NIGERIAN PAPER MILL, JEBBA: A CASE OF IMPORT SUBSTITUTION INDUSTRIALIZATION STRATEGY IN NIGERIA.

BY

DANGANA BABANANA IDIRIS

A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF SCIENCE IN ECONOMICS.

DEPARTMENT OF ECONOMICS
FACULTY OF ARTS AND SOCIAL SCIENCES
AHMADU BELLO UNIVERSITY
ZARIA.

NOVEMBER, 1989

D E C L A R A T I O N

I hereby declare that this Thesis is a product of my own research. It has not been presented anywhere for the purpose of awarding a higher degree. References are duely acknowledged.

Dangana B. Idiris.

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

This thesis entitled "Nigerian Paper Mill, Jebba: A Case of Import Substitution Industrialization meets the regulation governing the award of the degree of MASTER OF SCIENCE of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

Dr. Mike Kwanashie
Internal Examiner

External Examiner

Dr. A.B. Eshiet
Internal Examiner

Dr. M. Kwanashie
Head of Department.

Dean, Faculty of Arts & Social Sciences

Post Graduate School
Dean.

D E D I C A T I O N

To my Parents and Bologi.

A C K N O W L E D G E M E N T.

Thanks be to Allah, for dream come true. May He continue to guide and enrich me with abundant knowledge.

First and foremost, I extend my special thanks to my supervisor, Dr. Mike Kwanashie, who despite his engegement (academic and administrative) was able to read through the work several times. His comments, criticisms and suggestions to a large extent has helped in improving the quality of the work. I also thank Dr. A.B. Eshiet for his contribution to the success of this thesis.

I acknowledge the assistance and encouragement given me by Dr. Ayodele of NISER, Ibadan during the course of the programme. I extend my deep appreciation to Professor Odama, Dr. (Mrs) Sowinska, Mensah, Abdallah and other colleagues in the department, with whom I had course to resolve some issues during the exercise.

My thanks goes to Mela Dogo, Adebisi Kehinde, Ganiyu Garba and Musa Muram Rabiu for their endeavoured to assist me during the research work. I also appreciate the good will of my coursemates; Malam Abubakar Babajo, Malam Madu Kakabba and Miss Bola A. Iyadunni.

I appreciate the assistance of the Management of NNM, Jebba, especially Alhaji Abdullahi, Idagi

Nagidi, Bala Usman, Ade Omotosho. I also appreciate the help rendered by Mr. Sunday Omachonu of CSER Library, Mr. Omijeh of Savannah Forestry Library and Dr. Adegbehin of AERLS for allowing me use some of their materials.

The moral supports from Alhaji Sule Shaibu, the entire members of 'Captain' Atete and Adawedi family throughout the course of the programme is duely acknowledged. May Allah reward them abundantly for their sacrifices. My regards also go to relations Alhaji Umaru Belloy Suleiman Abdullahi and Suleiman Umaru Bello.

I wish to acknowledge with thanks, the research grant from the Continental Merchant Bank for this work.

Finally, I thank the typist (Malam Y.E. Nwaha) for his patient and understanding in typing the work.

All errors, either by omission or commission are entirely my responsibility.

Dangana B. Idiris.

ABSTRACT

This thesis analysed the role import substitution industrialization strategy (ISI) could play in the Industrial Development of Nigeria; using Nigerian Paper Mill, Jebba, as a case study. We analysed and explained the activities of NPM, Jebba from its inception up to 1988. This we did with the sole aim of exposing the trend of activities in this import substituting industry as the economic situation of the nation exhibit, which is peculiar to most import substituting industries in Nigeria. The approach adopted in this research is that of descriptive analysis.

We advanced a case for ISI as the base for industrial development and that export promotion strategy should be a follow up after the industrial base is concretized via ISI. This is based on the fact that a nation that aims at self reliance should attempt meeting the domestic demand in term of goods and services before exportation. The nation must look inwards to exploit all available resources with which to produce the needed goods and services. We discovered that, the failure of ISI in the past was due to defects and conventional approach in the implementation of the policies. The bouyancy of the economy in the 1970s aided the deviation from the achievement of self reliance objective of the nation, as the revenue from oil was mis-used. We also discovered that the weaknesses in the execution

of policies gave the foreigners the opportunity of managing and controlling the sensitive sectors of the economy. As the objectives of the foreigners differ from that of the nation, the achievement of the national objectives to some extent became an illusion. This manifested itself in the continuous dependency of the nation on the western nations, even after twenty-eight years of independence. The 'damages' associated with this dependency syndrome became exposed in the early 1980s, as developed countries lost confidence in the nation's capability to pay back her debts, hence aggravated the economic crisis.

Our findings indicated that this period of economic crisis serves as a point of inflexion in the nation's industrial development. Most of the import substituting industries that were not encouraged to source their inputs locally are now force to look inwards for most of these inputs. This we attributed to the scarcity and high rate of foreign exchange, which makes it difficult to import most of the raw materials.

We also discovered that, with this hard times, these industries are becoming innovative and the linkages that were lacking in the past is waxing stronger among the industries. The industries are forced to depend on each other for inputs to survive. The economic situation and the 'harsh' policies taken to achieve economic

recovery has forced most foreigners in some of these industries to leave the country and they are being replaced by capable Nigerians.

Based on our findings, we concluded that ISI should be given top priority, which will enhance government export promotion policy. Policy makers and executors should make sure conflicts do not exist in policy making and execution. Finally, the activities of foreign firms and their local agents should be monitored effectively.

TABLE OF CONTENTS

		PAGE
	List of Tables	x
	List of Figures	xi
	CHAPTER ONE	
1.	INTRODUCTION : : :	1
1.1	Pulp and Paper Industries : :	3
1.2	Nigerian Paper Mill, Jebba : :	4
1.3	Statement of Problem : :	8
1.4	Aims of the Study : :	13
1.5	Justification of the Study : :	14
1.6	Methodology : : :	16
1.7	Source of Data : : :	17
1.8	Scope and Limitations : :	17
1.9	Chapter Scheme : : :	18
	CHAPTER TWO	
2.1	Introduction : : :	23
2.2	Definition : : :	23
2.3	Literature Review : : :	24
2.4	Theoretical Perspective : :	44
	CHAPTER THREE	
3.1	The State of Nigerian Economy: A Historical View : : :	54
3.2	The Manufacturing Sector in Nigeria's Economy	61
3.3	The Performance of Manufacturing Sector in Nigeria : : :	75
	CHAPTER FOUR	
4.1	Analysis of the Activities of NPM, Jebba :	89
	CHAPTER FIVE	
5.1	Summary and Conclusion : :	114
5.2	Recommendation : :	119

LIST OF TABLES

		PAGE
3.1	Ownership Structure of Enterprises in Nigeria 1966-82.	64
3.2	Utilization of Indigenous Managerial and Professional Resources in Nigerian Manufacturing Industries :	65
3.3	Average Annual Growth Rates in Manufacturing Industries at 1980 Factor Cost 1960/61-1987	76
3.4	Gross Domestic Product and Manufacturing Component of GDP at 1980 Constant Factor Cost. : : :	79
3.5	Effective Rate of Protection :	81
3.6	The Structure of Imports for Selected Years	82
4.1	List of Some Indigenous Pulpable Tree Species	90
4.2	Export of Major Forest Products in Nigeria: Export Volume : :	91
4.3(a)	Analysis of Some Paper Products Imported as at 31st December for Various Years	94
4.3(b)	Analysis of some Paper Products Imported (in tonnes) as at 31st December for various years. :	95
4.4	Total Staff Strength in NPP as at the end of the underlisted years. :	106

LIST OF FIGURES

		PAGE
1.1	Locations of Pulp and Paper Mill in Nigeria	20
1.2	Domestic Production with/without Tariff Protection	45
2.3	Successful Import Substitution	48

KASHIM IBRAHIM LIBRARY
AHMADU BELLO UNIVERSITY
ZARIA, NIGERIA.

CHAPTER ONE.

Introduction

Historical development has shown that industrialization played a leading role in economic development of the developed countries (DCs) both capitalist and socialist alike. Empirical evidences are available to buttress the fact that the country that established a strong industrial base lays a solid foundation for economic growth and development.[1] For instance, Britain was a net exporter of agricultural goods, but after her industrial revolution, exportation of manufactured goods carried a lion share of her exports. The United States of America by late 18th century started changing her structure of production. For example, the proportion of her working force engaged in agriculture in 1870 that was more than 50%, fell to 40% by the end of 19th century, as labour moved to industrial sector, with output of the agricultural sector on the increase.

Some of the reasons that motivated these countries to change were the risks involved in agricultural business. Such include uncontrolable forces like rainfall, drought, pest and diseases. Others are the high income elasticities for industrial goods in the world market and the exposure of agriculture to the law of diminishing returns.

It is the recognition of the impact of industrialization on the British, American, Japanese and the Russian economies, that makes the concept of industrialization

almost become a magic wand for socio-economic development of the third world countries. Most less developed countries (Nigeria inclusive) have accepted it as the major panacea to their development problems; foreign exchange scarcity, unemployment, inflation etc. In addition, the experience of some less developed countries (LDCs) during the Great depression of 1930s and during the Second World War, such as stoppage of supply of manufactured goods encouraged them to take to industriallization as a strategy of development.

Nigeria, on attaining political independence in 1960, continued to find herself as a primarily raw materials producer for Britain and other industrialized countries. These exports were processed, turned to finished products which were imported at exorbitant prices. This never augured well for the country hoping to achieve economic independence and rapid development, hence, the need to adopt an industrialization strategy.

Nigeria like most LDCs opted for import substitution strategy of industrialization.[2] Import substitution implies production locally of goods which were hitherto imported.[3] This is supported by imposition of tariff and using quota on those goods locally produced. The aim is to industrialize the country and to address the balance of payments problem facing the nation. Some of the industries established under this strategy in Nigeria were textile, footwear, matches, cement, sugar, paper etc.

With the 'open door' policy of the government, foreign investors were allowed to establish or invest in some of these import substituting industries. These investors managed and controlled the activities of these industries, hence dominating the manufacturing sector of the economy. These foreigners, that are in Nigeria mainly to protect the interests of their countries succeeded in exploiting the country and repatriating the huge profits realized under the 'canopy' of the incentives given to them.

Import substitution strategy that necessitated the establishment of those industries mentioned earlier continued till the early of the 1980s, when the economic crisis of the decade exposed the weaknesses of the structure of the economy, hence, the emphasis on export promotion by the government.

Pulp and Paper Industries

Pulp and paper products play a vital role in the development of a nation as they constitute the components of industrial package materials, text-books, newspapers, various other publications and for sanitary purposes. The requirement for these products increases as the population of the nation increases.

World-wide, the production of pulp is said to have reached 139 million tonnes by 1986, however, the Food Agriculture Organization (FAO) review shows that less than 40% of the paper consumed in Africa was produced locally.[4] While Egypt is the largest producer of paper

in Africa, Swaziland has the largest wood pulp production in Africa.[5]

Pulp and paper industry as at 1989 in Nigeria comprises of three major mills; Nigerian Paper Mill, Jebba in Kwara State, that specializes in the production of industrial grade of papers, Nigerian Newsprint Manufacturing Company (NNMC) at Oku-Iboku in Akwa Ibom State and the uncompleted mill at Iwopin in Ogun State, that is expected to produce stationaries. Other mills in the industry are converters of paper products (as inputs) into finished paper products. The pioneer mill in pulp and paper production in Nigeria is the Nigerian Paper Mill, Jebba (NPM).

Nigerian Paper Mill, Jebba

Nigeria Paper Mill in Kwara State is situated in the historic railway town, Jebba, along the bank of River Niger. The location of the mill at Jebba was purely on political grounds, as over half of all paper products were purchased in Lagos and all the raw materials imported come through Lagos. It is the largest in West Africa, mainly owned by the Federal Government.

The Mill could be divided into two with the recent expansion exercise i.e. the old mill and the new mill. The erection of the old mill was contracted to Coutinho Caro (a German Company) and company of Hamburg at the rate

of £3 million.[6] The construction work commenced around 1962 and by 1966, the mill was embogged in a financial crisis.

The government was formally owing 90% shares of the mill, but later bought over the shares of Continho Caro (10%) after the termination of the contract due to the civil war. The project was later commissioned in 1968, with Messrs Birla Brothers of India as Managing Agent.

The mill specializes in the production of industrial grades of papers and had the production capacity of 12,000 tonnes of Kraft and duplicating papers per annum. This was only 10% of the country's requirement of industrial grades of paper, thereby leaving a large gap between the demand and domestic supply.[7] The importation of Kraft paper and kraft paper board rose from 10,887.1 tonnes in 1969 to 20,557.1 tonnes and 56,044.2 tonnes in 1975 and 1983 respectively.[8]

At the beginning, the mill comprised of six departments; Mechanical, Paper Machine Number One, Electrical, Instrument, Accounts, and Finishing Departments, with the production exercise taking place in the paper Mechine Number One and Finishing departments. In order to meet the gap between the demand and domestic supply for paper products, expansion projects was embarked on. This brought into existence additional eight departments; Pulp Mill, Soda

Recovery, Fibre Processing Plant, Wood Yard, Turbine (Paper house), Effluent Treatment, Machine Numbers Two and Three Departments. This expansion exercise cost the government about N225 million[9] and was commissioned in 1985. The capacity of the industry increased from 12,000 tonnes of paper to 65,000 tonnes of pulp and paper each per annum.

The labour in the mill increased from less than 600 workers in the 1960s to about 2,559 workers, as of July 1988, with the number of foreigners rapidly decreasing. As of July 1988, only 12 Indians were still with the mill compared to 61 Indians in 1984.[10] The mill tries to take care of the welfare of her workers by providing facilities such as Industrial Clinic, Banking Services, Primary School, Club and Accomodation facilities. There exists a Training Centre, with necessary facilities for the training of their workers, workers from other mills and students from higher institutions all over the country.

Nigerian Paper Mill, since its inception, imported pulp until 1982 when the mill started using natural hard-wood available in Nigeria. The Long Fibre largely imported allow paper to be stretched. The mill needed about 6,000 tonnes of this fibre every year. Shortage of this fibre due to difficulties in getting foreign exchange had led to

harvesting about 3,500 trees daily for the production of some 200 tonnes of short fibre pulp.[11]

The raw material of the industry comprises of Timber, Bleached Pulp (short fibre), unbleached pulp (Long Fibre), Waste Paper, Alum, Rosin, Starch, Sodium Silicate, Caustic Soda Salt, Sodium Sulphate, Sodium Sulphide, Limestone, Talcum Powder, Hydrozine hydrate, Cychohexamine, Sulphoric acid, Soda Ash and Fuel Oil. Most of these raw materials are imported. However, the mill is now looking inward for substitutes, particularly with the first indigenous chief executive of the organization. The mill is the first of the two major paper mills to be headed by a Nigerian Chief Executive.

The Paper Machines (Escher Wyes) being used in the mill are manufactured in Germany and spare-parts are mainly imported. The mill specializes in the production of industrial grades of papers; kraft paper, sack kraft, kraft liner board, flutting paper and white Duplex Board. These materials constitute 98% of the mill's output. The remaining 2% is made up of stationary items. The establishment of the mill is said to be saving more than ₦65 million in foreign exchange per annum for the country.

Generally, the mill is said to be performing fairly well. For instance, with structural Adjustment Programme, most industries are operating below 30% of their capacity, NPM however has been one of these few industries that has been able to raise her 'head above water' as she produced 42,960 tonnes in 1986 which represented 66% of her total

capacity utilization. The turnover of the company rose from ₦49 million in 1985 to ₦74 million in 1986, an increase of 50.9%.[12]

With the present effort of the government to withdraw from active participation in manufacturing activities, the mill is finding new sources of income. For instance, the mill has invested in other companies such as Jakura Marble Industry (200,000 shares of ₦1.00 each) and a majority share holder (75%) in Central Packages Nigeria Limited in order to generate revenue. The mill's linkages with other companies is analysed in chapter four.

Statement of Problem.

Nigeria, one of the former colonies of the British empire, served as an agricultural estate of small peasant farmers, producing food for self generation and cash crops for export (mainly to Britain). The interest of colonial masters became clearer as they developed physical infrastructures to link mainly areas within the country, where cash crops and valuable minerals could be exploited.

The colonial industrial policy for Nigeria reflected and promoted the imperial interest. Nigeria became a major market for their finished goods. This market, is said to be Africa' second largest market after that of South Africa. Initially, the manufacturing sector was neglected. For instance, it was after the second world war that Leventine, started to exploit the local market,

with the establishment of local industries.[13] However, foreign firms (multinational corporations) entered the sector with the sole aim of protecting the markets for their goods as this can be mustered from the survey conducted by A.M. Hakam and Ronald May.[14] The Ten Year Programme in 1945 by the colonial government attracted more foreign investors. For instance, the number of companies registered in Nigeria rose from an average of 18 per year between 1912 and 1946 to 93 companies per year between 1948 and 1958.[15] The contribution of manufacturing sector to Gross Domestic Product (GDP) increased from 0.4% in 1950 to 3.2% in 1960.

After accepting industrialization, as the key to real progress and lasting prosperity, Nigeria opted for ISI as a strategy of development by 1960. The policy makers felt it necessary to change the dependency relationship that existed between Nigeria and the Western World. In the late 1950s and early 1960s, Nigeria like most developing nations was faced with a chronic balance of payments problem and the depletion of her external reserves. From appendix 1.1 and 1.2 we discovered that overall balance of the balance of payment was in deficit for the half of the first decade of the nation's political independence i.e. from -78.4 in 1960 to -33.4 in 1964. External reserves of the nation decreased at an average rate of N232.4 million within the same period.

The terms of trade worsen, especially against LDCs. Fidel Castro at the 17th Summit of the non-aligned countries in 1983 pointed out that in 1976

> "One ton of cocoa beans could buy sixteen tons of wheat, but in 1981, the same one ton of cocoa beans could only buy nine tons of wheat; a decline of over 40% in the export term of trade of cocoa exporter against bread....." 16

Manufactured goods were commanding higher prices in the world market than the primary products, hence LDCs have to export more of their primary products for the required manufactured products. These motivated most LDCs to opt for ISI.

ISI was seen as the first step in the industrialization process. The choice could also be based on simple technology involved at the initial stage. This strategy is implemented through the imposition of heavy tariff and quota on the goods affected. The argument used to buttress this action, is the protection of infant industries theory of the classical economists.

The economic rationale for this strategy is that in the long-run, the import substituting industries will be able to reap the benefit of large scale production and lower costs with tariff protection. Moroever, the BOPs will improve as fewer consumer goods are imported.

On embarking on ISI, our structure of production changed, as raw materials that were formally exported became unfit for the imported machines. We have to import

not only machines, spare-parts, experts, but also raw materials to be used in the production exercise. For example, importation of capital equipment and raw materials was responsible for more than 70% of total imports between 1961 and 1971.[17] This worsened our BOPs situation and hightened the dependency relationship that existed between Nigeria and the Western World. This is mainly due to the fact that, even the technology to be used was dictated to us from outside, therefore the benefits of ISI, such as employment generation, preservation of the country's foreign exchange, promotion of small scale manufacturing industries, putting the country on solid industrial path and improvement in the welfare of the people achieved were minimal.

There is no doubt that manufacturing sector has exhibited an impressive growth. Under ISI , for instance, between 1960-1970, value added grew from N93.3 million to N269.1 million to register an average annual growth rate of 19%. In the early 1980s, the impressive growth rate recorded shrunk to 3%. As a proportion of GDP, the contribution of manufacturing sector rose from 1.8% in 1960/61 to about 9% in 1982/. (1972, 100) The index of manufacturing production rose by an annual growth rate of 15% in the sixties to reach its peak of 394.7% (1972 = 100) in 1983. The index grew at an average of 30% annually between 1971 and 1981, in constrast to a decline of 19% during 1980 to 1983.[18]

KASHIM IBRAHIM LIBRARY
AHMADU BELLO UNIVERSITY
ZARIA, NIGERIA

Precisely, the manufacturing sector was characterized by industries with low value added and little intra-sectoral linkages. The import substituting industries are said to be substituting nothing but assemblying already fabricated and processed parts from abroad. For instance, several times, many of these industries have closed down production for a long period due to inability to procure imported inputs.[19] The capital intensive nature of these industries makes the employment generation effects minimal.

It was due to the apparent failure of ISI to address itself to economic problems of the nation that warranted the demand for export promotion industrialization strategy (EPI) in 1970-74 plan. Nigeria Export Promotion Council was established in 1976.[20] and began full operation in 1978. Even then, the sudden increase in the price of oil from $14.6pb in 1977 to $40pb by 1980, coupled with increase in oil production from 2.1mbd to 2.3mbd in 1977 and 1980 respectively,[21] made the activities of the Export Promotion Council to be taken with levity. A serious emphasis on the activities of the council started in the early 1980s, when the foreign exchange earning from oil was seen declining and unstable.[22] The objective of the export oriented industrial policy is to generate foreign exchange from export.

This raises the crucial question of whether this policy (EPI) will solve our economic problems and put the nation on a solid industrial footing. However, knowing that our output does not seem to be high enough to meet the domestic demand, there may be nothing to export. Besides, most industries still operate below half of their capacity, the technological knowhow is not within Nigerian control and standard of living continues to worsen in the 1980s, especially after the commencement of the structural Adjustment Programme (SAP) in 1986.

After twenty-eight years of political independence, we are yet to attain economic independence. Hence, there is the need to access ISI in Nigeria and establish where the problems specially lie. The operations of import-substituting industries need to be studied to show their performance over the years. This has become necessary, as industrialization is seen as the solution to the developmental problems.

This study will focus on the Nigerian Paper Mill, Jebba, as a case study. It will serve a good basis for possible generalisation of the effects of industrial policies in Nigeria, especially with regard to import-substituting industries.

AIMS OF THE STUDY

First, the research intends to analyse the industrial policies vis-a-vis the performance of the manufacturing sector since independence. This will

enable us understand the 'root' of the problems the manufacturing industries are experiencing.

Secondly, the research will attempt to identify problems that have limited the extent to which ISI would have served as a basis for the transformation of a dual economy such as Nigeria, to a dynamic and self-reliant one.

Thirdly, we shall try to show that ISI is a base for a solid industrial development for Nigeria, using NPM as a case study.

Finally, the research aims at analysing ISI on NPM, with a view to suggesting the most effective ways of implementing ISI, so as to provide a basis for the successful transformation of the Nigerian economy.

