria and abroad. The vertically integrated nature of the oil companies impeded free entry of indigenous entrepreneurs into the oil-related service industries. The prevailing vertically integrated structure of the firms has constrained the industries capability of inducing investments in other activities especially for backward unlikeges. The oil companies sought and, until recently, maintained control over sources of crude oil in order to produce it rather than buy, and also safeguard raw material supplies for their refining and marketing affiliates. This meant that the oil companies were capable of predesigning foreign outlets for the processing of oil. One of the implication of the contiuning high volume crude oil exports for processing into highly priced chemical products has been the relatively low value - added in the producer countries. Opportunity for the development indigenous service industry for oil related activities like drilling,

tubes and pipes fabricating and fitting, cement, and engineering design also has been impeded by vertical integration in the industry.

In addition to relying on a number of other foreign firms/contractors for the supply of services, the industry also imports most of its non-labour imput requirements. Although the heavy reliance on foreign sources for primary and intermediate inputs - goods and services - has been explained by the absence of capital goods producing industries and the shortage of the appropriate scientific and technological manpower in Nigeria, these foreign sources are often affiliates of the parent companies.

Payments for services of expatriate firms have been increasing, while payments to indigenous enterprenuers in construction and marketing remain low and the industries import in stimlating new major indigenous business ventures also remains minimal. The few indigenous enterprenuers are generally concentrated in areas like prperline installation and other labour intensive service activities. About 33 per cent of oil pompanies spending locally go to Nigerian enterprenuers in the construction and service industries. Like all other spheres of the industry's activities, foreign entreprenuers and contractors accounted for about 70 per cent of the industries expenditure outlay of ₦72 million in 1965.

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Wages and salaries to indigenous employees amounted to about ₦1.5 million, The same condition prevailed until 1971. 14

The factual extent to which the econmic dominance of foreign capital, the repatration of profits and other forms of leakages have offset the positive benefits from the foreign investment inflow itself is an important emperical question of the secrecy and a lack of access to information that is necessary for such verification. None the less, on the basis of the difused data available, one could safely surmise that the dominance of foreign investment in all the phases of the industry's activity has effectively impeded the participation of indigenous enterprenuers, and likewise confered undue advantage to the oil. Since the late 1960^{s}, Nigeria enterprenuers have began to develop the capability to provide most of the services currently under-taken by expatriate firms. These include catering services, transportation, pipe laying, and the supply of manpower for drilling activities. Given vertical disintegration and a relatively free market in the transfer and acquisition of oil technology, the requirement for meeting a broader scope of participation by indigenous enterprenuers in the service and other oil-related industries can be met by minor improvements upon existing modes of transfer and acquisition of know-how, existing manpower and government legislation for their effective use. How to promot these conditions, and meet the requirements for indigenous participation, a vital to the future role of the NNPC and Nigerian Oil Industry.

There are two principal media through which oil tecnology is presumed to have been transferred to the Naigerian oil industry. There are the direct private foreign investment in plant and equipment and the inflow of foreign technical personnel, or skilled labour, their interactions with indigenuous personnel, as well as the technical training of Nigerians locally and abroad by oil Companies. However, the extent of actual technological contributions by the oil industry to the Nigerian ecomomy has been incidental and minimal. Several factors account for this condition. These include: (1) the primary interest of oil Companies in Nigeria, in crude oil extraction and its export to western Europe and North America; (2) the contuct of research and developement exclusively outside Nigeria - a practice not unique to the oil industry; (3) heavy reliance on expatriate personnel usually from the Country represented by the parent Company; and (4) the vertically intigrated structure of the oil Companies. This vertically embraces all phases of the industry oil exploration to the marketing of oil products.

The existence of these factors in the developement of the industry has effectively limited active participation by Nigerians in upstream or downstream activities or both and thereby hampard the direct and indirect acquisition of appropriate technical know-how through the two principal media just described.

The last of the four factors listed above is perhaps the most crucial because the extent to which the practices associated with the other three factors are maintained depend on the completeness of the vertical integration of the industry.

