THE RECESSION AND RAWMATERIALS:

A CASE OF THE UNITED AFRICA COMPANY NIGERIA LTD., 1981-86

BY

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DECLARATION

I do hereby declare that this thesis entitle The Recession and Raw materials. A case of the United Africa Company Nigeria Ltd. 1981-86, is a product of my own research work and that it has not been accepted in any previous application for the award of the degree of Masters of Science (M.Sc) in Political Science by Ahmadu Bello University, Zaria.

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CERTIFICATION

This Project/thesis/dissertation entitled The Recession and Raw Materials. A case of The United Africa Company Nigeria Ltd, By Bamigbade A.I., meets requirements governing the award of the degree of Masters of Science in Political Science of Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

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D E D I C A T I O N

Dedicated to the God of Light the source of all illumination.

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ABSTRACT

This study is concerned with the current recession and the problem of raw materials facing the Nigerian industrial sector and the economy as a whole. It arose out of the desire to understand the nature of industrial accumulation in Nigeria and why the industrial sector is susceptible to the raw materials crisis. There is the urge to understand why, inspite of the abundant resources, the Nigerian industries cannot harness the local raw materials but had to depend on the world market for vital production inputs. The country was the supplier of raw materials during the colonial era and the type of raw materials have provided the basis for the industrial crisis at independence.

In going about this task, we decided to examine the Nigerian economy and show both the internal and external elements that have contributed to the problem of rawmaterials and the current recession as a whole. This would enable us place the economic crisis and the problem of raw materials within their global context.

We have-focused on the UACN as our case study inorder to show its role in the recession and the problem of raw materials in particular. Investigating into the activities of UACN in the Nigerian economy made it possible for us to analyse why it is prone to the raw materials crisis. We also highlighted the efforts of UACN in curbing the rawmaterials squeeze. We also examined the state policies at solvir^the current recessio., and problem of raw materials in

the Nigerian economy.

The organisation of the study is as follows. In chapter one we examined the various perspectives to the unaerstanding of the Nigerian recession and problem of raw materials affecting the industrial sector and the Nigerian economy as a whole. It is argued that tne recession and problem of raw materials is a long standing phenomenon which should bo traced to the structure of the Nigerian economy; the way the economy was integrated in a subordinat position in the economy.

In chapter two, we traced the development of Nigerian economy from tne precolonial to the post colonial mode of production, distribution and accumulation. This formed the basis for understanding the origan of the recession and problem of taw materials in particular. Chapter three examined the industralization processes that developed in the 1940's, showing how the problem of raw materials was further reinforced. This provides us with the background into the raw materials squeeze of the industrial Sector . We also examined the different measures employed by the Nigerian state to solve the recession and its response to industrial demands.

In chapter four, we dwelt into the historical evolution of UACN in the Nigerian economy, incrder to identify the main factors that have influencea its activities in the Nigerian economy its pattern of production process, bringing out its role in the raw materials crisis. The fifth chapter focuses on the activities of two manufacturing divisions of UACN with a view to understanding their pattern of industrial production and activities in solving the raw material crisis, particularly in terms of harne-sing and utilisiiVj local raw materials. The summary of our findings, recommendations and conclusions are outlined in chapter six.

List of Abbreviations

CBN	:	Central Bank of Nigeria
CFAO	:	Campagnie Francaise de I'Afrique Occidentale
CKD	:	Completely knocked down parts or components.
GATT	:	General Agreements on Tariff and Trade
GDP	:	Gross domestic Product.
IBRD	:	International Bank for Reconstruction and Development.
IMF	:	International Monetary Found
Ltd.	:	Limited Company
MAN	:	Manufacturers Association of Nigeria
MNC(S)	:	Multinational Corporation (s)
NEPB	:	Nigerian Enterprises Promotion Board
NEPD	:	Nigerian Enterprises Promotion Decree
NLC	:	Nigeria Labour Congress
PZ	:	Patterson Zochonis
RNC	:	Royal Niger Company
SCOA	:	SCOA Motors Nigeria Ltd.
SFEM	:	Second Tier Foreign Exchange Market.
UACN	:	United Africa Company of Nigeria
USSR	:	United Soviet Socialist Republic
U.T.C	:	United Technical Company

CHAPTER ONE

INTRODUCTION AND LITERATURE REVIEW

1.1 Introduction and Research Problem:

The problem of raw materials currently manifesting itself in the Nigerian industrial sector is a long standing phenomenon. It revolves round the entire structure of production in industry and other sectors of the Nigerian economy.[1] The structure of production is not a recent phenomenon but can be linked with the growth of imperialism and the way the Nigerian precapitalist economy was integrated in a subordinate position in the world market.[2] The process of incorporation began at the close of the nineteenth century. This period witnessed a change in European Capitalism, an epoch characterised by the decisive role of monopoly under the banner of finance capital[3]. Finance capital at this period was undergoing a process of concentration and centralization which led to its development into a global phenomenon. There emerged few monopolistic firms who now control the processes of capital accumulation.[4]

The export of capital is a characteristic feature of this stage of capitalism. It creates an international network of dependence on finance capital. The urge to export capital arose from the need of capital to search for profitable outlets in foreign markets for surplus capital and market for manufactured commodities. It was the need of European industries to expand to foreign markets that necessitated the European States to extend their political authority to thirdworld countries.

Colonialism was the process through which finance capital established itself in developing countries and multinational corporations served as the institutional form for achieving the global investment strategy of these corporations in placing capital in the most profitable areas of activity.[5] The need for capital to expand beyond its national boundaries is not because European capital cannot be employed in the domestic economy but because it can be employed at a higher rate of profit in a foreign country.[6]

During colonialism, the Nigerian precapitalist economy like most third world economies was gradually transformed to meet the requirements of the advanced capitalist countries. Thus the economy was integrated into the world capitalist system. Colonialism transformed Nigeria into a producer of raw materials for European industries. All industrial manufactured goods were imported from the international market through the foreign trading firms. As the prime mover of domestic accumulation, the colonial state became dependent on the export of raw materials for national economic development. In effect, the colonial economy became structurally linked with the British political economy.[7]

This was the pattern of accumulation in the Nigerian economy, until the nineteen-fifties (1950's) when emphasis began to shift to industrial development. The colonial state provided the main impetus for accumulation in industry, agriculture and finance. The move to industrial production did not mean the end of the import-export trade but it

further reinforced the complementarity of the Nigerian colonial economy to the world capitalist market. Industrial production was in the processing of raw materials for export, as in the case of SawMilling industries. In other cases, industries were structured to manufacture only processed rawmaterials imported from the world market. The industries that developed were monopolised by the foreign trading firms who had already handed over the produce trade to their indigenous agents. Prominent amongst these foreign trading firms that started to deploy part of their accumulated capital into industrial ventures as well as other vital sectors of the Nigerian economy were the United Africa company Nigeria Ltd. (UACN) Compagnie Francaise de I'Afrique Occidentale (CFAO), Patterson Zochonis (PZ), Lever Brothers Nigeria Ltd., (LBN), John Holt and SCOA Motors Nigeria Ltd., (SCOA). Even though they were engaged in some form of manufacturing, their commercial activities remained strong features of their activities in Nigeria. These industries were dependent on imported rawmaterials, spareparts and machineries. Infact the industries provided an avenue through which the parent companies and associates sold their manufactured commodities and repatriated their profit.[8]

This led to the development of the import-substitution industrialization strategy introduced in the 1950's. Industries were set up to produce commodities that were previously imported and were mainly sold in the domestic market. The expanding domestic market therefore provided

an avenue for the growth of industrial production locally. The industries were therefore set up to engage in assemblying, packaging and bottling. Private capital investments were geared towards consumer goods industries because this afforded them high rates of profit.

At independence, the post colonial state further encouraged and consolidated the import dependent and import substitution industrialization. This industrialization process obstructed the intersectoral linkages within the Nigerian economy.[9]

With the emergence of crudeoil export as the major foreign exchange earner the importance of agriculture began to decline, from 60 percent of Gross domestic production in 1950 to 12.6 percent in 1982.[10] At its peak crudeoil accounted for about 90 percent of Nigeria's foreign exchange earnings compared to 1960 when its Share of the foreign exchange was only 2.7 percent.[11] The Nigerian agricultural resources that predominated during the colonial era were relegated to the background. Oil revenue facilitated the import - substitution industrialization strategy. As a percentage of total imports, rawmaterials import was 23 percent in 1977 and 25 percent in 1982, Capital goods was 48.2 percent, 32.8 percent in 1977 and 1982 respectively. Consumer goods importation increased from 28.5 percent of total import in 1977 to 41.6 percent in 1982.[12] In 1974 the value of imports increased from ₦1.72 billion to ₦8.35 billion in 1978 and by 1981 it had increased to ₦12.9 billion.[13]

This scenario continued until the outbreak of the current recession through which the problem of raw materials of the industrial sector became aggravated. The problem became acute due to the decline in foreign exchange exchange accruing to the Nigerian state from the sale of crudeoil. Nigeria could no longer fulfill its international obligations and sustain the import-demands of the Nigerian import-substitution strategy. This foreign exchange squeeze was in itself brought about by dwindling revenue from crudeoil as a result of the oilglut in 1981. The resultant effect was the general downturn of economic activities in the industrial sector and the Nigerian economy as a whole. The decline in the revenue generated from crudeoil export therefore brought about the stark reality of the nature of the Nigerian industrial structure.

With the intensification of the raw materials crisis and the general downturn of economic activity in the economy, the state had to seek ways of solving the effect of the recession. The outcome of this was the introduction of a structural adjustment programme aimed at resusticating the economy. This was preceded by the economic stablization Act of 1982/83. The provision of the act include among others the ban on some imported commodities while many others were placed on specific licence. The Nigerian state also increased the rate of duties on imported consumer goods and a tariff system was promulgated in 1984 to curb excessive importation. The emphasis on the development and use of local raw materials became more profound in subsequent state measures.[14]

Inspite of these measures, the recession became heightened and industrial activity deteriorated. Massive retrenchment became inevitable, as industries began to experience idle capacity of installed plants, increase in operating cost and a general decline of production activities. The intensification of this state of affairs compelled the Buhari administration to introduce Stricter measures to revive the economy. Like the austerity measures of 1982/83, the new measures were directed to streamline the outflow of foreign exchange, reduce government expenditure and increase revenue through the introduction of fiscal measures. There was increased attack on workers, cuts in state expenditure, welfare policies, introduction of school fees, removal of subsidy on feeding in post secondary schools and a review of the tariff structure.[15] These measures themselves rather than solve the recession and the problem of rawmaterials further aggravated the already depressed situation.

It was the inability of the state measures especially the import licence and Form M[16] to lessen the impact of the recession and shortages of imported raw material inputs needed for production, that further compelled the government to emphasise the need for industries to integrate backward into agriculture and local rawmaterials. The new policy of local sourcing of raw materials became articulated in the structural Adjustment Programme (SAP) of the Babangida Regime. The inefficiency of the import licence commitee and the Ministry of Commerce, and indeed, the whole administrative processes of the issuance of the import licence

laid the basis for the second tier foreign exchange market (SFEM) which was aimed at relaxing the restrictions on importation to enable industrialists to resume production. An important high-light of the programme was the periodic auctioning of international currencies such as the dollar, sterling, Deutsch Mark, Japanese Yen for the Nigerian Currency.[17]

One result of this policy was that unlike the previous austerity measures, when almost all commodities were placed on licence, it is now possible and easier for manufacturers and importers to procure rawmaterials needed for production. The effect of this is that the rawmaterials were purchased at much higher prices than the period before SFEM. Production costs have risen which have been passed on to consumers in the form of higher prices. The other side effects, include the stockpiling of unsold goods as a result of consumers low purchasing power. The seriousness of the situation compelled manufacturers to cut down on production levels and labour inorder to reduce the high operating cost and the falling rate of profit. On the consumers part, this has led to a redirection of taste as consumers purchasing power is further reduced by the high rate of inflation and the devaluation of the naira. The high cost of living has in turn led to the agitation of workers for salaries and wages review.

As the Nigerian economy continued to plunge deeper into recession, manufacturers themselves began to seek ways of curbing the impact of the recession on their

investment, particularly their profit margins. One of the companies affected by the raw materials crisis is the UACN. UACN is one of the largest and most dominant consumer goods companies in Nigeria. The indigenisation decree of 1972/77 officially made it a Nigerian firm since 60 percent of the equity shares are held by Nigerians. It has as its major technical partner as well as parent companies, one of the largest multinational companies in the world, the Unilever organisation. The role of UACN cannot be underestimated. Its presence in Nigeria dates to the precolonial era, when its predecessors, participated in opening up the areas that came to be known as Nigeria to foreign finance.[18]

The Royal Niger Company, a predecessor of UACN, was made the representative of British interests in Nigeria for fourteen years before the establishment of colonial rule. During the colonial era, the company was an active participant in the import-export economy and was appointed the sole agency for the export of raw materials to British industries in Europe. UACN is a subsidiary of Unilever in England and Holland, operating an integrated group of activities controlled by its parent companies in the centres of world capitalism. The structure of production is determined by its role in the intrafirm division of labour in which it is the export platform for the manufactured commodities in the intrafirm specialisation of the Unilever consortium.[19] The company's shift from the import-export trade to industrial production was market-oriented. It had to

maintain its share of the expanding markets in the Nigerian economy.[20] The company's manufacturing activities are dependent on the parent companies for vital rawmaterial inputs. In this way, it links up the Nigerian economy to the world capitalist market in such a way as to facilitate a complementarity between the Nigerian economy and the Unilever organisation in Holland and Britain. In essence whatever happens in the parent companies is invariably refracted into the Nigerian economy.

UACN does not operate in isolation, it has been able to utilise an indigenous class of people with whom it collaborates to firmly maintain its interests and consolidate its predominant position in the national economy. Like many industries operating in the economy, UACN is also affected by the rawmaterials crisis facing the Nigerian industrial sector. The cause of the recession was explained in terms of the oilglut and the fall in the revenue accruing to the state. This has resulted in the foreign exchange squeeze and the inability of the economy to finance basic international obligations, especially the importation of basic rawmaterials. A resuscitation of the economy through the increased production of crude-oil and stability of prices proposed by the company, would gear the economy back to life and also enable manufacturers to import basic rawmaterials for production activities.[21] The company expressed its support for various state policies especially when these policies are not in conflict with its own objectives of profit maximisation. For instance the company criticised the import licence policy, particu-

of the issuance of the import licence. Under serious attack is the recent tariff structure, which has become an obstacle to domestic industrial production. The tariff policy, as argued, is discriminatory against local production, when infact it should facilitate local production. The company has to pay a lot of money for its imported rawmaterials especially the basic agricultural inputs needed in its Agro-industries. In effect, this may mitigate against the success of the policy of utilising local rawmaterials. The company expressed its support for the structural Adjustment programme (SAP), particularly the introduction of the Second tier Foreign Exchange Market (SFEM), which afforded her unhindered importation of basic production inputs. But the high cost of these raw materials as a result of the derregulation of the naira has further depressed the Nigerian economy and foreign companies like the UACN began to embark on internal measures to curb the effect of the recession on their operations.

UACN embarked on a rationalisation policy to reduce the high operating cost. There were series of mergers of many divisions, as the case of Panelectric and Refrigeration and Air condition services demonstrate, inorder to reduce operating cost. To prevent redundancy in the manufacturing divisions the company reduced the work days to four day work week, abolished overtime and shift and welfare services especially to the junior workers, and cut down the manpower.[22] The company also invested in agricultural projects to provide raw materials for its manufacturing divisions, such as U.A.C. Foods, and Kingsway Stores.

A large percentage of key inputs required in the UACN's Agro industries are imported from her parent companies.

In essence the move into agriculture aimed at procuring raw materials has yet opened another avenue for the parent company to export key inputs such as fertilisers, seeds, chemicals and cultivation equipment like tractors, ploughs, planters which would further integrate the company to the world market. That UACN as one of the private enterprises operating in the national economy has had a role in the current recession and the problems of rawmaterials in the industrial sector, few now doubt. But opinions differ in the understanding of the activities and nature of the role played by the company in the problem of raw materials. The main task of this study therefore is to analyse the cause of the rawmaterials crisis and the company's role in the national recession and the crisis. We will also focus on the various measures the company has employed to adjust to the crisis.

1.2 Research Objective:

The objective of this research is to look at the specific role played by the UACN and its indigenous allies in the economic recession with special emphasis on the raw materials crisis. Attention will be paid to the internal and external elements that have contributed to the raw materials crisis. This will enable us place the current recession and the problem of raw materials within their global context.

The study will be situated within the context of the general structure of the Nigerian economy to show why the economy was made to specialise in raw materials export during the colonial era and why this specific type of raw materials specialisation provided the basis for the industrial crisis at independence. We will examine the nature of UACN production activities and analyse why they are susceptible to raw materials crisis.

Finally, this study will look at the role of the state in the recession inorder to bring out the different measures it is employing to solve the recession and its response to industrial demands

1.3 Literature Review:

Since we are dealing with the economic recession as it affects the Nigerian economy, it will be pertinent to review the various perspectives to the issue. We will also review literature on Multinational and industrialization in Nigeria. The industrial sector is in crisis, it will therefore be necessary to look into works on the industrialization process and see why the Nigerian industries are susceptible to the crisis. Our main focus is the United Africa company Nigeria Ltd. and its role in the raw materials crisis affecting the industrial sector, therefore books written about the company's activities will be reviewed. Lastly we will bring out various perspectives to the understanding of the problem of raw materials itself.

1.3.1 The Nigerian Economic Crisis:

In the context of this study, recession or economic crisis as will be used interchangeably, refers to specific points in the process of production when economic activities decline in all parts of the capitalist world simultaneously. It is a turning point in the socio-economic set up of a social formation. Crises manifest themselves in terms of interruptions to production and the process of capital accumulation which take the form of goods pil ing up because they are unsold profitably, wide spread bankrupticies, decline in production activities, financial panics and massive unemployment. Economic crises in the era of capitalism cannot refer to a turning point in human development as a result of natural catastrophes as war, droughts, earthquakes but that which is rooted in the capitalist production.

There are various contentions on the current economic recession in terms of its origin and what it entails, although there is agreement on the fact that the economy is experiencing a severe economic crunch. In this subsection we would seek to explain the current recession within its concrete historical perspective. That is placing the crisis of the Nigerian economy within a global context.

Amongst various explanations given as the cause of the Nigerian economic crisis was the argument by the ex-President Shagari and the spokespersons of the defunct civilian administration. They argued that the crisis was caused by an oilglut and a global recession which

have resulted in falling revenues and inflation. In the budget speech of 29 December, 1983, the ex-President Shagari declared that the Nigerian recession was caused by the world oilglut which has led to a generalised world recession. He explained that the crisis is not peculiar to the Nigerian economy but a world wide phenomenon. He states.

> ..."the effects of this worldwide economic depression on the economics of developed and developing nations alike have been devastating. This has resulted in low or negative growth of output and unemployment in the industrialised nations with corresponding fall in demand for raw materials which constitute the major items of foreign exchange of the developing countries. This unhappy situation has led to financial crisis in most countries of the developing world..... global economic recession has now forced the industrialised countries of the world to resort to energy conservation as a matter of policy thus decreasing their demand for oil"[23]

The government depended on a single commodity, crudeoil, as the main foreign exchange earner. The fall in the demand for crudeoil and the drastic drop in the government revenue, the shrinking of Nigerian's revenue has had various impacts on our domestic finance and the economy as a whole. The decline in the revenue from oil has made it impossible for the government to finance import demands of the various sectors of the economy and to fulfill its international financial commitments, repayment of debt and various projects.[24] The impact of the oilglut was actually aggravated by the high rates of importation and foreign exchange disbursement of the economy.

The recession was therefore perceived in terms of the squeeze in the foreign exchange. To resuscitate the economy therefore the government introduced fiscal measures and the economic stablisation programme to streamline the excessive importation of the Nigerian economy and increase the oil output.

From the above explanations the question that comes to mind is that, Can the drop in the prices of oil by itself be enough to cause the serious payment crisis, the distortion of economic activity in the industrial sector, unemployment inflation and the raw materials crisis? To start with the drop in prices of oil cannot convincingly explain the fragile state of the international economy, since the government have argued that the oil glut was not peculiar to the Nigerian economy alone. Even if there was no oilglut the Nigerian economy would still have been in a fragile state. The economy would still have been affected and there would have been a balance of payment deficits and the industrial sector would have been in crisis.[25] The world capitalist recession goes deeper than oilglut because it is a crisis of capital accumulation. The structural deficiencies inherent in the various sectors of the economy have made it possible for the crisis to have an adverse effect on the Nigerian economy.[26]

The most striking argument against the oilglut thesis was demonstrated by Balarabe Musa. He traces the changes in the prices of crudeoil, the volume produced and exported over a period of ten years, and

argues that the recent prices of oil could not by themselves explain the serious balance of payment crisis and consequent socio economic crisis affecting the Nigerian economy. He explains that between 1973 and 1983, the prices of a barrel of crude oil rose from $4.80 in 1973 to $29 in 1983 In February 1983, when we were already experiencing a crisis the average daily production was said to have been low at 66,560 barrels per day, but at the current price it fetched in $20 million daily which five years ago at the 1978 prices was N1.56 million barrels per day and a total of $25 million daily. At that time when everyone believed that there was an oil boom, the price was just over half the present price, $14.82 per barrel.[27]

In essence, Musa's statistical analysis of the prices and revenue accrued to the state from crudeoil has shown that the oilglut thesis is not tenable to sufficiently explain the foreign exchange squeeze, the debt crisis and the problem of raw materials facing the Nigerian economy. He however, argues that the cause of the crisis should be linked to the mismanaged and corrupt nature of the ex-President Shagari's administration. Like the oilglut analysts, Musa has failed to situate his analysis within the structure of the Nigerian economy. He also did not recognise that international elements have contributed to the crisis. One cannot just dismiss the oilglut as a non issue even though it is not the determinant factor. The oilglut exposed the domestic structural problems and allowed the generalised capitalist crisis to be refracted into the Nigerian economy. The

economy would have experienced the problem of raw materials and general downturn in economic activities without the oilglut. The inherent structural contradictions and lopsided nature of accumulation processes would have brought the economy to its present doom. In this lopsided structure of production activities and accumulation process the role of the foreign companies, the local private companies and financial institutions, the Nigerian state cannot be underestimated. The commercial and industrial activities of these private enterprises and the state have been responsible for generating within the Nigerian economy the contradictions and crisis which has cumulated in the recession.[28]

The nature and control of the industrial sector and the predominance of the foreign companies have tended to influence the production process in favour of their parent industries by depending on them for basic production inputs, when infact these raw materials can be sourced locally. These production inputs required a lot of foreign exchange and the fall in the revenue accruing to the state from crudeoil as a result of the oilglut was bound to affect the supplies of these inputs and thus therecession . Moreover, the problem of raw materials and the decline in economic activities in the industrial sector would have been inevitable because the expansion of industries with high import content would have reached a point when the Nigerian state would not have been able to finance such import demands. The oilglut merely contributed in bringing to the limelight the stark reality of the nature

of the import substitution import dependent industrialization. To understand the recession and the problem of rawmaterials of the Nigerian economy therefore is to locate them within the structure of production in the Nigerian economy. Furthermore, by arguing that the Nigerian economic crisis is part of a world recession is to fail to accept that the crisis is peculiar to the capitalist world which Nigeria is inclusive. There is the general belief that the capitalist world included all countries of the world. These analysts have glossed over the existence of the socialist system which is absolutely different in nature and substance from the capitalist economies. While it is accepted that there is a generalised world recesion which originates from the capitalist world, the socialist world is not insulated from its effects since it interacts and trade with the capitalist world. However, due to the nature of socialist production and distribution the effects are controlled.

Other explanations of the Nigerian recession include the view that the crisis affected the Nigerian economy because it is structurally weak. There is the lack of intersectorial linkages amongst the various sectors of the economy. The lack of diversification and the dependent nature of the economy on the external market for the sale of its raw materials particularly crudeoil for its economic development. This is because, crudeoil, the main foreign exchange earner is susceptible to the vagaries of the international market, whatever happens in the world market will affect the Nigerian economy.[31] While we are not

denying the influence of the international commodity market on the country's fortunes and the fact that the state is dependent on oil to finance its various projects, this argument has however failed to analyse the structural weakness of the economy and the lack of inter-sectoral linkages within the totality of capitalist relations, bringing out the actual agencies that have contributed to the problem. This would have enabled us to understand why the economy is in recession. The analysis tended to focus on the fact that because the economy is structurally weak and when strangulated of foreign exchange it would be in crisis. The point missed is that even without the foreign exchange squeeze the economy has inbuilt contradictions that would generate a crisis. The oilglut only aggravated the structural problem of the Nigerian economy. Besides, the world capitalist economy has developed an international division of Labour where there is unequal development between the third world countries and the metropolitan countries. This unequal development explains the structural distortions in the Nigerian economy. An explanation of the recession and the problem of raw materials can only be understood if located within the context of the general dynamics of the world capitalist economy.

There is yet another view that the root cause of the economic crisis was the fiscal policies of the ex-President Shagari in 1982. One of the proponents of this view is Ahmafule Anyachie whose main contention is that the various fiscal measures embarked upon by the

state in 1982 generated the series of economic ills and the distortion of the Nigerian economy.[32] The position of Anyachie is untenable. Although the civilian government did not acknowledge the fact of a recession in the Nigerian economy until 1982 when it passed the economic stabilization measures, the tendency towards crisis is inherent in all capitalist economies. The fiscal measures of 1982/83 was introduced when the government could not have done otherwise. However, the measures designed to boost local production of goods, improve foreign exchange reserves and make the economy self reliant, merely aggravated the problem. This is because the measures have no insight to the problem. In effect the measures could not successfully lessen the impact of the recession on the economy but further heighten the problem. The nature of the crisis management measures usually adopted to solve capitalist crises has further proven to be devoid of clear perception of the origin of the problem and how to achieve desired results.

The Manufacturers Association of Nigeria (MAN) also expressed its view on the causes of the Nigerian recession. MAN affirms that the crisis was caused by the foreign exchange squeeze and the crisis management measures embarked upon by the Nigerian state. This has resulted in the strangulation of the Nigerian industries and the subsequent decline in the capacity utilisation, redundancy, massive closure of factories, inflation and mass retrenchment of workers.[33] Like the advocates of the oilglut thesis, MAN failed to locate its explanation

in a wider context and singled out only the foreign exchange syqueeze.

There is yet another perpective to the understanding of the Nigerian economic crisis. This is the view that the Nigerian economy is controlled by unscrupulous individuals whose main target is the outright looting of the country's resources. The corruption and massive drain of the country's foreign exchange has been argued, as the main cause of the recession. Amongst the proponent of this view was the General Buharis government. In the ex-Military Commander's address to the diplomatic corps in Lagos, he states that..

> ..."the economic plight of the country arising in part from the global economic recession but greatly accentuated by mismanagement and rampant corruption of the dismissed Civilian administration could not have escaped your notice. the ordinary Nigeria who certainly has the fundamental right to live in dignity had become enslaved by a handful of Nigerians whose main interest was only to perpetuate themselves in office at any cost, but also to Share among themselves the wealth of the country while the ordinary man, wallowed deeper and deaper in misery."[34]

While the corruption and general mismanagement thesis has been able to give us an insight into the activities of the civilian government and other dominant classes in the drain of the Nigerian resources, it does not sufficiently explain the recession and downturn in industrial production. We are not denying the practice of corruption and mismanagement of the Nigerian economy particularly during the oil-boom and the huge sums of money looted and repatriated to the advanced capitalist countries by state officials and the

foreign companies, however such activities cannot be isolated from the general rule of capital ... particularly in third world countries. Although the magnitude differs from one country to another, such practices also exist in advanced countries. A point which Bangura acknowledges when he said that of the externalisation - -

> ..."of the looted funds most of which find their way not in the circuit of reporduction of the local economy but in the metropolitan economies . either through investing in such economies [illegible] or in squandering the looted wealth in the commodities of those economies... Suchaproblem has to do with the contradiction between national and international systems of accumualtion and the structure of production and exchange relations that tie the Nigerian economy to the world capitalist economy."[35]

Infact Iyayi identified mismanagement and corruption to the primitive accumulation in the early stage of capitalist development. This practice is more evident in Nigeria, since the domestic bourgeoisie have no established source of appropriation of surplus capital or have not developed internal capital. The dependent nature of the Nigerian economy and concomitant high appropriation of profit is a function of capitalist development especially during the imperialist era with developed and more complex market relations and international financial institutions.[36]

Buttressing the point further, Bangura explains that

> ..."there can never be a perfectly managed capitalist economy that will be permanently crisis free as many underdevelopment theory UDT scholars posit, for capitalism is a system of competitive centrally planned autonomous corporate units in an anarchical environment... the best managed capitalist economies such as United states, Britain, France, Japan have

> experienced profound economic crises. Those who talk of mismanagement outside the context of capitalism as the cause of the crisis, are therefore chasing the Shadows and are not being serious in their analysis."[37]

There is the view that the explanations to the cause of the economic crisis should be located in the fundamental domestic and external sets of relationship of production ownership, distribution, income and power which exist in the Nigerian economy. This relationship determines private accumulation of capital and repatriation of the nations resources abroad. They also pointed that certain changes in the revenue accrued to the state from the sale of crudeoil as a result of the fall in prices, would undoubtedly create the specific framework for the crisis, but that the way the petrodollar surpluses of the 1970's was looted and transfered to overseas countries further contributed to the crisis. They concluded that the fundamental sets of relationship Constituting the Nigerian economy in terms of the repatriation of the countrys resources abroad are the root causes of the crisis. The plunder of the economy was possible because of the dependent struct ure of the economy which they described as those of a dependent capitalist economy.[38]

Bala Usman, one of the advocates of the above thesis, went further to actually specify that the recession should be seen in the role played by the Nigerian consultants, contractors and middlemen. This group of Nigerians, he argued, were responsible for the drain in the economy, through the huge profits generated and repatriated to the advanced capitalist

Countries. He used reports of various committees and figures of inflated contracts profits declared by these unpatriotic individuals to buttress his argument. He concluded by emphasising the need for the recognition of these fundamental facts of the mature of the economy which have to be dismantled by building a new and independent economy in the service of and controlled by the working peoples of Nigerian. He opted for a socialist path as the only way through which the economy can be productive and independent away from the dependent capitalist structure.[39]

In looking at the above explanations for the causes of the recession, certain criticism must be made. To start with, although it is convincing that there are internal and external elements which condition and determine the production and accumulation processes in the Nigerian economy, whose activities are directed to the private repatriation of wealth out of the country, they have not convincingly explained how such factors have contributed to the crisis. Even when they argue that the petrodollar surpluses were repatriated abroad rather than being used to develop the various sectors of the economy, their explanation has merely shown the dominant activities of private appropriation of the countrys resources and have not explained how this process have been possible. We do not agree that it is only repatriation of the countrys resources alone that can explain the crisis. Any analysis of the cause of the recession must be located

within the socio-economic structure of the economy which throw up other problems much so import dependent and anarchy in production and distribution apart from expatriation.

Even though Usman locates the cause of the recession within the activities of contractors, consultants and middlemen, such explanations have tended to isolate some individuals and give them the blame. It is true that these agents were significant in the Nigerian economy but they cannot be explained in isolation. The contract and consultancy system explains Bangura.

> ..."are integral parts of any modern capitalist economy. The United States and West European economies have more contractors and consultancy services than the Nigerian economy, but we cannot isolate these phenomena from United States transnational capitalism to explain the present recession that has engulfed the whole of the United States and European economies. 'Contractocacy' is at the heart of capitalism, it is a reflection of the complex and expanding nature of market relations."[40]

The activities of the middlemen, consultants, and contractors have given us an insight into the way the Nigerian resources was guzzled up by these private enterprenours but has not been explicit in the exposition of the nature of the Nigerian economy itself as to make it possible for such corruption and massive expropriation of the nations wealth to centres of advanced capitalism to be properly understood.

In as much as we cannot underestimate the activities of the corrupt public officials and private enterpreneurs who openly loot public funds and make illegal transactions in the foreign exchange market, over-invoicing of contracts and profound repatriation of money abroad, have merely

aggravated the current crisis. They cannot on their own constitute the cause of the recession and the problem of raw materials in Nigeria. Usman did not seem to recognise and, if he did, could not sufficiently place their role in determining the accumulation pattern, the nature of these production process, the excessive reliance on their parent companies, subsidiaries and associates outside the country as detrimental to the development of a self sufficient and reliant economy. The activities of foreign private enterprises and their local allies cannot be isolated in explaining the crisis of the industrial sector and the Nigerian economy as a whole. While many Nigerian radicals are nationalists they are found wanting in their socialist position. Their recommendations do not follow a logical sequence emanating from the proper diagnosis of the current economic crisis.

