DECLARATION

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

[Signature]

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

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To my parents and siblings.
ACKNOWLEDGEMENT

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

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

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

We advanced a case for ISI as the base for industrial development and that export promotion strategy should be a follow up after the industrial base is concretized via ISI. This is based on the fact that a nation that aims at self-reliance should attempt meeting the domestic demand in term of goods and services before exportation. The nation must look inwards to exploit all available resources with which to produce the needed goods and services. We discovered that, the failure of ISI in the past was due to defects and conventional approach in the implementation of the policies. The buoyancy of the economy in the 1970s aided the deviation from the achievement of self-reliance objective of the nation, as the revenue from oil was mis-used. We also discovered that the weaknesses in the execution
of policies gave the foreigners the opportunity of managing and controlling the sensitive sectors of the economy. As the objectives of the foreigners differ from that of the nation, the achievement of the national objectives to some extent became an illusion. This manifested itself in the continuous dependency of the nation on the western nations, even after twenty-eight years of independence. The 'damages' associated with this dependency syndrome became exposed in the early 1980s, as developed countries lost confidence in the nation's capability to pay back her debts, hence aggravated the economic crisis.

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

We also discovered that, with this hard time, these industries are becoming innovative and the linkages that were lacking in the past is waxing stronger among the industries. The industries are forced to depend on each other for inputs to survive. The economic situation and the 'harsh' policies taken to achieve economic
recovery has forced most foreigners in some of these industries to leave the country and they are being replaced by capable Nigerians.

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

Introduction

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

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

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


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

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

Nigeria like most LDCs opted for import substitution strategy of industrialization. Import substitution implies production locally of goods which were hitherto imported. This is supported by imposition of tariff and using quota on those goods locally produced. The aim is to industrialize the country and to address the balance of payments problem facing the nation. Some of the industries established under this strategy in Nigeria were textile, footwear, matches, cement, sugar, paper etc.
with the 'open door' policy of the government, foreign investors were allowed to establish or invest in some of these import substituting industries. These investors managed and controlled the activities of these industries, hence dominating the manufacturing sector of the economy. These foreigners, that are in Nigeria mainly to protect the interests of their countries succeeded in exploiting the country and repatriating the huge profits realized under the 'canopy' of the incentives given to them.

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

**Pulp and Paper Industries**

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

World-wide, the production of pulp is said to have reached 139 million tonnes by 1986, however, the Food Agriculture Organization (FAO) review shows that less than 40% of the paper consumed in Africa was produced locally. While Egypt is the largest producer of paper
in Africa, Swaziland has the largest wood pulp production in Africa. 5

Pulp and paper industry as at 1999 in Nigeria comprises of three major mills: Nigerian Paper Mill, Jebba in Kwara State, that specializes in the production of industrial grade of papers, Nigerian Newsprint Manufacturing Company (NNMC) at Oku-Iboku in Akwa Ibom State and the uncompleted mill at Iwopin in Ogun State, that is expected to produce stationeries. Other mills in the industry are converters of paper products (as inputs) into finished paper products. The pioneer mill in pulp and paper production in Nigeria is the Nigerian Paper Mill, Jebba (NNM).

Nigerian Paper Mill, Jebba

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

The mill could be divided into two with the recent expansion exercise i.e. the old mill and the new mill. The erection of the old mill was contracted to Coutinho Caro (a German company) and company of Hamburg at the rate
of £3 million. The construction work commenced around 1962 and by 1966, the mill was embroiled in a financial crisis.

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

The mill specializes in the production of industrial grades of paper and had the production capacity of 12,000 tonnes of Kraft and duplicating papers per annum. This was only 10% of the country’s requirement of industrial grades of paper, thereby leaving a large gap between the demand and domestic supply. The importation of Kraft paper and Kraft paper rose from 19,887.1 tonnes in 1969 to 20,557.1 tonnes and 56,044.2 tonnes in 1975 and 1983 respectively.

At the beginning, the mill comprised of six departments; Mechanical, Paper Machine Number One, Electrical, Instrument, Accounts, and Finishing Departments, with the production exercise taking place in the Paper Machine Number One and Finishing departments. In order to meet the gap between the demand and domestic supply for paper products, expansion projects was embarked on. This brought into existence additional eight departments; Pulp Mill, Soda
Recovery, Fibre Processing Plant, Wood Yard, Turbine (Paper house), Effluent Treatment, Machine Numbers Two and Three Departments. This expansion exercise cost the government about N225 million and was commissioned in 1985. The capacity of the industry increased from 15,000 tonnes of paper to 65,000 tonnes of pulp and paper each per annum.

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

Nigerian Paper Mill, since its inception, imported pulp until 1982 when the mill started using natural hardwood available in Nigeria. The long fibre largely imported allow paper to be stretched. The mill needed about 6,000 tonnes of this fibre every year. Shortage of this fibre due to difficulties in getting foreign exchange had led to
harvesting about 3,500 trees daily for the production of some 200 tonnes of short fibre pulp.\footnote{11}

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

The Paper Machines (Escher Wyss) being used in the mill are manufactured in Germany and spare-parts are mainly imported. The mill specializes in the production of industrial grades of papers; kraft paper, sack kraft, kraft liner board, fluting paper and white duplex board. These materials constitute $98\%$ of the mill’s output. The remaining $2\%$ is made up of stationary items. The establishment of the mill is said to be saving more than $36.5$ million in foreign exchange per annum for the country.

Generally, the mill is said to be performing fairly well. For instance, with structural Adjustment Programme, most industries are operating below $30\%$ of their capacity, NPM however has been one of these few industries that has been able to raise her ‘head above water’ as she produced 42,960 tonnes in 1986 which represented $65\%$ of her total
capacity utilization. The turnover of the company rose from N49 million in 1985 to N74 million in 1986, an increase of 50.9%.\textsuperscript{12}

With the present effort of the government to withdraw from active participation in manufacturing activities, the mill is finding new sources of income. For instance, the mill has invested in other companies such as Jakura Marble Industry (200,000 shares of N1.00 each) and a majority share holder (75%) in Central Packaging Nigeria Limited in order to generate revenue. The mill's linkages with other companies is analysed in chapter four.

Statement of Problem.

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

The colonial industrial policy for Nigeria reflected and promoted the imperial interest. Nigeria became a major market for their finished goods. This market, is said to be Africa's second largest market after that of South Africa. Initially, the manufacturing sector was neglected. For instance, it was after the second world war that Levantine, started to exploit the local market,
with the establishment of local industries. However, foreign firms (multinational corporations) entered the sector with the sole aim of protecting the markets for their goods as this can be ascertained from the survey conducted by A.H. Hakam and Ronald Bay. The Ten Year Programme in 1945 by the colonial government attracted more foreign investors. For instance, the number of companies registered in Nigeria rose from an average of 10 per year between 1912 and 1946 to 93 companies per year between 1948 and 1958. The contribution of manufacturing sector to Gross Domestic Product (GDP) increased from 0.4% in 1950 to 3.2% in 1960.

After accepting industrialization as the key to real progress and lasting prosperity, Nigeria opted for ISI as a strategy of development by 1969. The policy makers felt it necessary to change the dependency relationship that existed between Nigeria and the Western world. In the late 1950s and early 1960s, Nigeria like most developing nations was faced with a chronic balance of payments problem and the depletion of its external reserves. From appendix 2-1 and 2-2 we discovered that overall balance of payments was in deficit for the half of the first decade of the nation's political independence i.e. from $-78.4 in 1960 to $-33.4 in 1964. External reserves of the nation decreased at an average rate of N232.4 million within the same period.
The terms of trade worsen, especially against LDCs.

Fidel Castro at the 17th Summit of the non-aligned countries in 1983 pointed out that in 1976

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

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

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

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

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

There is no doubt that manufacturing sector has exhibited an impressive growth. Under ISI, for instance, between 1960-1970, value added grew from N93.3 million to N269.1 million to register an average annual growth rate of 19%. In the early 1980s, the impressive growth rate recorded shrunk to 3%. As a proportion of GDP, the contribution of manufacturing sector rose from 1.8% in 1960/61 to about 9% in 1982/83. The index of manufacturing production rose by an annual growth rate of 15% in the sixties to reach its peak of 394.7% (1972 = 100) in 1983. The index grew at an average of 30% annually between 1971 and 1981, in contrast to a decline of 19% during 1980 to 1983.
Precisely, the manufacturing sector was characterized by industries with low value added and little intra-sectoral linkages. The import substitution industries are said to be substituting nothing but assembling already fabricated and processed parts from abroad. For instance, several times, many of these industries have closed down production for a long period due to inability to procure imported inputs. The capital intensive nature of these industries makes the employment generation effects minimal.

It was due to the apparent failure of ISI to address itself to economic problems of the nation that warranted the demand for export promotion industrialization strategy (ESP) in 1970-74 plan. Nigeria Export Promotion Council was established in 1976 and began full operation in 1978. Even then, the sudden increase in the price of oil from $14.6pb in 1977 to $40pb by 1980, coupled with increase in oil production from 2.1mbd to 2.3mbd in 1977 and 1980 respectively, made the activities of the Export Promotion Council to be taken with levity. A serious emphasis on the activities of the council started in the early 1980s, when the foreign exchange earning from oil was seen declining and unstable. The objective of the export oriented industrial policy is to generate foreign exchange from export.
This raises the crucial question of whether this policy (EPI) will solve our economic problems and put the nation on a solid industrial footing. However, knowing that our output does not seem to be high enough to meet the domestic demand, there may be nothing to export. Besides, most industries still operate below half of their capacity, the technological knowhow is not within Nigerian control and standard of living continues to worsen in the 1980s, especially after the commencement of the structural Adjustment Programme (SAP) in 1985.

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

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

AIMS OF THE STUDY

First, the research intends to analyse the industrial policies vis-a-vis the performance of the manufacturing sector since independence. This will
enable us understand the 'root' of the problems the manufacturing industries are experiencing.

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

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

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

\textit{Justification of the Study}

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

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

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

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

The delay in sourcing these resources that have been with us for decades with the government as a joint partner in these ventures, indicate a defect in
policy making and implementation. This study will try to identify the reasons for this failure and provide insight for scholars and planners on how policies in the past have come out to be a daunting factor to the attainment of national objectives.

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

Methodology

The research has taken Nigerian Paper Mill, Jobba, the pioneer paper makers of Nigeria, as a case study. The researcher visited the mill several times to collect relevant primary materials: type and sources of raw materials, employment trend over the years and its composition etc. Of course, questions regarding the backward and forward linkages of the industry were forthrightly directed to the top personnel or their able representatives. For instance, we got in touch with the Forestry Manager, Assistant Production Manager, Director of Converting, Distribution and Marketing, the Senior Training Manager, Senior Manager (Soda Recovery) and the Personnel Manager. General information was sought from the P.R.O. section of the mill.
These and other materials from secondary sources were analyzed using the descriptive statistical techniques. We would have used the statistical information to examine the relevance of the framework, but for the difficulty posed by the paucity of data. This has forced us to remain at this level of analysis.

Sources of data

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

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

Scope and Limitation

The study covers the activities of the mill from 1962 to 1988. The research limited itself to JNR, Jebba, the pioneer paper makers and the largest in West Africa. We examined the activities and the impact of the mill on the development of Nigeria vis-à-vis the critics views as regard the strategy that led to her establishment in the 1960s.
The research did not concern itself much with other mills; Nigerian Newsprint Manufacturing Company at Oku-Iboku, which was commissioned in 1986, Iwopin Mill, still under construction and other small mills, which serve merely as converters.

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

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

Chapter Scheme

The research is arranged sequentially over five chapters. Chapter one introduces the study. This includes the introduction, a bit of the field research on the mill, statements of problem, objectives of the study, methodology, scope and the limitation of the research.
Chapter two reviews some of the existing literature on the title of the work. The argument for and against ISI are examined and reasons for the failure of ISI in Nigeria discussed. The theoretical framework that illustrates the vital role that ISI could play in industrial development via the imposition of tariffs is analyzed in this chapter.

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

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

Finally, chapter five presents a summary of the research work. Based on our findings, a set of recommendations have been made in order to provide a conducive and solid base for the nation's industrial development.
LOCATIONS OF PULP AND PAPER MILLS IN NIGERIA

REFERENCE
1. LOCATION OF PULP AND PAPER MILLS
2. THE NIGERIAN PAPER MILL, JEBBA
3. NEWSPRINT MILL, OKU-ESOKU
4. PAPER MILL, IWOPIN (UNDER CONSTRUCTION)

0 100 200 300 400 500 KILOMETRES
Footnotes


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

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

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

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


8. See Table 4.3b.


10. See Table 4.4.


13. Ikwu I. Ikwu "Industrialization and Economic Development in Nigeria: the significance of Structural Adjustment Programs" Nigerian Economic Society Conference, 1980. The term Levantine is said to be use for some 15,000 Lebanese, Palestinians, Cypriots, Syrians and Greeks whose families come to settle in Nigeria between 1910 and 1940. They engage in development of some important industries; soap, groundnut crushing plastic.


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


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

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

2.1 Introduction

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

2.2 Definition

The term industrialization is a multifarious concept, however, we try to limit ourselves to those relevant to this work. Industrialization could be defined as 'the system of production that has arisen from the steady development of study and use of scientific knowledge'.\(^1\) This definition seems to be consistent with that of United Nations Committee which sees industrialization as 'a process of economic development in which a growing part of the national resources is mobilised to develop a technically up-to-date, diversified domestic economic structure characterised by a dynamic manufacturing sector having and producing means of production, consumer goods and capable of assuming a high rate of growth for the economy as a whole and of achieving economic and social progress'.\(^2\)
A critical assessment of LDCs' definition seems to suggest that industrialization presupposes over-charging sides of technology, structure and investment need of industrial establishment. However, with these presuppositions, it is considered as the easiest and most rapid inexpensive process of industrialization: industrialization channelled through the mobilization of the growing part of the societal resources.

