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R. OMOTAYO OLANIYAN
TOWARDS A NEW INDUSTRIAL POLICY IN NIGERIA

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of the Hungarian Academy of Sciences

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Introduction

Industrial policy is directly related to economic development in Nigeria as in most developing countries. Industrial growth which generally emanates from adequate implementation of sound industrial policy is perceived as an indispensable essence of economic development. The linkage to economic development is not just in the higher level of industrial output and the contribution of this sector to the Gross National Product (GNP) but in the stimulation of output in other sectors especially the agricultural sector.

For the purpose of this study, the term economic development would be defined as a process of structural change in the patterns of production (1) and consumption and of change in institutions or as the creation of more interdependence between different industries and activities within a country. The result of which is a gradual movement from an underdeveloped situation to a more satisfactory situation as typified in the theories of the stages of economic development postulated by W.W. Rostow, A.O. Hirschman and others.(2) In the more satisfactory situation, there should be a reduction in poverty, unemployment and inequality which promotes fulfilment of human potentials.(3) An important factor in the trend towards the more satisfactory situation is reduced dependence or "self-reliance," that is, a reduced need for imports especially basic foods, petroleum and its products, capital equipment and expertise. Indeed, for some countries, this would include increased national ownership and control of mineral assets and improved national capacity for negotiating with transnational enterprises.

Economic development thinking in Nigeria and other African countries is largely based on the economic development philosophy developed

and propagated by the Economic Commission for Latin America and the Caribbean (ECLA) and the Economic Commission for Africa (ECA). The former, established in 1948 and led by Raul Prebisch stressed in the early 1950s the catalyst role of industrialisation in the process of economic development in Latin America and the Caribbean. The ECA, established ten years later, in a similar vein proposed and carried out a number of studies to African countries on industrialisation and development. The ECA like the ECLA,(4) stressed that industrialisation absorbs population growth and surplus labour from other activities and provides developing African countries with manufacturing articles that it cannot obtain abroad due to their limited capacity to import. The acceptance of this view by Nigeria is well illustrated in the prominence given to industrialisation in the four National Development Plans by the various governments since the attainment of independence in 1960. Industrialisation has been seen largely in terms of the establishment of import substitution industries, intermediate industries, and heavy industries.

However, the problems of industrialisation have been sharpened by changing international economic relations and perceptions about priorities in economic development. They are different for countries at different levels of industrialisation and with different political goals. But some general issues concerned with economic growth, equity and welfare, national independence, have always dominated industrialisation and are likely to continue to do so into the 1990s.

Conceptually, economic analyses offered some basic rules for rapid industrial growth. They were predicated on the existence of competitive national and international markets (and equivalent shadow prices in centrally planned

economies) that would enable planners, either directly or in combination with the market mechanism, to ensure the optional use of resources, including land (and other natural resources), labour, and capital, according to their marginal productivities. The market would ensure efficiency in production and distribution.

In practice however, such rules were inadequate guides to governments initiating industrialisation policies. Neither national nor international markets were competitive. It took the industrialized countries twenty years after World War II to dismantle the trade barriers erected in the 1930s. Even by the 1980s their liberalisation of international trade, though well advanced, was not complete. Also, most developing countries inherited from the colonial era a very imperfect internal market structure. In particular, they lacked entrepreneurs who would engage in manufacturing, they also lacked infrastructure and skilled labour. Trade was dominated by the large corporations of industrialised countries. A strategy of promoting industrialisation by protecting infant industries was inevitable in all but a handful of special city-states such as Hong Kong and Singapore. In addition to protective trade regimes, industrialisation policies generally gave manufacturers favoured access to capital and protected them from internal competition.

The principal instruments used to protect infant industries were tariffs and quantitative restrictions on imports (with the overvaluation of exchange rates frequently exacerbating the need for protection); financial policies that channeled capital to industry, essentially at favourable rates; tax holidays; administrative controls over entry to industry; direct ownership of manufacturing enterprises; and investment in infrastructure that would stimulate industrial growth. The degree of

overall protection and the level of other incentives to manufacturing varied greatly among countries, and within countries for different industries, and at different times. Together with differences in the industrial base: size of domestic markets, labour skills, and entrepreneurship, these differences in policy led to the differences in the efficiency and pace of industrial growth that resulted in substantial differences in levels of industrialisation achieved by the 1980s.

To some extent, industrialisation and the alleviation of poverty are complementary. Provided that industrialisation focuses on efficient production of mass consumption goods (private and public), provided that government taxation and investment policies are appropriate, and provided that the choice of techniques takes account of availability of capital and labour, industrial development can have a direct impact on employment and standards of living even in the short run.

However, it has become obvious that not all industries can be labour intensive. Economies of scale and modern technology with concomitantly high capital intensity have an important role to play in industrialisation and are conducive to rapid capital accumulation. Dispersing manufacturing to help rural areas and avoid urbanization ignores internal and external economies of scale that are important sources of dynamic efficiency.

The question of national independence relates to the issue of capital. Capital is scarcer in developing countries than in industrialized countries and up to a point, its marginal productivity in manufacturing in developing countries is usually higher than in industrialized countries. The bulk of foreign capital flows to manufacturing in developing countries has been in the form of direct foreign investment (in recent years with

associated bank lending). Developing countries fear that transnational corporations are likely to infringe on their independence in a number of ways. These include, direct political pressure from the parent company's government. The escape from national taxes by transnationals through transfer pricing at other than competitive prices. And the attempt of transnationals to exert local political power to obtain economic advantages in the form of high tariffs and monopolies.

The various Nigerian governments, both military and civilian, are aware of these general problems of industrialisation in the formulation of industrial policies. In spite of this however, three decades of cautious industrial policy formulation had done very little towards meaningful industrial growth and economic development. The reasons for this will to a large extent be found in the rapidly changing socio-economic and political scenery of Nigeria and the influence of the world economy. This study is an attempt to evaluate Nigeria's industrial policies, to illuminate the constraints in the strategies and policy implementation. It will also seek to articulate policy options that could facilitate the procurement of sustained industrial growth. Before these however, attempt would be made at the examination of the basic features in Nigeria's economic development and industrial growth.