Following Yusuf Bangura,[41] the present predicament of the Nigerian economy should be located at the structure of the economy inorder to be able to understand its character, general tendency towards recurrence and the class logic of the specific policies which have been implemented to contain it. As Bangura argues that the various structural contradictions of the world capitalist economy have been woven into the fabric of the Nigerian economy through the operations of imperialist firms, institutions, indigenous capital and the Nigerian state. This was possible through the integration of the economy into the world capitalist economy as a raw materials producing centre and as well as the market

for manufactured goods of advanced capitalist countries. Production of raw materials was geared to the external market at the expense of the development of an indigenous industrial sector to process and manufacture these raw materials. In essence the Nigerian economy became structurally tied to the world capitalist economy for its sustenance. The colonial division of labour has structured the Nigerian economy in such a way as to obstruct the development process and create an economy in its own image. The Nigerian economy was thus incorporated into the capitalist circuit of reproduction in such a way as to make the economy complementary to the advanced capitalist economies. In effect what ever happens to the latter is invariably refracted into the former. Apart from the fact that capitalist crisis can easily be refracted into the Nigerian economy, the contradictions already embedded in the various sectors of the economy in terms of the dependence on world market for basic production inputs, formed the basis for the generation of the crisis in the Nigerian economy. The oilboom and availability of foreign exchange to finance this structure of production only insulated and delayed the crisis but this does not remove the occurence of the recession. The industrial sector is import dependent. A large Chunk of the foreign exchange is committed to importation. Thus when there is a fall in the level of foreign exchange a crisis develops.[42]

1.3.2 Multinational Corporations and Industrialization in Nigeria

Ludwig Schatzi[43] looks into the process of development of the Nigerian industrial sector after world-world II and the role played by the Multinational corporations (MNC's) in the overall process. The foundation of the industrial development in Nigeria was laid by the export processing of rawmaterials and the substitution of imported goods which developed in the 1940's. He emphasised that the motivating factors behind the move from the commercial activities to industrical development was mainly the abundant national resources of the country and the size of the domestic market. He explains that it was the urge to establish a strong hold on the Nigerian market that intensfied the move towards industralization. The foreign companies initiated industrial production when their interest was being threatened by foreign manufacturers. They therefore deployed part of their accumulated capital in industrial ventures that would still enable them fulfill their main objective, to find market for the procutts of their parent industrées. The Local production of the commodities formerly imported was predominent. The Nigerian state therefore supported tne development of import substitution industrialization through its various policies, like giving pioneer status to industries and protected them against imported goods, by high duties. The industrial tariff protection discriminated against export processing in comparison to the import - substitution industries. Those branches of industry which process

raw materials for export were burdened with an export tax.[44]

Although Schatzl's analysis brought out the fact that the MNC's primary motive in the Nigerian economy was commercial, he did not bring out the most crucial factor that brought these foreign firms into the economy. It is the profit orientation of the MNC's that have influenced their decisions to deploy their accumulated capital into industrial ventures. The import substitution industrialization strategy facilitated by the state was opted for inorder to achieve their main objective. The importance of profit to the MNC's operations cannot be underestimated, since these firms are the institutional form of imperialism in our present epoch. The policy of placing capital where it will yield greater profit must be linked with the motive behind the nature of the import - Substitution industrialization strategy that was introduced.

In the joint work conducted by Teriba and Kayode,[45] the focus of their analysis was on the fact that the process of industrial development was influenced by the belief that industrial development would solve the problem of poverty, improve the standard of living of the people, generate employment for the large population and solve the problem of underdevelopment in Nigeria. The inflows of foreign capital into the economy was seen as the means of achieving the aim. Industrialization was necessary because of the uncertain behaviour of the primary exports dominated sectors, since it is susceptible

to the vagaries of the international commodity market. With industrialization the economy will be diversified, there will be job opportunities for Nigerians and also forward and backward linkages. The traditional colonial economic pattern of supplying raw materials to advanced metropolitan countries and of importing manufactured products in return is seen as a perpetuation of economic dependence and the move to industrial development was seen as the only way to alleviate the problem. The country thus embarked on import substitution and export promotion. They also examined the basic tenents of the import substitution industrialization strategy. The industries were structure to produce consumer goods with relatively simple technology. The industrial sector was dominated by mere as-sembly type consumer goods rather than capital goods industries. Industries were dominated by low technolggy light industries. Food and beverages in 1972 contributed 34.3% of the value added in manufacturing, textile and wearing apparel 17 percent, whilst engineering industries are non existent. The depedence of the Nigerian industries on imported industrial chemicals and technology was approximately 82.8%. This however meant a high import bill for rawmaterials, intermediate and capital goods. The effect of this was low ratios of national value added to gross output and low levels of structural interdependence in terms of backward linkages. The export promotion strategy did not contribute to the development of the Nigerian industrial sector. This was because industries only concentrated on raw materials

processing for the external market. The industrial objectives and policies for implementation have failed to develop the economy towards self-sufficiency and remove the problem of poverty and underdevelppment. They therefore concluded that the import substitution strategy and the method of implementation have resulted in an enclave type of development which leaves the industrial sector with a minimum of impact on the other sectors of the economy. Even the grip of foreigners on the economy still remains strong.[46]

Paying attention to considerations that influenced the industrial development of Nigeria, Teriba and Kayode, explicitly brought out the contradictions inherent in the strategies and policies of the industrialization process of Nigeria. They did not locate such policies and strategies to the role and activities of foreign companies that actually motivated the whole process. Their analysis did not, for instance, take cognisance of the objective of the pioneer industries in operating such structures of production. The objective of these industries was to complement the activities of the parent industries. This explains why there was no effort to utilise and develop local raw materials and other inputs. Even when Teriba and Kayode emphasised the need for a country to consider goals,resources, constraints and obstacles facing an economy, they have failed to situate them within the activities of foreign industries in Nigeria. It is only within this framework of analysis that we can sufficiently

explain the lopsided nature of the structure of industries in Nigeria and the problems of raw materials that have developed.[47]

Although Teriba and Kayode used figures and data to show the high import dependence and low level of local value added in production activities, they needed to explicitly show the role of capital in reinforcing such structures of dependence. They have merely pointed that foreign control of the economy is strong, but have not explained how it has been possible for such control to be facilitated and maintained. A proper exposition of this must take into consideration the motive behind the extention of MNC's operations in Nigeria as to be able to determine why they have influenced the structure of production and production processes. Why MNC's are in the third world and why export processing was maintained until 1940's ? What explains the shift towards import substitution industrialization strategy? These can only be understood within the context of imperialist activities in the Nigerian economy.

Tade Aina[48] looks into the role of the state in the industrial policies and strategies formulated in Nigeria. He argues that the state facilitated the import structure of the import substitution industrialization strategy through its various policies in the establishment of a viable industrialization strategy that would protect the interest of capital in general.

The various Development plans, particularly the 1962 - 68 plan favoured these industries which were conferred with pioneer status, enjoyed local protection, tax holiday, duty free under the guise of infant industries. The import substitution plan objective were not matched with well articulated projects and policies. The national development plan of 1962 - 68 was aimed at stimulating industry and agriculture that would contribute both directly and materially to economic growth. There was no explicit commitment to or even implicit appreciation of the need for an industralization process that would guarantee self reliance. The effect was the emergence of a manufacturing sector which had become highly dependent on imported raw materials for production activities. The emphasis placed on the importance of foreign capital in the economic development of the Nigerian economy was to determine the nature of industries that developed.

Like the above analysis, Aina points that the structure of production activities in the Nigerian economy has reduced the backward and forward linkages that would have developed if the policies andstrategies of the industrialization process take into cognisance the need to increase local value added in production activities, but the state was more concerned with ownership especially the increased participation of indigenous entrepreneurs in various aspects of the economy.

1.3.3. United Africa Company Nigeria Ltd., (UACN)

On the issue of the activities of UACN in the Nigerian economy, many theorists have tended to argue that the company has contributed to the economic development of Nigeria. Amongst the proponents of such view is Adedeji,[49] who argues that UAC contributes to the development of the Nigerian economy. The company has provided the country with a package deal of new products technology, capital and management skills, national economic welfare and employment. It has diversified its investments from distribution, services to industry, thereby alleviating the problem of poverty and low per capita income. While maintaining that UACN accumulated huge profits from its activities, such profit he affirms were invested in productive ventures. Such ventures he admits were not used to advance the progress of the country economically but have merely safeguarded its source of profits. The company's inability to transform the nation economically to be self reliant was because of the policies of the Nigerian state. For example, the attempt of Pan Electric Nigeria Ltd., a division of UACN to invite Matshushita Electrical industries, one of the leading manufacturing companies in Japan, into the country and merge their operations was dropped due to governments prohibition of such investment. The restrictions imposed on foreign interest in capital intensive projects, such as iron and steel has contributed to the technological retardation of the Nigerian economy.

While we cannot dismiss the fact that UACN can generate employment provide capital and management skills and profide new products such benefits must be quantified in terms of the implication to national self reliance and development. What is the cost of all these benefits to the economy? In terms of the restriction passed against foreign investment in capital intensive industries, we must emphasise that the profit orientation of the companies would not, stimulate the company to invest in capital goods industries which have long gestation periods. UACN's manufacturing divisions that have been allowed to invest in the country still depend on foreign production inputs without considering developing and utilising local raw materials. The argument that UACN pays high taxes and levies which were being used by the government to profide social amenities and infrastructural facilites for social and economic development should be seen within the context of the social cost. Payment of taxes and levies do not inhibit the fulfillment of UACN obligations to the country in terms of the economic development of the country. The taxes paid are not a true reflection of the total benefits accrued from the utilisation of the country's resources. Besides taxes are paid after profit not otherwise.

Ahmed Modibbo Mohammed[50] wrote on the role and activities of UACN in Nigeria, and traced the history of UACN to the pre-colonial era. The objectives of the company were commercial and its activities were directed towards the achievement of this goal. To maintain its

predominace in the Nigerian economy, the company created an indigenous class with whom it collaborates to reinforce and exerts, its control of the economy. He also explains that the state played an important role in actually supporting and protecting the company in attaining its desired goals. UACN exploited both the human and natural resources of the country and with the support of the government, it had unhindered exploitation and repatriated surplus capital out of the country. The obnoxious tax system of the state facilitated the actual subordination and exploitation of the country. The appropriated surplus capital was repatriated abroad to develop its parent companies in the metropolitan countries.

Using figures and data to show the huge sums of capital accumulated and repatriated abroad, Mohammed concludes that the presence of UACN in Nigeria has been detrimental to the development of the country. UACN has actually contributed to and reinforced Nigeria underdevelopment. The deployment of part of its accumulated capital to industrial ventures further exposes the industrial sector to severe exploitation. The parent companies determined the policy and type of industries that were set up, this was aimed at effecting a complementarity and the reinforcement of the intra-firm division of labour in the Unilever organisation. The import substitution industralization that developed was determined by UACN and its indigenous allies who were in important position and also influenced key decisions. To complement the

parent industries therefore, UACN developed industries that were actually processing and assembling consumer goods while the production processes were determined in Europe. Basic production inputs were imported from Unilever. In effect, the company lacked intersectoral linkages with other industries in Nigeria. The UACN will therefore continue to plunder and exploit both the country's human and natural resources and reiiforce Nigeria's dependence on the external world for sustenance.[51]

Among analysts who have theorised and given a concise picture of the activities of UACN relevant to the understanding of the problem of raw materials, the work of Ikenna Nzimiro[52] is worthy of mention, Nzimiro believes that foreign investors do not protect the interest of the host country that infact their interest is sustained under foreign interest. He affirms that the primary objective of UACN is to make profit. In pursuit of this it divides its operations into different economic activities fanging from trading to industry. The company exploits the eagerness of the country to start industrial activities butsecured favourable conditions which will ensure profit. It depends on parent companies for supplies of production inputs instead of developing national raw materials. This has further integrated the Nigerian economy to the world market. To fulfill its profit motivation, the company developed an indigenous class to influence decisions and exploit the workers.

Within a ten year period after Nigeria's independence UACN has part share in many companies, from Timber and plywood to cycle assembly, Cigarrettes, printed textiles, and manufacturing activities, that were main specialisation of the Unilever organisation. The manufacturing companies products are the replica of the companies that Unilever controls at the home industrial base. The products manufactured in Nigeria are products for which Unilever subsidiaries have controlling interest at home. The products manufactured are mere consumer products and not industries that can generate greater production factors in the economy. They aredeflationary consumer goods and the company gains by manufacturing locally the products that were formally imported because local production would be profitable in terms of the use of existing cheap labour which the company expoits.

The presence of UACN creates economic problems and disadvantages for the development of the Nigerian economy because UACN is a subsdiary or holding of Unilever, the parent company abroad as such, its basic interest cannot be readily identified with the economic development of the Nigerian economy. From the structure of production the prospect of Nigeria to be industrialised is far-fetched, because the structure of a trading economy is still perpetuated by the nature of production process which rely on imported raw materials. The reiforcement of such structures of production will make the development of indigenous enterprises bleak.

We agree with Nzimiro's analysis of the role and activities of UACN in Nigeria. His exposition tallies with the policy of import substitution industrialization which negates the whole policy of domestic integration and self reliance.

The Manufactuers Association of Nigeria[53] also expressed its view on the cause of the raw materials crisis facing the Nigerian industrial sector. The problem of rawmaterials should be located within the structure and strategy of industrialization in Nigeria. The Nigerian industrial sector is underdeveloped as a result of the policy of import-substitution industrialization embarked upon since independence. This has led to a situation where emphasis was placed more on growth in number and range of products that can be made assembled or finished in Nigeria, rather than to the development of inter-sectoral linkage and growth in local value added. In effect the import substitution industries became heavily dependent on imported inputs to the extent that the fortunes of the industrial sector became inextricably intertwined with the oil sector especially the revenue accruing from this sector. The Nigerian industries became vulnerable to the vagaries of international market since the major source of finance of these industries depended on the world market. With the oil glut and the foreign exchange squeeze the indsutries were deprived of basic rawmaterial inputs imported from the world market. The cut in the supplies of raw materials has

resulted in the current raw materials crisis of the Nigerian industrial sector.[54]

The various state crisis management policies have not been capable of lessening the impact of the recession on the industries because the state has failed to recognise the structural deficiency of the Nigerian industries. The cut in importation of basic raw materials through the rationing of import licences have further worsened the predicament of the Nigerian industries. Industries began to experience redundacy, high operating cost which made massive retrenchment, scarcity of goods inevitable. MAN vehemently criticised the state's tariff system as further worsening the problems encountered in the industrial sector, especially in terms of looking inward by developing and utilising local raw materials. The tariff system tended to discriminate against domestic production and may further encourage industrialists to import manufactured consumer goods. MAN therefore calls for a review of the state policied in the development of industry, investment policies towards foreign capital, industrial incentives and administration. The attainment of a self-sufficient and balanced industrial development could well be achieved through the assistance of foreign investment. Foreign and private indigenous enterprises, as argued could contribute to development only if the state polities provide an adequate and conducive investment climate.[55]

Although MAN's analysis of the main cause of the raw materials crisis brought out the structural deficiency of the import substitution industrialization strategy, it failed to look at the structural deficiency within the context of imperialist activities in the Nigerian economy. This explains its inability to locate the raw materials crisis in its historical perspective bringing out the activities and consequences of foreign and indigenous capital and the state in bringing about the recession. The problem of raw materials is a long standing penomenon, it cannot be explained exclusively in terms of the effect of oilglut and the foreign exchange squeeze on the industries and the import - substitution industrialization strategy but should be linked to the activities of foreign capital in the Nigerian economy. Furthermore MAN's crisis management recommendations are mere palliative measures and cannot solve the problem of raw materials in the Nigerian industrial sector and the Nigerian economy as a whole.

The raw materials crisis revolves round the whole structure of production activities in Nigeria. It is the crisis of imperialist domination of the Nigerian economy. The crisis, affirms, Bjorn Beckman.

> ..."exposes the contradictions inherent in the structure of Nigerian manufacturing industries which are so dependent on inputs provided from outside often from sources controlled within vertically integrated transnational firms".[56]

To this end this study shall demonstrate that the present crisis of the Nigerian industrial sector and the economy as a whole is not a recent phenomenon. We would also show that the imperialist firms and UACN in particular form major participants in bringing about the crisis. This work shall also attempt to prove that the various policies adopted by the Nigerian State cannot solve the raw materials crisis as well as the recession. If anything they are palliative measures which will further open the already recessed economy to the intrusion of foreign capital which is in itself looking for avenues for further investment.

1.4 FrameWork for Analysis:

The method of analysis that will inform our investigation into the cause of the raw materials crisis and UACN's role in it, is the marxist method of historical inquiry. This will enable us grasp the origin, direction and significance of events in a changing society such as Nigeria. This is because it is only through a marxist historical analysis that we can comprehend the different stages of the development of our society overtime. Our exposition into the role of UACN in the Nigerian recession and problem of rawmaterials can be possible only if we trace the evolution of the company from its inception into the Nigerian economy noting the elements of change brought about by the changing circumstances in the Nigerian economy, and how it has contributed to the whole problem of raw

materials. This way, we seek to avoid a static overgeneralised analysis. To understand the current rawmaterials crisis we have to begin with an indepth study of the Nigerian economy before the crisis and the role of UACN in the whole process. This is because to comprehend the current raw materials crisis, it is important to understand the historical process. In essence, this will enable us to understand the past inorder to know how we have arrived at the present and thus enable us put the current raw materials crisis into a proper perspective, which will permit us to grasp the changing nature of relations and interests in the Nigerian economy as a whole

The Marxist method of historical analysis is capable of capturing the inner logic of a development process as it unfolds through time. This approach regards society in constant motion. It cannot be understood without the specific state of development of its productive forces and the corresponding social relations of production. That society cannot be understood in isolation without relating it with the mode of production within which it exists. This is because a society cannot be comprehended independently of the forces and relations of production. It regards the economic structure of society as the decisive element in the determination of material life. Thus the economic base of a society conditions all other processes. Changes in the society are engined by struggles and contradictions between social classes.

Furthermore, social phenomena such as recesssion and imperialism can only be analysed in their relation to other phenomena in society. Capitalist crises and contraditions which are conditioned for instance by the underlying economic structure are inherent in the capitalist mode of production. In essence we have to look at 'social phenomena at the level of their interconnections with other social forces in society. With a materialist conception of history, we are able to study societal development in its motion and thus come to terms with the struggles within and among social classes which propels the society forward and the direction of its development. In the final analysis, we hold that the marxist historical method enables us to critically analyse the problem of raw materials in the recessed Nigerian economy within the global context of imperialist domination.

The marxist method has identified that profit is the main objective of the multinationals in general. In Nigeria as in most third world countries, the profit orientation of these transnational firms has posed a problem towards the intiative to integrate backwards and develop an indigenous rawmaterials source. These foreign industries have global outlook and find it cheaper to source production inputs from advanced capitalist countries. This explains why the raw materials crisis has actually persisted.

1.5 Periodization and Organisation of the Study

Although the starting point for this study is 1981 its significance lies in the fact that it was the year in which the Nigerian recession was officially acknowledged even though traces of the recession were obvious from 1978 as evidenced by General Obasanjo's austerity measures. We start our analysis of the Nigerian recession from the precolonial era as this was the period when capital had entrenched itself in the Nigerian subsistence economomy, most especially the activities of imperialist trading firms, such as UACN, CFAO, and Lever Brothers. The intention here is to shed light on the activities of the imperialist firms and the Nigerian State in bringing about the raw materials crisis. Through such an analysis, it is hoped that the issues involved will be adequately appreciated.

The work is divided into six chapters. The first chapter is introductory. It also states the research problem as well as the conceptual framework of the study Chapter two gives a history analysis of the development of the Nigerian economy from the precolonial economy to the present. With a view to providing the background to a fuller understanding of the main features of the Nigerian economy relevant to an understanding of the problem of raw materials in Nigeria. Having established the basis for the occurence of the recession in the Nigerian economy, the third chapter will examine the nature of the industrialization process that unfold at the close of decolonisation.

This will enable us examine the lopsided development of the industries that emerged which Further contributed to the problem of rawmaterials in the industrial sector and the Nigerian economy as a whole. This is important because it would enable us to spell out in details the origin of the current raw materials crisis. We would also examine the various states policies at solving the Nigeria recession.

We would proceed in chapter four to trace the historical evolution of the UACN, for an understanding of its activities in the Nigerian economy before and during the economic crisis. We would show how between 1879 and 1957, the activities of UACN and its local allies supported by the colonial state have combined to establish the basis for the rawmaterials crisis. We would also examine the impact of the recession and particularly the raw materials crisis on UACN economic activity and how the company is coping with it.

The fifth chapter is an empirical analysis of the activities of UACN and its pattern of industrial production with particular focus on two of its manufacturing division A.J. Seward Nigeria Ltd., and Foods Nigeria Ltd., This would serve as a basis for understanding the process of industrial production and how this has contributed to the problem of rawmaterials and the Nigerian economic crisis as a whole. The sixth and final chapter is devoted to a summary of our findings and recommendations for future research.

1.6 Data Collection

To attain the aim of this research study, the main methodology would be empirical analysis. This will include interviews conducted with Manufacturers Association of Nigeria (MAN) on the cause of the raw material crisis. Formal and informal interviews will be conducted with UACN employees and employers on the production processes of the company and the impact of the recession on the company. We would rely on information on UACN's view of the crisis and the various reactions of the company on the state policies at solving the recession.

We would also rely on documentary analysis such as the literature on the structure of the Nigerian economy in relation to the national objective towards industrialization. Books and articles will also be reviewed on the industrial development in Nigeria, the import substitution industrialization strategies and policies, relevant to the problem of raw materials in the Nigerian economy.

These shall be supplemented by relevant materials from the UACN and other academic journals margazines, periodicals and bulletins, newspaper articles and unpublished works relevant to the study.

Footnotes

1. Gunilla Andrae and Bjorn Beckman "Industry goes Farming? The Nigerian Rawmaterials crisis and the case of Textiles and Cotton". Paper presented to the seminar on the Nigeria economy and society, since the Berlin conference, 1884 - 1985, FASS, ABU 11 - 15 November, 1985

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CHAPTER TWO

THE DEVELOPMENT OF THE NIGERIAN ECONOMY

Introduction

In chapter one, we analysed some of the leading perspectives to the understanding of the current recession and problem of raw materials in the Nigerian economy. From the literature it is indicated that contrary to the positions of many analysts and the Nigerian government, the raw materials crisis is not a recent phenomenon caused by the oilglut or the mismanaged nature of the economy or even as a result of the way some unscrupulous individuals looted and repatriated the country's wealth to the metropolitan countries and the fiscal measures embarked upon by the Nigerian state. In as much as we recognise the contributions of these variables to the crisis, the root cause of the raw materials crisis should be traced in its historical context. In this chapter, therefore, we will trace the historical evolution of the Nigerian economy from the precolonial modes of production to the post-colonial structure of production. Emphasis will be placed on the production activities of the evolving institutions, sources of finance and resulting class relations. This will form the basis for an understanding of the industrialization process that emerged at the close of decolonisation and the problem of raw materials.

2.1 Nigeria's Pre-Colonial Economy: Prior to the penetration of European merchant capital into West Africa, the development

of the Trans. - Atlantic Slave trade and Colonialism, West African economies, though Subsistent in production, had developed a high level of specialisation in handicraftproduction and the manufacture of a wide range of goods. Such goods included locally made cotton materials, blacksmitting of iron implements and artistic specialisation to mention a few. Apart from this agriculture was the main stay of the West African Economy, the bulk of the people were farmers ! As casely Hayford puts It,,

> ".... before the British ever came into relations with our people, we were a developed people, having our own institutions, having our own ideas of government .... Communities were not isolated nor self sufficient, Cultural and economic ties existed between them and within each group....."[2]

Putting the point firmly, Osae and Odunsi, State .....

> "....People and empires of West Africa had become experts at growing food in the forest and had found out how to recognise minerals in rocks and how to sink mines, get the Ore Smelt and work it .... they had developed a wide range of hand manufacture in many minerals....."[3]

Like in most of West African States, peoples that formed the present day Nigeria were living separately under their rulers. They operated subsistence economies and were mostly farmers. They had also discovered local manufacturers of cotton materials. Cotton production, a speciality of the Hausa City of Kano during the 1850's, was comparable to the textile industry in Europe. The Nigerian cotton had been grown and manufactured into cloth for many centuries past, Spun, hand woven in simple cloth and dyed with colours obtained from native plants. The ginning, spinning, and

weaving equipment was made of wood obtained from the natural timbers of the Southern districts of Nigeria. The raw materials and tools usually be-longed to the craftsmen and labour was provided by him and his family.[4]

Trade in pre-colonial Nigeria was by barter; however long distance trade had existed, such as the Trans-Saharan trade which linked Nigeria with North Africa. InterState trade also existed between the various centralised States as between Oyo, Benin, the Hausa States and Kanem Borno. In the Niger Delta, a network of trading centres had developed, between the hinterland and the riverine areas[5]. With the growth of trade there came a need for money. The precolonial economy had its own form of money, cowrie shells, various weights of brass, various sizes of iron bars, Cotton cloths were used. In essence the Pre-colonial economy of Nigeria was able to reproduce itself.[6]

From the fifteenth century (1495), European traders came to the West African Coast in search of a variety of commodities among which slaves increasingly, though never exclusively, predominated. West African intercontinental trade links, previously limited to the costly Saharan routes, were extended and West Africa was integrated into the expanding Euro-American economy as a supplier of precious metals agricultural commodities and labour. With the growth of trade, Slaves tended to become the sole export crop. A new partnership developed between the coastal states, Lagos kings and traders who found that they could buy metal goods and other useful goods in exchange for slaves. Henceforth trade in raw materials and manufactured goods gave way to a massive and profitable trade

in Captives and in Slaves.[8] This laid the foundation for the Trans-Atlantic Slave trade in which Nigeria's role cannot be underestimated. Nigeria, like most West African States, came to be a part of the international exchange system. This however failed to develop Nigeria's forces of production other than that of Slaves.[9]

Trade between Nigeria and the external world took a new dimension from the nineteenth century, because of the emergence of finance capital. This came about as a result of the changes in the European and particularly British Capital. Britain realised that for legitimate commerce to flourish, Slave trade needed to be abolished as this robbed the area of vital manpower for local production of agricultural produce needed in the emerging British industries and especially since this period coincided with the industrial revolution. The introduction of legitimate trade was followed by the European demand for vegetable oils and several agricultural raw materials. The system of legitimate commerce encouraged the development of peasant production of raw materials for export. However, the expansion of production was limited by the fluctuating requirements of the European market, by the high cost of transport to the coast and high profit margins in the coastal trade. It could only be developed further by the extension of cheap bulk transport, which at that time meant railways into the interior and the introduction of more competitive trading arrangements.[10]

By the Second half of the nineteenth Century the industrial revolution that started in Britain had reached its peak. This coincided with the development of foreign

capital which had begun to undergo a process of concentration and Centralization that laid the basis for its internationalisation into a global phenomenon, known as'international finace capital'. The very fact of the internationalisation of capital arose as a result of the need for the accumulation of surplus Capital. It was the need for capital to find markets for the industrial manufactures of the expanding European industries as well as areas it could secure cheap raw materials that propelled finance capital to expand to foreign markets. The need for finance capital to search for areas where it could yield greater returns is not that such capital necessarily cannot be profitably invested in the national market, the fact is that it may yield a relatively higher rate of profit elsewhere and hence third world societies became an appropriate avenue[4].

The Search for surplus Capital had cumulated into competition amongst advanced capitalist countries for the political subjugation of third world societies so as to open them up for international finance capital to realise its material interest. At the beginning of 1884 therefore a conference was called at Berlin to peacefully partition Africa without necessarily resorting to the use of arms. Britain emerged from the Berlin conference of November 1884, with most of the productive lands of West Africa. This was made possible through the activities of British trading firms operating in the delta area. One of such firms was the United Africa company Ltd., (UAC) founded in 1879 by George Taubman Guidie who was overwhelmed by the urge to secure

for Britain Political domination over the Niger Basin. It was the activities of these British firms that claimed successfully that British interest were supreme in the Niger Basin.[12]

In 1900, it became imperative for the extension of formal colonial rule in the absence of an indigenous state able and willing to guarantee foreign loans and protect foreign commercial interests. The areas that formed present day Nigeria, therefore came directly under the political control of Britain. The oil Rivers Protectorate and part of the Niger territories South of Idah were united and called the protectorate of Southern Nigeria. The areas of the Niger territories north of Idah were called the protectorate of Northern Nigeria. Lagos which was a colony since 1861 was united with Southern Nigeria to form the Lagos colony and was called the protectorate of Southern Nigeria. In 1914, Lagos colony and Protectorates of Northern and Southern Nigeria amalgamated. The era of colonial domination of the Nigerian economy had begun.[13]

2.2 <u>The Colonial Economy</u>: Colonialism ushered the Nigerian economy formally into the world capitalist market. The colonial economy was structured primarily towards the production and export of primary commodities while at the same time it became a market for manufactured commodities supplied by British industries. Colonialism paved the way for the mobilization of the forces of production to meet the requirements of the capitalist mode of production. The Nigerian precolonial mode of production had to adapt

to meet new requirements within a different structure of relations of markets institutions, and government.[14] Colonial domination of Nigeria was therefore a first step to its economic integration into international capital exchange.

Capitalist development, as Onimode puts it.

> "..... is a process of capital accumulation and the Capitalist is its decisive Social agent. This accumulation of capital as the driving force of capital development depends crucially on the generation of surplus capital." [15]

Part of the Surplus value is reinvested which enables capital to further expand and generate more surplus capital. Behind the expansion and multiplication of surplus capital is the social relations of capital and labour which is the moving force of capitalist development. It is the obsession of Capitalists to accumulate more surplus capital that defines Capital as a unit of ever expanding value and the incessant urge of capitalist to continue to accumulate wealth. To generate more surplus value explains Onimode.

> ".....Capitalist must exploit workers (Labour), Constently revolutionise his method of production and create an individual reserve army of unemployed workers for facilitating further exploitation of labour". [16]

To facilitate the expansion and consolidation of capitalist development, commodity production had to be reinforced. Capitalist production itself is not for meeting human needs or the creation of use values, but geared towards generating exchange values or surplus value. It is this structure of capitalist production that would precipitate contradictions and crises. This is because the

Capitalist system of Commodity Production, explains Bangura.....

> " ..... Contains within it the possibilities for over-production which essentially stem from the difficulties of reconciling social production with consumption, because of the existence of market relations which are established to satisfy production for profit as opposed to needs, structural crises of over production arise..."[17]

To aid the rule of capital in the colonial economy, the colonial state had to transform the precolonial institutions and class relations to enable them to be integrated into the British Political economy. Various steps were therefore taken by the colonial state to facilitate such integration. The first step was the monetarisation process. Monetarisation implies the use of money as a medium of exchange in the economy at large. A modern monetary system was developed and British pound sterling became the sole currency. British officials began to enforce the use of the British currency. The colonial government expanded wage Labour, imposed taxes and insisted on payment of taxes with this currency. The money credit system was set up with the establishment of the Bank of British West Africa in 1894. It was given the authority to issue currency, control of money and supply reserves. The West African currency Board was also established in 1912 to act as a monetary body for British colonies and was enpowered to issue a separate currency for these colonies and to manage it. By the means of such control the colonial monetary policy became on integral part of the mechanism by which the goals of the monetary policies of the British were achieved.[18]

The introduction of British currency as a common denominator in trade had the effect of enabling the major foreign firms, particularly British firms, to cope with increased transactions created by the expanded commodity production in agficulture and mining and the accumulation of capital generally. This encouraged the expansion of peasant commodity production and stimulated the development of petty commodity production.[19]

Through the production of agricultural raw materials for export, the colonial state continued to fulfill its role as the supplier of raw materials in the world market. This, however, led to complementarity and forward linkages outwards between colonial state and the British economy and the advanced capitalist countries in general[20]. The major agricultural commodities, such as cocoa, palmoil, palmkernel and groundnut were exported in crude form and were priced very low in the world market when compared with finished goods. This was possible since the colonial state decided what value was appropriate for these raw materials and peasant producers merely accepted such standard as given. Besides, it was in the interest of the colonial State to enourage the export of these raw materials in crude form, since these raw materials were needed in British industries and advanced Capitalist industries. There was a deliberate effort of capital in the colonial economy to discourage the importation of machineries to process these agricultural produce for both export and home consumption. This was in line with the policy of maintaining that the colonial economy continued to fulfill its role as a market for European manufactures and

Producers of primary raw materials to advanced Capitalist industries and British industries in particular.[21]

Furthermore, prices of primary produce are extremely volatile, as they are susceptible to the vagaries of the international capitalist market. The Nigerian cocoa for instance was virtually geared for export as domestic consumption was very small. The colonial government deliberately did not encourage machineries to be imported to process these cocoa produce for home use. The colonial state stimulated a steady supply of cocoa through its various mechanism, such as the tax system, to such an extent that the level of demand for cocoa has failed to increase proportionally. This led to a decline in world cocoa prices, aggravated by the relative inelasticity in the supply of cocoa. In return peasant farmers were further subjected to very low prices for the cocoa export. Infact, the export of cocoa and its value comes within the quota scheme controlled by the government of Great Britain.[22] Table 2.1 below shows the principal exports of the Nigerian colonial economy from 1900 - 1960 and demonstrates the value of Nigeria's raw materials as dictated by the international capitalist market. The fact that peasant producers cannot decide the value of their produce allows for exploitation in terms of offering very low prices to peasant producers.