Justification of the Study

It is a fact that any meaningful research must have to investigate the causes, that have retarded progress in the past and then proceed to make recommendation on how to remove these causes in the future.

This study is very important because it hopes to address itself to the crucial issues raised against ISI in Nigeria.

In Latin America, where this strategy started as a strategy of industrialization in LDCs, much has

been written about its failure. The failure of the strategy in Latin America can definately be attributed to the activities of foreign firms. In fact, it was the alarm raised about the exploitative activities of these firms in Latin America that forced United Nations organs, especially UNCTAD to set up a Commission to view the global significance of transnationalization of capital.

Nigeria is blessed with abundant resources; the forest resources of the country are numerous. For instance, more than 600 species of trees were identified in the country of which about 100 are known to be usable and only 30 are currently being exploited commercially.[23] Though, wood forms the main raw material of the pulp and paper industry in Nigeria, pulp is still being imported. In terms of mineral resources, the nation is recognized as one of the richest countries in Africa. Tin, coal, limestone, gold, lead, clay, marble deposits are available in abundance in the country. It is however surprising that most of these minerals used in the paper industry such as marble, starch, limestone, alum etc are imported. It is just of recent that the trend changed.

The delay in sourcing these resources that have been with us for decades with the government as a joint partner in these ventures, indicate a defect in

policy making and implementation. This study will try to identify the reasons for this failure and provide insight for scholars and planners on how policies in the past have come out to be a defeqting factor to the attainment of national objectives.

It is expected that the suggestions derive from the research would form the basis for the transformation of the economy and hence a meaningful and dynamic industrialization process.

Methodology

The research has taken Nigerian Paper Mill, Jebba, the pioneer paper makers of Nigeria, as a case study. The researcher visited the mill several times to collect relevant primary materials: type and sources of raw materials, employment trend over the years and its composition etc. Of course, questions regarding the backward and forward linkages of the industry were forthrightly directed to the top personnels or their able representatives. For instance, we got in touch with the Forestry Manager, Assistant Production Manager, Director of Converting, Distribution and Marketing, the Senior Training Manager, Senior Manager (Soda Recovery) and the Personnel Manager. General information was sought from the P.R.O. section of the mill.

These and other materials from secondary sources were analyzed using the descriptive statistical techniques. We would have used the statistical information to examine the relevance of the framework, but for the difficulty posed by the paucity of data. This has forced us to remain at this level of analysis.

Sources of Data

The research statistical information was obtained mainly from the mill through discussions with the Public Relation Officer, interviews with some senior staff, some of which are pioneers of the mill.

Other sets of data were from publications such as books, journals, newspapers, quarterly house journal of the mill, central Bank Annual Report, Central Bank Financial and Economic Review, Abstract of Statistics (FOS) Lagos and plan documents.

Scope and Limitation

The study covers the activities of the mill from 1962 to 1988. The research limited itself to NPM, Jebba, the pioneer paper makers and the largest in West Africa. We examined the activities and the impact of the mill on the development of Nigeria vis-a-vis the critics views as regard the strategy that led to her establishment in the 1960s.

The research did not concern itself much with other mills; Nigerian Newsprint Manufacturing Company at Oku-Iboku, which was commissioned in 1986, Iwopin Mill, still under construction and other small mills, which serve merely as converters.

In a research of this nature a lot of problems are encountered. These problems range from time, cost constraints to unwillingness of the mill to release some vital primary data. The cost constraint problems became inevitable, with the daily rise in the prices of materials used for the study.

The data problems seems to be more chronic as the mill's officials refused to release some vital information. To worsen the situation, the annual reports of the mill are not published since her inception, except the chairman's statement report for 1986. This was published with the inception of the first indigenous Managing Director.

Chapter Scheme

The research is arranged sequentially over five chapters. Chapter one introduces the study. This includes the introduction, a bit of the field research on the mill, statements of problem, objectives of the study, methodology, scope and the limitation of the research.

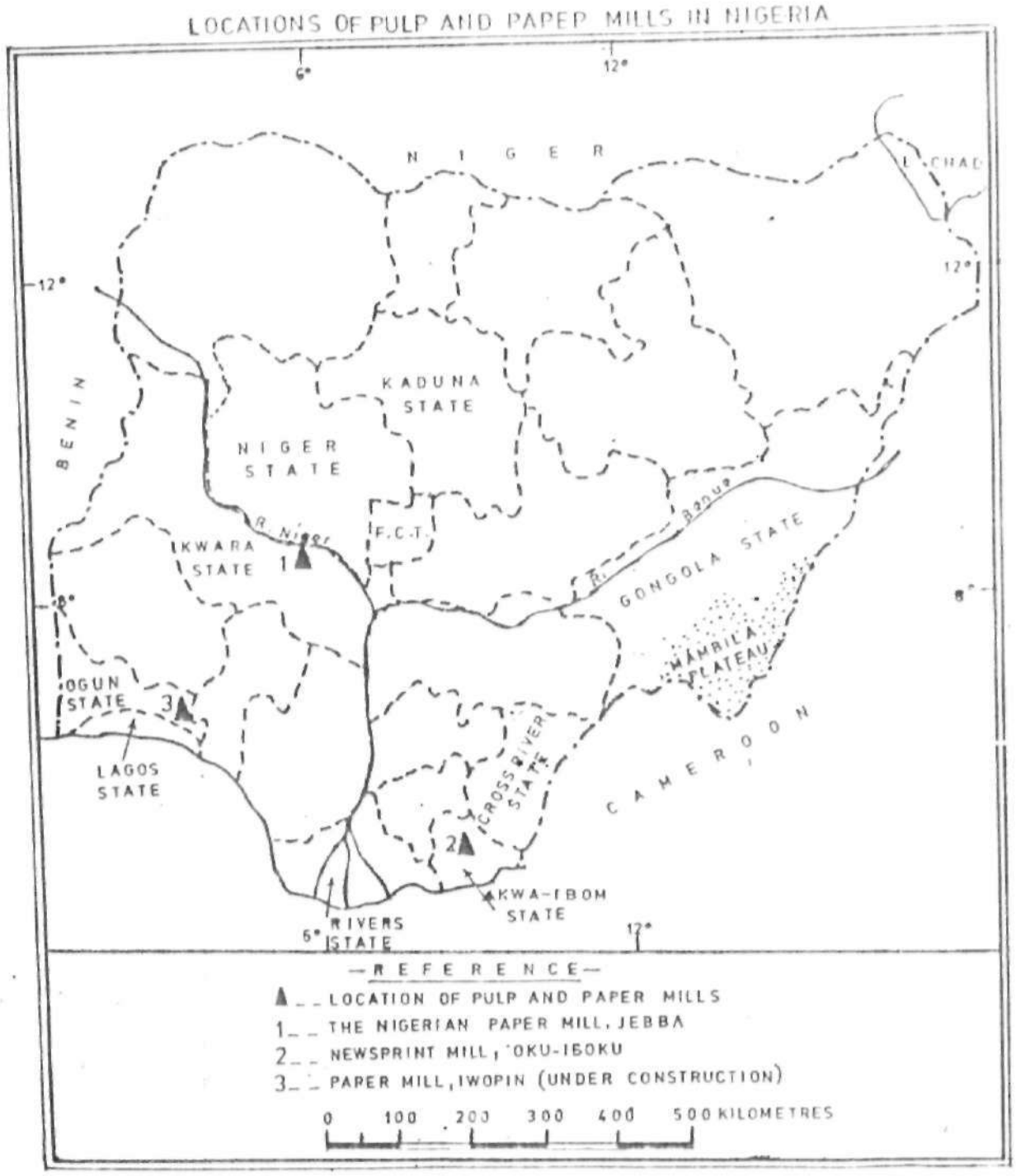
Chapter two reviews some of the existing literature on the title of the work. The argument for and against ISI are examined and reasons for the failure of ISI in Nigeria discussed. The theoretical framework that illustrates the vital role that ISI could play in industrial development via the imposition of tariff is analysed in this chapter.

Chapter three is exclusively devoted to the presentation of a brief account of the state of Nigerian economy. Emphasis here is more on the performance of the manufacturing sector in the economic growth and development of the nation.

In chapter four, we analyzed the activities of NPH, Jebba and its extent of achieving the expected benefits of industrialization. These benefits include the linkages with other industries, employment generation and development impact on the immediate environment and the nation at large. Contained in this chapter also are some of our findings.

Finally, chapter five presents a summary of the research work. Based on our findings, a set of recommendations have been made in order to provide a condusive and solid base for the nation's industrial development.

LOCATIONS OF PULP AND PAPER MILLS IN NIGERIA



Footnotes

1. See Kusnets Simon 'Economic Growth and Structure' W.W. Norton and Co. Inc. New York, 1965.

2. Kootze (1980) defined strategies as general programmes of action and the resultant deployment of resources aimed at attaining some comprehensive objectives.

3. This strategy started in Latin America, and later popularized by Brazil, India etc.

4. The Guardian 17/12/86, p.3.

5. Other countries known for the production of paper in Africa include Algeria, Kenya, Morocco, Tunisia, Zimbabwe, Nigeria, Tanzania, Angola and Cameroon.

6. Kilby Peter 'Industrialization in an Open Economy: Nigeria 1945-1966' Cambridge University Press, 1969, p. 190.

7. Kilby Peter Op.cit, p. 29.

8. See Table 4.3b.

9. Business Times Monday July 21st, 1986, p. 24.

10. See Table 4.4.

11. The Guardian 21st September, 1986.

12. Nigerian Paper Mill, Jebba Chairman Annual Report in The Nigerian Economist Vol.1, No.23 August 2-15 1988.

13. Ukwu I. Ukwu "Industrialization and Economic Development in Nigeria; the significance of Structural Adjustment Programm" Nigerian Economic Society Conference, 1988. The term Leventine is said to be use for some 15,000 Lebanse, Palestinians Cyporiots, Syrians and Greeks whose families come to settle in Nigeria between 1910 and 1940. They engage in development of some important industries; soap, groundnut crushing plastic.

14. Kilby Peter Op.cit, p. 56-57 - Hakam conducted a survey of 68 foreign owned manufacturing firms in 1964 while Ronald survey on the 26 foreign firms between 1953-1963.

15. Onimode Bade et al. "Multinational Corporations in Nigeria" Less Shyreden Nigeria Limited, 1983, p. 47.

16. Quoted from Fadahunsi Akin 'Export Promotion as a strategy for industrialization: Trade and Industrialization in the Third World' B.U.K., Kano 1986, p.2.

17. Ige C.S. 'Export Promotion Strategy: Implementations and likely Consequences for Manufacturing growth in Nigeria'. Conference proceedings on Export Promotion, B.U.K., Kano 1986.

18. See Nigeria Year Book, Dialy Times Publication, 1985, p. 97.

19. NPM, VWON, PAN are some examples of those industries that have on several occasions close down production due to lack of imported inputs.

20. The Nigeria Export Promotion Council Decree No.26 of 1976.

21. Although there was decline in output and price in 1978, the market recovered immediately.

22. The President (Babangida) include and emphasized the activities of the council in 1985 and subsequent annual budgets.

23. Teriba O. and Kayode M.O. 'Issue in Industrialization, Industrial Development in Nigeria, Pattern, Problem and Prospects'. University Press, Ibadan, 1977, p .

CHAPTER TWO

2.1 Introduction

This chapter reviews the relevant literature on import substitution and Export Promotion Industrialization strategies. We started with the definition of industrialization, and went on to examine the views of different authors on the strategies of industrialization above. The theoretical framework is also discussed in this chapter.

2.2 Definition

The term industrialization is a multiferious conceptdefinations, however, we try to limit ourselves to those/relevant to this work. Industrialization could be defined as 'the system of production that has arisen from the steady development of study and use of scientific knowledge'.[1] This definition seems to be consistent with that of United Nations Committee which sees industrialization as 'a process of economic development in which a growing part of the national resources is mobilised to develop a technically up-to-date, diversified domestic economic structure characterised by a dynamic manufacturing sector having and producing means of production, consumer goods and capable of assuming a high rate of growth for the economy as a whole and of achieving economic and social progress'.[2]

A critical assessment of UN's definition seems to suggest that industrialization pre-supposes ever-changing sides of technology, structure and investment need of industrial establishment. However, with these pre-suppositions, it is considered as the easiest and most rapid inexpensive process of industrialization:-[3] industrialization channelled through the mobilization of the growing part of the societal resources.

2.3 Literature Review

Economists have looked differently at how industrialization should be approached. Various proposals have been made by economists; Lewis, Hughes and Rostow on the approach to industrialization, especially in LDCs.

Lewis and Nurkse[4] opted for 'balanced growth' approach for LDCs. This strategy is considered as a means of stepping up the rate of growth, when the trend in external trade and flow of foreign capital is sluggish. It advocates, an aspiring economy to supply its own market and production inputs, with all the sectors growing simultaneously. Nurkse depicted the relationship balance growth and the classical law of market i.e. Say's Law. He believes that supply creates its own demand provided the goods supplied are properly distributed in accordance with consumer's want. Industries should be

allowed to advance on an expansion path determined by the income elasticity of consumer demand of the industrial products. He argued, that, this should be the starting point in any expansion of production for domestic market in the LDCs.

This approach has been criticized by many economists; Hughes[5] revealed that the history of successful industrial growth does not show evidence of this strategy. In addition, it is even doubtful if this approach can work effectively in third world countries, where finance, skilled manpower are a critical development constraints. Moreover, balance growth theory assumed unlimited supply of capital, which is unrealistic.[6]

Hoffman and Rostow[7] argued for unbalanced growth approach. They believe that industrialization had been as a result of certain industries, or group of industries regarded as 'leading industries' or 'dorminant industries' or 'growing point' pushing ahead of others as technological break-through occurs and new market opened. This seem consistent with United Nation's definition of industrialization given earlier. The leading industries or dominant industries are seen as the prime mover of the economy. Burns and Kuznet[8] supported the view on unbalanced growth. They believe that regardless of the lag in the industrial development system, maximum growth rates can still be attained by the new industrial ventures that come into existence and consequently moves the economy along.

This approach is more relevant and consistent with the steps most LDCs are following, due to inadequate finance and experts that have become a formidable developmental constraint. In Nigeria, uptill early 1960s, it was from agricultural sector, that the nation got the 'growing natural resources' used to finance and develop other sectors. However, since early 1970s, the source of these resources has changed to mining sector as the contribution of the former sector declined drastically.

With the experience of some developed countries; Britain, Germany, Japan and others; some writers have been able to break industrial process into stages. For instance Slichter[9] identified three stages in the process of industrialization. The first being the preliminary state, which is characterised by a dominant agricultural sector and associated with exportation of primary products and importation of manufactures. This is closely followed by the intermediate stage, with the feature of fairly manufacturing sector with income and employment generation as major focus. In this stage, agriculture becomes overshadowed and import consists mainly of food, raw materials and equipment and exports comprised of manufactures, and in the last stage, the employment that is not directly concerned with creation of goods and food is more than the sum of Income and Labour in Manufacturing.

Rostow[10] came out with a theory that resemble the classical stage system whereby a country progress from agriculture and mining to industrialization. This is characterized by an increasing part of the labour force employed in secondary and tertiary activities. He identified economic development with the traditional economy, which finds resources gradually for investment. A level is later attained, with an accelerated growth of per capita income which forms an effective take-off of self-sustained growth. This, then enables the economy move towards a maturity and high mass consumption level. History has shown that most developed countries; Britain, American and Japanese industrialization development confirms with these theories. Using Rostow's classification, one can say industrialized economies are now in the last stage of industrial process, while most LDCs are still 'battling' with the first stage.

Kaldor analysed the type of goods to be produced in his own stages of industrialization process. These are: import substitution with emphasis on production of consumer goods for domestic consumption, then production of consumer goods for export. The production of capital goods for domestic consumption should come next and finally production of capital goods for export. This analysis implies that, with gradual movement along the

stated stages via import substitution, a nation can attain the highest peak in her industrial pursuit. Huq[11] revealed that the trend of industrialization in Pakistan seems to have been of this pattern.

Many literature on Import Substitution and Export Promotion Strategies of industrialization exist. According to Streeten[12] "export promotion strategy encourages free trade, free movement of capital and attract multinational corporations (MNCs), with the open system of communication, while import substitution policies emphasize the need for LDCs to evolve their own style of development and to be masters of their own fate". Import substitution is said to encourage indigenous learning by trial and error in the manufacturing and improves on technologies appropriate to the nation's resource endowment. However, this is possible if trade and activities of the MNCs are restricted.

Chenery[13] has attributed the need for import substitution to the experience of the industrialized countries. Records of some of these countries have shown that the share of industrial output not only rises with development, but also that, the growth of industries based on import substitution accounts for a large proportion of the total rise in industry. He argued that this rise through import replacement was mainly due to

systematic changes of demand as income rises. Meier[14] accepted Chenery's view, but urged LDCs not to expect changes in factor supply: capital, human skill and other resources to favour their import substitution policy. This is because changes in supply conditions that favour the developed countries can not be duplicated simply by a policy of industrial protection.

The critics of import substitution argue that growth in imports subsequently induces domestic production, that is, import can act as a catalytic agent that will mobilise unused and under-employed resources together in order to exploit their uses. Myrdal believes that LDCs could impose the tariff protection (i.e. via import substitution) as soon as the domestic industries are established. This restriction, he said will enable LDCs by pass the difficulties of having to build up internal demand simultaneously with supply.

Galenson[15] opted for the protection of industries under import substitution strategy, in order to off-set the effects of excessive high wage rate for labour in the manufacturing industries, that mainly import final products. However, his view has been criticized on the basis of tariff protection. It is the belief of the critics that, this action will lead to inefficient allocation of labour between the sectors, especially

between agriculture and manufacturing, as it will encourage movement of labour to manufacturing. This protection of manufacturing will increase real income above what obtains under free trade, thereby making the products of this sector costly and tend to move labour from agriculture to import competing industries. Meier is of the view that, wage differential should be explained by rational consideration of differences in cost and preferences as between agriculture and industrial work. In case of any distortion, he argued for domestic policies to be used rather than tariff on industrial imports.

Power[16] is of the opinion that import substitution is a barrier to growth in its subsequent stages of industrial development, due to economic inefficiency, technical inefficiency and its failure to raise domestic saving. As regard the economy inefficiency, he argued that since import substitution favour import control than export promotion, we will need to save more, to earn additional unit of foreign exchange through the former than the later. This he considered as welfare loss and that other consideration rather than economic efficiency are given more priority.

In addition, import substitution is biased against the production of intermediate goods, capital good and raw material which are basic need of the industries at the first stage: that is to say it is biased against

vertical balance. This version we disagree with as import substituting industries have to source their raw materials and some of their intermediate goods withing their domain. This depends mainly on the type of leaders that rule the country. For instance, Lewis and Soligo[17] revealed that import substitution based on consumer goods in Pakistan created increased demand for import of investment goods. The study indicates that in 1954-5, the share of consumption goods in total value added in large scale manufacturing was over 71%, but declined to 54.6% by 1963-64, while the share of intermediate and investment rose below 20% to 45.4%.[18] They were criticized on the basis of statistical method and industrial classification by Eysenbech, MocEwen and Winston.[19] Winston and MacEwen, using Tims-stern input-output table for 1963-4 re-adjusted Lewis-Soligo data and the result they got was far lower share (28%) for capital and intermediate product.

On technical inefficiency, Power observed that tariff protection allow for monopolistic and oligopolistic market positions and give room for inefficiency that retard technical progress. He went further to argue that most of the industries protected have real comparative advantage and reasonably efficient, so that this policy encourages high factor income. For instance, labour is paid for above his opportunity cost. This

view is contestable, as empirical evidences have shown that MNCs, that dominate the manufacturing sector in most developing countries exploit labour. For example, Onimode[20] shows that, the industrialization of South East Asian countries like Taiwan, Phillipines, Singapore and South Korea is merely a reflection of the exploitation of their cheap labour by foreign firms from U.S.A, Japan and Western Europe. Nigeria, Kenya, Brazil and other LDCs are experiencing the same exploitation. For example, payment per hour for a manufacturing worker in parent companies of U.S. MNC was $8.67, while that of those in the subsidaries in LDCs was $1.74.[21]

Looking at the effect of import substitution on savings, using the identity below:

$$C_d + I_d + E_d = C_m + C_d + S^{22}$$

where

C_d, I_d and E_d are value added in domestic production for consumption, investment and exports. S and C_m are domestic saving and imported component of consumption respectively. While the left hand side of the identity represent national product, the right hand side is the disposal of National Income. If $C_m + C_d$ is not allowed to rise, then an increase in the National Income in the form of rise in I_d or E_d will lead, an equal rise in S. However, a rise in domestic production of consumption goods for domestic absorption will also increase savings as C_m is correspondingly reduced.

Thus a pure case for import substitution, Power and Khan[23] worked on industrialization pattern in Pakistan and argued that predominant pattern of industrialization via import-substitution of consumer goods has led to 'excessive' consumption and thus thwarted the goal of increasing domestic savings. They observed that since capital goods and intermediate products were liberally imported and import of non-essential consumption goods heavily taxed or banned, large investment in domestic production of consumer goods were encouraged. This, they observed, not only competed away resources from production of investment goods, but also allowed the aggregate consumption function to shift with consequent fall in the aggregate saving rate. This thesis was buttressed by the trend of saving rate in 1950s. The marginal rate of saving declined from 22.7% between 1949-50 and 1954-5 to -1.4% between 1954-5 and 1959-60. Khan discovered that high proportion of output increase in the import substituting industries; cotton, cloth, sugar, cigarettes and paper for 1951/52-1959/60 was due to high consumption liberalization. This, he argued was the cause of low saving rate in Pakistan despite the rapid industrialization that followed the production of consumption good for the home market within this period. This increases the trend in the dependence on foreign financing in Pakistan, after 13 years of executing import-substitution.

KASHIM IBRAHIM LIBRARY AHMADU BELLO UNIVERSITY ZARIA, NIGERIA

Huq[24] criticized Power-Khan argument. He argued that if their deduction were to be correct, one would expect a substantial fall in consumption, due to a radical shift in the domestic pattern of industrialisation toward intermediate and capital goods industries and the rise in the domestic saving rate. He discovered that the gross domestic saving rose on average to 10.7% of GNP during the second plan period, in view of the increase of about 274% in the output of consumption goods between 1954 and 1964. In addition, he is of the opinion that, since growth of intermediate and capital goods industries was mainly conditioned by the need for satisfying the demand of the existing industries in Pakistan, the development of such industries could hardly restrict the production of consumer goods. Hence, he concluded that, there was little relation between low saving and excessive consumption in the 1950s and that the trend is best explained with reference to the rates of growth of GNP during the period.