I. Economic Development and Industrial Growth

The spurt in Nigeria's economic development has little to do with the performances of the industrial sector. The transformations in the economy and the growth in the industrial sector owe much to the boom of the oil sector. The first half of the 1960s, following political

independence in October 1960, saw relatively significant gains in Gross Domestic Product (GDP) per capita with growth rate of about 2.5 per cent per annum. The 1960-1970 decade on the whole did not witness a substantial gain in per capita income because of the disruptions in production as a result of the Nigerian civil war in the 1967-1970 period. On the whole, per capita GDP increased at the rate of 0.6 per cent per annum from 1960 to 1970. The Nigerian economy, however, expanded considerably in the 1970s, with the GDP growing at an annual rate of 6.2 per cent (1970-1977). Overall GDP per capita increased at the rate of 3.6 per cent per annum in 1970-1977 period.(5)

Although the rapid growth of the economy pulled the country out of the ranks of the poorest developing countries into the World Bank's category of middle income countries nevertheless, it suffered considerably as from the early 1980s. This well reflected on Table 1. The average annual rates of growth of the GDP fell to 0.7 per cent in 1973-1984 from 9.1 per cent in 1965-1973 period. The decline is even more significant when one considers the component sectors. In the agricultural sector for example, the average annual rate of growth was 2.8 per cent in 1965-1973 period but this declined to -0.5 per cent in 1973-1984 period. The fall was even more precipitous in the industrial sector, 19.7 per cent in 1965-1973 as against -1.0 per cent in 1973-1984. The rapid growth and decline in the Nigerian economy has been due to oil production. The rapid increase in the GDP in the 1970s was largely the result of the phenomenal increase in oil production from an output of 395.9 million barrels in 1970 to 765.7 million barrels in 1977. The increase in GDP was also due to the price of oil rising from U.S.\$2.25 per barrel in 1970 to U.S.\$14.56 per barrel in 1977 with the total export value of oil

increasing from NGN510 million in 1970 to NGN7,969.2 million in 1977.

Table 1. Nigeria: Growth and Development Indicators, 1965-1984 (Average Annual Rates of Growth, Per Cent)

	1965-73	1973-84
GDP	9.1	0.7
Population	2.5	2.8
Agriculture	2.8	-0.5
Industry	19.7	-1.0
Manufacturing	15.0	8.5
Services	8.8	3.2
Public Consumption	16.1	3.8
Private Consumption	7.3	3.5
Gross Domestic Investment	15.2	-2.0
Average Annual Rate of Inflation	10.3	13.0
GNP per capita (1984)		U.S.\$730
Life Expectancy (1984)		50 years
Population (mid-1984)		96.5 million

Source: World Bank, World Development Report 1986, Oxford, Oxford University Press, 1986.

However, by 1981, the trend was reversed. There was a dramatic slump in oil production from 2.4 million barrels per day in the previous year to 0.7 million barrel per day. The recession in the West, the conservation and price-motivated switch to other fuels have combined during 1981 to reduce the demand for Nigeria's high quality low sulphur oil.(6)

Also, the price of oil fell to U.S.\$37 in 1981 from U.S.\$40 in 1980.(7)

The growth of the industrial sector has been another critical determinant of the overall economic growth. Growth in this sector over the years has been rather tenuous and pendant. At the achievement of political independence, there were only about 150 plants, medium and large-scale size in the industrial sector. The bulk of these, some fifty-five per cent, were established only in the last five years before independence. The growth of industries in Nigeria had been exponential in space. Of all the medium and large-scale plants in existence in Nigeria by 1965, fifty-five per cent of their number were established only in the five years following independence. Only about five per cent of the number in operation before the end of the Second World War. And in the nine years from 1946 to 1955, only fifteen per cent of the total number of plants in existence by 1965 were established. This contrasts sharply with the corresponding figures of twenty-five per cent in the five years from 1956 to 1960 and fifty-five per cent for the five years from 1961 to 1965.(8)

In terms of growth of output, manufacturing witnessed a phenomenal increase in the fifteen years from 1950, growing at an impressive average rate of about seventeen per cent per annum. But this declined to 8.5 per cent between 1973 and 1984.(9) The share of manufacturing in the GDP increased in real terms from 5.6 per cent in 1962 to 8.9 per cent in 1974. But declining to 6 per cent in 1981 and 4 per cent in 1984.(10) This reflects the contribution of the industrial sector to the process of structural transformation and growth which the Nigerian economy experienced in post independence era.

The bulk of investment for the new expanding industries was being increasingly provided by

foreign private firms. Apart from petroleum development and refining, the inflow of foreign private capital to Nigeria was heavily oriented towards manufacturing from 1960 onwards. Even the reinvestment policy of existing firms reflected the same shift of emphasis. The older trading companies were visibly moving away from commerce into industrial production both as a reaction to the changing competitive structure of the import-export trade and the race to protect established import markets behind the new tariff walls as well as to keep their initiative and leadership in tapping the increasingly sophisticated expenditure pattern from the rising real incomes of the domestic economy. (11)

The modest performance in the industrial sector thus far had been attributed to a number of factors. The most prominent among these include the following:

(i) The lack of entrepreneurship, management and technology. The paucity of entrepreneurship and management meant that the ability of indigenous businessmen to perceive and zero in on profitable industrial opportunities and to manage complicated industrial operations is limited. Thus, many Nigerian businessmen are risk-aversers, preferring to invest in such unimaginable and complicated operations as real estate, transportation and retailing while avoiding sophisticated industrial ventures.