Table 2.I

PRINCIPAL EXPORTS OF NIGERIA FROM I900 - I960

	PALM KERNEL		PALM OIL		COCOA		GROUNDNUT	
	Quantity in long tons	Value in M of £	Quantity in Long tons	value in M of £	Quantity in long tons	value in million of £	Quantity in long tons	Value in M of £
I900	85,624	234.0	45,508	I9I.0	202	2.5	599	I.0
I905	I05,822	305.0	50,562	240.0	420	5.2	790	2.0
I9I0	I72,907	686.0	76.85 I	488.0	2.232	28.0	975	3.0
I9I5	I53,3I9	474.0	72.994	409.0	9,I05	88.0	8,9I0	20.0
I920	207,0I0	60I.0	84.856	I,3I0.0	I7,I55	347.0	45,409	3I4.0
I925	272,925	I,382.0	I28.II3	I,I66.0	44,205	4I6.0	I27,226	670.0
I930	260,022	I,030.0	I33.90I	9I0.0	5[illegible]	492.00	I46.37I	675.0
I935	3I2,746	629,0	I42,628	464.0	[illegible]	444.0	I83,293	586.0
I940	235,52I	420.0	I32,723	808.0	84,737	443.0	I69.480	4I3.0
I945	292,588	978.0	II4,I99	530.0	77.004	602.0	I76,642	755.0
I950	4I5,906	I4,674.0	I73,0I0	3,380.0	99.040	5.3I6.0	3II.22I	4,266.0
I955	433,234	5,375.0	I82,I43	3,380.0	88,4I3	7,332.0	396,904	6,478.0
I960	4I8,I76	8,295.0	I83,360	3,9I50.0	I33,I76	I0,296.0	332,9I6	6,406.0

Source: Carl K Eicher and Carl Liedholm, Growth and Development of Nigerian Economy, Michigan State University Press, Michigan, I970 P. II as in Amadi, The development of Agriculture and import substitution in Nigeria, Ph.D. Thesis, Howard University Washington D.C., I973 P. 8I

The second stage of incorporation was the introduction of the tax system. Peasant farmers were taxed to force them to produce more export commodities, a strategy used during the 1930's recession to facilitate increased production of raw materials for the British industries. By the end of the recession, the tax system had become entrenched as a major instrument in the establishment of commodity production in agriculture and mineral raw materials as well as a major source of finance for the maintainance of the state apparatus and the payment of salaries of state officials.[23]

The colonial state financed production activities through the revenue collected from the export trade and taxes paid by the colonised. It was also used for the construction of communications network, railways and the development of harbours. This was essential for an easy transportation of raw materials from the interior for British industries and Europe as a whole. Infact, the construction of railways in Nigeria was in response to the pressures put on the colonial state by foreign trading firms, particularly the UAC, to enable easy transportation of agricultural raw materials to her parent companies overseas. This was also motivated by the fact that the company was involved in tin mining in Jos. The Lagos - Ibadan rail-line embarked upon in 1896

was extended to Kano in 1907 and in 1926 the rail-line from Portharcourt to Kaduna through Enugu and Jos were completed.[24] Thus the construction of communications network was therefore necessary to further facilitate colonial exploitation of the resources of the hinther land. Foreign trading firms provided the trading organisations and the colonial state the infrastructural facilities for the export of Nigeria's agricultural and mineral resources to Western Markets.

With the expansion of market relations in the Nigerian colonial economy, came the development of banking facilities to assist the foreign trading firms in their commercial activities. A prominent policy of these banks was to make the money supply dependent on the fluctuations of export incomes of the colonial state. Since the amount of money received by peasant producers and indigenous traders was determined by the value of the fluctuating export, the colonial bank merely served the mercantile firms and denied these producers direct access to bank credits. In effect the Nigerian peasant producers and traders became dependent on the foreign trading firms.[25]

To further encourage and regulate the conditions of peasant production of raw materials and mineral extraction by mine workers, the colonial state established marketing boards. According to Ake.

> ".....the marketing boards. were the institutional means for the state appropriation of the surplus value of peasant producers". [26]

These marketing boards were bestowed with the power to control the products of peasant producers, determine the choice of techniques, crop growing and prices of exports. In this way

the colonial state and the foreign trading firms had easy access to appropriate surplus value of peasant producers and mine workers. This was possible by paying producers a small fraction of the value of commodities in the world Market while the remaining was repatriated to Britain and other European countries. The Marketing boards for example, purchased groundnut from peasant farmers at £25 per ton amd sold them fof £110 per ton in Europe. They also collected palmoil at £17 per ton and sold them for £95 in the world market. By 1950, the marketing boards controlled about 85 percent of the total value of Nigeria's agricultural exports and 72 percent of total domestic exports.[27]

To maintain that the Nigerian colonial economy continue to serve as market for the manufactured commodities from British industries, the colonial state had to ensure the steady growth of imports and discouraged anything which would reduce consumption either in the form of a substitute or a competitive commodity.[28]

Table 2.2 below illustrates the impprts of cotton goods to the colonial market from 1900 - 1938. This shows that the United Kingdom Supplied approximately 31 percent of total imports of the colonial economy. Infact, importation of British cotton goods to the colonial economy earned her the bukk of her revenue. The colonial state continued to encourage and assist in the unprecendented flow of foreign capital in the import and export trade. By 1913, the value of imports to the colonial market was £6,332 in 1939, it rose to £14,625, £19,824 in 1946, £114, 069 in 1954 and in 1966 it was £256,265, while for the same period

export of commodities rose from £6,779 to £19,249, £23,739, £146,242 and £277,742 respectively.[29]

Table 2.2

Imports of Cotton goods 1900-1938 (selected years)

Year	Value in £000	% of Total Imports
1900	606	31.0
1910	1,325	22.6
1913	1,676	23;3
1920	6,102	29.4
1930	3,045	24.0
1933	1,866	29.4
1938	1,658	19.2

Source: Nigeria Administrative Report, 1925
C0657/4 and Trade Reports as in Ekundare
E. O. An Economic History of Nigeria, 1800 - 1960
Methuem Press , 1973 p. 210.

Furthermore, to integrate the colonial economy into the capitalist world economy and aid capital accumulation the colonial state had to transform the class relations of the Nigeria pre-colonial economy to adapt to the new mode of production, relations to market and political rule. To pave the way for capitalist production the colonial state created a peasantry by subordinating indigenous farmers to the requirements of capital and encouraged them to produce commodities for exchange. This however subjected peasant farmers to the international market for the value of their labour and for further reproduction. As earlier mentioned,

the system facilitated the appropriation of the surplus value of peasant producers by the colonial state and foreign trading companies.[30] Rather than invest the surplus capital in the development of modern industries similar to those in Europe, that would process the agricultural raw materials for home consumption and export, the colonial state and foreign trading companies simply encouraged only the unhindered production of produce for export.

Apart from the creation of the peasant class, the colonial state also facilitated the development of wage labour in the tin mining areas of Jos. Wage labour was also required for construction of railways, harbours and public works. The tin mines recruited workers on a seasonal basis and segregated them from the populace in mining camps.[31]

The development of the produce trade created the need for intermediaties amongst the indigenous traders, who were already familiar with the hinterland and could serve as a communication Link between the peasant farmers, the foreign firms and the colonial state. As Gavin Williams puts it.

> "..... a complex hierarchy of traders developed, linked to one another and usually to the mercantile firms by ties of credit and clientage."[32]

Independent indigenous traders were virtually frustrated in the import Export trade, unless of course they operate through these trading companies. At one point, these independent traders sought to use the native authorities and rulers to protect their own spheres of operation from the foreign companies. These traders attempted to

export cocoa directly to America and some embarked on the established of indigenous banks to promote their commercial activities and have a share in the domestic accumulation denied them by these foreign trading firms and the colonial state. Conflicts ensued between farmers and traders and among traders themselves over the boycott of imperialist firms. However majority of the peasant producers were compelled to depend on a class of indigenous middle men who served foreign capital because of the obnoxious taxes enforced by the colonial state to ensure that they produced for the reproduction of capital[33].

Under Colonial rule, all classes were dependent for their livelihood on the fluctuations of export crops at the world market. As early as 1897 the colonial wage policy led to strikes by labourers who agitated against fluctuations in their earnings.[34] In essence the colonial government subjugated the Nigeria economy to the dictates of foreign Capital. Domestic Capital though relatively immature also extracted surplus capital from the peasant producers. The colonial economy was used to develop the international capitalist economy. The economy was further geared towards producing for the external market and as well as market for industrial manufactured commodities.

2.3 The Post - Colonial Economy: Until the mid 1940's the foreign trading firms, the colonial state and indigenous traders in the Nigerian colonial economy were dependent on the exploitation of commercial opportunities through the import Export trade. Only

very limited processing of raw materials was carried out and where processing was done it was to prepare the raw materials such as palm-kernels, groundnut and cocoa for export. Although several foreign companies had sponsored a number of researches on local raw materials and introduced some form of manufacturing, such experiments were mainly geared toward the development of specific quality of basic raw materials needed for industrial production which were then processed before they were exported to Europe. This strategy as already mentioned was aimed at enforcing the role of the colonial economy in the international market but not to promote manufacturing investment in the colony.

By mid 1940's there was a shift of orientation from the raw materials economy to industrial development in the Nigerian colonial economy. According to Kilby, the emergence of overseas competitors eager to secure a footnold in the Nigerian market was to witness a reorientation towards establishing industrial ventures. The rise of cheaper Japanese imports became a threat to British firms who had to maintain their share of the Nigerian market and thus compelled them to deploy part of their accumulated capital in the establishment of autonomous manufacturing industries. The development of the import substitution industrialization strategy was therefore explained in terms of the emergence and escalation of competition in the import - export trade.[35].

On the contrary, Akeredolu-Ale affirms that Nigerian industrialization strategy should be seen in terms of the adjustment behaviour; a survival reaction to the coming

of a new pitch of economic nationalism in Nigeria. He explains that up till the early 1950's the colonial State did not initiate the growth of the industrial sector because the development of manufacturing processes would reduce the market for British manufactured commodities. The Sudden concern of the colonial state to deploy part of its accumulated capital into infrastructural facilities and industrial development should therefore be placed within a broader view of the evolving consciousness at this period which was to culminate in the final independence of Nigerian from colonial rule. There had been series of grievances from different classes of people. The indigenous middlemen were disenchanted because, of their disadvantage position in the domestic accumulation process. The colonial state had to respond to demands of these classes, by the implementation of measures that would bring relevant actors within the economy on this basis.[36]

In the light of the Kilby and Akeredolu-Ale's explanations, we must not fail to understand that the period after 1945 witnessed profound changes in the nature of world capitalism itself. This was brought about amongst many other developmentsby the predominance of Multinational Corporations engaged in direct productive investment abroad as opposed to mere portfolio capital exports. The emergence of United States hegemony and with it the policy of Multilateral imperialism supervised by the American dominated financial institutions such as the international Monetary fund (IMF), International Bank of Reconstruction and development (IBRD)

and General Agreement on Tariffs and Trade (GATT). British Polity of bilateral imperialism which characterised colorial domination began to decline. The anti-colonial struggle also began to gather momentum aided by several factors, such as the emergence of a powerful bloc of socialist countries led by the United Soviet Socialist Republic (USSR), and also the devastating effects of the world war II and the agitation within the colonies who had participated in the war and had come to realise their subordination which triggered the agitation for national liberation. The point is that these changes largely contributed to the shift to industrial development in Nigeria because tne parent industries of these foreign trading firms saw it profitable to do so at the time they began to deploy part of their accumulated capital into industrial ventures. Kilby totally failed to situate his competitive threshold hypotnesis in the context of this farreaching structural change, just as he did not give adequate recognition to the crucial role of the state in establishing the necessary conditions for capitalist industrial accumulation. Although, Akeredolu Ale recognised the role of the state in the industrial process in providing incentives to the so called pioneer industries, he failed to come to grips with the self interest of foreign companies in carrying out this industrial investment. This is because inspite of the profitablity of the import- export trade, these foreign firms had envisaged that a greater avenue was opened for them if they now invest in industrial production, especially since indigenous industries would be complementary

to those in centres of advanced capitalist countries. If the shift to industrial investment was not seen profitable foreign capital would have found another solution or simply encourage more local participation in the import-export trade.[37]

Behind the move towards investment in industrial ventures was the colonial state which had come to recognise the need for productive investments in the colony. Putting the point firmly Sharwood Smith States.

> ".....The main emphasis of the colonial state has shifted recently in accordance with the declared policy of government, more definitely in the direction of economic development than was the case in earlier years. It is becoming increasingly obvious that if the social services now being brought into being are to be maintained and extended new wealth must be created to pay for them"....[38]

The colonial state therefore started investing the capital already extracted from the revenue from export and taxed in providing infrastructural facilities such as water, electricity and transport, cheap raw materials, labour to support and consolidate industral development in the colony. The state continued to attract foreign investment by promising profit repatriation. To further aid the development of manufacturing industries in Nigeria, the state adopted a tax system, infrastructural facilities and credit incentives as well as tariff protection.[39] The aid to pioneer industries, the generous depreciation rates and a variety of tariff concessions, such as the industrial development (import duties Relief) ordinance of 1957, the industrial development (income tax Relief) Act of 1958, custom draw back regulations of 1968 and Tax Ammendment

Act of 1960.[40]

The state incentives attracted massive inflows of Multinational Corporations and a small portion of the private Nigerian capital to invest in industrail ventures. A large share of industrial investment in Nigeria were foreign owned. Uptill 1966, 70 percent of the total industrial investment in Nigeria came from private foreign sources, while private Nigerian investment was only 9.9 percent of the total industrial investment and the public sector accounted for only 17.0 percent.[41] In certain sectors like basic industrial chemicals, foreign companies exercised a 100 percent control. The same amount of control was exercised over the motor vehicle and bicycle assembly sector. Foreign capital had 84.3 percent control of the Food industry, 70.2 percent of drinks, 96 percent of metal products, 62 percent of textiles manufacturea, 90 percent of paints, 69 percent of footwear, 62.2 percent of cement and 58.3 percent of rubber products. Foreign capital also dominated the motor vehicle repairs sector to the tune of 98 percent, 68 percent of furniture and fixtures and 64 percent of vegetable oil mining, explicitly demonstrated in table 2.3 below.

Table 2.3

Total	Others	Public	Private	Total	*	
100.00	-	39.4	5.0	44.4	55.6	Metal Products
100.00	-	23.0	4.5	27.5	72. 5	Diary Products
100.00	-	-	-	-	-	Fruit Canning
100.00	-	11.3	1.2	12.5	87.5	Grain Mill Product
100.00	6.5	6.5	33.0	39.5	54.0	Bakery Products
100.00	-	-	32.8	32.8	67.2	Sugar Confectionar
100.00	-	0.7	9.4	10.1	89.2	Miscellanous food preparations
100.00	0.4	4.9	10.4	15.3	84.3	Total (Food)
100.00	-	10.0	21.0	31.0	69.0	Beer Brewing
100.00	-	14.8	-	14.8	85.2	Soft drink
100.00	-	10.4	19.4	29.8	70.2	Total (drinks)
100.00	3.8	31.0	3.3	34.3	61.9	Manufacturing Textiles
100.000	-	25.7	5.1	30.8	69.2	Foot wear
100.00	-	29.0	23.3	52.3	47.7	Wearing Apparel and made up textiles
100.00	-	-	88.9	88.9	11.1	Saw Milling and other wood products
100.00	-	6.7	25.3	32.0	68.0	Furniture and Fixtures
100.00	-	45.3	13.7	59.0	41.0	Paper products and printing.
100.00	12.1	23.1	6.5	29.6	58.3	Rubber Products
100.00	-	29.2	7.0	36.2	63.8	Vegetable oil Milling
100.00	-	-	-	-	100.00	Basic industrial Chemicals
100.00	-	5.0	5.0	10.0	90.0	Paints
100.00	-	-	2.0	2.0	98.00	Miscellaneous Chemical products
100.00	-	31.6	6.1	37.7	62.2	Cement
100.00	-	2.9	1.2	4.1	95.9	Metal Products
100.00	-	-	-	-	100,00	Motor vehicle and Bicycle Assembly
100.00	-	2.3	-	2.3	97.7	Motor vehicle Repairs
100.00	21.6	24.3	6.0	30.3	48.1	Others
100.00	3.0	17.0	9.9	26.9	70.1	TOTAL

* = Private non Nigerian

+ = Nigerian

Source = Industrial survey of Nigeria, 1966 in Akeredolu Ale E.O. = The competitive Threshold hypothesis and Nigerias Industrial Process, Ibid PP 58 - 59

Before the attainment of political independence the Nigerian economy had transcended the raw materials economy that is the predominance of petty commodity production for export to an economy which is able to produce for domestic and external demands. In essence, the economy had matured to support and serve the advanced capitalist industries and thus become fully integrated into the capitalist world economy.[42] The development of industrial activities in the Nigerian economy coincided with the emergence of increased political awareness. The indigenous middlemen and traders, the most politically conscious class sought to improve their commercial positions and partake in the domestic accumulation controlled by the foreign companies and the Nigerian State. These class of traders and middlemen were joined by the class of educated Nigerians who wanted to occupy top management and Civil Service Posts. The peasantry and working class were not left out. They had experienced colonial exploitative rule and were all in support of the end to colonial domination.[43]

The transition from the colonial to the post colonial economy required the transfer of state authority into indigenous hands. The British government had groomed a stratum of the domestic bourgeoisie to take over from the

erst - while colonial administrators and thus ensured the continued domination of the Nigerian economy by international capital. At independence, the colonial economy had matured and now contains all the manifest features of the capitalist mode of production. Stressing the point further Bangura States,

> ".....Nigeria has a micro-cosm of the agencies that operate in the world capitalist economy and the structure of property relations in the modern sector is similar to those of the world economy"[44]

The syndrome of dependence maintained during colonial rule was imposed on the post-colonial economy and the industrial sector. Thus at independence, the Nigerian economy had matured to incorporate manufacturing processes complementary to the advanced capitalist industries.[45]

Furthermore, the decolonisation period witnessed the gradual growth in other sectors of the Nigerian economy other than agriculture, mining and investment in industrial ventures. The predominance of agricultural development, raw materials and minerals began to give way to the emergence of crude-oil as the dominant export commodity. Although the agricultural sector continued to dominate its share of gross domestic product at 1962 factor costs declined from 66 percent in 1958/59 to 55percent in 1966/67. The Share of crudeoil in the gross domestic product increased from 9 percent in 1958/59 to 19 percent in 1966/67.[46] Table 2.4 illustrates the growth in crudeoil production from 1958 to 1980. From 1958 when production started, crudeoil output consistently increased. In 1958 production was 1,876.062 barrels and by 1967 it had risen to 116,553,292 barrels. The civil war interrupted production

and it fell to 51,907,304 in 1968. It rose again in 1969 to 197,204,486 and by 1970, it recorded 395,835,689 barrels. At its peak oil accounted for about 90 percent of Nigeria's foreign exchange earnings compared to 1960 when it controlled only 2.7 percent of foreign exchange, in 1970 it provided 57.6 percent and by 1973, it had risen to 82.7 percent.[47]

TABLE 2.4

NIGERIA'S CRUDEOIL PRODUCTION FROM 1958 to 1980

Year	Prod in barrels	Year	Prod in barrels	Year	Prod. in barrels
1958	1,876,062	1966	152,428,168	1974	823,317,838
1959	4,095,611	1967	116,553,292	1975	651,506,761
1960	6,367,187	1968	51,907,304	1976	758,058,380
1961	16,801,896	1969	197,204,486	1977	766,053,944
1962	24,623,691	1970	395,835,689	1978	692,269,121
1963	27,913,479	1971	558,678,882	1979	842,474,109
1964	43,996,895	1972	643,206,605	1980	754,620,497
1965	99,353,794	1973	750,593,415		

Source: Annual Abstract of statistics, Lagos, 1981 P. 83, CBN Annual Report and statement of Accounts, December, 1980 as in Olukoshi A.O. The Multinational Corporation and Industrialization in Nigeria, Ph.D. Thesis, The University of Leads, September, 1986 P. 132.

Table 2.5 clearly brings out the share of agricultural products and crudeoil in Nigeria's export. It shows the sudden leap of crudeoil from 2.7 percent of exports in 1960 to 57.6 percent of Nigeria's export in 1970 while

agricultural commodities which controlled 75.8 percent of total exports had declined to 28.6% of Nigeria's export by 1970.

TABLE 2.5

Share of Agricultural Products and Crudeoil in Nigerias export Between 1960 and 1970

Year	Agricultural Exports Quantity in tonnes	Value in NM	Share of Exports	Petroleum Exports Quantity *Barrels in M.	Value in NM	% share of Exports
1960	1,218.0	25.0	75.8	5.2	8.8	2.7
1965	1,506.0	289.0	58.9	81.3	136.2	25.9
1970	799.1	253.1	28.6	324.5	510.0	57.6

i * Quantity = in thousands tonnes (agriculture)
Barrels in million (crudeoil)

ii Share of Exports = Percentage of total exports

iii a include cocoa, cotton, groundut, palmoil palmkernel and rubber.

Source: Derived from the World Bank, Nigeria's option for long-term development 'Report of a mission sent to Nigeria' (Baltimore) The John Hopkins University Press, PP 213 - 214.

With the emergence of the petroleum economy, the agrarian structure of production was severely undermined. Sharing a similar view, Rauf Mustapha explains that the rise of the petroleum economy indicates the shift away from the agrarian basis of accumulation because...

"..... When the groundnut licensed buying agency was abolished in early 1983 by the groundnut marketing board not a murmur of protest was heard. It was precisely this agency that was so coveted and prized by the colonial trading companies and later the African Petty-bourgerisie, an indication of the centrality of the appropriation of peasant surplus in the accumulation process at that time....."[48]

In 1974, Nigeria earned more than ₦4 billion from crudeoil sales as against ₦17.0 million in 1961/62, ₦75 million in 1972 and by 1980, the earnings from crudeoil had risen to ₦13,123 billion and reached $14.3 billion in 1982. The increase in the revenue from crude oil is brought out in Table 2.6 below.

TABLE 2.6

NIGERIA'S REVENUE FROM CRUDEOIL

YEAR	MILLION ₦	YEAR	MILLION ₦
1958/59	0.2	1971	603,0
1959/60	3.4	1972	735.0
1960/61	2.4	1973	1,368.6
1961/62	17.0	1974	4,184.0
1962/63	17.0	1975	4,568.0
1963/64	10.0	1976	4,834.0
1964/65	16.0	1977	6,299.0
1965/66 ≠	29.2	1978	5,183.7
1966/67 ≠	45.0	1979	10,433.0
1967/68 ≠	41.8	1980	13,123.0
1968/69 ≠	29.6	1981*	$10.4
1969/70 ≠	75.4	1982*	$14.3
1970 ≠	176.4	1983*	$9.6

i. * in billion dollars

ii. Key ≠ is grown years
Sources: Annual statistical Bullettin 1980 ii NNPC Monthly information and Shehu Shagari 22nd and 23rd National Day Address, 1982 and 1983 as in Falola and Ihonvbere 'The The Rise and Fall of the second Republic Opcit P. 87

Throughout the period under review the petroleum sector was dominated by foreign oil companies such as shell BP, Mobil oil company, Texas oil company (Texaco) to mention a few. By 1962, Shell BP alone contributed about 50.19 percent of total oil output only recently did the state increase its participation in the oil industry. By 1979 the state had acquired about 60 percent shares in all the companies except in Shell BP in which it has 80 percent participation interest by August 1, 1979.[49]

As in the colonial raw materials economy the bulk of crudeoil production was geared towards the external market. The Nigerian Petroleum is exported in crude form to be processed in the advanced capitalist industries which is then imported into the country for local and industrial consumption. This is because the Nigerian industries have been structured in such a way as to make them dependent on processed petroleum products imported from advanced capitalist countries. Thus domestic industries only manufacture processed imported raw materials.

The revenue generated from crudeoil export was used to finance basic industrial raw materials inputs and consumer commodities imported from the world market. The revenue from crudeoil was also used to finance government expenditure, state projects such as the Green Revolution Programme, River Basin Projects, the construction of Aladja Steel Mill of about 7.6 million and the massive importation of food items. In 1979 revenue on food imports rose from ₦18.8m to ₦1.16billion in 1980 and by 1981, it has

risen to ₦1.86 billion in the first nine months a rise of over 100 percent in less than three years.[50] The revenue from oil facilitated an upsurge in state's expenditure in the 1970's. It reached a point when the state expenditure began to increase more than the total revenue of the state.

TABLE 2.7

NIGERIA'S REVENUE AND GOVERNMENT EXPENDITURE IN MILLION ₦ FROM 1975 - 1980

Year	1975	1976	1977	1978	1979	1980
A Total Revenue in Million ₦	5,514.7	6,765.0	8,042.4	7,469.3	10,913.5	15,234.0
B Government Expenditure in Million ₦	8,258.0	9,701.5	11,695.3	12.339.1	13.291.5	23.695.7

Source: A/B Central Bank of Nigeria, Economic and Fiancial Review, Vol. 21, No. 1, March 1983 in Bangura Y. Crises in Sierra Leone and Nigeria. OP cit pp. 11 - 12

Table 2.7 shows the total revenue of the Nigerian economy and the high increase in government expenditure from 1975 to 1980. In 1975, total revenue had increased from ₦5,514.7 to ₦15,234.0 with an unprecedented increase in government expenditure from ₦8,258.0 in 1975 to ₦23,695.7 in 1980. This demonstrates the inability of the Nigerian State to keep its spending in accordance with the inflow of money into the economy. It is this structure of high spending of the state that was to culminate in the balance of payment deficits incurred in the early 1980's. Majority of the state revenue was also used to finance the import - substitution industrialization strategy introduced at the close of the decolonization era in Nigeria.

In the next chapter emphasis will be placed on the nature of the import substitution industrialization strategy that developed. We will show the impact of the oil revenue on the industrial process, relevant to an understanding of the problem of raw materials. The various crisis management measures employed by the state will also be examined.

FOOT NOTES

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4. Okundare R. O. : An Economic History of Nigeria 1800 1960, Methuam publishers, 1973 pp 16 - 41.

5. Hopkins A.G.: An Economic History of West Africa, London 1973, as in Gavin Williams: State and Society in Nigeria P. 24, in C Meillaseux. Introduction to the development of indigenous Trade and Markets in West Africa, Oxford University Press 1987.

6. Gavin Williams: State and Society. Ibid P. 24

7. Basil Davidson el al: The Growth of African Civilization, op cit P. 182

8a Gavin Williams: State and Society. Ibid

9. Ibid

10. Ibid P. 26

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12. Abiola E. O. : A Textbook of West African History Omolayo Standard Press and BOokshops Co Nigeria Ltd., Nigeria 1978 P. 129.

13. Ibid PP. 130 - 132. The Niger Company was bestowed the authority to rule and cordinate trading activities in Nigeria for fourteen years 1886 - 1899, before the Colonial State took over.

14. Gavin Williams: State and Society in Nigeria .. Op cit P. 29

15. Onimode Bade: An Introduction to Marxist Political Economy, Zed Books Ltd. London 1985 P. 162

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34. Ibid

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CHAPTER THREE

Industrialization and the Raw Materials Crisis.

Introduction

This Chapter will discuss the nature, structure, ownership and the linkages of the industrial sector with the rest of the economy. This will enable us come to grips with the problem of raw materials as it affects the industrial sector. We will also examine the current recession particularly the problem of raw materials and attempts by the state to solve it.

In the context of this study the term raw materials shall refer to as earth raw materials such as extractive materials derived from agriculture, forestry, mining and processed or and semi-processed goods. Processed raw materials have shed many of the constraints of weight bulk and perishability. However, we must understand that for some industrialists it refers to primary materials in the raw stage, agricultural commodities. For others it refers to intermediate goods that have already passed through the initial manufacturing processing as iron ingots, billets, alluminium, rasins, paper pulp, chemicals that need further transformation to become consumer goods. While some refer to a finished good which becomes an ingredient or component of another product as sugar to softdrinks, nuts, Milk Solids to icecreams and bolts, staples upholstery to furniture, industry transistors, capacitors and diodes to electronicindustry flator long steel to engineering industries. Because of the varied nature of what constitutes raw materials policies aimed at developing them locally are bound to be different.[1]

3.1 Import - Substitution Industrialization:- The emergence of the crudeoil sector and the massive revenue generated precipitated the upsurge of industries and the intensification of the import - substitution industrialization process as both transnational companies and private domestic capital sought to maintain a foothold in the expanding domestic market. The import - substitution industrialization strategy developed during the colonial era was further consolidated by the oil boom of the 1970's. The role of capital, foreign and local and the Nigerian state cannot be underestimated. The post colonial state continued to facilitate the conditions for capital accumulation in the industrial sector and the Nigerian economy as a whole. This was necessary since the Nigerian economy is an extension of the colonial structure of production except that new modern sectors had developed away from the colonial raw materials economy, to enforce Nigeria's complementarity with advanced capitalist countries and as an integral part of the world capitalist economy.[2]

The import - Substitution industrialization strategy was based on the framework that given the structure of the domestic demand and the existence of a ready made market for consumer goods, industrial activity will begin first with the manufacture of finished consumer goods which are products with relatively simple technology and labour intensive. Industries were established to produce locally those consumer goods that were formally imported into the Nigerian economy. The industrial policy was thus referred to as inward looking strategy aimed at reducing the colonial economic pattern of supplying rawmaterials to advanced

capitalist countries and of importing manufactured products in return as a ~~per~~ perpetuation of economic dependence but as the basis by which the Nigerian economy can articulate itself within global capitalist relations.[3] Putting the point more firmly Mukhtar Ahmed explains

> "..... This inward looking strategy involves the process of industrialisation which is tailored to the potential as well as known requirements of a ready-made market and in its early stages is usually limited to the replacement of imports of non-durable consumer goods which can be produced with unskilled and semi skilled labour with little or no application of advanced technological method...."[4]

This structure of production process es was necessary as earlier mentioned to reinforce Nigeria's role in the international capitalist division of labour as a complementary part of the whole process of capitalist circuit of reproduction. The Nigerian industrial sector had to serve advanced capitalist industries in terms of providing avenues for commodities as rawmaterials, spareparts, machines produced in these industries. Evidence revealed that inspite of the massive revenue from oil which was used to finance the industrial sector, the Nigerian import-substitution industrialization strategy was unable to move beyond the initial stages of industrial production but has developed an irreconciliable flare for imported production inputs rather than transcend its early labour intensive and mere assembly type production processes.

Table 3.1 reveals that between 1963-1972, the share of industries engaging in low technology activities continue to rise from 56.0% to 75.8% of total invested

capital in manufacturing, in 1963 and 1972 respectively. Investment in agro industries declines while high technology activities increased from 0.9% to 12.2% between 1963 and 1972.