The implication of the third factor is low contribution to the industry's value - added by indigeneous factor inputs measured in terms of wages and salaries and expenditure of the government less intermediate goods. In addition to these two payments, Scott Pearson included in his study harbour dues and port charges in measuring the industry's value-added to gross national product. It ranged from ₦7.7 million in 1963 to ₦32.0 million in 1967, with an average growth rate of 45.8 per cent during the four years. 16 The structure prevalent in the industry, particularly the fully developed integration forward into marketing by the major oil companies, poses an apparant barrier to the entry of indigenous enterprenuers and their active participation in downstrean operation, thus limiting competition to the few major oil companies constituting the international oil cartel. It is understandable why the oil companies desire to maintain exclusion rights to their technological know-how. The question - how could international oil companies enable producer nations to master the technological know-how of the oil industry? - has been asked repeatedly by the producers nation, but for obvious reasons no definitive answer has been forthcoming from the oil companies. Clearly, it is this know-how and the expertise to use it effectively that ensures the indispensibility of the oil companies to the producer countries. Thus, the game theoretic assessment of the posture taken by oil companies vis-a-vis the producer countries suggests a zero - sum - game situation.

On the other hand, making the technological know-how available on a non-propiretary basis to the producer countries would deprive the oil companies of their advantages and the useful basis of their existence in these countries; on the other hand, the issue of fair exchange between both parties remains perennially unsettled. The expertation that oncethe producing countries have acquired appropriate competence in oil technology they would seek to complete control of their respective oil industries has also posed a potential, but a major competitive threat to the vertically integrated structure prevalent in the industry, and has thus forestalled easy availability of oil technology to producer countries. There is an apparant concern among major oil companies over the prospert that even if technological know-how is made available at a "price", it may not fully reflect to the lost oppotunities to the company supplying the know-how, namely, the predegifnation of foreign outlets for the processing of oil and expert market, transfer of value-added from the producer countries to the affiliates of the oil companies in the advanced countries, and maximization of retained earnings. In general, oil companies have tended to be relatively less resilient in the transfer of oil techbology than manufacturing industries. Oil technology, particularly in oil recovery, had ensure much higher rate of return on the oil companies investment than down stream activities, hence the highly proprietary nature of this technology.

The risk factor however, is relatively high. These condition have tended to constrain both the acquisition of foreign technology and local initiatives in the development and the use of local inputs for the processing of oil and gas.

There are two seemingly facile modes of acquiring technical know-how in the oil industry. These are (1) "Learning by doing" among the indigeneous manpower through the use of machinery and equipment, and (2) planned company skill training programmes off and on-the-job in the application of available scientific knowledge and the development of oil technology. Each of these parallels the media identified above. Generally the flow of technology into mining and manufacturing, for example, in the developing countries tends to be in a "packaged" from leaving no room for active local participation in its technological adaptation and therefore leaves little room for "learning by doing". Planned company skilled programmes have also been strictly controlled and the tendency has been to concentrate on the training that companies consider condusive to their efficient management and in their corporate interest. Both modes have only become more apparant since 1970, and the changes they are undergoing have been compelled by government policy rather than by the choice of the foreign oil companies[17]

Like most enterprenours, the oil companies were not interested in developing indigeneous experts and in the early years most oil field operation problems were solved by seeking advice from their home Offices or flying down experts from abroad.

The 1969 Petroleum Decree was enacted to encourage train Nigerians to man the industry. The Decree requires the holder of an oil mining licence to ensure that within 10 years from grantimg of the licence, the managerial, professional and supervisory grades shall reach at least 75 per cent of total number of persons employed by him and the number of Nigerian citizen in any one of such grade shall not be less than 60 per cent of the total. Further all skilled, semi-skilled and non-skilled workers be Nigerians.

Table 5.3.

No of Nigerians in Managerial & Professional Cadre by 1979.

	Nigerians	Expatriates
Exploration/production companies.		
Management	50	44
Professional	1255	295
Oil service companies.		
Management	35	88
Professional	51	212

Source: Nigerian National Petroleum Corporation, Lagos.

up date.