The issue of technology goes together with those of entrepreneurship and management. The search for superior production functions which have been identified as one of the functions of entrepreneurship is the process through which the most efficient technology is identified and adopted. Management for its own part has to be able to work with whatever technology that is adopted. However, the basic issue confronting indigenous industrialisation in Nigeria is neither that of identifying efficient technology nor that of managing what is adopted but the fact that the indigenous technological base is extremely low. (12)

transportation, telecommunications, water supply, hospitals, schools, etc, create major operational problems to Nigerian industries. The main argument in favour of the provision of these facilities is that they generate external economies which help to make the operation of business and non-business organisations feasible. Thus, for example, industrial output had been significantly reduced as a result of the erratic supply of electricity. Also, simple operations in the delivery of supplies and distribution of products are inordinately time-consuming, expensive and cumbersome as a result of poor communications facilities. The lack of adequate infrastructures increases both the initial and operating costs of most industries to the point of curtailing their economic viability.

(iii) Industrial growth is hampered by cumbersome administrative process. Since independence, unnecessary restrictions and administrative bottlenecks have frustrated a number of worthy industrial projects; in particular the multiplicity of authorities from whom various permits and licences have to be assembled and the lack of streamlined procedure for getting them combined to confuse intending entrepreneurs. In addition, the lack of clarity of government policy on payment of royalties, licences, fees and management or technical fees have added to the difficulties of transferring industrial technology from abroad.

(iv) The shortage of financial capital represents another serious limitation to industrial growth in Nigeria, especially the indigenous industrial sector consisting of small-scale enterprises.(13) Ordinarily, there are three main sources of finance for both the commencement of industrial operations and subsequent expansion. These are institutional credit, equity finance, and proprietorship. None of these sources of capital is at present

significantly viable for indigenous businessmen in Nigeria.

Industrialists in Nigeria are handicapped by lack of access to institutional credit. The main reason for this is that only a few of them have enough assets to satisfy collateral requirements of institutional lenders such as commercial banks. An additional reason why indigenous businessmen have limited access to institutional credit is also found in the fact that most of them do not keep clear and accurate records of their financial transactions.

The floatation of shares is also not a significant source of finance. To a large extent, indigenous firms are sole-proprietorships, not limited liability companies and as such, they do not float shares. For example, the average annual registration of limited liability company as a percentage of total registration in 1970 and 1971 was 7.6 per cent in contrast to 92.4 per cent for sole-proprietorship and partnership combined. (14)

(v) Moreover, there is the question of uneven industrial development among geographical regions. This is a by-product of the ethnic politics in Nigeria. Industrial projects are sited in accordance with the dictates of the distribution of political rewards, inducements, and penalties. The prolonged political controversy which surrounded the siting of the iron and steel project is a case in point. Manufacturing establishments in Nigeria are concentrated mainly in Lagos and about a dozen other towns. There has not been any marked policy of industrial dispersion. Lagos has a unique position because both the Federal Government and the former Western Regional Government concentrated the bulk of their development efforts in Lagos. Lagos is followed by Kaduna

and Bendel States. Generally, industries in Kaduna State involve meat, textile and footwear production while those in Bendel State are concerned with timber and rubber production.(15)

The existing industrial concentration does not lead to balanced economic development or optimal space use. The extreme concentration of industries in Lagos has long started to produce negative effects in terms of input bottlenecks and high pressure on the infrastructure.

The modest performance and constraints in the industrial sector have over the years elicited concern from the various governments in Nigeria given the importance of this sector to economic growth and development. The significance of this sector has been further reinforced in the early 1980s as a result of the economic recession caused partly by the fall in world price of oil and reduced foreign exchange earnings. The industrial sector is increasingly perceived as one on which sustained economic growth and development could be based. But given the modest contribution of this sector to the economy so far, let us now examine the practical problems of the policies in this area.

II. Industrial Policies in Nigeria

The scene for industrial policies and industrial development in Nigeria was set by the Colonial Government in 1957. In that year, the British Colonial Government perceived industrial development as field to be reserved entirely to the private sector. Industrial policy was therefore confined to legislation establishing certain incentives for industrial development and administration of these incentives. Thus, in the 1955-1961 Capital Programme, only 7 million pounds or 3 per cent

of the total was allocated to industrial development. By 1962, when the First National Development Plan was adopted, there was greater awareness of the role that the government could play in promoting industrial development. Industrial development was seen as a direct means of stimulating economic growth and development. It envisaged the participation of Nigerians in ownership, direction and management of Nigerian industry. In the Plan, the allocation for industry was 9 million pounds or 14 per cent of the public sector investment programme. (16)

However, it was in the Second National Development (1970-1975) that the objectives of national industrial policy and strategy were explicitly spelt out and varying forms of it appeared in the subsequent Third and Fourth National Development Plans (1975-1980) and (1980-1985), respectively. The basic objectives of industrial policies generally stressed in these Plans are as follows:

- (a) rapid expansion and diversification of the industrial sector;
- (b) increases in the incomes from manufacturing activity;
- (c) the creation of more employment opportunities;
- (d) the promotion of even development and fair distribution of industries in all parts of the country;
- (e) the expansion of the programme of import-substitution industries and the level of intermediate and capital goods production;
- (f) the initiation of schemes designed to promote indigenous manpower development in the industrial sector; and
- (g) increasing the proportion of indigenous ownership in aggregate industrial investments in Nigeria.

In order to achieve these objectives, the government from time to time laid down some industrial priorities and strategies, the most prominent of which are; (a) indigenisation, (b) investment incentives, (c) import-substitution, (d) maximisation of local value added, (e) entrepreneurship and management and (f) infrastructure.

(a) Indigenisation

Indigenisation has had very little impact on the process of industrial development in Nigeria mainly as a result of the failure to adequately implement its provisions and the dearth of local capital. Indigenisation was prompted by the fears arising from the influx of foreign investor in the Nigerian economy following the termination of the Nigerian Civil War in 1970 and the increasing prosperity fecundated by the boom in the oil sector. There were fears that national wealth could be siphoned away substantially if the dominance of foreign investors prevailed in the ownership of industries. The main objectives of indigenisation was thus to increase Nigerian participation in industries to ensure greater capital accumulation, employment and reinvigoration of the economy. However, while the ideals of indigenisation are lofty it suffered the greatest setbacks from the dubious manipulations of certain unpatriotic Nigerians.