TABLE 3.1

Types of Investment in the Manufacturing Sector 1965-72

(% based on total investment capital)

Year	Agro-Indust. Activities %	Low Tech Manft. %	High Tech Manft. %	Miscellaneous Including assembly activities -	$ Million
1963	-	56.0	0.9	-	110.6
1964	-	-	-	-	-
1965	17.1	67.5	1.5	13.9	180.1
1966	16.8	69.2	4.1	9.9	123.8
1967	20.3	65.4	6.4	7.9	160.0
1968	17.2	74.8	3.3	4.7	171.5
1969	15.9	78.8	4.0	1.3	222.3
1970	16.9	75.8	3.1	4.2	2257.0
1971	11.5	77.6	10.2	0.8	457.1
1972	11.2	75.8	12.2	0.8	580.6

Source: Industry Survey of Nigeria, Federal Office of statistics, Lagos as in Onimode el al. Multinational Corporations in Nigeria, Ibadan, Les-Shyraden Nigeria Ltd, 1983 P. 51.

The dominance of low technology industries in the Nigerian import-substitution strategy further confirms the policy of capital towards maintaining that Nigerian industries and the Nigerian economy as a whole remain a source of market for commodities turned out from the

advanced capitalist industries. This further explains why inspite of the emphasis on industrial development, Nigerian industries have largely been dependent on imported raw materials, spare parts and machineries. The implication of this was that, although the manufacturing sector of the Nigerian economy experienced rapid rate of growth in the post 1945 period and especially in the 1970's as a result of the oil-boom, the level of local value added was generally low. Putting the point more firmly Bangura explains, Nigerian industries were import dependent because,

> ".....the choice of products suggested that no new research would be undertaken since the technology for these goods had been standardised by foreign companies and the production techniques are simply transferred into the Nigerian industries..."[5]

In effect most of these industries rely on their parent companies abroad for basic production inputs. What we have for an import substitution industrialization strategy were infact industries made to manufacture only processed raw materials from the advanced economies. The point is that many industries in Nigeria lack the technology to process these raw materials and there has been the absence of domestic industries specialising in the production of spare parts and machineries. The supply of these vital production inputs has always come from the international capitalist market.[6]

Further-more out-put of the manufacturing sector was dominated over the years by a few light industries producing consumer goods namely food, beverages, textiles, tobacco and coal using low technology. High technology activities like production of basic iron and steel industries

chemicals, electrical appliances machinery and transport equipment are essentially few or non-existent. Many of the manufacturing activities employing high technology are mere local assembly of completely knocked down (CKd) parts imported from the Western Countries. These include, the local vehicle assembly plants like peugeot and volkswagen, Leyland Nigeria Ltd., Bedford Motors, Tractor and Equipment division of UAC.[7] These industries consume imported raw materials of about 96 percent of the gross output value. The share of imports to total industrial supply is very high, being 99 percent and 94 percent for industrial and agricultural machinery respectively. Household electrical appliances is 94 percent, shipbuilding 89 percent, basic industrial chemicals, fertilisers and pesticides 89 percent add weaving apparel 89 percent. There is a high proportion of imported raw materials to total manufactured consumer goods. The ratio of imports to total raw materials ranges from 63 percent for sugar and Chocolate Confectionery, 92 percent for bakery products[8].

Table 3.2 shows the import dependence of selected industries in Nigeria. With the exception of bicycle assembly all the items below contribute significantly to the Nigerian economy in terms of local value added even though they depend to a considerable extent on imported raw materials, spareparts and machinery. However, more than 45 percent of the value of Nigeria's out put is accounted for by the cost of imported raw materials, which continue to frustrate attempts at a self reliant and autonomous industrial development in Nigeria.

TABLE 3.2

IMPORT DEPENDENCE OF SELECTED INDUSTRIES

Industry	Import-dependence	Local value added
Metal Manufacture	41.4%	42.1%
Tobacco	30.2%	64.8%
Printing and Publishing	26.2%	58.4%
Perfumes and cosmetics	54.4%	32.7%
Bicycle Assembly	88.2%	5.9%

Source: World Bank Mission, visit to Nigeria in 1965 as in Teriba and Kayode: Industrial Development in Nigeria, Ibadan University Press, 1977 P. 288

Table 3.3. illustrates the imported raw materials component of manufacturing in Nigeria. The import content of the manufacturing sector is very high with almost 34% of the total value of required raw materials being imported. On the average while for the technical groups, such as basic industrial chemicals, glass products and made up textiles, the import component of raw materials is about 90%.

TABLE 3.3

Imported Raw Materials Component of Manufacturing in Nig.

Industry Group	Imported Raw materials/ Total Raw materials
Meat Products	27.90
Daily Products	40.85
Fruit canning and Preserving	1,00
Vegetable oil Milling	-
Grain Mill Products	99.75
Bakery Products	8.60

TABLE 3.3 Continued.

Industry Group	Imported Raw Materials/ Total Raw materials
Sugar Factory	13.0
Sugar and Chocolate confectionary	14.25
Miscellaneous food preparation	60.35
Animal Feeds	35.70
Spirit distillery	0.10
Beer Brewing	46.0
Soft Drinks	45.55
Tobacco	7.40
Spinning weaving and finishing textiles	29 .60
Made up texitile goods not wearing apparel	79.65
Wearing Apparel	51.0
Knitted goods	91.35
Tanning	20.20
Travel goods	50.85
Leather Footwear	0.03
Manufacture of Carpets and Rugs	100.0
Sawmilling	1.60
Wooden furniture and fixture	23.75
Paper containers, paper boxes and paper bound.	44.95
Other paper products	-
Printing	26.75
Basic industrial chemicals	87.30
Fertilisers and pesticides	43.50
Paints	28.85

Source: Federation of Nigeria, 3rd National Development 1975-80 P. 148 in O. Teriba el al : The structure of Manufacturing industry in Nigeria Ibadan University Press, Nigeria 1981, p. 26.

Table 3.4 and 3.5 below present a detailed picture of the dynamics and shifts in the structure of production over the 1973/74 - 82 period. Emerging from this illustration is the fact that the overall growth performance of the economy during this period was unimpressive in spite of the development of modern sectors similar to those of advanced capitalism and also the massive revenue. generated from the crudeoil sector in financing basic production inputs. The gross product recorded an average annual growth rate of only 2.4% in real terms. Assuming that the country's population was growing at the rate of 2.5% per annum during this period, this growth performance of the economy represented a negative rate of growth of the real per capital gross domestic product of 0.1%. Notably, this overall growth performance of the economy was characterised by extreme imbalances in its structure of production. Evidentis the fact that while the agricultural and crude oil sectors declined absolutely and relatively, Such active sectors as the manufcturing, building and construction, transport services including wholesale and retail trade, finance and insurance began to increase. Agriculture and crudeoil also achieved negative average annual growth rates of 1.5% and 2.6% respectively. Gross domestic production not only recorded negative rates of growth for 1978, 1981 and 1982 but most other production activity sectors

Table 3.4

NIGERIA GROWTH OF GROSS DOMESTIC PRODUCT BY PRODUCTION ACTIVITY SECTOR AT 1973/74 FACTOR COST

PRODUCTION ACTIVITY SECTOR	N M / %	73/74	1974/75	1975/76	1973/74 - 1982. 1976/77	1977/78	1978/79	1979/80	1980	1981	1982	Average Annual Growth Rate over 73/74 period
AGRICULTURE.	N M	31386	3471.6	3103.5	2914.6	3240.5	2948.2	2857.3	2748.0	2861.0	2613.0	
	%	-	10.6	-10.6	-6.1	11.2	-9.0	-3.1	-3.8	4.1	-8.7	-1.5
INDUSTRY	N M	41307	4351.7	4043.8	5049.5	5461.5	5260.0	5686.3	5923.2	5631.4	5582.5	
	%	-	5.4	-7.1	24.9	8.2	-3.7	8.1	4.2	-4.1	-0.9	3.4
MANUFACTURING*	NM	4961.9	480.5	593.8	732.4	778.1	890.0	955.0	1123.3	1255.2	1239.3	
	%	-	-3.3	23.3	23.6	6.2	14.4	7.3	17.6	11.7	-1.3	10.0
CRUDE PETROLEUM*	NM	1823.1	2037.3	1576.3	1873.1	1898.0	1731.0	2016.5	1855.9	1266.8	1222.0	
	%	-	11.8	-22.6	18.8	1.3	-8.8	16.5	-8.0	-31.7	-3.5	-2.6
BUILDING & CONSTRUCTION	NM	1123.21	1131.70	1129.66	1490.99	1748.40	1581.21	1624.51	1786.46	1873.14	1786.02	
	%	-	0.8	-0.2	32.5	16.8	-9.6	2.7	10.0	4.9	-4.7	5.3
SERVICE	NM	3721.4	4124.4	5116.7	5387.7	5784.7	5488.2	5797.1	5883.4	5757.7	5640.2	
	%	-	10.8	21.1	5.3	7.4	-5.4	5.6	1.5	-2.1	-2.0	4.6
TRANSPORT	NM	418.15	417.94	431.85	448.96	463.90	493.83	531.11	591.19	661.15	749.03	
	-		-0.1	3.3	4.0	3.3	6.5	7.5	11.3	11.8	13.3	6.1
WHOLE SALE & RETAIL TRADE	NM	2197.07	2341.40	2672.32	2865.52	3164.35	2898.76	3229.62	3297.68	3233.49	2992.26	
	%	-	6.6	14.1	7.2	10.4	-8.4	11.4	0.2	-0.1	-7.5	3.4
FINANCE & INSURANCE	NM	140.45	268.60	385.14	409.75	463.50	499.50	517.33	538,09	558.56	607.78	
	%	-	91.2	43.4	6.4	13.1	7.7	3.6	4.0	3.8	8.8	18.2
HOUSING	NM	625.94	729.23	764.28	777.44	789.05	783.86	785.96	796.34	806.88	792.13	
	%	-	16.5	4.8	1.7	1.5	-0.7	0.3	1.3	1.3	91.8	2..5
GOVERNMENT	NM	664.41	685.58	1181.18	1225.70	1252.33	1077.56	1128.94	1168.77	1208.22	9.88.85	
	%	-	3.2	72.3	3.4	2.2.	-14.0	4.8	3.5	3.4	-18.2	6.1
REAL ESTATE&PROF SERVICES	N M	61.06	65.59	76.97	70.89	774.79	78.83	79.01	8.90	83.63	85.73	
	%	-	7.4	17.4	-7.9	5.5	5.4	0.2	2.4	3.4	2.5	3.6
GROSS DOMESTIC PRODUCT	N M	10990.7	11947.7	12264.0	13351.8	14486.7	13696.4	14340.7	14554.6	14250.4	13835.7	
	%	-	8,7	2,6	8,9	8,5	-5.5	4.7	1.5	-2.1	-2.9	2.4

Note: * Crude Petroleum and Manufacturing are parts of the industrial sector and are shown only as subsets of that sector..

Source: Calculated from Federal Office of statistics, Lagos, National Accounts of Nigeria, 1973-82 in Ekurhare B.U: Recent Pattern of Accumulation in the Nigerian Economy, The Nigerian Journal of political Economy, Vol. 2, 1984. P. 55.

TABLE 3.5

NIGERIA DISTRIBUTION OF GROSS DOMESTIC PRODUCT BY PRODUCTION ACTIVITY SECTOR AT 1973/74 (FACTOR COST (%) 1973/74 - 82.

PRODUCTION ACTIVITY SECTOR	1973/74	74/75	1975/7	676/77	1977/78	78/79/80	80	1981	82
AAGRICULTURE	28.54	29.05	25.31	21.83	22.37	21.[illegible]	19.92	19.88	18.68	19.01
INDUSTRY	39.60	36.41	32.95	37.83	37.70	39.1[illegible]	39.6	40.70	39.51	40.65
CRUDEPETROLEUM *	16.59	17.05	12.85	14.03	13.10	12.64	14.06	12.05	8.89	8.91
MANUFACTURING *	4.52	4.02	4.84	5.49	5.37	6.50	6.66	7.72	8.81	9.03
BUILDING & CONSTRUCTION	10.22	9.47	9.21	11.21	12.07	112.28	11.33	12.28	13.14	13.00
SERVICES	33.86	34.54	41.74	40.34	39.93	39.33	40.43	42.42	41.81	40.34
TRANSPORT	3.8	3.6	3.5	3.4	3.2	3.6	3.7	4.1	4.6	5.5
WHOLE SALE & RETAILS TRADE *	19.9	10.6	21.7	21.46	21.84	21.16	22.52	22.25	22.69	21.78
FINANCE & INSURANCE	1.3	2.3	3.1	3.1	3.22	3.6	3.6	3.7	3.9	4.4
REAL ESTATE AND PROFESSIONAL SERVICES	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6
HOUSING	5.7	6.1	6.2	5.8	5.5	5.7	5.5	5.5	5.7	5.8
GOVERNMENT *	6.0	5.7	9.6	9.2	8.6	7.9	7.9	8.0	8.5	7.3

Note *: Crude Petroleum, building and construction, manufacturing are parts of the industrial sector and are shown only as subsets of that sector. Similarly wholesale and retail trade and government services are subsets of the services sector. The agriculture, industry and services will therefore sum up to 100 percent in respect of each corresponding year.

Source: Calculated from Federal Office of statistic Lagos, National Accounts of Nigeria 1973/74 - 1982 in Ekurhare Ibid P. 55

registered negative rates of growth for these years. This fact further demonstrates the lopsided structure of production in the Nigerian industrial sector and the economy as a whole. The import dependence of major sectors of the Nigerian economy has resulted in the disarticulation of these sectors in such a way as to result into a low level of local value added and forward and backward linkages. The active agencies behind this uneven development are the Multinational capital andprivate domestic capital supported by the Nigerian State.

Table 3.6 illustrates the contribution of manufacturing to Nigerian Gross domestic prdduct from 1960 - 1980. The contribution of this sector to gross domestic product is very low inspite of the massive influx of foreign exchange into this sector. The share of manufacturing as a percentage of G.D.P was 3.4% in 1960 and 5.2% in 1970. Manufacturing output measured at 1984 constant prices rose from ₦216.4m in 1960 to ₦216.4m in 1977, a growth of about 52%. Although the value dropped to ₦778.1m in 1978, it recovered to ₦955.0m by 1980. Manufacturing output as a percentage of the gross doemstic product was only generally small and has remained stagnant over 21 years. The maximum contribution of manufacturing to the GDP was about 7%, the average contribution was 5%.

TABLE 3.6:

Contribution of Manufacturing to Nig's G.D.P 1960-80

Fiscal Year ending March	Manufacturing output ₦m 1974 constant prices	G.D.P ₦M 1974 constant prices	Manufacturing as % of G.D.P
1960	216.4	6,322.8	3.4
1961	242.2	6,352.2	3.8
1962	288.2	6,652.5	4.3
1963	291.6	7,210.4	4.0
1964	299.2	7,401.1	4.0
1965	348.2	7,803.6	4.5
1966	349.1	7,550.7	4.6
1967	299.4	6,384.3	4.7
1968	315.7	6,308.4	5.0
1969	415.0	7,999.2	5.2
1970	530.7	10,542.6	5.2
1971	514.1	11,542.6	4.4
1972	632.2	11,929.8	5.3
1973	700.2	12,585.0	5.6
1974	911.2	13,915.1	6.5
1975	924.6	13,652.7	6.8
1976	1,124.9	15,309.7	7.3
1977	1,127.5	16,137.8	5.3
1978	778.1	14,749.2	6.4
1979	890.1	13,966.9	6.5
1980	955.0	14,618.4	6.5

Source: Federal Office of statistics - Nigerian Gross Domestic product and allied Macro aggregates 1973/74 - 1981 Vol No 1 April 1982 P. 2.

3.2 The Industrial Sector and the Raw Materials Crisis

The World Capitalist recession started in the early 1970's in the United States of America and by 1975 - 76 it had engulfed other European economies, affected Japan and most underdeveloped economics in the late 1970's. It did not affect the Nigerian economy precisely because the country was enjoying the oil boom as the revenue from crudeoil export quadrupled increasing the country's income from ₦4.733b in 1975 to ₦10.1 billion by 1979. The price of oil rose from $11.7 per barrel in 1974 to $40 per barrel in 1980 and its oil output rose to 2,050,000 barrels per day by 1980.[9] The revenue generated from the oil price hike was used to finance the import-substitution import dependent industrialization. There was massive importation of food items for local consumption, high government expenditure, expensive projects, massive repatriation of surplus abroad as contracts were inflated, and the nations wealth was illegally transferred abroad through transfer pricing.[10]

The crudeoil revenue rather than being used to correct the lopsided pattern of industrial accumulation was used to entrench and escalate the already pathetic structure of dependence in the Nigerian industrial sector and economy as a whole. The revenue collected during the oil boom was not invested to stimulate the Nigerian economy towards self-sufficiency and the development and utilisation of domestic raw materials. The Nigerian state was more interested in establishing a conducive atmosphere for capital accumulation in general. The state policies since the beginning of the industrialization process tended to

support this pattern of industrial accumulation. The indigenisation policy of 1972 and 1977 has been regarded as an effort by the national bourgeosie to assert itself. It is argued that the national bourgeoisie had under its control a large amount of resources as proceeds from oil, rents, and royalties, and needed to demonstrate this new found strength by seeking to restructure its relations with foreign capital. Thus the indigenisation policy should be seen in the light of the domestic bourgeoisie efforts to assert itself in relation to foreign capital.

Putting more light to this point, Beckman expalins.

> ".....the rising domestic bourgeoisie is emancipating itself in and through the state support for private capital or through direct state participation in production and exchange....."[11]

The indigenisation exercise should therefore be seen as an example of both. This however confirms the state's role as an agent of domestic capital. The policy of indigenisation can also be seen from another perspective. It is not an attempt by the Nigerian State to demonstrate its support either for the domestic bourgeoisie or for foreign capital but rather in service of capital in general. The State acts to aid and consolidate the rule of foreign and domestic capital without which they cannot develop. This will place tne state in a better position to manage the primary contradictions within capital. Moreover indigenisation forms a forum for the national bourgeoisie to fulfill its strategy of close collaboration with imperialism to exploit the working class and domestic accumulation.[12]

In 1977/78 mild strains began to show in the Nigerian economy following the 2 percent increase in posted price of Nigeria's high grade light crudeoil in April 1977. This led to a sharp fall in oil production from 2.085m barrels a day in 1977 to 1.51 million barrels a day in February 1978, a drop of about 25 percent. This was followed by a decrease in the states' revenue from ₦6,117 billion in 1977 to ₦4,809 billion in 1978. Inspite of the fall in revenue the country's import demand was increasing at an average annual rate of 40 percent. The import bill in May 1978 was ₦1. billion per month which cumulated into a payment deficit of ₦1.3 billion. In effect there was a general decline in economic activity in the country. With industrial production increasing by only 3.9 ~~percent~~ in 1977 compared to 19 percent in 1976. By the end of 1977 the Federal Government had incurred a public debt of ₦5,601.1 million.[13]

To curb the intensity of the crisis emanating from the decline of oil revenue and the high import structure of the Nigerian industries and the country as a whole, the Obasanjo administration imposed some mild deflationary measures in 1978. These include a cut in public expenditure, reduction of subsidies on social services, introduction of school fees, prohibition of several items from being imported, imposition of tariff and duties on various imports and increase in prices of petroleum and petroleum by product. The state also raised loans from the Euro-currency markets to enable her fulfill her international obligations.

The austerity measures helped to revive the Nigerian economy and by 1979, oil outputs began to recover and foreign exchange from oil had rose to ₦3. billion[14]. Table 3.7, shows the inflow and outflow of government revenue from 1970 to 1983. Immediately economic activity started in earnest the civillian government took over the country's administration, began to encourage massive importation of not only heavy machinery, spare Parts, construction equipment, but also consumer goods. Food importation also guzzled up a lot of foreign exchange. The government embarked on expensive projects, relaxed the austerity measures and liberalised imports. Between 1980 and 1981, imports rose from ₦9.095 billion to ₦13.159 billion, a 45 percent increase in a year. By the end of 1981 and the beginning of 1982 Nigeria's import bills averaged ₦1.2billion a month. From a relatively negligible £23.9m spent on food imports in 1960 and £28.8m in 1970, the country's food import bill rose to ₦306.8 million in 1975, ₦1.56 billion in 1980 and ₦1.86 billion in 1981.[15]

Meanwhile as the generalised depression emanating from the West became more intense Nigeria's oil boom began to attract the inflows of foreign capital. This was necessary as foreign capital had to find solution to the crisis in the centre by looking for avenues in other parts of the world. By late 1970's foreign capital therefore began to compete with domestic bourgeoisie to partake in the sharing of Nigeria's resources. This continued until the early 1980's when the interplay of the import dependent structure of the Nigerian industries, the influx of foreign

capital and the high expenditure of the Nigerian State produced a strangulating effect on the Nigerian economy.

When between 1981 and 1982, the world oil market price suddenly collapsed and with it the revenue from crudeoil, a stage was set for a crisis of the industrial sector and the Nigerian economy as a whole. Olukoshi explains the point further by stating that.

> ".....the 1980's deficits were by far the worst financial squeeze to have happened to Nigeria. This crisis exposed thefragility of the Nigerian economy and the total control of its economic activities by the imperialist firms and institutions, the external orientation facilitated by imperialist domination and reliance of import - substitution industralization on raw materials, spare parts and machinery imported from abroad....."[16]

The Nigerian State facilitated and encouraged capital accumulation in Nigeria. It was not primarily concerned to establish a more internally integrated production system. None of the investment laws of the post independence period as would be shown in the next section gave this a priority. The objective of the state was to attract as much foreign capital as possible even if such companies remained structurally tied to their parent companies in basic production inputs. A point Olukoshi Shares and thus States

> "...the massive growth in the level of imports of raw materials, capital goods and consumer goods in the 1970's represented a heavy drain on the Nigerian State resources, but all appeared to be well as long as the country's oil output remained sufficiently high and the petrol kept flowing into sustain the peculier structure of accumulation going on in the economy." [17]

Inspite of the import dependence of Nigerian industries and the low level of local value added and absence of intermediate and capital goods industries,

> ".....the huge petrodollar earnings of the state in the 1970's guaranteed the country a respectable balance of payments position for most of the 1970's and helped to conceal the structural deficiencies of the economy....."[18]

By 1981, it had become obvious that the generalised capitalist recession has been refracted into the economy. The massive drain of foreign exchange by the import substitution, import dependent industrialization the huge repatriation of foreign exchange all formed the forum by which the recession affected the Nigerian economy. The recession is bound to severely affect the Nigerian economy as a whole because of the high level of its dependence on the international capitalist market and the predominance of Multinational corporations in all sectors of the economy. Coupled with the uneven character and structural deficiencies of the accumulation process and the underdevelopment of the modern sectors of the economy which would further heighten the effect of the generalised recession on the Nigerian economy.[19]

TABLE 3.7

Total inflow and Outflow of foreign exchange 1970-83 in million of N

YEAR	Inflow	Outflow	Net
1970	644.0	592.0	51.2
1971	1,038.4	913.6	125.2
1972	1,196.4	1,234.2	-37.8
1973	2,236.4	1,468.3	769.1
1974	5,312.6	2,185.5	3,127.1
1975	5,491.3	5,517.3	26.0
1976	6,580.6	6,901.2	320.6

1977	7,742.9	8,281.1	-538.2
1978	7,607.3	8,990.9	-13,83.6
1979	10,458.1	8,664.0	1,794.1
1980	14,255.2	11,805.2	2,450.0
1981	11,574.2	14.567.3	- 2993.0
1982	9,502.0	10,963	- 1461.0
1983	8,364.0	8,521.0	- 157.0

Source: CBN, Economic and Financial Review, Vol. 21, No 31, September 1983 P. 11

The current recession severely affected all areas of the Nigerian economy. Most devastating is its effect on the import-substitution, import dependent industrialization. The recession cumulated in the disruption of the industrial sector and thus the beginning of the industrial crisis and most especially the problem of raw materials. The industrial crisis manifested itself in many forms there was general shortages of consumer goods, high rate of inflation, decline in level of capacity utilisation in many industries, heavy losses, increase in operating cost, redundant capacity in many industries because of lack of raw materials. In effect workers were being retrenched in large numbers, there were cut in workers salaries and a general decline in industrial activities in the Nigerian economy as a whole. The President of the Manufacturer's Association of Nigeria (MAN) chief J.O. Udoji lamented.

> "..... Our factories are closing down because of the shortage of raw materials and Spare parts, workers are being laid off, consumer goods are in short supply, those available sell at prohibitive prices, local commercial banks on the other hand refuse order for raw materials and spare parts, overseas correspondent banks refuse to confirm letters of credit emanating from Nigeria..... our image in the international scene has never been so low.[20]

The high dependence of the Nigerian Industries on the external market for virtually all production inputs has finally exposed the problem of raw materials characteristic of the Nigerian industrial model, established during the colonial era. As these consumer goods industries begin to expand, there was bound to reach a point when the Nigerian state would not be able to finance the heavy import requirements of these industries and thus result in a crisis. The foreign exchange crisis and the recession as a whole merely aided in accentuating and bringing forth the contraditions inherent in the whole strategy of the import substitution, import dependent industrialisation.[21]

By mid 1983 and early 1984, the manufacturing sector has further recorded a decline of 5.0 percent and 12.0 percent respectively, than the 1982 when it declined by 6.8 percent. Between 1984 and 1985 industries operated between 25 percent to 50 percent of capacity utilisation.[22] According to the statistics on unemployment figures in Nigeria about 26.000 out of a total of 96.00 people employed in the private sector were retrenched between 1982 and 1983. Another batch of 17,451 were retrenched by only twenty-one industrial establishment betwwen January

1984 and March 1985. The public sector was not excluded, about 8000 workers were retrenched between 1982 and 1983 with an equal number of federal government workers between January 1984 and March 1985[23]. Despite the decline of industrial activities some industries still retained their workers, a few workers were on full payment others were on half payment. While some companies had to adopt short time work sytem by way of a two or three day work week. Inflation was fuelled as prices of various items rose between 100 percent and 300 percent in March and May 1983.[24] In many industries both unit and total production costs were on the increase resulting in a squeeze on profit margins. This was a combination of certain factors as MAN puts it.

> "..... Shrunken Sales and low production ..... volume as capacity utilisation dwindled... rising prices of raw materials following increases in the rate of import duty and interest charges by foreign suppliers as a cover for delayed payments, increased financial charges as more frequent resort to, bank accommodation was made by manufacturers whose capital was tied up in compulsory advance deposits with the central Bank of Nigeria.[25]....."

As the general level of deterioration in the industrial sector and the Nigerian economy as a whole began to accentuate the Nigerian state was compelled to seek immediate measures at curbing the effects of the recession and also resuscitate industrial activites, reduce the nigh level of unemployment and poor living standard of the masses. It is against this background that the Nigerian state introduced series of policies aimed at solving the raw materials crisis and the economy recessionas a whole.

3.3 The StatePolicies at Solving the Raw Materials Crisis

The intensification of the economic recession especially the deteriorating conditions in the Industrial Sector Compelled the Federal Government to introduce the economic stabilisation (Temporary) provisions Act of April 1982 Christened the 'Austerity Measures'. This was part of the crisis management measures aimed at reviving the economy as a whole. The provisions of the act include among others fiscal policy measures, the ban on some imported goods including U.2 batteries, frozen chicken and gaming machines, while import licence was introduced, twenty-nine commodities were removed from open general licence and placed under specific licence. These include stockfish, some building materials, cement and flour. The government also increased the rate of duties, the introduction of new import duties on fortynine imported consumer items. It also introduced new rates of excise duty ranging from 5 to 45 percent in some consumer goods as cigarettes, towels, fabrics, cosmetics to mention a few. There was also the suspension of licence for imported motor vehicles and intensified war against smuggling.[26]

The federal government also introduced some monetary measures. It imposed compulsory deposits on certain Categories of commodity imports, importers of raw materials were asked to pay an advanced deposit of 25 percent of the value of their proposed raw materials and spareparts. Certain commodities as building materials, capital goods, certain food items were subjected to pay advanced deposits of 50 percent of import value, 200 percent of import value for motor vehicles,

trucks, Motor cars and other luxury goods were to pay 25 percent of import value. Following an appeal made by MAN, the federal government reduced the rates of advanced deposits on raw materials and spareparts from 25 percent to 10 percent in October 1982.[27]

By 1983 when the crisis deepened, the government further placed an addition of 152 items on import licence. Tariff Charges were also increased on a whole range of commodities, 100 percent for toilet soap and detergents, cotton yarn, blanket paper and paper labels, 60 percent on fabricated structural steel. In Principle the austerity measures served to reduce the consumption of imported goods to conserve foreign exchange for the purchase of essential capital goods and encourage the use of local raw materials by manufacturers, induce them to be inward looking, self reliant and self sufficient. As Chukwuemeka Amumke puts it,

> "...the economic stabilisation measures have wider implications, they are vehicle for a structural readjustment of the Nigerian economy and designed to do three things; stem the massive outflow of foreign exchange and reduce the import bill through the use of selective import controls and other tariff measures. Mop up excess liquidity in the system, thereby slowing down the growth of prices and in the longer term provide adequate encouragement and Protection to our local industries towards self-Sufficiency."[28]

Evidence has shown that these objectives were not, realised. To ensure that the measures were adhered to the state introduced two new Task forces to aid in the implemention of the measures. The point is that instead of reviving the state of the economy, the economic stabli-zation measures have resulted in idle capacity of installed

plants, massive retrenchment of workers, shortages of goods and decline of economic activity in industries and the Nigerian economy as a whole. The accompanying Scarcity of consumer goods, hoarding and rising prices resulted in the decline in living standard of the working class and the masses as a whole.[29] The measures however helped in increasingthe country's external reserves from about 735 million in December 1980 to ₦1.800million by the end of March 1983.[30]

Most devastating was the effect of the import licence and form M on the industrial sector. The import licence procecure took a very long time, in most cases applicants waited for weeks and even when it was approved by the import licence committee it took the Ministry of Commerce much longer to issue the licence. Infact cases of currdption and self enrichment have been recorded, when government officials deliberately delay licences inorder to get a certain amount of interest. Import licences were issuedto unscrupulous agents who use the import licence to import into the country manufactured consumer goods whilst majority of companies experienced idle capacity of plants because of lack of production inputs. Out of a total of 180 manufacturing companies in May 1983, only 35 percent got licences and in most cases after the import licences were obtained, the long delay of the Form M resulted in expiration of the licences and thus the licences were forfited. Even when some companies were lucky to import, they were faced with the problem of having to wait for their goods to be supplied because the Central Bank of Nigeria (CBN) did not remitt payment abroad.[31]

With the intensification of this problem and the deteriorating performance of Nigerian industries Chief J. Udoji suggested the establishment of raw materials commissions which would be comprised of eminent scholars and proven Professional individuals. The Commission among others would tackle the problem of raw materials in the industries both in the short and long run.[32] By January 1 1983, it was clear that the package of measures of solving the raw materials crisis and the economic crisis as a whole was further excerbating the already recessed situation.

After the coup of 31 December 1983 and the take over by the military government of Buhari administration the government set out to salvage the depressed economy. The Buhari administration carried forward the austerity measures of the civillian government and further introduced more intense measures. The Buhari administration focused on the public sector. The administration retrenched workers enmass and also reduced its expenditure by a further 15 and 15.6 percent respectively. State's subsides on health and education were withdrawn, school fees were reintroduced in many states and a general freeze on all wages in the public and private sectors were declared while various categories of workers allowances were suspended. All public projects were frozen and general embargo was placed on new ones.

Further more, the compulsory advanced deposit scheme of the Shagari administration was abolished and a new policy was introduced. Importers were compelled to make advance

payments of custom duties on commodities intended to be imported. A stricter import licence policy was introduced and more commodities were placed under this policy.[33]

The government also raised the volume of internal revenue through the payment of taxes, fees and levies. In May 1984, a new customs and excise tariff rate was introduced. The government's main objective was to provide effective protection for local industries. Table 3.8 illustrates the new customs tariff. The excise duty was increased from 5 percent to 50 percent and excisable products were increased from 68 to 400. MAN had to appeal to the government to review the tariff structure. It was argued that the tariff rates rather than protect local industries were geared towards generating revenue for the government. The tarfff structure has failed as an instrument used to protect local industries and stimulate industrial development. The tariff system was discriminatory against local manufacturers which is contrary to the well known tenents of infant industries protection.[34]

TABLE 3.8 Extract of the New Customs Tariff.