We have discovered that the opponents of import substitution strategy, did it mainly on the basis of tariff protection. However, every country protect her infant industries, even U.S.A. A good example is the unresolved 'economic crisis' between Japan and U.S.A. America is worried about the flooding of its markets with electronics and cars, hence, measures are taken to

reduce the flow of the materials. Ekuerhare [25] argued for protection of indigenous manufacturing industry in LDCs by DCs against the rubrics of infant industry argument, as other countries like Germany and U.S.A. did during the early stages of their industrial revolution.

Meier[26], after criticizing import substituting strategy said 'Industrialization strategy that is biased toward import substitution does not promise a smooth path around the difficulties facing LDCs and that alternatives to this strategy is not very promising either'. He then advocates for a choice between import substitution and Export Promotion among various potentials of import substitution industries. This conclusion is already embedded in import substitution strategy as it is in sequences or stages.

Bruton[27] reveals that import substitution strategy is being looked at from the narrow sense, i.e. the strategy is limited to specific activities which is measured by increases in the ratio of domestic production to domestic absorption. However, in a broader term, the objectives of most LDCs will be achieved through its strategy, but the rate of the success will depend on which specific sectors it is applied and method chosen in executing it to bring about structural

changes in the economy. He believes, that, the failure of the strategy in most developing countries, as regard distortions and misallocation of resources is due to the conventional approach to import substitution imposed on them. For instance, in the implementation of the policy, most developing countries used instruments, techniques that prevented the success of the policy. Teriba[28] supported this view, as he revealed the decision to opt for industrialization was not a conscious one, but one that is greatly influenced by some form of intellectual dependence on the west.

With the simple nature of technology involved at the initial stage of production, Teriba and Kayode[29] opted for ISI as the first step toward industrialization process. They however frown at the domination of the manufacturing sector with final stage or assembly industries. These industries are characterized by high import bills and low level of structural interdependence. They argued that export promotion will not be the solution to our nation's problems, as concentration of processing of primary products give rise to industries that are characterized by weak forward linkages with other domestic industries.

According to Rwveyemonu, import substitution "appear to have implied merely an adoption of more sophisticated patterns of consumption, without the corresponding process of capital accumulation and technical

embodied in the equipment imported were not related to the level of capital accumulated, but to the demand profile of the modernized sector of the society. It is this particular orientation of technical progress and its lack of organic connection with the level of capital previously accumulated that gives a specific character to under-development in relation to the formation of an industrial strategy".[30] Using this argument, Fadahunsi[31] has attributed the wastage of resources and under-utilization capacities in industries under I.T in Nigeria to lack of organic connection with the level of previously accumulated capital, shortage of manpower, lack of and poor nature of the infrastructural facilities. He, however, recognizes the potentialities of import substituting industries and called for a stop to importation of yarns from Brazil for our textile industry.

Odejide[32] measured the extent of import substitution in some industries and its contribution to industrial growth. She discovered that most industries showed positive contribution, although the contribution of some were very low. She therefore emphasized on the encouragement of import substituting industries. She used the low contributing figures for intermediate goods sector from one period to another to buttress her suggestion. Like Meier,[33] she recommended the use of

subsidies instead of tariff protection for the industries if not for the present economic predicament in the country; unstable oil revenue and the administrative-bottlenecks in administering the subsidies. She concludes that, there is the need to identify individual firms and the type of assistance they need, instead of generalizing the tariff protection.

The economic rationale for ISI in the long run for Automobile Industry has remained an illusion. Since the inception of PAN, it has launched about six brands of peugeot (304, 404, 504, 505, 604, 305). The same goes for VWON. Uwujaren[34] discovered that proliferation of plants producing different brands of vehicles has reduced the effective scale of production and the economies of scale are not reaped. This manifested itself in the high cost of producing vehicles and dependence on imports to fill the demand-supply gap. After 14 years of operation in Nigeria PAN and VWON have only attained about 15% local sourcing.[35] Brazil, Argentina and Kenya, Uwujaren disclosed, have been successful in this area, with increase local content of these Automobile industry. This he attributed to their consistent policies and resistence to the urge to proliferate models and assemblers. He concluded that Nigeria should reduce the number of models, assemblers and concentrate more on the development of local source of CKD component and local integration of the industry.

Ekuerhare[36] who worked on Nigeria Textile Industry, using social-cost-benefit analysis, observed that most LDCs find it difficult to move to the second stage of import substitution sequential process. This he attributed to the activities of the foreign firms and the nature of tariff imposed in these countries. Those countries that succeeded in moving to the next stage are India, Brazil, Mexico and Argentina. He[37] observed that the industrial policies were formulated on the basis that MNCs should be the hub of Nigeria's industrialization process. The indigenisation decree (1972) also intensified the activities of these firms in the strategic sectors of the economy. Joint ventures between the Government[1] and foreign firms was encouraged. For example, by the end of 1977, Federal Government had taken majority of the shares in six oil companies, fourteen financial institutions, fourty-one manufacturing firms and sixteen public corporation, whose activities affect the performance of manufacturing establishment. However, the management and control of these institutions were still within the reach of foreigners.[38] An indication of the domination of foreign firms is clearly shown in textile industry, as at 1973, foreign private investments were responsible for 60% paid-up capital.[39] He also argued that discrimination against the development of capital goods industry in the country, is as a result of pattern of investment decision of the MNCs. They decide on what to produce, where to

produce and the technologies to be used in the process of production. Hence, with their oligopolistic structure, they have opted for the protection of their parent companies, which has manifested in their global industrial investment strategy.

Ekuerhare[40] also disclosed that highdifferentiated tariff on which import substitution strategy has resulted to a wide range of economic cost. This has led to inefficiency in the activities, which also weakened the incentives to improve on the poor quality of goods produced. This structure of tariff, he observed acted as a disincentive to domestic capital production.

Export promotion strategy is said to give less severe distortion in LDCs than ISI and very often, South Korea, Taiwan, Singapore, Hong-Kong have been cited to have successfully practised this strategy. Frank[41] has shown that the objectives of LDCs; industrial development, employment generation, foreign exchange generation etc. will be a failure under export promotion strategy. According to Frank "citing the debt burden and immiseration of large masses of people left in its trail in apparently successful export promoting countries like Brazil, Argentina, Korea and far eastern countries showed that these successes are in fact a mirage".[42] Ige[43] concluded that export promotion has its merits but the cost are much that it is not the best option for Nigeria. The system, he believes can improve by

elimination of corruptive practices and easing the bureaucratic red-tapism without increasing the investment level.

Ciroma[44] is of the opinion that Nigeria should not think of export since the nation is not self sufficient in the production of any particular product. The instability in the oil market is forcing the government to diversify her sources of foreign exchange and if possible increase it. He argued that during the 'peak' of economic crisis in Nigeria, the nation's foreign exchange earning was one of the highest in Africa. Comparing Nigeria and India, which has at least six times Nigeria's population, he showed that Nigeria earned more foreign exchange than India. For instance the 'South' survey shows that out of the 120 developing countries published in September 1985, Nigeria earned over two times, the earning of India from export within five years. Nigeria earned $80,377.83 million (U.S. Dollar) between 1979 and 1983, while India earned $39,288.79 million (U.S $) during the same period. However, there is no any structural transformation of the society to show for the huge earning revenue than the white elephant projects and fly-overs in some urban centres.

Kwanashie[45] emphasized deeply on how foreign firms have aided the failure of import substitution strategy. He showed how these foreigners came into the country as investors or technical partners to syphon the nation's

foreign exchange abroad, hence making the strategy to constitute a drain on the economy. The strategy became incapable of expanding backward and aggravating the BOPs problem. He argued that even with the export promotion, import substitution is still in place, with only a slight modification, although foreign capital is still allowed to repatriate profits. He observed that the growth in most LDCs has not transformed the structure of their economies, hence "exports have not been able to act as propelling force in these economies" as the classical theorists on international trade emphasized. Export promotion based on a capital intensive method of production, he viewed, will encourage seeking foreign assistance in form of capital and loans, which will in effect worsen the outflow of capital and increase our debt servicing rate. He therefore saw an urgent need to mobilize the people for transformation of the society by addressing the genesis of the problems and not the symptoms.

Osagie[46], on the issue of policy change in industrial development in Nigeria attributed the lack of linkages within the economy to MNCs that dominated the manufacturing sector. These firms prefer purchasing from their subsidiaries in other parts of the globe, while raw materials are in abundant supply in Nigeria. No serious attempt was made to move Nigeria into production

of intermediate, capital and even raw materials as these firms try to repatriate as much value added as possible to their home base; by using much inputs from their home base, paying unreaslistic salaries to foreigners, over invoicing of imported input and sub-contracting of work to foreign subsidiaries. This he said, has led to the failure of import substitution strategy in Nigeria.

He also observed that, the move to export promotion through the use of foreign firms (as the government continue to call for foreign investment) will not result to achieving the national objectives. This is because government objectives differ from that of foreign investors. For instance, the linkages effect cannot be achieved as most firms will like to import their inputs for production. Employment effect will be minimal, as the method of production to be used will be capital intensive. Moreover, a country like Nigeria, already facing shortages of goods and services, with export promotion, the limited resources would be diverted into production for export, thereby worsening the shortages problem, increasing inflation rate and other related problems.

Though a lot has been written on ISI in Nigeria, none of these researchers have worked specifically on the Nigerian Paper Industry. A few like Ekuefhare (1978) made effort to relate ISI to the Textile Industry and Uwujaren (1983) related ISI to Automobile Industry. One

of the major contributions of this study therefore, shall be that of relating ISI to the paper industry, as represented by Nigeria's Pioneer Paper Industry, the Nigerian Paper Mill, Jebba.

2.4 Theoretical Perspective.

Natural resources in the world are not evenly distributed, therefore no country is self sufficient. This necessitates the nedd for exchange of goods and services (i.e. international trade).

Many theories have been developed on international trade by the classicals and neo-classical, 'moderate' economists and the Marxist economists.[47] The classicals have emphasized the need for international trade. The trade is said to stimulate development by promoting individual countries to specialize in the production of goods and services in which they have comparative advantage. According to Mill "The opening of foreign trade..... sometimes works a sort of industrial revolution in a country whose resources were previously underdeveloped."[48] The classical concept of free trade model was modified by the neo-classical[49] as factor endowment approach to international trade. In addition, the neo-classicals, believe that, with trade, factor prices will equate across the world.

However, the assumptions on which the theory are based, such as perfect competition, full employment of resources, no trade barriers, no transport costs etc. are

not realistic. This makes the theory unsuitable for the development of LDCs. Hence, in the 20th century, the 'moderate' economists[50] started to doubt the possibilities of the trade serving as "engine of growth" in LDCs. This was due to the fact that the trade was in favour of DCs at the expense of LDCs, hence, these group of economists called for a change in the trend of the trade.

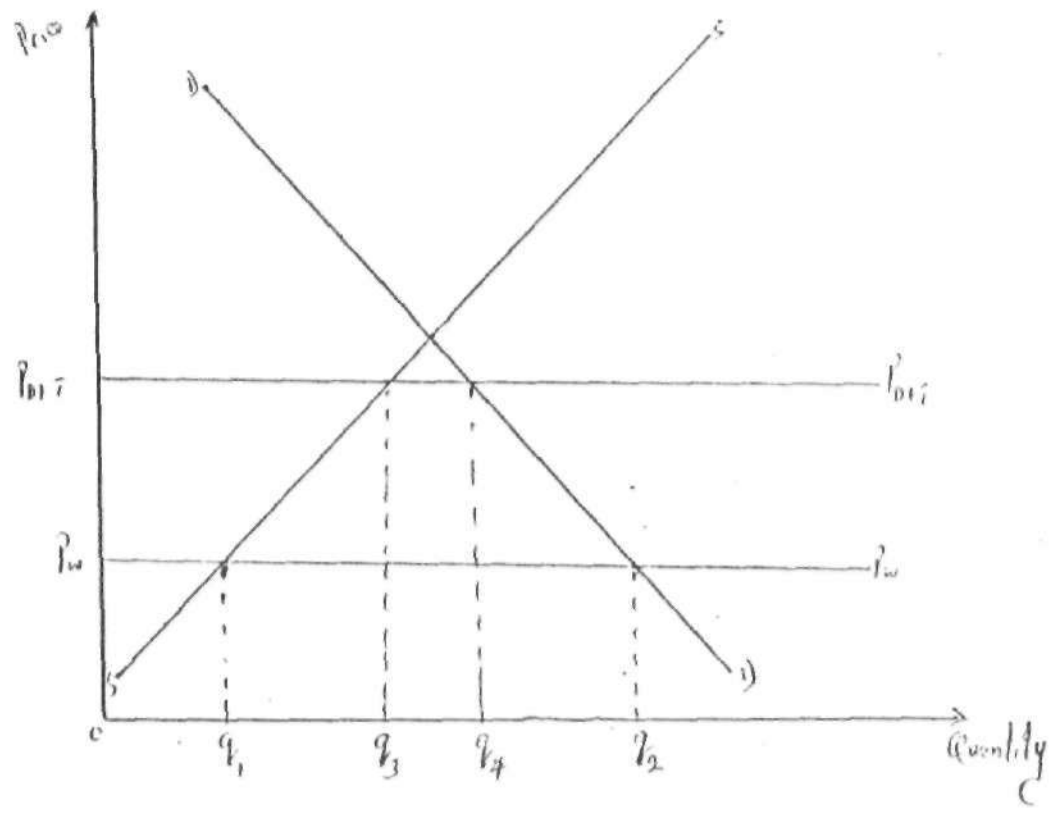
The marxist economists sees international trade as an extension of imperialism and economic domination. They, therefore urge LDCs to delink from the conventional pattern of international trade and trade more with each other.[51]

The instability in the prices of primary products from LDCs, unfavourable term of trade as shown earlier, development of substitutes for agricultural products, increases in the demand for manufactured goods coupled with the higher prices of these goods in the world market[52] motivated most LDCs to search for a better strategy of development. Industrialization was seen as the solution. With the immediate economic problems; BOPs problem, inflation, unemployment, most LDCs opted for ISI.

ISI borrows from the Keynesian model of deficiency in demand, with infinite elasticity of supply. Using this idea, industrial development could best be initiated by starting with the production of those goods, which

demand already exist. The role of tariff protection is vital and inevitable in this strategy. The diagram below illustrate the role of tariff protection as a yard stick for industrial development

Domestic Production with/without Tariff Protection



The measure of import substitution could be defined as the proportion of total supply which is produced locally and the total demand for the product. The mode is based on the following assumptions: that import supply curve is infinitely elastic and that tariff forms the only cause of divergence between domestic price and the world market price.

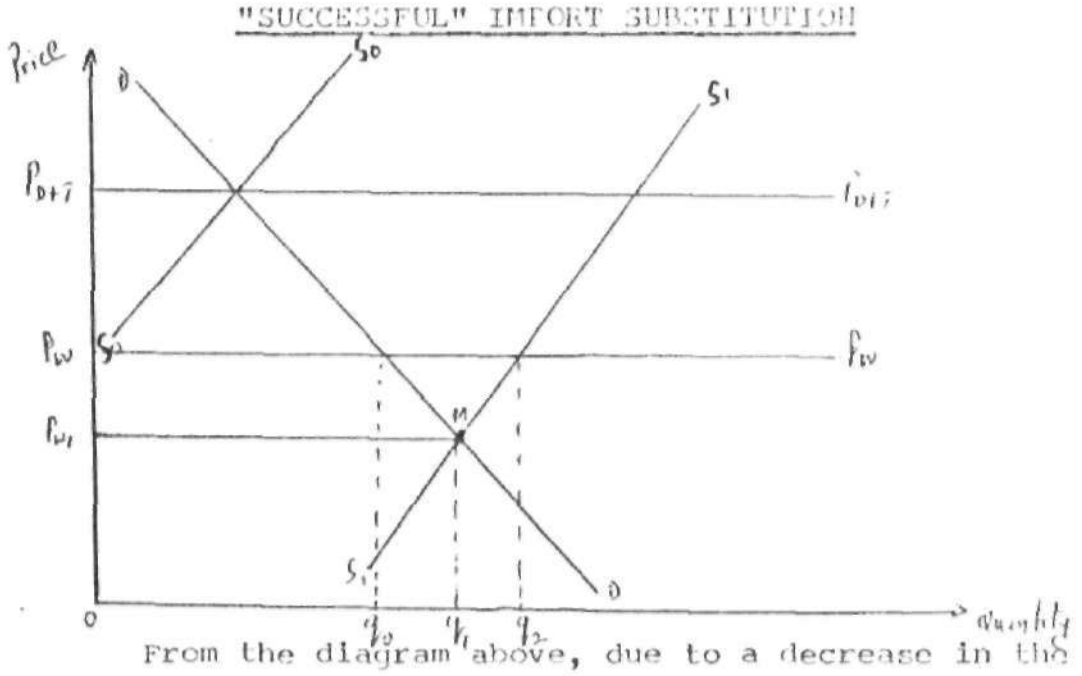
The diagram above shows two different situations; a free trade situation and when tariff protection was imposed. On the diagram DD represent domestic demand curve for commodity X and SS represent domestic supply curve for commodity X. P_wP_w represents the World Market import supply curve at world price (P_w) while P_{D+T} represent a situation of tariff imposition (i.e. Domestic price plus tariff).

From the hypothetical diagram, at P_wP_w, i.e. before the imposition of tariff, the country produces Oq_1 and consumes Oq_2 of commodity X, hence q_1q_2 of the commodity will be imported to fill the gap of the demand surplus. The import substitution is Oq_1/Oq_2. With the imposition of tariff, the world market import supply curve shifts to P_{D+T} P_{D+T} and the domestic price rise from P_w to P_{D+T}. It became expensive to purchase the commodity, while the production of the commodity is Oq_3, the quantity demanded is Oq_4, thus q_3q_4 will be imported. Therefore less of the commodity is imported. The import substitution ratio is now Oq_3/Oq_4, which is greater than the same ratio before imposition of tariff.

At the end of a successful import substitution, the possible outcome of the analysis on the structure of cost of goods produced locally is illustrated below.

The strategy is considered successful in the sense that import substitution ratio is equal to unity or even greater. It could even be greater than unity as indicated below and the removal of tariff protection that exposes the industries to foreign competition did not have adverse effect on their performance.

"SUCCESSFUL" IMPORT SUBSTITUTION



From the diagram above, due to a decrease in the cost of production in the domestic industries, the domestic supply curve shifts from S_oS_o to S_1S_1. The domestic equilibrium is established at point N. At point N, the quantity demanded and supplied is Oq_1 at price P_{w1}. The domestic price at point N is less than world market price P_w and excess domestic production of q_1q_2 has resulted. Hence, this can be exported to earn foreign exchange. There is no need for protection, as the "infant industries" have fully grown up to compete with imported goods.[53]

Footnotes

1. Meier M.G., 'Leading Issues in Economic Development', Studies in International Poverty, 2nd edition Oxford University Press, 1970.

2. U.N. Committee for Industrial Development Report of the Third Session (13th-31st May 1963). E/3781, E/C5/37, New York, 1963, p. 23.

3. Ayodele, S.A. 'Process of Industrialization Ondo State, Nigeria. NISER, Ibadan, November, 1985, p.4.

4. Lewis, W.A. 'The theory of Economic Growth' Free Press, New York, 1955. Roger Nurkse 'The Conflict between Balance Growth and Intdrnational Specialization', Istanbul University, Istahbul, 1958.

5. Hughes , J.R.T. 'Foreign Trade and Balance Growth: The Historical Framework' American Economic Review 49, No.2, 1958, pp. 330-337.

6. Ayodele, Op.cit, p.4. Augustine Ikein "Barriers to BalancedGrowth in Developing Countries" in Development Outlook Vol,1, No.10, April 1987. p.21.

7. Hoffmann, W.G. 'The Growth of Industrial Economics' Manchester University Press 1958. Rostow M.U. "The Process of Economic Growth", Revised edition, New York, Norton 1960.

8. Burn, A.F. 'Production Trends in the United States since 1870', New York, National Bureau of Economic Research 1934. Kuznets S.S. 'Economic Change': selected Essays in Business Cycles, National Income and Economic Growth. Free Press, New York, 1959.

9. Slichter S.H. 'Economic Growth in the United States: its History, propsect and problems , Louisions State University Press, Baton Rouge, 1961.

10. Kaldor M, 'Strategy Factors in Economic Development' Cornell University Ithaco, New York, 1967.

11. Sayeedul Huq 'Pattern of Industrialization in Pakistan ' in Economic Development in South Asia, E.A.G. and Michael Kidon (ed) Macmillan Press, 1970.

12. Streeten P.P., 'Trade Strategies for Development: Some Themes for the Seventies' World Development 6 June 1973, pp. 1-10.

13. Chenery H.B., 'Pattern of Industrial Growth'. America Economic Review, September 1960, pp. 624-54.

14. Meier G.M., Op.cit.

15. Galenson W. (ed) 'Labour and Economic Development' New York, 1959.

16. Power J.H. 'Industrialization in Pakistan: A Case of Frustrated Take-Off' in Development Economic and Policy Reading. Ian Livingstone (ed) George Allen and Unwin 1981.

17. Lewis (1966) and Soligo (1965) - cited in Sayeedul Huq op.cit., p. 154.

18. Import Substitution in Intermediate Goods Industries were experienced in Petroleum Refining, Chemicals and Paper Manufacturing.

19. Eysenbach (1969), MacEwen (1966) and Winston (1967) cited in Sayeedul Huq Ibid, p. 155.

20. Onimode Bade et.al 'Multinational Corporation' in Nigeria' Less Shyraden Nigeria Ltd., 1983.

21. Ibid, p.2.

22. Power J.H. 'Industrialization in Pakistan' a Case of Frustrated Take-Off op.cit, p. 179.

23. Power J H and Khan (1963) cited in Sayeedul Huq op.cit, p. 157.

24. Sayeedul Huq, op.cit.

25. Ekuerhare, B.U. 'On Industrial Underdevelopment in Nigeria: A Theroetical Celebration of Walter Rodney in Africa Development in Industrialization in Africa'. Abdalla S. Bujra (ed) Vol.X, No.4, CODESRA 1985.