The first phase of the indigenisation decree in 1972 obliged foreign business in a large number of specified activities to transfer their ownership wholly or partly to private Nigerian investors and businessmen, but it later became apparent that public share acquisitions by the federal government or statutory corporations was inevitable. The scope of the legislation included trade, construction and many services and a number of manufacturing industries. Twenty-two activities were

scheduled which were to become reserved to Nigerian nationals. In another thirty-three, foreign enterprises were to be excluded unless above a stipulated size (paid-up capital exceeding 400,000 nairas or annual turnover exceeding 1 million nairas) and having at least 40 per cent of their equity in Nigerian ownership.(17)

The decree was received with mixed feelings. It was widely acclaimed by Nigerians as positive action by the Federal Government to stimulate active participation of Nigerians in the management and control of foreign firms that dominate the private sector of the national economy.

The decree has special advantage for alien firms who were then encouraged to cultivate an enduring partnership with Nigerians and thus widen and deepen the markets for their securities and products. Such an opportunity to cultivate a large consumptive market may be lost to alien firms who continue to regard indigenisation as a creeping nationalistaion.(19) But indigenisation is nothing more than a protective partnership which encourages supra-territorial oligopolies to adapt themselves to the environment in which they operate.

Unfortunately, the die-hard alien companies refused to see the decree in this light. They availed themselves of the clause in its provisions which allows for renewable exemption. But a good number of foreign firms offered equity shares to Nigerians and associations to meet the 40 per cent shareholding by Nigerians as required by the decree.

Of this 40 per cent, most firms allocated 10 per cent of the share capital specifically to their Nigerian Directors and employees and in effect sold 30 per cent to the general public. It is noteworthy that the decree induced these multinational firms to encourage their employees for the first time to own shares in

the enterprises in which they work.

By March 31, 1984 when all affected concerns were expected to comply with these provisions, 430 foreign-owned Schedule I concerns had been Nigerianised. Among schedule II firms, most was unknown about the relatively few public companies. Equity transfers for such firms were closely regulated by the Capital Issues commission which inter alia set prices for ordinary shares (common stock).

Apart from these, the indigenisation process has been further thrown into a sharper relief as a result of the economic measures adopted as from the early 1980s to cope with the economic recession in the country. With the collapse of the oil boom in 1981, as a result of the precipitous fall in the world price of oil the country found itself financially over-extended with insufficient revenue to meet the growing import bill to finance major development projects. The decline in Nigeria's foreign exchange earnings led to an accumulation of arrears in trade debts and of import shortages as creditors refused to open up further lines of credit. The creditors insisted on Nigeria's adoption of major economic reforms, especially those along the lines of the International Monetary Fund (IMF) conditionalities. Consequently, there was a sharp decline in economic activity, with most industries operating at less than full capacity because of inadequate inputs of raw materials and spare parts. In addition to these, a series of poor harvests, an overvalued currency and a widening budget deficit compounded the problem. The Shagari government introduced some emergency measures in early 1983. The Buhari administration which supplanted it late in that year continued with these measures which essentially consisted of cuts in public expenditure, credit squeeze and the rationing of foreign exchange through the cutting down of imports. The Babangida administration replaced

the regime in 1985. In the following year, the government embarked on a Structural Adjustment Programme (SAP) in the attempt to resolve the unabated economic recession. The economic measures under SAP among other things include the establishment of realistic rate of exchange for the naira, the promotion of exports, cut in public expenditure, privatisation, etc.(20) But the SAP has not been sympathetic with the aspirations of the indigenisation programme. Part of its fall-out has been the high interest rate and liquidity squeeze. The combination of these two effects has made borrowing in the commercial banks unattractive and therefore reducing the effective participation of Nigerians in the industrialisation process.

Thus, the strategy of indigenisation has been unduly frustrated as a result of the initial collusion by Nigerians and foreigners to circumvent its provisions. Foreign investors are also disillusioned about the nationalisation effects of the programme. But what has been particularly disturbing is the decreasing financial capacity of Nigerians to take up shares in these firms. Thus, there is need for the government to review its monetary policies and eliminate the constraints of liquidity.

(b) Investment Incentives

Policies aimed at accelerating the growth of manufacturing in Nigeria date back to 1952.(21) These policies consist of a number of incentives to manufacturers in the form of tax holidays and accelerated depreciation companies that are undertaking the manufacture of new products can apply for Pioneer Certificates which grant tax relief for three to five years depending upon the amount of capital invested. By 1968, 179 Pioneer Certificates were issued but only 101 of them were effectively utilised.(22) Similarly, incentives exist for

small companies with less than 2,000 nairas income per annum.(23) Tax reliefs to small businesses extend from one year to six years. The import duty relief on raw materials is another incentive.(24) The Company Tax Law made provision for accelerated depreciation of capital with the good intention of capital goods. Under the latter, capital investment could be written off within a few years of commencement of operations. Indeed, until the 1966 revision, a firm could write off up to 73 per cent of its investment in the first year of operations. It was also possible to offset all the depreciation allowances due during the tax holiday period against profits made after the expiration of such tax holidays.(25)

Thus far, the application of these policies have been pursued indiscriminately. High incidence of administrative corruption had marginalised the objectives of the scheme. The capital consumption allowances, in the face of high rates of inflation in recent years and the differential rates applied to different classes of assets are biased in favour of building structures and against equipment and vehicles. In other words, the present system of incentives has resulted in some distortions which should be eliminated if they are to be useful in the process of industrialisation.

(c) Import-Substitution

The failures in import substitution may well be equated with that in indigenisation. Nigeria's manufacturing strategy is one of broad import substitution. One major instrument for achieving this goal is the restriction of import competition via tariffs, quotas or outright bans on the importation of goods from abroad. Table 2, provides a selected list of government interventions in foreign trade from 1977 to 1980.

