FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING

1939 - 1965

A Study by

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ABSTRACT

The Nigerian Governments in speeches to the public and foreign missions and in Parliamentary Debates have repeatedly emphasised the need for foreign private capital and the desired measures to attract it to Nigerian manufacturing. The reasons for this are clear: Nigeria is deficient in physical capital as well as in the knowledge of modern industrial and managerial technique. She therefore needs foreign capital and expertise to supplement her own resources. The extent of this reliance is illustrated in the fact that the Federal Government financed 40 per cent of her 1955/62 Development Plan from foreign sources; and the National Development Plan, 1962/68, depends for its successful execution on a 50 per cent contribution from foreign resources.

So far, however, no proper study has been made of the amount of foreign private investment in Nigerian manufacturing, the factors that influenced its stock and distribution, the mechanism and channels by which it entered Nigeria, or an evaluation of its possible contribution to Nigeria's economic development. This study attempts to fill this gap.

The thesis is divided into eight chapters. Chapter One examines the amount and the main factors which influenced foreign private investment in Nigerian manufacturing during 1939/54 and finds that it is small and that government policy played a negative role. Chapter Two analyses the amount and sectoral distribution of foreign manufacturing investment

during 1955/65 and finds that it is considerable relative to the period, 1939/54. Chapters Three and Four examine the main factors responsible for this and find that the two most important favourable factors were government policy and Nigeria's potential market.

The location of foreign manufacturing is examined in Chapter Five which finds that it is concentrated in Southern Nigeria and in the principal town or regional capital within the Regions. Chapter Six, which examines the mechanism of foreign private investment in Nigerian manufacturing, finds that partnership between indigenous and foreign capital is now common. The channels of investment are examined in Chapter Seven. It is found that about 69 per cent of foreign private investment in Nigeria during 1961/64 came from sources internal to the companies and that retained earnings accounted for about 29 per cent of net new investment during 1961/63.

Chapter Eight examines the contribution of foreign manufacturing investment to Nigeria's economic development, summarises the main findings of the study and highlights the main defects of Nigeria's industrial policy. An appendix relates foreign private investment in manufacturing to all foreign private investment in Nigeria during the period of this study.

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My thanks also go to the Central Bank of Nigeria, the Nigerian Industrial Development Bank, the Federal Office of Statistics, and the Ministries of Economic Planning in Enugu, Ibadan, Benin and Kaduna for sending me some of the statistical materials without which this study would not have been possible.

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FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1939-1965

INTRODUCTION

Nigeria is a potentially rich country. Her area of 356,669 square miles is more than four times that of Ghana and three times that of the United Kingdom. This area extends more than 700 miles from East to West and more than 650 miles from South to the North; and it embraces a diversity of agricultural and mineral resources.

She is, however, principally an agricultural country. In 1962 agriculture, livestock, fishing and forestry accounted for 65 per cent of her Gross Domestic Product, and for 71 per cent of her total export earnings at the end of December, 1965. Her principal agricultural products are groundnuts, cocoa, palm oil and palm kernel, cotton and rubber. In 1965 these together accounted for 57 per cent of her total export earnings. Besides she is a leading world producer and exporter of most of these products: she is the world's largest exporter of palm produce and groundnuts, the second largest producer of cocoa, after Ghana, and the fifth largest producer of natural rubber. Because these products are produced in such large quantities, they have provided a basis for establishing processing plants for the products.

Apart from the above, Nigeria has enormous mineral and power resources. She possesses the only mined coal field in West Africa. She is the sixth largest world producer of tin and supplies over 80 per cent of world columbite, and has been named to be the tenth largest

world producer of mineral oil within the next few years.[1] When fully completed by September 1968, the £80m Niger Dam project, at a capacity of 960,000 kilowatts equivalent to 1.3m horse power, is expected to be sufficient to supply all her energy requirements till 1982. This is in addition to her tremendous coal and gas resources in Southern Nigeria.

Nor is Nigeria deficient in man power. The 1952/53 census put her population at 32m. After two disputed censuses in 1962 and 1963 the population was put at 55.8m. of which 29.8m. was attributed to the North, 12.4m. to the East, 10.3m. to the West, 2.5m. to the Mid-West, and 665,000 to the Federal territory of Lagos. If it is assumed that the population is over 50m. then this means that Nigeria is the most populous country in Africa, accounting for more than a sixth of the whole population of Africa, and the third largest population in the Commonwealth after India and Pakistan.

This large population also provides Nigeria with a large labour force. This is measured by the percentage of the population that is economically active, that is, those between the ages of 15 and 55. The detailed breakdown of the 1963 census is not yet published. Table 1.1 shows that about 48 per cent or 15m. of the 32m. population of Nigeria in 1952/53 were economically active, compared with 34 per cent in Pakistan, 35 per cent in Canada, 41 per cent in Ghana, and 46 per cent in the

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1. U.S. Dept. of Commerce quoted in The Times, London, June 26, 1964.

TABLE 1.1

ECONOMICALLY ACTIVE POPULATION IN SELECTED COUNTRIES

Country	Year	Total Population	Total of Economically active population	%
Ghana	1960	6726815	2723026	40.5
Nigeria	1952-53	32156000	14913000	47.9
Canada	1963	18857000	665800	35.3
United States	1963	189278000	75712000	40.0
Jamaica	1960	1609814	654582	40.7
Ceylon	1953	8097895	2993349	37.0
Japan	1963	96160000	47650000	49.6
Pakistan	1961	90282674	30205981	33.5
India	1961	439234771	188675500	43.0
Italy	1963	51506000	20134000	39.1
Luxembourg	1960	314889	129686	41.2
Netherlands	1960	11461964	4168626	36.4
Norway	1960	3591234	1406358	39.2
U. Kingdom	1951	50225224	23213404	46.2

Economically active = male and female between the ages of 15 and 55.

Source: Year Book Labour Statistics 1964, Table One.

United Kingdom. Three criteria may be used to illustrate the quality of the labour force in Nigeria.

The first is the rate of adult literacy. The latest figure for Nigeria relates to 1950. Table 1.2 shows that this varied between 11-25 per cent. This was the same as in Kenya, Algeria, Ghana and Egypt; and less than the 25 per cent in Uganda and Congo Leopoldville; and higher than the 5-10 per cent in Tanganyika. Within Nigeria the literacy rate in 1952/53 was 49 per cent in Lagos, the Federal Capital, 15.6 per cent in the West, 16.2 per cent in the East, and 7.2 per cent in the North (Table 1.3).

The second indication is the ratio of school enrolment. Table 1.2 shows that the ratio of primary school enrolment in Nigeria in 1960 varied between 26-39 per cent. This was less than in the Congo, Kenya, Egypt and Lybia, where it was over 40 per cent; but it was more than the 13-25 per cent in Tanganyika. On the other hand, the secondary school enrolment ratio was 5-9 per cent in Nigeria compared with over 10 per cent in Kenya, Lybia, Egypt, and Ghana, and less than 2 per cent in Niger. The breakdown of the Nigerian ratio is shown in Table 1.3 for 1963. It shows that the primary school enrolment ratio was 5.2 per cent for the whole of Nigeria, 16.2 per cent in Lagos, 10.8 per cent in the West, 10.3 per cent in the East, and 1.4 per cent in the North. The corresponding secondary school enrolment ratios were o.5 per cent in

TABLE 1.2

INDICATORS OF LEVELS OF LIVING OF SELECTED AFRICAN COUNTRIES

COUNTRY	Per Capita Nat. Income expressed in US dollars 1956-58 1	Ratio of School Enrolment (1960 Primary % 2	Secondary % 3	Adult Literacy around 1950 4	Urbanisation ratio Population in towns of 20,000 & over 5	No of inhabitants per hospital bed 1957-59 6	No of inhabitants per physician 1957-59 7	Proportion per 100,000 population enrolled at third higher level of education 1960 8
Nigeria	Under 80	26-39%	5-9%	11-25 %	over 11-20%	Over 1200	over 25,000	4
Congo (Leo)	Under 80	Over 40	2-4	Over 25	5-10	Under 400	15,000-25,000	4
Congo Bri.	126-200	Over 40	5-9	n.a.	Under 400	Under 400	8,000-15,000	n.a.
Kenya	81-125	Over 40	2-4	11-25	Under 5	700-1200	8,000-15,000	5
Libya	81-125	Over 40	Over 10	n.a.	11-20	Under 400	Under 8,000	49
Algeria	Over 200	26-39%	Over 10	11-25	11-20	Under 400	Under 8,000	70
Ghana	Over 200	26-39	Over 10	11-25	n.a.	Over 1200	15000-25000	29[1]
Niger	126-200	Under 12	Under 2	n.a.	n.a.	Over 1200	Over 5000	n.a
Tanganyika	Under 80	13 - 25	2 - 4	5 -10	Under 5	400 - 700	8000-15000	9
Uganda	Under 80	26 - 39	5 - 9	Over 25	n.a.	700-1200	8000-15000	14
Egypt		Over 40	Over 10	11-25	Over 20	400-700	Under 8000	399

Source: United Nations: Economic Bulletin for Africa Vol IV, Jan.1964, page 69.

Notes: n.a. not available.

Column 8: United Nations Statistical Series K: Compendium of Social Statistics, 1963, p.329.

TABLE 1.3

EUCATION & HEALTH FACILITIES IN NIGERIA, 1963

	Population	% of Literate Population 1952-53	No of Primary School Enrolment	% of Population attending Schools	No of Secondary School Enrolment	% of Population	~~No of Post-Secondary Institutions~~	No of inhabitants per 1 physician	No of Inhabitants per medical Institution	No of inhabitants per hospital bed.
	000	1	2	3	4	5	6	7	8	9
Whole Nigeria	55,670	12.1%	2,896,382	5.2	251,573	0.5		8,900	18,929	2155
Lagos	665	49.1	107,532	16.2	14,502	2.3		418[2]	7,643	287
West	10,266	15.6	1,099,418	10.8	164,448	1.6		6,941	13,077	~~5,509~~ 1604
North	29,809	7.2	410,706*	1.4	20,312	0.7		20,168	38,315	5,509
East	12,394	16.2	1,278,706	10.3	52,311	0.4		7,290	13,269	1,308
Mid West	2,536	n.a.	n.a	n.a.	n.a.	n.a		-	7,103	1,155

Source: Annual Abstract of Stats. Population figures from Annual Abstract page 12. Columns 7,8,9 were derived by dividing the relative population figure with the relative numbers of physicians, medical institutions and hospital beds. Percentages - columns 3 & 5 are derived from the figures Column 1 is obtained from Annual Abstract of Stats. 1963 p.23 and is based on the 1952-53 Census. Details for the 1963 Census have not been published.

Notes: n.a. = not available. (1) Physician includes doctors, dentists, physiotherapists, radiographers Government pharmacists, nurses & midwives. (2) In addition there were 684 subordinate staff including vaccinators.

the whole of Nigeria, 2.3 per cent in Lagos, 1.6 per cent in the West, 0.4 per cent in the East, and 0.07 per cent in the North.

The third indication of the quality of the labour force is labour efficiency. After a field work on the subject in Nigeria, Peter Kilby concluded: "First, the African does not possess any inherent incapacities or attitudes which are detrimental to efficient production. In fact, it can be argued that regarding continuous labour and repetitive operations, he is particularly well-suited to modern production. Secondly, the African's willingness to work considerably exceeds that of labourers in developed countries ... Careful selection, monetary incentives and surveillance from higher management will reduce supervisory weaknesses to manageable proportions. Thus we may say that the quality of the African labour is adequate to meet the needs of the continent's developing economies, now and in the forseeable future".[1]

After a recent study on "The Establishment of Manufacturing in Nigeria", Alan Sokolski concluded: "It may be observed that managers, in general, do complain about a lack of employee loyalty. They are constantly shopping for a better offer, and will move on if they see an opportunity. The ebullient Ibos are singled out as typically thinking they can all be a "Zik" some day. In the south, where most of the opportunity lies, motivation abounds".[2]

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1. Peter Kilby:"African Labour Productivity Reconsidered", Economic Journal, June 1961, 273-291 (underlining mine).
2. Alan Sokolski: The Establishment of Manufacturing in Nigeria, London 1965, p.67.

It is clear from the above that Nigeria has the mineral and agricultural resources for development. She also has an abundant labour force which is mobile, eager to learn;[1] willing to work, and reasonably literate. "Indeed, a major reason for the government's interest in the promotion of industrial development is the considerable over population and consequent under-employment that exists in several parts of the country".[2]

Nigeria's industrial policy aims at effectively and rapidly developing the above resources. Although this policy is affected by her Federal structure of four largely autonomous and rival regions and a constitution which empowers both the regions and the centre to legislate concurrently on industry, all the governments of the Federation are agreed on the above overall policy and on establishing industries which manufacture import substitutes, employ Nigerian labour and provide opportunities for Nigerians to acquire technical skill and managerial experience, and increase the value of Nigeria's exports by processing the raw materials before export.

The strategy adopted in this endeavour is illustrated in her Development Plans which started with the "Ten Year Plan for Development

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1. There are many more people willing to attend school than there are places in Nigeria. "We were told that over a thousand Nigerians, all qualified to enter a university, applied to come to the University College, Ibadan, last year (1959) and there were places for only about 300 of them". See Investment in Education - The Report of the Committee on Post-School Certificate and Higher Education. Federal Ministry of Education, Nigeria, 1960, p.4.

2. Investment Opportunities in Eastern Nigeria, Economic Intelligence Unit (no date), p.21.

and Welfare, 1946-1956". The 1955-1960 plans concentrated attention on the provision of the necessary infrastructure. This was continued in the 1962-1968 Plan with greater emphasis on development. This plan originally aimed at a total capital expenditure of £676.8m; but this was later revised to £828.9m. The objective was to achieve a 4 per cent annual growth rate over the plan period and to ensure that at the end of the plan period in 1967-68, Nigeria's Gross Domestic Product would have increased from £1112.5m. in 1960 to £1436.1m. To achieve this it was to invest at least 15 per cent of her G.D.P. each year during the period of the plan to bring the total gross investment at the end of the plan period to £1206.9m. But she lacks the capital and the high level man power to make this successful.