26. Meier G.M. op.cit.

27. Bruton H.J. 'The Import Substitution Strategy of Economic Development: A Survey' Pakistan Development Review, Vol.10, No.2, 1970.

28. Teriba O and Kayode, M.O, 'Issue in Industrialization, Industrial Development in Nigeria, Pattern Problem and Prospects. Teriba and Kayode (ed) Ibadan University Press, 1977.

29. Ibid.

30. Cited in Fadahunsi Akin 'Kaduna State Manufacturing Industry, Prospect for Future Development' C.S.E.R, A.B.U, Zaria, 1978.

31. Fadahunsi Akin Ibid, p.30.

32. Odejide, A.F. 'Import Substitution as a Strategy of Industrial Development in Nigeria' Journal of Faculty of Social Sciences, University of Ife, Vol.6, No. 1 & 2, 1983, pp. 32-38.

33. G.M. Meier op.cit.

34. Uwujaren, G.F. 'Reflections on Nigeria's Industrialization Strategy: the Case of the Automobile Industry'. Journal of Faculty of Social Sciences, University of Ife, Vol.6, No. 1 & 2, 1983, pp. 74-82.

35 Business Times 24/11/86, p.31.

36. Ekuerhare, B.U. 'The Economic Appraisal of Import Substituting Industrialization with Reference to the Nigeria Textile Industry' Ph.D. Thesis in Economics, University of Manchester, 1978.

37. _____ 'The Impact and Lessons of Nigeria's Industrial Policy Under the Military Government 1966-1979' Proceeding of the 1980 Annual Conference of the Nigerian Economic Society, Femi Kayode (ed).

38. _____ 'Import Substituting Industrialization (ISI) Experience in Nigeria: Findings and Reflections'. Conference Proceedings on Export Promotion, Bayero University, Kano, 1986.

39. _____ op.cit, 1978.

40. _____ op.cit, 1978.

41. Frank (1981) in Ige, C.S. 'Export Promotion Strategy; Implication and likely consequences for Manufacturing Growth in Nigeria'. B.U.K. 1986, p.3.

42. Ibid, p.3.

43. Ige, C.S. Ibid, 1986.

44. Ciroma Ali "Export Drive and Counter Trade" Conference Proceeding on Export Promotion, B.U.K. 1986.

45. Kwanashie M. 'From Import Substitution to Export Promotion, Analysis of Policy Shift in Nigeria" Conference Proceedings on Export Promotion, B.U.K Kano, 1986.

46. Osagie E. 'Foreign Private Investment and Export Promotion in Nigeria' Conference Proceedings on Export Promotion, B.U.K., Kano, 1986.

47. Classical Economists such as Adam Smith (1776), David Ricardo (1817) and John S. Mill (1846).

48. See M.P. Todaro: Economics for a Developing World 2nd edition, Longman, 1982, p.281.

49. Some of the neo-classical economists are E.F. Hecksher (1919), B. Ohlin (1933) and P.A. Samuelson (1948).

50. Todaro, M.P. Myint, Paul Prebish, Gunner Myrdal, Ragnar Nurkse are classified as moderate economists.

51. Example of authors in this group are S. Amin, A. Emmanuel, Evans etc.

52. Fadahunsi A. (1986) quoting UNCTAD Report 1976 "The Relative Decline in Export Earning of most Third World Countries can not necessarily be attributed to just their dependence on export of primary products, but to their lack of control over the institution and organizations that operate the International Commodity Trade....."

53. It is also assumed that tariff is levied on imported inputs needed as it would affect the cost structure in the industries. See T.A. Oyejide "Tariff Policy and Industrialization in Nigeria". Ibadan University Press, 1975.

the modification of the agricultural sector, to serve as a solid foundation for effective industrialization. This sector was expected to serve as raw material base for the import substituting industries.

The mining sector, with the exploration and exportation of crude oil from the early 1970s took the leading role from the agricultural sector in all aspects, except for employment and supply of food. Oil sector; a segment of mining and quarrying sector contributed about 94% to the total foreign exchange earning and over 90% of the nation's export in the late 1970s and 1980s. Appendix 3.1 clearly shows the proportion of oil to total export earnings at different periods. It rose from 57.6% in 1970 to 98.6% in 1982 and slightly decreased to 97.2% in 1986; thus the sector contributed over 70% of Federal Government revenue within this period.

The rise in the price[1] of crude oil with simultaneous increase in oil production contributed to the increase in the export earnings, hence increased government revenue from this sector. For instance, uptil 1970, the price of crude oil was $2.0pb. This rose to $8.3pb, $14.6pb and $40.0pb in 1973, 1977 and 1980 respectively. Nigerian crude oil production increased from 0.5mbd in 1970 to 2.1mbd, 2.3mbd in 1977 and 1980 respectively.[2]

KASHIM IBRAHIM LIBRARY AHMADU BELLO UNIVERSITY ZARIA NIGERIA

Crude oil became the live wire of the economy, as the country depended mainly on the proceeds from this sector. The increase in the revenue to the government from the sale of oil, manifested itself in the continuous growth in the socio-economic indicators. For instance, the nation's GDP at 1977/78 constant factor cost rose from about ₦2.7 million 1965 to ₦31.2 billion in 1980. Total private consumption expenditure rose from ₦0.9m in 1960 to ₦26.8 billion in 1980 and ₦33.2 billion in 1982. Federal government budget increased from ₦0.1b. (stability budget) in 1960 to ₦13.8 billion in 1981 and ₦30 billion in 1989. Planned invested in the development plans rose from ₦2.4 billion in the first development plan to ₦3.6 billion, ₦45.7b and ₦82b. in the second, third and fourth development plans respectively. However, no serious effort was made in intensifying domestic raw material sourcing and production of most intermediate and capital goods for sound industrialization take-off of the nation.

The "windfall gains" from the oil sector led to the neglect of agriculture. The boom here led to the seeming overall doom of the other sectors of the economy. Attaining self sufficiency in food production was never realised neither that of agriculture forming a raw material base for the import substituting industries achieved. Unemployment became pronounced in the second

decade, as people migrated from rural to urban areas in search of 'white colar jobs'. Nigerians developed a sophisticated and conspicuous consumption pattern,[3] investment and production patterns changed. Government invested in almost every sector of the economy. By 1980, there were around 70 non-commercial and 110 commercial Federal Government parastatals.[4] Government parastatals were also many at state levels. Thus, government started to play a dominant role in the economic activities of the nation, accounting for about 50% of the GDP and 60% of modern sector employment in the 1980s. Despite the active role of the government in economic activities, most of her parastatals in the manufacturing sector imported all the needed inputs or assembled the partly finished products, just to put finishing touches to them. This reliance on foreign inputs was inimical to the otherwise well articulated government policies of import substitution industrialization strategy.

The discovery of new oil fields; in Alaska and North Sea, invention of substitutes for oil usage coupled with reduction in the demand for oil in 1978 contributed to a drop in oil revenue in 1978. It dropped from about ₦6.4 billion in 1977 to ₦5.2 billion in 1978.[6] However, the nation's import bill increased, as the scarce foreign exchange was used to import food items,

for which the country was once self-sufficient. For example, between 1970-1981, the average annual foreign exchange expenditure on food was ₦531.9 million. Except for 1979, each year witnessed an increase in food importation within 1970-1981. The annual percentage increase of food importation was 37.9%.[7] Moreover, Nigeria turned to importation of palm oil from Malaysian to feed her soap and oil industries. As the groundnut pyramid in Kano suddenly disappeared, we began to import groundnut. For instance, between March and April 1978, about ₦9.1m. was spent on importation of palm oil and groundnut to supplement local supply for the domestic soap industry etc.[8]

The current debt crisis had its root solidified in the second decade, as the government (i.e. Obasanjo's regime) obtained a Euro-dollar loan of $1 billion in the early 1978 to promote some of the nation's import substituting industries and other public projects. Most of these projects benefiting from this loan were: pulp and paper mill at Jebba, Iwopin paper mill at Calabar, Sugar projects at Savannah and Ganti Lafiagi, Cement factories, pipeline, storage tank refineries at Kaduna and Warri, Iron and Steel plant at Ajaokuta and Warri. The loan was supposed to have retired in 8 years time including 3 year grace period. The repayment was not tied to the progress of the work on these projects. This is a clear indication that our creditors are not

particularly worried about our development, rather, they are more interested in getting their capital and the interest which in most cases is more lucrative than the capital. Despite the strigent conditions attached to the former loan, the government taught it expedient to opt for addition loan of $1.2b, thus brought the total debt from the same source to $2.2b.[9]

In the early part of the third decade (1980-1990) the economy took her share of the oil glut. This led to a cut-back in the nation's oil production quota from an average of 2.1mbd in January 1981 to 0.7mbd in August and later rose to 1.3mbd in 1983. Simultaneously, the oil price fell from $40pb at the beginning of 1981 to $35pb, $29.5pb and $8.9pb in 1982, 1983 and July 1986 respectively.

Export revenue declined from ₦14,186.7 million in 1980 to ₦10,876.8m, ₦8,722.5m, ₦7,502.2m in 1981, 1982 and 1983 respectively (see Appendix 3.1). The nation's foreign reserve was depleted as the civilian regime (i.e. Shagari regime) could not reduce the nation's import bill in the face of declining export revenue. The reserve declined from ₦5.1billion in July 1981 to ₦1.1 billion in 1983. The debt plus trade arrears which stood at about ₦17.7 billion in 1983, rose to about ₦20.9 billion, ₦29.3b in 1984 and 1985 respectively.[10]

The total external debt of the country was put at $23b by October 1987, it rose to $30b by January 1989. The debt service ratio which stood at 2.3% in 1971 had rapidly increased to 29.1% in 1984 and slightly decreased at 28% in 1986.[11]

Suddenly, the economic indicator started responding negatively as the economy plunge into severe crisis The six fronts of the economy; Budget deficit, Trade deficit, Inflation, Unemployment, Domestic debts and External debt worsened. The nation witnessed scarcity of goods and services. Contribution of manufacturing sector dropped from positive growth rate of 22.7% in 1982 to negative of 40% in 1984 (1975=100) and capacity utilization fell below 30%.

In order to revive the ailing economy, several economic measures, such as the Economic Stabilization Programme of 1982 and the National Economic Emergency Decree of 1985 were taken, but they had minimal impact, because the symptoms of the economic problems were addressed instead of the root causes. On recognising the problem to be that of the structure of the economy, structural Adjustment Programme surfaced on 27th June 1986 and officially terminated on 31st July 1988, but we are still "consolidating the gains".

The generality of the Nigerians have accepted that SAP is a failure, as it has failed thosecountries;

Ghana, Uganda, Latin America countries etc that have earlier applied it as recovery panacea to their economic crisis. This assertion could be justified as the six fronts of the economy mentioned earlier are yet to improve. This, the president (I.B.B.) accepted in his 1989 budget speech, hence the need to scrap SAP.

3.2 The Manufacturing Sector in Nigeria's Economy.

Manufacturing sector is seen as the hub of industrialization in LDCs. It is accorded the prime mover of the other sectors, due to its linkage effects. The degree of development of most nations is measured in term of the growth on their industrial activities. According to Chenery "..... not only is there strong statistical association between rise of industry (industriallzation) and the level of per capita income (growth), but virtually all countries that have achieved high living standards by any measure have also industrialized to a substantial measures".[12]

As at 1960, Nigeria's industrial sector was small and made up of light manufactures; milling, rubber processing, tanning, saw milling etc. It is in recognition of the role of industries in economic growth and development that some industrial policies have been articulated in the various development plans; 1962-68, 1970-74, 1975-80, and 1980-85.

In the first development plan (1962-68), the industrial policies included; stimulating the establishment

and growth of industries, which could contribute to economic growth, while enabling Nigerians to participate increasingly in their ownership and direction.[13] It was within this premise of the government policy that ISI was adopted during the first and subsequent plans. The conditions favourable for the strategy were already in existence; i.e. potential markets for the products, natural resources, fertile land to produce sufficient raw materials to sustain the indurtries and availability of unskilled and few skilled labour force that could be trained.

Special incentives were offered to industrial enterprises in order to achieve their objectives as contained in the first development plan. These incentives as embodied in five basic legal instruments were:

- The Industrial Development (Income Tax Relief) Act of 1958, which was amended by Decree No. 22 of 1971.
- The Industrial Development (Import Duties Relief) Act of 1957.
- The Income Tax (Amendment) Act of 1959.
- The custom Duties (Dumped and subsidized Goods) Act of 1958.
- The Custom (Draw Back) Regulation of 1959 and
- The Approved User Scheme 1963:- a temporary relief to manufacturers which goods cannot compete with imported ones.

The objectives of these Acts were to create a conducive environment for the development of industries by abolishing or reducing duties paid on certain categories of imported goods; Industrial Machinery, Spare parts and raw materials. Income Tax Relief - was provided to certain sets of industrialists during the infant stages of their business. Restrictive trade policies were taken to protect locally produced goods via, tariff, quota and licensing. For example the essence of these protection was emphasized in the mobilization budget of 1962 thus;

> ".... Government will extend protection to industries where this is necessary, but this weapon will be used with caution. This purpose of protection is not to provide undue profits for an indefinite period to the manufacturer at the expense of the consumer, nor will government allow a higher cost industrial economy to be built up under the umbrella of excessive protection. Nigerian products must be reasonably competitive with imported goods, not merely so as to provide Nigeria with quality goods at fair prices, but also so that Nigerian manufacturers may compete effectively in the markets of the world". 14

The government also improved on the provision of infrastructural facilities; transport, communication, electricity and water supply. Industrial estates were created. Nigerian development Bank was established in 1964 by the government to assist in the industrial take-off of the nation. However, the achievement of the plan was not much, due to the political instability that resulted to civil war (1968-70) and inadequate financial resources.

It was under these incentives that foreigners came to spread their tentacles over the manufacturing sector. The agents of industrialization (i.e. TNCs); UAC, John Holt, UTC, SCOA etc established in this sector and some related and sensitive sectors of the economy. Their establishments in various sectors of the economy is shown on Appendix 3.2 and 3.3. To further buttress this point, table 3.1 below shows the ownership structure of enterprises in Nigeria between 1966-1982.

Table 3.1

Ownership Structure of Enterprises in Nigeria 1966-82(in %).

Economic Activity		1966	1970	1975	1980	1982
1. Mining and Quarrying:	Foreign*	100	100	37.6	24.6	21.1
	Nigerian	-	-	62.4	75.4	78.9
2. Agriculture, Forestry and Fishing	Foreign	82.1	81.7	63.8	53.8	60.5
	Nigerian	17.9	42.7	36.4	42.6	39.5
3. Manufacturing & Processing	Foreign	81.5	57.3	52.7	47.6	50.7
	Nigerian	18.5	42.7	47.3	52.4	49.3
4. Building & Construction	Foreign	n.a	91.3	61.3	52.2	59.5
	Nigerian	n.a	8.7	28.7	47.8	40.5
5. Trading:	Foreign	98.9	94.0	73.5	50.4	47.8
	Nigerian	1.1	6.0	28.7	49.6	52.5

n.a. = not available

\+ Foreign here consists mainly of such countries as U.K, U.S.A. and Western European Countries.

Source: John E.U. Ndebbio "Theory and Practice Underlying the SFEM and its effects on capital flows, Investment and General Price in Nigeria". A paper presented at a Conference on SFEM held at A.B.U., Zaria, 1987.

Table 3.1 confirms the assertion that, foreign firms dominated the economy in the 1960s and had their base solidified in all the sectors. Teriba worked on ownership of businesses and industries before 1972 and discovered that out of 2,079 shareholders in registered companies, about 39.5% are Nigerian and 60.4% foreigners. The expatriate control is said to be higher, if we consider those owing shares above ₦200,000; 26.4% to 73.6% for Nigerian and expatriates respectively.[15] The domination enable them to manipulate industrial policies to suit their objectives.

These firms utilized Nigerians, only to pay them a token amount as wages and salaries. This picture is depicted in Table 3.2 below.

Table 3.2

Utilization of Indigenous Managerial and Professional Resources in Nigerian Manufacturing Industries*

	Number Employed		Wages & Salaries(₦)	
Year	Nigerians	Non-Nigerians	Nigerians	Non-Nigerians
1963	1,326	1,643	2,255,058	7,239,444
1965	1,203	1,818	2,156,000	7,672,000
1966	1,314	1,719	2,564,000	8,606,000

* Published figures available for only these years.

Source: Cited in Teriba and Kayode, p.24.

The table above shows the skewness of wages and salaries in favour of non-Nigerians. This has the effect of draining our foreign exchange resources, as non-Nigerians repatriated their earnings. The trend continued to the 1970s. Ukwu[16] argued that wages/salaries to Nigerians were generally low; the manufacturing wages in Nigeria in 1978 amounted to 22% of value-added in the manufacturing sector compared to 38.4% in Ivory Coast, 48.6% for India and 48.8% in U.K. It is said that of 67 countries for which relevant statistics were available, only 9; 7 in Latin America and 2 in Africa treated their industrial workers worse than Nigeria, by favouring non-Nigerians over Nigerians. There was no job security and little opportunity was provided for strongly motivated cadre of skilled industrial workers to emerge. All these go along way to buttress Ekuerhare, Osagie and Mike's views on frustration of our industrial development by foreign firms.

It was the dominance of the economy by foreigners, among other things that the second National Development Plan addressed. On the industrial policies, the plan emphasized on "the progressive elimination of foreign dominance in the national economy, not only in terms of nominal financial ownership, but really in terms of the level of managerial and technological control."[17]

Other objectives as regard industrialization as contained in the plan were:-

- Promote even development and fair distribution of industries in all parts of the country.
- Ensure a rapid expansion and diversification of the industrial sector of the economy.
- Increase the income realised from manufacturing activity.
- Create more employment opportunities.
- Cater for overseas markets in order to earn foreign exchange.
- Continue the programme of import substitution, as well as raise the level of intermediate and capital goods production and
- Initiate schemes designed to promote indigenous manpower development in the industrial sector.

The policy instruments used to achieve some of these objectives remained the same as contained in the first plan, although, the measures were discriminately applied in favour of some industries (iron steel, fertilizer industry etc) that government regarded as priority areas. However, the desired structural transformation of the economy was not achieved, as investors invested in import substituting industries that produces highly profitable goods. Thus, firms such as petroleum refinery, cement, fertilizer, paper products, engineering, iron and

steel, etc, that provide solid foundation for the industrial take-off of the nation, were neglected hence, the government went into these areas with foreign partners.

The Nigerian Enterprises Promotion Decree (NEPD) surfaced in 1972,[18] to check the dominant role of foreigners in the economic activities of the nation. This action of the government is being practiced in other countries; developed and less developed alike to check the excesses of foreign firms. Appeddix 3.4 shows actions other countries are using to control the role of foreigners in their economies. The application of this decree in Nigeria is a failure, as the decree encourages foreigners to establish in the production of capital and intermediate goods that will aid in the industrialization of the country, hence, indirectly deepening the economic dependency with the Western Nations.

In addition, the management and control of the enterprises exclusively reserved for Nigerians remained in the hands of foreigners. Some Nigerians were employed to camouflage as chairmen on the board of directors. Thus, the decree had succeeded in enabling some Nigerians to share out of the profits of such companies. The current Debt equity swap programme that tends to create the fourth schedule; comprising iron and steel manufacturing industries, automobile industries, pulp and paper industry, self-refinery, fertilizer plants, drug

and chemical manufacturing in which foreigners would be allowed to own up to 100% shares will worsen the economic situation. This action, if implemented, will enhance the dependency relationship between Nigeria and DCs, thus the achievement of our economic independence will become bleak.

The third National Development Plan (1975-80) regonized the obstacles to industrial development in Nigeria as; inadequate infrastructural facilities, frustration of investors due to administrative bottlenecks, shortage of manpower and slow implementation of public manufacutufing projects. Thus, the plan intended to act as a catalyst for the growth of the manufacturing sector. Measures contained in the plan to tackle these obstacles include; luring investors to invest in different segments of manufacturing sector, a review of the existing incentives, the establishment of financial institutions to assist investors financially and direct government partyicipation in economic activities. The plan assigned priority to export industries and emphasized on small scale industrialization.

The basic presumption underlining the desirability of nurturing the small scale industrial sector are the perceived multiplier effects, which they can exhibit in attaining economic growth and development. It is believed that the chronic unemployment problem, particularly graduate unemployment, can be tackled if small businesses are

encouraged to develop. In addition, it will bring about the development of indigenous enterprêneurship: for according to Lewis "The crucial test of industrialization policy is not how rapidly it increases employment or output, but how rapidly it builds up local enterprises".[19] This will enhance the utilisation of local resources, mobilisation of domestic savings, reduction of rural-urban migration and raising the standard of living of the rural population.

The federal government in pursuance of the objectives went into direct participation in the economic activities. As at 1977, she has majority shares in 6 oil companies, 14 Financial institutions, 41 marufacturing firms and 16 public corporation whose activities directly or indirectly affect the performance of manufacturing . . . establishments. Government investment in manufacturing activities alone in form of loans, grants and equity was about ₦2.0 billion by the middle of 1977.[20]

The industrial objectives stipulated in the fourth plan (1980-85) are similar to what obtains in the previous plans. Precisely, the objectives are:-

- ensure increase level of self-reliance in the supply of industrial products.
- increase the local resource content of manufacturing output, through increase substitution of local raw materials and manpower for exports.

- maintain rapid growth of the manufacturing sector, with a view to increasing its share in the gross domestic product to a minimum of 12%.
- increase the contribution of small scale industries to the total value added in the manufacturing sector.
- remove institutional constraints and bottlenecks which constitute obstacles to industrialization.
- promote more even dispersal of industries.
- promote the development of export industries
- improve the efficiency of government owned enterprises.
- rationalize and consolidate the gains derived from the enterprise promotion acts of 1972 and 1977.
- improve price and quality competitiveness of Nigerian products.

The plan really recognized the vital roles industrialization could play in the transformation of the economy as it says "For developing country of the size and potential of Nigeria, industrialization is essential for rapid economic and social transformation".[21] The measures used to achieve some of these objectives are similar to those contained in the previous plans.