Tariff No.	Description	Old Rate	New Rate.
Tomato purée	20.02[A]	100%	60%
Bournvita	19.02	75%	60%
Cocoa Powder	18.05	100%	40%
Sugar	17.01	60%	30%
Maize Starch	11.08	100%	40%
Dextrose hydrate Mono	17.02	10%	60%
Dry cell Batries	a. Finished	75%	60%
	b. Components	10%	40%
Kraft paper (Used in Cement bag manufacture	48.01	10%	40%
Cement Bags	48.16A.	50%	20%

Source: Manufacturers Association of Nigeria: "Pre Budget Memoradum to the Federal Government" 1985 p. 17

In effect, the tariff system facilitated a situation where manufacturers were exposed to imppрted finished products and this frustrated the urge to produce locally as these goods could be obtained at cheaper rates from the international market. The high excise duty also increased the cost of production and resulted in the squeeze on profits. It was against this background that MAN apealed to the government to establish a rationalised and unified system of tariff rates and trade policies that would provide adequate protection to local industries and encourage the development and use

of local raw materials and also appealed to the government to avoid frequent resort to manipulate tariff rates for revenue purposes.[35]

In addition, the government focused on reducing the industrial dependence on imports. It abolished the Approved user scheme and the General consessionary Rates of Duty Scheme while compelling industrialists to develop and utilise local raw materials. To induce manufacturers to source locally, the government promised special incentives. It concluded formal agreements with various industrial groups on a time table aimed to phase out imported raw materials that could be obtained locally or with local alternatives. To boost the agrarian sector, the government decided to encourage foreign capital to invest and develop large scale plantation farming. The Enterprises Promotion Decree of 1977 was ammended to permit foreign companies to own up to 80 percent of the equity in any agricultural venture and agricultural production inputs were to be imported into the country duty free.[36]

Apart from the focus on local sourcing of raw materials, bringing to light the main crux of the lopsided import - substitution industrialization strategy geared towards imports rather than utilise the abundant resources of the country, the measures as in the 1983/84 austerity measures once more further worsened the effect of the recession on the industrial sector and the Nigerian economy as a whole. The rate of unemployed increased unabated whilst cost of living drastically exacerbated and manufacturers started importing consumer finished goods from their parent companies

in the West.

Further more, the Buhari administration was advised to accept the IMF loan and had infact fulfilled some preliminary conditions and agreements of acceptance. It further reduced public expenditure drastically, reduced grants subventions and loans to parastals, suspended federal loans to the state governments imposed a freeze and cut living standards of the people. The government had also agreed on the principle of privatisation of some public enterprises and the commercialisation of parastals. The government however, was unwilling to devalue the Naira, liberalise trade and remove the Petroleum subsidy and thus the IMF loan was not given to Nigeria. It was in the light of this that the government concluded counter trade agreements with France, Austria, Italy and Brazil exchanged the Nigerian crudeoil for some raw materials, spareparts consumer goods and CKD components from those countries[37]

In August 27, 1985 a coup was planned against Major General Buhari and Idiagbon led by the administration's Chief of Army Staff, Major General Babangida. The new government was compelled to push through a series of harsh measures designed to curb the industrial crisis and the Nigerian recession as a whole. The structural adjustment Programme was introduced, and the major emphasis was to curb the excessive reliance of industries on imported production inputs, induce manufacturers to use local raw materials and increased local content, export promotion, industrial employment generation, capital formation, private initiative,technological innovations and investment in

intermediate or linkage industries.[38]

A raw materials council was established to conclude a detailed time-table with manufacturers for the Local Sourcing of industrial raw materials,Export Promotion was emphasised with the aim of promoting non-oil agricultural and manufactured exports. A policy of Export Promotion strategy was stressed with the establishment of various locations in the country to encourage industrialists to produce for export. The government introduced various incentives including import duty rebate on raw materials and components used in manufacturing of export products, Preferential import licences for exports and the introduction of credit facilities to assist exports. In addition, exporters were to retain 25 percent of the foreign exchange earnings for the export. All these were aimed at encouraging the export of agricultural and manufactured commodities to other countries and thus aid industrial diversification of the economy.[39]

Responding to the emphasis on procurement of local raw materials, many companies began to integrate backwards into agricultural production and established large scale farming projects. Many subsidiaries of Multinational corporations began to integrate beackwards into agriculture. John Holt, a subsidiary of Lonrho recently bought a private farm owned by Ogbemudia and invested about ₦10million for oil production. The Nigerian Breweries Ltd. also declared that in ten years it would have achieved 100 percent local

value added and that by 1985 it would have been able to replace 25 percent of the imported barley by using local substitute as Maize, Sorghum, Millet. Other companies such as North Brewery Ltd, the associate of Handelschiff S.A in 1982 started experimenting on local agricultural raw materials. With the recent emphasis on local sourcing the company has reigforced efforts at developing local substitute by using rice, Maize, Sorghum and Millet for Beer Brewing. Nabegu Tannery started experimenting with tanniferous trees, by woods, rock deposits, clay, groundnut oil, palm oil and rubber seed oil with the aim of eventually replacing chemicals imported for the processing of hides and skins and finished leather. Other industries include Tate, Lyle, Glaxo, Cadbury, UAC which invested heavily on substituting for imported raw materials particularly for agricultural raw materials by developing local raw materials and integrating backwards into agriculture.[40]

Furthermore a raw material research and development Council was to draw up schedule for phasing out imports. In October 1985, the Ministry of Industries announced that an agreement had been reached with industry on such a time table, companies were placed in two categories. They were given either five or ten years to comply depending on the type of raw materials used. Agro based industries were given five years to phase out imported production inputs.[41]

A critical look at the policy of Local raw materials reveals that for the first time the Nigerian state has come to accept the deficiency of the import-substitution

industrialization as the main cause of the underdevelopment of the industrial sector and the problem of raw materials faced by the industrial sector. However, the state has failed to trace the raw materials crisis to the dominance of subsidiaries of Multinational corporations in the economy. This explains why the emphasis on agricultural development by foreign capital is seen by many analysts as another way of reinforcing colonial subordination of peasant farmers. As Beckman states.

> "...the present move of industries to agriculture opens up agriculture to foreign capital. Foreign agric business were encouraged to invest in Nigeria.. foreign capital was been encouraged to extend its frontiers of accumulation into agriculture and thereby open up a new era of imperialist domination and exploitation of Nigerian resources. The purpose to integrate backward into agriculture is part of the logic of capital accumulation at the present stage ... investment has been made in industrial capacity which cannot be utilised fully, capital is wasting, the owners and managers of capital are seeking solutions for cutting the waste..."42

It is imperative therefore for the Nigerian State to find avenues for capital to reinvest the accumulated capital which cannot be profitably invested abroad. The inflow of foreign capital will further lead to the disarticulation of Nigeria's effort to source locally for basic raw materials inputs. This is because the intrusion of capital in agriculture will demand that agricultural inputs that are not available in Nigeria will however be imported and hence the country will once more be dependent on agricultural inputs as seeds, fertilisers, machines, planting equipment which would become a continuous exercise and thus incure a lot of foreign exchange. From the above

therefore, we become sceptical as to whether the whole policy of Local Sourcing of raw materials would actually be realised. The success of such policy would depend largely on Capital, and in as much as the imbalances or crisis of the Nigerian economy does not mitigate against profit realisation. Athough it has to continuously maintain its share of the market, but where it still maintains a foothold in the Nigerian market, it may not be compelled to actually embark on measures at utilising local raw materials. The question that arise is how could local sourcing be achieved when subsidiareis of Multinationals, Many indigenous firms with international links and an integral part of the international division of labour continue to entrench and dominate the industrial sector? We would endeavour to look at this and many other areas of the policy towards Local Sourcing of raw materials in the next Chapter, when we shall focus on the United Africa Company Nigeria Ltd., its structure of production and discuss whether given the circumstances of foreign capital domination of the economy, the process of utilising Local raw materials would be successful.

Another area of interest affecting the industrial sector is the introduction of the second tier foreign exchange market (SFEM). This was introduced after the rejection of the IMF loan one of its salient objectives is the devaluation of the naira, aimed at establishing a realistic market value for the naira. The strategy of SFEM was to allow the market to operate under general market conditions with buyers and sellers free to purchase

and sell from and to authorised dealers. The payment of market determined exchange rates in the market for imported inputs would induce a reorientation and give meaning to Nigeria's import substitution strategy which emphasised not only the local production of goods but the local sourcing of raw materials. The increase in cost of preduction will in the long run induce producers to look inwards.[43]

In retrospect, evidence has shown that the SFEM has contributed to heighten the already recessed economy. By exposing the indigenous small and medium scale industries to the forces of supply and demand, more naira will be required to import esdential raw materials spareparts, additional cost will invariably have to be pushed to consumers and thus increase prices. As long as the naira continues to depreciate, the local small scale manufacturers will begin to record enormous loss and high cost of production. In effect local industries were discriminated against and their foreign counterparts encouraged to resort to import consumer goods and inputs required for the assembly industries. The high cost of commodites has compelled consumers to boycott Most of these commodities. Reacting to this new trend, MAN states,

> "...there has developed strong consumer resistance. This is reflected in the mountain of unplanned excess stock of finished goods value at over ₦70 million representing about 15 percent of a total production valued at ₦469.4 million by only a sample of thirty-one companies. In the circumstances there is clearly no incentive for manufacturers to increase their production. This trend will also serve to discourage new investments both local and foreign in view of the decline in the domestic market..."[44]

The point is that the home market is further squeezed, those who constitute the market have been reduced to penury, their income and wages cannot buy as before. Already industrialists have revived production activities but cannot find a market and are not making significant reductions in the prices of their commodities. The unemployment rate is alarming. Infact the success of the states strategy of employing direct labour for the special public works programme is however doubted. This is because the policy only madeprovisions for 20,000 people out of over three million unemployed and semi-employed in the economy.[45]

In short, the tariff trade and exchange rate policies pursued during our period of study has led to various chain reactions which have resulted in major distortions in the industrial sector and the Nigerian economy as a whole. Various predictions are not coming to reality. Manufacturers are now facing stockpiling as a result of high cost of production, consumers cannot afford to buy because of fall in wages and incomes, as many workers have been massively retrenched. Industrialists have started to reduce production to curb the high operating cost and have introduced additional rationalisation policies aimed at reducing overhead cost and maintain profit margins. The recent trend of many industrialists is to absorb part of the high cost of production. In effect, domestic prices of commodities were further reducedthereby affecting their profit margins.

In the area of the policy of Local Sourcing of raw materials, many firms have been compelled to halt basic operations. The result of this is the high cost of imported production inputs imposed by the derregulation of the naira. In an interview conducted with MAN, it was revealed that many subsidiaries of Multinationlas have resorted to import finished goods. Examples of many companies that have actually resorted to these practice include kingsway stores a division of UAC, Leventis Nigeria Ltd, U.T.C and many retail establishment whose stalls are piled with imported consumer goods.[46]

We would therefore devote the next chapter to the activities of UAC and establish to what extent the state policies have affected it, how it is coping and making efforts to maintain its profit margins.

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CHAPTER FOUR

UNITED AFRICA COMPANY NIGERIA LTD AND RAW MATERIALS

Introduction:

This Chapter attempts to trace the historical evolution of the United Africa Company Nigeria Ltd. (UACN) in the Nigerian economy. This forms the framework for understanding its role both in the way that its actions contribute to the Nigerian recession and particularly the raw materials crisis and how it is responding to it. We would also examine various government policies at solving the raw materials crisis and how these relate to UACN'S economic activities between the period 1981 and 1986.

4.1 The History of United Africa Company Nigeria Ltd.

Although the evolution of UACN in West Africa and indeed in Nigeria dates in its present form from 1929, its oldest tributary companies R and W King, F and A Swanzy began to trade along the coast of what is now Nigeria as early as 1625[1]. These merchant trading firms, out of which the present UACN was to evolve, began to multiply and enlarge their scale of trading in West Africa. However, about 1879 a series of amalgamations had prepared the way for this Union. The general characteristics of these Merchant trading firms were that they were British Companies and operated as general Merchants buying and selling different kinds of Merchandise. They were not tied either to a particular source of supply or cater for a particular line of demand.[2]

By 1861, these British trading firms had decided to seek business on the mainriver sending small steamers and

launches to trade with the people who lived on the banks of the Niger above the delta. Amongst these companies was The West Africa Company Ltd; established on the Nun branch of the Delta in 1864 and named West African Company Ltd. in 1877. Others are Holland Jacques and company which began trading on the Niger in 1869 and Alexander Miller Brothers and company.[3] These British Mercnant firms bought produce in local markets and sold them in the world market and also bought merchandise in World Market and sold same in local markets. In this way, they led the way in opening up and developing the exchange sector of what hitherto had been an almost wholly subsistence economy.[4]

Commerce in West Africa, and particularly on the Niger featured a series of hostilities and conflicts amongst European Merchant trading companies, coupled with the uncompromising and hostile attitude of the African rulers. Amidst strong rivalry and competition, Holland Jacques in 1876 had to merge to form the Central African Trading Company Ltd.[5] As competition became more intense, other European firms struggled to gain monopoly. The presence of French interest within an area which the British Merchant Companies had safe guard and also the, advice from the British foreign office further urged the British Merchant Companies to amalgamate. In 1879, United Africa Company Ltd (UAC) was formed with a nominated capital of £250,000.[6]

However, the amalgamation of British merchant companies did not completely eradicate French interests in the Niger area, but only eliminated smaller French firms, Compagnie

Francaise de I'Afrique Equotoriale (CFAO) continued as a serious commercial opponent. It was the insecurity and rivalry posed by the presence of French interests in the Niger that made UAC to file for a charter from the British government.

Meanwhile, as more European trading companies emerged and began to maintain a foothold in the Niger Delta, UAC share holders agreed to reorganise and increase the companys financial status. In 1882 therefore, the National African company (NAC) was formed.[8] Its Board of Directors was formed to include representatives of financial institutions and prominent politicians actively involved with the British government. The inclusion of this two groups on the board of NAC Dirctors was important to secure the support of financial institutions essential for the company's source of finance and the prominent politicians provided an instrument of lobby of the British government, which had come to exert its authority on most West African countries including the present day Nigeria.[9] This was precipitated as mentioned earlier, by the transition of capitalism into its monopoly stage based on finance capital.

In Nigeria as in most West African countries, British imperial power paved the way for the intrusion of the Niger area by imperialist firms to monopolise the Nigerian market for the sale of industrial manufactures and also ensure a steady supply of raw materials for advanced capitalist industries. Imperialist firms were now involved and engaged more than just the process of buying and selling of commodities but also introduced and encouraged the production

of raw materials which were sold in the world market.[12] A raw materials economy thus developed and Nigeria was incorporated into the World Market as supplier of agricultural and mineral raw materials for the advanced capitalist industries.

Until 1900, the British had come to regard the N.A.C as its representative on the Niger and officially issued a royal charter on the 10th July 1886. N.A.C was authorised and enpowered to hold and retain the full benefits of the several concessions made by the African rulers to exercise as Pedlar Puts it,.. "all rights, interests, authorities and powers for the purposes of government and the preservation of public order"[13] To enforce that, N.A.C. remained and upheld British interests, the British government further stipulated that the company should remain British in character that its directors and principal representatives on the Niger should be British and that the flag be hoisted on the company's building and vessel should indicate British character of the company.[14] Armed with this power, NAC began to entrench and maintain its preponderance in the colonial economy and thus its name was changed to The Royal Niger Company, Chartered and Ltd; (RNC).[15]

On the 28th of December 1899, the British government was compelled to intervene following an intense competition and aggression from other European merchants in the Niger Delta and which resulted in the withdrawal of the charter of the R.N.C. Ltd. The revocation of the R.N.C Charter, therefore confirmed her mainly to trade. However, the

British government recognised that the company was entitled to a compensation of its administrative work and her treaty rights, thus agreed to pay the sum of $45,000 as compensation and £115,000 for building and stores taken over. It also assumed responsibility for the company's public debt of over £250,000. The total sum provided on the bill for the Niger Company Act of 1899 was £865,000.[16] In addition, the British government allowed the company to retain ownership of all mineral deposits in the Niger area and was to pay the company for a period of ninety-nine years one half of these royalties. The total received by the company and its successors during the forty three years from 1906 to 1949 was about £325,000.[17] The government had to pay the sum of £1000.000 to the company in 1949 before she gained back the rights to this share of royalties which under the agreements had yet some fifty years to run.[18]

From above, it can be argued that the British government assisted the N.C and its successors to consolidate their predominance over the colonial economy and repatriate surplus capital abroad. Even after the revocation of the N.C Charter and the emergence of a colonial state in Nigeria, the company instead of winding up its trading activities, sought ways to eliminate its rivals. The opportunity came at the end of 1920 when the Liverpool soap Magnate, Lever Brothers agreed to buy her shares and thus became a subsidiary.[19] In March 1929, the N.C together with Lever Brothers merged

with Africa and Eastern Trade corporation to form United Africa Company. On 2nd September of the same year United Africa company (U.A.C) joined with twin Dutch firms Magarine Union Ltd. and Margarine Unie N.V to form Unilever, registered in both Holland and England.[20] U.A.C. thus became a wholly owned subsidiary of Unilever. It became Unilever supplier of rawmaterials, determined the prices of export and import trade in Nigeria and other British colonies in west Africa. U.A.C. itself comprises of three branches, Lever Brothers Ltd. a plantation group handling Rubber, Banana and oil palm export the Van den Berghs and Jurgen Ltd., responsible for margarine production.[21] Describing the activities of the Unilever organisation, Nzimiro states;

> ..."the Unilever group constitute an economic concentration characterised by a complete circuit of production running from agricultural exploitation of West African countries to industrialization (in advanced capitalist countries) and marketing of manufactured commodities (handled by its third world subsidiaries).[22]

The nineteen thirties (1930's) featured a series of amalgamations of imperialist firms in the Nigerian colonial economy. In 1931 Nigerian Motors Ltd., a subsidiary of the U.A.C. Ltd., Which was a branch of Unilever Ltd., England was incorporated in Nigeria. In 1933 U.A.C. bought G.B. Ollivant and in 1936 it bought the shares of a Swiss trading company operating in the Gold Goast. In 1943 Nigerian Motors Ltd., Merged with U.A.C. and thus became, U.A.C. Nigeria Ltd. and in 1955 its name was

changed to U.A.C of Nigeria Ltd. In 1973, as a result of the Nigerian Enterprises promotion decrees of 1972 mentioned in chapter three a reorganisation in U.A.C of Nigeria Ltd ensued which resulted in further acquisition of other fully owned subsidiaries of Unilever in Nigeria. Its name was shortened to United Africa company of Nigeria Ltd, comprising of twenty two operating divisions involved in various business activities as manufacturing operations, technical, distribution and services.[23] It hold sixty percent (60%) of equity capital comprising of 131,557,000 and ₦178,200,000 as total amount of holdings whilst C.W.A Holdings Ltd., a Unilever company now has 40% of equity capital and owes 118,800,000 of the total shares of the company.[24]

Inspite of the 60%, equity capital controlled by Nigerian shareholders and their strategic position in the decision making of the company, the structure of production in the company has remained virtually the same. The company still depends on its parent companies abroad for vital decisions and production inputs. The company's Chairman and managing director and directors in Nigeria, are handicapped in terms of their dependence on England and Holland for technology, raw materials, spareparts, and in most cases recruitment of manpower required for production activities in Nigeria. Infact U.A.C.N Ltd. is backed by the financial, technological and managerial resources of a major international company, Unilever.[25] These issues shall become evident in our subsequent discussion.

4.2 U. A. C. N's Activities in Nigeria.

U.A.C.N. and its predecessor came to the Niger delta and what became Nigeria as mercantile firms. The general characteristic of these trading firms as already mentioned above was commercial, operating as general mechants buying and selling commodities. U.A.C.N's predecessor, The Royal Niger company earned itself a charter from 1886 - 1899, and thus paved the way for the incorporation of the Nigerian colonial economy into the capitalist world Market. By acting as the supplier of raw materials for the advanced capitalist industries and the distributor of manufactured goods in the Nigerian market, the company exposed the Nigerian economy to the world market.

Having gained the support of the colonial state, the RNC, sought the assistance of indigenous middlemen for the import-export trade, and in the process a class of middlemen and traders developed. This included a section of the aristocracy which included the local chief and kings. The traditional ruling class welcomed the company as long as it was willing to conduct its business through them or their approved agents. This indigenous class of merchants and ruling elites acted as middlemen in the produce buying trade. The company bought agricultural commodities from these middlemen and sold its imported merchandise to the consumers through the indigenous middlemen.[26] In most cases RNC eliminated the indigenous middle men and obtained produce directly from the peasant producers. This was aimed at ensuring that the middlemen did not increase prices, thus enabling the company to

dictate prices of commodities and collect directly from peasant producers. However, in the case of palmoil, palm kernel and cocoa trade the company had to use middlemen who had already consolidated themselves. What the company did was to ask these middlemen to deposit substantial sums of money as security before they became agents.[27]

The fourteen years of R.N.C.'s re ign as a British representative in Nigeria witnessed an accelerated rate of exportation of basic raw materials that could have been utilised for Nigeria's industrial development and self-suffieiency. Instead production of these raw materials were geared towards satisfying the need of the external market.[28] After the revocation of its charter in 1899, the Niger company extended its trading activities to other parts of the country. It encouraged the continuation of the barter system of trade in many parts of colonial Nigeria up to about 1912, to enable it maintain its advantages of concealing the value of manufactured goods to peasant producers so as to under pay for their produce. It also allowed the company todispose of its imported goods.[29] Inspite of the imposition of colonial currency, the company still maintained the barter trade as this provided an avenue for extracting higher profit from peasant farmers.[30]

It established and invested in many areas of the country particularly along the riverine centres of trade and later at the export crop producing centres. By 1900, the company had over one hundred and forty trading stations along the Niger Benue, of these, forty-two were located above Lokoja out of which fourteen yielded on the 23 June 1903, the sum of £32,043 as profit.[31] It controls about 55% of total groundnut purchases in Kano[32], dominated export trade in hides and skins, sheabutter, sheanuts, palmoil palmkernels, mineral produce and particularly tin from the Jos plateau.[33] Between 1900 and 1918, that company paid regular dividends of 10% on its ordinary shares except in 1914 when dividends were not issued.[34] Table 3.1 below shows the returns from the operating stations of the N.C. in 1903. Only Bida station made a loss. The loss incured was not due to poor trade ventures but because the company's warehouse was engulfed in a fire disaster and the profit made was used for renovation.

TABLE 4.1

RETURNS FROM FOURTEEN OPERATING STATIONS OF N.C. IN £M

Location of stations	Gross pfofit purcha-	G.P on cash sales	Total Profit	Expenses	European salaries	Coloured wages	Total Expens s
Benue yola	3279	318	3592	1167	460	243	1880
" Lau	1275	177	1452	667	127	60	852
" Donga	2137	4	2141	187	-	150	337
" Abinshi	1618	93	1711	121	-	72	193
" Ibi	844	865	1709	1937	360	555	915
Niger Jebba	1582	2141	3723	1101	80	240	1421
" Rabba	917	3	920	184	-	108	292
" Lar	954	114	1086	235	-	135	370
" Wushishi	58	3554	3612	773	-	258	1031
" Bida	-	126	126	54	10	7	71
Egga	2804	549	3353	2277	380	645	1025
Lokoja	6120	8233	1435	5330	850	758	1618
Idah	4742	115	4857	763	390	264	654
Illah	2320	6	2326	815	180	87	267

Source: Mohammed A.M: "European Trading Companies and the underdevelopment of Northern Nigeria 1855 - 1939 the case of Royal Niger company/united Africa company" Ph.d thesis A.B.U. Zaria 1985 P. 197 as in Rhodes House : MSS Afris, 94

By 1913, the Niger company recorded an annual profit of £128.000 from the export of raw materials to Europe[35]. It was able to make such fantastic profit says Bashir,

> ...."by offering low prices for the produce, it brought and sold at higher prices in the world market..., the company bought 1lb of goat skin for one shilling in Kano and sold the same

c quantity of commodity for seven shillings in United Kingdom".[36]

Between 1914 and 1919 the average profit per annum stood at £261.000. From the tin mines. N.C. made a profit of £80,000 in 1924. A revaluation based on £277 price per ton sold in world market, gave an estimated profit of £200,000 and from palmoil and palm kernels trade it made over £60,000 profit annually.[37] Apart from the fact that the company benefited from the export of raw materials, it also recorded high profit in its import of consumer goods which it had absolute monopoly. Giving examples of such a predominance over the Nigerian economy, Olukoshi cited the example of the company's monopoly over the import trade in Kano, thus,

> ..."between March and December 1912 when the groundnut boom started the company imported 945 tons of cotton textiles and 905 tons of salt for the Kano market..."[38]

This was made possible through the support of the colonial state which enacted numerous legislations in favour of foreign firms, particularly British capital operating in Nigeria. The State banned the sale of Local Cotton in open market to facilitate the unhindered sale of British textiles[39]

The formation of United Africa company in 1929 was to further pave the way for the entrenchment of the Nigerian colonial economy into the commodity trade and consolidate its structure of dependence on the international market which was to determine the pattern and rate of development of the Nigerian economy for several decades. The year of U.A.C'S inception coincided with the recession of 1929

through the 1930's, which engulfed the world market. A peculiar feature was the collapse of world trade in general, caused by over production in agriculture and the financial squeeze resulting from the fever of speculation of the American dollar when European banks refused to give credit facilities to industries to aid industrial production. A resultant effect was a drastic fall in production which heightened the rate of unemployment.

Although this was an European phenomenon, the Nigerian economy as a whole was adversely affected. The economy is an integral part of the world capitalist economy and as such is dependent on the international market for the sale of its raw materials and also purchase manufactured goods from advanced capitalist industries. The recession also affected the economic activities of imperialist trading firms and their local allies, because they relied on the international market for their economic activities, U.A.C was also affected by the slump as it was largely dependent on the international market for its commercial activities. The Nigerian peasant farmers were also affected . As prices of agricultural raw materials began to fall as a result of excessive supply of produce, peasant farmers were compelled to reduce production inorder to maintain effective demand and increase prices. However, the reduction in raw materials production threatened U.A.C's profit and thus forced the company to introduce measures to induce production.[40]

Like its predecessors in the mid-nineteen century, U.A.C adopted a two way approach in its attempt to maintain an unhindered supply and export of commodities from Nigeria.

The first step was to summon the assistance of the colonial state to impose taxation on all peasant farmers to compel them to increase production. This however was not complemented by a corresponding increase in prices, which meant that peasants were producing more, paying taxes and getting less in return.[41] Inspite of the slump in world trade, U&A.C made a net profit of £531,132 in 1929, £516,488 in 1930, £305.508 in 1931 and £605,339 in 1932.[42]

Uptill 1939 UAC exploited and consolidated Nigeria's role in the international capitalist division of labour as a rawmaterials producer and market for industrial commodities without considering investment in any local industrial and manufacturing venture in Nigeria, as this would have negated UAC's role in the intrafirm division of labour in the Unilever consortium. The company had to fulfill its role as an export satelite for its parent Companies in Europe. However to facilitate easier exportation of produce the company went into limited level of processing of agricultural raw materials. This was easier for the company because it had inherited two processing industries which had grown out of the produce trade, a large sawmill at sapele established by Miller Brothers in 1917. In 1924 four other palmoil bulking plants were set up.[43] Other investments were in cotton ginneries, groundnut decorticating machines to encourage peasants to market shelled groundnuts. The pioneers palmmills were built exclusively to refine raw materials for export.[44] Olukoshi takes a similar view when he states ...

> "...early efforts made by colonial companies to sponsor a number of researches on local rawmaterials were mainly geared towards the export strategies of the companies and the specific quality of basic rawmaterials which the European manufacturing groups needed for their operations. These experiments were conducted to ensure that Nigeria was better able to place its role as a source of raw materials for European industry and not to promote manufacturing investments in the colony"[45]

Although U.A.C and many trading firms in Nigeria had recognised the need for some level of investment in manufacturing industries, it was not until the emergence of indigenous commercial elements which had come to threaten its monopoly in the produce trade, that the company sought to invest in productive ventures by some form of manufacturing in Nigeria. By the mid nineteen fifties (1950), the Nigerian nationalists support for foreign private investment as the source of development of the Nigerian economy, further encouraged many foreign firms to extricate themselves from direct involvement in the export and import trade and thus began to plough some of their accumulated capital into productive ventures by establishing some form of manufagturing industries in Nigeria.[46]

4.3 U.A.C.'S Industrial Activities: A Trader in Manufacturing

Between 1956 and 1964, U.A.C had virtually withdrawn from the produce trade, had sold its rural stores to former employees and encouraged its middlemen to set up as independent licensed buyers. UAC now decided to move out of the produce buying and out of semi wholesaling and retailing, and now

employs its capital on industry.[47] It diversified its industrial plans in four mayor sectors, distribution, industry, transportation and agriculture. As time went on the investment in distribution and industrial sectors increased while those in transportation and plantation began to decrease. UAC saw the need to switch to the market oriented industries. This is not suprising, especially when one considers the primary motive of UAC's economic activities and particularly why it comes to Nigeria, in the first place. Infact when the emphasis changed to manufacturing, UAC conducted a study into the needs of the Nigerian market and decided to start production of mass consumer goods, as textile, cosmetics, toiletries, perfumes that already had a market.[48]

UAC's first major industrial investment other than processing was the Nigerian Breweries Ltd. in 1949.[49] This was a joint venture with the technical partner Heineken and other foreign firms. Like other investment the motive behind U.A.C.N initiative was market protection Kilby agrees with this point and further states

> ..."the company's beer trade had already been displaced in Ghana in 1932 and the Congo in 1935 as a result of the establishment of local brewereis by Swiss enterpreneurs. It was apparent that Nigeria has the market and unless U.A.C.N. took the initiative a valuable merchant interest might be jeopardised"[50]

From the 1960's, the industrial investment of U.A.C.N had covered a wide range of field, from mechanical processing of agricultural products, its industrial interests now

extended to breweries; metal goods, textiles, Packaging materials, Joinery cycle assembly, contracting, plant hire, radio and television and soft furnishings, toiletries plastics, cold storage, ice cream production and cement. It also runs a venicle assembly plant and a meat products factory as wholly owned subsidiaries[51]. Moving into the production of ice cream, packaging materials, plastics to mention a few, was easier for the company because these were the manufacturing activities in which unilever is engaged and is consequently able to produce the technical knowhow.[52] A characteristic feature of U.A.C.N's industrial investment is that the manufacturing industries are labour intensive and the biggest employer of labour in the Nigerian economy. With these labour intensive manufacturing industries, U.A.C.N recorded high gross outputs and total profits.[53]

Inspite of the empnasis on industrial development in Nigeria, U.A.C.N found it difficult to shed its flare for sales of merchandise goods imported from abroad. It was in view of this peculiar characteristic from which it derives profits, that it switched into modern consumer retailing and thus, Kingsway stores was established. It is west Africa's first departmental store, makigg extensive use of window displays. With annual turnover of £3000 between 1947 and 1963 an annex was opened in Ibadan and portharcourt in 1962 and 1963 respectively;[54] Table 4.2 below illustrates the U.A.C.N's industrial investments in the Nigerian economy from 1948 to 65.

Table 4.2 INDUSTRIAL INVESTMENTS OF UNITED AFRICA COMPANY OF NIG. I948 - 65

Company	Product	Yrs. Of startup	a.Fixed cap. in £000	U.A.C Equity %
African Timber and Plywood	Timber/Plywood	I948	3,000	I00
Nigeria Breweries 3	Beer/Minerals	I949	3,500	33
Taylor Wood-Raw	Building Contractors	I953	500b	50
Nigerian Joinery	Woodwork/Furniture	I953	I,000	50
Prestress	Pre-stressed and concrete	I954	40	20
Nipol	Plastic products	I957	I05	35
Raleigh Iniustries 3	Cycle Assembly	I958	75	50
Vehicle Assembly Plant	Bedford lorries	I958	500	I00
Minna Farms	Pigs	I959	35	80
Northern construction	Building contractors	I960	I00	30
W.A. Thread	Sewing Thread	I96I	450	20
W.A. Portland Cement	Cement	I96I	4,500	I0
W.A. Cold storage	Meat products	I96I	250	I00
Walls	Icecream	I96I	90	I00
Vono Products	Beds, mattrasses	I96I	80	38
Cement Paints	Cement paints	I962	35	I6
Guiness	Stout	I962	2,000	33
Fan Milk	Reconstituted Milk	I963	I00	45
The Nig. Sugar Company	sugar and by Products	I963	3,800	7
Norspin	Cotton year	I963	I,I00	53
Pye	Radio-Assembly	I963	40	50
Vita foam	Foam rubber produce	I963	I00	50
A.J. Seward	Cosmetic and Perfumery	I964	200	I00
Bordpak	Fibra board and Cartons	I964	800	I00
Kwara Tobacco	Cigarette s	I964	500	80
Associated Battery Manufacturing	Vehicle batteries	I965	656	22
Crocodile Matchets	Matchets	I965	I20	5I
Textile Printers	Printed textiles	I965	3,250	68

a. Equity Capital reserves and long term debt as 1965

b. Authors estimate

c. Number of plants

Source: Kl Lby: Industrialization in an open economy ... Op cit P. 69, as supplied by UAC, except for fixed capital which was compiled from the UAC House Margazine, Link Press releases and the registrar of companies.; Ministry of commerce and industry.