An illustration of this lack of high-level man power is shown in Table 1.2, which shows that in 1957-58 Nigeria had one physician to over 25,000 inhabitants, compared with under 8,000 inhabitants to a physician in Egypt. Moreover, the proportion per 100,000 population enrolled in post-secondary education in 1960 was lowest at 4 in Nigeria compared with 399 in Egypt, 70 in Algeria, 49 in Lybia and 29 in Ghana. Despite recent improvements in education, the number of inhabitants to a physician was still as high as 8,900 in 1963; and for the North it was 20,000.

In the industrial field, the need for technicians was even greater. "Every employer of technical and scientific man power who has given evidence to the Commission has complained in forceful terms the dearth of Nigerian technicians qualified to fill the middle grades of industrial

employment, and the inadequacy of the facilities for training them. A serious consequence of this is that, in many cases, professional engineers are being uneconomically employed upon duties which could be adequately performed by well qualified technicians. Accordingly, Nigeria's most urgent task in the field of technical education is to remedy this dangerous defect".[1]

The Ashby Commission proposed an educational machinery which would produce at least 8,000 young people every year with some post-secondary education. "This rate of flow sustained over ten years would provide the reservoir of essential high-level man power if Nigeria's development is not to suffer. Even at this level, when Nigerianisation is completed and the high level manpower objectives are reached by 1970, the percentage of Nigerians with professional and sub-professional training will still be far too low, lower even than the present percentages in Egypt or Ghana ... Capital cannot be productively employed in Nigeria to promote economic development unless at the same time the required high level man power is forthcoming".[2]

But Nigeria lacks the capital; and this is the second limiting factor. This lack of capital is mainly due to her very low per capita incomes. Table 1.4 shows that at under $80 in 1958, Nigeria's per capita income is one of the lowest in the world. "Thus rapid growth is required to raise her living standard even to a level equivalent to the average of the world's presently underdeveloped countries".[3]

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1. Ibid., p.95
2. Ibid., p.7
3. Ibid., p.50

TABLE 1.4

PER CAPITA INCOMES OF SELECTED COUNTRIES 1952-54 and 1956-58 EXPRESSED IN U.S. DOLLARS

Range in U.S. Dollars	AFRICA Country	AFRICA Per Capita	AMERICA Country	AMERICA Per Capita	ASIA Country	ASIA Per Capita	EUROPE Country	EUROPE Per Capita	OCEANIA Country	OCEANIA Per Capita
over 1,000			United States	1870			Switzerland	1010		
			Canada	1310						
750-1000							Sweden	950	New Zealand	100
							Luxembourg	890	Australia	95
							Belgium	800		
							U.Kingdom	780		
							Denmark	750		
500-749			Venezuala[3]	540			France	740		
							Norway	740		
							Finland	670		
							Germany	510		
							Netherlands	500		
250-499	Union of South Africa	300	Argentine	460	Israel[3]	470	Ireland	410		
			Puerto Rico	430	Malaya[3]	310	Austria	370		
			Chile	360	Lebanon	260	Italy	310		
			Colombia	250						
			Cuba	310						
81-249[1]	Libya	Niger	Brazil	230	Turkey	210	Greece	220		
	Kenya	Ghana	Mexico	220	Japan	190	Portugal	200		
	Egypt	Algeria	Jamaica[2]	180	Ceylon	150				
Under 80	Nigeria	Upper Volta			India	60				
	Congo (Leo).				Burma	50				
	Uganda				Pakistan	70				
	Tanzania				Korea	70				
	Malawi									

Notes: 1. Figures for African countries under these ranges relate to years 1956-1958.
2. Figure here relates to 1952.
3. For years 1952 & 53.

Sources: 1. United Nations. Per Capital National Product of 55 countries, 1952-54, Statistical Papers Series E No.4. New York, 1957 p.7.

It is because of these two reasons, that is, because of the lack of capital and expertise, that Nigeria has chosen to rely on foreign capital and on the management and technical skills which accompany it. The extent of this reliance is illustrated in the fact that the 1962/68 Development Plan depends on 50 per cent contribution from foreign sources for its successful execution. This contrasts with the 1955/62 period when the Federal Government financed 40 per cent of its plan from external sources. But the 50 per cent contribution expected from external sources under the 1962/68 plan is not necessarily high. Other African countries, at various times in the past, financed their development plans with a higher proportion of external finance. This is illustrated in Table 1.5 which shows that Kenya financed 92 per cent of her 1960/64 development plan from external sources. In Tanganyika the proportion of external finance in her 1961/64 plan was 80 per cent, and in Basutoland it was 100 per cent.

It is necessary to point out that the above development is envisaged in the context of a free enterprise economy. The Nigerian Governments have generally resigned themselves to providing the necessary infrastructure and favourable environment for private enterprise to exploit any available opportunities. It is realised, however, that this traditional role would be ineffective or inadequate in Nigeria owing to the fact that the level and size of domestic savings in the private sector is limited: and such sums as exist have generally been invested in real estate, or in trade and road transport. Because of this, and

TABLE 1.5

FINANCING OF DEVELOPMENT PLANS IN SELECTED AFRICAN COUNTRIES

Country	Period	Local Sources %	External Sources %
Ghana	1959-64	76[1]	24
Kenya	1960-63	8	92[2]
Uganda	1955-1960	57	43[2]
Fed.Rhodesia & Nyasaland	1959-63	58	42
Tanganyika	1961-64	20	80
Nigeria Fed.	1955-62	60	40[2]
Angola	1953-58	95	5
Basutoland	1950-64	-	100
Gambia	1955-60	6	94
Congo Leopoldville	1950-59	48	52
Ethiopia	1957-1961	56	44

Source: United Nations: Economic Bulletin for Africa Vol 11, No.2, June 1962, p.42.

Notes: 1. Include external assets.

2. " loans raised locally.

because, mainly for political reasons, some foreign investors make Nigerian participation a condition for their projects, the Nigerian governments have actively intervened and either established or participated in establishing industrial projects when no private capital is available or when this is necessary to call forth the necessary foreign private capital. The result is that for the whole of Nigeria, the government controls about 22 per cent of the manufacturing sector, indigenous private Nigerians 10 per cent, and foreign private investors 68 per cent. The governments have however always emphasised the special circumstances which necessitated their investments and have pleaded that this should not be interpreted as a movement away from a free enterprise economy.

II PURPOSE OF THE THESIS

It is significant that although foreign private investment thus constitutes over two-thirds of Nigerian manufacturing, and despite the emphasis on foreign capital in the development plans, there was no study of foreign investment in the Nigerian economy until late 1965 and early 1966 when a book and two articles were published. The book[1] dealt mainly with legal problems of foreign investment in Nigeria. Of the two articles, the first, by R.S. May,[2] was based on his inverview of

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1. Paul O. Proehl: Foreign Enterprise in Nigeria, Laws and Policies, The University of North Carolina Press, 1965.

2. R.S. May:"Direct Overseas Investment in Nigeria 1953-63. Some Aspects of its constitution and Contribution to Nigeria's Economic Development", Scottish Journal of Political Economy, 1965.

eighteen British companies with "appreciable investments in Nigeria, and questionnaires to 88 others, out of whom 38 responded". Although May states that the net assets covered in this survey represented some 60 per cent of total investment from overseas, the survey was nevertheless limited. It dealt generally with some aspects of the constitution of all private investment and its contribution to Nigeria's economic development, and did not therefore deal specifically with manufacturing. Besides, it was limited to British investments in Nigeria and therefore omitted investment from other countries.

The other article, by A.H. Hakam,[1] was based on his interview of 68 firms operating in Nigeria. Hakam did not indicate the nationality of the firms interviewed; but, unlike May's survey, he dealt specifically with foreign industrial investments. Nevertheless, although he stated that his survey covered 58 per cent of total industrial investments and 50 per cent of employment in foreign operated industries, it was limited to "the motivation to invest and the locational pattern."

It is obvious from the above that there is so far no comprehensive study of foreign private investment in Nigerian manufacturing, and of the factors that influenced its size, its location, nationality, mechanism, channels and contribution to Nigeria's economic development. This thesis attempts to fill this gap.

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1. A.N. Hakam: "The Motivation to Invest and the Locational Pattern of Foreign Private Industrial Investments in Nigeria", Nigerian Journal of Economics and Social Studies, March 1966.

The study is based largely on many unprocessed official reports and documents of the United Kingdom Government and of the Nigerian Governments, including the Parliamentary Debates of the Federal and Regional Houses of Assembly in Nigeria, and on the publications of the United Africa Company Ltd. These were very helpful but would have been grossly inadequate but for the statistical materials contained in the 1964 and 1965 Nigerian industrial directories and in the 1963 industrial survey published in January 1966 by the Nigerian Federal Office of Statistics. Most of the industrial Tables in this study were compiled from these documents and it is necessary to be aware of their limitations.

The analysis of industrial location in Chapter Five and the classification of industrial projects between "Nigerian" and "foreign" in Chapters One and Two were based on tables compiled from the industrial directories. These directories, however, did not in all cases, indicate the year of establishment or the year in which projects commenced operations nor did they indicate which projects were foreign and which were Nigerian. The method (and its limitations) I adopted to overcome these problems have been clearly indicated in the appropriate sections. More important is the warning given in the directories that although every attempt was made to make the lists "as complete as possible, there may be errors and omissions because there has never been a complete official census of manufacturing firms in the country, upon which to base the directory, and there is no formal method by which changes in company status are communicated to the Ministry (of Industry).

It is possible that some information is not up to date or that companies exist which have been overlooked".

The industrial survey covered 785 establishments primarily engaged in manufacturing in 1963 and employing ten or more persons and having a minimum annual value of production of £100. Manufacturing was defined to include assembly of component parts and repair work; and an establishment as a factory or workshop, i.e., a producing unit at a single location rather than an enterprise or firm which might comprise more than one establishment. Unlike the industrial directory, the survey contained a more comprehensive information on most essential aspects of industry-employment, wages, capital investment, output, consumption of raw materials, fuel, changes in stocks, etc. Nevertheless, it was limited because only 649 or 83 per cent of the 785 establishments responded: in terms of employment the response was about 90 per cent of total industrial employment. Although the survey covered the regions, only the tables relating to the Federation as a whole have been published. For comparative analysis, I requested information from the regional ministries of economic planning; but only the East and the West responded with tables showing industrial distribution of paid up capital and the relative proportions contributed by foreign private investors, private indigenous Nigerians and the regional governments or public corporations. Although the number of reporting projects was shown in each case, there was no indication of what proportion of response it represented or of employment covered.

III THE ORGANISATION OF THE THESIS

The thesis covers a period of 26 years from 1939 to 196 5. For the purposes of this study, however, the period is divided into two: 1939-1954, and 1955-1965. This is a most valuable time division. The first period covers the war and the early post-war change. Its termination in 1954 coincided with the decontrol measures in the United Kingdom, thus making the year the first post-war year in which trading conditions approached normality. 1954 is also historic as marking the introduction of regional autonomy in the Federal constitution of that year which gave Nigerians the freedom to develop their economy and their interest in industrialisation. The second period, 1955-1965, witnessed a most extensive development of this interest, the introduction of self rule in the East and the West in 1957 and in the North in 1959, Independence in 1960, and a republican status in 1963. The second period ended in 1965 before the Military Disruption of 1966.

The thesis is divided into 8 chapters. Chapter One studies the extent of foreign private investment in Nigerian manufacturing and the main factors which influenced it during the first period, 1939-1954. Its general findings are that it was too small and that it was adversely influenced by Government policy. In Chapters Two, Three and Four the extent of, and the main factors which affected foreign private manufacturing investment during the second period,1955-1965, are examined. The general findings are that, relative to the first period, foreign private investment in Nigerian manufacturing was considerable and that

the main factors which favourably influenced it were government policy, apparent political stability during this period relative to other African countries outside South Africa, and Nigeria's potentially large market of 56m. people. Though the significance of this was limited by her low per capita income, foreign investors nevertheless considered it larger than most markets in Africa and with the prospects of a West African or an African Common Market, this proved a strong factor in foreign investors' choice of Nigeria over other developing African countries.

Chapter Five examines the destination or location of foreign manufacturing in Nigeria. It found that 84 per cent of the industrial establishments in Nigeria at the end of 1965 was located in Southern Nigeria and 16 per cent in the North. This was due mainly to the South's proximity to the sea, and the concentration of resources and markets in the South. Chapter Six examines the mechanism of investment and finds that partnership between foreign and indigenous capital is favoured as a compromise between the foreign investors' reluctance to invest owing to fears of nationalisation without adequate compensation, and Nigeria's desire to participate in the ownership and control of her industrial enterprises.

Chapter Seven, which examines the channels of foreign investment finds that 69 per cent of foreign capital investment came from sources internal to the companies, through retained earnings, and suppliers and

other credits from their head offices; and that firms generally depend on the banking system for working capital. Foreign private investment is also channelled through such long-term institutions as the Nigerian Industrial Development Bank and the Commonwealth Development Corporation. It finds that the NIDB has great potentials for this purpose which could be further improved by some modification of its operational techniques. The Lagos Stock Exchange is used by foreign investors as a channel to associate Nigerians in the ownership of their business as a qualifying condition for obtaining privileges under the Aid to Pioneer Industries Act. Its role has, however, been limited by the reluctance of regional governments to offer shares of companies in which they participate to the public through the Exchange for fear that they would be bought by indigenes of rival regions.

Chapter Eight analyses the contribution of foreign private investment in Nigerian manufacturing to Nigeria's economic development, summarises the main findings of the study, and highlights some observed defects in Nigeria's industrial strategy which require rectification so as to maximise the future inflow and contribution of foreign private manufacturing investment in the country.

The National Plan, 1962/68, set a target for anticipated foreign private investment; but it made no attempt to allocate this aggregate to particular sub-sectors or projects. Thus, no separate targets are

set for foreign private investment in manufacturing or in agriculture. Although this study is concerned with foreign private investment in manufacturing, it is considered necessary to give a picture of the overall foreign private investment in Nigeria during the period covered by this study. This is attempted in Appendix A which finds that in 1964 manufacturing accounted for 18 per cent of total paid up capital, reserves, and other liabilities, and for 23 per cent of net investment in fixed assets of all the foreign private firms in Nigeria; that mining, including petroleum, has attached the biggest proportion of foreign private investment, and that the United Kingdom is the biggest source of foreign private investment in Nigeria, followed by Western Europe and the United States of America.