The fifth National Development Plan is still in the pipeline, but industrial policies and measures are embodied in programmes of economic recovery and the Annual Budgets. For instance, SAP surfaced in 1986

with its main elements directly or indirectly affecting the performance of manufacturing sector. The elements of SAP are as follows:-

- trade and payment liberalization
- tariff reform and rationalization to promote industrial diversification.
- deregulation, reduction of administrative controls and greater reliance on market forces
- adoption of appropriate pricing policies for petroleum products and public enterprises output.
- rationalization and privatisation of public enterprises.
- strengthening existing demand management policies and:
- adoption of measures to stimulate production and broaden the supply base of the economy.

The execution of these elements of SAP has made many enterprises to fold up, while few managed to survive with a lot of hardships. For example, in a survey carried out by National Association of Small Scale Industrialists, it was revealed that between January 1987 - June 1987, up to 720 small businesses folded up in Lagos State alone.[22] Those sub-sector heavily affected include printing and publishing, food processing, plastic, shoe manufacturing, furnitue and bakery. The Manufacturers Association of Nigeria (MAN) half year

survey of the economy observed the closure of small scale industries which they acknowledged, caused thousands jobless and huge investment lost.[23] Some of the firms that manage to be surviving suspend production on several occassions and examples are: a case of flask manufacturing company closed down for lack of space to store its products i.e. low demand for the products due to SAP, Nigerian Newsprint Manufacturing Company (NNMC) in Oku-Iboku suspended production three times in 1988 and NPM also experienced the same on many occasions. MAN's half year report 1987[24] gave the difficulties manufacturing industries were facing as:

- depreciation in the exchange rate of naira which makes it costly to import manufacturing inputs apart from limiting access to foreign exchange.
- additional bank debits on importers, especially the small scale business sector.
- tight monetary and fiscal policy
- the tariff structure that place local manufacturer at disadvantage and
- low levels of sales.

The "New Industrial Policy which is the latest in series of industrial policies the nation has embarked on, was launched at Abuja in January 1989, it aims at attaining "an accelerated pace of industrial development." The objectives of the policy[25] are:-

- providing greater employment opportunities
- increased export of manufactured goods
- dispersal of industries
- improving the technological skills and capability available in the country
- increased local contents of industrial output
- attracting foreign capital and
- increased private sector participation.

A critical assessment of these objectives shows that it is a synthesis of some of the objectives contained in the previous plans and SAP policy package. The new policy focuses on small and medium enterprises as the pivot of industrialization. The financial constraint facing these set of enterprises hope to be tackled by a group of financial institutions:- five commercial banks three merchant banks, Nigerian Bank of Commerce and Industry, Nigeria Agriculture and Cooperative Bank and the state Development Finance Corporation.

The policy recognises the debt equity programme, which is a temporary relief to our debt crisis. Approval of application for investment is to be granted within 60 days.[26] Sources of funding industrial projects surfacing as a result of this new policy, is the National Economic Recovery Fund. The contributors for this fund are the World Bank ($270m), African Development Bank

($230m), Czecholosvakia ($50m) and Federal Government of Nigeria; the Central Bank ($300m).[27]

We observe that the measures to be utilize in attaining the set down objectives contain in the new policy are met to recolonize our economy. This will not augur well for a sound industrial development of this nation. Let us now try to analyse the performance of manufacturing sector since 1960.

3.3 The Performance of Manufacturing Sector in Nigeria.

The manufacturing sector in Nigeria has not generally achieve much,[28] however, the overall average annual growth rate of 6.5% for the period between 1960-1987 is impressive. The growth rate of this sector is shown in Table 3.5 below. The overall average annual growth we appreciate in the light of the socio-economic problems the sector has witnessed since 1960 and the low base on which the sector took-off in 1960.

Table 3.3

Average Annual Growth Rates in Manufacturing Industries at 1980 Factor Cost 1960/61 - 1987.

Year	Growth Rate %
1960/61	-
1961/62	13.7
1962/63	12.5
1963/64	9.3
1964/65	-0.3
1965/66	18.5
Average Annual Growth Rate	10.7
1966/67	-0.9
1967/68	-17.8
1968/69	9.6
1969/70	35.1
Average Annual Growth Rate	6.5
1970/71	19.3
1971/72	2.8
1972/73	21.7
1973/74	-33.8
1974/75	-12.9
1975/76	48.4
1976/77	9.6
1977/78	-3.3
1978/79	28.9
1979/80	37.3
Average Annual Growth Rate	11.8
1980	0.6
1981	17.8
1982	18.4
1983	-6 .3
1984	-23.1
1985	-20.6
1986	2.0
1987	-14.7
Average Annual Growth Rate	- 3.2
Overall Average Annual Growth Rate	6.5

Source: Computed from Column 5 of the Table in Appendix 3.

The period (1960-87) is broken into four distinct phases as depicted in the table above; pre-civil war phase (1960/61-1965/66), the civil war phase(1966/67-1979/80), post civil war phase (1970/71-1979/80) and economic crisis phase of the 1980s (1980-1987). The average growth rate in the first phase was 10.7%. This impressive rate could be associated with the domination of manufacturing sector by foreign firms and the imposition of restrictive trade policies to protect the firms. The role of regional and federal governments to the attainment of this impressive growth cannot be overemphasi: These state of governments undertook some direct industrial investments, in which 90% or more of the capital were provided by their agents. For instance, total investment in industries; Fruit Cannery, Four Cement Mills, Two large Sack Factories, a Paper Mill, Two Breweries, an Integrated Textile Mill, Two Soft Drinking Bottling Plants, A Ceremic Factory, a Mint, a Glass Factory and, Four Oil Seed Crushing Plants within this period was estimated to be in excess of £35 million (₦70m).[29] Oyejide[30] work on Nigerian's industrial development (1957-1967) shows that import substitution industrialization strategy emerged as the dominant source of growth. It was responsible for 80% of the growth in output of manufacturing industries, while domestic demand contribute 19.8% to the growth the contribution of export expansion was insignificant.

The average growth rate declined to 6.5% in the civil war phase. Manufacturing activities were interrupt by the civil war, hence the decline. In addition, contribution of manufacturing activities in the eastern states were not included in the computed figures during this period, and the excluded region is known for her creative and innovative activities in this sector.

The average annual growth rate for the third phase was 11.8%. This period coincided with the oil boom period of the 1970s. Government took active role in economic activities with the "windfall gains" from oil sector. Foreign exchange was available for importation of inputs for the industries that have turned external oriented.

The fourth phase witnessed a decline from an average annual growth rate of 11.8% in the third phase to -3.2%. We can attribute this sharp decline to the economic crisis the economy is experiencing; shortage and inaccessibility to foreign exchange. However, the overall average annual growth rate for the sector is impressive.

On Table 3.4 below, we present the contribution of the manufacturing sector to GDP from 1960/61-1986.

Table 3.4

Gross Domestic Product and Manufacturing Component of GDP at 1980 Constant Factor Cost (₦ Million).

Year	GDP	Manufacturing Component	2 as % of 1
1960/61	176.84	8.48	4.8
1961/62	184.61	9.64	5.2
1962/63	192.42	10.84	5.6
1963/64	188.75	11.85	6.2
1964/65	196.90	11.81	6.0
1965/66	203.27	13.99	6.9
1966/67	200.88	13.87	6.9
1967/68*	159.11	11.40	7.2
1968/69*	167.06	12.49	7.5
1969/70*	212.53	16.87	7.9
1970/71	280.91	20.13	7.2
1971/72	330.89	20.69	6.3
1972/73	354.06	25.18	7.1
1973/74	368.82	16.68	4.5
1974/75	402.16	14.53	3.6
1975/76	385.96	21.56	5.6
1976/77	429.93	23.62	5.5
1977/78	459.38	22.83	5.0
1978/79	420.82	29.43	7.0
1979/80	444.65	40.42	9.0
1980	485.39	40.68	8.4
1981	491.83	47.91	9.7
1982	498.24	56.70	11.4
1983	476.31	53.14	11.2
1984	449.91	40.85	9.1
1985	605.29	32.42	55.4
1986	591.10	33.08	5.6
1987	600.37	28.22	4.7

* The eastern states were excluded from the series for these years.

Source: Column 1 & 2 compiled from the Appendix.
Column 3 computed from column 1 & 2.

From the above table, the contribution of this sector to GDP was at its peak (11.4%) in 1982. This is not impressive, especially when compared with what obtains in some LDCs; South East Asian, South America and even Sub-Saharen African countries. It has been

showed that in the early 1970s, the manufacturing sector contributed 17.5%, 25.1%, 19.5% and 11.2% respectively to the GDP of Thailand, Brazil, Columbia and Kenya.[31] Wide range exists between Nigeria's manufacturing sector contribution of 11.2% in 1983 to GDP and the same contribution of 21% by the middle income developing countries for the same year.[32]

This sector has witnessed a tremedious expansion. It had 464 establishments, employing 65,272 (1719 non-Nigerians) in 1966, 596 establishments, employing 87,213 in 1968 (Eastern States figures not included) and by 1976, there were 1,310 establishments with a total employment of 272,683. The total of persons employed in this sector reached its peak in 1981, with 449,093 persons. Appendix 3.7 shows the number of persons employed in the manufacturing industries.

The expansion activities in manufacturing sector favoured the consumer goods industries; Food, Textile, Tobacco etc in the 1960s to early 1970s. These industries received the blessings of the high tariff structure. The effective rate of protection on Table 3.5 buttress this assertion.

Table 3.5

Effective Rate of Protection (%)

	1957	1962	1967
Consumer Goods	69.6	72.5	120.6
Intermediate Goods	35.0	26.6	91.0
Capital Goods	6.7	18.6	69.0

Source: Ekuerhare B.U. and Ihuoma A. "Capital Goods Industry as Essential Ingredient for Nigeria's Self-Reliant Industrialization Strategy", 1984 p.13.

From the table above, we observe that consumer goods were highly protected by the tariff. differentiated tariff structure was adopted in 1967; as finished goods, raw materials and spare parts within the same industry carried different import duty rates. Inputs imported for industrial users were charged the lowest rates. Charges (i.e. tariff rates) on intermediate and capital goods were within the range of 0-15% while finished goods attracted between 40-75%.[33] This tariff structure does not favour the production of capital and intermediate goods. The trend of the importation of the latter goods were on increase up to the early 1970s as shown in table 3.6.

Table 3.6

The Structure of Imports for Selected Years (%)

	1950	1955	1960	1965	1970	1975
Consumer Goods	60	59	55.5	45	29.5	32.4
Intermediate Goods	10	10	20.2	24	28.3	27
Capital Goods	30	31	25.7	31	42.2	40.6

Source: (i) 1950-1965 P. Kilby (1969) p.27.

(ii) 1970 &1975, Iwayemi (1980)

Table 3.6 above shows that as the importation of consumer goods declined from 55.5% in 1960 to 32.4% in 1975, the importation of capital rose from 25.7% in 1960 to 40.6% in 1975. The decline in importation of consumer goods could be associated with the increase domestic production of these products and the restrictive trade policies. Between 1957-1975, the food, beverages and tobacco industry group contributed at least 32% of total manufacturing value added, in each year of this period. Precisely, in 1975, this group was responsible for 42% of the total value added of Nigeria's manufacturing sector, while the share of machinery and metal products increased from 4% in 1962 to 7% in 1973.[34] Comparing this trend with other LDCs such as Pakistan and Brazil, the reverse is the case. The machinery and metal products contributed 23% and 32% to the total value added

of manufacturing sector in 1963 respectively. Food, beverage and tobacco contributed 18.6% for both countries in the same period.

These industries, most of which are import substituting in nature; Flour Mills, Cement Factories, Paper Mill etc were embarked on, only to become dependent on importation of raw materials and other inputs, thus turning Nigeria into captive market, for the heavy industries in the Western World. For instance, most machines installed in these industries were designed and imported from Europe, Germany etc, without any input from our engineers either at design or construction stage.

Osoba[35] stressed on the high dependent nature of the manufacturing sector and gave its estimation as 50.7% in 1974, 43% in 1975 and 48% in 1976. He was optimistic that the figures for the late 1970s and early 1980s will be higher than those previously given. The economic crisis of the early 1980s has exposed the seriousness of this dependency. Hence, economic measures have been put in place since 1982, to force industries to look inward for their inputs. The weak linkages exhibited by the manufacturing sector due to this dependency has forced other sectors to become dependent on external market for survival.

The employment impact of this sector is very marginal. For instance in 1976, it accounted for about

1% of the labour force, and out of the labour force of 32.2 million in 1980, only 517,000, respresenting 1.6% of the total were employed in large and medium size establishments in this sector.[36] The capital intensive nature of industrial production, embodied in imported technology is contributing to the low absorptive capacity of this sector. This low absorptive trend, as imported technologies become more sophisticated will not augur well for the nation; experiencing continuous increase in unemployment rate. The unemployment rate was put at 4.3 in June 1985. This has increased to 7.4 in September 1987.[37]

As a source of foreign exchange to the nation, the sector's performance is very weak, despite all the incentives it enjoyed. In addition to the incentives mentioned earlier, the United Nations Industrial development Organisation (UNIDO, June 1984) on industry and external debt in Africa shows that 34% of Nigeria external debt for 1983 went into this sector. However, the total monetary export value of manufactured and semi-manufactured products declined from ₦65.8 million in 1970 to ₦42.6 million, ₦17.4m for 1980, and 1982 respectively. This later increased to ₦65.4 million in 1985. In percentages, these constitute 7.4% in 1970, declined to 0.3%, 0.2% for 1980 and 1982, then rose to 0.6% in 1985. The picture so depicted do not reflect

all the sector has enjoyed.

In the next chapter, we attempt analyzing the activities of Nigerian Paper Mill, Jebba as a sample of import substituting industry. The analysis will shed light on the operation and performance of the mill in the past and at present, which will enable us appreciate the potentials of import substituting industries in Nigeria.

Footnotes

1. The Arab-Israeli War of 1973/74, with the Arab members of OPEC stopped oil export to U.S and other countries, contributed to the sharp rise in oil price.

2. There was a slight decline in oil production below 2.1mbd in 1978, but it rose to 2.3mbd in 1980. See Ayodele Sessan "The Economic State of the Nation" NISER, 1987.

3. For further analysis on sophisticated and conspicuous consumption pattern Nigerians developed, see Professor P.N.O. Ejiofor (1986) "Case Against Conspicuous Consumption" in Special Edition of Development Outlook, Vol.1, No.7, Dec. 1986, p.12.

4. The Nigerian Economist, Vol.1, No.19, June 7-20th 1988, p.10.

5. Ayodele Sessan 'Reflating a Depressed Nigerian Economy' Gaskiya Corporation Ltd, Zaria, 1988, p .

6. Femi Aribisala 'The Management of Austerity in Contemporary Nigeria' in Nigerian Forum NIIA, May-June 1985, p.151.

7. Ogbonna N.M 'Economic Stabilization (Temporary Provision) Act of 1982 and the Transformation of the Nigerian Economy', Nigerian Journal of Political Economy, Jos Vol.2, No.2, 1984, p.6.

8. Ibid, p.6.

9. Femi Aribisala Op.cit, p.151.

10. Ojowu O. (ed) "Economic Update" Nigerian Journal of Contemporary Public Policy Issues, Department of Economics, A.B.U., Zaria, 1987, p.12.

11. Guardina Financial Weekly, 12/12/88, p.19.

12. Chenery B.H. "Patterns of Industrial Growth" America Economic Review, September 1960.

13. Federal Republic of Nigeria (FRN) National Development Plan 1962-68, p.60.

14. Federal Ministry of Information, The Mobilization Budget, Lagos, April 1962, p.20.

15. Alkasum Abba et.al "The Nigerian Economic Crisis, Causes and Solution" Gaskiya Corporation Limited, Zaria, p. 56.

16. Ukwu I. Ukwu "Industrialization and Economic Development in Nigeria: The Significance of SAP" Nigerian Economic Society Conference, Ile-Ife, 1988.

17. FRN, National Development Plan 1970-74, pp. 32-33.

18. It was amended in 1977.

19. Cited in Teriba et.al. "Some Aspect of Ownership, Control Structure of Business Enterprises in a Developing Economy: The Nigerian Case" in "Issue in Industrialization, Industrial Development in Nigeria, Pattern, Problem and Prospects". Teriba and Kayode (ed) Ibadan University Press, 1977, p.91.

20. Adeboye O.T. "Nigeria's Industrialization: a reconsideration of strategy and policy options" The Journal of the NISER, Vol.1, No.1, January 1981, p. 64.

21. FRN, National Development Plan 1981-85, p.136.

22. Business Concord 2nd August 1988, p.1. One Year after introducing SFEM in Zambia about 20% of small to medium scale industries closed down.

23. Business Times 27th July 1987, p.20.

24. Ibid, p.20.

25. Fadahunsi A. "SAP and the Manufacturing Sector: A Review of Policy and Performance". Paper presented in Conference on SAP and the Future of Nigeria, CSER, A.B.U., Zaria, 1989.

26. Decree No.36 of 1988 has brought into existence the Industrial Development Committee that processes applications.

27. Fadahunsi A. Op.cit, 1989.

28. In trying to assess the growth rate of the manufacturing sector, we collected the figures for the GDP and all the sectors at current market price and divide by the GDP deflators for the various years. Hence, we arrived at the figures at constant factor cost, which allows for easy comparison as the problem of different base years is rule out.

29. Kilby Peter "Industrialization in an Open Economy; Nigeria 1945-1966" Cambridge University Press 1969, p.24.

30. Oyejide A.T. "Tariff Policy and Industrialization in Nigeria", Ibadan University Press, 1975, p.18.

31. Ekuerhare, B.U. "The Impact and Lessons of Nigeria's Industrial Policy under the Military Government, 1966-1979". Proceeding of the 1980 Annual Conference of Nigerian Economics Society, Femi Kayode (ed).

32. See the World Report for 1985.

33. Oyejide A.T. Op.cit, p.18.

34. Ekuerhare op.cit 1980.

35. Osoba A.M. "Issues in Nigeria's Industrial development Policy" Journal of Faculty of Social Sciences, University of Ife, Vol.6 No. 1 & 2, 1983, pp 1-8.

36. See Jide Osuntokun "Industrialization and National Development in Nigeria - a Case Study" Development Outlook vol.1, No.1e, April 1987, p.5.

37. Ministry of National Planning, Economic and Statistical Review, 1987, p.43.

CHAPTER FOUR

4.1 ANALYSIS OF THE ACTIVITIES OF NPM, JEBBA

The initiation of a pulp and paper industry dates back to 1951-52, when the first investigation on sources of raw materials took place. Testing for fibre cellulose commenced and by 1963, three timbers had been fully tested and Gmelina was found as the best material. However, the British experts observed that, the viability of the project depended upon the development of a local source of chemicals. The construction of NPM took-off, as testing for raw materials continued.

ISI presupposes the existence of local resources, thus, the testing for fibre cellulose was aimed at identifying raw materials for the mill. The feasibility studies indicated that, the mill will be primarily fed from natural woodland of River Moshi and River Iwa forestry reserve covering a total of 278,700 hectares. However, after fourteen species of hardwood were identied, the Germans were given the contract to design a machine that will utilize them for pulp and paper production. (The species of trees identified are contained in table 4.1). The machine designed is identified as the biggest paper machine in the whole of Africa.

Table 4.1

List of some Indigenous Pulpable Tree Species

	Botanical Name	Family	Vanacular Name
1.	Acacia SPS	Mimasacea	-
2.	Afzelia africana	Caesalpiniaceae	Kawo(H), Apa(Y)
3.	Albizia SPP	Mimosaceae	Ayinreta (Y)
4.	Anogeissus Sohimperi	Cambretaceae	Ayio (Y)
5.	Butyrospermum Parkii	Sapotaceae	Emi (Y)
6.	Daniellia Oliveri	Gesalninaceae	Maje(H), Iya(Y)
7.	Detarium Senagalense	"	Tauraburmi (H)
8.	Isoberlinia doka	"	Doka (H)
9.	Lannia acidissina	Anarcadiaceae	Faru (H)
10.	Mitragyna enermis	Rubiaceae	Giyayya(H),Okobo(Y)
11.	Parinarum Kerstingii	Rosaceae	Kaikayi (H)
12.	Pakia Clappertoniana	Mimosaceae	Dorowa(H), Igba(Y)
13.	Prosopics africana	"	Kiriya(H), Ayan(Y)
14.	Pterocarpus evinaceous	"	Apepe (Y)

Note: H means Hausa, Y means Yoruba.

Source: Forestry Department NPH, Jebba.

The commissioning of the mill, like other import substituting industries witnessed a tariff structure, that favoured importation of inputs for industrial usage. For example, import duty on pulp; a substantial raw material in the production of paper was free, uptil 1984, when it first attracted a duty of 10% and increased to 15% in 1987. The importation was intensified in the 1970s with the flow of foreign exchange from the sales of oil and increase demand for paper products with the fast growing population. The importation of pulp grew from 6000 tonnes (U.S. $790,000) in 1971 to 12,000 tonnes (U.S. $5,932,000) in 1976 and later

stabilized at 5000 tonnes till 1983.[1] The consumption of paper products was estimated to have increased from 14,000 - 27,000 tonnes between 1960-65 when the population was between 48-65 million to around 322,000 tonnes in 1976, when the population was about 77 million.

NPM embarked on importation of pulp instead of utilizing the domestic hardwood, while timber logs were exported for processing abroad. Table 4.2 depicts the quantity of wood products exported from 1960-1970.

Table 4.2.

Export of Major Forest Products in Nigeria: Export Volume (1000 Cubic Metres)

Year	Timber Log	Sawn Timber	Plywood & Veneer	Export Value(N)
1960	629	59	19	20.096
1961	579	62	20	19.942
1962	459	66	22	17.180
1963	557	76	21	20.406
1964	607	76	21	21.560
1965	458	71	25	19.526
1966	514	37	16	17.588
1967	455	51	14	13.086
1968	492	46	13	12.936
1969	487	45	12	15.788
1970	452	42	11	11.894

Source:- (1) Federal Ministry of Trade, Trade Summary Various Issues.

(2) Economic Survey of Nigeria (1960-1975) S. Olayide, p.41.

As we continued to export these wood products, so, we imported some of these wood products (see Appendix 4.1). From Table 4.2 above, we observe that

the quantity of wood products exported and the amount earned decreased. This can be attributed to the establishments of African Timber and Plywood Industry (ATP) Limited at Sapele, Nigerian-Romania Wood Industry (NIROW) in Ondo State and some saw mills that were exploiting the wood products. By 1976, the exportation of Timber logs was banned, to give room for local utilization.