2.3 Literature review

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

Lewis and Pecora. opted for 'balanced growth' approach for LDCs. This strategy is considered as a means of stepping up the rate of growth, when the trend in external trade and flow of foreign capital is sluggish. It advocates and aspiring economy to supply its own market and production inputs, with all the sectors growing simultaneously. Pecora depicted the relationship between growth and the classical law of market i.e. Say's Law. He believes that supply creates its own demand provided the goods supplied are properly distributed in accordance with consumer's want. Industries should be
allowed to advance on an expansion path determined by
the income elasticity of consumer demand of the indus-
trial products. We argued, that, this should be the
starting point in any expansion of production for
domestic market in the LDCs.

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

Hoffman and Roemer argued for unbalanced growth
approach. They believe that industrialization had been
as a result of certain industries, or group of industries
regarded as ‘leading industries’ or ‘dominant industries’
or ‘growth point’ pushing ahead of others as technolo-
gical break-through occurs and new market opened. This
seem consistent with United Nations definition of indus-
trialization given earlier. The leading industries or
dominant industries are seen as the prime mover of the
economy. Burns and Kuznetz supported the view on unbalanced
growth. They believe that regardless of the lag in the
industrial development system, maximum growth rates can
still be attained by the new industrial ventures that come
into existence and consequently moves the economy along.
This approach is more relevant and consistent with the steps mentioned are following, due to inadequate finance and exports that have become a formidable developmental constraint. In Nigeria, up till early 1960s, it was from agricultural sector, that the nation got the 'growing natural resources' used to finance and develop other sectors. However, since early 1970s, the source of these resources has changed to mining sector, as the contribution of the former sector declined drastically.

With the experience of some developed countries; Britain, Germany, Japan and others; some writers have been able to break industrial process into stages. For instance, Slichter identified three stages in the process of industrialisation. The first being the preliminary state, which is characterized by a dominant agricultural sector and associated with exportation of primary products and importation of manufactures. This is closely followed by the intermediate stage, with the feature of fairly manufacturing sector with increase in employment generation as major focus. In this stage, agriculture becomes overshadowed and import consists mainly of food, raw materials and equipment and exports comprised of manufactures, and in the last stage, the employment that is not directly concerned with creation of goods and food is more than the sum of income and Labour in Manufacturing.
Rostow's theory is one that resembles the classical stage system whereby a country progresses from agriculture and mining to industrialization. This is characterized by an increasing part of the labour force employed in secondary and tertiary activities. He identified economic development with the traditional economy, which finds resources gradually for investment. A level is later attained, with an accelerated growth of per capita income which forms an effective take-off of self-sustained growth. This, then enables the economy move towards a maturity and high mass consumption level. History has shown that most developed countries; Britain, America and Japan saw industrialization development confirm with these theories. Using Rostow's classification, one can say industrialized economies are now in the last stage of industrial process, while most LDCs are still 'battling' with the first stage.

Kaldor analysed the type of goods to be produced in his own stages of industrialization process. These are: import substitution with emphasis on production of consumer goods for domestic consumption, then production of consumer goods for export. The production of capital goods for domestic consumption should come next and finally production of capital goods for export. This analysis implies that, with gradual movement along the
stated stages via Import substitution, a nation can attain the highest peak in her industrial pursuit.

Huq revealed that the trend of Industrialisation in Pakistan seems to have been of this pattern.

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

Chenery has attributed the need for import substitution to the experience of the industrialized countries. Records of some of these countries have shown that the share of industrial output not only rises with development, but also that, the growth of industries based on import substitution accounts for a large proportion of the total rise in industry. He argued that this rise through Import replacement was mainly due to
systematic changes of demand as income rises. Rather accepted Chenery's view, but urged LDCs not to expect changes in factor supply: capital, human skill and other resources to favour their import substitution policy. This is because changes in supply conditions that favour the developed countries can not be duplicated simply by a policy of industrial protection.

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

Galenson opted for the protection of industries under import substitution strategy. In order to offset the effects of excessive high-wage rate for labour in the manufacturing industries, that mainly import final products. However, his view has been criticized on the basis of tariff protection. It is the belief of the critics that, this action will lead to inefficient allocation of labour between the sectors, especially
between agriculture and manufacturing, as it will encourage movement of labour to manufacturing. This protection of manufacturing will increase real income above what obtains under free trade, thereby making the products of this sector costly and tend to move labour from agriculture to import competing industries. Heier is of the view that, wage differential should be explained by rational consideration of differences in cost and preferences on between agriculture and industrial work. In case of any distortion, he argued for domestic policies to be used rather than tariff on industrial imports.

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

In addition, import substitution is biased against the production of intermediate goods, capital good and raw material which are basic need of the industries at the first stage; that is to say it is biased against
vertical balance. This version we disagree with as import substituting industries have to source their raw materials and some of their intermediate goods withing their domain. This depends mainly on the type of leaders that rule the country. For instance, Lewis and Soligo revealed that import substitution based on consumer goods in Pakistan created increased demand for import of investment goods. The study indicates that in 1954-5, the share of consumption goods in total value added in large-scale manufacturing was over 71%, but declined to 54.6% by 1963-64, while the share of intermediate and investment rose below 20% to 45.4%. They were criticized on the basis of statistical method and industrial classification by Eysenbach, MacEwen and Winston. Winston and MacEwen, using Time-stern input-output table for 1963-4 re-adjusted Lewis-Soligo data and the result they got was far lower share (26%) for capital and intermediate product.

On technical inefficiency, Rover observed that tariff protection allow for monopolistic and oligopolistic market positions and give room for inefficiency that retard technical progress. He went further to argue that most of the industries protected have real comparative advantage and reasonably efficient, so that this policy encourages high factor income. For instance, labour is paid for above his opportunity cost. This
view is contestable, as empirical evidence has shown that NICs, that dominate the manufacturing sector in most developing countries exploit labour. For example, Colman [10] shows that, the Industrialization of South East Asian countries like Taiwan, Phillipines, Singapore and South Korea is merely a reflection of the exploitation of their cheap labour by foreign firms from U.S.A., Japan and Western Europe, Nigeria, Kenya, Brazil and other LDCs are experiencing the same exploitation. For example, payment per hour for a manufacturing worker in parent companies of U.S. MNC was $8.67, while that of those in the subsidiaries in LDCs was $11.47. [21]

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

\[ C_d + I_d + E_d = C_m + C_d + S \]

where \( C_d \), \( I_d \) and \( E_d \) are value added in domestic production for consumption, investment and exports. \( C_m \) and \( C_d \) are domestic saving and imported component of consumption respectively. While the left-hand side of the identity represent national product, the right-hand side is the disposal of national income. If \( C_m + C_d \) is not allowed to rise, then an increase in the National Income in the form of rise in \( I_d \) or \( E_d \) will lead to an equal rise in \( S \). However, a rise in domestic production of consumption goods for domestic absorption will also increase savings as \( C_m \) is correspondingly reduced.
Thus a pure case for import substitution never and Khan worked on industrialization pattern in Pakistan and argued that predominant pattern of industrialization via import-substitution of consumer goods has led to excessive consumption and thus thwarted the goal of increasing domestic savings. They observed that since capital goods and intermediate products were liberally imported and import of non-essential consumption goods heavily taxed or banned, large investment in domestic production of consumer goods were encouraged. This, they observed, not only competed away resources from production of investment goods, but also allowed the aggregate consumption function to shift with consequent fall in the aggregate saving rate. This thesis was buttressed by the trend of saving rate in 1950s. The marginal rate of saving declined from 22.7% between 1949-50 and 1954-5 to -1.4 between 1954-5 and 1959-60. Khan discovered that high proportion of output increase in the import substituting industries; cotton, cloth, sugar, cigarettes and paper for 1951/52-1959/60 was due to high consumption liberalization. This, he argued was the cause of low saving rate in Pakistan despite the rapid industrialization that followed the production of consumption good for the home market within this period. This increases the trend in the dependence on foreign financing in Pakistan, after 13 years of executing import-substitution.
Rao criticized the Rentian argument. He argued that if their deduction were to be correct, one would expect a substantial fall in consumption, due to a radical shift in the domestic pattern of industrialization toward intermediate and capital goods industries and the rise in the domestic saving rate. He discovered that the gross domestic saving rose on average to 10.7% of GDP during the second plan period, in view of the increase of about 274% in the output of consumption goods between 1954 and 1964. In addition, he is of the opinion that, since growth of intermediate and capital goods industries was mainly conditioned by the need for satisfying the demand of the existing industries in Pakistan, the development of such industries could hardly restrict the production of consumer goods. Hence, he concluded that, there was little relation between low saving and excessive consumption in the 1950s and that the trend is best explained with reference to the rates of growth of GDP during the period.

We have discovered that the opponents of import substitution strategy, did it mainly on the basis of tariff protection. However, every country protect her infant industries, even U.S.A. A good example is the unresolved 'economic crisis' between Japan and U.S.A. America is worried about the flooding of its markets with electronics and cars, hence, measures are taken to
reduce the flow of the materials. Meanwhile, a demand
for protection of indigenous manufacturing industry in
LDCs by DCs against the rubrics of infant industry
argument, as other countries like Germany and U.K.,
did during the early stages of their industrial revolu-
tion.

Beier, after criticizing import substituting
strategy said: "Industrialization strategy that is
biased toward import substitution does not provide a
smooth path around the difficulties facing LDCs and
that alternatives to this strategy is not very promising
either." He then advocates for a choice between import
substitution and export promotion among various poten-
tials of import substitution industries. This conclu-
sion is already embedded in import substitution strategy
as it is in sequences or stages.

Bruton reveals that import substitution strategy
is being looked at from the narrow sense, i.e., the
strategy is limited to specific activities which is
measured by increases in the ratio of domestic produc-
tion to domestic absorption. However, in a broader
term, the objectives of most LDCs will be achieved
through its strategy, but the rate of the success will
depend on which specific sectors it is applied and
method chosen in executing it to bring about structural
changes in the economy. He believes that, the failure of the strategy in most developing countries, as regards distortions and misallocation of resources is due to the conventional approach to import substitution imposed on them. For instance, in the implementation of the policy, most developing countries used instruments, techniques that prevented the success of the policy. Teriba supported this view, as he revealed the decision to opt for industrialization was not a conscious one, but one that is greatly influenced by some form of intellectual dependence on the west.

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

According to Awreyamono, import substitution "appear to have implied merely an adoption of more sophisticated patterns of consumption, without the corresponding process of capital accumulation and technical
embedded in the equipment imported were not related to the level of capital accumulated, but to the demand profile of the modernized sector of the society. It is this particular orientation of technical progress and its lack of organic connection with the level of capital previously accumulated that gives a specific character to under-development in relation to the formation of an industrial strategy.  

Using this argument, Fadahunsi has attributed the wastage of resources and under-utilization capacities in industries under I.D.E. in Nigeria to lack of organic connection with the level of previously accumulated capital, shortage of manpower, lack of and poor nature of the infrastructural facilities. He, however, recognizes the potentialities of import substituting industries and called for a step to importation of yarns from Brazil for our textile industry.

Odejide measured the extent of import substitution in some industries and its contribution to industrial growth. She discovered that most industries showed positive contribution, although the contribution of some were very low. She therefore emphasized on the encouragement of import substituting industries. She used the low contributing figures for intermediate goods sector from one period to another to buttress her suggestion. Like Heier, she recommended the use of
subsidies instead of tariff protection for the industries if not for the present economic predicament in the country; unstable oil revenue and the administrative bottlenecks in administering the subsidies. She concludes that, there is the need to identify individual firms and the type of assistance they need, instead of generalizing the tariff protection.

The economic rationale for EPS in the long run for Automobile industry has remained an illusion.

Since the inception of PAN, it has launched about six brands of Peugeot (304, 404, 504, 505, 604, 305). The same goes for VAP. Uwajaren discovered that proliferation of plants producing different brands of vehicles has reduced the effective scale of production and the economies of scale are not reaped. This manifested itself in the high cost of producing vehicles and dependence on imports to fill the demand-supply gap.

After 14 years of operation in Nigeria PAN and VAP have only attained about 15% local sourcing. Brazil, Argentina and Kenya, Uwajaren disclosed, have been successful in this area, with increased local content of these Automobile industry. This he attributed to their consistent policies and resistance to the urge to proliferate models and assemblers. He concluded that Nigeria should reduce the number of models, assemblers and concentrate more on the development of local source of CKD component and local integration of the industry.
Ekechere who worked on Nigeria textile industry, using social-cost-benefit analysis, observed that most LDCs find it difficult to move to the second stage of import substitution sequential process. This he attributed to the activities of the foreign firms and the nature of tariff imposed in these countries. These countries that succeeded in moving to the next stage are India, Brazil, Mexico and Argentina. He observed that the industrial policies were formulated on the basis that MNCs should be the hub of Nigeria's industrialization process. The Indigenization decree (1972) also intensified the activities of these firms in the strategic sectors of the economy. Joint ventures between the Government and foreign firms was encouraged. For example, by the end of 1977, Federal Government had taken majority of the shares in six oil companies, fourteen financial institutions, forty-one manufacturing firms and sixteen public corporation, whose activities affect the performance of manufacturing establishment. However, the management and control of these institutions were still within the reach of foreigners. An indication of the domination of foreign firms is clearly shown in textile industry, as at 1972, foreign private investments were responsible for 60% paid-up capital. He also argued that discrimination against the development of capital goods industry in the country, is as a result of pattern of investment decision of the MNCs. They decide on what to produce, where to
produce and the technologies to be used in the process of production. Hence, with their oligopolistic structure, they have opted for the protection of their parent companies, which has manifested in their global industrial investment strategy.