Through its policy of import substitution,

the government encourages the production of goods for which Nigeria at present lacks advantages to other countries. This policy, by blocking out imports, creates incentives for the production of goods using relatively large amounts of skilled manpower and capital.

While many of these restrictions derive from the goal of import substitution, the momentum for protectionism in Nigeria rises and falls with the balance of payments position. Rather than devaluing, the government chooses to restrict access to foreign exchange through various administrative measures. Thus, the years 1978 and 1979 witnessed a marked increase in restrictions designed to save foreign exchange in the face of a deterioration in the real value of oil exports.

The second major method used to implement the strategy of import substitution is directly through the allocation of government funds among different industries. The decision has been made to favour industries where imports are important, thereby attempting to achieve self-sufficiency. Nigeria has embarked on large public investments in capital and skill intensive industries, most especially steel, but also fertilizers and oil refineries.

The steel investment comprises of two large steel plants at Aladja and ajaokuta and several rolling mills at Katsina, Jos and Oshogbo. Nearly half of 6,4 billion nairas of funds are to be invested in the steel sector. Construction of the largest plant is behind schedule, while the smaller one has started operation. It is intended that the larger plant at Ajaokuta, being built by the Soviet Union and Western companies use local raw materials of low grade while the smaller plant at Aladja, which is a direct reduction plant being built by a German-Austrian consortium, will be dependent on imported raw materials. The rolling mills are located far from the steel plants reflecting the principle that various

Table 2, Some Actions Affecting Foreign Trade

1977

Tariffs lowered on: inputs to the tyre industry (synthetic rubber latex from 30 per cent lowered to 10 per cent, carbon black and steel tyre cord from 10 per cent to 5 per cent), parts for manufacture of primary batteries from 20 per cent to 10 per cent, parts for manufacture of electric filament lamps, sodium and potassium silicates, nickel wire, barley and hops, acyclic alcohol and poly carboxylic acid.

Tariffs increased on: items of adult clothing raised from 50 per cent to 100 per cent, primary flash batteries from 40 per cent to 75 per cent, cars with engines between 2,000 cc and 2,500 cc from 100 per cent to 150 per cent.

Bans on imports of: cars with engines over 2,500 cc, lace fabrics, galvanized buckets carbon paper, beer bottles, real madras and textile fabrics of all kinds.

Import licences required for: common salt, carpets, typewriter ribbons, furniture, matches, canned beer, soft drinks, and car with engines between 2,000 cc and 2,500 cc.

1978

Bans on imports of: ready-made garments, beer and stout, malt extract drink, footwear, carpets, furniture, matches, household candles, calendars.

Import licences required for: radios, record players, tape recorders, stereos, television sets, air conditioning units, domestic refrigerators, built-up commercial vehicles, aluminium bars, electric wire, paints, record traps and cameras.

1979

Tariffs increased on: camera films, plastic pipes, record players, printing ink, sheets and plates of iron and steel and completely knocked down refrigerators.
Ban on imports of: artificial flowers, fireworks, tooth paste, and footwear uppers.

1980

Tariffs lowered on: bentonite, barite, artificial resins, raw materials for dumpers and brake linings, ceiling fan, motors, paper bags and spare parts for cement machines, toothpaste and perfumery products.

Tariffs increased on: completely built-up vehicles (20 to 35 per cent), iron sheets, lampshades, and ceiling fans.

Bans on: bicycle tyres and tubes, concentrated malt extract, jute bags and fabrics for furniture.

Goods on banned and specific import license lists moved to general license: louvre frames, insulated electric wire, plastic pipes, linoleum and ceramic sinks.

Source: Central Bank of Nigeria, Annual Reports 1977-1980.

areas should share in the investments. As a consequence, transportation costs will be high. All these investments require a large commitment of capital and large number of skilled workers while producing few unskilled jobs. In other words, industrialisation process has not been effectively linked to the resolution of the problems of increasing unemployment. This has in fact been well articulated by J.S. Odama and U.A. Kazi in their study Rate of Capital-Labour Substitution in Time Series Production Functions in the Nigerian Manufacturing Industry, 1962-75. Both maintain that the present technology in Nigeria is inappropriate to the creation of greater employment opportunities and facilitate economic growth in the short run.(26) Thus, there is need for the country to evolve an explicit policy on labour intensive technology if the process of industrialisation is to be meaningful for economic growth and development.

As already noted, the development of the steel industry in Nigeria has been highly politicized. The military regime of Muritala/Obasanjo made the commitment and was later reinforced by the succeeding Shagari administration. Nigeria can consume the steel to be produced by its new plants but it will have to force intermediate industries to use the expensive local steel by imposing restrictions on the importation of foreign steel.(27)

Also, import substitution did not promote the integration of Nigeria's agricultural and industrial sectors or of the utilization of local raw materials, thus reinforcing the over-dependence of Nigeria's manufacturing industry on external sources, with the attendant pressures on foreign exchange and the balance of payments.

Besides, the problems of industrial distribution remained unresolved. The pattern of industrial distribution continue generally

to be a product of certain political and economic factors: the consolidation of political support or image in an area or in response to some rational market forces.(28) However, economic considerations demand a fair spread of industrial enterprises, especially as a means of providing employment opportunities in the hinterland. Thus, there is still need for the articulation and implementation of policy on industrial dispersal.