An examination of U.A.C.N.'s Industrial investment in Nigeria between 1956 and 1964, reveals that the company invested in market oriented consumer goods industries. Nzimiro holds a similar view and thus states,

> ..."U.A.C.N. deals mainly in manufactured products which were mainly consumer goods and not industries that can generate greater productive factors in the Nigerian economy"[55]

The point is that the company is established as a trading subsidiary of the Unilever organisation. The major motive behind Unilever's investment in Nigeria is to secure market for outputs of its foreign subsidiaries abroad. Each subsidiary of the unilever consortium has a role in the whole production processes of the organisation. A point kilby shares and states further...

> ..."as a general rule of thumb U.A.C. will only consider an industrial investment if it represents the protection of an established merchant interest which is both sizeable and profitable... Production wise the industry must be within the competence of the company, the unilever organisation or a principal supplier who can be persuaded to join the venture as a technical partner"[56]

Beckman also supports this view when analysing the disarticulation of third world economies and particularly the Nigerian economy. According to him;

> ..."Each sector of the Nigerian and thirdworld economies as a whole have been incorporated on the world scale in a way that obstructs intersectoral linkages locally..."[57]

Such obstruction, he argues, was precipitated by an active entrenchment of imperialism in most third world economies. The external control of these economies was made possible [illegible] of imperialist firms firmly established in strong positions of these economies. The imperialist firms are actively maintaining the thirdworld's dependence on imported commodities, from their parent companies abroad.[58]

This, however, explains the role of U.A.C.N in the production processes of the Unilever organisation. The company's industrial activities were designed to make her rely on inputs provided from foreign subsidiaries in Europe. The company is therefore an export platform for its foreign affiliates and parent companies abroad.[59] It is in this regard that we should understand why inspite of UACN's move into industrial production, products and rawmaterial; inputs are still largely imported through its international links, the mother companies abroad.

U.A.C.N's industrial production was geared towards maintaining its share of the market demand for consumer goods which were formally produced by parent companies. The company did not develop and utilise domestic raw materials as it products and production inputs are determined

by parent companies in Europe. Consequent upon this, the products it specialises in are principally made up of international brands which are based on standards that cannot be varied locally and also foreign products manufactured under local brand name.[60] Although most of these foreign products rely on imported rawmaterials, this however does not means that local rawmaterials cannot be used as a substitute for these imported ones. The point is that most of these rawmaterials were exported (still exported) to Europe where tney are processed and then imported to Nigeria. This is done to utilise advanced technology and reduce cost of production. In aodition, this strategy is employed to perpetuate Nigeria's position or role as a ready market for these foreign products. However, in cases where the cost of transporting these rawmaterials abroad for processing is enormouds, due mostly to their bulky nature, the company will prefer to bring in the machineries and the experts needed to operate them. A clear case in point is U.A.C Timber and plywood division located at Sapele in Bendel State to process and manufacture timber for export and serve the Nigerian market.[61]

Apart from industrial investment, U.A.C.N is also involved in various business activities which include technical, distribution and services. It also has associated companies all of which come under the big umbrella of Unilever. These include, Lipton Nigeria Ltd. Guiness Nigeria Ltd, Lever Brother Nig. Ltd., Nigeria Breweries LTd. Vono products Ltd.[62]

Table 4.3, shows the divisional activities of U.A.C.N. Ltd., under four sectoral investment.

TABLE 4.3

U.A.C.N. Ltd, Divisional Activities in sectoral Groups

Economic Activities and Companies	Products
MANUFACTURING	
African Timber and Plywood AT&P)	Timber extraction, process sawn timber for export. Plywood, particle board, flush doors, system building and machined wood products, Rasin manufacture.
Foods Diwision	Manufactures and markets meat, ice cream and confectionary products.
Bordpak premier Packaging (BPP)	Production of corrugated paper board, cases, die-cut trays and fitments manufacture and coversion of printed paper and paper board, packaging materials including folding boxes labels and wrappers
A.J. Seward	Development, manufacture and marketing of toiletries, products for skin, hair and baby care.
Federated Motor + Industries (FMI	Manufacture of commercial vehicles and buses. Specialist in body building.
Pan electric	Manufacture and servicing of sound and vision reproduction equipment and related components, Marketing and servicing of electrical domestic appliances.
Agroindustries	Production of rawmaterials and food crops. Animal feed (maize), Pig cattle production.

TECHNICAL DIVISIONS.

Business Equipment and Manufacture (BEAM)	Assembly, sale, Installation and service of office and security equipment.
Machinery and Equipment (M&E)	Mechanical and engineering business concerned with the assembly, sale and service of engines and plant for industries and agriculture.
Niger Motors	Sales and service of commercial vehicles and spareparts, Bedford commercial vehicle, National distributor for Lucas, CAV, Girling and Dunlop industries.
Refrigeration and Airconditioning (R&A)	Manufactures, sales, hire installation and service of industrial and domestic refrigeration and airconditioning equipment.
Tractor Equipment (T&E)	Engineering services, sales and service of new and remanufactured caterpillar equipment for the agricultural and industrial sectors.
Kingsway Chemists (KCD)	Imports a wide range of surgical Pharmaceutical and photographic goods, supplies surgical instruments, hospital equipment and furniture.

TRADING DIVISIONS.

Electrical Materials supplies (EMS)	Provides specialised services to the electrical and industrial equipment
G.E. Olivant	Distributes agricultural equipment, fertiliser, insecticides, crop spraying and processing equipment wholesaler of locally manufactured and imported merchandise and warehousing.
Gottschalcks (GID)	Provision of specialised construction and contracting materials and equipment to the building industry and through local fabrication, water storage and distribution. Packages for urban, rural and agricultural projects.
Kingsway Stores	Department Stores, Retailing of locally made and imported merchandise. Manufacture and distribution of Fast Foods.
Group Textiles	Design and wholesale Merchandising of Nigerian textiles.

SERVICES

Palm Agencies Nig. (PLAN)	Clearing and Forwarding Services
Management and computer Services (M.C.S)	Provide inhouse resources as well as catering for third parties.
Property Division	"
Manufacturers Delivery services (MDS)	Warehousing Services.

Sources: UACN, Annual Report, 1985 P. 13. see also

'Link' The Marqazine of UACN and Associates vol. 19, 4th quarter, 1986 p. 4.

4.4 UACN and the Raw Materials Crisis:

Just as the 1930's World slump adversely depressed World economic activities, the current economic recession (1981) is having the same effects on UACN's economic activitiy and the Nigerian economy as a whole. As we have argued earlier, a proper understanding of the Nigerian recession and raw materials problem must be located within its global context. The Nigerian economy like most third world economies was severely depressed because of its external orientation, in the sense that export earnings from the oil sector is crucial as the source of finance of government expenditure and domestic industrialization. The Nigerian industrial sector is structured in such a way as to make it dependent on the international market for production inputs. The imperialist firms and UACN in particular, relies on her parent companies for basic rawmaterials, spare parts needed for production activities. It is this import - oriented and foreign exchange

intensive structure of production activities that have laid the basis for the current recession in Nigeria. UACN like many Nigerian industries is therefore susceptible to changes in advanced capitalist economies, especially as the recession also affected its parent companies aborad. What ever affects the Unilever organisation in Europe is bound to be refracted into UACN and the Nigerian economy as a whole.

As in the 1930's capitalist crisis of over production, the current economic crisis exposes the fragility of the Nigeiran economy and indeed the import - dependent import substitution industrialization model. The recession also exposes the extensive reliance of UACN for its industrial production on imported raw material inputs from parent companies in the west. In the early 1980's the world oil market price suddenly collapsed. As a result of this the revenue accruing to the Nigerian state from the sale of oil, on which so much of Nigeria's economic activity had come to depend and financed drastically reduced. This in turn affected the import - dependent structure of Nigerian industries and pattern of industrial production. With the foreign exchange crisis the import demands of Nigerian industries in terms of imported raw materials and other inputs could no longer be sustained, with the result that UACN and other industries in Nigeria began to experience drastic decline in production capacity, heavy losses in sales and a decline in rate of profits because of the cut in supplies of imported production inputs[63].

It is the general downturn and intensification of the recession and the problem of raw materials in the Nigerian economy that compelled the Nigerian State to introduce the economic stablization temporary providions act of April 1982 (austerity measures). These measures as earlier mentioned were intended to shore up the economy and curb the excessive outflow of foreign exchange as well as rationalisation of state expenditure, restrict the massive dependence of Nigerian industries on imported raw materials and other inputs, and mop up excess liquidity in the system. Although these measures were well received against the background of the objectives they were designed to serve, UACN, like many Nigerian companies has strongly expressed dissatisfaction with their implemention. The company's Chairman and Managing Director blamed the improper implementation of these measures on excessive bureaucratic control.[64] The difficulties involved in the application for an import licence from the import licence committee, which usually took more than six weeks for the committee to approve and another eight weeks for the Ministry of Commerce to issue the licence. In the process of this delay, the UACN public relations adviser explains that some government officials hawk licences to unauthorised dealers who paid exorbitant prices for them and imported finished consumer goods.[65] In effect many Nigerian industries, including UACN were denied licences to import raw materials and spareparts for production activities. Even when they get the import licences, they were given limited allocation. UACN manufacturing divisions began to use up their stocks of raw materials and could not

replenish them. This has led to a reduction in the company's economic activities and thus was compelled to employ drastic measures in reducing the high operating cost.[66]

In 1983/84 production year, as the raw materials crisis intensified many UACN divisions experienced a significant down turn in sales and the reduction in profit margins. Niger Motors was faced with shortage of vehicle spareparts which delayed its operations and sales. BEAM was adversely affected by its inability to import office equipment and spareparts to maintain its business, T & E division could not fulfill its service and maintainance obligations to the oil mining and agricultural sectors because of the shortage of import licence covering essential spareparts. Infact most division that were not directly involved with manufacturing processes and importation such as the MDS and PLAN divisions, suffered a down turn in volume of goods handled on behalf of their manufacturing clients as in the former and reduction in the number of Agency vessels handled and low volume of imports for the latter.[67]

Inspite of the recession many of UACNs divisions are still recording high sales and profit. For example, the demand for Bordpak's packaging materials has increased tremendously than in previous years. In the chairman's review of 1984 divisional performance, Bordpak opened a new warehouse, completed construction of its new gravure carton factory at a cost of ₦5.6m, Kingsway stores produced an improved result on previous years. The sales of consumer goods formed the basis of its enhanced profits. It completed

its new air conditioning plant together with a borehole and water treatment plant for the Lagos Store at a cost of ₦1.8m[68]

As we have argued earlier, the current recession is marked by a decline in the rate of profit, it is a crisis of capital accumulation affecting all sectors of the economy, particularly the Nigerian industrial sector. Table 3.4 illustrates turnover and profit of UACN and percentage net pfofit as a ratio of gross profit. From 1973 to 1986, there has been a steady rise in the rate of profit. By 1978, profit began to decline till 1980. This could be explained by anumber of factors. The company may have invested in capital intensive goods. There is the fact that from 1978 to early 1979, Obasanjo embarked on austerity measures to share up the economy when it appeared to be experiencing a mild strain. The ban on importation and the various fiscal policies may have contributed to the declining rate of profit. In a similar guise, the 1980's featured a dramatic decline in rate of profit especially between 1982 and 1983, the years of the economic stablization decree promulgated by ex-President Shehu Shagari's administration to curb the impact of the crisis on the economy. The highly corrupt and poor administrative processes of the import licence and form M was to strangulate many Nigerian industries, denying them of vital production inputs imported from the international market. We are not denying that companies are not recording high turnover and profit, the point is that they are but at a reduced rate. Infact this explains why capital itself has to embark on internal measures

or rationalization policies to keep its profit margins and reduce operating cost. Analysts have the tendency to calculate a company's rate of profit by looking at the high figures declared in its annual reports.

4.5 The Rationalization Policy

The general downturn in UACN's operations has forced the company to adopt measures at reducing its operating cost and declining rate of profit. Some of the companys divisions were merged. There was the merger of PMI with M and E and Niger Motors divisions to curtail their operating costs.[69] As the rawmaterials squeeze and the limited allocation of import licences to U.A.C.N. continued through 1984 and 1985, the company began to employ more cost reduction measures to prevent its divisions from temporary closure. Although the companys divisions as Kingsway Stores imported and distributed 46,000 tons of essential commodities between April and June 1984, other divisions particularly in manufacturing were experiencing considerable hardship because of lack of adequate licences for their basic production inputs.[70]

It is against this general decline of economic activity that UACN adopted more internal read-justment, to reduce operating costs. The over-all thrust of these measures was decisively monetarist geared towards reducing the companys expenditure as workers welfare policy, excessive labour cost to mention a few. In mid 1985, therefore a rationalization policy was implemented. The company reduced the work days to four days work week, the over time

and shift system was abolished, which meant lesser money for workers. In UACN manufacturing divisions, for instance, expenditure on employees welfare services was suspended and new machines were introduced to reduce labour cost. Although UACN public relations adviser denied any retrenchment exercise in the company,[71] Interviews conducted with some of the company's manufacturing divisions as A.J. Seward, U.A.C Foods revealed that there was a reduction of Manpower.[72] Infact the chairman admitted in his address that his company have had to reduce the level of activity and manpower as a result of the reduced importation of rawmaterials and other inputs. He went on to assert that his company would pay the necessary entitlements to those affected;

> "... I have to add that where rationalization in our organisation affected manpower it was carried out with the minium of hardship and the full cooperation of the unions and all affected received their full benefits and entitlements"[73]

Contrary to what the public relations adviser has said, the Chairman's statement confirms that there has been some degree of retrenchment even though it has been difficult to ascertain the exact number.

TABLE 4.4 Turnover and Profit of U.A.C.N from 1973 - 1986 in ₦000

Year	Turn over before tax IIg	₦,000 Profit after taxation IIn	% Rate of Profit
1973	213,403	8,919	4.1%
1974	248,407	16,587	6.6%
1975	385,071	35,675	9.0%
1976	576,066	46,107	8.0%
1977	701,848	58,594	8.3%

1978	788,534	42,200	5.3%
1979	627,313	23,992	3.8%
1980	707,292	24,030	3.3%
1981	869,612	37,344	4.2%
1982	818,346	26,559	3.2%
1983	719,127	13,619	1.8%
1984	596,122	30.959	5.1%
1985	564,018	38.610	6.8
1986	551,425	44.015	7.9%

* Rate of profits compiled as IIn/IIg % net pfofit as a ratio of gross profit.

Source: Compiled from end of financial year statement of Account for various years in UACN Ltd, Annual Report 1973-86

4.6 UACN goes Farming:

As we have shown above, the immediate response of UACN to the deepening rawmaterials crisis was to embark uppn internal crisis management measures aimed at reducing production cost and maintaini..g profit margins. In late 1985 however, the company was compelled to embark on development and experimentation into local raw materials, since supplies of its raw materials have been interrupted. A solution to this raw material crisis was to integrate backwards into agriculture. The dompany's re-entry into agriculture are in four main sections. These are the Reforestation project of the AT and P division located at Sapele in Bendel State. The company invested N6.5million on the reforestation project which started in late 1984. Over three million trees were

to be planted which would cover an area of 1,750 hectares, with the net planting estimated to cover 1,505 hectares. The estimated maturity period will last for seven years. When eompleted the project will produce a timber volume of 38,000 cubic metres per annum from 1992 onwards[74]

The second raw materials procurement project is the Marquis Farm in Oyo State. It is an integrated arable animal feedand pig production unit geared towards growing crops like maize, cowpeas, Soya beans, sunflower, Guinea corn, cotton, Sorghum, millet and groundnuts. The farm also has a feedmill which processes maize feeds for the piggery unit and also serves the Nigerian market. An approximately five thousand pigs are reared and fattened per annum. The pigs are slaughtered and the meat processed to provide meat inputs for UAC Foods and Kingsway Stores. The farm has over 700 hectares of farmland. About 500 hectares have been cultivated with maize in 1986. After harvest, the company would plant cowpeas and other food crops.[75] The company also has a maize plantation in the Kidandan district of Zaria Local government area in Kaduna State. This project occupies an approximately 5000 hectares. The project development has commenced with 500 hectares of maize in 1986 and it is projected that by 1990, the remaining 4,500 hectares would be under cultivation. The maize will be a source for the Feed production mill on the marquis Farm. After research and experiment into the potential existing in utilising the green field oil palm estates in Cross Rivers State, UACN together with Lever Brothers and Pamol Nigeria Ltd, have jointly invested about N50 million in planting

Palm trees as a source of industrial raw materials and also for other industries in the country.[76]

Majority of the key inputs requirements of UACN Agro industries are still largely imported. Agricutural inputs as seeds, fertilisers, chemicals and cultivation equipment as tractors, ploughs, planters were provided by the T and E division which imports them from the Unilever companies in Europe.[77]

The significance of UACN'S move to develop alternative local sources of raw materials lies in the fact that the current raw materials crisis would lead the company in the direction that will reduce its total dependence on foreign production inputs. This however does not mean a complete break of the company away from the intra-firm division of Labour and its role in the organisation. This is because the parent companies in Europe are seeking solutions to the problems of raw materials supply and this has influenced their support for UACN's move to develop an indigenous source of raw material inputs hitherto imported.

There is yet another dimension to the whole efforts of UACN to integrate backwards into agriculture. The Unilever organisation is supportive of this move because this would provide another avenue for UACN to be dependent on her parent industries for agricultural production inputs for an effective management of the UACN agricultural schemes. This is why the company is actually appealing to the government to increase the equity share of foreign companies investing in agricultural ventures to 80 percent. In essence, the 80 percent equity control of Unilever in agricultural

production would mean a greater integration of UACN into the Unilever organisation and thus increase its dependence on foreign inputs. Stressing the point further, Olukoshi States.

> "...It would seem that the logic of the recession and the problem of rawmaterials will induce the company to develop and utilise local raw materials for its economic activities and thus conserve foreign exchange".[78]

Rather than attain this objective UACN is further integrated into the Unilever intra - firm specialisation and fulfill its historic role as a market for imported raw materials and manufacturers for its parent companies.

In the previous chapters, we mentioned that the raw materials crisis has compelled both foreign and local capital as well as the Nigerian state to find solutions and thus develop an indigenous raw materials source. In a similar guise industrialists are seeking to take advantage of this situation to demand concessions and incentives from the Nigerian state. Apart from the provisions of infrastructural facilities in areas where UACN's agricultural project is being undertaken, the chairman is appealing to the government for a change in the tariff structure which he argues imposes extra cost on the agricultural equipment and reflects on the prices of the raw materials. He proposes that the government should exempt components intended for local production, particularly agricultural equipments from both import and excise duties.[79] The point Shonekan misses is that the state has to contend with different interests and ensure that it mediates between diverse interests within the manufacturing sector and the Nigerian economy

as a whole. It must also enforce its own accumulation without which it will be unable to finance major expenditure and fulfill its budget proposal. The state must thus provide a conducive and profitable avenue for capital in general.

4.7 The Second-tier Foreign Exchange Market (SFEM and UACN Economic Activities

We have shown above that various state measures to contain the raw materials crisis and the recession in general have tended to escalate and further lead to a series of counter reactions and worsening of the already depressed economy. It is against this background that the government of major General Ibrahim Babangida enforced harsh measures designed to deal with the economic crisis. Some of these measures have already been examined in chapter three, what we shall consider here is the SFEM as it affects the performance of UACN in its move to solve the crisis, particularly the move to source for local raw materials and increase its local value added in production.

The UACN's Chairman and Managing Director has expressed in his various speeches his unflinching support for the government for introducing the SFEM as part of the structural Adjustment Programme. Inspite of Shonekan's Speculations and optimism, the predications of Nigerian analysts and the government have began to be countrary. Like many Nigerian industries, the SFEM has adversely affected UACN's economic activities. First and foremost production in the company's Agro-industries was strained. The division is experiencing high cost of production and declining rate of

profit margins. This is because the company has to invest a lot of money to purchase agricultural raw materials, fertiliser, drug and capital inputs as a result of the derregulation of the naira.[80] Consequent upon this the division has to contend with high cost of production, if unabetted may frustrate the whole policy of integrating backwards and utilise domestic rawmaterials. Explainigg the impact of SFEM, the UAC Agronomist says that the high cost of agricultural inputs coupled with the high tariff structure have increased the cost of producing meat inputs for other UACN's divisions compared to when these inputs were imported.[81] The prices of agricultural equipment he states have increased by 15 percent over the cost in 1985. When considering the excessive cost of production the company may be forced to abandon the agricultural projects and turn to its mother companies for basic raw materials which are relatively cheaper because of the technological advantage which they have more than Nigeria and third world countries as a whole.[82]

Apart from its effect on the agro-industries the SFEM has further affected the production activities of UACN [illegible] manufacturing divisions. Unlike the pre SFEM period when these divisions could not produce because of inadequate import licences and particularly the problem of production inputs, SFEM has lifted the restrictions against imports, but these divisions can produce but are faced with acute problem of sales. In effect the manufacturing divisions are experiencéng stock piling, because consumers have begun to readjust their tastes and shifted to less expensive commodites. This has compelled

these divisions to introduce cost reduction measures and curb waste and redundancy. Amongst the measures introduced was the introduction of labour reducing machines. A.J. Seward and Bordpak divisions imported new Machines aimed at reducing the use of labour. However, a comprehensive analysis of the impact of SFEM on UACN with specific emphasis on two manufacturing divisions will be the focus of our next discussion.

FOOTNOTES

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10. Olukoshi A. O. : "The Multinational corporation and industrialization in Nigeria: A case study of Kano 1903 - 1986" Ph.D Thesis, September, 1986 see Roger Owen and Bobsutc-liffe, studies in the theory of Imperialism Longman Group Ltd., London 1972.

11. Olukoshi A.O. : "The Multinational Corporation and Industrialization in Nigeria: A case study of Kano, 1903 - 1986, Ph.D. Thesis September 1986 P. 3

12. Mohammed A.M". "European Trading Companies and the underdevelopment of Northern Nigeria, 1855 - 1939: The case of Royal Niger Company, U.A.C." Ph.D. Thesis January 1985 P. 48.

13. Companies which came together and obtained a Royal charter include Messers Holland Jacques, Alexander Millers Brothers company, James Pinnock and West African Trading Company, formed the Royal Niger company as in Pedlar. The Lion and the Unicorn.

14. Pedler F. The Lion and the Unicorn, OP Cit p. 124

15. Ibid P. 137 Op cit PP. 136 - 137

16. Mohammed A,M. : The Royal Niger Company/U.A.C. Op cit P. 1

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19. Lever was the pioneer of the revolution on soap making. Liverpool was one of the leading industrial centres in England. By the middle of the nineteenth century its industries were providing over 30,000 of soap annually. Lever Soap business depended on imported vegetable oils. By 1910. Lever formed West Africa department of Lever Brothers set up to be responsible for the conduct of all Lever Brothers West Africa trading interest. it formed West Africa oils Ltd., and by 1929 Lever Brothers became the pioneers of modern industrialist manufacturing of soap in both Congo and Nigeria. As in Nzimiro I, The political and social implications of multinational company in Nigeria, in carl widstrand Multinational Firms in Africa Scandinavian. Institute of African studies uppsala, 1975 p. 212

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CHAPTER FIVE

RECESSION AND LOCAL SOURCING OF RAWMATERIALS: AN EMPIRICAL ANALYSIS 1981 - 86

Introduction

This Chapter focuses on the recession and Local Sourcing of rawmaterials. We shall look at the activities of two manufacturing divisions of the United Africa company Nigeria Ltd., (UACN) . These are A.J. Seward and Foods Nigeria Ltd. They will be looked at with a view to understanding their current efforts in utilising domestic rawmaterials for production activities. In addition we shall examine their reactions towards the various state policies at curbing the rawmaterials crisis of the industrial sector.

5.1.1 A.J. Seward Nigeria Ltd.

Brief History

In 1919, Arthur James formed a limited company in London to make pomades for Africa, particularly British West African countries. His best customers were the British Companies which in 1929 came together to form the United Africa Company Ltd. The company was run independently in England until 1929 when it became a wholly owned subsidiary of Unilever. Until 1957, the company's factory was at Lotus work in London, but after a fire disaster the manufacturing unit was transferred to the Gibbs factory at Leads in England.[1]

A.J. Seward operations in Nigeria in its present form arose out of the need for Unilever to coordinate activities in the cosmetics and toiletry business. The Company was to specialise in certain toiletry preparations together with specific brands. Subsequently, there was a substantial reorganisation of the company's structure. In 1963, A J. Seward Nigeria Ltd was established in Nigeria when it became appropriate to start production locally for the Nigerian market. The main sales were of perfumes and pomades directed to the Northern market. In 1964, a factory was opened in Zaria and by 1967 another factory was established at Apapa in Lagos.[2]

In 1975, Seward became a manufacturing and marketing division of UAEN Ltd, relying on about 80% of its rawmaterials from the parent company, Unilever. The company was given the responsibility of producing toiletries and cosmetics for the growing demands of the Nigerian market. The toiletries business commands an estimated 35% shares of the market for skin creams, 40% shares of the market for petroleum jelly and 20% shares of talcum powder.[3] Seward manufactures essential consumer goods which include soaps lotions, deodorants, hair preparations, powder and perfumes.[4]

In 1977, another factory was commissioned at Oregun in Lagos which became the company's headquarters. Seward factories have a total installed capacity of about 50 million units annually. From 1975 to 1979, the company sold approximately 1,800 tonnes of skin creams, 1000 tonnes of petroleum jelly and 600 tonnes of talc per year[5]

Apart from the toiletries and cosmetics production, Seward took on the responsibility of Kingsway Chemist, a division of UACN Ltd. It imported and distributed a range of pharmaceuticals. It was also an agent of a number of international drug companies such as Roche, Searle and Servier. It however withdrew from the agency business and concentrated on the product range of pharmaceuticals, generic drugs by East Ginstead and sold under the United Africa company International (UACI) brand name. It also dealt in imported surgical equipment and hospital furniture, Photographic materials and equipment.[6]

Although Seward marketed and distributed a range of Kingsway Chemists Products as mentioned above, its main specialisation area, the cosmetics and toiletry manufacturing will be the main focus of our analysis. For the toiletries and cosmestics production, seward relies on five major rawmaterials inputs. They are Chemical and Petrochemical related inputs, Essential oil compounds, perfumes, fragrance Stabilizer and Sunscreen, talc, Processing inputs like mixing vessels, machines and also packaging of rawmaterials. It is important to note that the bulk of the technical knowhow or expertise employed in the production processes is equally imported. Before 1985, a total of eight foreign experts occupied the post of Senior Management positions. The current staff strength is about 700 with only one expert.[7]

Table 4.1.1 below outlines Seward's products, major rawmaterials, main source before the current Nigerian recession. The chemical and petrochemical related inputs include petroleum products, technical whiteoil, casterol, glycerine, paraffin wax which were obtained from National petroleum company Kaduna Refinery and Mobil-oil companies. These inputs were derived from crude petroleum which was exported from Nigeria to the advanced industrial countries where it was refined and further processed. It was then imported back into the country as rawmaterials for various industries. Gycerine, for instance, is obtained from crudeoil produced in Nigeria, but is about 80% pure and has to be refined and freed of all inpurities before it can be used by Seward in production. Although the crude petroleum is produced in Nigeria, there were no technical knowhow, machineries, and chemical requirements needed for the processes of these industrial rawmaterials. In essence the production processes of the various by-products derived took place in the Western countries.[8]

Furthermore, about 65% of Seward's essential oil compounds were obtained from Lever Brothers Nigeria Ltd. and 35% was supplied by Vegetable oils Nigeria Ltd. Lever Brothers Nigeria Ltd., is a Sister Company of UACN Ltd, which specialises in the production of detergents. Seward's essential oil compounds are derived from agricultural produce such as palmoil, palmkernels, cocoa. The by-products are used for the production of Seward toiletries and cosmetics.

The perfumes and Fragrance are obtained from the product and perfume unit, a Unilever owned perfume house in Europe. Braagogo, a cosmetics manufacturing company in Europe, also supplied Seward with perfume and fra grance. It is not that the perfume concentrates cannot be extracted from Local plants and flowers but the processes require capital intensive inputs such as Machineries and technical knowhow which had always been retained by Unilever. Moreover as part of the intrafirm specialisation, Unilever has a division or subsidiary which specialises in the production of perfumes, fragrance, stabilizer, sunscreen and other inputs requirements of all Unilever - owned branches worldwide. Talc is another major input used in the manufacture of Sewards' talcum powder. This is also imported from its parent company UACI.[9]

There are also the processing inputs such as mixing vessels, Agitating pulps, Mixers, Filters, Labelling Machines and spareparts. Approximately 65% of these capital intensive machineries are imported from Unilever through UACI. 25% of total supplies is obtained from UACN Machinery and equipment division (m & E) and 10% is supplied by third party manufacturers in Nigeria. Furthermore, Seward sources about 60% of its packaging materials from local manufacturers. This, however, does not imply that these inputs are manufactured locally. Bordpak premier packaging Nigeria Ltd; a division of UACN Ltd., supplies about 80% of Seward paper labels and cartons. While 90% of the glass tubes are obtained from

Metal Box Toyo Glass Nigeria Ltd. About 35% of the company's plastic tubes and caps are provided by Agbara plastic Nigeria Ltd., and other Local manufacturers of plastics. The craft-boards are obtained from Wahum Nigeria Ltd and other small scale manufacturers. Plastic rasin, pigment, labelling ink, Moulds are mainly imported from Unilever through the parent company UACN.[10]

Apart from the packaging inputs which are obtained from indigenous industries, all other inputs are directly or indirectly imported from industrialised countries, through the parent companies in Europe. Moreover, where it relies on domestic third party manufacturers for production inputs this must be reliable and highly profitable to the company than the imported ones. It is profitable for instance for Seward to purchase packaging inputs from BPP and third party manufacturers than to import these inputs. However, about 30% of total packaging inputs are obtained from Europe.[11]

From the above reports, it becomes quite appararent that like all UACN divisions and Unilever owned subsidiaries, Seward is compelled to rely on its parent companies for about 80% of its total rawmaterials inputs. Evidence from the previous chapter has indicated that Seward is the import platform from its parent company in Europe. This company therefore did not have to develop and utilise local rawmaterials because its products and brands are international brands which are the main specialities of Unilever. It has been oriented overtime to source for all its basic production inputs from the West.

TABLE 5.1.1

SEWARD PRODUCTS; SOURCES OF RAWMATERIALS BEFORE THE RECESSION 1975-83

Products/Brand	Basic Ramaterials Inputs	Major Sources before Recession	% Shares in total source
Toiletries and Cosmetics include: Fresh, Sheld Pears, Lotus Nku Jeleen Satin Sheen Hair Shampoo	1. Chemical and Petrochemical Related inputs, Like glycerine Paraffin Wax, Castero_l, Technical white oil	Nigeria National Petroleum corporation Kaduna Refinery ii. Mobil oil Companies (The Crudeoil is refined and Imported into Nigeria	100%
Antideodorant Pears Baby Soap. Moon8 Powder, Antisol Soap	2. Essential oil coumpound derived from detergent manufacturers.	1. Lever Brothers Nigeria Ltd.	65%
		2. Vegetable oils Nigeria Ltd. (Imports about 65% of inputs)	35%
	3. Perfumes, Fragrance, Stablizer Sunscreen	1. Unilever Perfume House.	90%
		2. Draagogo	10%
	Talc	Imported through UACI.	100%
	4. Processing Inputs like Machines, Agitating pulmps Mixers, Filters Labelling Machines and spareparts.	Imported from UACN Machinery and Equipment Division. (Imported through Unilever).	65% 25%

	Basic Rawmaterials inputs	Major Sources before Recession	% Share in total source
		Third party Manufacturers.	10%
	5. Packaging Inputs such as paper Labels and Cartons	UACI (Imported) Bowdpak Premier Packaging Nig. Ltd. Metal Box Toyo	20%
	Glass tubes	Glass Nig. Ltd.	*80%
	Plastic tubes and Caps.	Agbara Plastics Nigeria Ltd.	
	Craft boards	Wahum Nigeria Ltd.	