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

Export promotion strategy is said to give less severe distortion in LDCs than ISI and very often, South Korea, Taiwan, Singapore, Hong-Kong have been cited to have successfully practised this strategy. Frank has shown that the objectives of LDCs' industrial development, employment generation, foreign exchange generation etc. will be a failure under export promotion strategy. According to Frank "citing the debt burden and industrialisation of large masses of people left in its trail in apparently successful export promoting countries like Brazil, Argentina, Korea and far eastern countries showed that these successes are in fact a mirage". Ige concluded that export promotion has its merits but the cost are such that it is not the best option for Nigeria. The system, he believes can improve by
elimination of corruptive practices and easing the bureaucratic red-tapeism without increasing the investment level.

Cichora is of the opinion that Nigeria should not think of export since the nation is not self-sufficient in the production of any particular product. The instability in the oil market is forcing the government to diversify her sources of foreign exchange and if possible increase it. He argued that during the peak of economic crisis in Nigeria, the nation's foreign exchange earning was one of the highest in Africa. Comparing Nigeria and India, which has at least six times Nigeria's population, he showed that Nigeria earned more foreign exchange than India. For instance, the 'South' survey shows that out of the 120 developing countries published in September 1985, Nigeria earned over two times the earning of India from export within five years. Nigeria earned $80,377.83 million (U.S. dollar) between 1979 and 1983, while India earned $10,208.79 million (U.S. $) during the same period. However, there is no any structural transformation of the society to show for the huge earning revenue than the white elephant projects and fly-overs in some urban centres.

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

Osagie, on the issue of policy change in industrial development in Nigeria attributed the lack of linkages within the economy to MNCs that dominated the manufacturing sector. These firms prefer purchasing from their subsidiaries in other parts of the globe, while raw materials are in abundant supply in Nigeria. No serious attempt was made to move Nigeria into production
of intermediate, capital and even raw materials as these firms try to repatriate as much value added as possible to their home base; by using much inputs from their home base, paying unrealistic salaries to foreigners, over invoicing of imported input and sub-contracting of work to foreign subsidiaries. This he said, has led to the failure of import substitution strategy in Nigeria.

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

Though a lot has been written on ISI in Nigeria, none of these researchers have worked specifically on the Nigerian paper industry. A few like Ehuerohe (1978) made effort to relate ISI to the Textile industry and Owuojure (1983) related ISI to Automobile Industry. One
of the major contributions of this study therefore, shall be that of relating TSI to the paper industry, as represented by Nigeria's pioneer paper industry, the Nigerian Paper Mill, Jebba.

2.4 Theoretical perspective.

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

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

However, the assumptions on which the theory are based, such as perfect competition, full employment of resources, no trade barriers, no transport costs etc. are
not realistic. This makes the theory unsuitable for the development of LDCs. Hence, in the 20th century, the 'moderate' economists started to doubt the possibilities of the trade serving as "engine of growth" in LDCs. This was due to the fact that the trade was in favour of DCs at the expense of LDCs, hence, these group of economists called for a change in the trend of the trade.

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

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

ISI borrows from the Keynesian model of deficiency in demand, with infinite elasticity of supply. Using this idea, industrial development could best be initiated by starting with the production of those goods, which
demand already exist. The role of tariff protection is vital and inevitable in this strategy. The diagram below illustrate the role of tariff protection as a yard stick for industrial development.

**Diagomestic Production with/without Tariff Protection**

The measure of import substitution could be defined as the proportion of total supply which is produced locally and the total demand for the product. The model is based on the following assumptions: that import supply curve is infinitely elastic and that tariff forms the only cause of divergence between domestic price and the world market price.
The diagram above shows two different situations; a free trade situation and when tariff protection was imposed. On the diagram PP represent domestic demand curve for commodity X and SS represent domestic supply curve for commodity X. $P_W$ represents the world market import supply curve at world price ($P_w$) while $P_{D+iT}$ represent a situation of tariff imposition (i.e., domestic price plus tariff).

From the hypothetical diagram, at $P_W$, i.e., before the imposition of tariff, the country produces $Q_1$ and consumes $Q_2$ of commodity X, hence $Q_1Q_2$ of the commodity will be imported to fill the gap of the demand surplus. The import substitution is $Q_1/Q_2$. With the imposition of tariff, the world market import supply curve shifts to $P_{D+iT}$ and the domestic price rise from $P_W$ to $P_{D+iT}$. It became expensive to purchase the commodity, while the production of the commodity is $Q_3$, the quantity demanded is $Q_4$, thus $Q_3Q_4$ will be imported. Therefore less of the commodity is imported. The import substitution ratio is now $Q_3Q_4$, which is greater than the same ratio before imposition of tariff.

At the end of a successful import substitution, the possible outcome of the analysis on the structure of cost of goods produced locally is illustrated below.
The strategy is considered successful in the sense that import substitution ratio is equal to unity or even greater. It could even be greater than unity as indicated below and the removal of tariff protection that expenses the industries to foreign competition did not have adverse effect on their performance.

"SUCCESSFUL" IMPORT SUBSTITUTION

From the diagram above, due to a decrease in the cost of production in the domestic industries, the domestic supply curve shifts from $S_0 S_0$ to $S_1 S_1$. The domestic equilibrium is established at point $N$. At point $N$, the quantity demanded and supplied is $Q_1$ at price $F_{w1}$. The domestic price at point $N$ is less than world market price $F_w$ and excess domestic production of $q_1 q_2$ has resulted. Hence, this can be exported to earn foreign exchange. There is no need for protection, as the "infant industries" have fully grown up to compete with imported goods.53


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


29. Ibid.


33. G.N. Heier op.cit.


40. op.cit., 1978.


42. Ibid, p.3.


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


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

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

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

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

53. It is also assumed that tariff is levied on imported inputs needed as it would affect the cost structure in the industries. See T.A. Oyejide "Tariff Policy and Industrialization in Nigeria" Ibadan University Press, 1975.
the modification of the agricultural sector, to serve as a solid foundation for effective industrialization. This sector was expected to serve as raw material base for the import substituting industries.

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

The rise in the price of crude oil with simultaneous increase in oil production contributed to the increase in the export earnings, hence increased government revenue from this sector. For instance, until 1970, the price of crude oil was $2.0pb. This rose to $8.3pb, $14.6pb and $40.6pb in 1973, 1977 and 1980 respectively. Nigerian crude oil production increased from 0.5mbd in 1970 to 2.1mbd, 2.3mbd in 1977 and 1980 respectively.
Crude oil became the life wire of the economy, as the country depended mainly on the proceeds from this sector. The increase in the revenue to the government from the sale of oil, manifested itself in the continuous growth in the socio-economic indicators. For instance, the nation's GDP at 1977/78 constant factor cost rose from about N2.7 billion in 1965 to N31.7 billion in 1990. Total private consumption expenditure rose from N0.7m in 1960 to N25.8 billion in 1968 and N33.2 billion in 1982. Federal government budget increased from N0.3b (stability budget) in 1960 to N11.8 billion in 1991 and N30 billion in 1989. Planned invested in the development plans rose from N2.4 billion in the first development plan to N3.6 billion, N45.7b and N82b in the second, third and fourth development plans respectively. However, no serious effort was made in intensifying domestic raw material sourcing and production of most intermediate and capital goods for sound industrialization take-off of the nation.

The "windfall gains" from the oil sector led to the neglect of agriculture. The boom here led to the seeming overall doom of the other sectors of the economy. Attaining self sufficiency in food production was never realised neither that of agriculture forming a raw material base for the import substituting industries achieved. Unemployment became pronounced in the second
decade, as people migrated from rural to urban areas in search of 'white collar jobs'. Nigerians developed a sophisticated and conspicuous consumption pattern, investment and production patterns changed. Government invested in almost every sector of the economy. By 1980, there were around 70 non-commercial and 110 commercial Federal Government parastatals. Government parastatals were also many at state levels. Thus, government started to play a dominant role in the economic activities of the nation, accounting for about 50% of the GDP and 60% of modern sector employment in the 1980s. Despite the active role of the government in economic activities, most of her parastatals in the manufacturing sector imported all the needed inputs or assembled the partly finished products, just to put finishing touches to them. This reliance on foreign inputs was indicative to the otherwise well articulated government policies of import substitution industrialization strategy.

The discovery of new oil fields in Alaska and North Sea, invention of substitutes for oil usage coupled with reduction in the demand for oil in 1978 contributed to a drop in oil revenue in 1978. It dropped from about $5.4 billion in 1977 to $5.2 billion in 1978. However, the nation's import bill increased, as the scarce foreign exchange was used to import food items,
for which the country was once self-sufficient. For example, between 1970-1981, the average annual foreign exchange expenditure on food was $51.2 million, except for 1978, each year witnessed an increase in food importation within 1970-1981. The annual percentage increase of food importation was 37.7%. Moreover, Nigeria turned to importation of palm oil from Malaysian to feed her soap and oil industries. As the groundnut pyramidal in Kano suddenly disappeared, we began to import groundnut. For instance, between March and April 1978, about 129.1m. was spent on importation of palm oil and groundnut to supplement local supply for the domestic soap industry etc.

The current debt crisis had its root solidified in the second decade, as the government (i.e. Obasanjo's regime) obtained a pure-dollar loan of $1 billion in the early 1978 to promote some of the nation's import substituting industries and other public projects. Most of these projects benefiting from this loan were: pulp and paper mill at Jebba, Ino Tin paper mill at Calabar, Sugar projects at Savannah and Santi Lasiaji; cement factories, pipeline, storage tank refineries at Kaduna and Warri, Iron and Steel plant at Ajaokuta and Warri. The loan was supposed to have retired in 8 years time including 3 year grace period. The repayment was not tied to the progress of the work on these projects. This is a clear indication that our creditors are not
particularly worried about our development, rather, they are more interested in getting their capital and the interest which in most cases is more lucrative than the capital. Despite the stringent conditions attached to the former loan, the government sought to expediently opt for addition loan of $1.2b, thus brought the total debt from the same source to $2.2b.⁹

In the early part of the third decade (1980-1990) the economy took her share of the oil glut. This led to a cut-back in the nation's oil production quota from an average of 2.6mbd in January 1981 to 0.7mbd in August and later rose to 1.3mbd in 1983. Simultaneously, the oil price fell from $40pb at the beginning of 1981 to $35pb, $29.5pb and $10.9pb in 1982, 1983 and July 1986 respectively.

Export revenue declined from $14,186.7 million in 1980 to $10,876.8m, $6,727.5m, $7,502.2m in 1981, 1982 and 1983 respectively (see Appendix 3.1). The nation’s foreign reserve was depleted as the civilian regime (i.e. Shagari regime) could not reduce the nation's import bill in the face of declining export revenue. The reserve declined from $5.3 billion in July 1981 to $1.1 billion in 1983. The debt plus trade arrears which stood at about $17.7 billion in 1983, rose to about $20.9 billion, $29.3b in 1984 and 1985 respectively.¹⁰
The total external debt of the country was put at $23b by October 1987; it rose to $26b by January 1989. The debt service ratio which stood at 2.7% in 1971 had rapidly increased to 22.1% in 1984 and slightly decreased at 20% in 1986.\footnote{11}

Suddenly, the economic indicators started responding negatively as the economy plunged into severe crisis. The six fronts of the economy; budget deficit, trade deficit, inflation, unemployment, domestic debts and external debt worsened. The nation witnessed scarcity of goods and services. Contribution of manufacturing sector dropped from positive growth rate of 22.7% in 1982 to negative of 30% in 1984 (1975=100) and capacity utilization fell below 30%.

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

The generality of the Nigerians have accepted that SAP is a failure, as it has failed those countries;
Ghana, Uganda, Latin America countries etc that have earlier applied it as recovery panacea to their economic crisis. This assertion could be justified as the six fronts of the economy mentioned earlier are yet to improve. This, the president (I.R.N.) accepted in his 1989 budget speech, hence the need to scrap SAP.

3.2 The Manufacturing sector in Nigeria’s economy.

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

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

In the first development plan (1962-68), the industrial policies included; stimulating the establishment
and growth of industries, which could contribute to economic growth, while enabling Nigerians to participate increasingly in their ownership and direction.\textsuperscript{13} It was within this premise of the government policy that ISI was adopted during the first and subsequent plans. The conditions favourable for the strategy were already in existence; i.e., potential markets for the products, natural resources, fertile land to produce sufficient raw materials to sustain the industries and availability of unskilled and few skilled labour force that could be trained.