Exploration/production companies have 50 Nigerians to 44 expatriates in the management cadre and 1255 Nigerians to 295 expatriates in the professional by 1979 (see table 5.3)

Inspite of all these impressive statistics, there is still a measure of window dressing in promoting Nigerians to key positions for which they are not adequately prepared. Consequently there is currently a mere intensive use of consultants and contract staff who are not listed in the manpower return of the company.

When one looks at the oil service companies that provide the vital skills and technologies required to sustain the industry, the situation is more depressing. Of the total of 123 staff in managerial category in 1979 35 were Nigerians and 88 were expatriates; at the professional level there are 51 Nigerians and 212 expatriates. Unfortunately the 1969 Decree did not regulate the activities of the oil service companies, and it is only recently that NNPC and the appropriate Ministries are co-operating to improve the situation through the mechanism of the expatriate quota 18.

The worst area of scarcity of local man-power and effective Nigerian participation is still in the service sector. This is where the Nigerian enterprenuers, and Nigerian directors of the foreign oil service companies can make a vital contribution by pressing for more rapid and training Nigerian technicians for oil industry.

The poor manpower development in the oil industry cannot be wholly blamed on foreign companies. Nigerians should share the blame due to their attitude to work and lack of national commitment. The third National Development Plan (1975-80) made a provision for the sum of ₦5 million to be spent on manpower training during the period.

Also a special fund (Petroleum Training Development Fund) for training Nigerians in oil matters in Universities at home and abroad was established.

When compared with our counterparts in the oil producing developing countries, the public sector has certainly not done enough in the past to champion the cause of training Nigerians in any sector in the economy. There appears to be on the crucial need for training technicians by the thousands to man our vital industries but unfortunately, all we seem to emphasis is university education and waterdown university courses in our so called colleges of technology. The vital technician who can repair an electronic piece of equipment, or a monitoring investment in the field still has very little formal training facility in Nigeria.

5.3. CONCLUSIONS

Transfer of technology has taken place in the manufacturing sector. What is arguable is whether the multinational corporations transfered the appropriate technology. To people like vernon the MNC, with the world as it market place, has variety of information from which it developes new products and markets them. It creates demand through the use of advertising skill to desiminate new products. This does not entail encorragement of inappropriate patterns of consumption in a developing country. Multinationals also reduce technology to a purchasable commodity and the purchaser, in this case the host country bears the responsibility of choosing the'production technology' and eliscord the'cosumption technology'. As long as foreign owned enterprises are introducing products and processes that are new to less developed areas, and that would otherwise not have been introduced, there is a high probability that such enterprises add to the capabilities and productivity of local labour and capital. To the propornents of M N Cs' operations, private foreign investment is benificial to the developing countries economically in as much as their investments

(a) create employment,

(b) Save foreign exchange through import subsitution industries, and (c) develop local skills. All these they argued, benifits the rest of the economy.

But the critics of private foreign investment argued otherwise. When an investor decides to invests in a manufacturing venture, several reasons influence his decission;

(a) He may wish to control the raw material at the source so as to strengthen his monopolistic control of the market.

(b) He may wish to dispose of obsolete machinery, which may have given several years of staunch service in Europe or America, but is now quite unfitted for the cut-throat competition at home agravated by mounting labour costs;

(c) He may wish to take advantage of low local labour costs.

Critics urgued further, it is a fallacy to contend that foreign investments save foreign exchange. It would often appear advnatageous to the foreign entreprenuer to produce his commodities in developing countries rather than have them imported from his European or American, or Japanese base for several reasons. First, he would be assured of an ideal monopolistic control of the market and could thus maximise his profits, which would far outweigh the advantages denied from economics of scale while he would have enjoyed had he produced there commodities from his home base. Second, because of protectionist policies for infant industries which eliminates all existing and potential competition, he would be in a position to raise his prices at will, as well as lower the quality of his goods. Third, as a result of government inspired compaigns to 'buy Nigerian', artificial appetites for his products would be whetted, ensuring a much higher turnover and conesquently even more profits.