Source: Compiled from various interviews with A.J. Seward Development Manager, General Technical Manager and the Marketing Manager on 22 June 1987, 24 June 1987, 18 and 25 September 1987 respectively.

* - Although these percentages of rawmaterials are locally obtained, this does not mean that the supplying indigenous companies do not depend on imported inputs for production activities.

5.1.2 A . J . Seward Nigeria Ltd. and the Rawmaterials Crisis

With the oilglut and the subsequent foreign exchange squeeze, the Nigerian economy and the industrial sector in particular began to face a general downturn in economic activities. Seward did not experience the hardship until late 1983. This was because it had abundant stocks supplied by the parent companies in Europe. In every UACN division there is a planning department in charge of what is called 'Lead policy'. This department is assigned to calculate all leadtime for both rawmaterials and finished product requirements of the

company. This is necessary to secure constant supplies of goods for the company. Since Seward relies basically on imported rawmaterials, it has overseas agents responsible for the overall delivery of these production inputs. In every three months, the foreign agents or buying office in England would transport the stocks to Liverpool Wharf, where they are imported into Nigeria. Also in every ten weeks, rawmaterials are replaced before the existing stocks are used up. Finished goods must have arrived in every Seward depot, five weeks before they are sold to the Local Market and three weeks in pipeline on the road. The Lead Policy therefore guaranteed a reliable pipeline of supplies of rawmaterial inputs for production process.[12]

The reinforcement of Stiffer fiscal measures in January 1983 was to have an adverse effect on the company's production activities. The difficulties encountered in obtaining Form M and import licences, coupled with the high import and excise duties and customs inspection of all imported items contributed to the late delivery of rawmaterials and spareparts. The import licence covered only two years. The extra delay of the import licence committee and the central Bank officials was to stifle and distort the pipeline of supplies and production activities as a whole. Seward output experienced a significant downturn which adversely affected sales and rates of profit. Between late 1982 and 1983 the company was operating below 60 percent of total installed capacity. It maintained this level of production until 1984 when prices of Seward rawmaterials

Started to increase. This was precipitated by the ban on some Sewards production inputs such as plastic rasins, packaging inputs and essential oils. The scarcity of these production inputs however had a drastic effect on production output and prices of Seward commodities in general.[13]

Production of some Seward goods such as Jeleen, Fresh,and Lotus declined by an estimated two thousand packets per week until the early part of 1985. In mid 1984, the Zaria factory could not produce because of the lack of packaging materials, Prices of commodities increased by an estimated 40% on all Seward products. For example, recommended retail price of Shield and Fresh body creams increased from ₦1.50k to ₦2.50k. Distributors were however selling as high as ₦4.00 to the Local Markets at 60 percent profit. There was a general scarcity of Seward commodities and distributors boarded the products inorder to make higher profits. Prices of consumer goods further increased between 40 percent and 46 percent, inspite of tne efforts of the 'Production Productivity and incost boards', to peg price increase to 5 percent. The recommended prices of Seward commodities however soared as high as 15 percent. The recommended retail price of Shield and Fresh Creams was ₦3.50 in mid 1984 and was maintained till early 1985. The high cost of production was maintained till early 1985. The high cost of production was shifted to consumers who were willing to buy regardless of the high cost. This period featured high demands of Seward goods which are mainly essential commodities.[14]

By the second half of 1984 and early part of 1985, it had become obvious that Seward's operations were in dire straits. Capacity utilisation dropped further to 30 percent. There was a further squeeze on the international supplies as a result of stiffer measures imposed by the Military government of General Buhari. The total ban on the importation of some of Seward's finished goods and the high tariff measures were to further strangulate the Nigerian industrial sector and Seward of imported raw material inputs. This has served only to accentuate and worsen the problem of raw materials which had already compelled many factories to close down and lay off thousands of workers. The Buhari administration placed some restrictions on the employment of expatriates. In effect, a total of eight foreign staff were retrenched in Seward. Indigenous manpower were than appointed to occupy high posts that were formally controlled by foreigners. The post of the General Technical Manager, Development Manager and other Senior Management positions were occupied by Nigerians. At present only one foreign staff has been retained in the company.[15]

By the last quarter of the 1985 production year and early 1986, the company had devised series of internal measures to solve the raw materials crisis. The abolition of import restrictions policy especially the use of Form M was to stimulate production processes and thus increase Seward's capacity utilisation to about 40 percent.

5.1.3 Crisis Management Policies

Like many UACN manufacturing divisions Seward was compelled to embark on internal measures to curb the impact of the rawmaterials squeeze. The subsequent increase of both unit and total production costs has had an adverse effect on total sales and profit margins. Efforts had begun in late 1983 to Shore up the apparent declining rate of capacity utilisation because of the imposition of import licenses on most of Seward rawmaterials. The company concentrated on reducing overhead cost accentuated by the decline in production activities as a result of the rawmaterials crisis. It adopted a short-time work system by way of a five day work week; particularly for the semi-manual labourers and also resheduled the annual leave of senior employees and training programmes. Overtime and two shift process of production was abolished and the company maintained a one shift system of production.[16]

Although it has not been possible to secure formal data on the number of workers retrenched in Seward, the information obtained revealed that approximately 104 junior workers in Oregun factory have been retrenched between late 1984 and early 1986. This was aimed at reducing the high operating cost. To avoid a temporary closure of the Oregun factory, the company leased out its factory to companies with similar products and production processes. It also began to produce detergents and Antisol soap for Lever Brothers. The company

also imported and installed automatic packaging machines to replace labour and reduce overhead cost of production. To monitor the prices of its commodities which were being sold at higher rates than the recommended retail prices, the company began to sell directly to the Nigerian market. It devised a policy whereby distributors were eliminated and Seward sales representatives sold to consumers a maximum of two units of commodities daily. In effect the operating price unit began to fall.[17]

5.1.4 The Development and Use of Local Rawmaterials

Another effort at curbing the impact of the rawmaterials crisis was the move to utilise local rawmaterials as substitutes for imported ones. By mid 1984, Seward began to source for Local rawmaterials as a result of the profound squeeze on external supplies of rawmaterials, especially during the Buhari regime. The ban on imported plastic rasins, an essential packaging input, was to compell the company to find local substitutes. The company began to scout around for individual researchers and manufacturers of plastics inorder to maintain its production output and profits. Some of the indigenous small scale manufacturers, Seward financed include Delta Glass, at Ughelli in Bendel State, Danladi Nigeria Ltd., which produces Local Moulds, an essential input requirement for the production of packaging materials. The company was also in support of the current move of Brasstex Nigeria Ltd., to manufacture

Local Wax from local palmkernel, palmoil and cocoa.[18]

For its cocoa creams and Lotions, Seward relies on cocoa industries for about 60 percent of its inputs. It has recently developed a cocoa butter cream called 'Eldar', and used about 90 percent of local rawmaterials. It has launched a new Jeleen cream with about 60 percent of local value added in production. The point is that the rawmaterials crisis has compelled Seward to utilise local rawmaterials as substitutes for the imported ones to curtail the high operating cost and the apparent fall in the rate of profit. In recent times, Seward sponsored Proda Nigeria Ltd., in Anambra State to experiment on the use of local starch derived from cassava as substitute for imported talc used for talcum powder. In essence the whole effort to develop local rawmaterials involved extra cost. This was because the company had to pay extra cost for preservatives and antioxide to reduce its inherent flare for bacteria and moulds.[19]

Prior to the outbreak of the current rawmaterials crisis, Seward Research and Products development programmes were coordinated and centred in the parent company, Unilever. By late 1985, Seward began to develop new formulations and products that would use local rawmaterials. In 1986, it installed a new laboratory and testing centre in line with government directives to improve existing products, develop new formulations using local rawmaterials. The development manager explained that Unilever, the technical partner, monitors all development programmes and

researches in appropriate rawmaterials within and outside the country.[20]

From the above reports, it becomes quite apparent that inspite of the fact that the mother companies recognise the need to obtain rawmaterials locally even when prices are high and demands is ralatively low, there have been little efforts to actually develop an integrated supply of rawmaterials in Nigeria. Apart from the recent policy of rinanci ng small scale manufacturers to produce and import basic rawmaterials, Unilever has shown a negative response toward the need to develop and utilise local rawmaterials for production processes. An example was Seward's effort to put forward the idea of producing high quality crea m using about 95 percent of Local rawmaterials. This idea was bluntly rejected on the ground that it was neither profitable nor in the interest of the Unilever organisation as a whole. It was further argued that Seward Products are international brands with a registered brand name guaranteed by Unilever. As such, all production processes must therefore be maintained according to the stipulated intrafirm specialisation. The raw materials must be supplied by Unilever.[21]

Indeed the above would suggest that Seward can only utilise domestic rawmaterials which cannot be produced by the Unilever organisation. In most cases where it has to source locally those inputs produced by the parent companies

it must be beneficial and profitable to the latter.[22] Evidence in the previous chapter, has shown that the early moves by UACN Ltd. to source locally in terms of producing rawmaterials for Seward have proved to be mere pretences. Although it embarked on a palmoil ventures with Lever Brothers and Palmoil Nigeria Ltd., there has not been any substantial outcome in utilising domestic rawmaterials for production. Uptill now UACN has not started any planting on the Farm. Until such programme takes off, the immediate solutuion is to continue to import from its parent companies in Europe. Besides, there are many rawmaterials that could be harnessed locally, but nothing has been done to that effect. For the procurement of some of its inputs, the company cannot integrate backwards and increase its local value added, but prefers to source the inputs from third party manufacturers and sister companies, finance local producers who in turn import the production inputs.

5.1.5 <u>The Second Tier Foreign Exchange Market and Seward's Production Activities</u>:

The introduction of the SFEM by the Babangida administration was to have an adverse effect on the whole process of looking inwards, precipitated by the cut in the international supplies of sewards basic raw materials. Sequel to the introduction of SFEM when commodities were placed under specific licence and by complete ban on many rawmaterials and finished goods, Seward was

strangulated of basic inputs for production activities. With the introduction of SFEM, the rawmaterials squeeze was alleviated. This permitted the company to have an unrestricted supply of rawmaterials. This policy of trade liberalisation also has its own limitation as earlier mentioned. with regards to Seward, the most fundamental problem is in the area of cost. The derregulation of the naira has resulted in chain reactions in the production processes. With SFEM, all embargo on imported raw materials and finished goods was lifted and the current value of naira (as a result of devaluation) has curtailed extra expenditure and investment in capital goods. In certain cases machineries were imported to reduce operating costs, especially the cost of labour. Seward has started importing basic raw materials to increase total production output. Oregun factory increased its capacity utilisation from 30 percent to 40 percent with respect to the high cost of rawmaterials, Seward's cost of production further increased by approximately 300 percent. Invariably, this high cost was transferred to consumers as evident in the current market prices of Seward's goods. The recommended prices of Seward's products such as Shield and Fresh escalated from ₦3.50k in 1985 to ₦5.00. The medium size petroleum jelly cost ₦6.00 as against ₦3.00 in late 1984 Prices of Pears baby products increased from ₦2.50k to ₦5.00. The current retail price of Pears baby soap is ₦1.00 as against 45k in previous years.[23]

Despite the series of efforts to reduce the high cost of raw materials precipitated by the low value of the naira, Seward has not been able to produce at lower cost. This was due to the fact that most of the rawmaterials obtained locally have had to be imported at very nigh prices. The irony is that prior to the pre SFEM period when there was scarcity of Seward products and a high demand for Seward products, the information obtained has shown that the demand for Seward products has declined considerably. The market value of Jeleen Cream has fallen by approximately 50 percent and total market demand decreased by 30 percent. The general fall in market demand for Seward products has led to very low Sales which have made it difficult for the company to realise its cost and make high profit. During the 1985 and 1986 production year, the company recorded an overall decline in the sales of its products by approximately 45 percent. A corresponding decline in the rate of profit of about 25 percent. Unlike the 1970's when it contributed about 45 percent to the total profit of UACN, with the recession its contribution to the total profit of UACN is approximately 25 percent.[24]

Although, the SFEM was aimed at inducing Seward to utilise domestic raw materials, the realisation of this goal is still far-fetched. This is because the policy has increased the cost of developing local raw materials as a result of the devaluation of the naira. Rather than increase local value added in production processes

Seward is further compelled to import basic raw materials from the mother companies. This was necessary to alleviate the apparent declining rate of profit of the Unilever companies in the West. For some products, Seward had to import-finished consumer goods and merely assembled them here and sold to the Local Markets.[25] The implication is that the policy is gradually compelling Seward to drift further away from basic production processes, utilising a degree of local inputs. However, the current trend of looking outward can be reversed if the government can be more realistic in the policies toward reviving the economy. This must take into account the cost of production, an important factor in determining the overall performance of the company in terms of recruitment of more hands and new investment.

5.2.1 U.A.C Foods Nigeria Ltd.

Breif History.

Prior to 1973, UAC Foods was known as West African and cold storage Nigeria Ltd., established in 1961.[26] It was trading in imported meat products under the initiative of UACN Ltd. In the same year the company began to import and distribute walls i cecream to the Nigerian market. The indigenisation decree of 1972, however brought the company directly under the UACN administration and in 1973, it became a division of UACN Ltd. In 1974, it adopted its present name.[27]

Foods main factory is located at Ijora. It has facilities for animal slaughtering meat processing, packaging and cold storage aimed at producing for the Nigerian market. The company specialises in the production of such consumer goods like walls icecream, Meat and meat based snacks as satis, Bacon, Ham, Gala and sausage rolls.

For the production of Foods products, the following rawmaterials are essential. Walls icecream production requires basic inputs as Milk solids, sugar, vegetable Fat, stabilizer, emulsifier flavour and colour. There are other inputs as lolly sticks and spoons, packaging materials such as plastic cups, wrapping papers and cartons The mix is pasturised to kill germs then homogenised to break down fat globules and obtain a smooth texture then frozen by the use of processing inputs.[28]

The rawmaterials used for Foods meat and bakery snacks include inputs such as pork, beef, especially boneless beef, Flour, Margarine, Salt, Spices, Flavourings Preservatives and other vital chemicals. Bacon is cured in a salt solution, sausages are formed with meat and other ingredients that have been combined in large mixers by the use of basic processing inputs.[29] Table 5.2.1 below is a summary of major rawmaterials inputs of Foods showing main sources before the recession andthe percentage share of these inputs. Before the current recession about 80 percent of Foods raw materials were imported from UACI. All the rawmaterials inputs used for the

production of walls icecream have always been imported. About 40 percent of the meat inputs were obtained from Local cattle and pork traders. The company however imported 60 percent of its beef inputs, such as boneless beef and Hungarian Pork from UACI. Unilever has plantations in Austria and Holland where dairy products are produced in large quantities. When the cattle are no longer productive they are slaughtered and imported to overseas subsidiaries. The company also relied on Bordpak premier packaging (BPP) for about 60 percent of the packaging inputs. 25 percent was obtained from Local plastic industries and other inputs such as sausage casing were imported. Moreover all Foods chemical inputs and Machinery before the raw materials were exclusively imported.[30]

5.2.1 Foods Products. Types of Rawmaterials sources before the recession from 1975-83

Products/Brand	Basic Rawmaterials inputs	Major sources before Recession	% share in total Share
Walls icecream	Milk solid stabiliser	IMPORTED	100%
Include	Sugar	THROUGH	
Banana	Vegetable Fat	UACI	
Chocolate and Vanilla icecream.	Flavour and colour Lolly sticks and spoons plastic cups plastic bowls wrapping papers and cartons.	IMPORTED FROM UACI IMPORTED. Obtained from Local plastic Manufacturers such as smurfat cases Nigeria Ltd. LipFat Nigeria Ltd. Omotayole Nigeria Ltd. The Labels and cartons are obtained from BPP.	100% 60%

2.	Meat products include Meat based snacks Bacon, Ham Pork.	Boneless beef	IMPORTED	100%
		Hungarian Pork	IMPORTED Obtained from Sarakin Fawa in the North and traders in Oyo State.	90% 10%
		Beef inputs	Sourced from Sarakin Fawa in the North	30%
	Bakery snacks as sausages, gala.	Flour Flavours Margarine	IMPORTED	100%
		Salt and spices chemical inputs as Preservatures Sodium sulphite, analytical chemicals as micro biological media and chemical reagents	All IMPORTED From Unilever	100%
		Packaging inputs sausage casing	IMPORTED FROM UACI	
		Cartons, Labells	Bordpak Premier Packaging	60%
			Third party Manufacturers such as coledense Nigeria Ltd., Smurfit cases Nig. Ltd.	25%

Source: Compiled from various interviews with U.A.C Foods operations planning Manager on 6 February 1987.

5.2.2 Foods Nigeria Ltd. and the Rawmaterials Crisis

Like A.J. Seward Nigeria Ltd., Foods division did not experience the rawmaterials squeeze until late 1985. This was due to the pipeline of supplies guaranteed through the foreign buying agents and the operations and planning unit in the company. Between 1983 and 1984 Foods had about fifteen thousand bags of flour. It also stored packaging inputs such as lolly sticks, plastic cups and wrapping papers that lasted until the last quarter of 1985.[31] Before the outbreak of the rawmaterials crisis, Foods was operating twenty-four hourly, six day work week at a very high production rate of about 70% of total capacity. During the 1984 - 85 production year for instance, walls icecream unit employed a total of ninety-six workers who obtained overtime and shift allowances. There was an impressive increase of total sales of Foods products by approximately 25 percent. The production output of gala increased tremendously for about eight months. From an average of eight thousand cartons of gala per week, production increased to ten thousand cartons a week. This dramatic increase was however precipitated by the increase in the prices of bread. Although it has not been possible to calculate the percentage contribution of Foods to total shares of UACN Ltd., information obtained confirmed that the company recorded an increase of about 25 percent of total profit for the year.[32]

In the last quarter of 1984 and early 1985 UAC Foods international supplies began to experience Mild strain.

The difficulties encountered in obtaining import licences and the corrupt practices of the import licence committee and central Banks officials during the allocation quarter of 1985, led to the delay in the importation of basic rawmaterials for production activites. Foods basic raw-material inputs such as boneless beef, Flour and sausage casing were delayed in Liverpool wharf for months. As these are perishable goods, extra efforts to preserve and store them involved a lot of money and thus increased the cost of production. With the rawmaterials squeeze Foods was compelled to reduce its total production output by approximately 50 percent. Capacity utilisation therefore declined from 70 percent before the rawmaterials squeeze to about 40 percent in 1985. The recession did not only affect the company's production activities but it had an immediate effect on demand in terms of its impact on consumer's purchasing power. The total demand of foods products declined by about 10 percent. From about an average of eight thousand cartons of gala per week, production decline to 100 cartons a week. Besides, this was necessary to prevent wastage since Foods bakery snacks have inherent flare for moulds, their life span cannot exceed more than eight days.[33]

It is therefore not surprising that when the UACN Chairman was commenting on the impact of the recession; particularly the rawmaterials crisis on divisional performances in the 1986 financial review, he described

the year as "the worst for most of the divisions"[34] Foods recorded a reduced rate of profit from a total of about 65 per cent profit to approximately 30 percent of profit on all products between 1985 and 1986. The cost of some rawmaterials doubled during the year and attempts to recover these higher costs were stroggly resisted. The price of wheat flour for example, escalated from ₦50 per bag to about ₦110.00, an increase of about 120 percent. Information obtained confirmed that the company recorded a decline of approximately 60 percent of consumers demand between 1985 and June 1986.[35] It is in this context of a continuous downturn in industrial activities that food was compelled to introduce new operations planning methods and a general policy at curbing wastage, idleness and fall in the rate of profit.

5.2.3 The Rationalization Policy.

Against the background of the deepening rawmaterials crisis, Foods division sought to introduce aggressive measures to break even and retain its share of the market. By late 1985 and early 1986 when demand started declining, the company was compelled to reduce production to about 40% of installed capacity. This was necessary to prevent stock-piling, wastage of foods perishable commodities, reduce the apparent increased operating cost and maintain its profit margins. There was a complete ban on shifts and overtime which meant lesser money for workers. In addition the company suspended expenditure on employees welfare

unit to another, and a 'general operation' policy was established. This however undermined specialisation; as workers learn other specialities other than their areas of specialisation. When asked to comment on the outcome of the policy, the operations and planning Manager explained that it is a cost reduction policy which has effectively curbed excessive cost of labour. To increase demand and thus sales, Foods adopted a policy where-by consumers were induced to buy by reducing 50k off every meat based sausages between a stipulated period of time.[36] Although it was firmly stated that foods did not retrench workers; however, evidence obtained confirmed that in 1984, out of a total of ninety six workers in the wall-icecream unit only seventy five workers were recorded in the companys payroll for the 1985/86 production year.[37] The company operations planning manager confirmed that there was a total freeze on new employment[38]. The current staff strength is approximately five hundred and sixtyone.[39]

5.2.4 The Local Sourcing of Rawmaterials

As we have mentioned in previous sections, the immediate response of UAC Foods to the intensification of the recession was to scale down the capacity utilisation, reduce working hours, ban shifts and overtime and impose a total freeze on new employment. However, there was one other significant dimension of the response of capital to the recession as evidenced by Foods effort to develop

Local rawmaterials and increase its local value in production activites.

Like other UACN's divisio.. the company did not have an independent research and development unit. Before the current raw materials squeeze, Foods depended on associated companies within the country and the mother companies abroad through which it obtained technical advise. With the onset of the recession, especially as international supplies have been cut, the company was compelled to establish a Research and Development unit to carry out experiment into new formulations using locally produced rawmaterials.[40] It has currently financed Lintas Nigeria Ltd., to experiment into the use of Local rawmaterials as substitutes for imported ones. It is experimenting with the discovery of the University of Ibadan into cowpeas protein s as a substitute for wheat flour. The company is also experimenting on the use of local sugar and Milk solids as substitutes for imported ones. Although both inputs have inherent problems of preservation, Foods has invested in preservatives and storage facilities for these rawmaterials.[41] It has recently invested about ₦850.000 on refrigeration and cold store equipment.[42]

Unlike the period before the rawmaterials crisis when foods imported a large proportion of its packaging through BPP and third party manufacturers the intensification of the rawmaterials squeeze has compelled the company

to further depend on small scale manufacturers of packaging materials. These manufacturers include, variety products Nigeria Ltd., Debutch plastics, Fabola Associates Nigeria Ltd., producers of lolly sticks and spoons formally imported from UACI. It has also financed small scale manufacturers such as Tripple G. Nigeria Ltd., to produce wrappers. It invested about ₦64,000 on machineries that would produce those inputs formally imported from the parent companies. The sugar inputs are obtained from Tate Nigerian Ltd., and Basita Nigeria Ltd., in Ilorin. As a substitute for imported flavours and spices, such as Arabic gum, Foods is currently using Local base gum for production of meat based snacks. All Foods chemical inputs and machinery before and during the current recession are exclusively imported.[43] The company has also developed two new concepts, vegetable and plantain beef pies using about 70 percent of local rawmaterials. The rawmaterials include flour, plantain, potatoes, carrots and beef. The products have been successfully consumer tested but have not been launched and are only available during trade fairs. The UACN agro-allied industries have been the major source of about 55% of Foods meat products.[44]

The significance of the general attempt of UACN as a whole and foods division in particular to develop new substitutes or alternatives using locally produced rawmaterials lies in the fact that capital in general is actively seeking solutions to the problems of rawmaterials, hitherto imported. There have been concerted efforts by domestic and international capital to solve the declining rate of profit and reinforce

a conducive atmosphere for capital accumulation. As mentioned earlier in chapter three, the current strategy of industries to integrate backward put in Beckman's words "is bullt-in in the logic of the current accumulation model itself".[45] He was able to unveil the salient featues in the present activitees of capital in the Nigerian agricultural sector. He points out that the sudden move of industry into farming has opened up Nigerias agricultural resources to foreign capital. Subsidiaries of multinational companies are integrating backward into agriculture to enable them purge back their idle capital into productive ventures.[46] Our argument is that although plantation farming will increase our agricultural output this will however open another avenue for Nigeria's dependence on imported inputs, such as fertilisers, seeds and planting machines.

There is no denying the fact that the process of Local sourcing of rawmaterials will generate a much greater level of backward and forward linkages in the economy than existed previously. The present attitude of Unilever towards developing an integrated national rawmaterials policy has not been encouraging. As long as profit is maintained even if there are imbalances in the processes of production, this multinational corporation does not see the need in restructuting the intrafirm division of labour, to incorporate the national interest and the self reliance of Nigeria. In other words, the success of such initiative cannot be fully realised when capital

both domestic and foreign, are mainly concerned with realising profit at the least cost. Transnationals will only invest in Nigeria when they consider the Nigerian market as important enough to induce them to invest in ventures that will yield future benefits and capital accumulation. The present reality has shown that there cannot be immediate positive results from the current efforts of the Nigerian industries to source local rawmaterials. This is because the process of sourcing for rawmaterials is a longterm [illegible] which requires proper coordination and incentives before any substantial output can be achieved. Industries are unrealistic to expect immediate benefits in their efforts to source local rawmaterials without impinging on their rate of profits and investment. This is why Nigerian industries have resorted to importation which will further entrench the country's dependence on the world capitalist market.[47]

5.2.5 Foods and the Structural Adjustment Programme

When asked to comment on Foods view on the medium term structural adjustment programme (SAP) and the introduction of the secondtier foreign exchange market (SFEM); the company's planning and development manager firmly stated that the company considers the programme as the most significant event of the year. He explained that the policy will reduce the high import content of industrial production

and induce a greater utilisation of domestic rawmaterials. With the introduction of SFEM and the corresponding fall in the value of the naira, Foods has been able to import basic rawmaterials but at a very high cost. In addition the cost of local raw materials has escalated as a result of the high import content of chemical inputs, machinery and spareparts. This has serious implications for Foods industrial production and profit realisation.

Although the company was able to maintain its total production and capa city utilisation at 40 percent, it is facing hardship in realising its cost of production. It is currently battling with unsold stocks and has sought to dispose of them at lower prices to enable it realise a relatively higher rate of profit and production cost. The demand for Foods walls icecream and meat based snacks have continued to scale downwards. Already, the liquidity squeeze in the country has been so severe that consumers have started readjusting their tastes for cheaper commodities. Commenting on the cause of the low sales of Foods products, the company's marketing Manager explained that consumers have redirected their tastes for cheaper goods that have similar utility. He cited the case of the increase in softdrinks and water, which have affected the sales of walls icecream. To induce consumers to purchase foods products, it began to reduce a maximum of 50k on all products within a stipulated period.[48] While there is need to resusticate production activities a reciprocal action is required from the consumers. The assurance of market

and effective demand are very important since manufacturers can aspire to increase their capacity utilisation only if they have no problem in selling their products.

The current downturn in s ales and thus profit realisation have introduced yet another dimension to the whole process of sourcing for local rawmaterials. As we already mentioned in chapter three, state policies at solving the rawmaterials crisis tend to further heighten the problem. The introduction of SFEM has increased the naira cost of rawmaterials and other industrial inputs which have served to aggravate rather than lessen the problem. The tariff structure complimenting imported rawmaterials and other inputs has tended to increase cost of production and thus increase the cost of developing local rawmaterials. The current investment climate has also dampened foods efforts to develop and utilise domestic rawmaterials for production activites. We should not fail to realise that capital will always invest in ventures that will yield profit at the least cost. Foods realisation of immediate benefits, in terms of developing local rawmaterials at the least cost seems bleak. A contributing factor is that prices of locally purchased rawmaterials have increased even when they are not affected by SFEM. This is because the producers of these rawmaterials have to contend with the high prices of SFEM affected commo dities which are essential for their needs. Invariably foods finds it profitable to import rawmaterials from the mother company, UACI as those are obtained at cheaper cost than the ones

sourced locally. These include inputs such as boneless beef sausages casing, chemical inputs and milk solids. An explanation for this is that advanced countries have higher levels of technology which allow mass production at lower cost.[49] Our argument therefore is that like most UACN divisions, Foods will sooner than latter resort to the importation of finished goods and reduce its production processes to enable it maintain its rate of profit.

FOOTNOTES

1. United Africa company Nigeria Ltd., Internal Memorandum ... A.J. Seward and Kingsway Chemist Moving into the 1980's unpublished paper presented at the UACN training centre, Apapa, September 1979. P. 2.

2. Ibid

3. Ibid

4. Ibid, see also Link: The Margazine of U.A.C. of Nigeria Ltd., and Associates, Vol. 18, No. 3 3rd quarter 1985.

5. Ibid P. 8

6 Ibid

7. Interview with A.J. Seward Development Manager, Oregun, on 8 July, 1987

8. Interview with Seward Development Manager and General Technical Manager on 8 July, 1987 and 22 June, 1987 respectively

9. Interview with Seward Marketing Manager and Development Manager on 18 September, 1987 and 8 July, 1987

10. Interview with Seward Marketing Manager Oregun, Lagos, on 18 September, 1987

11. Interview with Seward Marketing Manager, Oregun, Lagos on 18 September, 1987

12. Interview with Seward Marketing Manager, Oregun, Lagos on 18 September, 1987

13. Interview at the company, 8 July, 1987

14. Interview with Seward Marketing Manager, Oregun, on 18 september, 1987

15. Interview at the company with the Marketing Manager Oregun, on 18 September, 1987.

16. Information obtained from A.J. Seward Development on 8 July, 1987

17. Interview... with A.J. Seward Marketing Manager on 18 September, 1987

18. Interview with the Marketing Manager, Oregun, on 18 September, 1987.

19. Interview with A.J. Seward Development Manager on July, 1987 See also Link: The Margazine of UACN and Associates vol. 19, No.4, 4th quarter, 1986.

20. Link: The Margazine of UACN and Associates vol 19 No.4, 4th quarter, 1986.

21. Interview with A.J. Seward Marketing Manager, Oregun on 18 September 1987.

22. Interview obtained from A.J. Seward General Technical Manager, Oregun, on 24th June, 1987.

23. Interview with A.J. Seward Marketing Manager, Oregun, on 18 September, 1987.

24. Interview obtained from the Marketing Manager Oregun, on 18 September, 1987.

25. Information obtained from A.J. Seward Development Manager on 8 July, 1987.

26. UACN Industrial investment from 1948 to 1965 in P Kiiby: Industrialization in an open economy 1945 - 66 Cambridge University press, cambridge 1966 p. 69

27. Interview with UAC Foods Nigeria Ltd. Operations Planning Manager on 6 February, 1987.

28. Information obtained from a written return to an interview conducted at UAC Foods Ijora, on 10 February 1987, P. 1

29. Ibid P. 1

30. Information obtained from UAC Food General production Manager on 10 February 1987 and 21 September 1987.

31. Information obtained from UAC. Foods operation and planning Manager. Ijora, on 6 February and 21 September, 1987.

32. Information obtained from the companys opeations and Planning Manager, Ijora, on 21 September, 1987.

33. Interview with UAC Foods operations and planning Manager Ijora on 21 September, 1987.

34. The Chairman Finacial Review in UAC Annual Report, 1986 pp 5 - 7

35. Interview with UAC Foods operations and Planning Manager, Ijora on 10 February 1987 and 21 September, 1987.

36. Interview with the operations and planning Manager. Ijora on 10 February and 21 September, 1987

37. Interview with UAC Foods Wallice-cream production Manager on 10 February, 1987

38. Interview with UAC Foods operations planning Manager Ijora, on 21 September, 1987

39. National union of Food, Beverages, Tobacco Employees, Registration No. 29 in a return sent to the Research Department of Nigeria Labour congress on 4 June, 1987

40 Interview with UACN Public Relations Adviser Okereke O. on 4 February 1987. Information is also supplied in UACs Annual Reports. 1985 and UAC Management Bulletin (internal) No. 13, January and February 1985

41. Interview with UAC Foods Wallsicecream production Manager on 4 February 1987

42. The Chairman Review on current investment in UACN Annual Report, 1985 P.8

43. Interview with UAC Foods Operations and planning Manager, Ijora on 21 September, 1987.

44. Interview with UAC Foods General production Manager on 10 February, 1987.

45. Gunilla Andrae and Bjorn Beckman: "Industry goes Farming: The Nigerian rawmaterials crisis and the case of Textiles and cotton", paper prsented to the Berlin conference 1984-1985, FASS, ABU 11 - 15 November, 1985. P. 2 .

46. Ibid

47. Olukoshi A.O. : "The Multinational corporations and industrialization in Nigeria: A case study of Kano city 1903 - 1986" Ph.D Thesis, University of Leads England September 1986 p. 392.