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NOTES

1. Unless shown in the text, all the statistical tables and maps are in appendices A.B & C.

2. I have occasionally used the West, the East, the North, and the Mid-West respectively for the Western Region, the Eastern Region, the Northern Region and the Mid-Western Region of Nigeria.

3. Other abbreviations used are:-

   (a) CDC for Commonwealth Development Corporation;

   (b) ICON for Investment Company of Nigeria Ltd;

   (c) FBI for the Federation of British Industries;

   (d) NIDB for the Nigerian Industrial Development Bank Ltd.

   (e) ENDC for the Eastern Nigerian Development Corporation.

   (f) NNDC for Northern Nigeria Development Corporation.

   (g) WNDC for Western Nigeria Development Corporation

   (h) CBN for Central Bank of Nigeria.

CHAPTER ONE

FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1939-1954

INTRODUCTION

The World Bank Mission to Nigeria in 1954 found that during the 15 years between 1939 and 1954, the Nigerian economy underwent a remarkable economic, political, and social transformation to such an extent that it bore little resemblance to the pre-war economy[1]. This chapter attempts to examine what transformation there was in Nigerian manufacturing and the role of foreign private investment in this transformation during this period.

The chapter is divided into two main parts. Part One analyses the number and significance of foreign manufacturing establishments and part two examines the main factors which influenced them during the period.

Part One

The Number and Significance of foreign manufacturing Establishments in Nigeria, 1939-1954

The first attempt to estimate the number of manufacturing plants in Nigeria was made by Dr. J. Mars in 1948. He found that in 1936, apart from 7 small plants producing such miscellaneous items as aerated

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1. I.BRD: The Economic Development of Nigeria, Baltimore, 1955, pp.3-13

waters and timber, Nigeria had no manufacturing industry worth mentioning.[1] Although Dr. Mars omitted such manufacturing plants as the Nigerian Tobacco Company Ltd., established in 1933, the Unilever's soap factory at Apapa, in Lagos, which was established in 1924, Dr. Mars' generalisation stands, as these two plants were obviously very small at that time.

In 1964, Dr. P.N.C. Okigbo, at that time the economic adviser to the Federal Government of Nigeria, was quoted as telling a group of British business men with West African interests that there were really only 5 industrial establishments in Nigeria in 1950.[2] There was no indication of the size of manufacturing establishments Dr. Okigbo had in mind. He probably meant the Nigerian Tobacco Company, the Nigerian Breweries, the African Timber abd Plywood factory, the Unilever's soap factory and a metal fabricating factory. These were the five biggest manufacturing plants in Nigeria in 1950 and were all foreign-owned. According to Nigeria's 1964 Industrial Directory, each of these establishments employed more than 200 persons. If, however, manufacturing establishment is defined to include those employing 10 or more workers, there were, in 1950, 126[3] manufacturing establishments in Nigeria, and 36 of these were foreign-owned.

Neither Dr Okigbo nor Dr Mars would have been exepected to estimate exactly the number of manufacturing plants in Nigeria by 1950 because of the lack of statistics. There was no reliable industrial register; and

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1. M. Perham (ed.), Mining, Commerce and Finance in Nigeria, London 1948, pp.47, 51 and 67.

2. Quoted in West Africa, March 21, 1964, p.329.

3. Calculated from Federal Ministry of Commerce and Industries, Lagos, Industrial Directory, 1964.

until the passing of the Aid to Pioneer Industries Ordinance in 1952, there was no legal compulsion for firms to register, or to advise changes in their status. Even then, it was only those expecting to benefit from the provisions of the Ordinance that were under compulsion to register. Finally, there was neither an industrial directory nor an industrial census. In 1954, a limited industrial census, covering only soap making, mining, and ground nut milling, failed because the firms were reluctant to give information. Although a statistical Ordinance was passed in 1957 empowering the Government to collect statistics on "factories, mines and productive industries generally", because of the staff shortages at the Federal Office of Statistics, not much was done until 1963 when the first industrial directory was published with the assistance of the Arthur D. Little Inc. which was sponsored by the United States Agency for International Development. This directory was said to contain a "comprehensive" list of manufacturing establishments existing in Nigeria in 1963 and employing 10 or more persons.

Table 1.1 is compiled from the 1964 and 1965 editions of the Directory. Caution is required in interpreting this Table. The directory did not indicate the year which some plants started operation or were established; but I have assumed that this would only affect indigenous establishments. Foreign firms would not ordinarily have failed to record the date they were established or to supply this information.

Secondly the directory did not distinguish between foreign and indigenous plants. I have adopted two criteria to do this. The first is the size of employment. It has been found that indigenous firms are very small in terms of employment per plant. For instance, Peter Kilby found recently that the average indigenous plant employed 2.7 persons in the east and 2.8 persons in the North. Only 2 per cent of the 1,704 firms studied in the North, and one out of every nine of the 10,728 establishments in the East employed 10 or more persons.[1] The directory covered only establishments employing 10 or more persons. In view of the small percentage of indigenous plants which Kilby found employed 10 or more persons, and the very low average employment per plant in indigenous industry, I have assumed that, with some exceptions, no indigenous manufacturing plant employed more than 50 persons. Thus, with the exceptions to be mentioned below, I assumed that all manufacturing establishments employing more than 50 persons were foreign.

The second criterion is the name of the firm or establishment. Between 1939 and 1954, manufacturing plants were few and the big or outstanding foreign plants were known. These included the five factories mentioned above and four Lebanese groundnut processing mills in the North. Similarly, the outstanding indigenous establishments were known. These included the African Development Corporation Ltd., the Government Boat

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1. Indigenous Industry in Nigeria: An evaluation and Proposal for Technical Assistance, U.S.A.I.D., 1964, pp.24-25.

Yard at Opobo and the established Nigerian printing presses. These employed more than 50 persons each, according to the directory. These were therefore exceptions to the first criterion which classified as foreign all the establishments that employed more than 50 persons.

It is not claimed that by using the above criteria, all the manufacturing plants established between 1939 and 1954 and outstanding at the end of 1965 have been included in the Table. This is not possible. As the 1964 edition of the Industrial Directory warned:

> "Although we have tried to make this list as complete as possible there may be errors and omissions because there has never been a complete official census of manufacturing firms in the country upon which to base this directory".

In the 1965 edition, it was cautioned that:

> "there is no formal method by which changes in company status are communicated to the Ministry. It is possible that some information is not up to date or that companies exist which have been overlooked".

With the above observations in mind, we may now study Table 1.1. It shows that at the end of 1954, there were 204 manufacturing plants in Nigeria employing ten or more persons. 52 of these were foreign plants. Since 9 of these were established before 1939, it means that between 1939 and 1954, 43 foreign manufacturing plants established in Nigeria.

Twenty of these 43 foreign plants were listed under the timber, wood and paper products, printing and furniture sector. In terms of employment the United Africa Company's African Timber and Plywood factory at Sapele was the biggest in this sector. Of the six foreign plants

listed under the food, beverages, and tobacco sector, the Nigerian Breweries and the Nigerian Tobacco Company were the biggest in terms of employment. Apart from Unilever's soap factory at Apapa in Lagos, and four Lebanese groundnut processing factories in Kano, all the foreign plants listed under the chemicals, oils, paints, and petroleum products sector were engaged in palm oil and palm kernel milling. The two plants listed under the metal products sector produced metal drums and steel structures, while two of the three plants under the transport and machinery sector assembled vehicles and the third produced rolling stock. No foreign plant was established in the textile and wearing apparel sector during 1939/54. The foreign plant listed under this sector as established before 1939 was the ginning station of the British Cotton Growing Association in Northern Nigeria. This had thirteen branches and was engaged in ginning cotton for export.

The significance of the above foreign plants may be illustrated by the capital investment involved. Unfortunately this is not available. The United Africa Company stated that the net capital investment in their Nigerian Breweries and the African Timber and Plywood Company in 1950 were £463,000 and £3m. respectively.[1]

Table 1.2 shows that the capital expenditure on fixed assets by major foreign firms in Nigeria doubled from about £4m. in 1950 to about £8m. in 1952. Although "major" was not defined, it is assumed that these

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1. Their letter dated 9.6.66

firms were foreign firms in view of the fact that the average indigenous private firm is very small indeed, as was pointed out above. Although the gross capital expenditure on fixed assets by these firms in manufacturing and processing increased by about three times from £271,000 in 1950 to £947,000 in 1952, and its percentage of the total rose from 6 per cent to 13 per cent during the same period, this is considerably less than the gross capital expenditure on fixed assets in mining which was 32 per cent of the total in 1952. It is also very much less than the 27 per cent accounted for by the trade, business and services' sector.

Another illustration of the significance of manufacturing and processing in Nigeria during 1939/54 is given by its contribution to Nigeria's Gross Domestic Product. A.R. Prest and I.G. Stewart estimated Nigeria's GDP at £595.4 m. in 1950,[1] and value added by manufacturing at £0.8m.[2] The manufacturing establishments they covered were beer, soap, groundnut processing, cigarettes, metal containers, and cotton ginning. These were all foreign owned.

In 1958, the Federal Government of Nigeria commissioned Mr. E.F. Jackson, a Fellow of St. Antony's College, Oxford, and Dr. P.N.C. Okigbo to"enquire into the national income of Nigeria with the aim of bringing out the significant changes which have occurred since the Prest-Stewart Report for 1950-51".[3] This study had a wider coverage than the Prest-

1. R. Prest and I.G. Stewart: "The National Income of Nigeria, 1950/51", HMSO, 1953, p.38.

2. Ibid.

3. P.N.C. Okigbo: The Nigerian National Accounts, 1950-1957, Enugu, 1961.

Stewart survey. Indigenous manufactures, such as bakeries and textiles, omitted by Prest and Stewart, were covered by Okigbo and Jackson. Also omitted by the former and covered by the latter were rubber processing, tyre re-treading, furniture and fixtures, and perfumery and saw-milling. As a result of this wider coverage and because the figures were based on 1957 prices, Jackson and Okigbo estimated Nigeria's GDP in 1950 at £687.1m. and the value added by manufacturing at £3.1m. The corresponding estimates for 1954 were £872.2m. and £6.47m. respectively.

Table 1.3 shows the breakdown of the value added by manufacturing in 1950 and 1954. The dominance of the food, beverages and tobacco sector is obvious. This sector accounted for 54 per cent of the total value added by manufacturing in 1950 and for 47 per cent in 1954. The next biggest sector is timber and wood products which accounted for 17 per cent of the total in 1950 and for 23 per cent in 1954. Thus these two sectors accounted for 71 per cent of the total value added by manufacturing in 1950 and for 70 per cent in 1954. This is not surprising since they included the three biggest manufacturing establishments in Nigeria at that time. These were the African Timber and Plywood Company, the Nigerian Breweries, and the Nigerian Tobacco Company Ltd.

CONCLUSIONS

By the end of 1954 there were 204 manufacturing plants in Nigeria employing ten or more persons. 52 of these were foreign establishments, 43 of which were established during 1939/54. In 1952 the gross capital expenditure on fixed assets by the major firms (which are assumed to be

foreign) in manufacturing and processing was £.9m. This represented about 13 per cent of the total gross capital expenditure of £7.6m. by these firms in 1954. At the same date value added by manufacturing was £6.5m. out of a total GDP of £872.2m.

Among the larger foreign manufacturing plants were the African Timber and Plywood factory, the Nigerian Breweries, a cigarette factory, a steel fabricating plant, four groundnut processing plants and a ginnery. As the World Bank Mission pointed out, "lest this recital prove misleading, it must be emphasised again that the majority of the enterprises are quite small. In a country of Nigeria's size and population, this degree of industrialisation is hardly noticeable".[1] This is further illustrated by the fact that in 1950 manufacturing accounted for 0.5 per cent of Nigeria's GDP and for 0.7% in 1954. This is insignificant compared with such sectors as agriculture and distribution which accounted for 64 per cent and 27 per cent respectively of the GDP in 1954. Although all manufacturing was thus very small by the end of 1954, the foreign component was significant in the sense that the two sectors which included the three biggest foreign plants accounted for 70 per cent of the total value added by manufacturing in 1954. The following section examines the main factors which influenced foreign private manufacturing investment in Nigeria during 1939/54.

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1. IBRD: The Economic Development of Nigeria, op.cit., p.347.

PART TWO

FACTORS AFFECTING PRIVATE FOREIGN INVESTMENT IN NIGERIAN MANUFACTURING, 1939/54.

INTRODUCTION

The 1939/45 World War was a turning point in Nigeria's economic history. It caused world shortages in her principal export products and changed the system of marketing these products. It led to a fall in the quantity of her imports; and, as people moved from the villages to the towns to take advantage of the work opportunities created by military requirements, there was a fall in domestic food production. The threat of inflation resulting from the rise in prices due to these developments and to the increase in expenditure owing to military expenditure and spending from increased export earning helped to shape government policy towards local manufacture of some goods which were previously imported. All these factors affected foreign private investment in Nigerian manufacturing during 1939-54. In addition, the rise in militant nationalism which partly resulted from the return of demobilised soldiers led to disturbed political situations and rapid political changes which affected the foreign investor's assessment of Nigeria's investment climate. Other factors were inadequate market for some products and inadequate raw materials for some manufactures, and lack of technique.

All the above factors are discussed below under three broad headings: government policy, political factors, and other factors.

1

Government Policy

Government policy affected foreign private investment in Nigerian manufacturing during 1939/54 through statutory marketing of groundnuts, and through the government's industrial policy, tariff policy, and policy towards the "dollar problem".

1. STATUTORY MARKETING OF NIGERIA'S PRODUCE

Introduction

When the War broke out in 1939, most of the overseas markets for West African cocoa were almost cut off at once. To enable the cocoa producers to maintain their export earnings, the West African Cocoa Control Board was formed by the United Kingdom Government to buy British West Africa's entire cocoa output.[1]

With the fall of the Far Eastern colonies at the beginning of 1942, the supply to the United Kingdom of essential commodities was drastically cut. Accordingly, Nigeria's production of some of these commodities assumed a great importance and she was asked to double her tin exports, raise by tenfold her meagre pre-war rubber output and greatly increase her timber exports.[2] In particular Nigeria's production of oils and oilseeds-groundnuts, palm oil and palm kernel and cotton became a vital

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1. Statement of Policy proposed for the Future Marketing of Nigerian Oils, Oilseeds and Cotton. Government Printer, Lagos, 1948, Sess. Paper no.18, 1948, p.3.