Special incentives were offered to industrial enterprises in order to achieve their objectives as contained in the first development plan. These incentives as embodied in five basic legal instruments were:
- The Industrial Development (Income Tax Relief) Act of 1958, which was amended by decree no. 22 of 1971.
- The Industrial development (Import Duties relief) Act of 1957.
- The custom (Draw Back) Regulation of 1959 and
- The Approved User Scheme 1963: a temporary relief to manufacturers which goods cannot compete with imported ones.
The objectives of these Acts were to create a conducive environment for the development of industries by abolishing or reducing duties paid on certain categories of imported goods; industrial machinery, spare parts and raw materials. Income tax relief was provided to certain sets of industrialists during the infant stages of their business. Restrictive trade policies were taken to protect locally produced goods via, tariff, quota and licensing. For example, the essence of these protection was emphasized in the mobilization budget of 1962 thus:

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

The government also improved on the provision of infrastructural facilities; transport, communication, electricity and water supply. Industrial estates were created. Nigerian development bank was established in 1964 by the government to assist in the industrial take-off of the nation. However, the achievement of the plan was not much, due to the political instability that resulted to civil war (1966-70) and inadequate financial resources.
It was under these incentives that foreigners came
to spread their tentacles over the manufacturing sector.
The agents of industrialization (i.e., IPC; UCPC, John
Holt, UFC, SEC etc.) established in this sector and some
related and sensitive sectors of the economy. Their
establishments in various sectors of the economy is shown
on Appendix 3.2 and 3.3. To further buttress this point,
table 3.1 below shows the ownership structure of enter-

Table 3.1
Ownership Structure of Enterprises in Nigeria 1966-82 (In ")

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Mining and Quarrying: Foreign*</td>
<td>100</td>
<td>100</td>
<td>37.6</td>
<td>24.7</td>
<td>24.3</td>
</tr>
<tr>
<td>Nigeria</td>
<td>-</td>
<td>-</td>
<td>62.4</td>
<td>75.4</td>
<td>75.7</td>
</tr>
<tr>
<td>2. Agriculture, Forestry and Fishing: Foreign</td>
<td>82.1</td>
<td>81.7</td>
<td>64.8</td>
<td>53.8</td>
<td>60.5</td>
</tr>
<tr>
<td>Nigerian</td>
<td>17.9</td>
<td>18.3</td>
<td>35.4</td>
<td>46.2</td>
<td>39.5</td>
</tr>
<tr>
<td>3. Manufacturing &amp; Processing: Foreign</td>
<td>91.5</td>
<td>97.3</td>
<td>52.7</td>
<td>47.6</td>
<td>50.7</td>
</tr>
<tr>
<td>Nigerian</td>
<td>8.5</td>
<td>4.7</td>
<td>47.3</td>
<td>52.4</td>
<td>49.3</td>
</tr>
<tr>
<td>4. Building &amp; Construction: Foreign</td>
<td>n.a</td>
<td>91.3</td>
<td>61.1</td>
<td>82.2</td>
<td>58.5</td>
</tr>
<tr>
<td>Nigerian</td>
<td>n.a</td>
<td>8.7</td>
<td>38.9</td>
<td>17.8</td>
<td>41.5</td>
</tr>
<tr>
<td>5. Trading: Foreign</td>
<td>98.9</td>
<td>94.0</td>
<td>73.5</td>
<td>50.4</td>
<td>47.6</td>
</tr>
<tr>
<td>Nigerian</td>
<td>1.1</td>
<td>6.0</td>
<td>28.7</td>
<td>49.6</td>
<td>52.5</td>
</tr>
</tbody>
</table>

n.a. = not available
* Foreign here consists mainly of such countries as
U.K., U.S.A. and Western European Countries.

Source: John E.B. Wobbio "Theory and Practice Under-
lying the SFEP and its effects on capital flows,
Investment and General Price in Nigeria", A paper
presented at a Conference on SFEP held at A.B.U.,
Table 3.1 confirms the assertion that, foreign firms dominated the economy in the 1960s and had their base solidified in all the sectors. Teriba worked on ownership of businesses and industries before 1972 and discovered that out of 2,079 shareholders in registered companies, about 39.5% are Nigerian and 60.4% foreigners. The expatriate control is said to be higher, if we consider those owning shares above \( \text{n}200,000 \); 25.4% to 74.6% for Nigerians and expatriates respectively. The domination enable them to manipulate industrial policies to suit their objectives.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Nigerians Employed</th>
<th>Non-Nigerians Employed</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nigerian</td>
</tr>
<tr>
<td>1963</td>
<td>1,326</td>
<td>1,643</td>
<td>2,225,050</td>
</tr>
<tr>
<td>1965</td>
<td>1,203</td>
<td>1,818</td>
<td>2,156,000</td>
</tr>
<tr>
<td>1966</td>
<td>1,314</td>
<td>1,719</td>
<td>2,564,000</td>
</tr>
</tbody>
</table>

* Published figures available for only these years.

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

It was the dominance of the economy by foreigners, among other things that the Second National Development Plan addressed. On the industrial policies, the plan emphasized on “the progressive elimination of foreign dominance in the national economy, not only in terms of nominal financial ownership, but really in terms of the level of managerial and technological control.”
other objectives as regard industrialization as contained in the plan were:
- Promote even development and fair distribution of industries in all parts of the country.
- Ensure a rapid expansion and diversification of the industrial sector of the economy.
- Increase the income realised from manufacturing activity.
- Create more employment opportunities.
- Cater for overseas markets in order to earn foreign exchange.
- Continue the programme of import substitution, as well as raise the level of intermediate and capital goods production and
- Initiate schemes designed to promote indigenous manpower development in the industrial sector.

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

The Nigerian Enterprises Promotion Decree (NEPD) surfaced in 1972, to check the dominant role of foreigners in the economic activities of the nation. This action of the government is being practiced in other countries; developed and less developed alike to check the excesses of foreign firms. Appendix 1.4 shows actions other countries are using to control the role of foreigners in their economies. The application of this decree in Nigeria in failure, as the decree encourages foreigners to establish in the production of capital and intermediate goods that will aid in the industrialization of the country, hence, indirectly deepening the economic dependency with the Western Nations.

In addition, the management and control of the enterprises exclusively reserved for Nigerians remained in the hands of foreigners. Some Nigerians were employed to camouflage as chairmen on the board of directors. Thus, the decree had succeeded in enabling some Nigerians to share out of the profits of such companies. The current Debt equity swap programme that tends to create the fourth schedule: comprising iron and steel manufacturing industries, automobile industries, pulp and paper industry, oil-refinery, fertilizer plants, drug
and chemical manufacturing in which foreigners would be allowed to own up to 100% shares will worsen the economic situation. This action, if implemented, will enhance the dependency relationship between Nigeria and OCS, thus the achievement of our economic independence will become bleak.

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

The basic presumption underlining the desirability of nurturing the small scale industrial sector are the perceived multiplier effects, which they can exhibit in attaining economic growth and development. It is believed that the chronic unemployment problem, particularly graduate unemployment, can be tackled if small businesses are
encouraged to develop. In addition, it will bring about the development of indigenous entrepreneurship; for according to Lewis "The crucial test of industrialization policy is not how rapidly it increases employment or output, but how rapidly it builds up local enterprises". This will enhance the utilization of local resources, mobilization of domestic savings, reduction of rural-urban migration and raising the standard of living of the rural population.

The federal government in pursuance of the objectives went into direct participation in the economic activities. As at 1977, she has majority shares in 6 oil companies, 14 financial institutions, 41 manufacturing firms and 16 public corporation whose activities directly or indirectly affect the performance of manufacturing establishments. Government investment in manufacturing activities alone in form of loans, grants and equity was about N2.0 billion by the middle of 1977.

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

- ensure increase level of self-reliance in the supply of industrial products.
- increase the local resource content of manufacturing output, through increase substitution of local raw materials and manpower for exports.
- maintain rapid growth of the manufacturing sector, with a view to increasing its share in the gross domestic product to a minimum of 17%.
- increase the contribution of small scale industries to the total value added in the manufacturing sector.
- remove institutional constraints and bottlenecks which constitute obstacles to industrialization.
- promote more even dispersal of industries.
- promote the development of export industries.
- improve the efficiency of government owned enterprises.
- rationalize and consolidate the gains derived from the enterprise promotion acts of 1972 and 1977.
- improve price and quality competitiveness of Nigerian products.

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

The fifth National Development Plan is still in the pipeline, but industrial policies and measures are embodied in programmes of economic recovery and the Annual Budgets. For instance, SAP surfaced in 1986
with its main elements directly or indirectly affecting the performance of manufacturing sector. The elements of SAP are as follows:

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

The execution of these elements of SAP has made many enterprises to fold up, while few managed to survive with a lot of hardships. For example, in a survey carried out by National Association of Small Scale Industrialists, it was revealed that between January 1987 – June 1987, up to 720 small businesses folded up in Lagos State alone. These sub-sector heavily affected include printing and publishing, food processing, plastic, shoe manufacturing, furniture and bakery. The Manufacturers Association of Nigeria (MAN) half year
survey of the economy observed the closure of small scale industries which they acknowledged, caused thousands jobless and huge investment lost. Some of the firms that manage to be surviving suspend production on several occasions and examples are; a case of Ilah manufacturing company closed down for lack of space to store its products i.e. low demand for the products due to SAH, Nigerian Newspaper Manufacturing Company (NNMC) in Oku-Ibokun suspended production three times in 1988 and NNMC also experienced the same on many occasions. MAN's half year report 1987 gave the difficulties manufacturing industries were facing as:
- depreciation in the exchange rate of naira which makes it costly to import manufacturing inputs apart from limiting access to foreign exchange.
- additional bank debits on importers, especially the small scale business sector.
- tight monetary and fiscal policy
- the tariff structure that place local manufacturer at disadvantage and
- low levels of sales.

The "New Industrial Policy which is the latest in series of industrial policies the nation has embarked on, was launched at Abuja in January 1989, it aims at attaining "an accelerated pace of industrial development." The objectives of the policy are:
- providing greater employment opportunities
- increased export of manufactured goods
- dispersal of industries
- improving the technological skills and capability available in the country
- increased local contents of industrial output
- attracting foreign capital and
- increased private sector participation.

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

The policy recognises the debt equity programme, which is a temporary relief to our debt crisis. Approval of application for investment is to be granted within 60 days. Sources of funding industrial projects surfacing as a result of this new policy, is the National Economic Recovery Fund. The contributors for this fund are the World Bank ($270m), African Development Bank
($230m), Czechoslovakia ($50m) and Federal Government of
Nigeria; the Central Bank ($300m).  

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

3.3 The Performance of Manufacturing Sector in Nigeria.

The manufacturing sector in Nigeria has not generally
achieve much, however, the overall average annual
growth rate of 6.5% for the period between 1960-1987 is
impressive. The growth rate of this sector is shown in
Table 3.5 below. The overall average annual growth we
appreciate in the light of the socio-economic problems
the sector has witnessed since 1960 and the low base
on which the sector took-off in 1960.
Table 3.3
Average Annual growth rates in Manufacturing industries at 1960 factor cost 1960/61 - 1980/81

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960/61</td>
<td>12.7</td>
</tr>
<tr>
<td>1961/62</td>
<td>12.5</td>
</tr>
<tr>
<td>1962/63</td>
<td>9.3</td>
</tr>
<tr>
<td>1963/64</td>
<td>-0.3</td>
</tr>
<tr>
<td>1964/65</td>
<td>18.5</td>
</tr>
</tbody>
</table>

Average Annual Growth Rate 10.7

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1966/67</td>
<td>-0.9</td>
</tr>
<tr>
<td>1967/68</td>
<td>-17.8</td>
</tr>
<tr>
<td>1968/69</td>
<td>0.6</td>
</tr>
<tr>
<td>1969/70</td>
<td>35.1</td>
</tr>
</tbody>
</table>

Average Annual Growth Rate 6.5

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970/71</td>
<td>10.3</td>
</tr>
<tr>
<td>1971/72</td>
<td>7.2</td>
</tr>
<tr>
<td>1972/73</td>
<td>21.7</td>
</tr>
<tr>
<td>1973/74</td>
<td>-13.3</td>
</tr>
<tr>
<td>1974/75</td>
<td>-12.9</td>
</tr>
<tr>
<td>1975/76</td>
<td>48.4</td>
</tr>
<tr>
<td>1976/77</td>
<td>9.6</td>
</tr>
<tr>
<td>1977/78</td>
<td>-3.3</td>
</tr>
<tr>
<td>1978/79</td>
<td>28.9</td>
</tr>
<tr>
<td>1979/80</td>
<td>37.3</td>
</tr>
</tbody>
</table>

Average Annual Growth Rate 11.3

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>0.6</td>
</tr>
<tr>
<td>1981</td>
<td>17.9</td>
</tr>
<tr>
<td>1982</td>
<td>18.4</td>
</tr>
<tr>
<td>1983</td>
<td>-6.3</td>
</tr>
<tr>
<td>1984</td>
<td>-23.1</td>
</tr>
<tr>
<td>1985</td>
<td>-20.6</td>
</tr>
<tr>
<td>1986</td>
<td>7.0</td>
</tr>
<tr>
<td>1987</td>
<td>-14.7</td>
</tr>
</tbody>
</table>

Average Annual Growth Rate -3.2
Overall Average Annual Growth Rate 6.5

Source: Computed from Column 5 of the Table in Appendix 3.
The period (1960-87) is broken into four distinct phases as depicted in the table above: pre-civil war phase (1960/64-1965/66), the civil war phase (1966/67-1979/80), post civil war phase (1970/71-1979/80) and economic crisis phase of the 1980s (1980-1987). The average growth rate in the first phase was 10.7%. This impressive rate could be associated with the domination of manufacturing sector by foreign firms and the imposition of restrictive trade policies to protect the firms. The role of regional and federal governments to the attainment of this impressive growth cannot be overemphasized.

These state of governments undertook some direct industrial investments, in which 90% or more of the capital were provided by their agents. For instance, total investment in industries; Fruit Cannery, Four Cement Mills, Two Large Sack Factories, a Paper Mill, Two Breweries, an Integrated Textile Mill, Two Soft Drinking Bottling Plants, A Ceramic Factory, a Mint, a Glass Factory and, Four oil Seed Crushing Plants within this period was estimated to be in excess of £35 million (N70m). Oyejide's work on Nigerian's industrial development (1957-1967) shows that import substitution industrialization strategy emerged as the dominant source of growth. It was responsible for 60% of the growth in output of manufacturing industries, while domestic demand contribute 19.8% to the growth the contribution of export expansion was insignificant.
The average growth rate declined to 6.5% in the civil war phase. Manufacturing activities were interrupted by the civil war, hence the decline. In addition, contribution of manufacturing activities in the eastern states were not included in the computed figures during this period, and the excluded region is known for her creative and innovative activities in this sector.