The linkage and employment effects of NPM was minimal, as it became dependent on external market. For instance, the importation of pulp and waste paper into Nigeria increased from ₦4,171,555 in 1975 to ₦17,623,923 in 1985 (322.5% increase) and later reduced to ₦2,502,330 in 1986[2] (86% decrease). The drastic reduction to ₦8 in the amount spent on importation of pulp and waste paper could be due to the restrictive economic measures taken within this period. The demand for imported paper was simultaneously on increase as NPM could not meet domestic demand. The amount spent on importation of Newsprint paper which was ₦91,530 (655.8 tonnes) in 1958 rose to ₦1,006,408 (7,188.9 tonnes) and ₦25,544,720 (14,793.2 tonnes) in 1969 and 1985 respectively. The increase in the amount spent on the importation of this product between 1958 to 1969 was about 1000% and 2438% between 1969 and 1985. Although there was a decrease in

the amount spent in 1983.

In 1969, the sum of ₦1,392,866 (10,887 tonnes) was used in importing kraft paper and kraft paper boards (one of the PPM products). This amount increased to ₦48,585,775 (56,044 tonnes) in 1983 and declined to ₦11,071,061 (9,238.6 tonnes) in 1986. The amount spent on the importation of these products in percentages increased by 3388% between 1969 to 1983 and declined by 77% between 1983 to 1986.

Exercise books worth ₦779,262 were imported in 1958. This shut to ₦1,726,167 in 1985 to reach a peak of ₦3,125,053 in 1981. Table 4.3(a) and 4.3(b) depict the situation clearly.

Table 4.3(a)

ANALYSIS OF PAPER PRODUCTS IMPORTED (BY MONETARY VALUE) (₦)
AS AT 31ST DECEMBER FOR VARIOUS YEARS

PRODUCTS	1958	1960	1962	1968	1970	1977	1981	1983	1985	1986
1. Newsprint Paper	91,530	674,644	163,304	1,006,408	2,351,384	7,[illegible]	11,[illegible],317	9,969,491	25,544,720	5[illegible]
2. Other Printing Writing Paper	170,194	1401, 084	1517018	4,134,074	6,893,680	24,298,306	75,621,615	38054981	53736861	4954[illegible]
3. Paper board (cardboard) in rolls of sheets	139,216	18 5, 679	296462	1,900,389	3,777,596	9,[illegible]527,018,083		107961782	157669[illegible]46	3101621
4. Building boards of paper of of pulp not impgated	39,572	64,694	114330	623,208	1,428,898	7,536,387	3,600,225	3187691	4[illegible]452	8087[illegible]
5. Paper bags & Other containers of paper or cardboard	572,676	1,043,402	1679072	259,436	2,584,136	641,423	3,501,493	7450554	1739556	26617[illegible]
6. Env. Paper in boxes, Packets & stat. of kind use in corres.	408,638	479,624	113952	156,192	156,192	510,318	1,478,308	3378977	1042845	2196[illegible]
7. Exercise Bks, Register, Albums etc.	779,262	847,980	998834	269,344	269,344	1,474,988	3,125,053	993335	1726167	18784[illegible]
8. Articles of pulp of paper board n-e-s	310,992	529,460	1035076	1,216,062	1,216,062	5,[illegible]18	15278734	5640448	5640448	97253
9. Kraft Paper & K.Paper board.	N.A	N.A	N.A.	1,392,866	1,914,156	10[illegible]1963	3894[illegible]45	48585775	18311195	11071[illegible]
10. Cigarette P. in bulk rolls or sheets	N.A.	N.A.	N.A.	3,356,646	4,173,92	473[illegible]4	303989	491132	1256644	26555[illegible]
11. Machine made P&Paper Board simply finished in rolls or sheets	N.A.	N.A.	N.A.	1,868,330	2,411,916	5,197,121	25803582	10060015	28596[illegible]48	22019[illegible]
12. Hand Made Paper	N.A.	N.A.	N.A.	8,862	13,654	[illegible]425	1[illegible]9774	1799673	11755692	18735[illegible]
13. Filling containers of P. or Paperboard	N.A.	N.A.	N.A.	69514	69514	04015	111466	N.A.	N.A.	N.A.

* We converted the Nigeria pound value for 1958-1970 into Naira.

Source: Nigeria Trade Summary, Various Issues.

Table 4.3(i)

ANALYSIS OF PAPER PRODUCTS (IN TONNES) AS AT 31ST DECEMBER FOR VARIOUS YEARS.

PRODUCTS	1958	1960	1963	1969	1970	1975	1981	1985	1985	1986
1. Newsprint Paper	655.75	5257.35	5627.65	7188.85	18346.15	23726.6	14637.1	13482.6	14793.2	2840.7
2. Other Print. & Writing Paper	6693.0	5501.45	7835.77	15994.1	24784.1	28986.2	84298.2	98820.3	113069.0	19769.6
3. Paper Board (Oam) in rolls of sheets	561.3	893.2	13091.95	76158.0	127746.5	13655.4	26021.7	13065.6	5469.1	5103.6
4. Building board of paper of Pulp not impregnated	336.4	599.35	1243.95	5020 .3	9640.7	25038.0	4230.0	4716.2	124.1	76.1
5. Paper bags & Other containers of paper or cardboard	N.A	N.A	N.A	615.8	615.8	1025.8	2194.3	6743.6	833.3	1098.8
6. Env. Paper in boxes, packets & stat. of kind use in corres.	N.A	N.A	N.A	426.7	426.7	281.4	1223.4	1632.1	445.8	57.2
7. Exercise Bks, Register Albums etc.	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
8. Articles of Pulp of papers board n-e-s	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
9. Kraft paper & K.Paper board	N.A	N.A	N.A	10887.1	8006.9	20557.1	42705.6	56044.2	16116.2	9238.6
10. Cigarette P. in bulk rolls or sheets	N.A	N.A	N.A	733.85	1174.4	413.4	265.7	49.6	788.4	700.9
11. Machine made PAPaper Board simply finished in rolls or sheets	N.A	N.A	N.A	5814.8	14617.25	17032.9	26637.5	11094.1	24735.5	14730.3
12. Hand Made Paper	N.A	N.A	N.A	11.7	6.7	907.2	2439.1	3928 .9	5555.9	6976.1
13 Filling containers of Paper orP. board.	N.A	N.A	N.A	118.1	118.1	23.9	35.2	N.A	N.A	N.A

Note: 20 cwt = 1 ton, 100kg = 1 ton

* We converted the cwt value for 1958-1970 to tonnes, while the kg values for 1975-196 ~~ix~~ was also converted to tonnes.

Source: Nigeria Trade Summary, Various Issues.

The country of origin of these imports were Germany, France, U.K, Sweden, Hong Kong, India, Netherland, U.S.A., Brazil etc. Thus inference could be made on why Birla Brothers opted for the importation of pulp, as they insisted that pine can not grow in Nigeria and made no effort to plant Gmelina,[2(a)] that grows in Nigeria. Other sources of raw materials which were identified since 1960s and were not sourced were Bagasse, Bamboo, Eucaluptus, Waste Paper, Agricultural Waste products and Grasses.[3] The economic 'doom' of early 1980s forced the mill to look inward for inputs and the expansion exercise enable NPM staff to get assess to training on pulp and paper making in India.

It was the same expansion exercise that gave birth to forestry department in the industry. The first assignment of the department was harvesting the natural hardwood in the forest. Out of the total of 278,700 hectares, 6,500 hectares were chosen for harvest. The thought of planting trees emerged and pioneered by a Nigerian Engineer[4] in 1983 as Birla Brothers of India formalised management of the mill in 1982. The planting exercise was intensified with the appointment of the first indigenous managing director. The plantation size as at 1985 was 50 hectares. This was later increased to 280 and 500 hectares in 1986 and 1987 respectively. The

target for 1988 was 1,000 hectares, but the size was 560 hectares as at 26/10/88. The major trees on the plantation are in Gmelina family.

The mill's planation, which is sited at Awon in Borgu Local Government Area of Kwara State is close to River Awon, which is use to wet the growing trees. The advantage of the plantation over the wild forest are; the tree-sizes are maintained by treaming, network of roads are constructed to link the trees and workers are protected from the sum.

The hardwood from the forest contain long short fibre, while the mill need 6,000 tonnes every year in her production activity. Long fibre for example constitute 60% of raw materials in the production of sack kraft, used for cement bags. The company has been importing long fibre pulp, after it has been convinced that long fibre tree can not grow in Tropical region except in temperate region. However, an expert in forestry conservation; Gabriel Etuk Udo[6] discoveredthat abundant of long fibre trees grows in forest plantation in Cross River and Plateau States. He observed that the importation of long fibre was "a grand design to drain the nation of its foreign exchange reserves".[7] To buttress Udo's findings, Adegbehin[8] observed that the initial introduction of pines in Nigeria date back to 1919, but the first successful pine planation

was established at Vom in Jos in 1954. Since then, plantations of pines have been raised within the lowland and medium altitude area of the country. A good example is the pine plantation on Mambilla Plateau. This findings stimulated NFM to search extensively for this product to minimize cost of production, as the mill is exposed to competition, with the rationalisation of tariff structure, that favour importation of paper products.

With the commissioning of the expansion project, the mill depend on raw materials (Gmelina) from Nokwa (Niger State), Jebba, Alegbede, Egi dogari (all in Kwara State) and Kaduna State. Little quantity of pine is got from Kaduna, specifically from Afaka, where 300 hectares of pine (pinus caribacea and pinus cocarpa) had been established by the end of 1985.[9] Pine is also supplied from Zaria forest reserve (Kaduna State) and Iwo in Oyo State. The management has negotiated with private farmers in Ogbomosho and Iwo (all in Oyo State) to supply Gmelina also. Forest Reserve Institute in Ibadan supplied the mill with some inputs.

NFM, is experimenting on the growth of pine, Eucalyptus and sterculia setigera.[10] Pine seedlings worth N15,000 for 30kg have been imported from Central America for planting. The expensiveness and scarcity of the seedlings is an indication of high demand for it, especially by tropical countries. The Forest Reserve

Institute (Ibadan) has imported pine-seedling worth ₦350,000 (about U.S. 455,000) between 1977-1978",[11] in order to assist in the supply of the seedlings in future. As at 1987, 20,000 pine seedlings were planted by NPM, although experts like Adegbehin and Omijeh still doubt the success of the venture around Jebba area. Pines take a longer time (15 years) to mature than Gmelina. The mill is negotiating for land to grow pines in Jos, Ibadan, Cross River and Rivers State if possible. The forestry activities receives financial assistance from NACB, UBA, Federal Ministry of Finance and Foreign Loans.

Long fibre, whose price has increased from $308 in 1978 to $516 and $560 (per ton) in 1987 and 1988 respectively is still being imported, although, the mill has reduced its importation by 50%. Waste paper are source for within the country to supplement the use of imported pine. A ton of waste paper fetch ₦150. 1,000 tonnes of waste paper and a minimum of 3,365 trees each day is needed for the mill to operate. Bamboo sticks,[13] which is characterized by containing medium fibre is bought in commercial quantity from the indigenes. A ton costs ₦275. It has its disadvantage; damanges the paper machines, as the machines are technically designed to crush hardwood, thus production process is slow. However, it uses less chemicals than hardwork. Effort is on to import machine for crushing bamboo, which is abundant in Nigeria.

Other inputs such as Alum,[14] Limestone, Silicate, Starch and a partial substitute for Rosin known as sizol are sourced locally.

The anlysis so far butress the fact that the raw materials are available within the country, failure to recognize their existence was due to laxity in the implementation of policies, which had drained the nation's foreign exchange.

The sourcing of these materials is considered cheaper than importation, with the continuous increase in the exchange rate. Inspite of this, the prices of the mills products are on increase. For instance, a ton of sack kraft that cost N3,500 in 1987 has increased to N7,000 per ton in 1989.[15] Consumers deem it advantageous to import if not for the high exchange rate and its scarcity. High prices of the mill's products compared to those imported is attributed to its location. For example paper mills by tradition are located near the river, to afford them cheap transportation of wood, usually located along the same river. The reverse is the case as regard NPM, Jebba. The mill's source of wood is not sited along the river or railway station. Thus, the company bears high costs in conveying its wood from the forest and other sources by road. Normally 70 miles (about 44kms) are considered limit for economic transportation of pulpwood.[16]

In addition, the mill is at disadvantage in economies of scale compared to those abroad. For example, it has a capacity for 200 tonnes of industrial grade of paper per day compared to about 1,000 tonnes per day in most paper mills abroad. Costs are minimized via the use of modern technologies and infrastructures which are lacken in NPM, Jebba. Provision of houses, water transportation are additional costs to the mill, which is reflected in the pricing policy.

Furthermore, royalties charged by various state government is considered too high and pressure is on to increase the charges. For instance, Kwara State government has not only succeeded in increasing the royalty from N20 to N36 per ton, but asking for two months payment in advance. Paper mills abroad are said to pay a token royalty of about $2 per cubic ton. The mill is also subjected to civil service control, while it is expected to compete and operate in a private sector setting.

313093

In terms of the quality of the products, NPM products may not match with those imported as the source of raw materials and machines used differ. For example, paper products from Scandinavian countries, where 100% of long fibre is used in its production should be stronger than that of NPM, Jebba. However, the products of Jebba mill satisfy the end use perfectly like those imported. The

mill won an international award in 1986 for good quality and market activities. We also confirmed from Sokoto Cement Company that the quality of sack bags made from NPM paper products is of international standard.

With several years of protection, it is expected that domestic industries operate efficiently as those abroad. However, the constraints mentioned earlier has hindered most industries from achieving this objectives. Nevertheless, while many parastatals ask for tariff to protect inefficiency, NPM is asking for tariff just enough to put it at par with foreign mills, for competition to be healthy. In order to achieve rationalization of tariff structure contained in the SAP document, an interim tariff structure was announced in September 1986, lowering import duties. Analysing 1987 budget, the Finance Minister[17] admitted the inadequacy of the adjustment and that it will be reviewed. MAN survey on the effects of the adjustment showed that it place's local manufacturing at a disadvantange as the difference to tariff between finished goods and imported raw materials is too marginal. Making a comment on the new structure, the President (of MAN) said

> "there is still, at the moment gret confusion in the private sector as to whether Nigeria intends to remain a nation of traders or become an industrial nation". 18

This adjustment affected the mill's products, as the custom duties were reduced from 50% to 40%. The manage-

of imported kraft and sack kraft paper is far below the mill's production cost.

Thus, the management is advocating for a tariff protection of a minimum of 50% and maximum of 85%. This is below the 100% recommended to the government for the mill, contained in Federal Goverument Commissioned Market Report by Foreign Consultants in 1982. The demand of the mill takes into consideration constraints faced by the mill compared to those abroad. Although, in the reviewed exercise (1988), the custom duties has been increased to 45%, but the increment is considered marginal to discourage importation of paper products./ This assertion receives the blessings of the managements of Sokoto Cement Factory, who claimed that 'it is still cheaper to import sack kraft paper if not for the scarce foreign exchange'. Thus, the market for the mill's products and the converters is not safeguarded by the rationalization of tariff. This threatens the means of survival of about 25,000 employees in paper industry. Other import substituting industries are not favoured either.

The output of NPM is basically a raw materials for factories making packaging materials; cartons and cement bags. For instance, the mill supplies all the cement factories in the country with sack paper bags. Many industries patronizes the mill's products,

especially as it become costly to import with the high FEM rate of exchange. However, about forty-nine customers of the mill are officially registered with paper and paper board manufacturers and converters association (PPMCA). The names of some of these customers are shown on appendix 4.2.

The linkages between the mill and other industries are waxing stronger. For example, part of the lime prepared in the Soda Recovery Department of the Mill is sold to Sugar Company at Bacita. NPM uses lime in cooking wood, while Sugar Company uses it to purify sugar. Lime itself is prepared from Limestone, which is in abundance in Nigeria. The mill gets supply from Jakura Marble Industry (JMI) in Lokoja (Kwara State), in which the mill is a share holder as shown in chapter one. The supply of limestone also comes from Ebeti (Oyo State) and Calabar (Cross River State). Limestone from JMI is credited to be the best and about 400 tonnes are supplied monthly. Sugar company would in return be a good source of raw material (bagass) to the mill if it could be expanded to produce about 100,000 tonnes a year.[19] This is considered more economical for the mill as the environment is said to be conducive for growing sugar cane. Waste paper and Bamboo sticks are supplied by indigenes. Another good linkage that developed of recent is between the mill and the new paper

converters at Erin-Ile, some 170kms from Jobba. The mill supply the converter at Erin-Ile with cartons and in return, the paper converter supplies the mill with waste products for recycling. The mill depends on Nigerian Superphosphate Fertilizer Company Limited at Kaduna for the supply of Alum, since the importation was banned. Silicate is got from Jos.[20] Starch is being supplied by Nigerians; starch was hitherto imported, as it was not processed locally on a large scale. The mill gets fuel from NNPC.

Within the mill, there exist backward and forward integration. In the case of backward integration, the mill grow Gmelina, pines, stercular setigera and Eucalyptus. By 1992, the mill will start to harvest her Gmelina. The waste paper and products of low standard are recycled. As regard the forward integration, some of the output of the mill are diverted to the converting department to produce finished paper products; stationaries, exercise books, envelopes etc.

The linkage and integration effects enable the mill to increase her employment generation directly and indirectly. Indirectly, the inward strategy the mill is pursuing must have created jobs for Nigerians. As regard the direct effects, the number of Nigerians employed by the mill increased from 306 between 1984-85 to 667 between 1985-86, despite the retrenchment exercise most industries

pursued in the early 1980s. The reduction in the size of Nigerians employed in 1987 as shown on Table 4.4. was due to termination of workers on temporary appointments (mainly junior workers). The number of some workers affected by retrenchment "fever" in some industries in 1987 is shown on appendix 4.3, while Table 4.4 shows the staff strength in NPM, Jebba between 1980-1988.

Table 4.4

Total Staff Strength as at the end of the Underlisted Years

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988•
Total	1034	1028	1153	1170	1742	2043	2700	2620	2559
Nigerians	n.a	n.a	n.a	n.a	1681	1987	2654	2595	2547
Expatriates	n.a	n.a	n.a	n.a	61	56	46	25	12

• Figure was at 15/7/88.

Source: Statistic Section, Personnel Department, NPM, Jebba.

The job opportunities offered directly by the mill is not impressive, and this we attribute to the sophisticated technology used in the production activity. The DCs frequently change the models involved in producing pulp and paper products; 1964 model was more manual, another model was introduced in 1982 and latest model which was out in 1987 is more of a computerized type,[21] hence the tendency to employ less people. Even at the converting level - the method use by the converters is capital intensive and most of them depend on imported machines.[22]

The number of expatriates employed in NPM as depicted in Table 4.4 continues to decline since early 1980s, as the economic measures made it difficult for them to repatriate much of their earnings. Another reason given by the management for this trend, is the Nigerianisation of staff embarked on since 1985. One wonders why the authority is just implementing what has been given legal backing since the 1970s. The departure of the expatriates have little or no effect on the operation of the mill, as Nigerians are already equipped to take-over their responsibilities. An Indian, that head's Soda Recovery Department gave a pass mark to the performance of Nigerians after their training abroad.

NPM has the potential to export her products, to earn foreign exchange for the country, however, this is not given priority as only about 70% of the domestic demand is met.[24] For instance, the company received an order from Kuwait on 13/7/88 requesting for kraft paper and some West Africa countries are willing to import paper products from Nigeria. Nevertheless, a lot in terms of foreign exchange is being saved for the nation via inward looking activities of the mill. The positive steps taken since 1986; reduction by half of the volume of imported rosine, the patronage of JMI, local production of sulphuric acid, re-activation of the workshop to fabricate spare parts formally imported, reduction of expatriate workers would enable the mill to save as much as ₦200m in foreign exchange. NNMC is already

exporting her products; the first batch of her export was shipped to a customer in Minneapolis, America in October 1987 and the second batch (3,000 tonnes of bleached standard Newsprint) was exported to Jan Liebig of Sweden in the mid November 1987.[25] This action of NNIC was at the expense of home demand.[26]

The technological base of NPM, like most import substituting industries is foreign oriented and spare parts are continuously imported. The iron and steel plant at Ajaokuta, that should have formed a solid foundation for fabrication of spare-parts in the mill's workshop is not sound footed in the economy; it is externally oriented also. It is estimated that spare parts the workshop fabricates is less than 1% of the mill's need, thus, the mill lost millions of foreign exchange on spare parts. Nigerians are there to repair and service the machines, with availability of spare parts. This group of Nigerians come back from training abroad of recent as shown in chapter one.

Research work is also intensified. For instance, it was the research embarked on that enable the authority discover that bamboo sticks consumed less chemical and bagass cannot be used for the mill's production exercise. Professor Odeyemi from University of Lagos was given the contract to research on the use Raffin palm in the production of paper products in 1988. FIRO Oshodi is also performing a research for the mill.[27]

Finally, the mill's contribution to the state where it is sited and the nation at large cannot be over-emphasized. The establishment of the mill has brought facilities; Bank Service, Pipe-borne water[28] to the door-step of majority of the people in Jebba. The power plant installed with the expansion exercise can generate electricity supply to the whole town, including the mill in the absence of NEPA. The road to Oke-Awon, a distance of forty kilometres from truck A road to where the mill's forestry camp is sited including a bridge across River Awon was constructed and tarred by the company. In fact, the Emir of Kanmen has been calling on Kwara State government to take-over the road and extend it to his domain, as it would serve as a good and short link with the Borgu Local Government Area, compared to the other routes that goes via Niger State.

The presence of the mill is felt by these rural dwellers in Oke-Awon and its surroundings. The number of the villagers has increased tremendously from about 20 before the establishment of the forestry camp to about 450. The mill employ about 50 citizen s of the village as permanent staff and always employ about 100 casual workers annually. Progress is on, on the bore-hole water project in the village. Modern places of worship and market are being developed. An elementary School has been established with the help of the company. A generator plant has been installed for the workers and

plan is almost completed to site a police station in the village to give re-inforcement and security to cover over 200 staff living at the camp.

In terms of revenue to the state government, Kwara State government has acknowledged the prompt payment of tax by the mill. The role of NPM in the development of the state is appreciated and a secondary school is to be established at Jebba, to change the deplorable situation, where children of NPM staff have to travel many kilometres to Bacita daily for secondary education.