2. D.S. Ford in M. Perham ed. Mining, Commerce and Finance in Nigeria, op.cit., p.13.

factor in the successful prosecution of the war.[1] Accordingly the West African Cocoa Control Board was enlarged and renamed the West African Produce Control Board to include the purchase and the disposal of the entire exportable surplus of oilseeds from the British West African territories "at a price which would serve to ensure maximum production and at the same time avoid as far as possible domestic inflation."[2] In 1946 the West African Produce Control Board's cocoa marketing was taken over by the Nigerian Cocoa Marketing Board and in 1949 the Cotton, Groundnut, and Palm Produce Marketing functions were taken over by the cotton, groundnuts and palm produce marketing boards. These Boards concluded bulk purchase agreements with the United Kingdom's Raw Cotton Commission and Ministry of Food. Under the contract these institutions undertook to buy all the exportable surplus of Nigeria's oils and oilseeds. These contracts, scheduled to expire in 1952, were renewed for another four years but were mutually terminated at the end of June 1954.

From the wider point of view of Nigeria's economic development, these marketing arrangements had far reaching effects. They adopted a price policy which paid the producers less than the market value of their produce and therefore accumulated large sterling balances which

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1. Statement of Policy, op.cit., p.4.
2. Ibid.

were invested in Sterling assets. At 31 March, 1954, these assets amounted to £60.6m.[1] These were subsequently drawn upon to finance research and development. Moreover, through incentive price policies, the Boards stimulated the production and improved the quality of these products which subsequently formed the basis for the establishment of large scale processing plants in Nigeria.

The statutory marketing arrangements, however, adversely affected the prospect for foreign investment in Nigerian groundnut processing between 1939/54. To illustrate this, it is necessary to distinguish between three forms of these arrangements. The first was the West African Produce Control Board during 1942/1948 and the other two were the bulk buying agreement with the U.K. Ministry of Food, and the Groundnut Marketing Board during 1949/54.

The first groundnut processing factory in Nigeria was established by a Lebanese in 1942 shortly before the marketing of groundnuts was taken over by the West African Produce Control Board. From then till 1947 local mechanical processing of groundnuts was banned, with quantitatively negligible exceptions for the armed forces. In 1947 the Lebanese applied for permission to process a few hundred tons of groundnuts to be sold in Southern Nigeria or to be exported to other West African countries or to the Ministry of Food. This was refused.[2] ~~These~~

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1. Overseas Economic Surveys, HMSO, 1957, p.58.
2. P.T. Bauer, West African Trade, Cambridge, 1954, p.430.

These prohibitions were officially defended as necessary in the interest of the maximum export of groundnuts to the United Kingdom.[1] However, they effectively barred new entrants into the industry. They also limited the scope for the expansion of the lone firm which established in the industry before the ban came into operation in 1942 since it could neither process for domestic consumption in Southern Nigeria nor for export.

The Bulk Buying Agreement with the U.K. Ministry of Food limited foreign private investment in groundnut processing in three ways. First, it was the deliberate policy of the Ministry to buy the groundnuts wherever possible, in unprocessed form.[2] This meant that the scope for local processing in Nigeria was limited by this agreement since, because of its preference for unprocessed nuts, the Ministry of Food would normally be reluctant to buy the Nigerian processed products. This would not have mattered much if the processors were allowed to export the processed products to other markets than the U.K. Mr. Gardiner, who investigated the scope for a large scale groundnut processing in Nigeria recommended that the processors be allowed complete freedom to do this.[3] The Government emphatically rejected this on the ground that it would be inapplicable "while the Groundnut Marketing Board's contract with the Ministry of Food lasted".[4]

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1. Report of the Committee Appointed to inquire into the Production and Export of Vegetable Oils and Oilseeds in the West African Colonies, HMSO Col.211, 1947, p.13.
2. C.C. Leubuscher: Bulk Buying in the Colonies, O.U.P. 1956, p.113 fn
3. J.C. Gardiner: Oilseed Processing in Nigeria, Government Printer, Lagos, 1953, p.66.
4. Oilseed Processing in Nigeria, Statement of Policy, Government Printer, Lagos, 1954, p.10.

After a study of the bulk-buying arrangements in the colonies, C. Leubuscher concluded that "on the whole it favoured export of unprocessed materials as against that of processed materials", and that "it may thus prove an obstacle to the setting up of processing industries in the producing colonies and prevent internal measures to this end".[1] She further stated that "this assertion is not disproved by the fact that seed crushing industries - of copra in Fiji and in Zanzibar, of cotton seed in Uganda - have been developed in spite of bulk purchase since the war. In these cases, the Ministry of Food was not greatly interested in deliveries of the unprocessed materials because of the small quantity of copra involved in the case of Fiji and Zanzibar, and of the low oil content of cotton seed in the case of Uganda".[2]

The third form in which statutory marketing of groundnuts limited foreign private investment in Nigerian groundnut processing was through the Groundnut Marketing Board's monopoly powers. Mr. Gardiner had suggested that, because no large local demand for groundnut oil and cake existed in Nigeria, the prospects for large scale groundnut processing depended on the export market. He found that this would be possible if the Nigerian processing were undertaken by a big foreign private investor with extensive overseas marketing outlets through which the Nigerian product would be sold overseas. He concluded that "bearing in mind the monopoly position occupied by the Marketing Boards and other political

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1. op.cit., p.108.
2. Ibid, p.109.

considerations, overseas firms with large organisations in the major consuming countries are unlikely to seek to establish crushing plants in Nigeria, even if developments of this kind were considered economically desirable".[1] After studying the operation of bulk-buying arrangements in the colonies, C. Leubuscher came to the same conclusion.[2]

Mr. Gardiner did not give details of the "other political considerations". In the absence of published information, one may really never know what they were. Both Professor P.T. Bauer and the World Bank Mission to Nigeria recorded the "unfavourable" attitude of the authorities in Nigeria towards processors which showed itself in the form of denial of permits for factory land and for immigration of technical staff.[3] Professor Bauer, in particular, recorded that in one or two instances, the authorities stated in official communications to actual or prospective processors that they did not favour the establishment of private expatriate processing enterprises for the export market.[4] Whatever these political considerations were, however, it is proposed here to analyse the effect of the Groundnut Marketing Board's monopoly powers on the prospects for foreign private investment in Nigerian groundnut processing industry between 1949 and 1954.

These monopoly powers derived from the Board's complete control over the raw materials - groundnuts - and over the export of the processed

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1. Oilseed Processing in Nigeria, op.cit., p.64 (underlining is mine)
2. Bulk Buying the Colonies, op.cit., p.112.
3. The Economic Dev. of Nigeria, op.cit., p.370, and P.T. Bauer, West African Trade, op.cit., p.430.
4. Ibid.

groundnut oil and cake. Under its Ordinance all groundnuts for local processing had to be purchased from the Board and all exports of the processed products had to be made by the Board.[1] The Board was also statutorily charged to secure the most favourable marketing arrangement for the interest of the groundnut producers.[2] In April 1949 the Board informed the crushers (who were all Lebanese) that in future all groundnuts had to be bought from the Board and that all processed oil or cake had to be exported by the Board.[3] In exercising these powers the Board was conscious of two things: its responsibility to groundnut producers and the pioneering contribution of groundnut processing. The task was therefore how to make these two objectives compatible.[4]

The formula adopted to meet this objective was as follows. Under the statute, the processors were free to sell their processed products in the local market. Only those not sold in the home market had to be sold to the Board for overseas export. To encourage the processors, the home market was defined to include the other British West African territories. Another concession from the Board was that processors could sell their processed products directly to the export market overseas but licences for this could be granted only if, on each shipment, they paid an amount sufficient to secure for the Board the same profit as it would have

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1. Nigerian Groundnut Marketing Board, Annual Report, 1949-1950, p.24.
2. Statement of Policy proposed for the future Marketing of Nigerian oils, oilseeds, and cotton, op.cit., p.13.
3. Nigerian Groundnut Marketing Board, Annual Report, 1949-50, p.24.
4. Ibid.

secured if it had exported the groundnuts by itself.[1] It was believed that by the above method, statutory marketing would not affect the prospects of the processors either way; that it would neither penalise nor subsidise them. A lower levy, it was held, would deprive the Board of the funds which would otherwise accrue to it and this would mean that it would not be able to discharge its primary responsibility to the producers which was to secure for them the most favourable marketing arrangement for their products.

Nevertheless the method of exercising the Board's monopoly powers adversely affected the processors. They bought the groundnuts from the Board at a price higher than the local price and they sold the processed products for export to the Board at a price which was found to be inadequate to cover the costs of local processing and allow them a reasonable margin for profit.

The processors bought the groundnuts from the Board at the statutory market price plus a licensed buying agents' fee and an allowance to cover the Board's administrative costs of the marketing scheme. In 1953/54, although the producer price was £36 per ton, the processors paid the Board £41.17.6d per ton. This included licenced buying agent's fee of £5.6.9d and an administrative fee of 10s.9d.[2] If the processors were free to buy in the open market, they would have paid only the statutory producer price and would have largely avoided the extra buying and administrative experiences,[3] as these were largely incurred by the Board

1. Ibid.
2. The Groundnut Marketing Board: Annual Report, 1953-54.
3. Oilseed Processing in Nigeria Statement of Policy, op.cit., p.10.

on export sales of groundnuts.[1] It is for this reason that Mr. Gardiner recommended that the whole or part of these extra costs be waived for the crushers. This was rejected by the Board.[2] These extra expenses, of course, raised the local processing costs. In addition the processors were required to comply with some formalities such as inspection of bags which contributed to raising local processing costs and which would have been avoided if the Board had not intervened.

The price at which the Board bought the processed products from the processors was fixed at the cost of the nuts plus a "crushing fee". The Board fixed this fee at the same rate as that paid by the U.K. Ministry of food to crushers in the U.K. In 1953/54 groundnuts were sold to the crushers at £41.17.6d per ton. After allowing £4.16.8d for containers, the Board bought the groundnut oil and cake at £108.13.5d per ton, so that the crushing fee amounted to £61.19.2d.[3] The crushers objected to this fee as inadequate. They felt it did not take sufficient account of local conditions and wanted an independent assessor to determine the crushing fee to be paid to them. The Board rejected these suggestions, asked its internal auditors to assess the local processing costs and, upon their report, adhered to the crushing fee on the ground that it "covered the costs of an average efficient local expressor, with allowance for profit".[4]

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1. They would still have incurred administrative expenses but as they carried lower overhead costs than the Board, the extra expences would be lower than those paid to the Board.
2. Gardiner's Report, op.cit., p.66.
3. Calculated from the 1953/54 Annual Report.
4. Groundnut Marketing Board, Annual Report, 1951-52, p.16.

The crushers pressed their claim for an adequate crushing fee. Eventually, the Board was compelled to do just what the processors had been pressing for - call in an independent arbitrator. The arbitrator, Mr. J.C. Gardiner, who previously made a study of the groundnut processing industry in Nigeria, argued that the Board could not justify the fee it paid to the crushers. He therefore awarded costs and retrospective payments to the crushers.[1]

To the above considerations which operated to increase the costs of local processing was added the burden of an export tax on processed groundnuts. Under the operative tariff in 1953/54, an ad valorem export duty was imposed on groundnuts, groundnut oil and groundnut cake at the same rate. As the value of processed groundnuts and cake is higher because of the processing costs incurred, the pro rata ad valorem duty amounted to taxing processing costs. Mr. Gardiner estimated this export tax as about 10s per ton. This meant that, in effect, the export of groundnuts was being subsidised and that of groundnut oil and cake being penalised by this duty. Mr. Gardiner emphasised that this put the Nigerian crusher at a competitive disadvantage compared with his competitor overseas where no such tax was imposed. Following Mr. Gardiner's recommendations, this anomaly was partially corrected at the end of 1954.

Although the above export tax did not apparently emanate from the statutory marketing scheme as such, it nevertheless added to the other restrictive tendencies of the Marketing Board system to raise the costs and

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1. See the Calil Case: West Africa, Jan 7, 1956, pp.1-2. The dispute was long drawn and lasted for about three years. Mr. Gardiner awarded them £100,000 plus costs.

limit the competitive power of groundnut processing in Nigeria. Statutory marketing also reduced the quantity of nuts available to the crushers for processing.

In 1954 when the processors' capacity had reached 100,000 tons per year, the Government restricted the quantity of groundnuts available for local processing to 40,000 tons per year, thereby leaving the processors with an excess capacity of 60,000 tons. Mr. Gardiner had recommended, and the Government agreed, to allow the crushers unrestricted freedom to develop; but this curtailment was defended on the grounds that it was undesirable to process for export. This was clearly stated by the Government:

> "The [authorities] are prepared to follow the recommendations of the [Gardiner] report in affording to these enterprises adequate opportunity to develop on normal commercial lines, on the understanding that the enterprises for their part will direct their activities primarily towards production for the domestic market as recommended in the report. A local industry which directed its activities primarily towards large-scale production for the export market could not lay claim to facilities for unrestricted development in view of the general conclusion of the report on the unfavourable prospects for large-scale crushing in Nigeria and the acceptance of these conclusions". [1]

This was a misreading or misinterpretation of Gardiner's report. Mr. Gardiner was commissioned in 1951 "to make a survey of the economics of the local mechanical expression of oil seeds in Nigeria with particular reference to the question whether there is a prima facie case for the Government of Nigeria and or the Nigerian Marketing Boards to establish a

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1. Oilseed Processing in Nigeria: Statement of Policy, op.cit., pp.7-8.

plant for the large scale expression of oil seeds".[1] Mr. Gardiner found that the prospects for the export market were too uncertain to justify the investment of Government money for this purpose and suggested that the development of processing in Nigeria be left to private enterprise.[2] He repeatedly emphasised that private processors should not be restricted. He even recommended a subsidy and the granting of pioneer status and privileges to the industry. In his view the industry was to be regarded as an experiment, the heavy costs of which had been borne by private enterprise. If the experiment succeeded the industry would develop and flourish. If it failed, the necessary lessons would have been learnt as effectively as if the authorities had undertaken it. If after a period of years it should become apparent that for reasons that could not be forseen at the time of his investigation, the industry was not developing on lines which were considered to be in the interests of Nigeria, it would still be possible for the Government to intervene to protect the interests of the country.[3] Thus, although he objected to investing public money in the project, Mr. Gardiner had no objection to private investors risking their own funds.