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

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

On Table 3.4 below, we present the contribution of the manufacturing sector to GDP from 1960/61-1986.
Table 3.4: Gross Domestic Product and Manufacturing Component of GDP at 1980 Constant Factor Cost (U Million).

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Manufacturing Component</th>
<th>2 as % of 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960/61</td>
<td>176.64</td>
<td>8.49</td>
<td>4.8</td>
</tr>
<tr>
<td>1961/62</td>
<td>184.61</td>
<td>9.64</td>
<td>5.2</td>
</tr>
<tr>
<td>1962/63</td>
<td>192.42</td>
<td>10.84</td>
<td>5.6</td>
</tr>
<tr>
<td>1963/64</td>
<td>191.75</td>
<td>11.85</td>
<td>6.2</td>
</tr>
<tr>
<td>1964/65</td>
<td>196.30</td>
<td>11.81</td>
<td>6.0</td>
</tr>
<tr>
<td>1965/66</td>
<td>201.27</td>
<td>11.99</td>
<td>6.0</td>
</tr>
<tr>
<td>1966/67</td>
<td>200.80</td>
<td>13.87</td>
<td>6.9</td>
</tr>
<tr>
<td>1967/68</td>
<td>159.11</td>
<td>11.40</td>
<td>7.2</td>
</tr>
<tr>
<td>1968/69</td>
<td>167.06</td>
<td>12.49</td>
<td>7.5</td>
</tr>
<tr>
<td>1969/70</td>
<td>212.53</td>
<td>16.87</td>
<td>7.9</td>
</tr>
<tr>
<td>1970/71</td>
<td>280.91</td>
<td>20.43</td>
<td>7.2</td>
</tr>
<tr>
<td>1971/72</td>
<td>330.89</td>
<td>20.69</td>
<td>6.3</td>
</tr>
<tr>
<td>1972/73</td>
<td>354.06</td>
<td>25.18</td>
<td>7.1</td>
</tr>
<tr>
<td>1973/74</td>
<td>369.82</td>
<td>16.60</td>
<td>4.5</td>
</tr>
<tr>
<td>1974/75</td>
<td>403.16</td>
<td>14.53</td>
<td>3.6</td>
</tr>
<tr>
<td>1975/76</td>
<td>385.96</td>
<td>21.56</td>
<td>5.6</td>
</tr>
<tr>
<td>1976/77</td>
<td>429.93</td>
<td>23.62</td>
<td>5.5</td>
</tr>
<tr>
<td>1977/78</td>
<td>459.38</td>
<td>22.03</td>
<td>5.0</td>
</tr>
<tr>
<td>1978/79</td>
<td>450.82</td>
<td>29.43</td>
<td>7.0</td>
</tr>
<tr>
<td>1979/80</td>
<td>444.65</td>
<td>40.42</td>
<td>9.0</td>
</tr>
<tr>
<td>1980</td>
<td>485.39</td>
<td>40.68</td>
<td>8.4</td>
</tr>
<tr>
<td>1981</td>
<td>491.83</td>
<td>47.91</td>
<td>9.7</td>
</tr>
<tr>
<td>1982</td>
<td>498.24</td>
<td>56.70</td>
<td>11.4</td>
</tr>
<tr>
<td>1983</td>
<td>476.31</td>
<td>53.14</td>
<td>11.2</td>
</tr>
<tr>
<td>1984</td>
<td>449.91</td>
<td>40.85</td>
<td>9.1</td>
</tr>
<tr>
<td>1985</td>
<td>605.29</td>
<td>32.42</td>
<td>55.4</td>
</tr>
<tr>
<td>1986</td>
<td>591.10</td>
<td>33.08</td>
<td>5.6</td>
</tr>
<tr>
<td>1987</td>
<td>600.17</td>
<td>28.22</td>
<td>4.7</td>
</tr>
</tbody>
</table>

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

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

From the above table, the contribution of this sector to GDP was at its peak (11.4%) in 1982. This is not impressive, especially when compared with what obtains in some LDCs; South East Asian, South America and even Sub-Saharan African countries. It has been
showed that in the early 1970s, the manufacturing sector contributed 17.5%, 25.4%, 19.5% and 11.2% respectively to the GDP of Thailand, Brazil, Colombia and Kenya. A wide range exists between Nigeria's manufacturing sector contribution of 11.2% in 1983 to GDP and the case contribution of 21% by the middle income developing countries for the same year.

This sector has witnessed a tremendous expansion. It had 464 establishments, employing 65,772 (771% non-Nigerians) in 1966, 596 establishments, employing 87,210 in 1968 (Eastern States figures not included) and by 1976, there were 1,310 establishments with a total employment of 272,683. The total of persons employed in this sector reached its peak in 1981, with 449,093 persons. Appendix 3.7 shows the number of persons employed in the manufacturing industries.

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

<table>
<thead>
<tr>
<th></th>
<th>1957</th>
<th>1962</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>60.6</td>
<td>72.5</td>
<td>120.6</td>
</tr>
<tr>
<td>Intermediate Goods</td>
<td>35.0</td>
<td>26.6</td>
<td>91.0</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>6.7</td>
<td>18.6</td>
<td>69.0</td>
</tr>
</tbody>
</table>


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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Goods</td>
<td>60</td>
<td>59</td>
<td>55.5</td>
<td>45</td>
<td>29.5</td>
<td>32.4</td>
</tr>
<tr>
<td>Intermediate Goods</td>
<td>10</td>
<td>10</td>
<td>20.2</td>
<td>24</td>
<td>28.3</td>
<td>27</td>
</tr>
<tr>
<td>Capital Goods</td>
<td>30</td>
<td>31</td>
<td>25.7</td>
<td>31</td>
<td>42.2</td>
<td>40.6</td>
</tr>
</tbody>
</table>


Table 3.6 above shows that as the importation of consumer goods declined from 55.5% in 1960 to 32.4% in 1975, the importation of capital rose from 25.7% in 1960 to 40.6% in 1975. The decline in importation of consumer goods could be associated with the increase domestic production of these products and the restrictive trade policies. Between 1957-1975, the food, beverages and tobacco industry group contributed at least 32% of total manufacturing value added, in each year of this period. Precisely, in 1975, this group was responsible for 42% of the total value added of Nigeria's manufacturing sector, while the share of machinery and metal products increased from 4% in 1962 to 7% in 1973. Comparing this trend with other LDCs such as Pakistan and Brazil, the reverse is the case. The machinery and metal products contributed 23% and 32% to the total value added
of manufacturing sector in 1963 respectively. Food, beverage and tobacco contributed 10.6% for both countries in the same period.

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

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

The employment impact of this sector is very marginal. For instance in 1976, it accounted for about
1% of the labour force, and out of the labour force of
32.2 million in 1980, only 517,000, representing 1.6% of
the total were employed in large and medium size
establishments in this sector. The capital intensive
nature of industrial production, embodied in imported
technology is contributing to the low absorptive capacity
of this sector. This low absorptive trend, as imported
technologies become more sophisticated will not augur well
for the nation; experiencing continuous increase in
unemployment rate. The unemployment rate was put at 4.3
in June 1985. This has increased to 7.4 in September
1987. 37

As a source of foreign exchange to the nation, the
sector's performance is very weak, despite all the
incentives it enjoyed. In addition to the incentives
mentioned earlier, the United Nations Industrial develop-
ment Organisation (UNIDO, June 1984) on industry and
external debt in Africa shows that 34% of Nigeria's
external debt for 1983 went into this sector. However,
the total monetary export value of manufactured and
semi-manufactured products declined from N65.6 million
in 1970 to N42.6 million, N17.4m for 1980, and 1982
respectively. This later increased to N65.4 million in
1985. In percentages, these constitute 7.4% in 1970,
declined to 0.3%, 0.2% for 1980 and 1982, then rose to
0.6% in 1985. The picture so depicted do not reflect
all the sector has enjoyed.

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

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

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


18. It was amended in 1977.


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


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


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


34. Ekweremadu op. cit 1980.


36. See Jide Omatun "Industrialization and National Development in Nigeria - a Case Study" Development Outlook vol.4, No.10, April 1987, p.?

1.1 ANALYSIS OF THE ACTIVITIES OF MR. BEEBA

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

ISI presupposes the existence of local resources, thus, the testing for fibre cellulose was aimed at identifying raw materials for the mill. The feasibility studies indicated that, the mill will be primarily fed from natural woodland of River Hooli and River Iva forestry reserve covering a total of 278,700 hectares. However, after fourteen species of hardwood were identified, the Germans were given the contract to design a machine that will utilize them for pulp and paper production. (The species of trees identified are contained in table 4.1). The machine designed is identified as the biggest paper machine in the whole of Africa.
<table>
<thead>
<tr>
<th>Botanical Name</th>
<th>Family</th>
<th>Vernacular Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Acacia SPE</td>
<td>Mimosaceae</td>
<td>Pata (H), Ayu (Y)</td>
</tr>
<tr>
<td>2. Afromelia africana</td>
<td>Caesalpiniaceae Faya (H), Ayu (Y)</td>
<td></td>
</tr>
<tr>
<td>3. Albizia SPE</td>
<td>Mimosaceae</td>
<td>Ayou (Y)</td>
</tr>
<tr>
<td>4. Angophora Schimperi</td>
<td>Combretaceae</td>
<td>Ayio (Y)</td>
</tr>
<tr>
<td>5. Bolusieracum Parkii</td>
<td>Sapotaceae</td>
<td>Kẹ́lẹ́ (Y)</td>
</tr>
<tr>
<td>6. Daniellia Olivier</td>
<td>Gesneriaceae</td>
<td>Paje (H), Iya (Y)</td>
</tr>
<tr>
<td>7. Delonix regia</td>
<td>Mimosaceae</td>
<td>Taurahusi (H)</td>
</tr>
<tr>
<td>8. Erythrina doka</td>
<td>Erythrinaceae</td>
<td>Doka (H)</td>
</tr>
<tr>
<td>9. Erythrina acidissima</td>
<td>Anacardiaceae</td>
<td>Faru (H)</td>
</tr>
<tr>
<td>10. Flacourtia emarginata</td>
<td>Rubiaceae</td>
<td>Gbiyya (H), Igba (Y)</td>
</tr>
<tr>
<td>11. Parinaria Kerstingii</td>
<td>Rosaceae</td>
<td>Kẹ́lẹ́ (H)</td>
</tr>
<tr>
<td>12. Pakia Clappertoniana</td>
<td>Mimosaceae</td>
<td>Borom (H), Iba (Y)</td>
</tr>
<tr>
<td>13. Procoptis africana</td>
<td>&quot;</td>
<td>Kẹ́lẹ́ (H), Aya (Y)</td>
</tr>
<tr>
<td>14. Pterocarpus evinaceus</td>
<td>&quot;</td>
<td>Ayou (Y)</td>
</tr>
</tbody>
</table>

Note: H means Hausa, Y means Yoruba.

Source: Forestry Department NPFJ, Jebba.

The commissioning of the mill, like other import substituting industries witnessed a tariff structure, that favoured importation of inputs for industrial usage. For example, import duty on pulp, a substantial raw material in the production of paper was free, until 1984, when it first attracted a duty of 10% and increased to 15% in 1987. The importation was intensified in the 1970s with the flow of foreign exchange from the sales of oil and increase demand for paper products with the fast growing population. The importation of pulp grew from 6,000 tonnes (U.S. $720,000) in 1971 to 12,000 tonnes (U.S. $5,932,000) in 1976 and later.
stabilized at 5000 tonnes till 1981. The consumption of paper products was estimated to have increased from 14,000 - 27,000 tonnes between 1960-65 when the population was between 40-65 million to around 727,000 tonnes in 1976, when the population was about 77 million.

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

Table 4.2.
Export of Major Forest Products in Nigeria: Export Volume
(1000 Cubic Feet)

<table>
<thead>
<tr>
<th>Year</th>
<th>Timber Log</th>
<th>Sawn Timber</th>
<th>Plywood &amp; Veneer</th>
<th>Export Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>629</td>
<td>59</td>
<td>19</td>
<td>20,096</td>
</tr>
<tr>
<td>1961</td>
<td>579</td>
<td>62</td>
<td>20</td>
<td>19,042</td>
</tr>
<tr>
<td>1962</td>
<td>459</td>
<td>66</td>
<td>22</td>
<td>17,930</td>
</tr>
<tr>
<td>1963</td>
<td>557</td>
<td>76</td>
<td>21</td>
<td>20,406</td>
</tr>
<tr>
<td>1964</td>
<td>607</td>
<td>76</td>
<td>21</td>
<td>21,560</td>
</tr>
<tr>
<td>1965</td>
<td>458</td>
<td>74</td>
<td>25</td>
<td>19,525</td>
</tr>
<tr>
<td>1966</td>
<td>514</td>
<td>37</td>
<td>16</td>
<td>17,586</td>
</tr>
<tr>
<td>1967</td>
<td>455</td>
<td>51</td>
<td>14</td>
<td>15,096</td>
</tr>
<tr>
<td>1968</td>
<td>492</td>
<td>46</td>
<td>13</td>
<td>12,936</td>
</tr>
<tr>
<td>1969</td>
<td>487</td>
<td>45</td>
<td>12</td>
<td>15,788</td>
</tr>
<tr>
<td>1970</td>
<td>452</td>
<td>42</td>
<td>11</td>
<td>11,894</td>
</tr>
</tbody>
</table>

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

(2) Economic Survey of Nigeria (1880-1975)
S. Olayide, p.41.