At national level, the mill continues partially to satisfy the country's need for industrial grade and other paper products; as the population of students, number of printers and commercial ventures that requires handbills, business card etc increases with industrial development of the nation. In fact, the acute deficit of paper and paper products has contributed to the high prices of writing materials, duplicating paper etc. The prices of some of these products have increased by over 300%, when compared with 1982 prices. It is interesting to note that National Election Commission (NEC) election boxes (1987) were products of NPM, Jebba. The mill is generally expected to make a substantial profit as it exploits its monopolistic power, however, this 'dream' is yet to materialize, as the mill is just a monopolist in production but not in marketing. The tariff rate encourages the importation

The ahalysis so far obviously shows that NPM is potentially a viable project,[29] although, it has fallen a victim of privatization syndrome. If other mills and import substituting industries can borrow a leaf from NPM, Jebba, we will definately achieve our objective of transforming our dual economy to a dynamic and self-reliant one in the nearest future. For example, breweries have resorted to the use of maize, guinea corn and other raw materials locally produced. Flour Mill, Nasco Biscuits etc use maize flour and other locally sourced raw materials since the ban on importation of wheat. Wheat is now being produced in Nigeria; these are the sort of things we were hitherto made to believe was impossible in Nigeria. This sort of things is a pointer to the fact that developed countries (mainly the Western Countries) do all in their power to keep the less developed countries perpertually underdeveloped.

Footnotes

1. Adegbehin, J.O. and Omijeh "Raw Materials for Pulp and Paper Industry in Nigeria" Commonwealth Forestry Review 68(1), 1988, pp.35-44.

2. Nigeria Trade Summary Various Issues.

2(a). Gmelina is a native of India and South-Eastern Asia, but has been established in Nigeria and other parts of West Africa for many years.

3. Coursey G.D. 'Projected Research of Pulp and Paper Making in Nigeria' Federal Ministry of Commerce and Industry, Lagos, May 1962. Grasses suitable for the production of writing material include "Gamba, Sasari, Baya Maria and Wuchiyan Bera" - Reports of Recent Investigation at the Imperial Institute: Nigerian Grasses for Paper Making".

4. Mallam Usman Abubakar initiated the planting of trees in NPM, Jebba. He is now a Commissioner in Kastina State (1988).

5. Guardian 21/9/86.

6. He obtained his degree in Forestry Conservation from Scattle University, Washington in 1966. He was a former Chief Forest Conservator with NNNC Oku-Iboku.

7. Guardian 16/12/86, p.3.

8. Adegbehin and Omijeh, Op.cit, 1979.

9. Adegbehin et.al, "Pinus Caribaea in Northern Nigeria", R.I.A.R.T., River State University Science and Technology, Port Harcourt, Nigeria, 1986.

10. Sterculia Setigera and Eucalyplus are species that possess medium fibre. This was discovered by those in the production Department of NPM. Eucalyptus has been introduced into Nigeria over the years and widely planted, but the plantations which do exist are small. It is used for paper production in Australia and Southern Africa.

11. Shado (1980) cited in Adegbehin and Omijeh op.cit. 1989.

12. At the present time, there is no organized method of collecting waste papers in Nigeria.

13. Bamboo sticks are used for paper making in China and India.

14. Much Alum is used in the production of paper. Out of a ton of paper produced, 30kg of Alum is used. It is also used for purification of water in the mill.

15. The astronomical increase in the price of NPM, Jebba paper products we confirmed from the production Manager, Sokoto Cement Company.

16. Report to the government of Nigeria "Feasibility of Establishing a Pulp and Paper Industry" Food and Agriculture Organization of the United Nations Rome 1968.

17. Chu Okongwu, See Daily Times 5/1/89.

18. Kayode O.M. 'The Structural Adjustment Programme (SAP) and the Industrial Sector' in SAP in a Developing Economy: the case of Nigeria. Adedotun and Ndekwu (ed) NISER, Ibadan, 1987, p.152.

19. "Feasibility of Establishing a Pulp and Paper Industry" FAO of United Nations Rome 1969, p.4.

20. With the commissioning of the Petrol-Chemical Plant, we hope more chemicals will be produced for industrial use.

21. Interview with Director of Converting, distribution and Marketing, who happened to be one of the delegates sent abroad to study the latest development in the production of pulp and paper product in 1988.

22. Osoba A.M. (ed) 'Toward the Development of Small Scale Industries in Nigeria' NISER, 1987, p.193.

23. Business Time Monday August, 22 1988, p.15.

24. Financial Punch, 23rd July 1987.

25. Business Times, Monday December 7th, 1987, p.23.

26. Members of the Association of Nigerian Printers condemned exportation of Newsprint by NNMC, while it produces at less than half of its installed capacity and 60% tariff has been placed on importation of newsprint - Business Concord 8th March, 1988, p.9.

27. Discussion with the Assistant Production Manager, NPM, Jebba.

28. See Nigerian Herald 2/6/87, where Jebba People appreciate the assistance of NPM in supplying them with pipe-borne water free of charge.

29. It is a viable project if not for the disadvantageous position of its location.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 Summary and Conclusion.

This work has attempted to examine the issue of import substitution industrialization strategy in Nigeria from the stand point of one firm. We have tried to provide insights into how the strategy was operated in the firm in the first two decades of Nigeria's independence and the change of trend in the third decade; with the economic recession. This is not peculiar to Nigerian paper mill, Jebba alone, other import substituting industries exhibited the same features.

In the course of the work, we tried to make a case for import substitution industrialization strategy, as a base on which Nigeria's industrial development can take-off. The failure of the strategy in most LDCs and Nigeria in particular in the first two decades is not unconnected with the activities of foreign investors, that dominated the economy, especially the manufacturing sector that is seen as the hub of industrialization. The aim of these investors usually is to achieve quick returns on their investment at the expense of the development of our motherland. Thus, Nigerian economy was operated mainly to enrich and

satisfy foreign interests with the aid of their local agents.

The revenue that accrued to the government with the increase exportation of crude oil manifested itself in 'oil push' inflation, change in the pattern of our consumption, production and investment and neglect of agricultural sector that should have formed a solid foundation for our industrial development. Most of the benefits from the oil sector went back to the foreign firms in other sectors of the economy such as foreign firms in building and construction that won contracts for the construction of fly-overs, National Theatre and other White elephant projects. Thus, oil wealth failed to serve as a source of rapid industrialization in Nigeria and public debts were piled up for succeeding generations.

Evidence have shown that most DCs achieved rapid industrialization through import substitution industrialization strategy. For instance Akin (1986) observed that "apart from the case of Britain, which initiated the industrial revolution and for a time, had a near monopoly of the world market in factory goods, all the other present 'developed' or industrialized countries established their industries through import substitution". Thus, the author posed the question to himself; why has ISI failed in Nigeria?

In the course of the work, we were able to trace the failures of ISI in Nigeria in the past mainly to:-

- the exploitation and control of Nigeria's resources by foreign monopolies.
- rhetorical attitude of the leaders in formulation and execution of policies.

Foreign firms were firmly in control of the decades economy within the first two decades as shown in chaper three. The interest of their parent companies was given utmost priority. Their roles in influencing government policies can not be overemphasized, hence, we are not surprised to see the effective tariff rate in favour of production of consumer goods. The rates encouraged importation of raw materials and intermediate goods that are in most cases abundant in Nigeria as shown in chapter four. Thus, the failure of the manufacturing sector to bail other sectors out, as regard the supply of inputs.

Many foreign firms siphon profits out of the country by all means. For instance, in February 1983, "the Federal Government accused multinational corporations of backmailing the country by making fake demands for foreign exchange allocation of over ₦20 million for the purpose of importation of raw materials, whereas, their real objective was said to be repatriation of their money from the country".[1] The latest act of these firms

is to export cocoa and never to return the proceeds to the country.

We inferred that, the low value-added that characterized the import substituting industries could be attributed to the brainwashing of Nigerians by expatriates that were the technical partners and Managing Agents of these establishments of the inferiority of our raw materials. Therefore, we have to import from their countries, which paved a venue for transfer pricing. These 'evil' practices by these firms are backed by some unpatriotic Nigerians.

The continuation of the domination of the economy by foreigners, under relaxed policies will perpetuate the economic dependency of the nation. All the exploitations of foreign firms have never been viewed seriously, until, the cost become terribly unbearable. For instance, slave trade was carried on for centuries and was justified, colonisation of the LDCs, with all its wickedness was fully justified and the economic imperialism, which emerged from colonialism is being justified.

The economic recession of the 1980s has exposed the fragile nature of the manufacturing sector and since 1982, strict economic measures have been surfacing to force industries to look inward. Once, minister of Trade and Industries (Alani Akinriade 1987) observed that "our previous import substitution strategy was not addressed to local product. Rooms were given for industries which

did not aim at backward integration".[2] The impossibilities are now possible as our industries source raw materials, intermediate goods locally. Our breweries use local grains, bakers resorted to other substitutes of wheat and surprisingly, wheat that was once felt cannot grow well in Nigeria is now widely under cultivation in most Northern parts of the country.

The research discovered that Nigerians are replacing the expatriates leaving the country in NPN and the production exercise is not affected by their departure. For instance, the mill had a technical problem early 1988 which would have cost the country some millions of naira to get expatriates from abroad to repair but the Nigerians in the mill, carried out the repairs successfully. The linkage effects of the mill with other industries such as sugar company at Bacita, Jakura Marble Industry at Lokoja, NNPC, Nigerian Superphosphate Fertilizer Company at Kaduna, the Cement Industries is waxing much stronger and job opportunities are provided directly and indirectly to Nigerians. However, the technological base is still not within the reach of Nigerians. The sophisticated machines are still foreign type, hence the link between Nigeria and DCs.

The recent change in manufacturing activities in Nigeria is a manifestation that ISI can be successfully practised in Nigeria. The threat to its success is the rationalization of tariff structure and the attraction

of foreign investors into sensitive areas of the economy, which tend to re-colonize the economy and de-nationalise Nigerian Industry.

5.2 Recommendation

It is quite clear from the analysis above, that Nigeria needs to intensify effort to build her industrialization on the abundant resources within her jurisdiction. The research recognizes the role of export promotion strategy in the development of the economy, but insist that it has to be a follow up to ISI strategy, as the domestic demand has to be met before satisfying the external demand.

Based on the problems identified with NPM, Jebba which is peculiar to most import substituting industries, the following suggestions are given:-

- There is the need for re-organisation of most of our import substituting industries for efficiency in their productivity, through intensive inward looking approach. Industries such as NPM, Jebba and others that need minimum custom duties on their products to compete effectively with foreign imported goods should be considered.
- Government should hasten to complete paper mill at Iwopin, on which much has been expended. The completion will bring into existence a mill that specializes in the production of stationaries, exercise books and other writing materials to meet the increase demand as

more institutions of learning and enrolment of students increases as the nation's population increases. NTTC at Oku-Iboku should pay more attention on satisfying the home demand for her products instead of exporting.

- Measures should be taken to intensify agricultural production of raw material requirement of these industries as they look inward. On the part of the respective industries, they should borrow a leaf from industries like NPM, NTC that invested in planting the needed raw materials; by giving them lucrative incentives; subsidies on fertilizer, chemical, improved seedling etc. This will no doubt increase the income of farmers and minimise rural-urban drift, as more arable land will be put into use.
- Amenities that make life comfortable should be extended to the rural areas. Feeder roads should be tarred instead of seasonal grading of the roads.
- Royalties charged by the government on the usage of forest products should be moderate and equal at both federal and state levels. This consideration become necessary as the existence of the establishments aid the development of the country; pay taxes, provide some amenities and services; for the benefit of those within their environment. For example Oku-Iboku indigenes went on demonstration early 1989, demanding that the mill should employ indigenes and provide them with good drinkable water.

- The production of capital and intermediate goods should be intensified. It is possible, as some import substituting industries are already producing machine tools. A good example is flour mill; in the absence of wheat, the two mills have been modified locally to maize milling. The exercise saved the mill more than N2.248 million. In addition, the mill now manufactures belt, screw, conveyors etc. such items have been manufactured for Cadbury Nigeria Limited and Julius Berger Nigeria Limited.[3] Thus incentives should be given to industries that embark on this type of development. At this juncture, Iron and steel plant, and Petrol Chemical industries should be encouraged to improve on their productivity, as their products play a vital role in the production of machine stools and equipment.

- We are not backward in research and manpower development, the problem is that government fails to recognize inventions, preserve invention, reward inventors and commercialize research findings. This trend of behaviour on the part of government must change. We must develop confidence in our researchers and reward them accordingly.

The research institutions must be challenged on developmental problems. For instance, The Project Development Institute Enugu has designed and fabricated mechanical gari processing plant, palm kernel craking plant, washing machines, grain dryers, egg

incubators etc. This institute should have been given the challenge of developing machine for crushing bamboo sticks for PTP instead of negotiating with foreigners.

Another substitute to pine has been discovered; Eichonia,[4] when dried and granded can yield as much as 260kg of cellulose rich long fibre. The problem is the crushing of this input. Hence, research institutes should be given the task of developing a crushing machine for Eichonia.

To embark on this implies that agencies that engage in research and development; polytechnics, universities and research indtitutes must be adequately funded.

- Finally, the attitude of the leaders, in whose hands lies the formulation and implementation of policies must be checked in order to achieve a rapid industrialization process. The golden opportunity of achieving this rapid process was during the oil boom, but was mis-used due to leadership problem. For instance, India achieved independence in 1947, with few natural resources, and her population is about 1,000 million, but the country is self-sufficient in food production. She has about 100 paper mills which are rapidly developing. This, India achieved through effective leadership. The reverse has been the case with Nigeria; with her vast land and abundant natural resources, population of about 100 million yet she still finds it difficult to develop her industries

and feed her population adequately. Thus there is the need for unpatriotic leaders to be removed, as leaders are to serve as good examples to their subjects. In fact, this forms the crust of achieving our developmental programmes.

On the part of the subjects, we should be proud of Nigerian made goods and patronize them. The quality of the products could be improved upon with time, as Nigerian standard organisation performs her functions effectively. Prices of Nigerian made goods will fall in the long run, as industries develop to produce or get most of the inputs needed within the country and inter-sectoral linkages become effective.

Footnotes

1. Onimode Bala et.al "Multinationals in Nigeria" Lagos Shyraden Nigeria Limited, 1983, p.3.

2. NPN News Vol.1, No.8, April-September, 1987, p.1.

3. National Concord, 21st April, 1989, p.13.

4. Guardina, 21st September, 1986.

Reference

Adegbehin et.al (1986) "Pinus Caribacea in Northern Nigeria: P.I.A.R.T. River State, University of Science and Technology, Port-Harcourt, Nigeria.

Adegbehin J.O. and Omijeh (1989) 'Raw Materials for Pulp and Paper Industry in Nigeria' Commonwealth Forestry Review, 68(1)

Adejugbe A.O.M. (1980) 'Nigeria's Industrial Policies and Performance in the Military Era' Proceeding of the 1980 Annual Conference of the Nigerian Economic Society.

Ademola Fabayo, 'Two Decades of Import Substituting Industrialization in Nigeria: A Stocktaking'. Journal of the Faculty of Social Sciences, University Of Ife, Vol.6, Nos 1 & 2, 1983.

Akintola Ola J (1982) 'Nigerian Indigenisation Policy and the Manufacturing Sector; with a game frame-work for evaluation' Nigerian Journal of Economic and Social Studies (NJESS) Vol.23, No 1 March.

Alkasum Abba et.al (1986) 'The Nigerian Economic Crisis Causes and Solution'. Gaskiya Corporation Limited, Zaria.

Ajilima, I. & Agba A.V. (1986) 'SFEM as a Catayst to Non-Oil Export' Nigerian Journal of Social Studies (NJESS) Vol.28, No.1 March.

Anyaegbunan W. Obi (1978) 'Development Through Self Reliance, Theory and Policy Implication for Nigeria' Nigerian Journal of Social Studies, (NJESS) Vol. 20 No.1.

Augstine Ikein (1987) 'Barriers to Balance Growth in Developing Countries' Development Outlook, Vol.1, No.10, April.

Ayodele A.S. (1985) 'Process of Industrialization Ondo State of Nigeria' Nigerian Institute of Social and Economic Research (NISER) Ibadan.

_____ (1987) 'The Economic State of the Nation' in The State of the Nation and the Options for the 1988 Federal Government Budget Conference of NISER Associate Fellows, NISER, Ibadan September.

Ayodele A.S. et.al (1988) 'Reflating a Depressed Nigerian Economy' A.B.U. Social Science, Monograph Series No.1, Department of Economics, Gaskiya Corporation, Zaria.

Bayo Akinbinu (1987) 'The State of the Nation: Science and Technology View Points' in The State of the Nation and the Options for the 1988 Federal Government Budget, Conference of NISER Associate Fellows, NISER, Ibadan. September.

Bruton J.H. 'The Import Substitution Strategy of Economic Development: A Survey' Pakistan Development Review.

Burn A.F. (1934) 'Production Trends in the United States since 1870' New York, National Bureau of Economic Research.

Chenery B.H. (1960) 'Patterns of Industrial Growth' America Economic Review, September.

Ciroma Ali (1986) 'Export Drive and Counter Trade' Conference Proceeding on Export Promotion, Bayero University, Kano.

David J. Cantor (1984) 'Effort of Import Replacing Industrialization on the Foreign Trade of Ghana' Nigerian Journal of Economic and Social Studies, Vol.6 No.2, July.

Egon Vielrose (1968) 'Import and Export Substitution in Nigeria' Nigerian Journal of Economic and Social Studies, Vol.10, No.2.

Ejiofor O.N.F. (1986) 'Case Against Conspicuous Consumption' Special Edition of Development Outlook, Vol.1, No.7 December.

Ekuerhare P.U. (1978) 'The Economic Appraisal of Import Substitution Industrialization with Special Reference to the Nigerian Textile Industry, Ph.D. Thesis in Economics, University of Manchester.

_____(1980) 'The Impact and Lessions of Nigeria's Industrial Policy under the Military Government, 1966-1979'. Proceeding of the 1980 Annual Conference of Nigeria Economic Society (NES) Femi Kayode (ed).

_____(1983) 'The Foreign Exchange Effects of the Development of the Nigeria Textile Industry. Nigerian Journal of Economic and Social Studies (NJESS), Vol.25, No.3, November.

_____(1985) 'On Industrial Underdevelopment in Nigeria: A Theoretical Celebration of Walter Rodney in Africa Development' in Industrialisation Abdalla S. Bujra (ed) Vol.X, No.4, CODESRA.

_____(1986) 'Import Substituting Industrialization (ISI) Experience in Nigeria: Findings and Reflections'. Conference Proceedings on Export Promotion, Bayero University Kano.

Fadahunsi Akin (1978) 'Kaduna State Manufacturing Industry Prospect for Future Development' Centre for Social and Economic Research (CSER) A.B.U., Zaria.

_____(1986) 'Export Promotion as a strategy, for Industrialization in the Third World. Conference Proceeding on Export Promotion, Bayero University Kano.

_____(1989) 'Structural Adjustment Programme (SAP) and the Manufacturing Sector: A Review of Policy and Performance' Paper presented at Conference on SAP and the Future of Nigeria. Centre for Social and Economic Research, A.B.U., Zaria.

Femi Aribisala (1985) 'The Management of Austerity in Contemporary Nigeria' Nigerian Forum, The Nigerian Institute of International Affairs (NIIA) May-June.

Food and Agriculture Organization 'Feasibility of Establishment of a Pulp and Paper Industry' Report to Government of Nigeria, Rome 1968.

Galenson W. (1959)(ed) 'Labour and Economic Development' New York.

Gunner Mydral (1956) 'An International Economy' New York.

Hirschman O.A. (1958) 'The Strategy of Economic Development', New Haven.

Hoffmann W.G. (1958) 'The Growth of Industrial Economics' Manchester University Press.

Hughes J.R.T. (1958) 'Foreign Trade and Balance Growth: The Historical Framework' American Economic Review, 49 No.2.

Ige, C.S. (1986) 'Export Promotion Strategy: Implementations and likely consequences for Manufacturing Growth in Nigeria'. Conference Proceedings on Export Promotion Bayero University Kano.

Jide Osuntoku (1987) 'Industrialization and National Development in Nigeria: A Case Study' Development Outlook, Vol.1, No.10, April.

John E.U. Ndebbo 'Theory and Practice Underlying the SFEM and its effects on Capital Flows, Investment and General Price in Nigeria' Paper presented at SFEM Conference organized by Department of Economics, A.B.U., Zaria.

Kaldor N. (1967) 'Strategy Factors in Economic Development' Cornell University, Ithaco, New York.

Kayode O.M. (1987) 'The Structural Adjustment Programme (SAP) and the Industrial Sector' in SAP in Developing Economy: A Case of Nigeria. Adedotun and Ndekwu (ed) NISER, Ibadan.

Kwanashie, M. (1986) 'From Import Substitution to Export Promotion, Analysis of Policy Shift in Nigeria' Conference Proceedings on Export Promotion Bayero University Kano.

Kilby Peter (1969) 'Industrialization in An Open Economy: Nigeria 1945-1966' Cambridge University Press.

Kuznets S. Simon (1954) 'Economic Change' Selected Essays in Business Cycles, National Income and Economic Growth, Lonon, Heinemann.

_____(1959) 'Six Lectures on Economic Growth', New York Free Press.

_____(1965) 'Economic Growth and Structure' M.M. Norton and Co. Inc. New York.

Lewis Olu. A. (1979) 'An Appraisal of Industrial Development Programme' Quarterly Journal of Administration April.

Lewis W.A. (1955) 'The Theory of Economic Growth,' New York Free Press.

Livingstone I. et.al (1987) 'Economic for West Africa' Heinemann, second edition, London.

Meier M.G. (1970) 'Leading Issues in Economic Development Studies in International Poverty' 2nd edition, Oxford University Press.

National Planning Office, Development Plans (1,2,3&4th).

Oben D.N. and Essang S.M. (1981) 'Government Policy and Rural Industrialization in Nigeria: the Kwara State Experience'. Research for Development, Journal of Nigerian Institute for Social and Economic Research, (NISER) Vol.1, No.2 July.

Odejide A.F. (1983) 'Import Substitution as a strategy of Industrial Development in Nigeria'. Journal of Faculty of Social Sciences, University of Ife Vol.6 No.1 and 2.