Mr. Gardiner reported in 1952 and the official statement of policy was issued in 1954. It is tempting to argue in favour of the policy statement that events unforseen in 1952 had occurred by 1954 to justify

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1. Ibid, pp.1-2 (underlining mine).
2. Oilseed Processing in Nigeria, op.cit., 65.
3. Ibid.

the restriction, or the intervention of the authorities in accordance with the report. This becomes more persuasive when the additional reasons given for the restriction are considered. These were that the domestic market was saturated. According to the Government, "The industry in Kano has, unaided, already expanded its capacity far in excess of domestic needs, which makes it necessary to restrict its production".[1] This conclusion was derived from the Board's selling experience in 1953-54. The crushers were required primarily to sell their processed products in the domestic market and to sell to the Board any surplus for the export market. Thus the proportion of groundnut oil and cake sold to the Board became a measure of the saturation of the domestic market. In 1952-53, the Kano crushers sold about 87 per cent of their groundnut oil and 82 per cent of groundnut cake to the Board for export.[2] In 1953-54, the Board's annual report complained that only "a very small proportion of the oil and cake produced was sold locally by the oil millers, the bulk being purchased for export by the Board". These large sales to the Board for export made it conclude that the local market for groundnut cake and oil was saturated.[3]

This conclusion was not correct. The crushers had the option of selling in two markets - the Board and the domestic market. Much advertising and transport costs were involved in selling in the domestic

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1. Oilseed Processing in Nigeria: Statement of Policy, op.cit., pp.6-9.
2. Groundnut Marketing Board: Annual Report, 1952/3, p.6.
3. Statement of Policy, op.cit., p.6.

market; if they sold to the Board, the crushers avoided these costs. The extent of advertising cost involved in selling in the domestic market is illustrated by the experience of the Northern Region Production Development Board which spent £2,444.19.3d between 1952 and 1954 in free distribution of groundnut cake to popularise its use as cattle feed.[1] In addition, because of the great distances involved between the North and the South, on the one hand, and between towns in North on the other, much transport costs were involved. Faced with these extra costs, the crushers obviously sold more of their processed products to the Board to avoid these costs. The Northern Region Production Development Board could bear the costs because it is not necessarily a profit-making concern. If the crushers incurred them the resulting delivered price for their products would be uncompetitive with the prices of local competing substitutes. For instance, it was found that in Northern Nigeria the delivered price of groundnut cake was £21 per ton in Bauchi Province and £16 per ton in Katsina Province. On the other hand, the price of the competing local substitute, called "bran" was £10 in Katsina Province and £16 per ton in Bauchi Province.[2] It was therefore uneconomic for the crushers to sell in the domestic market. This explains why they sold more of their products to the Board. It was therefore wrong for the government to conclude that because the crushers

1. Northern Region Production Development Board: Annual Reports 1952/53 and 1954/55.

2. Ibid.

sold about 90 per cent of their processed product to the Board, the local market was saturated

It is because of these costs and the pioneering efforts of the processors that Mr. Gardiner recommended that a small and declining subsidy and pioneer privileges under the Aid to Pioneer Industries Ordinance, 1952, be accorded to the industry to help it to develop. The Groundnut Marketing Board rejected this recommendation. It argued that if the processed products found favour with the public, then there would be no need to subsidise them. If, however, they were less liked, this, in itself, would be a reason for not promoting their sales artificially.[1] The high nutritional values of groundnut cake and meal were appreciated; but the Board argued that the need for a subsidy in this case arose in Eastern and Western Nigeria. Since the greater part of the groundnuts and groundnut products were consumed in the North, the Board felt it would not subsidise the industry. On the other hand, Eastern and Western Nigeria could not provide the money for the subsidy. This refusal to assist the industry seems unfortunate. In view of what has been said above about the prohibitive distribution costs, it is obvious that a temporary subsidy would have assisted in expanding the local market and would have enhanced the prospects of local processing and of foreign investment into the industry.

The restriction of the quantity of groundnuts available to the crushers for local processing was also justified on the ground that it

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1. Oilseed Processing in Nigeria: Statement of Policy, op.cit., p.8.

was uneconomic to process for the export market, because it was considered that the export of the processed products proved less remunerative than the export of the groundnut in unprocessed form. Restriction was therefore considered necessary since the Board would otherwise be prevented from executing its primary responsibility to the producers to maximise their returns by securing the most favourable marketing arrangements for their produce.

The Board based the above conclusions from its selling experience in 1952-53. In that year it made a net profit of £11.08 per ton on its groundnut sales, £4.71 per ton on its groundnut cakes, and a loss of £1.4 per ton on its sales of groundnut oil. "Calculated on the basis of the normal equivalents" the Board concluded, "these figures mean that on the exports of oil and cake, the Board's margin was less by approximately £3. per ton than that obtained on the corresponding quantity of nuts".[1] "In respect of the sales of (these) processed commodities", said the Government's policy statement, "the Board was prevented from fulfilling its statutory obligation to secure for the groundnut producers the most favourable selling arrangements for their produce. In the light of these considerations, it is the intended policy of the Groundnut Marketing Board, based on the recommendation of the Northern Region Government, that supplies of groundnuts to the local crushers should be limited ...The recommendation in paragraph 212 (a), that no restriction be placed on the quantity of groundnuts purchased by the crushers for processing, has thus

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1. Groundnut Marketing Board: Annual Report, 1952-53, p.16.

not been accepted".[1]

Three reasons make the above conclusion unacceptable. First, it has been shown that the pro rata export duty on groundnuts and groundnut processed products operated to tax the later and to subsidise the export of the former, i.e., export of groundnuts. Secondly, the experience of one of the Nigerian crushers in the marketing of his processed groundnut oil and cake from his factory in the French territory in the Chad did not support the view that the export of groundnut processed products was necessarily less remunerative than the export of groundnuts. Without the intervention of the Marketing Board system in the Chad, this processor obtained better prices for his oil and cake than he got from the equivalent amounts of produce sold through the Board and achieved such a success that the French authorities were reported as willing to assist the expansion of his factory.[2]

Thirdly, even if the selling of the processed products by the Board was less remunerative than the selling of the grountnuts, it is strange that restriction was imposed on the crushers at the moment when the termination of the bulk purchase agreement with the Ministry of Food would have made it possible to allow the crushers the freedom to try other overseas markets than the U.K. The resulting gain or loss from this would have been the responsibility of the crushers and their future would then have had to depend on the outcome, that is, on their competitive strength in the open market.

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1. pp.6-9.
2. "Why Crush the Crushers ?" West Africa, Nov.6, 1954, p.1049

It has been suggested that the decision to restrict the operation of the crushers was influenced by political considerations.[1] However, the decision ran counter to the recommendation not only of Mr Gardiner but also of the World Bank Mission. This mission found that as the growth of the Kano groundnut processing industry "could only benefit, not hurt, the Nigerian economy, we see no reason why it should be discouraged".[2] Professor P.T. Bauer called the restriction " a policy of de-industrialisation unheard of since the 18th century".[3] The restriction certainly increased the processors' operating costs by creating an excess capacity of 60,000 tons of groundnuts per year. The Board suggested to the crushers to utilise this excess capacity in processing cotton. Not only was this inpracticable because it required a complete new set of equipment, it was found uneconomic after an independent expert inquiry.[4] Under these conditions, it is easy to see that not only would it be rather too difficult for the processors to cover their costs, the industry was unlikely to attract new investment unless the policy was modified.

Statutory Marketing of Nigerian Groundnuts: Conclusions.

The preceding pages have attempted to analyse the influence of statutory marketing of Nigerian groundnuts on foreign private investment in Nigerian manufacturing between 1942 and 1954. It was shown that

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1. C. Leubuscher: Bulk Buying from the colonies, op.cit., p.112
2. Econ. Dev. of Nigeria, op.cit., p.371
3. P.T. Bauer: Groundnut Economics in Nigeria, New Commonwealth, Dec. 1955, p.572.
4. F.A. Wells & W.A. Warrington, op.cit., p.90.

during the operation of the West African Produce Control Board, there was a ban on the establishment of new manufacturing plants in the groundnut processing industry and that the expansion of the lone factory established in 1942 shortly before the marketing of groundnuts was taken over by the Board, was severely restricted and permission to process for the domestic market in the South or for export to the Ministry of Food or to other West African markets was refused.

The bulk buying contract with the Ministry of Food which expired at the end of June 1954 restricted the prospects for foreign investment in the groundnut processing industry by the preference of the Ministry of Food for unprocessed groundnuts. This restricted the prospects for local processing in Nigeria, and limited the markets available for the locally processed products.

The Groundnut Marketing Board had powers over the quantity, the price and the marketing prospects of the local processing industry. The Board restricted the quantity of nuts supplied for local processing which was sold to the crushers at higher than the producer prices; and bought the processed products at prices which did not take adequate account of local processing costs. The export market for the processed products was restricted by the refusal to allow the processor the freedom to try markets other than the U.K. or indeed to sell their products in the 'open' export market. Finally, at the time when the termination of the contract with the Ministry of Food would have made it possible to allow the crushers the freedom to develop and market their produce freely both in the home and in the export market, their manufacturing capacity was cut by the Board

to two-fifths of their effective capacity. All these created unfavourable prospects which limited foreign private enterprise in the industry.

GOVERNMENT POLICY

2. The Evolution of the Government's Industrial Policy 1939-1954.

One of the immediate effects of the disruption of communications which followed the outbreak of the war in 1939 was the fall in imports into Nigeria and the consequent rise in import prices. Table 1.4 shows that it was only in 1942 that the total value of imports, at £10m. exceeded the 1938 total of £9m. At the end of the war in 1945, total imports, at £14m., was over 100 per cent the 1939 value. However, as Table 1.5 shows, this rise in the value of imports was mainly due to the rise in the price of imports which had risen by 123 per cent by the end of 1945. The volume of imports, after some fluctuations throughout the war years, was 10 per cent lower in 1945 than in 1939.

After the loss of the Far eastern colonies, certain items of Nigerian exports, such as oils and oilseeds, assumed greater importance in the war effort of the British Empire. This was partly reflected in the rise in the total value of exports from about £10m. in 1938 to £18m. in 1945. Table 1.5 shows that although the value of exports rose by 71 per cent at the end of 1945, export prices rose by 80 per cent. Although the volume of exports fluctuated less than the volume of imports, it was only in three years during the war, 1941-1943, that the volume of exports exceeded the 1939 level; it equalled it in 1944 and was less by

5 per cent in 1945. Throughout the war, import prices rose faster than export prices. In 1945 it was 123 per cent higher than in 1939, while export prices merely rose by 80 per cent.

The inflationary threat from the above developments was reinforced by effects of increased spending due to the very considerable military expenditure,[1] the virtual doubling of wage rates during the war,[2] increased export earnings and food scarcity which followed the drift of labour from the farms to the towns due to the employment opportunities created by military construction.

This inflationary potential was however moderated by the rise in domestic savings as is shown by the increase in both the number and value of Post Office Savings Bank Deposits, and in savings and time deposits in the commercial banks (Table 1.6); and by the anti-inflationary effect of the Government revenue surplus which was £2.5m. in 1945 (Table 1.7). Moreover, the increase in export earnings was not fully reflected in producer incomes because government policy deliberately limited prices paid for crops, e.g. cocoa, to prevent any diversion of effort from the production of oilseed and as an anti-inflationary measure.[3] For instance, although the producers earned £15-£16 per ton for the best quality cocoa in 1939/40, despite the rise in prices, they were only paid

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1. Complete statistics are not available but Prest records that between £3.5m. and £4m. was spent in Nigeria on military expenditure in both 1943-44 and 1944-5 and that it was probably somewhat higher in 1942-43 when military needs were more pressing. See A.R. Prest, War Economies of Primary Producing Countries, C.U.P. 1948, p.242 n.4

2. Ibid. pp.249-250. For instance, wages of unskilled workers rose from 16/6d per month in 1939 to between 30/- and 40/- in 1942.

3. A.R. Prest, op.cit., p.254.

£10-£11 per ton for the same quality cocoa in 1942. Other anti-inflationary measures included subsidies and controls. Despite these measures, however, the cost of living index continued to rise and by 1945 it was 76 per cent higher than the 1939 level (Table 1.5). This led to the award of cost of living allowance to Government employees in 1944, which was increased after the Tudor Davies Report;[1] and to a change in Government policy towards local production of import substitutes.[2]

The first indication of this change seems to be a letter from the Colonial Office to all colonial Governors in June 1941 stressing the need to encourage the production of commodities of special war time value including the development of local production to replace imports.[3] This policy was adopted in Nigeria. Certain government departments instituted schemes to manufacture such products as bacon and butter which were previously imported and a department of commerce and industries was created under the Ten Year Plan for Development and Welfare to develop certain schemes such as pioneer oil mills, to be handed eventually to African management.