(d) Maximisation of Local Value Added

One principal objective of Nigeria's industrial policy since independence has been to maximise local value added in the process of industrialisation. However, there are considerable doubts about any significant achievement in this area. There has been major structural internal constraints. The Second National Development Plan, for example, proposed a 'value-added maximisation principle' as the criterion for selecting those specific industrial activities that were to be given fiscal encouragement.(29) Ten years later, the Guidelines for the Fourth National Development Plan declared that "for obvious reasons, the higher the share of value-added to gross output the better, for such value is a measure of true development," and set a target for 1985 for a 55 per cent ratio compared with about 46 per cent for the early 1970s.(30)

This was necessary because for any manufacturing enterprise, the difference between gross output and value added is the cost of goods and services (materials, tools, semi-products, power, professional advice) purchase from outside. The ratio of value added to gross output will therefore tend to be higher the less specialised (or more vertically integrated) the enterprise. The same inference holds for any industry, as for manufacturing as a sector. If for example, manufacturing

enterprises generate their own power and operate mines and plantations for the supply of their raw materials, the ratio of value added in manufacturing as a whole will be higher than if these inputs were purchased from other sectors. The planners identify low ratio of value added with high ratios of import costs to gross output. Their objective is to reduce the import content of Nigerian manufactures by developing the local production of industrial materials semi-products, components and machinery. They assume that a more complex industrial structure in Nigeria would imply a higher ratio of value added.

If the manufacturing sector is taken as a whole, this assumption may be true.(31) But for any manufacturing enterprise, the substitution for imports of purchased inputs produced at home need not denote an increase in the ratio of value added. Moreover, because locally produced intermediate and capital goods are likely to be more costly than the imports they replaced, the tendency, other things being equal, would be toward a reduction of the value added ratio in the enterprises and industries buying them. However, this is not basically so in practice. The product prices, and therefore the value added, of these enterprises will be allowed to increase by higher rates of effective protection given to compensate for their increased cost. Consequently, the value added ratios of enterprises and industries might not significantly fall.(32)

(e) Entrepreneurship and Management

An essential part of the package of industrial policy for rapid economic growth and development in Nigeria also underscores the development of entrepreneurship and management. However, the indications are that no remarkable progress has been made in both areas. For example, in 1970, the government announced that

it would operate three federal industrial development centres to be located in different parts of the country.(33) The major objectives of these centres are "the training of entrepreneurs and staff and applied research into industrial products, involving the design of products for small-scale industries, and management training." The industrial centres which aim at activating fundamental structural changes in the small-scale industries could have been an important step in their linkage to the industrial development process in the country. However, they did not take off the ground as a result of inadequate governmental commitment and management.

Also, whilst it may appear that the expansion of university education and college of education will eventually overcome the dearth of management skills, yet it could be observed that substantial part of small-scale enterprises are sole proprietorships, whose owners have never and are not likely to receive higher education by conventional means. Hence, further measures aimed at direct contact with small-scale entrepreneurs are still desirable. In this connection therefore, universities, colleges and secondary schools may be instrumental in providing part-time education and education for the management of small scale industries.

(f) Infrastructure

Although the development of adequate infrastructure: road, railways, hospitals, schools, etc. has always been in the forefront of government development policies since the attainment of independence nevertheless, the achievements so far in this area are far from satisfactory for meaningful industrial development. These are, for example, well illustrated with the experiences in the sphere of power transport. The growth rate of

electricity production has been slower than the rate of demand. In 1953, 77 million kwh were consumed. This rose to 438.2 million kwh and 2,707 million kwh in 1962 and 1976, respectively. But the average annual growth rate of consumption was 20.6 per cent between 1954 and 1967 and 20.92 per cent between 1971 and 1974. The industrial sector consumes the largest share, followed by domestic consumers. Industrial consumption is high due to increased use of capital-intensive machinery.(34)

Also, the inadequacy of road network is well illustrated by the road density of 34.40 kilometres per 1,000 square kilometres and 2,189 persons per kilometre of road. There are poor interconnections between existing roads and between roads and other transport systems. And when this is taken together with poor maintenance, the transport problems become more compounded. The most important effect of this has been in higher marketing costs. For example, transport accounts for as much as 20 per cent of total marketing of cocoa in the 1970s.(35)

Similarly, Nigeria is still served by inadequate railway networks: 2,178 miles (3,523 kilometres) and single track, 3 feet and 6 inches (1.05m). The system essentially comprises of two main lines: the western and eastern lines, each starting from a port in the south to link with the north.

The Third National Development Plan therefore planned to raise the generating capacity from 690 MV (1974) to 1,740 MV by 1980 at a total cost of 927.8 million nairas which was 2.8 per cent of the total estimated public capital programme in the plan. But in the Fourth Plan (1981-1985) 3,278.7 million nairas was allotted, this represents 0.01 per cent of the total Plan expenditure. Also, there were plans for transport development in the Third Plan: the sector accounted for 16.3 per cent of total allocation to the public sector. In the

Fourth Plan, the transport sector accounted for about 0.4 per cent of total Plan expenditure. Governmental aims in these areas were only partially fulfilled. The Kainji Dam and Egbin thermal station were completed. But there are still considerable difficulties in the completion of those of Jebba and Shiroro. The earnings from petroleum eased the construction of some express highways in the mid-1970s. The operation of the railway systems was also given a lease of life in the same period as a result of the technical assistance afforded by Indian experts. But plans for a railway costing U.S.\$2,500 million from Port Harcourt to Markurdi linking up with the Ajaokuta steel complex have since 1982 been postponed indefinitely. Part of these difficulties emerged from the economic recession and the policy adopted to cope with it. For example, the adoption of the Second Tier Foreign Exchange Market to determine a realistic rate of exchange for the naira resulted in a massive devaluation of the currency by about 400 per cent.(36) Because of this, the relevant institutions could not afford to secure foreign inputs for the effective maintenance of the existing structures let alone the implementation of new projects as envisaged in the Fourth Development Plan. But the importance of adequate infrastructures needs no emphasis in the process of economic development. Thus, government economic policies should be such that would not hamper the progressive development in this sector.

Regulatory Environment and Industrial Policies

The regulatory environment has been a typical problematic area in Nigeria's industrial policies. The regulatory environment refers to the administrative regulations and procedures governing investments. The extent of foreign investments in the country in recent years has

been significantly negatively influenced by the flaws in the regulatory environment. There are specific regulations for foreign investments in order to ensure that these are directed to priority areas in the economy. Also, the regulation of foreign investment has been considered necessary because of the need to foster the development of indigenous entrepreneurship and the conservation of foreign exchange.