As we continued to export these wood products, so, we imported some of these wood products (see Appendix 4.1). From Table 4.2 above, we observe that
the quantity of wood products exported and the amount earned decreased. This can be attributed to the establishments of African Timber and Plywood Industry (ATP) Limited at Sapele, Nigerian-Romania Wood Industry (NIROW) in Ondo State and some saw mills that were exploiting the wood products. By 1976, the exportation of Timber logs was banned, to give room for local utilization.

The linkage and employment effects of NIH was minimal, as it became dependent on external market. For instance, the importation of pulp and waste paper into Nigeria increased from N4,171,555 in 1975 to N17,623,023 in 1985 (322.5% increase) and later reduced to N2,502,330 in 1986² (96% decrease). The drastic reduction to N2 in the amount spent on importation of pulp and waste paper could be due to the restrictive economic measures taken within this period. The demand for imported paper was simultaneously on increase as NIH could not meet domestic demand. The amount spent on importation of Newsprint paper which was N91,530 (655.8 tonnes) in 1958 rose to N1,986,408 (7,188.9 tonnes) and N25,544,720 (14,793.2 tonnes) in 1969 and 1985 respectively. The increase in the amount spent on the importation of this product between 1958 to 1969 was about 1000% and 2438% between 1969 and 1985. Although there was a decrease in
the amount spent in 1983.

In 1980, the sum of N1,392,566 (10,887 tonnes) was used in importing kraft paper and kraft paper boards (one of the IPP products). This amount increased to N49,585,775 (56,044 tonnes) in 1983 and declined to N11,071,661 (9,388.6 tonnes) in 1986. The amount spent on the importation of these products in percentages increased by 3398% between 1969 to 1983 and declined by 77% between 1983 to 1986.

Exercise books worth N779,262 were imported in 1958. This shot to N1,736,167 in 1985 to reach a peak of N3,125,053 in 1981. Table 4.3(a) and 4.3(b) depict the situation clearly.
The country of origin of these imports were Germany, France, U.K., Sweden, Hong Kong, India, Netherlands, U.S.A., Brazil etc. Thus inference could be made on why Birla Brothers opted for the importation of pulp, as they insisted that pine can not grow in Nigeria and made no effort to plant Cmelina that grows in Nigeria. Other sources of raw materials which were identified since 1960s and were not sourced were Bagasse, Reseda, Eucalyptus, Waste Paper, Agricultural Waste products and Grasses. The economic 'downturn' of early 1980s forced the mill to look inward for inputs and the expansion exercise enabled NHM staff to get access to training on pulp and paper making in India.

It was the same expansion exercise that gave birth to forestry department in the industry. The first allotment of the department was harvesting the natural hardwood in the forest. Out of the total of 278,700 hectares, 6,500 hectares were chosen for harvest. The thought of planting trees emerged and pioneered by a Nigerian Engineer in 1983 as Birla Brothers of India formalized management of the mill in 1982. The planting exercise was intensified with the appointment of the first indigenous managing director. The plantation size as at 1985 was 50 hectares. This was later increased to 200 and 500 hectares in 1986 and 1987 respectively.
target for 1988 was 1,000 hectares, but the size was 500 hectares as at 26/10/88. The major trees on the plantation are in Gmelina family.

The mill's plantation, which is sited at Akon in Bortu Local Government Area of Kano State is close to River Akon, which is used to wet the growing trees. The advantage of the plantation over the wild forest are; the tree-sizes are maintained by treading, network of roads are constructed to link the trees and workers are protected from the sun.

short fibre, while the mill need
The hardwood from the forest contain long fibre also; at least 6,000 tonnes every year in her production activity. Long fibre for example constitute 60% of raw materials in the production of sack kraft, used for cement bags. The company has been importing long fibre pulp, after it has been convinced that long fibre tree can not grow in Tropical region except in temperate region. However, an expert in forestry conservation; Gabriel Etuk Udoh discovered that abundant of long fibre trees grows in forest plantation in Cross River and Plateau States. He observed that the importation of long fibre was "a grand design to drain the nation of its foreign exchange reserves". To buttress Udoh's findings, Adegbehin observed that the initial introduction of pines in Nigeria date back to 1919, but the first successful pine plantation
was established at Yom in Jos in 1954. Since then, plant-
tations of pines have been raised within the lowland and
medium altitude area of the country. A good example is
the pine plantation on Rambilla Plateau. This finding
stimulated INRI to search extensively for this product
to minimize cost of production, as the mill is exposed
to competition, with the rationalization of tariff
structure, that favour importation of paper products.

With the commissioning of the expansion project,
the mill depend on raw materials (Gmelina) from Sokoto
(Niger State), Jebba, Alephede, Egidiogari (all in
Kwara State) and Kaduna State. Little quantity of pine
is got from Kaduna, specifically from Afaka, where 300
hectares of pine (pinus caribacea and pinus coccarpa)
had been established by the end of 1985.9 Pine is also
supplied from Zaria forest reserve (Kaduna State) and
Iwo in Oyo State. The management has negotiated with
private farmers in Ogbomosho and Iwo (all in Oyo State)
to supply Gmelina also. Forest Reserve Institute in
Ibadan supplied the mill with some inputs.

NNI is experimenting on the growth of pine, eucaly-
ptus and sterculia setigera.10 Pine seedlings worth
N15,000 for 30kg have been imported from Central America
for planting. The expensiveness and scarcity of the
seedlings is an indication of high demand for it,
especially by tropical countries. The Forest Reserve
Institute (Ibadan) has imported pine-seedling worth N350,000 (about U.S. 455,000) between 1977-1978,\textsuperscript{11} in order to assist in the supply of the seedlings in future. As at 1987, 20,000 pine seedlings were planted by NPM, although experts like Adegbeyin and Omijeh still doubt the success of the venture around Jebba area.

Pines take a longer time (15 years) to mature than Gmelina. The mill is negotiating for land to grow pines in Jos, Ibadan, Cross River and Rivers State if possible. The forestry activities receives financial assistance from NACH, UNA, Federal Ministry of Finance and Foreign Loans.

Long fibre, whose price has increased from $300 in 1978 to $516 and $560 (per ton) in 1987 and 1988 respectively is still being imported, although, the mill has reduced its importation by 50%. Waste paper are source for within the country to supplement the use of imported pine. A ton of waste paper fetch N150. 1,000 tonnes of waste paper and a minimum of 3,365 trees each day is needed for the mill to operate. Bamboo sticks,\textsuperscript{13} which is characterized by containing medium fibre is bought in commercial quantity from the indigenes. A ton costs N275. It has its disadvantage; damages the paper machines, as the machines are technically designed to crush hardwood, thus production process is slow. However, it uses less chemicals than hardwood. Effort is on to import machine for crushing bamboo, which is abundant in Nigeria.
Other inputs such as Alum, Limestone, Silicate, Starch and a partial substitute for gum known as gum are sourced locally.

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

The sourcing of these materials is considered cheaper than importation, with the continuous increase in the exchange rate. Despite this, the prices of the mills' products are on increase. For instance, a ton of sack kraft that cost N3,500 in 1987 has increased to N7,000 per ton in 1989. Consumers deem it advantageous to import if not for the high exchange rate and its scarcity. High prices of the mill's products compared to those imported is attributed to its location. For example paper mills by tradition are located near the river, to afford them cheap transportation of wood, usually located along the same river. The reverse is the case as regard NPM, Jebba. The mill's source of wood is not sited along the river or railway station. Thus, the company bears high costs in conveying its wood from the forest and other sources by road. Normally 70 miles (about 113km) are considered limit for economic transportation of pulpwood.
In addition, the mill is at disadvantage in economies of scale compared to those abroad. For example, it has a capacity for 200 tonnes of industrial grade of paper per day compared to about 1,000 tonnes per day in most paper mills abroad. Costs are minimized via the use of modern technologies and infrastructures which are lacking in NFM, Jebba. Provision of houses, water transportation are additional costs to the mill, which is reflected in the pricing policy.

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

In terms of the quality of the products, NFM products may not match with those imported as the source of raw materials and machines used differ. For example, paper products from Scandinavian countries, where 100% of long fibre is used in its production should be stronger than that of NFM, Jebba. However, the products of Jebba mill satisfy the end use perfectly like those imported. The
mill won an international award in 1986 for good quality and market activities. We also confirmed from Sokoto Cement Company that the quality of sack bags made from NPH paper products is of international standard.

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

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

This adjustment affected the mill's products, as the custom duties were reduced from 50% to 40%. The manage-
of imported kraft and sack kraft paper is far below the mill's production cost.

Thus, the management is advocating for a tariff protection of a minimum of 50% and maximum of 85%. This is below the 100% recommended to the government for the mill, contained in Federal Government Commissioned Market Report by Foreign Consultants in 1982. The demand of the mill takes into consideration constraints faced by the mill compared to those abroad. Although, in the reviewed exercise (1988), the customs duties have been increased to 45%, but the increment is considered of marginal to discourage importation of paper products.

This assertion receives the blessings of the management of Sokoto Cement Factory, who claimed that 'It is still cheaper to import sack kraft paper if not for the scarce foreign exchange'. Thus, the market for the mill's products and the converters is not safeguarded by the rationalization of tariff. This threatens the means of survival of about 25,000 employees in paper industry. Other import substituting industries are not favoured either.

The output of NEPM is basically a raw materials for factories making packaging materials; cartons and cement bags. For instance, the mill supplies all the cement factories in the country with sack paper bags. Many industries patronizes the mill's products,
especially as it become costly to import with the high FEM rate of exchange. However, about forty-nine customers of the mill are officially registered with paper and paperboard manufacturers and converters association (PPMC). The names of some of these customers are shown on appendix 4.2.

The linkages between the mill and other industries are waxing stronger. For example, part of the lime prepared in the Soda Recovery Department of the Mill is sold to Sugar Company at Bacita. BPM uses lime in cooking wood, while Sugar Company uses it to purify sugar. Lime itself is prepared from Limestone, which is in abundance in Nigeria. The mill gets supply from Jakura Marble Industry (JMI) in Lokoja (Kwara State), in which the mill is a share holder as shown in chapter one. The supply of limestone also comes from Effili (Oyo State) and Calabar (Cross River State). Limestone from JMI is credited to be the best and about 400 tonnes are supplied monthly. Sugar company would in return be a good source of raw material (bagass) to the mill if it could be expanded to produce about 100,000 tonnes a year.\(^{19}\) This is considered more economical for the mill as the environment is said to be conducive for growing sugar cane. Waste paper and Bamboo sticks are supplied by indigenes. Another good linkage that developed of recent is between the mill and the new paper
converters at Erin-Ile, some 170kms from Ibadan. The mill supply the converter at Erin-Ile with cartons and in return, the paper converter supplies the mill with waste products for recycling. The mill depends on Nigerian Superphosphate Fertilizer Company Limited at Kadauna for the supply of Alum, since the importation was banned. Silicate is got from Jos.\textsuperscript{20} Starch is being supplied by Nigerians; starch was hitherto imported, as it was not processed locally on a large scale. The mill gets fuel from NNPC.

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

The linkage and integration effects enable the mill to increase her employment generation directly and indirectly. Indirectly, the inward strategy the mill is pursuing must have created jobs for Nigerians. As regard the direct effects, the number of Nigerians employed by the mill increased from 306 between 1984-85 to 667 between 1985-86, despite the retrenchment exercise most industries
pursued in the early 1980s. The reduction in the size of Nigerians employed in 1987 as shown on Table 4.4, was due to termination of workers on temporary appointments (mainly junior workers). The number of some workers affected by retrenchment “fever” in some industries in 1987 is shown on appendix 4.3, while Table 4.4 shows the staff strength in NHM, Jebba between 1980-1988.

Table 4.4

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<td>1153</td>
<td>1170</td>
<td>1742</td>
<td>2043</td>
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<td>Nigerians</td>
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<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
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<td>1987</td>
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<tr>
<td>Expatriates</td>
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<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
<td>61</td>
<td>56</td>
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</table>

* Figure was at 15/7/88.

Source: Statistical Section, Personnel Department, NHM, Jebba.

The job opportunities offered directly by the mill is not impressive, and this we attribute to the sophisticated technology used in the production activity. The DCs frequently change the models involved in producing pulp and paper products; 1964 model was more manual, another model was introduced in 1982 and latest model which was out in 1987 is more of a computerized type, hence the tendency to employ less people. Even at the converting level - the method used by the converters is capital intensive and most of them depend on imported machines.
The number of expatriates employed in NNPC as depicted in Table 4.4 continues to decline since early 1980s, as the economic measures made it difficult for them to repatriate much of their earnings. Another reason given by the management for this trend, is the Nigerianisation of staff embarked on since 1985. One wonders why the authority is just implementing what has been given legal backing since the 1970s. The departure of the expatriates have little or no effect on the operation of the mill, as Nigerians are already equipped to take-over their responsibilities. An Indian, that heads Soda Recovery Department gave a pass mark to the performance of Nigerians after their training abroad.

NNPC has the potential to export her products, to earn foreign exchange for the country, however, this is not given priority as only 70% of the domestic demand is met. For instance, the company received an order from Kuwait on 13/7/88 requesting for kraft paper and some West African countries are willing to import paper products from Nigeria. Nevertheless, a lot in terms of foreign exchange is being saved for the nation via inward looking activities of the mill. The positive steps taken since 1986; reduction by half of the volume of imported resins, the patronage of JHI, local production of sulphuric acid, re-activation of the workshop to fabricate spare parts formerly imported, reduction of expatriate workers would enable the mill to save as much as N200m in foreign exchange. NNPC is already
exporting her products; the first batch of her export was shipped to a customer in Minneapolis, America in October 1987 and the second batch (3,000 tonnes of bleached standard newsprint) was exported to Jan Lohig of Sweden in the mid-November 1987. This action of NNPC was at the expense of home demand.