Nevertheless, little progress was made in industrial development between 1939 and 1954. Government policy emphasised agricultural development, for it was thought that it would be unwise to invest large

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1. W. Tudor Davies, Report of the Enquiry into the Cost of Living and the Control of the cost of living in the Colony and Protectorate of Nigeria, Government Printer, Lagos, 1945.
2. Nigeria, Annual Reports, 1947-1950.
3. Financial Policy in the Colonial Empire - a circular despatch from the Secretary of State for the Colonies to the Colonial Governors, June 1941. (underlining mine).

sums in new industrial development.[1] Emphasising this policy in the Nigerian Legislative Council in 1945, the Governor of Nigeria, Mr. Boudillon, declared that while the government's economic policy was to develop Nigeria's resources, and while this might lead to the development of subsidiary industries, "there was no intention whatever of turning the people of Nigeria from a race of farmers into a race of labourers. The peasant proprietor is the backbone of Nigeria and I hope he will always remain so.[2] Industrial development was not to be ignored as a matter of policy; but the Development Secretary, Mr. E.V. Smith warned, "that development was not necessarily going to be the industrialization of Nigeria", and that "Nigeria's general condition and size do not lend themselves to industrialisation in a big way".[3]

Government policy, of course, was not opposed to the industrialization of Nigeria. It rather preferred this to be through the establishment of cottage or village industries rather than of factory level or large-scale industries. Emphasising this policy in the Nigerian Legislative Council, the Development Secretary, Mr. E.V. Smith, stated that there was no desire on the part of the Government to suppress large scale industrial activities; "but, in the main, we do feel many of these industries should be developed more on a village and peasant basis than

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1. Industrial Potentialities of Northern Region, Ministry of Trade and Industry, Kaduna, 1963, p.11.
2. Nigerian Legislative Council Debates, March 1940, pp.9-10.
3. See The Nigerian Legislative Council Debates, 23rd Session, 1945 p.51; Development Planning: Preliminary Statement, Sessional Paper No.6, 1945, p.5.

on a factory basis. That is what we want to see done in order that the people in the village may have the best results from the Development Plan".[1]

The Effect of the Government's Industrial Policy

It is thus seen that although the shortages in imports and in local food production, and the consequent rise in prices led to the change of government policy to encourage the manufacture of some goods previously imported, the Government preferred this to be on a village and peasant basis rather than on a factory basis. As foreign private investment in manufacturing had to be on a factory basis, this policy militated against the establishment of foreign manufacturing plants and therefore limited foreign private investment in Nigerian manufacturing during this period.

The mechanism seems to be as follows. Since the government was opposed to factory level industrial establishment, it would not encourage such establishments and this prevention seems to have taken many forms. One was immigration restrictions. In the Nigerian Legislative Council in 1948 a member alleged that the government used immigration laws to prevent a Czechsolvakian firm from establishing a rubber processing factory to manufacture crepe soles from Nigerian natural rubber.[2] No details were given of how this was done but the government did not refute the allegation. Another method was direct prohibition: for instance, Miss M. Perham recorded

1. Nigerian Legislative Council Debates, Feb.7-8, 1946, p.53.
2. Statement by N. Azikiwe, Nigerian Legislative Council Debates, 1948-49, p.437.

that the United Africa Company Ltd. was disuaded by the government from starting a spinning and weaving mill in Northern Nigeria and a garment factory near Lagos.[1] No further detail is available on this.[2] Another method was the Government's attitude of "coolness" towards proposals to establish foreign manufacturing. For instance, a German firm which wanted to establish a furniture factory in Nigeria to produce household equipment, using local materials, found that "some people were unwilling to conduct business with German firms".[3] The people were not specified; but there is little doubt that it was the government which would arrange immigration and foreign exchange permits to make such investment possible.

Another illustration of government policy being "cool" to proposals to establish foreign manufacturing in Nigeria during this period is the proposals for the establishment of textile plants. Two textile projects were proposed in 1952. One was to be a partnership between a British firm and one of the Nigerian Development Corporations to establish a mill of 15,000 spindles and 300-350 looms at a cost of about £.9m, of which the Government would have provided £.5m and the British firm £.4m in addition to undertaking the planning, management, and training of Africans. The other proposal was made by an Italian firm for a small mill at Aba in Eastern Nigeria. He offered to provide the fixed capital of £150,000

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1. M. Perham (ed.), Mining, Commerce, and Finance, op.cit., p.74.
2. Such details are not easy to get. The United Africa Company Ltd. formerly operated a singlet factory in Lagos but sold it in 1949. In reply to my request for further information, the Company said: "The Lagos Singlet Factory. I am afraid the story behind this is highly confidential and we are not prepared to release it".
3. Reported in West Africa, April, 1952, p.323.

provided the Eastern Nigerian Government provided the site and £60,000 for working capital. In 1953 another proposal was made for a textile plant in Western Nigeria by two foreign firms who undertook to provide a substantial part of the capital required. Despite these proposals, by the end of 1954, no foreign textile plant had been established in Nigeria. It is clear that this was not due to the absence of proposals. It was not also due to lack of demand for textiles in Nigeria nor to lack of the necessary raw materials. Table 1.8 which shows Nigeria's imports of textiles and export of raw cotton makes this clear.

The Table shows that Nigeria's exports of raw cotton varied between 10m. tons a year in 1937 and 19m. in 1942. From 1943 it declined to 7m. tons and only in 1950 that it equalled its 1937 level of 10m. tons. The declines during these years were due to the demand of the expanding domestic peasant textile industry and partly due to a deliberate government policy of paying lower prices for cotton purchased for export so as not to divert effort from the production of groundnuts which was given top priority.[1] From 1950 onwards, however, exports began to increase again and by 1952 totalled 19m. tons.

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1. The Colonial Development Corporation: Cotton in Nigeria, A Report to the Nigerian Government, 1955, p.7. For instance, in 1948 when cotton sold in the domestic market was costing 4d per lb in Bauchi Province, in the North, the price paid for cotton bought by the British Cotton Growing Association for export was fixed at 3½d per lb. Accordingly, producers found it more advantageous to sell their cotton in the domestic market rather than for export. Hence, the export figures grossly understate the quantity of local production of cotton since only a small proportion was generally sold for export and the rest retained for consumption in the peasant textile industry. The proportion thus retained was estimated at 60 per cent in 1947 and 1948.

Column 2 of the Table shows the size of Nigeria's import market for textiles. Except in 1954 when it amounted to 24 per cent of Nigeria's total merchandise imports, in no year between 1940 and 1954 was it less than 25 per cent of the total; and for 9 years during the period it was 30 per cent or over. These imports merely supplemented domestic peasant production which was described as "exceptionally wasteful".[1] These figures illustrate that the Government's failure to encourage the establishment of foreign textile manufactures in Nigeria during the period was not due to a lack of a big domestic market for textiles or of raw materials for the manufacture.

F.A. Wells and W.A. Warmington attributed the failure to "problems concerning finance, siting, management, and the training of labour".[2] This explanation is untenable. The prospective investors offered to provide substantial sums of the required capital, provide management of the factories and train Nigerian labour. Nor was the local capital lacking: the Development Corporations and the Nigerian Marketing Boards had large sums of money which would have been utilised for the purpose.

The real explanation must be found in the government attitude towards the proposals. The World Bank Mission which visited Nigeria in 1953/54 found this attitude to be "cool and over cautious". According to the Mission, "proposals of this type warrant active consideration rather than

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1. Empire Cotton Growing Association: Report on a visit to Nigeria, Nov. 2-10th Dec., 1947 by J.B. Hutchinson and E.O. Pearson, p.7.

2. F.A. Wells & W.A. Warmington, Studies in industrialisation in Nigeria and the Cameroons, O.U.P. 1962, p.113.

the cool and over cautious reception which they appear to have received".[1] It pointed out that Nigeria had room for a variety of independent textiles enterprises in all the regions if competent operators could be found. "Keeping in mind the technical skills which accompany foreign investment capital", the mission further emphasised, "we suggest that the proposed regional development corporations be especially receptive to textile manufacturing schemes that appear sound enough to interest overseas investors".[2]

How does one explain the Government's lukewarm attitude to the textile projects especially when it is remembered that, in the interests of the Sterling Area, Nigeria agreed in 1952, to switch at least 15 per cent of her textile imports from non-sterling to Sterling Area countries, which, in effect, was to Lancashire. This would not have been strange if Lancashire could satisfy Nigeria's demand; but it was reported that it could not.[3] Opportunity would have been taken of the dollar problem (as in fact was done in the case of beer and tobacco manufactures) to establish modern textile manufacturing in Nigeria. This was not done.

One would think that this was due to the declared policy against the establishment of factory-level manufactures. This is not apparently so. This policy was enunciated in 1945 and could be regarded as a colonial

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1. I.B.R.D. Economic Development of Nigeria, op.cit., p.387.
2. Ibid.
3. Reported in West Africa, June 21, 1952, p.557. This was because "Lancashire...suffered from a severe labour shortage and was unable to weave anything like the sufficient quantities of the kind of cloth required by Nigeria - Higher grade cloth for other markets being more profitable... many people thought that Lancashire's reduced labour force would continue for a long time to be too small."

government policy over which Nigerians had no say. By the time the textile projects were discussed in 1952/53 two events had intervened to alter the situation. First, the 1951 Constitution came into effect in 1952 and, by introducing ministerial government, enabled Nigerians to have a more effective voice in formulating government policy. This point was emphasised by the late A.C. Nwapa, the first Nigerian central minister of commerce and industries to a British audience in 1952. "The economic policy of my Government", he said, "depends upon the decisions taken by my colleagues and myself, the Council of Ministers. Naturally, we weigh carefully advice tendered to us by the officers of the Colonial Office but we have gained the right, which we intend to exercise, to decide our policy, and to pursue it. There is no question of any dictation of the choice of path which Nigeria is to tread".[1]

The first manifestation of the exercise of the above "right" seems to be the passing of the Aid to Pioneer Industries Ordinance" in 1952 with retrospective effect from July 1951. This apparently changed the policy against factory-level manufacturing establishments by affording limited tax concessions (see later) to encourage the establishment of "pioneer" industries on factory level basis. On the face of it, therefore, the government's luke-warm attitude which led to the failure to establish any of the three textile projects examined in 1952/53 could not be attributed to the industrial policy of 1945 since it had already been changed with effect from 1951.

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1. "A Minister Speaks for Nigeria", West Africa, June 14, 1952.

The real explanation is that the Government postponed decisions on manufacturing and other development projects pending the Report of the World Bank Mission which visited Nigeria in 1953 and reported in 1954. Foreign textile manufacturing was one of the schemes affected. This was the answer given by A.C. Nwapa, the Minister of Commerce and Industries, to a question in the House of Representatives in 1953. Asked why there was no foreign cotton spinning mill in the country, Mr. Nwapa stated that "the Government appreciated the necessity for establishing one which will be considered after the International Bank for Reconstruction and Development's Report".[1] The receipt of this report at the end of 1954 coincided with the introduction of the Federal Constitution of that year. This led to further postponement (see below).

III. THE TARIFF POLICY

The third form in which government policy affected foreign private investment in Nigerian manufacturing during 1939-54 was through its tariff policy. Normally an entrepreneur would be willing to invest in Nigeria if his cost calculations showed that the project would yield him a margin, after costs, which he considers adequate. Some projects would yield this return if initially they are protected from foreign competition by tariff and other tax concessions which would enable them to withstand foreign competition and be able to plough back profits and amortise capital in

1. House of Representatives: Debates, March 1953, p.1032. Question no. W.58 by S. Akinola, MP from Western Nigeria.

the early years until they are able to stand on their own. Without these concessions, such projects may not be undertaken. This is what happened with some projects in Nigeria during this period.

When the United Africa Company Ltd. in 1947 investigated the feasibility of establishing a textile factory in Nigeria, it found the project "unattractive" but was willing to proceed with it if certain tariff concessions would be granted by the Government. The Government rejected this request because it was not prepared to sacrifice the revenue from the tariff. "As we get our revenue from tariffs", the Government told the Company, "if you took away a lot of the imports from which we collect our revenue now, then we might have to put an excise tax on the goods you make in your mill".[1] The company abandoned the project on the ground that "nobody can start an enterprise under those conditions."[2] In 1950 the Commonwealth Development Corporation complained that projects for textile manufactures were held up because of doubts about increasing Japanese competition; import duties are usually ad valorem and do not give adequate protection to local production".[3]

Tariff concessions became available under the Aid to Pioneer Industries Ordinance 1952. Section three of the Ordinance enabled the Governor in Council to determine what new industries it would be in the interest of

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1. Quoted by Mr. Geoffrey Heyworth in his evidence to the U.K. Select Committee on Estimates, British Parliamentary Papers, Vol.8, 1948, p.92.
2. Ibid.
3. C.D.C. Annual Report, 1950, p.6.

Nigeria to establish or develop and to declare such industries pioneer industries. The industries would either be new to Nigeria or not yet carried on "on a commercial scale suitable to the economic requirements or developments of Nigeria". There had also to be favourable prospects of further development of the industry or insufficient facilities in Nigeria to enable the industry to be carried on on a "suitable scale".

Once an industry had been declared a "pioneer", any existent or intending company contemplating to construct a factory (including a mine) in Nigeria to manufacture the "pioneer" products would apply for a pioneer certificate entitling it to a period of tax relief under certain conditions. These include starting operations within a specified period and confining operations to the pioneer product. The companies, which must be public companies registered in Nigeria, would be eligible for tax relief in the first instance for a period of two years. This period may be extended to three years if the Minister responsible was satisfied that the company had already incurred fixed capital expenditure of not less than £15,000; or to five years when this sum is not less than £100,000. Profits and dividends would be tax-free during the tax relief period. Losses incurred during the tax holiday period would be carried forward and set against future profits, for tax purposes, after the tax holiday period.

This Ordinance, which was given a retrospective effect from 1 July 1951 aroused much expectation. Mr. Awolowo, the Leader of the Opposition in the House of Representatives, feared that it would compromise Nigeria's future political independence, because "this very inducement alone is sufficient to produce an influx of foreign investment into this country

at this time."[1] However, by the end of 1953, only 25 applications had been received of which 6 were being considered. But by the end of 1954, no industry had been declared a "pioneer" and therefore no company had benefited from the Ordinance. In deed, although the Ordinance had retrospective effect from July 1, 1951, the first industry to be declared a pioneer industry was cottonseed processing in September, 1955. Why was this so ? There are two explanations.

The first is that the provisions of the Ordinance were narrowly interpreted by the Government. One of the factors to be considered before declaring an industry a "pioneer" was whether it was in the "public interest". An application to declare a match industry a pioneer was rejected on the excuse that the chemicals for the match head would have to be imported.[2] But the chemicals would have to be imported in the match in any case. "If the ordinance is to be effective," cautioned the World Bank Mission, "this broad discretionary power must be exercised in the most liberal manner. Indeed if industrialisation through private enterprise is desired as a matter of policy, then unless it clearly appears that a particular industry would be harmful to the country, we suggest that it is "expedient in the public interest" to encourage every new industry not yet sufficiently active in Nigeria for which private capital is available.[3]

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1. House of Representatives Debates, vol.11, April 3-9, 1952, p.990
2. Ibid., p.359.
3. Ibid.