Generally, the administrative procedures involved in the effectuation of investments is complex, cumbersome and costly for the following reasons: (i) non-availability of the texts of relevant legislation and regulations; (ii) inconsistencies in the laws and regulations; (iii) overlapping jurisdiction among agencies and paucity of competent staff; (iv) excessive bureaucratic controls by government functionaries.

In the effort to resolve part of these problems, the government created the Industrial Development Co-ordinating Committee (IDCC) to facilitate the processes of application for investment, But this has failed to reduce the massive documentation inherent in the process of investing in Nigeria. The establishment of an industry still entails a permit from the Ministry of Industry, a business permit from the Ministry of Trade, a permit from the Ministry of Finance to admit foreign capital, a licence to import machinery from the Ministry of Commerce, import inspection by the Inspectorate Division of the Ministry of Industry and Customs Department and the securing of Approved Users Licence from the Ministries of Industry and Finance. All these take approximately twelve formidable months to accomplish and thereby cause undue delays in the process of industrialisation in the country. Thus, there is need to remove the constrains of these institutions in order to ease the process of industrialisation.

III. Towards a New Policy Synthesis

The need for accelerated economic development in Nigeria has in the last three decades prompted the articulation and implementation of industrial policies which considerably actuated the phenomenon of industrialisation. The internalisation and intensification of competition also emitted strong impulses for industrialisation: the leading enterprises and foreign producers who had already established themselves, invested in the industrial sector in order to stabilise their position.(38) Moreover, for the trading companies and foreign producers which had not yet established themselves, the installation of manufacturing was a promising opportunity to gain a foothold in the expanding Nigerian market. Also, industrialisation had generated more activities in the areas of import substitution, intermediate and heavy industries. But the progress in these areas and their positive impact on Nigerian economy had been minimal. This is particularly true of the aspect of import substitution industrialisation. Industrialisation has led to insignificant increase in local value added as most industries continue to import, to a large extent, raw materials for their operations. Import substitution industrialisation has not resulted in the savings of foreign exchange earnings but has on the contrary led to its further depletion because the process has entailed not only the import of capital goods but of raw materials as well. In addition to this, foreign exchange suffered further depletion as a result of dividend and salary repatriation by the multinationals. There is gap between the growth of industries and employment creation because the ambiguities on the policy of the import of technology continue permit the import of capital-intensive technology. Thus, on the whole, the contribution of industrialisation to the GNP

is still very modest at least when compared with those of Argentina, Brazil and India.

Resolving these problems to ensure the preeminent position of industrialisation in the process of economic growth and development in Nigeria calls for greater imagination in industrial policies. Industrial policies should be reappraised in the context of the economic potentials, philosophies and policies. The changing political, economic and social conditions and policies require that new invigorating dimensions should be integrated into the positive aspects of the existing industrial policies to enhance the process of economic recovery, growth and development.(39) The bases for the sustained economic growth of the U.S.A., Great Britain, France and West Germany were firmly laid by industrialisation and this has again been demonstrated in recent years with the developments in Japan, South Korea, Indonesia, Singapore and Brazil, the "newly industrialised countries."(40) Thus, the present economic circumstances indicate that industrial development objectives and strategies should be more defined in terms of the fundamental dynamics of economic growth, equity, welfare and national independence. The main ingredients of a new industrial policy should therefore underscore the following points:

(1) Objectives

- (i) The effective exploitation of the potential which exists within the country to ensure efficient import-substitution with priority accorded to activities based on local raw materials.
- (ii) The development of viable linkages between the newly established basic industries and intermediate goods production in order to consolidate industrial base.

- (iii) The establishment of an expanding manufacturing export base.
- (iv) The stimulation of less capital-intensive industrial production to increase growth and employment prospects.
- (v) The establishment of intermediate and heavy industries to ensure a firm base for successful industrial take-off.(41)

(2) Policy Instruments

(i) Infant Industry and Industrial Location

The case for infant industry and industrial location is unassailable given the competitiveness of products from industrially developed countries and the burden of social overhead costs in the urban areas. The government should view the policies for infant industries as a package which would embody tax holidays and special write-offs for investment in infrastructure where this has been undertaken by investors. But once the stage is attained where infant industry has been transformed into adolescent, these incentives should no longer apply. In the same vein, the policy on industrial diversification should underscore special tax write-offs for investors undertaking to establish industries in the hinterland. Also, the policy should emphasize state investment for the development of infrastructures in the hinterland.

(ii) Incentives

The present Nigerian economic circumstances of unabated economic recessions have made the current fiscal incentive systems untenable in the

efforts at the promotion of economic growth. Fiscal incentives resulted in distortions because the type of manufacturing industries established depended much on imported materials.(42) In order to avoid further dislocation some forms of reduction in fiscal incentives are desirable. If some firms become unviable under the new structure of incentives, the government should intervene by aiding them to move to other more profitable operations.