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

Research work is also intensified. For instance, it was the research embarked on that enabled the authority discover that bamboo sticks consumed less chemical and bagass cannot be used for the mill’s production exercise. Professor Odeyemi from University of Lagos was given the contract to research on the use Raffia palm in the production of paper products in 1986. Firo Oshodi is also performing a research for the mill.
Finally, the mill's contribution to the state where it is sited and the nation at large cannot be over-emphasized. The establishment of the mill has brought facilities; bank service, pipe-borne water to the doorstep of majority of the people in Jebba. The power plant installed with the expansion exercise can generate electricity supply to the whole town, including the mill in the absence of NEPA. The road to Oko-Awé, a distance of forty kilometres from truck road to where the mill's forestry camp is sited including a bridge across River Awé was constructed and tarred by the company. In fact, the pair of kamon has been calling on Kwara State government to take-over the road and extend it to his domain, as it would serve as a good and short link with the Borgu Local Government Area, compared to the other routes that goes via Niger State.

The presence of the mill is felt by those rural dwellers in Oko-Awé and its surroundings. The number of the villagers has increased tremendously from about 20 before the establishment of the forestry camp to about 450. The mill employs about 50 citizens of the village as permanent staff and always employ about 100 casual workers annually. Progress is on, on the bore-hole water project in the village. Modern places of worship and market are being developed. An elementary school has been established with the help of the company. A generator plant has been installed for the workers and
plan is almost completed to site a police station in the village to give re-inforcement and security to cover over 200 staff living at the camp.

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

At national level, the mill continues partially to satisfy the country's need for industrial grade and other paper products; as the population of students, number of printers and commercial ventures that require handills, business card etc increases with industrial development of the nation. In fact, the acute deficit of paper and paper products has contributed to the high prices of writing materials, duplicating paper etc. The prices of some of these products have increased by over 200%, when compared with 1982 prices. It is interesting to note that National Election Commission (NEC) election boxes (1987) were products of KBN, Jebba. The mill is generally expected to make a substantial profit as it exploits its monopolistic power, however, this 'dream' is yet to materialize, as the mill is just a monopolist in production but not in marketing. The tariff rate encourages the importation
The analysis so far obviously shows that NMM is potentially a viable project, although, it has fallen a victim of privatization syndrome. If other mills and import substituting industries can borrow a leaf from NMM, Jebba, we will definitely achieve our objective of transforming our dual economy to a dynamic and self-reliant one in the nearest future. For example, breweries have resorted to the use of maize, guinea corn and other raw materials locally produced. Flour Mill, Nasco Biscuits etc use maize flour and other locally sourced raw materials since the ban on importation of wheat. Wheat is now being produced in Nigeria; these are the sort of things we were hitherto made to believe was impossible in Nigeria. This sort of things is a pointer to the fact that developed countries (mainly the Western Countries) do all in their power to keep the less developed countries perpetually underdeveloped.
Footnotes


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


4. Holland Usman Abubakar initiated the planting of trees in NNPC, Jebba. He is now a Commissioner in Kastina State (1986).

5. Guardian 21/8/86.

6. He obtained his degree in Forestry Conservation from Seattle University, Washington in 1965. He was a former Chief Forest Conservator with NNPC Oke-Ibeaku.

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


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


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

13. Bamboo sticks are used for paper making in China and India.
14. Such Alum is used in the production of paper. Out of a ton of paper produced, 30kg of Alum is used. It is also used for purification of water in the mill.

15. The astronomical increase in the price of raw, jehba paper products we confirmed from the production manager, Sokoto Cement Company.


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


20. With the commissioning of the petrol-chemical plant, we hope more chemicals will be produced for industrial use.

21. Interview with Director of Converters, Distribution and Marketing, who happened to be one of the delegates sent abroad to study the latest development in the production of pulp and paper products in 1998.


26. Members of the Association of Nigerian Printers complained exportation of Newsprint by NNPC, while it produces at less than half of its installed capacity and 60% tariff has been placed on importation of Newsprint - Business Concord 8th March, 1988, p.3.

27. Discussion with the Assistant Production Manager, NNPC, Jehba.

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

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

SUMMARY, CONCLUSION AND RECOMMENDATION.

5.1 Summary and Conclusion.

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

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

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

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

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

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

Many foreign firms siphon profits out of the country by all means. For instance, in February 1983, "the Federal Government accused multinational corporations of blackmailing the country by making fake demands for foreign exchange allocation of over N20 million for the purpose of importation of raw materials, whereas, their real objective was said to be repatriation of their money from the country". ¹ The latest act of these firms
is to export cocoa and never to return the proceeds to the country.

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

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

The economic recession of the 1980s has exposed the fragile nature of the manufacturing sector and since 1982, strict economic measures have been surfacing to force industries to look inward. Once, minister of Trade and Industries (Alani Akingeji 1987) observed that our previous import substitution strategy was not addressed to local product. Rooms were given for industries which
did not aim at backward integration. The impossibilities are now possible as our industries source raw materials, intermediate goods locally. Our brewers use local grains, bakers esorted to other substitution of wheat and surprisingly, wheat that was once felt cannot grow well in Nigeria is now widely used in most northern parts of the country.

The research discovered that Nigerians are replacing the expatriates leaving the country in NUS and the production exercise is not affected by their departure. For instance, the mill had a technical problem early 1993 which would have cost the country some millions of naira to get expatriates from abroad to repair but the Nigerians in the mill, carried out the repairs successfully. The linkage effects of the mill with other industries such as sugar company at Bacita, Jabura Barble Industry at Ileobia, NNPC, Nigerian Super-phosphate Fertilizer Company at Kaduna, the Cement Industries is waxing much stronger and job opportunities are provided directly and indirectly to Nigerians. However, the technological base is still not within the reach of Nigerians. The sophisticated machines are still foreign type, hence the link between Nigeria and DCs.

The recent change in manufacturing activities in Nigeria is a manifestation that ISI can be successfully practised in Nigeria. The threat to its success is the rationalization of tariff structure and the attraction
of foreign investors into sensitive areas of the economy, which tend to re-colonize the economy and de-nationalize Nigerian industry.

5.2

Recommendation

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

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

- There is the need for re-organization of most of our import substituting industries for efficiency in their productivity, through intensive inward looking approach. Industries such as NFM, Jebba and others that need minimum custom duties on their products to compete effectively with foreign imported goods should be considered.

- Government should hasten to complete paper mill at Iwopin, on which much has been expended. The completion will bring into existence a mill that specializes in the production of stationaries, exercise books and other writing materials to meet the increase demand as
more institutions of learning and enrolment of students increases as the nation's population increases. NMPC at Oku-Iboku should pay more attention on satisfying the home demand for her products instead of exporting.

- Measures should be taken to intensify agricultural production of raw material requirement of these industries as they look inward. On the part of the respective industries, they should borrow a leaf from industries like NNPC that invested in planting the needed raw materials; by giving them lucrative incentives; subsidies on fertilizer, chemical, improved seedling etc. This will no doubt increase the income of farmers and minimize rural-urban drift, as more arable land will be put into use.

- Amenities that make life comfortable should be extended to the rural areas. Feeder roads should be tarred instead of seasonal grading of the roads.

- Royalties charged by the government on the usage of forest products should be moderate and equal at both federal and state levels. This consideration becomes necessary as the existence of the establishments aid the development of the country; pay taxes, provide some amenities and services for the benefit of those within their environment. For example Oku-Iboku Indigenes went on demonstration early 1999, demanding that the mill should employ indigenes and provide them with good drinkable water.
The production of capital and intermediate goods should be intensified. It is possible, as some import substituting industries are already producing machine tools. A good example is flour mill; in the absence of wheat, the two mills have been modified locally to maize milling. The exercise saved the mill more than N2.246 million. In addition, the mill now manufactures belt, screw, conveyors etc. such items have been manufactured for Cadbury Nigeria Limited and Julius Berger Nigeria Limited. Thus incentives should be given to industries that embark on this type of development. At this juncture, iron and steel plant, and petrol chemical industries should be encouraged to improve on their productivity, as their products play a vital role in the production of machine tools and equipment.

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

The research Institutions must be challenged on developmental problems. For instance, The Project Development Institute enugu has designed and fabricated mechanical gari processing plant, palm kernel cracking plant, washing machines, grain dryers, egg
incubators etc. This institute should have been given the challenge of developing machine for crushing bamboo sticks for ITT instead of negotiating with foreigners.

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

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

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

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


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### Appendix 1.2


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## Appendix 1.2

### Nigeria’s External Reserves 1954 - 1978

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<tr>
<th>Year</th>
<th>Amount (in million)</th>
<th>Annual Rate of Change (%)</th>
</tr>
</thead>
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<tr>
<td>1954</td>
<td>406</td>
<td>-</td>
</tr>
<tr>
<td>1955</td>
<td>406</td>
<td>0</td>
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<tr>
<td>1956</td>
<td>482</td>
<td>- 1.0</td>
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<tr>
<td>1957</td>
<td>414</td>
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<td>1958</td>
<td>360</td>
<td>-13.0</td>
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<tr>
<td>1959</td>
<td>314</td>
<td>-12.8</td>
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<tr>
<td>1960</td>
<td>310</td>
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<td>1962</td>
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<td>1963</td>
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<td>1964</td>
<td>166</td>
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<tr>
<td>1965</td>
<td>176</td>
<td>6.0</td>
</tr>
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<td>1966</td>
<td>162</td>
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<tr>
<td>1967</td>
<td>86</td>
<td>-46.0</td>
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<td>1968</td>
<td>99</td>
<td>4.7</td>
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<td>1969</td>
<td>96</td>
<td>6.7</td>
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<td>160</td>
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<tr>
<td>1971</td>
<td>284</td>
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<td>1972</td>
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<td>1973</td>
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<td>1978</td>
<td>1,161</td>
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### Appendix 3.1

**Nigeria's Export 1970-1986 (US$)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Export Earnings</th>
<th>Total Oil Export Earnings</th>
<th>Total Non-Oil Export Earnings</th>
<th>Proportion of Oil to Total Export Earnings</th>
<th>Proportion of Non-Oil Export Earnings</th>
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<tbody>
<tr>
<td>1970</td>
<td>886.6</td>
<td>509.6</td>
<td>376.9</td>
<td>57.6</td>
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<td>1971</td>
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<td>340.4</td>
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<tr>
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<td>4,434.2</td>
<td>1,176.2</td>
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<td>82.0</td>
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<td>2,277.4</td>
<td>1,893.5</td>
<td>383.9</td>
<td>83.1</td>
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<td>5,790.4</td>
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<td>4,925.5</td>
<td>4,629.3</td>
<td>296.2</td>
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<td>1976</td>
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<td>7,630.7</td>
<td>7,089.4</td>
<td>550.3</td>
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<td>8,054.4</td>
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<td>93.8</td>
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<tr>
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<td>13,021.0</td>
<td>663.7</td>
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<td>8,601.6</td>
<td>120.9</td>
<td>98.6</td>
<td>1.4</td>
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<td>7,301.2</td>
<td>200.3</td>
<td>96.0</td>
<td>4.0</td>
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<tr>
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<td>2,000.0</td>
<td>8,840.6</td>
<td>247.4</td>
<td>97.1</td>
<td>2.9</td>
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<td>1985</td>
<td>11,214.8</td>
<td>10,890.6</td>
<td>324.2</td>
<td>97.1</td>
<td>2.9</td>
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<td>8,273.0</td>
<td>240.0</td>
<td>97.2</td>
<td>2.8</td>
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### Appendix 3.2

#### Industrial Investment of NAC

<table>
<thead>
<tr>
<th>Company</th>
<th>Product</th>
<th>Year of Start</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. African Timber &amp; Plywood</td>
<td>Timber &amp; Plywood</td>
<td>1948</td>
</tr>
<tr>
<td>2. Nigerian Breweries</td>
<td>Beer &amp; Mineralgon</td>
<td>1948</td>
</tr>
<tr>
<td>3. Taylor Woodrow</td>
<td>Building Contractor</td>
<td>1953</td>
</tr>
<tr>
<td>4. Nigerian Jlonery</td>
<td>Woodwork &amp; furniture</td>
<td>1953</td>
</tr>
<tr>
<td>5. Prestree</td>
<td>Prestressed Concrete</td>
<td>1954</td>
</tr>
<tr>
<td>6. Nilco</td>
<td>Plastic Products</td>
<td>1957</td>
</tr>
<tr>
<td>8. Raleigh Industries</td>
<td>Cycle Assembly</td>
<td>1953</td>
</tr>
<tr>
<td>9. Nina Farm</td>
<td>Fys</td>
<td>1959</td>
</tr>
<tr>
<td>11. West African Trade</td>
<td>Sewing Thread</td>
<td>1961</td>
</tr>
<tr>
<td>14. Walls</td>
<td>Ice Cream</td>
<td>1961</td>
</tr>
<tr>
<td>15. Vono Products</td>
<td>Bed mattresses</td>
<td>1961</td>
</tr>
<tr>
<td>17. Guinnes</td>
<td>Stout</td>
<td>1962</td>
</tr>
<tr>
<td>18. Fen milk</td>
<td>Reconstituted Milk</td>
<td>1963</td>
</tr>
<tr>
<td>19. The Hig. Sugar Co.</td>
<td>Sugar &amp; byproducts</td>
<td>1963</td>
</tr>
<tr>
<td>20. Marspin</td>
<td>Cotton Yarns</td>
<td>1963</td>
</tr>
<tr>
<td>22. Vitaform</td>
<td>Foam Rubber Products</td>
<td>1963</td>
</tr>
<tr>
<td>23. A.J. Seward</td>
<td>Perfumery &amp; cosmetics</td>
<td>1963</td>
</tr>
<tr>
<td>24. Bord Pak</td>
<td>Fibre board Cartons</td>
<td>1964</td>
</tr>
<tr>
<td>25. Kweka Tobacco Co.</td>
<td>Cigarettes</td>
<td>1964</td>
</tr>
<tr>
<td>27. Crocodile Matches</td>
<td>Matches</td>
<td>1965</td>
</tr>
<tr>
<td>28. Textile Printers</td>
<td>Printed Textiles</td>
<td>1965</td>
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</table>

Source: Industrialization in an Open Economy, Ellyby p.69.
## Appendix 3.1

**Industries owned by John Holt and Company Limited.**

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Year Founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coastains</td>
<td>Construction</td>
<td>1940</td>
</tr>
<tr>
<td>Holt Tanneries</td>
<td>Construction</td>
<td>1940</td>
</tr>
<tr>
<td>Thomas Wyatt</td>
<td>Stationary</td>
<td>1948</td>
</tr>
<tr>
<td>Nigerian Breweries</td>
<td></td>
<td>1948</td>
</tr>
<tr>
<td>Nigerian Canning Co.</td>
<td>Canned Beef</td>
<td>1956</td>
</tr>
<tr>
<td>Crital Hope</td>
<td>Metal doors etc.</td>
<td>1956</td>
</tr>
<tr>
<td>P.S. Mondillas</td>
<td>Gin Crushing</td>
<td>1960</td>
</tr>
<tr>
<td>Asbestos Cement Co.</td>
<td></td>
<td>1960</td>
</tr>
<tr>
<td>NIG. Enamelware Co.</td>
<td></td>
<td>1961</td>
</tr>
<tr>
<td>Hoco</td>
<td>Perfumery &amp; Plastics</td>
<td>1963</td>
</tr>
</tbody>
</table>

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

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Source: (1) Kilby *Industrialisation in an Open Economy*, op.cit p.56.