The second explanation is that the Government postponed major decisions on industry pending the Report of the World Bank Mission. A Member of Parliament in the House of Representatives had criticised the Government's industrial policy and had wondered how long the Government would talk of encouraging industry without actually doing anything practical.[1] The Minister of Commerce and Industries, Mr. A.C. Nwapa replied that the Government was waiting for the report of the pending World Bank Survey on the "resources available for future development and the possibilities of future development in the major sectors of the economy with recommendations for practical steps to be taken, including the timing and co-ordination of developmental activities". The Minister emphasised that the "Council of Ministers found the survey was a pre-requisite for the sound planning of industrial development". It is our firm belief that it is of the highest importance to the whole community that plans for an industry of any significance should be framed in the light of the best available expert opinion on the possibilities of the economic development on a countrywide scale. We believe also that the co-operation of such a body as the International Bank for Reconstruction and Development would be an invaluable addition to our resources; and it would not therefore be in our best interests to go ahead with new plans at a time when we are expecting the visit of the Mission from the Bank".[2]

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1. House of Representatives Debates, 4 March 1953, p.65. The M.P. was the Hon. D.C. Ugwu from the Eastern Region.

2. Ibid., p.141.

The Mission arrived in Nigeria in late September 1953, remained until mid-December 1953, and submitted its report to the Nigerian Government in September 1954. By this time, however, another major event had introduced a new element into the consideration. As a result of the London and Lagos constitutional conferences in 1953 and 1954, a federal constitution had been agreed upon. This came into effect on 1 October 1954. This was significant: it created strong and rival regions; and it made industrial development a concurrent subject between the regions and the centre. Further decisions on pioneer status for industries had therefore to put off still further until things had sorted themselves out. This largely explains why no industry had been declared a pioneer and no company granted a pioneer certificate by the end of 1954, even though the Aid to Pioneer Industries Ordinance became effective from 1 July 1951.

2. POST-WAR SHORTAGE OF CAPITAL GOODS

The allocation of capital goods was another way in which Government policy limited foreign private investment in Nigeria manufacturing during 1939/54. The allocation was necessitated by the post-war shortage of capital goods which seriously limited investment and development projects in Nigeria and in other countries during the period. This was stressed by Mr. Geoffrey Heyworth, Chairman of Lever Bros. and the Unilever Ltd., in his evidence to the United Kingdom Select Committee on Estimates in 1948, when he said it was the "principal" and the "over-riding" difficulty in the way of private enterprise development during the postwar years. "The position", he said, "was becoming more painful. It affects the transfer of the

necessary capital. To be specific, it means that if you want to build a building, you would not get the steel allocation for it in this country [U.K.]. Certainly if it required dollars today, you would have to make a very good case to be able to get dollars".[1]

Mr. Heyworth then described the various hurdles through which a project had to go before it was executed, if at all. The approval of the project by the Nigerian Government would not ensure the steel allocation. This was the responsibility of the U.K. Ministry of Supply. Normally, a project was "born" in London. If it was of sufficient magnitude, the Colonial Office would be sounded, and then the Nigerian Government. If the latter approved of the project, it would be returned to the Colonial Office to assure it that it was in line with the policy of the Nigerian Government and to ask for its backing for steel allocation. If satisfied, the Colonial Office would say: "that is a sensible thing to do. We quite agree with it. It is in accordance with general colonial policy and the particular policy of the colony. Here is our blessing".[2]

The backing of the Colonial Office would still not assure the allocation of the necessary capital goods and other materials for the project. This was the responsibility of the Ministry of Supply. It was here that the greatest obstacle was met during the period. This was due to frequent conflicts between the demands of private enterprise and that

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1. British Parliamentary Papers, vol.8, 1948, pp.90 & 98.
2. Ibid, p.97.

of the Governments owing to an accumulation of arrears of maintenance work during the war years, the desire on both sides to clear these arrears and the pressure of current development projects, especially under the Nigerian Ten Year Plan for Development and Welfare 1946-1956. If there were plenty of supplies, there would be no conflict. But where everybody was trying to get the same thing there was bound to be conflict.

The magnitude of this conflict, or rather the seriousness of the capital goods shortage in limiting Government projects is illustrated in the following account. The importance of Nigerian groundnuts in the war and the post-war effort of the British Empire has already been illustrated in an earlier section. Groundnut production was stimulated in Nigeria, but the bottleneck turned out to be the inability of the Nigerian railway to evacuate all the groundnuts produced from the North, principally Kano, to the coast in the South for shipment to the U.K. By 1946 "groundnut pyramids" were already a familiar site in Kano. As Mr. Heyworth put it: "The railway is the bottleneck. There is a year's supply of groundnuts there [in Kano] now which could be on your breakfast table if the railways could evacuate them".[1] The inability of the railways to evacuate the groundnuts was due to limited capacity. Efforts to obtain steel allocation to expand the railway capacity failed. The following memorandum speaks for itself:

> "It is unnecessary to say more about these two factors [shortage of capital goods and the dollar problem] beyond emphasising that their solution does not lie in Nigeria and

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1. Ibid., p.101.

that the reasons for past failures to solve them can only be investigated in the United Kingdom. Suffice it to say that if H.M.G. desire the maximum evacuation of oilseeds and other vital products to the port, it can only be accomplished if these indents for spares and locomotives are fulfilled. The Mission is particularly invited to study the correspondence in regard to requests to London on these matters and it is felt with confidence that the Nigerian Government could not have done more both by correspondence and in interviews with the appropriate railway.

That these representations were virtually without success was particularly discouraging to this government in the light of the certainty that everything that could possibly be done locally had been done, while a similar certainty regarding action in London did not seem warranted.

The attention of the Mission is particularly invited to the fact that for some reason that is obscure in Lagos but appears to have passed almost without comment in London, Nigeria's urgent need for locomotives was not even considered at the meeting of representatives of the Ministry of Supply and the Locomotive Manufactures' Association in July 1945 and no provision for these needs was included in the Manufactures' 1946 programme.

When the gravity of this omission was stressed at the meeting of the Commonwealth supply Council Railway Equipment Committee in November 1945, it was noted as highly regrettable but irremediable.

The result of this most unfortunate incident was that an order for locomotives had to be placed in Canada and, taking the most favourable view of the prospects of delivery, they will not be in operation before January 1947". 1

If the Government could run into such difficulties because of bottlenecks in the supply of capital goods, the chances of private enterprise obtaining allocation would be extremely narrow, if not impossible, except in exceptional cases. These exceptional cases will be considerd in the

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1. Report of the Committee appointed to enquire into the Production and Transport of vegetable oils and oilseeds in the West Africa colonies. HMSO, Col.211, 1947, appendix XV - being Memo, submitted by the Nigerian Government.

next section.

Asked by the Committee if his organisation had any schemes which were held up because of the lack of capital goods, Mr. Heyworth replied: "Undoubtedly, yes".[1] He stated that certain schemes were held up because in the context of the state of the country (U.K.) then, it was not considered in the national interest to proceed with the schemes. There were also other schemes that were held up because "we just cannot get a quart out of a pint pot".[2] Mr. Heyworth did not specify what the schemes were and which of them specifically related to Nigeria. In view of the obvious position of the United Africa group of companies as the "commercial collossus" of West Africa and the fact that the UAC Ltd. does more than 50 per cent of its West African business in Nigeria, it is fair to assume that a substantial number of the schemes held up by the shortage of capital goods related to Nigeria.

However, even if there had not been any shortage of capital goods, these projects would still not have been established before the end of 1954, because the government would not have permitted them owing to its preference for peasant and cottage industries, up to 1952, and because of the government's policy to postpone major decisions on industry pending the receipt of the projected World Bank Mission, as was discussed above.

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1. B.P.P., op.cit., p.101.
2. Ibid.

IV. THE STERLING PROBLEM

It was shown above that before the passing of the Aid to Pioneer Industries Ordinance in 1952, Government policy was opposed to the establishment of "factory level industries" and that after 1952 it was reluctant to permit or decide on any major industrial project because it was waiting for the report of the Mission of the World Bank. It was also shown that during the same period the shortage of capital goods was such that the Nigerian railway could not obtain the steel allocation necessary to expand its capacity in order to evacuate groundnuts from the North to the South for shipment to the United Kingdom, and that accordingly it was extremely difficult for private investors to secure allocation of capital goods for their projects. However, in spite of the above, three large-scale industrial plants were established in Nigeria in 1949 and 1950. These were the Nigerian Breweries Ltd., the Nigerian Tobacco Company Ltd., and the African Timber and Plywood Company Ltd.

"How was it possible for these plants to be established during this time ?" "What was there special in the factories to enable them to secure approval and obtain allocation of capital goods when the Nigerian Government failed to secure its own allocation to expand the capacity of the railway ?" The following section argues that while rising demand for the products of these factories made their establishment economically feasible, the imperative needs of the sterling area singled them out for special treatment and therefore made their establishment possible.

No official statement is available on the reasons for the apparent exception to the policy or for the allocation of materials for the factories. The following deduction is largely from Mr. Heyworth's evidence before the U.K. Select Committee on Estimates in 1948 and from an interpretation of the relevant trade figures for the products of the factories within the period.

Mr. Heyworth emphasised before the Select Committee in 1948 that because of the shortage of capital goods and because of the U.K. balance of payments position, "we have got to decide priorities, whether they are private enterprise or Government, and that means to say that priorities must go first to maintain the existing production, because that is vital, and, secondly, to new productive development in view of the desperate balance of payments situation the country is in ... Some of the long-term things will have to wait, because we might all be dead in the meantime. It is a question of survival and you have to put first things first".[1]

The priority given to new productive investment owing to the U.K's balance of payments position was understandable. With the convertibility crisis over in 1947, official policy was naturally directed to finding ways and means of closing the dollar gap which had become apparent. The dollar deficit of the Sterling Area was reduced from £600m in 1947 to about £290m. in 1948. This represented a significant achievement. Even then, Marshall Aid was vital: it financed about 75 per cent of U.K's imports from the dollar area in 1948/49. Over the next few years, the Sterling Area had to regain balance. One method was to step up the export

1. Minutes of Evidence, B.P.P. Vol.8, 1948, pp.94, 100.

drive to the dollar area; another was to develop substitutes for dollar and non-sterling imports within the Empire. "From the United Kingdom's point of view, this was the chief reason for encouraging colonial economic development".[1]

This dollar constraint seems to have strongly influenced the authorities to encourage the establishment of the three large manufacturing plants under discussion during this time because of the large non-sterling element in their products. Table 1.9 shows that before the establishment of the breweries in 1949, more than two thirds of Nigeria's imports of beer came from Western Europe. The 31 per cent from 'others' in 1946 came largely from the Belgian Congo. If this were added to the proportion from Western Europe, then Nigeria's non-sterling import of beer was 99 per cent in 1946 and about 93 per cent of her total imports in 1947. Thus in these two years, only about 8 per cent of Nigeria's total imports of beer came from the United Kingdom. The U.K's share soon recovered, however, and was 43 per cent in 1948. Even then the case is made that one of the principal reasons for encouraging the establishment of this industry at that time was the overriding necessity to reduce non-sterling expenditure. Otherwise the brewery would not have been established. This point was made by Mr. Heyworth: "we would not think much of our brewery if they [the authorities] did not say the brewery was the most important".[2]

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1. Colonial Development. Overseas Development Institute, London, 1964, p.48.

2. Ibid., p.100.

Despite local production, the percentage of Nigeria's beer imports from Western Europe, mainly Germany and the Netherlands, reached a new peak of 72 per cent in 1951. In 1952, the Nigerian Government undertook, in the interest of the sterling area, to include beer in the list of imports Nigeria would be willing to switch from non-sterling to sterling area countries.[1] "Unfortunately, Nigeria requires larger type beer in bottles and cannot, such are climate and taste, make do with draught bitter. It looks as though it will be necessary to continue importing on a large scale from the continent of Europe as Britain cannot provide sufficient of the kind required".[2] Imports from Western Europe continued during 1950/54 to average two-thirds of Nigeria's total beer imports. Slightly less than the balance of one-third came from the United Kingdom during that time.

Table 1.10 shows Nigeria's imports of unmanufactured tobacco between 1938 and 1954 from the United States. The high dollar content of these imports is shown by the fact that in no year between 1938-1950 did that fall below 80 per cent of Nigeria's total unmanufactured tobacco imports. Although the capacity of the Nigerian Tobacco Company was expanded in 1950 apparently to stem this heavy dollar import, it seems this only marginally affected the situation. During 1951-1954, the U.S. imports averaged about 74 per cent p.a. of Nigeria's total imports of unmanufactured tobacco.

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1. "Can Britain Supply the Goods ?" West Africa, June 14, 1952, p.547 (article by the commercial editc).
2.
2. Ibid.

Tables 1.9 and 10 give the value and quantity of beer and tobacco imports into Nigeria in 1938, 1945-1954. It will be seen that while the quantity of beer imports increased from 461,000 imperial gallons in 1946 to 2.4m gallons in 1949, when the brewery was established, the value rose by more than five times from £165,000 to £383,000 during the same period. By 1954, beer imports had risen to £2.3m. One of the economic motives for establishing the brewery was therefore apparently the rapidly growing domestic demand for beer. To this would be added the savings in freight and handling charges which would have been incurred if all the beer were imported. As Mr. Heyworth remarked: "obviously, it does not pay to take water across the world ... there is the high cost of freight and so on".[1]

The same reasons explain the establishment of the Tobacco factory in 1949. The first cigarette factory was established at Oshogbo in Western Nigeria in 1933 by the Nigerian Tobacco Co.Ltd., but the cigarette had to be manufactured from imported tobacco as there was no local tobacco suitable for the purpose. As local tobacco cultivation increased in quantity and quality, and as local demand increased, a second factory was established at Ibadan in 1936. The sterling problem, the increasing local demand, and the strong consumer resistance to any attempt to change types in order to economise on dollars necessitated the establishment of the larger and more up to date factory on the site at Ibadan in 1949. The demand was very largely for unmanufactured tobacco and the tobacco factories, through advances to farmers, stimulated local growing of tobacco to substitute for the imports. The continued rising imports of unmanufactured

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1. B.P.P., op.cit., p.91.

tobacco despite the establishment of the factory, is shown by the upward trend in the value of imports which amounted to about £2m. in 1954. While price rises may have contributed to the increase in the value of imports, the rise in the quantity of imports during 1951/54 definitely indicated continued expansion of domestic demand which primarily motivated local manufacturing of cigarettes.