Finally not obliged to reinvest locally he would be in a position to repatriate his considerably enhanced profits-all, of course, in foreign exchange.

The end result would be no different. On the balance, therefore, the advantages to the country of saving foreign exchange, would be out weighed by the disadvantages, not only in terms of the now enchanced net out flows, but also in terms of the resultant distortion of the economy.

On the whole, therefore, it does not seem to be attractive to subordinate our national interests to those of the foreign investors. Foreign investments distort the balanced development of a national economy in that they entail a diverssion of limited national resources from the crutial areas essential for the development of a nationally-oriented economy. This is another way of saying that foreign investments have the effect of perpetuating our under-development.

* * * * * *

The vertically integrated structure of foreign firms in Nigerian oil industry has fostered conditions inhibiting the "free" and effective transfer of technology. Althcugh no direct cansation has been established between these conditions and the acquisition of oil technology in Nigeria, the ability of the companies to maintain exclusive rights in the use of their technological know-how appears to have been facilitated by the integrated structure of their operations. Recent changes in national policies toward the oil industry, especially the participatory relationship between the government and the oil companies, offer some basis for another form of integration that has potential benefits; namely, the proper integration of the industry with the rest of the economy.

Of course, there is no automatic link between government participation or majority ownership and effective technology transfer.

There is no conclusive evidence that the acquisition of equity in itself has any apparant impact one way or the other either on the pace of acquisition of technological know-how or the development of local technology in the oil industry. The final measure of positive changes resulting from government participation in the industry depends on NNPC's effectiveness in the acquisition of technology, the transfer of technology from the industry to the other sectors of the economy, and on the extent to which Nigerian entreprenuers become involved in the future developement of oil and oil - related industries.

In comparision to Nigeria's weak position in its bargaining with the oil companies in the 1950s and 1960s, the NNPC since its establishment in 1976 has occupied a strong bargaining position in its search for oil technology. This position is likely to get stronger as a result of its overall participatory posture, and a continuing relatively high world demand for oil and oil products.

Nigeria's capacity to acquire and absorb suitable technology and develope indigenecus one should be enhanced by the NNPC's policy to promote partnership and licencing agreements with willing suppliers of technology, and diversify sources of technology; concentrate on building up local manpower and R and D capability; increasing local technical competence, a factor that may have been under estimated; and continually court the increasing number of foreign governments that are potential suppliers of oil technology.

In the NNPC's build-up of indigenous technological manpower, a shift from the planned rapid expansion in high-level manpower development in 1972 to short-and medium -term development of middle-level skilled techicians is essential for the effective acquisition of foreign technology, because the lates group fews to adapt more readily than the former in relating imported technology to the preveriling national conditions and needs.

The future of the oil industry and its contributions to industrial development, agricultural and manufacturing, will depend on the practicability of national science and technology policies and stratejies. The effectiveness of the use of income from oil, which accounts for about 90 per cent of government revenue in the last quarter of 1974, in the acquisition of equity and manpower paticipation at all skill levels for the development of indigenous manpower and know-how also depend on these overall policies and strategies, The sober fact that oil reserives are ginite sounds an important imperative note for the rapid expansion in financial benifits, but the optimum plan is the one that includes financial as well as long-term technological benifits. Given that technology transfer and acquisition has not been a corollary of private foreign investment in the Nigerian oil industry, public policy must ensure that financial resources from oil are directed to programmes and projects capable of promoting long-term technological benifits for national industrial and agricultural development.

Industrialization (manufacturing and agriculture) is, of necessity, an alternate source of income and employment after the depletion of oil reserves.

9 2

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CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

The overall picture that emerged from the foregoing exposition is that of multinational dominance of the manufacturing and the construction sectors of the economy. Multinational corporations dominated these sectors since the syart of industrilisation in the post-war era. There is heavy concentration on consumer good manufacturing with low technology, high import dependence and low valeu added. In such critical areas as the export of capital to to country, transfer of technology and the generation of linkages with the rest of the economy, the multinationals in Nigerian manufacturing have contributed relatively little.