(iii) Resource-Based Industrialisation (RBI)

Given the goal of sustained development, the industrial base should expand through emphasis on RBI strategy. This would have the effect of greater utilisation of agricultural resources, natural gas and petroleum. Cote d'Ivoire, Malawi and Zimbabwe are classical examples of successful pursuit of this strategy. The symbiotic relationship between agriculture and industry is nowhere more obvious than in the RBI strategy: efficient and dynamic growth of agricultural sector ensures an enlarged market for the outputs of domestic industry while earning foreign exchange from raw material or processed exports.(43)

(iv) Export Promotion

The dislocations in the economy occasioned by the sharp fall in the world price of petroleum has driven home the futility of over-reliance on the export of a single commodity. In order to enhance steadily increasing foreign exchange, an export promotion scheme, should inter alia, involve the following measures:

- (a) rebates and exemption on duties and direct taxes imported inputs;
 - (b) direct preferences (usually tax deductions or reductions related to the volume of export sales or export income);
 - (c) access to preferential credit for export production;
 - (d) exemptions from other business taxes;
 - (e) partial or full retention of foreign exchange earnings from exports for purchase of raw materials and spares, and sometimes for sale of non-exporting firms;
 - (f) export insurance and guarantee schemes.
- (v) Technical Manpower and Technology

The paucity of technically skilled employees constitutes a grim setback in the growth of the industrial sector. Engineers, accountants and technicians should be better rewarded in order to remove this constraint. The present system of compensation, especially in the public sector, does not offer any differential treatment for the skills in short supply. In the area of technology, the prospects of economic growth and development would be enhanced by a greater emphasis on appropriate technology for production. The distinction between

"capital-intensive" and "labour-intensive" technology is a familiar one in economic development theory.(44) Nigeria, like most developing countries needs to industrialise more with labour-intensive technologies in order to cope with the menace of rising unemployment.

(vi) Indigenisation

The case for indigenisation in the process of industrialisation in Nigeria is incontrovertible. The economy, inspite of its present difficulties, is still one of the strongest in black africa. Also, it has a large potential internal market which, inspite of the bouts of political instability since the attainment of independence, makes it attractive for investment by the multinational corporatins. Greater participation by Nigerians is highly desirable in order to ensure that the country reaps the full benefits of industrial process, especially of higher national wealth and capital accumulation. The case for indigenisation is further reinforced by the current need of the country to conserve forign exchange in order to overcome the current economic recession and promote economic growth. The indigenisation process should thus be consolidated through the enhancement of the financial capacities of Nigerians to purchase shares in these firms. Thus, governmental monetary policies should contain a package to lower interest rates to reduce the liquidity squeeze in the economy. The lower the interest rates, the greater

will be the ability of Nigerians to borrow from the commercial banks. The future of industrialisation in Nigeria would be brighter the greater the involvement of Nigerians in the ownership, control and operation of these firms.

(vii) Infrastructure

Infrastructure is currently one of the most formidable obstacles to industrial and economic development in Nigeria. The financial problems in this sector have in recent years been accentuated by the SAP, anchored on a foreign exchange market system. The relevant institutions in this area would require greater funding from the federal government in order to enable them maintain and improve the existing structures. The importance of infrastructure has been well highlighted in the economic growth of the U.S.A., Great Britain, France and Japan. Improved and efficient roads, railways, ports, waterways and telecommunications will facilitate the dispersal of industries and reduce the cost of the movement of goods from one point to another. (45)

(viii) Regional Integration

The growth and consolidation of industrial development in Nigeria in the long run hinges in part on the availability of extended market, typically offered in regional integration arrangements. The principal argument

for integration is that capital-intensive enterprises, which were subject to economies of scale and thus clearly not economic for one country, could be planned when several countries form a regional integration scheme. With new economies of scale, existing relatively inefficient production methods could be changed for more efficient, lower-cost ones.(46)

In the West African sub-region, there are different forms of integration arrangements, but the most important one is the Economic Community of West African States (ECOWAS) consisting of all sixteen countries in the area. The ECOWAS aims at the promotion of industrial and agricultural development among the Member States. Its other objectives include the promotion of trade expansion and cultural interaction. Progress in the ECOWAS so far has been very modest. There has been some activities in the areas of trade liberalisation, free movement of persons, sub-regional security and infrastructure but few initiatives in the areas of industrialisation. Part of the difficulties of the Community derives from the lack of political will of the Member States to implement measures that would ensure the strengthening of the Community.(47)

In spite of the current difficulties of the ECOWAS however, Nigeria's industrial policy should underscore its consolidation by industrial development in the country with inputs from ECOWAS states. The extended market offered by the Community for Nigeria's industrial products would be invaluable given the virtual non-accessibility of the industrial products from

developing countries into the markets of the industrially developed countries as a result of protective tariff and administrative barriers.

(ix) The Role of the Government

The process of industrialisation cannot be left entirely to the operation of free market forces given its importance to national security and development. Within the context of the present mixed-economy philosophy, the federal government should consolidate its role in the determination of the type of technology for development and the pace of industrialisation. Also, it should take leading role at the commanding heights of the economy, especially in industries that are of strategic importance to the survival of the nation and require huge investments.

(x) Regulatory Environment

Generally, the regulatory environment has been a major cog in the wheel of industrial development in Nigeria. The regulatory environment governing private industrial investment and production needs to be overhauled and streamlined in order to ensure rapid industrial development. In this respect, all existing legislation and regulation should be reviewed to eliminate duplications and to simplify procedures. The role and functions of a "one-stop" agency for industrial

approvals with strong outreach to the private sector should be fully established and consolidated under the Ministry of Industries. (48) The importance of such streamlining has been abundantly illustrated in the unique role of the Ministry of International Trade and Industry (MITI) in the high speed economic growth of Japan as from the early 1960s. (49)

Conclusion

The path to accelerated economic growth and development in Nigeria lies in the rejuvenation of the moribund industrial sector. This demand calls for a more realistic industrial policy as a major instrument. The existing industrial policy should be reviewed in the light of past constraints to its implementation. The unabated economic recession in Nigeria and the various economic measures, both fiscal and monetary, to resolve it have introduced new dimensions into the modes of economic growth and created distortion in the orientations of existing industrial policies. The fall in the world price of petroleum has undermined the financial capacity of the country to embark on major industrial projects. Foreign debts have increased together with the burden of debt service payments. Foreign investors are weary of substantial investment because of the uncertainties in economic development, industrial regulations and political instability. The SAP, together with the operation of foreign exchange market have reduced the currency in circulation and incapacitated most indigenous industries in the acquisition of foreign inputs for their operations. But all these were not anticipated in the implementation of the existing

industrial policies. In the context of a new imaginative industrial policy however, new priorities and critical areas of problems would be highlighted to facilitate industrialisation and development.

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