48. Interview with UAC Marketing manager in Ijora on 21 September, 1987.

49. Interview with UAC Foods Planning and development Manager on 10 February and 21 September 1987. See also the chairmans Revies of the economy in UAC Annual Report 1986 p. 8.

CHAPTER SIX

SUMMARY AND CONCLUSION

This chapter summarises our findings on the current recession and the problems of raw materials. The role and activities of UACN in the raw materials crisis and the measures employed in curbing the impact of the recession on her general performance in the Nigerian economy are examined. We will examine also the state policies towards the development of an integrated local raw material base for industrial production. Also examined are some existing alternative solutions to the raw materials crisis. This is followed by our preliminary recommendations for future research and our general conclusion.

6.1 Summary of our findings

The purpose of this study has been to evaluate the role of UACN and its indigenous allies in the current recession and the problem of raw materials in the industrial sector in particular. Our contention is that the problem of raw materials recently manifesting itself in the industrial sector is a long standing phenomenon which should be placed within the structure of the Nigerian economy; that is, the way the Nigerian economy was integrated in a subordinate position in the international capitalist system. We argued that colonial rule spear-headed the incorporation of the Nigerian economy into the international capitalist system through the agency of British monopoly capital and the colonial state. The colonial economy was made to specialise in the production of raw materials

to feed the metropolitan industries. By establishing the raw material economy the precolonial mode of production was undermined and the economy was incorporated into the capitalist mode of commodity production. In effect, the precapitalist independent process of reproduction was destroyed to ensure that the colonial raw materials economy became complementary to the advanced capitalist industries in the West, particularly the British political economy. The raw materials economy was geared to the external market at the expense of the development of an integrated indigenous industrial sector that would process and manufacture these raw materials for internal and external markets. It was in the interest of foreign capital, supported by the colonial state, to discourage the manufacture of raw materials in the colonial economy. The colonial resources were harnessed and exploited for the national development and growth of the western economies.

The significance of this period is that inspite of the attempts of the colonial state and foreign merchant firms to maintain the rule of capital, by dissolving the precolonial mode of production, a corresponding development of capitalist productive forces was not effected in any significant degree until after the World War II. To facilitate the raw materials economy, however, the peasantry and wage labourers were created. The precapitalist merchant class was changed into intermediaries of the foreign trading firms. In the process of integrating the colonial economy

into the world capitalist system, a degree of development took place. The attempt by the colonial state to provide infrastructural facilities to aid the unhindered exploitation of the colonial resources by foreign capital and its indigenous allies, led to the transformation of the economy.

This was the pattern of accumulation in the colonial economy until the early 1940's when the emphasis changed from raw materials export, away from commerce, to capitalist industrialization. The foreign trading firms and the colonial state played a significant role in the emergence of the industrial sector. Foreign Merchant companies began to extricate them-selves from direct involvement in the commercial activities, to invest in industrial ventures, by establishing a manufacturing sector.

Transcending the Kilby and Akeredolu Ale's[1] arguments, we have established that the determinant factor in Nigeria's industrialization after the world war II, was caused by both internal and external factors. The colonial economy had matured, some form of capitalist accumulation led by foreign capital had been reinforced. The basic pre-requisite relevant to support capitalist manufacturing had already been consolidated. The emergence of a class of wage workers, the expanding domestic market and growing competition of companies to maintain their foot hold in the domestic market and political pressure cannot be understated. These internal factors reinforced by the Nigerian state which provided the infrastructural facilities and industrial incentives.

The point was stressed that the parent companies of these foreign merchant firms saw the shift to productive ventures profitable at this point and actually initiated the change. The implications of the influx of foreign capital in the industrial sector, the application of capitalist technology in production activities, the growth of factory workers and the assembly and processing type of manufacturing which denied the sector an autonomous reproduction were outlined.

Evidence has shown that the syndrome of dependence maintained during the raw material economy enforced at colonialism was imposed on the Nigerian industrial sector. At independence the industrial sector and the Nigerian economy as a whole had matured to incorporate manufacturing processes complementary to the advanced capitalist industries. The industries that developed were a relica of the industries of the metropolitan countries. The nature of production activities, the production of consumer goods with relatively simple technology and cheap labour, rather than capital goods industries that would require a lot of capital investment and long gestation period, formed the bane of the industrial sector and the problem of raw materials. The effect of this was high import content, low rate of local value added to gross output and low levels of structural interdependence in terms of backward integration in the economy.

We argued that crudeoil a vital raw material that should be utilised by the petrochemical industries was used instead as the source of revenue by the state and capital in general. Infact the oil revenue rather than being used to fuel and develop the Nigerian economy was used to entrench its dependence on the world market. We showed that the revenue that accrued to the state from the oil boom was not invested to stimulate the Nigerian economy towards self sufficiency and harnessing the domestic raw materials for production activities. The role of the state and foreign capital was examined to bring out how the rule of capital was maintained.

Although it is true that the oilglut of the 1980's produced a strangulating effect on the Nigerian economy and the industrial sector in particular, the basis for the crisis and problem of raw materials had been laid in the structure of dependence which characterised all production activities in the Nigerian economy. The influx of foreign capital looking for avenues to solve the generalised recession in the West and the high state expenditure all formed the basis for the refraction of the crisis into the Nigerian economy.

We highlighted the state policies at solving the crisis, the introduction of the "Economic stablisation temporary provisions act" of April 1982, and with it the ban on some imported commodities while others were placed on specific licence. The introduction of import-licence and form M tended to stream-line importation. These

measures, as stressed, were mainly palliatives, they have further heightened the already recessed economy. We argued that capital, whether foreign or domestic, and the state have not been able to promote a sufficiently balanced system of industrial accumulation.

We attempted to trace the historical evolution of UACN, relevant to an understanding of its role both in the way that its actions contributed to the Nigerian recession and particularly the problem of raw materials and how it is responding to it. We emphasised the process by which UACN came to establish a predominance in the Nigerian economy. It contributed in undermining and transforming the precapitalist independent mode of reproduction, and integrated the Nigerian economy into the world capialist economy. The motive behind UACN's operations in Nigeria is profit. A peculiar characteristic of the company before 1940's was commercial. It operated as general merchant, buying and selling different kinds of merchandise within and outside the Nigerian market.

UACN is a subsidiary of a transnational octupus - Unilever. We outlined how it converged over the years and how the various amalgamations paved the way for its present form. Since its inception, it has consistently consolidated and entrenched its predominance in the colonial raw material economy. To facilitate its commercial activities it created an indigenous class of middle-men to enhance its predominance and exploit

the country's natural resources. Like other foreign trading firms UAC did not initiate any industrial investment until after the Second world war, as this would negate its role in the intrafirm division of labour in the Unilever consortium. Although a limited level of processing of agricultural raw materials took place, this was geared for export. The structure of industrial production was examined. The industrial production was mainly in consumer goods that already had a market. The industrial production covered a wide field in which unilever is engaged and is consequently able to produce the technical knowhow and vital raw materials and spareparts. It was pointed out that despite UAC's move into industrial production it still exhibited its inherent characteristic as a trader.

We have shown that although for most of UAC's production activities imported raw materials are used, this does not mean, however that local rawmaterials cannot be harnessed and utilised as substitutes for the imported ones. The structure of dependence imposed through UAC's role in the intra-firm specialisation laid the basis for the problem of rawmaterials faced by the company and the economy as a whole. UAC is prone to crises and the raw materials squeeze in particular because of its dependence on international finance capital - Unilever. The oilglut and subsequent foreign exchange squeeze merely brought to light the stark

reality of the structural deficiency of industrial accumulation in UACN manufacturing divisions. We argued that although the collapse of the world oil market provided the basis for the outbreak of the recession its roots and cause were to be found in the structure of dependence, the predominance of foreign rawmaterials and other vital production inputs entrenched overtime from the colonial period.

The various effects of the recession and raw materials squeeze of the industrial sector in terms of massive retrenchment, mass closure of factories, low capacity utilisation, inflation and falling standards of living were extensively highlighted, as were the responses of the Nigerian state to industrial demand and various attempts of capital to contain the crisis. We also examined the response of UACN to the raw materials crisis with particular reference to its efforts to integrate backwards into agriculture and also utilise local production inputs.

We went further and examined the specific role of two manufacturing divisions of UACN in their efforts to source local raw materials. The evidence suggests over whelmingly that these manufacturing divisions are actually making efforts to harness and utilise local rawmaterials to maintain their share of the domestic

market and increase their apparently declining rate of profit. Although these divisions were spurred to finance and purchase from indigenous manufacturers, this however, does not indicate a corresponding increase in local value added in production. We showed that third party manufacturers also rely on imported production inputs. Infact what would seem to be the case is that the indigenous enterprises are reinforcing their share of the Nigerian market and capital accumulation. Most of the production inputs that were supplied directly by the mother companies in Europe, are now purchased internally. This does not mean that indigenous manufacturers do not depend on external sources for their production inputs. Infact evidence has shown that big multinational companies in Nigeria finance small scale manufacturers and link them up with their various agents in the metropolitan countries.

As we showed, state crisis management policies are quite commendable in terms of their compaign for the development of local raw materials for production processes, supported by the development and completion of key intermediate and capital goods industries aimed at increasing an integrated and balanced industrial accumulation in the economy. At the policy level, the state appeared to be unrealistic in its efforts to pursue an indigenous raw material source. This has tended to reinforce our doubt as to whether the whole efforts at integrating backwards can actually be realised. Beckman summarises this point firmly...

> ..."the failure to develop an indigenous local raw materials would depend on the structure of interests and power and how they defined what are manageable solutions to those problems."[2]

The point to note is that as long as the Nigerian economy and the industrial sector is dependent on the international finance capital for its reproduction, an indigenous and integrated raw material source cannot be realised independently of the state and the interest of capital in particular. The next section will focus on existing alternative solutions to the raw materials crisis.

6.2 Existing Alternative Solutions to the raw Materials crisis

The national raw materials crisis has evoked concern and a series of recommendations to solve it. One of the many attempts to postulate guidelines and solutions to the industrial crisis comes from a group of Nigerian analysts.[3] They argued that there is the need for an alternative approach to the lopsided nature of import - substitution manufacturing strategy. The new strategy must provide equitably for the needs of the masses, establish the basis of a self - sustaining industrialization and the maximum utilisation of our domestic resources. Local raw materials should be harnessed and processed for other sectors of the economy, particularly the industrial sedtor. In other words there must be a high level of integration amongst all sectors of the economy. The iron and steel inputs, agro-based and intermediate goods industries must be given the highest priority. Although profit is the motivating

factor behind multinational investment and capital investment in general, the state policies should enforce that Nigerian industries increase their local value added in production. They stressed the need for a more balanced and unified integration of all sectors in the Nigerian economy inorder to increase the intersectoral linkages, especially between the industrial and agricultural sectors. Thus they argue, will remove the economy from the clutches of international capitalist system and the structure of dependence which had characterised its reproduction processes.

The above arguments and solutions are tenable but in a limited way. Apart from the fact that they fall within the short to medium term perspectives, they took a purely technicist position without any regard for social relations of production. They tend to tell us everything an economy should aim at, but failed to highlight how to get there. They failed to tell us how the Nigerian economy can rid itself of international finance capital when the Nigerian economy itself is dependent on international finance capital for its reproduction. Evidence has shown that the more capitalist accumulation process is facilitated in the Nigerian economy, the greater is its levels of integration with and dependence on international capital. The Nigerian economy and capital in general reproduce to maintain the world capitalist economy.[4]

Furthermore, there is the attempt by MAN[5] to postulate guidelines and solutions to the industrial crisis, particularly the problem of rawmaterials. It highlighted the factors mitigating against the development of local raw materials and outlined ways of solving the problems. According to the interim report of the raw material committee of MAN, the scope for backward integration is severely limited in capital goods industries, such as chemicals and metal industries. It blamed the failure of industries to utilise local raw materials in this area on government monopoly and thus emphasised need to encourage private capital to participate in capital industries.[6]

In the area of agro-allied raw materials, some produce such as wheat and barley are grown in temperate regions, this does not mean that local substitutes cannot be found. The problem of supply and demand is another limiting factor in frustrating industries to integrate backwards into Agriculture. To satisfy the demand of industries, MAN stressed that farmers should be encouraged and given incentives to spur them to increase supply and meet industrial demands. Third party producers should also be encouraged by incentives to produce and supply raw materials to manufacturers. The land policy should be modified to enable private capital, invest in plantation farming to improve the supply level. The state should consider the cost of producing local raw materials vis a vis the price of imported equivalents as this is the main factor that determines prices and profit margins. There is also the need to provide incentives that would

attract investment into ventures that would produce local raw materials and other intermediate inputs.

The absence of processing equipment for many agricultural raw materials is also pointed out. The state should insist that companies establish new mills that will process local raw materials. The government should identify and document locally available raw materials. A deletion programme should be introduced to phase out importation of raw materials that can be produced locally.

There is the need to encourage third party manufacturers to invest in projects that will produce and supply raw materials to the industrial sector. The various state policies, such as the tariff duty and SFEM have tended to phase out local manufacturers in the industrial scene. State policy guidelines should provide incentives that would attract investment into ventures that would produce local raw materials and other intermediate inputs. Long term protection should be provided for local industry and agriculture to encourage a more unified integration backward. State facilities, such as, tax incentives, bank credits, development of storage, processing and distribution facilities were also emphasised.

There is the need to discourage the habit of MNC's in establishing their research and Development unit in their parent companies in the West. Efforts must be made to accelerate the industrialization process by encouraging researches into locally available raw materials, so as to find out their possible use by industries. Research and

Development must be situated in the sourcing of raw materials.

MAN also highlighted the need to review the tariff structure to induce private capital to develop and utilise our local raw materials. It emphasised that the Nigerian economy should be liberated from the clutches of foreign dominated industrial processes and other sectors of the economy.[7]

Although MAN's recommendations and solutions are laudable, they have some serious limitations. We are not denying the need for an alternative approach to the lopsided nature of the import substitution manufacturing strategy, but any realistic change cannot be effective when the economy itself is largely dependent on international finance capital. Foreign capital still exerts strong influence and determine the accumulation processes in the industrial sector. It is predominant in terms of defining operations and strategy in the industrial sector and will only source local production inputs, if such initiative will be profitable. It cannot over look short-time benefits for long term economic development that will be beneficial to the host country.[8]

It is not surprising that MAN's recommendations tend to be nationalistic, in terms of blaming multinational firms for the raw materials crisis, but can MAN divest itself of foreign transnational?. At present there is concerted effort by MAN to expand the scope of local economic activities.. MAN itself is a class organisation geared towards protecting the interests of manufacturers which though possessed dominant domestic interests in terms of participant companies but still has strong links with multinational corporations.

On the issue of the importance of foreign capital in agriculture, questions have been raised as to how this can be possible without entrenching Nigeria's dependence on imported agricultural inputs. Besides this will once more open up Nigeria's agricultural resources to foreign capital. The point is that although plantation farming will increase our agricultural output, this will however open another avenue for Nigeria's dependence on imported inputs such as seeds, fertilisers and planting machines.[9] There is no denying the fact that the process of local sourcing of raw materials will generate a much greater level of backward and forward linkages in the economy than existed previously but the success of such initiative cannot be fully realised when capital, both foreign and domestic, is mainly concerned with realising profit at the least cost. The present reality has shown that there cannot be an immediate postiive result from the current efforts of the Nigerian industries to source local raw materials. This is because the process of sourcing is a long term investment which requires proper coordination, planning and incentives before any substantial output can be achieved. Capital must forgo its immediate interest and have a longer term perspective

In the same token, how to unshackle the Nigerian economy from the so called clutches of foreign capital was not explained by MAN. As long as the economy, is tied to foreign capital, the more it will be dependent on the international capitalist system. In the light of this therefore, the prospect of having an integrated local raw

materials source for production activities seems very remote. The intrafirm division of labour is a decisive factor . There is the need for a complete reorganisation of MNC's vertical integration strategies which characterised their operations all over the world. A complete redistribution of production activities that will benefit the Nigerian economy is required, but the constraint is the extent to which any major industrial transformation can occur without major changes in the structure of vested interests and power relations.[10]

Another attempt at propounding alternative recommendation for the problem of raw materials experienced by the industrial sector and the Nigerian economy was made by Hussani Mohammed[11] of the Northern Nigeria development company, Ltd., Kaduna . He attributed the raw materials crisis to Nigeria dependence on imported raw materials. He blamed the deliberate efforts of industries to undermine local raw materials for production activities. He therefore concluded that the state must effect structural change that will actualise the availability of domestic raw materials for the Nigerian industries. How this could be attained was not outlined. He also forgot that interests mattered in the success of such initiative. In as much as we recognise that local resources must be utilised, the process of attaining this goal cannot be isolated from the principal actors in the industrial sector and the Nigerian economy as a whole. Capital, both foreign and domestic, and the Nigerian state must have a longer term, perspective in terms of developing an

intergrated local raw materials source. At present, the actors are largely short-sighted and are more concerned with short term profit as against longer term benefits for the national economy.

The recommendations given by Mukhtar Ahmed,[12] the Managing Director ICON Ltd., at the DTN finance seminar in Kano, to solve the problem of raw materials are quite plausible and realistic. He argued that future development of our industrial sector must address the basic issue of creating effective linkages within the Nigerian economy. Government must complete the petrochemical industry and diversify the iron and stell industry to produce other raw material inputs, such as flatsheets and other inputs for the engineering industry. Commending the introduction of SFEM in terms of inducing industrialists to intensify their search for local substitutes, he however maintains that the Nigerian tariff structure should be such that in the short-run government will relax the restrictions on the imported raw materials so as to enable local industries to maintain reasonable levels, of production. In the long-run, industries should be given realistic deadlines within which local substitutes should be found. Although, Ahmed commends the states' efforts in introducing SFEM, he has however failed to realise that SFEM itself was set up facilitate a conducive atmosphere for capital to repatriate their accumulated capital abroad. There is increased

concentration of capital in Nigeria. Small scale manufacturers are further squeezed out of the accumulation processes in the industrial sector. The devaluation of naira coupled with the tariff system have compelled manufacturers to import finished manufactured goods. The high cost of production has forced many industries to close down.

6.3 Concluding Remarks

This study set out to investigate the role of UACN and its indigenous allies in the current recession and the problem of raw materials in the industrial sector and the Nigerian economy as a whole. Evidence has shown overwhelmingly that UACN and its indigenous allies, its parent companies abroad, the Nigerian state and capital in general have contributed tremendously to the structural deficiencies in the production processes of the Nigerian industrial sector under the import substitution strategy of capitalist industrialization. From our findings one can conclude that a meaningful national raw materials source can be attained only if indigenous and foreign capitalist interests are re-defined and the principal actors in the reproduction processes have longer term perspectives to put forward such initiative. This should aim at advancing the economic development of the Nigerian economy and a more balanced industrial accumulation process for capitalist interest in general.

Since the study was undertaken in the light of the crisis of capitalist accumulation as it relates to the problem of raw materials the above solutions are aimed at solving the problem of capital accumulation in the industrial sector and the Nigerian economy as a whole. It however leaves the problem of capitalist exploitation of the masses unattended to. Evidence has shown that the capacity of the state to enforce controls has been extremely weak and many industries do not feel compelled to source the way the state wants it. The problem of retrenchment, unemployement, falling standards of living are bound to persist.

It is in the context of the deteriorating conditions of workers and the masses as a whole that we would stress the need for workers in the industrial sector and the peasant producers to strive and push forward the need for a national raw materials source. Nigerian workers should take the initiative themselves to enforce that local value added in production is increased. Their inability to spur their employers to look inwards would lead to more unemployment andretrenchment.

The long term strategy would be a mass based political education, the forging of broad alliances among workers from various industries, the peasantry and other classes who have been seriously affected by the problem of raw materials. They will eleviate their grievanceson a political level, take over factories and transform the Nigerian economy along socialist lines and call for fundamental changes, that would cater for the needs of the masses, away from capitalist exploitation and rule of capital in general.

Footnotes

1. See Akeredolu - Ale E.O., "The competitive Threshold Hypothesis and Nigeria's industrialization process", Review of Kilby's Industrialization in Nigeria Journal of economic and social studies, 14 1972 and Kilby P. Industralizarion in an open economy Nigeria 1984-1969.

2. Andrae G and Beckman B: Agro based industries and Food underdevelopment in Nigeria (project proposed outlined) January 1982. P. 8

3. Alkasim Abba et al: The Nigerian economic crisis causes and solutions, Academic staff union of Universities of Nigeria, Zaria, 1985 PP. 65n- 73

4. Olukoshi A.O."The Multinational corporations and Industrialization in Nigeria." A case stusy of Kano C. 1983 - 1985, Ph.D, pp 425-429.

5. MAN: Pre-Budget Memoradum to the Federal Government from 1984 - 1987

6. MAN : Interim Report of the Raw materials committee of MAN, Ref. No. Ec/s/RMDc/0.161 vol. II/31, pp 1-11

7. MAN ; The local raw materials question, Report of the National workshop on local raw materials for Nigerian industries, MAN and Federal Ministry of industry 4-6 July 1983

8. Olukoshi A.O.: "The Multinational corporations and industrialization in Nigeria" ... Op cit.

9. Andrae G. and Beckman B.: "Industry goes Farming The Nigerian raw materials crisis and the case of Textiles and cotton", paper presented at the seminar on Nigerian economy and socity, since the Berlin conference 1884 - 1985, FASS, ABU 11-15 November, 1985.

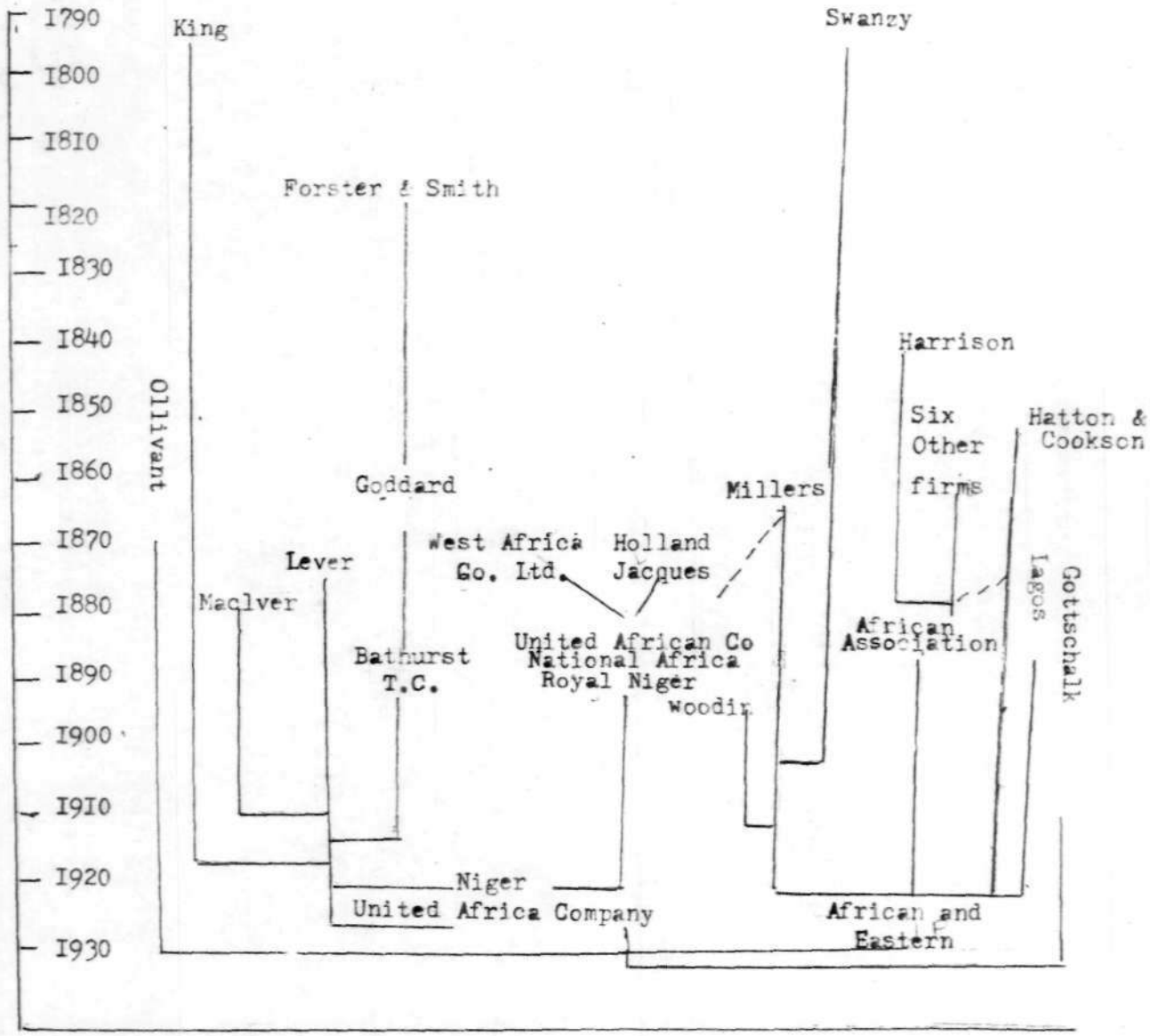
10. Aina T.A. "The State, industrial policy and industrial Transformation, the Nigerian experience and its problems, 1946 - 1979," paper presented at the Annual conference of the Nigerian political science Association, July 1-3 1982 p. 11

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APPENDIX I

DIAGRAM OF THE ROUTES BY WHICH THE PRINCIPAL PREDECESSOR FIRMS REACHED THE UNITED AFRICA COMPANY (UAC) IN 1929/30



Source: Fedrick Pedlar, The Lion and the Unicorn A History of the United Africa Company 1787 - 1931. London. P 2.

APPENDIX II

RELEVANT LAWS AND REGULATIONS COVERING INDUSTRIAL ACTIVITIES IN NIGERIA.

The following are the laws and regulations related to industrial development in Nigeria.

1. Customs and Excise Management Act 1958, No. 55 of 1958.
2. Customs (Drawback) Regulations Legal Notice, No 70 of 1959.
3. Customs Duties (Dumped and subsidized Goods) Act No 9 of 1958.
4. Income Tax Management Act 1961, No. 21 .
5. Factories Act Cap. 66.
6. National Provident Fund Act 1961, No. 20 .
7. Workmen's Compensation Act, Cap 222.
8. Merchandise Marks Act Cap. 117 .
9. Registration of Business Names Act 1961 No 17 .
10. Trademarks Act 1965, No. 29 .
11. Immigration Act 1963, No. 6 .
12. Exchange control Act 1962, No 16 .
13. Companies Act No. 15 of 1968 .
14. Patents and Designs Act 1970, No. 6 .
15. Industrial inspectorate Act 1970, No 53 .
16. Industrial Development (income Tax) Act 1971, No 22 .
17. Nigerian standards organization Act 1971, No. 56 .
18. Industrial Training Fund Act 1971, No 47 .
19. Wages Boards and Industrial Council Act 1973 No 1 .
20. National Bank for commerce and industry Act 1973, No 22 .
21. Trade Union Act 1973, No 31 .
22. Excise Tariff (Consolidation) Act 1973, No. 7 .
23. Customs Tariff (Consolidation) Act 1973, No 6 .
24. Labour Act 1974, No. 21 .

25. Trade Disputes Act 1976, No. 7.

26. Trade Disputes Essential Services Act 1976, No. 23.

27. Nigerian Export Promotion Council Act 1976, No 26.

28. Nigerian Enterprises Promotion Act 1977, No. 3.

29. Productivity, Prices and incomes Board Act 1977, No. 30.

30. Preshipment inspection of Imports Act 1978 No. 36.

31. Companies Income Tax 1979, No 28.

32. Industrial promotion Act 1979, No 40.

33. Import Prohibition Order L.N. 10 of 1979.

34. National Office of Industrial property Act 1979 No. 70.

35. Security and Exchange Commission Act 1979 No 71.

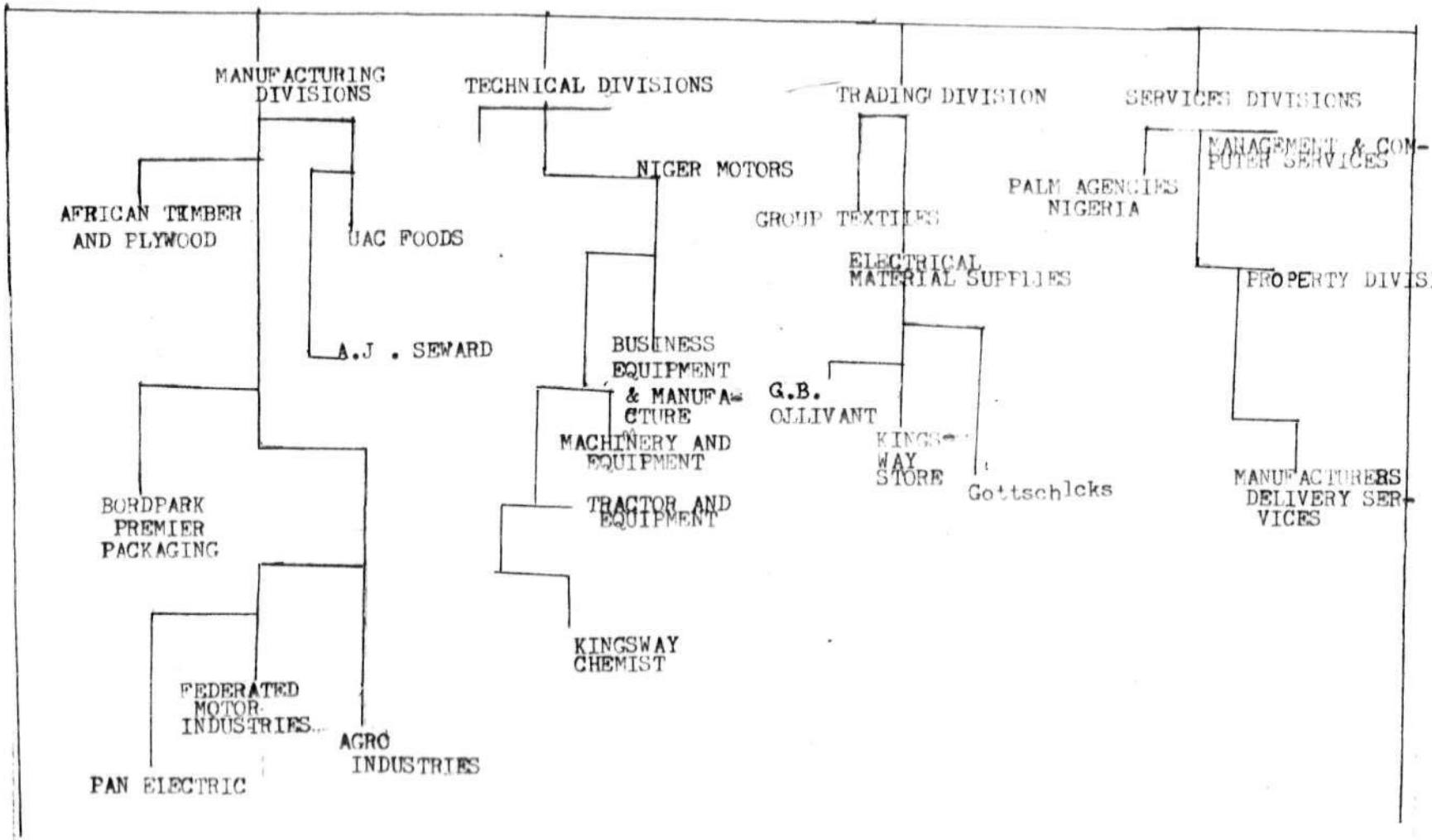
36. The Electricity (Private Licences) Regulations 1965, LN 76.

37/ Bankruptcy Act 1979, No. 16.

APPENDIX III

THE DIVISIONS OF UNITED AFRICAN COMPANY OF NIGERIA LTD.

U A C N



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6 February, 1987	UACN Foods operations Planning Manager.
9.February, 1987	A.J. Seward, Oregun.
10. February, 1987	UAC Foods General production Manager.
13. February, 1987	Bordpak Premier Packaging Nigeria Ltd.
16. February, 1987	A.J. Seward Development Manager
13. April, 1987	UACN Agronomist.
15. April, 1987	UACN Public Relations Adviser

22,23,24. June, 1987	A.J. Seward Development Manager
and 8 July, 1987	A.J. Seward Technical Manager
24 July, 1987	Director of Research, Manufacturers Association of Nigeria.
18 September,	A.J. Seward Marketing Manager.
21. September, 1987	UAC Foods Operations Planning Manager