In Chapter Three, we saw how the multinational corporations deminated the baking and shipping sectors. The service sector particularly banking, seen associated with higher yieldby the Nigerian multinational corporations than their parent/associated companies in their home countries. What makes this particularly exasperating is that unlike sectors such as oil, manufacturing and construction, the domination in the baking sector is not really based on high technological or capital requirement. Nigerian resources and staff are used in most cases.

The study on the oil sector shows how private foreign investment and its vehicle, the multinationals dominated the sector. The multinational corporations dominated from exploration, production, refining of the crude oil, marketing and importantion of refined oil and oil related products. Participation in the oil sector demands large capital investment and entails the posession of high and sophisticated technology, both of which the Nigerian enterpreneur lacks.

Transfer of technology in two sectors of the economy has been finally assessed - transfer of technology in manufacturing and transfer of oil technollgy through private foreign investment, This kind of investment only leads to net capital outflow, and therefore contribute negatively to our balance of payments position, distort the balanced development of the national economy in that they entail a diversion of the limited national resources from the crucial areas essential for the development of a nationally integrated economy. They also have the effect of wetting our appetite for non-essential products, whose equivalents are produced locally and thereby displacing local capital and resources.

As the import substitution manufacturing strategy adopted since independence is a failure, there is a need for an alternative approach that establish the basis of a self-

sustaining industrialisation and ensure effective and genuine control over our domestic resources. The products adopted, especially in our choice of products, industrial structure, ownership and distribution patterns, choice of technology, must be consistent with these objectives.

1. The first piint to make is that the 'key' technologies for our purpose can be uique to us only. Technologies related to tropical agriculture, public utilities and punlic works can be appropriate and therefore our efforts should be directed towards investing in such areas. Furthermore, many of the industrial technologies required are relatively old ones, often not requiring skills that only multinationals have, and not involving problems of patent protections That means many technologies that is key to us can be obtained from other sources other than the multinational firm, through indigenous development, through technical assistance from governments and private organizations in the advanced countries and through casultants. As multinational firms in this area is a relatively old industry with relatively stable and widely available technologies, the most critical contribution that they can make is probably through transfering 'software' technologies, in other words, skills relating to management, accountancy technicians, forement, e.t.c. by training and upgrading local nationals and contributing to local educational programmes.

ii. To pursue an objective of acquiring of self-sustaining technology, we must base our chose on the production of the basic materials required by our population (food, clothing, drugs, educational materials, household items); the production of intermediate imputs for industry, construction, transport, communication, the production of tools and employments for agricultural production, and most importantly, the production of machines and tools for the *production of other machines*.

iii. After all these have been met, we can even aim at the export maket for manufactured products. The production of crude and refined petroleum and natural gas should serve this strategy, both in terms of the foreign exchange earnings to import the capital goods for this industrialization, and in providing the cheap and reliable energy base essential for it.

iv. We should define these products in specific terms. We should start by reversing the process. Not in the sence of going back in time, but of starting, not with the import substitution of light consumer goods, using imported technology, parts, raw materials, and 'expertise'; rather by developing the capacity to transform materials in raw, or pre stage into useable inpits of other industries. especially iron and steel, and acquiring the skills, tools and machines for the reproduction and maintenance of themselves and other machine tools. These should be given

the highest priority. They actually fall into three categories:

(a) The first are the capital goods industries that produce the tools of industrialization. Central to these are the machines tools. Machine tools are the presses, drills, and lathes which are used to produce themselves, and other industrial equipments such as transport and communication equipments, agricultural machines, textile looms, chemical complexes and mills.

(b) The second are the basic materials industries. These are the industries that transforms raw materials into useable intermediate inputs for subsequent utilization by other industries. For example, the chemical industry produces acids, caustic soda, dyes, chlorine, sodium carbonate, for use by the phamaceutical, textiles, metallurgy and other industries.

(c) Thirdly, but as much as possible, simultaneuslY we should focus on the industrious use of these products, especially agro-industrail items, that directly meet the consumption need of the people. Emphasis should also be given to goods and services that maintain and reproduce, and enhance labour.

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