Ojowu, O. (1987) (ed) 'Economic Update' Nigerian Journal of Contemporary Public Policy Issues, Department of Economics, A.B.U., Zaria.

Ogbonna N.M. (1984) 'Economic Stabilization (Temporary Provision) Act of 1982 and the Transformation of the Nigerian Economy' Nigerian Journal of Political Economy Jos, Vol.2, No.2.

Onimode Bade et.al (1983) 'Multinational Corporation in Nigeria', Less Shyraden Nigeria Limited.

Osagie Eghosa (1986) 'Foreign Private Investment and Export Promotion in Nigeria' Conference Proceedings on Export Promotion, Bayero University Kano.

Osoba, A.M. (1983) 'Issues in Nigeria's Industrial Development Policy' Journal of Faculty of Social Sciences, University of Ife, Vol.6, No.1 and 2.

_____(1987) (ed) 'Toward the Development of Small Scale Industries in Nigeria', NISER.

Oyejide A.T. (1975) 'Tariff Policy and Industrialisation in Nigeria' Ibadan University Press.

Power H.J. (1981) 'Industrialization in Pakistan: A Case of Frustrated Take-Off' in Development Economic and Policy Reading, Limingstone Ian (ed) George Allen and Unwin.

Roger Nurkse (1958) 'The Conflict between Balance Growth and International Specialization'. Instanbul University Instanbul.

Rostow, M.M. (1960) 'The Process of Economic Growth' Revised edition Norton, New York.

Sayeedul Huq (1970) 'Pattern of Industrialization in Pakistan' in Economic Development in South Asia. E.A.G and Michael Kidron (ed) Macmillan Press.

Slichter S.H. (1961) 'Economic Growth in the United States, its History, Prospect and Problems'. Baton Rouge Louisiona State University Press.

Streeten P.P. (1983) 'Trade Strategies for Development, Some Theories for the Seventies' World Development, 6 June.

Teriba O and Kayode O.M. (1977) 'Issues in Industrialisation, Industrial Development in Nigeria, Pattern, Problem and Prospect'. Teriba and Kayode (ed) Ibadan University Press.

Teriba O. et.al (1977) 'Some Aspect of Ownership, Control, Structure of Business Enterprise in a Developing Economy: the Nigeria Case' in Issue in Industrialization, Industrial Development in Nigeria, Pattern, Problem and Prospects. Teriba and Kayode (ed) Ibadan University Press.

Todaro P.M. (1982) 'Economic for a Developing World', 2nd Edition, Longman, U.K.

Tyagunenko (1973) (ed) 'Industrialization in Developing Countries' Progress Publisher, Moscow.

Uka, U.I. (1974) 'Some Aspects of the Nigeria Economy' Paper presented at Institute of Administration, A.B.U., Zaria September.

Ukwu, I. Ukwu (1988) 'Industrialization and Economic Development in Nigeria: The Significance of SAP'. Nigerian Economic Society Conference at Ile-Ife.

United Nations Committee for Industrial Development Report of the 3rd Session (13th-31st May 1965) E/3781/EC5/37, New York 1963.

Uwujaren G.P. 'Reflections of Nigeria's Industrialization Strategy: the case of the Automobile Industry' Journal of Faculty of Social Sciences, University of Ife, Vol.6, Nos 1 & 2.

Appendix 1.1

Summary of Balance of Payments: Nigeria, 1960-1986.(₦m)

Year	Balance on Current	Overall Balance
1960	- 138.6	- 78.4
1961	- 123.4	- 35.0
1962	- 97.6	- 55.8
1963	- 109.0	- 90.0
1964	- 183.0	- 33.4
1965	- 127.4	+ 19.2
1966	- 118.4	- 17.6
1967	- 166.0	- 67.4
1968	- 168.2	+ 6.0
1969	- 108.6	+ 17.2
1970	- 50.0	+ 58.6
1971	- 229.4	+ 127.8
1972	- 322.7	- 40.8
1973	52.7	174.4
1974	3,062.5	3,102.2
1975	42.6	157.5
1976	-359.3	-339.9
1977	-647.5	-527.2
1978	-2,386.9	-1,293.6
1979	1,009.5	1,868.9
1980	2,355.3	2,402.2
1981	-3,998.4	-3,020.8
1982	-4,879.5	-1,398.3
1983	-3,160.0	- 301.3
1984	44.1	354.9
1985	1,106.1	561.1
1986	654.9	1,946.3

Sources:- (1) Falegan 1978, p.6.

(2) C.B.N. Economic & Financial Review, December, 1987, p.64.

Appendix 1.2

Nigeria's External Reserves 1954 - 1978

Year	Amount(£million)	Annual Rate of Change(%)
1954	406	-
1955	406	0
1956	402	- 1.0
1957	414	2.3
1958	360	-13.0
1959	314	-12.8
1960	310	- 1.3
1961	278	-10.0
1962	242	-13.0
1963	166	-31.4
1964	166	0
1965	176	6.0
1966	162	-8.0
1967	86	-46.9
1968	99	4.7
1969	96	6.7
1970	160	66.7
1971	284	77.5
1972	254	-10.6
1973	389	53.1
1974	3,398	773.5
1975	3,315	- 2.5
1976	2,991	- 9.8
1977	2,439	-18.5
1978	1,161	-52.3

Source: C.N. Isong 'Nigeria's External Finance' Nigerian Journal of International Affairs, Vol.1, July.

Appendix 3.1

Nigeria's Export 1970-1986(Nm)

Year	Total Export Earnings	Total Oil Export Earnings	Total Non-Oil Export Earning	Proportion of Oil to Total Export Earnings	Proportion of non-oil to Total Export Earning
1970	885.6	509.6	376.0	57.6	42.4
1971	1,293.4	953.0	340.4	73.7	26.3
1972	1,434.2	1,176.2	258.0	82.0	18.0
1973	2,277.4	1,893.5	383.9	83.1	16.9
1974	5,798.4	5,365.7	429.1	92.6	7.4
1975	4,925.5	4,629.9	295.6	94.0	6.0
1976	6,751.1	6,196.2	554.9	91.8	8.2
1977	7,630.7	7,080.4	550.3	92.8	7.2
1978	6,064.4	5,652.9	411.5	93.2	6.8
1979	10,836.8	10,166.8	670.0	93.8	6.2
1980	14,186.7	13,523.0	663.7	95.3	4.7
1981	10,876.8	10,680.5	196.3	98.2	1.8
1982	8,722.5	8,601.6	120.9	98.6	1.4
1983	7,502.5	7,201.2	301.3	96.0	4.0
1984	9,088.0	8,840.6	247.4	97.3	2.7
1985	11,214.8	10,890.6	324.2	97.1	2.9
1986	8,513.0	8,273.0	240.0	97.2	2.8

Source: CBN, Economic and Financial Review, Vol.25, No.4, December, 1987, p.62.

Appendix 3.2

Industrial Investment of UAC

	Company	Product	Year of Start
1.	African Timber & Ply-wood	Timber & Plywood	1948
2.	Nigerian Breweries	Beer & Minerals	1948
3.	Taylor Woodrow	Building Contractor	1953
4.	Nigerian Jionery	Woodwork & Furniture	1953
5.	Prestree	Prestressed Concrete	1954
6.	Nipol	Plastic Products	1957
7.	Vehicle Assem. Plant	Bedford Lorries	1958
8.	Raleigh Industries	Cycle Assembly	1953
9.	Nina Farm	Pys	1959
10.	Northern Const. Co.	Building Contractors	1960
11.	West African Trade	Sewing Thread	1961
12.	West Africa Port.Cem.	Cement	1961
13.	West Africa Cold Storage	Meat Product	1961
14.	Walls	Ice Cream	1961
15.	Vono Products	Bed Mattresses	1961
16.	Cement Paints	Cement Paint	1962
17.	Guiness	Stout	1962
18.	Fen Milk	Reconstituted Milk	1963
19.	The Nig. Sugar Co.	Sugar & byproducts	1963
20.	Narspin	Cotton Yarns	1963
21.	Pye	Radio Assembly	1963
22.	Vitaform	Foam Rubber Products	1963
23.	A.J. Seward	Perfunary & Cosmetics	1963
24.	Bord Pak	Fibre board Cartons	1964
25.	Kwara Tobacco Co.	Cigarettes	1964
26.	Associated Bat. Manu.	Vehicle Batteries	1965
27.	Crocodile Machetes	Machetes	1965
28.	Textile Printers	Printed Textiles	1965

Source: Industrialization in an Openy Economy, Kilby p.69.

Appendix 3.3

Industries Owned by John Holts and Company Limited.

Company	Description	Year Founded
Coastains	Construction	1948
Holt Tannaries	Construction	1949
Thomas Wyatt	Stationary	1948
Nigerian Breweries		1948
Nigerian Canning Co.	Canned Beef	1956
Crital Hope	Metal Doors etc.	1956
P.S. Mandilas	Gin Crushing	1960
Asbestors Cement Pro.		1960
Nig. Enamelware Co.		1961
Hoco	Perfumery & Plastics	1963

Others whose years of establishment are not known are Allens, Almarine, Arewa Bottlers, Bauchi Bottling, Haco Holt Engineering, Holt Export, Holt Fisheries, Holt Leasing, Holt Pak, John Holt Shipping Services, Ogbemudia Farms, Startek, West Africa Drug, Yamaco and Yamaha Manufacturing.

Source: (1) Kilby "Industrialization in an Openy Economy, op.cit p.69.

(2) National Concord, 7/1/88, p.17.

Appendix 3.4

Overview of Foreign Investment Control Regulation in Developing and Some Developed Countries.

Country	Foreign Investment-Regulation Provision/Characteristics.
A. Developing Countries	
1. Brazil (1930s with shift in 1945-50, 1950-54 and since then)	- entry control tied to restrictions on foreign exchange and transfer of technology. - other main provisions amount to incentives.
2. Burma	- Permit no direct investment except by contracting. - dealings are on government to government basis and relevant decisions are made at cabinet level.
3. Philippines	- reputedly has most complex entry control system. - board of investment has established integerity and authority. - applied sophisticated and objective criteria. - tries to eliminate legal preferences for U.S. businesses.
4. Tanzania (from 1967)	- based on socialist philosophy involving public ownership of productive assets - 1967-74:- outright rationalization, initially to 50 or 60%, but later to 100% in various sectors involving foreign and domestic enterprises of various sizes, even petrol stations.
B. Developed Countries	
5. Australia (from 1976)	- foreign exchange and expert controls exist. - foreign takeovers Act of 1976; screening of takeovers of Australian-owned businesses that would involve foreign

		interest of 15% or more. - also screen new proposals for establishment and acquisitions in the non-bank financial, mining and natural resource and real estate sectors (to ensure varying thresholds in the proportion of foreign interest). - purpose of screening in all cases is to ensure "net economic benefits to Australia and nothing contrary to the national interest". (FIRA 1979:5), as determined by Treasurer with a 3 man board serviced by the foreign investment Review Board of The Treasury.
6.	Canada (since 1950s and particularly in 1973-74)	- Specific legislations reserve some key sectors involving progressive nationalization in a few (petro-Canada) - Foreign investment Review Act (1973-74):- Review of foriegn takeovers of Canadian-owned businesses and of new investment by non eligible persons (essentially by non-Canadians or Canadians not normally resident in Canada. - Specific criteria used in screening. - Screening purpose is to ensure 'significant benefit to Canada. - Screening decisions made at cabinet level with assistance from the foreign investment Review Agency and communicated as orders in-council.
7.	France:(A Decree of 1967)	- reserved sectors and other "normal" regulations exists. - 1967 Decree requires at least 20% French participation in any enterprise. - Government's concern is to avoid foreign investment prejudicing national independence.

8.	Japan (since 1950s)	- A foreign investment Law of 1950 (amended in 1967) brought the multiplicity of regulations and varied restrictions in force.
9.	Other Developed Market economies (including Austria, Belgium, Luxemburg Fed. Rep. of Germany, Italy, Netherlands, Switzerland, United Kingdom, United State.	- generally, not discriminatory against inward foreign investments. - however, specific national laws (e.g. foreign exchange control laws) have provisions applying to foreign investment, especially when it involves acquisition of participation or controlling interest in a domestic company, or outright purchase (UN, 1976:23); - special liberal provisions within the context of organizations to which they belong. (EEC and OECD) - practically all have reserved sectors or specified sectors in which foreign is prohibited.

Source: Akintola Arikawe "Nigerian Indigenisation Policy and the Manufacturing Sector (with a Game Frame-work for Evaluation". NJES Vol.24, No.1, March 1982, pp. 83-86.

APPENDIX 3.5

Deflated Gross Domestic Product Figures.*

YEAR	GDP	AGRIC.	MINING& QUARRY	MANUF	B/Const	Distr.	Others
1960/61	176.84	113.32	2.11	8.48	7.09	22.53	23.31
1961/62	184.61	114.80	3.22	9.64	7.81	23.10	26.04
1962/63	192.42	118.95	4.00	10.84	8.36	23.19	27.08
1963/64	188.75	114.64	3.75	11.85	8.07	23.70	26.70
1964/65	196.90	114.04	4.98	11.81	9.32	25.89	30.86
1965/66	203.27	110.56	9.35	13.99	11.65	26.55	31.14
1966/67	200.88	110.42	9.70	13.87	10.74	25.92	30.24
1967/68	159.11	88.31	6.00	11.40	8.95	20.61	24.02
1968/69	167.06	89.91	4.50	12.49	8.26	21.52	31.27
1969/70	212.53	102.50	15.89	16.87	11.47	27.56	38.44
1970/71	280.91	137.04	28.41	20.13	14.36	35.66	45.31
1971/72	330.89	150.93	50.08	20.69	20.47	40.01	48.72
1972/73	354.06	152.35	60.08	25.18	25.62	40.02	50.80
1973/74	368.82	105.32	67.81	16.68	37.69	81.58	59.74
1974/75	402.16	100.84	133.79	14.53	28.92	75.42	48.67
1975/76	385.96	98.61	85.97	21.56	33.42	91.68	54.72
1976/77	429.93	98.74	10 9.63	23.62	42.03	100.57	55.34
1977/78	459.38	107.27	11 6.08	22.83	43.92	112.06	57.21
1978/79	420.82	99.43	103.81	29.43	38.08	97.77	52.30
1979/80	444.65	97.60	122.35	40.42	33.82	101.99	48.48
1980	485.39	100.12	150.12	40.68	36.71	105.00	52.75
1981	491.83	100.89	129.43	47.91	38.85	113.00	43.07
1982	498.24	128.08	104.08	56.70	33.33	110.70	65.34
1983	476.31	136.47	88.60	53.14	29.18	105.95	62.97
1984	449.91	141.13	91.89	40.85	20.31	98.43	57.30
1985	605.29	219.10	98.79	32.42	9.68	174.46	70.83
1986	591.10	244.08	68.20	33.08	9.38	166.72	69.65
1987	600.37	203.75	172.46	28.22	7.70	130.40	57.84

*The GDP Figure of Current Prices were deflated, using The GDP Deflator 1980 = 100.

Source: F.O.S. Various Issues.

Appendix 3.6

Gross Domestic Product Deflator 1980 = 100

1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
14.1	13.5	13.5	14.6	14.7	15.3	16.8	17.3	15.3	16.7
1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
18.8	20.1	20.3	29.8	45.5	54.3	62.0	68.1	80.8	94.4
1980	1981	1982	1983	1984	1985	1986	1987	1988	
100	103	108.1	112	122.8	*130.17	*137.54	*179.29	*206.30	

*GDP Deflator for 1985 – 1988 are computed by converting the figure in 1984 base year to 1980 base year.

Source: 1. International Financial Statistics 1985
2. Ministry of National Planning Economic & Statistical Review 1987 P.21.

APPENDIX 3.7: PERSONS EMPLOYED IN MANUFACTURING INDUSTRY

NUMBER

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
FOOD	32,158	46,185	41,323	49,305	47,794	n.s	57,572*	46,935*	52,296	40,20
BEVERAGES & TOBACCO	8,353	10,175	15,798	18,941	15,815	n.s	32,169	34,372	15,583	16,28
TEXTILES	49,050	60,677	65,413	79,726	96,555	n.s	88,758	85,604	61,583	52,20
LEATHER & LEATHER-PRODUCTS	6,129	6,231	6,525	6,573	7,698	n.s	7,157	23,538	14,108	7,83
WOOD & WOOD PRODUCTS	15,069	21,517	25,162	28,780	21,507	n.s	53,966	31,504	24,490	31,22
PAPER & PAPER PRODUCTS	13,773	17,510	19,088	18,749	25,854	n.s	30,843	26,267	32,459	26,35
MEDICINE, COSMETICS AND TOILETRIES	8,644	0,049	23,450	14,573	12,945	n.s	20,712	18,950	10,662	14,45
OTHER CHEMICAL PRODUCTS	2,901	4,306	3,600	4,938	7,669	n.s	12,024	14,061	8,385	8,99
RUBBER & RUBBER PRODUCTS	15,373	16,519	18,099	23,300	21,213	n.s	44,896	39,988	14,659	15,18
ELECTRICAL PRODUCTS	3,469	3,427	2,286	4,507	4,214	n.s	9,752	12,071	10,773	9,00
OTHERS	31,759	48,556	63,119	73,557	64,000	n.s	96,084	122,603	83,407	88,58
T O T A L	175,287	244,243	272,583	324,440	305,495	n.s	453,632	449,093	329,704	322,59

NOTE: n.s. = No Survey

* = Revised Estimates

SOURCE: - DOS Annual Abstract of Statistics, 1986 Edition, p. 76.
- DOS Digest of Statistics, December 1985, p. 12.

APPENDIX 4.1

Total import value of Wood based Products in Nigeria, Years 1963 -- 1980 (N)

Year	Venear	Plywood	Partcle Board	Wood based product
1963	88,972	621,484	120,648	831,104
1964	58,672	468,670	191,363	718,705
1965	30,330	276,910	279,412	586,652
1966	15,030	55,458	244,372	314,860
1967	15,414	114,958	189,346	319,718
1968	16,576	6,530	13,392	36,498
1969	30,050	17,660	27,300	75,010
1970	85,742	36,396	129,820	251,958
1971	94,564	13,396	44,116	152,516
1972	10,460	49,252	91,170	150,882
1973	62,121	119,111	84,147	265,379
1974	81,926	41,086	301,533	424,545
1975	161,812	1,245,885	347,378	1,755,075
1976	333,660	7,382,870	1,096,386	8,812,916
1977	513,509	13,519,584	1,845,394	15,878,487
1978	855,375	11,775,579	1,080,639	13,711,647
1979	426,410	5,878,675	———	6,305,085
1980	1,685,783	11,763,953	———	13,449,736

Source:- Federal Department of Forestry:- Nigeria Forestry Statistic. Ibadan August 1983 and December 1984.

Appendix 4.2

Names of Some of the NPM Customers

1. Nigerian Cartons and Packaging Company Limited, Lagos
2. Central Packages Limited, Lagos.
3. Smurfit Cases Nigeria Limited, Lagos
4. Nigerian Kraft Bags Limited Oregun
5. Inter-match Nigeria Limited Isola
6. West African Portland Cement Company, Lagos.
7. Nigerian Newsprint Limited, Oku - Iboku
8. Cicopacce Nigeria Limited, Port-Harcourt
9. Alpha Paper Mill Limited, Ogidi.
10. Stena Mill Limited, Onitsha.
11. Ashaka Cement Company, Bauchi.
12. Rigid Pak Container Limited, Zaria.
13. Benro Packages Nig. Limited, Gboko.
14. Triumph Nigeria Limited, Kano
15. Nigeria Match and Chemical, Kano.
16. Joach - Company Nig. Limited, Kano.
17. Samad Paper Converter, Ilorin.
18. Kakaki Press, Ilorin.
19. Great Ajibaiye, Ilorin
20. Newday Bookshop, Ilorin.
21. D.E. Oyi and Brothers Limited, Aba.
22. Attasco Abbey's Office, Kano
23. Nasco Pack Nigeria Limited, Jos.
24. Nigerian Cement Company Limited, Nkalagu
25. Martins Consolidated Limited, Port-Harcourt.

26. Bafford Nigeria Limited, Calabar.
27. Okin Biscuits, Offa.
28. Noble Beer Company, Ijagbo.
29. Thomas Wywalt Nigeria Limited
30. Onward Paper Mill Ibadan .
31. Vitafoam Nigeria Limited Lagos.
32. Paper Sock Nigeria Limited, Lagos.
33. Robatek Ilesa .
34. A-OTT - Altafua, Imo .
35. Emidson Nigeria Limited, Ilorin.
36. Nora Ind. Group, Lagos.
37. Original Box Company, Lagos.
38. Berec Nigeria Limited, Lagos.
39. United Match Company, Lagos.
40. Nigerian Cement Company, Nkalagu, Enugu
41. NICAPACO., Lagos.
42. N.T.C., Zaria.
43. O.M.M. Kaduna.
44. Kwara Paper Converter, Erin Ile.
45. Bordpak, Lagos.
46. Atlsco, Kano.
47. Wiggins Teape, Lagos.
48. Polythene Enterprises, Aba.
49. Olympic Packers, Lagos.

Source: N.P.M. Jebba.

Appendix 4.3

Names of Some Establishments that Retrenched Workers in 1987.

Date	Name of Establishment	Number of those Retrenched
Jan. 29th	Cocoa Board Workers in Ibadan	2,000
Feb. 1st	Nigerian Palm. Produce Board in Calabar	1,600
Feb. 5th	Nigerian Rubber Board	250
Feb. 17th	Triumph Publishing Co., Kano	107
"	Midland Supplies Co. at Ilorin	90
Feb. 19	Nigeria Truck Manufacturing Company Kano	150
March 1st	Michelin	100
" 4th	Communication Ministry	500
April 20th	Teachers sacked in River State	1,000
May 20th	National Bank	410
July 13th	Lever Brothers	230
Sept. 7	Nasco of Jos	300
" 24th	Plateau Publishing Co. Publisher of Standard Newspaper	100
" 25th	Gusau Training Company	150
" "	Berec in Lagos	400
Nov. 18th	Total Retrenchment in Airways within 2 months	1,200
" 19th	Nigeria Airways	461
" 27th	G.C.A.	150
Dec. 1st	G.C.A. (retired)	200
" 14th	Nigeria Airways	100

Source: National Concord 7/1/88 P.7.

ADMINI IBRAHIM BELLO UNIVERSITY ARIA. NIGERIA