(2) *National Concord*, 7/1/80, p.17.
# Overview of Foreign Investment Control Population in Developing and Some Developed Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Foreign Investment Population</th>
<th>Policies/Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Developing Countries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Brazil (1950s with shift in 1945-50, 1959-54 and since then)</td>
<td>entry control tied to restrictions on foreign exchange and transfer of technology.</td>
<td>other main provisions amount to incentives.</td>
</tr>
<tr>
<td>2. Burma</td>
<td>permit no direct investment except by contracting.</td>
<td>dealings on government to government basis and relevant decisions are made at cabinet level.</td>
</tr>
<tr>
<td>3. Philippines</td>
<td>reputedly has most complex entry control system.</td>
<td>board of investment has established integrity and authority.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>applied sophisticated and objective criteria.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>tries to eliminate legal preferences for U.S. businesses.</td>
</tr>
<tr>
<td>4. Tanzania (from 1967)</td>
<td>based on socialist philosophy involving public ownership of productive assets.</td>
<td>1967-74: outright rationalization, initially to 50 or 60%, but later to 100% in various sectors involving foreign and domestic enterprises of various sizes, even petrol stations.</td>
</tr>
<tr>
<td><strong>B. Developed Countries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Australia (from 1976)</td>
<td>foreign exchange and export controls exist.</td>
<td>foreign takeovers Act of 1976; screening of takeovers of Australian-owned businesses that would involve foreign</td>
</tr>
</tbody>
</table>
6. Canada (since 1950s and particularly in 1973-74)
- Specific legislations reserve some key sectors involving progressive nationalization in a few (petro-Canada).
- Foreign Investment Review Act (1973-74): Review of foreign takeovers of Canadian-owned businesses and of new investments by non-eligible persons (essentially by non-Canadians or Canadians not normally resident in Canada).
- Specific criteria used in screening.
- Screening purpose is to ensure "significant benefit to Canada."
- Screening decisions made at cabinet level with assistance from the foreign investment review agency and communicated as orders in-council.

7. France (A Decree of 1967)
- Reserved sectors and other "normal" regulations exist.
- 1967 decree requires at least 20% French participation in any enterprise.
- Government's concern is to avoid foreign investment prejudicing national independence.
8. Japan (since 1950s)

- A foreign investment law of 1950 (amended in 1967) brought the multiplicity of regulations and varied restrictions in force.

9. Other Developed Market economies (including Austria, Belgium, Luxembourg, Fed. Rep. of Germany, Italy, Netherlands, Switzerland, United Kingdom, United States).

- Generally, not discriminatory against inward foreign investments.

- However, specific national laws (e.g., foreign exchange control laws) have provisions applying to foreign investment, especially when it involves acquisition or controlling interest in a domestic company, or outright purchase (as, 1976/23);

- Special liberal provisions within the context of organizations to which they belong. (OECD and G20)

- Practically all have reserved sectors or specified sectors in which foreign is prohibited.

### APPENDIX 3.5

**Deflated Gross Domestic Product Figures.**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AGRIC.</th>
<th>MINING</th>
<th>MANUF</th>
<th>BUILD.</th>
<th>Distr.</th>
<th>OTHERS</th>
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<td>113.32</td>
<td>2.11</td>
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<td>7.09</td>
<td>22.33</td>
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<td>1961/62</td>
<td>180.61</td>
<td>114.88</td>
<td>3.22</td>
<td>6.01</td>
<td>7.01</td>
<td>23.10</td>
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<tr>
<td>1962/63</td>
<td>192.42</td>
<td>115.45</td>
<td>3.40</td>
<td>6.05</td>
<td>7.26</td>
<td>23.10</td>
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<td>1963/64</td>
<td>198.75</td>
<td>116.46</td>
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<td>1965/66</td>
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<td>22.41</td>
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*The GDP Figure of Current Prices were deflated, using The GDP Deflator 1980 = 100.*

Source: E.G.S. Various Issues.
# Appendix 2.6

Cross country product, post-1990. 1990 = 100

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<td>75.7</td>
<td>81.4</td>
<td>88.6</td>
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<td>64.8</td>
<td>70.2</td>
<td>75.7</td>
<td>81.4</td>
<td>88.6</td>
<td>96.0</td>
<td>103.0</td>
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<tr>
<td>1980</td>
<td>70.2</td>
<td>75.7</td>
<td>81.4</td>
<td>88.6</td>
<td>96.0</td>
<td>103.0</td>
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<tr>
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<td>81.4</td>
<td>88.6</td>
<td>96.0</td>
<td>103.0</td>
<td>112.4</td>
<td>122.7</td>
</tr>
<tr>
<td>1990</td>
<td>81.4</td>
<td>88.6</td>
<td>96.0</td>
<td>103.0</td>
<td>112.4</td>
<td>122.7</td>
<td>134.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1234</td>
<td>5.67</td>
<td>Example 1</td>
</tr>
<tr>
<td>2345</td>
<td>8.90</td>
<td>Example 2</td>
</tr>
<tr>
<td>3456</td>
<td>11.11</td>
<td>Example 3</td>
</tr>
</tbody>
</table>

Note: The table above represents sample data for demonstration purposes.
**APPENDIX 4.1**

**Total export value of Wood based Products in Nigeria 1963 --- 1980 (f)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tamar</th>
<th>Plywood</th>
<th>Particulate Product</th>
<th>Wood based product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>88,372</td>
<td>621,488</td>
<td>120,698</td>
<td>831,106</td>
</tr>
<tr>
<td>1964</td>
<td>58,672</td>
<td>468,670</td>
<td>191,263</td>
<td>718,165</td>
</tr>
<tr>
<td>1965</td>
<td>30,330</td>
<td>276,910</td>
<td>279,412</td>
<td>586,652</td>
</tr>
<tr>
<td>1966</td>
<td>15,030</td>
<td>55,450</td>
<td>214,372</td>
<td>384,860</td>
</tr>
<tr>
<td>1967</td>
<td>15,414</td>
<td>112,950</td>
<td>109,345</td>
<td>310,718</td>
</tr>
<tr>
<td>1968</td>
<td>16,576</td>
<td>6,530</td>
<td>13,232</td>
<td>36,338</td>
</tr>
<tr>
<td>1969</td>
<td>30,050</td>
<td>17,660</td>
<td>27,300</td>
<td>72,010</td>
</tr>
<tr>
<td>1970</td>
<td>85,742</td>
<td>36,396</td>
<td>129,020</td>
<td>251,250</td>
</tr>
<tr>
<td>1971</td>
<td>96,501</td>
<td>13,396</td>
<td>104,316</td>
<td>154,216</td>
</tr>
<tr>
<td>1972</td>
<td>10,160</td>
<td>49,252</td>
<td>91,170</td>
<td>150,582</td>
</tr>
<tr>
<td>1973</td>
<td>62,121</td>
<td>119,111</td>
<td>116,117</td>
<td>265,355</td>
</tr>
<tr>
<td>1974</td>
<td>81,926</td>
<td>41,086</td>
<td>301,533</td>
<td>421,546</td>
</tr>
<tr>
<td>1975</td>
<td>161,812</td>
<td>1,245,885</td>
<td>367,373</td>
<td>1,755,075</td>
</tr>
<tr>
<td>1976</td>
<td>333,660</td>
<td>7,382,890</td>
<td>1,086,336</td>
<td>9,512,916</td>
</tr>
<tr>
<td>1977</td>
<td>513,509</td>
<td>13,519,584</td>
<td>1,815,379</td>
<td>15,878,477</td>
</tr>
<tr>
<td>1978</td>
<td>805,375</td>
<td>11,775,579</td>
<td>1,600,639</td>
<td>13,711,647</td>
</tr>
<tr>
<td>1979</td>
<td>828,410</td>
<td>5,870,675</td>
<td></td>
<td>6,305,085</td>
</tr>
<tr>
<td>1980</td>
<td>1,605,783</td>
<td>11,763,953</td>
<td></td>
<td>13,370,736</td>
</tr>
</tbody>
</table>

**Source:** Federal Department of Forestry - Nigeria Forestry Statistics, Ibadan August 1983 and December 2002.
Appendix 4.2

Names of Some of the NHIL Customers:

2. Central Packages Limited, Lagos.
5. Inter-match Nigeria Limited, Isola.
10. Soma Mill Limited, Onitsha.
11. APMoka Cement Company, Bauchi.
13. Denro Packages Nig. Limited, Oshola.
15. Nigeria Match and Chemical, Kano.
17. Samad Paper Converter, Ilorin.
22. Attasco Abbey's Office, Kano.
26. Dafford Nigeria Limited, Calabar
27. Okin Biscuits, Offa.
29. Thomas Wyell Nigeria Limited
32. Paper Sock Nigeria Limited, Lagos
33. Robatek Ilesa.
34. A-OTT - Alafua, Imo.
37. Original Box Company, Lagos.
41. NIFACO, Lagos.
42. N.T.C., Karia.
43. O.N.N., Kaduna.
44. Kwar.
45. Paper Converter, Erin Ile.
46. Bordpak, Lagos.
47. Attesco, Kano.
48. Wigginse Teape, Lagos.
49. Polythene Enterprises, Aba.
50. Olympic Packers, Lagos.

Source: N.F.H. Jebba.
### Appendix 4.3

#### Names of Some Establishments that Retrenched Workers in 1967

<table>
<thead>
<tr>
<th>Date</th>
<th>Name of Establishment</th>
<th>Number of Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 29th</td>
<td>Cocoa Board Workers in Ibadan</td>
<td>2,000</td>
</tr>
<tr>
<td>Feb. 1st</td>
<td>Nigerian Palm Produce board in Calabar</td>
<td>1,600</td>
</tr>
<tr>
<td>Feb. 5th</td>
<td>Nigerian Rubber Board</td>
<td>250</td>
</tr>
<tr>
<td>Feb. 17th</td>
<td>Triumph Publishing Co., Kano</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Midland Supplies Co. at Ilerin</td>
<td>90</td>
</tr>
<tr>
<td>Feb. 19</td>
<td>Nigeria Truck Manufacturing Company Kano</td>
<td>150</td>
</tr>
<tr>
<td>March 5th</td>
<td>Michelin</td>
<td>100</td>
</tr>
<tr>
<td>&quot; 4th</td>
<td>Communication Ministry</td>
<td>500</td>
</tr>
<tr>
<td>April 20th</td>
<td>Teachers sacked in River State</td>
<td>1,000</td>
</tr>
<tr>
<td>May 20th</td>
<td>National Bank</td>
<td>410</td>
</tr>
<tr>
<td>July 13th</td>
<td>Lever Brothers</td>
<td>230</td>
</tr>
<tr>
<td>Sept. 7</td>
<td>Nasco of Jos</td>
<td>300</td>
</tr>
<tr>
<td>&quot; 24th</td>
<td>Plateau Publishing Co. Publisher of Standard Newspaper</td>
<td>100</td>
</tr>
<tr>
<td>&quot; 25th</td>
<td>Gunea Training Company</td>
<td>150</td>
</tr>
<tr>
<td>&quot; 26th</td>
<td>Heres &amp; Lagos</td>
<td>400</td>
</tr>
<tr>
<td>Nov. 10th</td>
<td>Total Retrenchment in Airways within 2 months</td>
<td>1,200</td>
</tr>
<tr>
<td>&quot; 10th</td>
<td>Nigeria Airways</td>
<td>401</td>
</tr>
<tr>
<td>&quot; 27th</td>
<td>G.C.A.</td>
<td>100</td>
</tr>
<tr>
<td>Dec. 1st</td>
<td>G.C.A. (retired)</td>
<td>200</td>
</tr>
<tr>
<td>&quot; 14th</td>
<td>Nigeria Airways</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: National Concord 7/1/68 p.7.