The interplay of rising demand and the dollar problem was most marked in the timber and plywood factory. When the importation of wood from U.S.A. was severely restricted in the U.K. after the War, Nigerian timber production was stimulated as a substitute. This was reflected in an increase in the number of shippers in Nigeria from 5 in 1939 to about 300 in 1951.[1] To this external demand for Nigerian timber was added the increase in local demand owing to the increase in construction activity in the country. It was against this background that the capacity of the African Timber and Plywood factory was expanded in 1950. Its adjoining sawmill, opened also in 1950, was "designed to produce the greatest attainable yield from the log in the form of saleable timber and has a greater capacity than any other mill in Africa. The adjacent plywood factory was equipped to produce a high quality weatherproof hardwood including the renowned "cresta" product.[2] The saving in freight and handling charges arising from shipping the timber rather than the logs, was also an important consideration in the establishment of the factory.[3]

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1. "The Nigerian Timber Boom", West Africa, Jan 2, 1952, p.105.
2. Overseas Economic Surveys: HMSO, 1957, p.122.
3. It has been estimated that a saving of 50% in weight is made when timber rather than the log is exported. See C. Leubuscher: The Processing of Colonial Raw Materials, HMSO, 1951, p.137.

The Sterling Problemd: Conclusions

The above section has tried to illustrate the exceptions made to the government policy up to 1952 which opposed the establishment of factory level manufacturing. It showed that two reasons necessitated this exception. One is the need to economise on non-sterling expenditure; and the other is the rise in the demand for the product of the factories. These two factors were, in fact, related: the rise in the demand led to large expenditure on these items; because this was mainly mon-sterling expenditure, the need arose to economise on it by establishing or expanding factories to produce locally these goods which hitherto had been imported.

If the existence of a large internal market had been the overriding donsideration which necessitated the exceptions, then the textile projects would have been established. The Nigerian market for tobacco and beer, as measured by the value of imports, during that period, never reached 1 per cent of total imports compared with 30 per cent assured by the market for textile goods. As Table 1.8 shows, textile imports were the biggest single item in Nigeria's imports for many years, and accounted for between a quarter and third of total imports until local manufacturing began on a large scale after 1957. Yet permission to establish foreign textile factories were met with "a cool and over cautious approach", as the World Bank Mission found out. Even the singlet factory owned by the UAC Ltd. had to be closed down in 1947. Although the UAC was unable to divulge any information on the circumstances leading to the closure "because it is extremely confidential", it would be surprising if it had nothing to do with the official opposition to factory-level-industries in the country at that time.

In the absence of further details, it is difficult to explain why textiles did not receive the same treatment as beer and tobacco. Since over 90 per cent of the textile imports came from the Sterling Area, there was not the same compelling need to economise on non-sterling expenditure in the interest of the sterling area as there was in the case of beer, tobacco, and timber and plywood which might have been imported from outside the sterling area in the absence of local manufacture in Nigeria. Textile imports from the U1K. to Nigeria did not constitute any drain on sterling resources. Thus it was the defence of sterling and not necessarily the existence of markets which necessitated exceptions to the policy against factory level industries to permit the establishment of the brewery and the expansion in the capacity of the tobacco and timber and plywood factories. Were it for the market alone, perhaps, textile manufacturing would have also been included in the exceptions.

SECTION TWO
POLITICAL FACTORS

Political factors affected foreign private investment in Nigerian manufacturing during 1939/54 by creating uncertainties about the future political status of Nigeria. The uncertainties arose principally from the militant nationalism which developed largely as a result of the return of demobilised soldiers at the end of the Second World War. Most of these soldiers, having lived under different conditions and mixed with people from different countries, had acquired a national consciousness which made for great political unrest on their return to Nigeria. This was manifested in the General Strike of 1945 as a result of which the

government granted a cost of living allowance.[1] It also led to the disturbances which resulted in the Iva Valley Shootings in the Coal city of Enugu in Eastern Nigeria and caused widespread disturbances, looting and destruction of property throughout the major towns in Eastern Nigeria. Offices of prominent foreign firms were attacked and much damage was done to property.[2]

Some of the leaders of this political agitation were very vocal and in some cases they controlled the local press and were well versed in the art of propaganda. The most prominent, and from the foreign investor's point of view, the most dreaded of these political leaders was Dr. Nnamdi Azikiwe. Dr. Azikiwe's nationalism was considered such a threat that Mr. Heyworth listed it as the third factor inhibiting foreign investment in Nigeria. He described Dr. Azikiwe as a man who was stirring up national feelings and his brand of politics as "Zik-ism", "which is a form of nationalism which says that all white faces had better run away". He considered that it was "no use starting up an enterprise if this chap's ideas are going to prevail. I mention it as an instance of what I call "disturbed political conditions" in Nigeria".[3]

One of the effects of this political agitation was rapid constitutional changes. In 1946 the constitution which had been in existence since 1923 was changed and a new one was introduced. This provided for a central legislature for the whole of Nigeria[4] and for regional Houses

1. See W. Tudor Davies: Report of the Enquiry into the Cost of Living and the Control of the Cost of Living in the Colony and Protectorate of Nigeria, Government Printer, Lagos, 1946.
2. The Report of the Commission of Inquiry into the disorders in the Eastern Provinces of Nigeria, November 1949, HMSO, col.256, 1950, p.11.
3. B.P.P. op.cit., p.93.

of Assembly with advisory powers in Eastern, Western and Northern Nigeria. The next constitution which came into effect in 1952, introduced ministerial government for the first time and gave Nigerians more say in the administration of the country. One of the immediate manifestations of the exercise of this power was the passing of the Aid to Pioneer Industries Ordinance in 1952 with retrospective effect from July 1951. As a result of the constitutional conferences in London in 1953 and Lagos in 1954, a new constitution came into effect on 1 October 1954. This was the Federal constitution which created the Nigerian Federal structure with four largely autonomous and rival regions and a centre. It also made industry a concurrent subject over which the regions and the centre had power to legislate.

These rapid political changes caused uncertainties among some of the prominent foreign investors as to what the future political status of Nigeria would be. In his evidence before the United Kingdom Select Committee on Estimates in 1948, Mr. Heyworth listed these uncertainties as the fourth factor which inhibited investment in the colonies. "We have been working so fast", Mr. Heyworth said, "that people are bound to ask this question: 'If India has become independent yesterday, Ceylon today,

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(footnote from previous page)

4. In 1900 the "Northern" and "Southern" Protectorates of Nigeria were created. In 1914 these two protectorates were merged to form "Nigeria". Although a Legislative Council was created in 1923, it never legislated for the Northern Province until the 1946 Constitution came into effect in 1947.

and Burma the next day after and now Palestine, when is Malaya going to be handed over to somebody else to run'".[1] Admittedly, Mr. Heyworth illustrated his point from the experiences in the Far East but the Select Committee was discussing colonial policy in general and West African problems in particular. His remarks were therefore apposite to Nigeria.

Another indication of this concern was given when Mr. F.J. Pedler, the Chairman of Unilever, addressed the Royal Institute for International Affairs at Chatham House in 1955 on foreign investment in West Africa. Mr. Pedler said: "We so frequently have new constitutions, new governments, parties, and ministers, that it is difficult to fix the state of affairs at any moment. In this circumstance, we shall hardly expect to find a steady settled attitude towards foreign investment. The last word is not yet spoken: we have yet to see what happens when Africans hold full power".[2]

These expressions of doubts about the future political status of Nigeria no doubt influenced the investors' evaluation of the investment climate in Nigeria between 1939/54. Their effect, however, was to induce an attitude of "wait and see" before deciding on investment. Even if they had decided to invest, it is very doubtful if any investment would have materialised during 1939-54 in view of the prohibitive effects of Government policy which were discussed above.

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1. B.P.P.vol.8, 1948, p.92.
2. J. Pedler: Foreign Investment in West Africa, International Affairs, Vol.31, 1955, p.461. Mr. Heyworth said that although his (U.A.C.) company's experience formed "the solid rock" of his evidence, "the rest of it is common knowledge of what other (investors) do".

SECTION THREE
OTHER FACTORS

Government policy and political factors which we discussed above may be considered as factors exogenous to the Nigerian economy. This section considers other factors which also affected foreign private investment during 1939-54. These arose from the nature of the Nigerian economy and were inadequate market, inadequate raw materials, and lack of technique.

Inadequate Market

Cement manufacture illustrates how inadequate market inhibited foreign private investment in Nigerian manufacturing during the period. When the United Africa company investigated a project for cement manufacture in Nigeria during 1941/44, it found that Nigeria possessed the raw material, clay, at Igumale in the North, and Nkalagu in the East; and that she also possessed the power required for the process at Oji in Eastern Nigeria. But her domestic market, as measured by the quantity of cement imports, was found to be too small to support a minimum economic size for cement manufacture. The project was therefore abandoned.[1] A project for the manufacture of plastic bags was also abandoned for similar reasons.[2]

Another illustration is the processing of palm oil and palm kernel. This was not undertaken because it was found to be uneconomic owing to high operating costs and lack of local demand for the processed products.

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1. United Africa Company Ltd: Statistical and Economic Review, Sept. 1959, p.28.
2. Ibid., p.32.

Explaining this before the U.K. Select Committee on Estimates in 1948, Mr. Heyworth said: "If you do oil milling of the palm kernels in West Africa instead of in Hull or Liverpool or London, you do not get anywhere at all because it is a more expensive operation there, because you have got to build a plant in a tropical country in the first place which costs a good deal more, and, of course, the cost of your European supervision is very much more. In addition to that, there is no market for any of the residual products in the country so that there is no particular advantage in doing that. In fact we have done it, and we have lost a quarter of a million pounds. That is only one case. If we thought it better to do any of our processing jobs out there, we would certainly do so".[1]

II INADEQUATE RAW MATERIALS

The Sack Industry in Nigeria

The history of this industry is interesting for two reasons. It is an instance of a viable project for local manufacture based on imported raw materials which was later abandoned as uneconomic owing to a change in world prices of the raw material and of the finished product. It also illustrates the prospects for a secondary industry based on local raw materials without an adequate system of production and collection of the raw materials which made it difficult to assure continuity and consistency of supplies where they had to derive from a very large number of small and independent producers.

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1. B.P.P., op.cit., p.103.

Nigeria had been a large importer of sacks especially for her principal export crops, such as cocoa, cotton, groundnuts, and palm kernel. Between 1947 and 1954 her total expenditure on the imports of jute and jute products amounted to nearly £13,,[1] an average of £1.5m. p.a. In 1949 when jute prices were high and supplies to Nigeria became insufficient and uncertain, the Colonial Development Corporation and the Nigerian Cotton and Cocoa Marketing Boards undertook to establish a twin factory at Onitsha in Eastern Nigeria for cotton spinning and sack making so as to have "an assured and independent source of supply of bags which would prove of direct service in the marketing activities of the Boards".[2] The Nigerian Fibre Industries Ltd. was formed in 1950 by the CDC and the two Boards for the project. The Cotton and Cocoa Marketing Boards undertook to provide £.2m and £.61m. respectively. The original intention was to use Indian and Pakistani jute for the sack factory, but the steep rise in jute prices in 1950 made it clear that a factory using imported jute would run at a loss.[3]

The twin project was therefore submitted for independent expert investigation in 1951. This took the form of a comprehensive investigation into costs, markets, and profitability possibilities of both schemes.

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1. Calculated from Nigerian Annual Reports for the years
2. Nigerian Cocoa Marketing Board, Annual Report, 1952-53, p.15.
3. CDC's letter, The Cotton Marketing Board took up the project and the Kaduna Textiles Ltd was established in 1957 with foreign participation.

It recommended that the sack factory be re-planned and that the cotton spinning project be dropped.

A revised scheme was prepared for the sack factory. The objective this time was to use locally grown fibre. To this end the Nigerian Government instituted a production drive with the object of producing 6,000 tons of fibre annually in Northern Nigeria. Despite the incentive of very high prices offered to the farmers, the result was disappointing in quantity and quality.[1] By 1952 world jute prices had slumped and this brought a new element into the consideration, that is, the use of imported jute. Investigations showed, however, that it was then cheaper to import complete jute sacks than to manufacture them locally. The Colonial Development Corporation considered that the sack factory would not be financially viable. The two marketing Boards sought an independent advice and as a result agreed to abandon the scheme as its establishment would only be on a heavily subsidised basis.[2]

In arriving at the above decision, the Cocoa Marketing Board, being convinced of the value of such a project to the country, instructed its executives to regard the issue as still alive and and to make the necessary inquiries regarding the feasibility of some modified project should conditions in Nigeria become more favourable.[3] A sack factory was

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1. House of Representatives: Debates 1954, p.16. Statement by the Hon. R.A. Njoku, Minister of Commerce & Industries.
2. Ibid., appendix 17.
3. Nigerian Cocoa Marketing Board, Annual Report, 1952-53, pp.12-13.

eventually established at Badagary in Western Nigeria. It started operation in 1966.

3. LACK OF TECHNIQUE.

Hurricane Lanterns

The manufacture of hurricane lanterns is an example of an industry where foreign investment was hindered because of lack of experience of precision engineering in Nigeria.

This industry was investigated by the United Africa Company in 1952. It found that Nigeria imported substantial volumes of hurricane lanterns annually, and that, although as electricity becomes more widely available in Nigeria, the sales potential of hurricane lanterns would be reduced, it was likely to be some years before this effect would be pronounced. The company found an opportunity of acquiring an existing plant manufacturing hurricane lanterns in the U.K. and transferring it to Nigeria. The plant consisted of a large number of small machines each requiring individual operations demanding a comparatively simple order of skill. But these machines had to be maintained to a very high standard: a breakdown in one machine could jeopardise the whole production process. In the United Kingdom a machine or its part that broke down could easily be repaired or replaced. In Nigeria, however, local replacement of parts was often impossible.[1] Two other favourable considerations in the transfer were the saving in freight charges and the lower import duty that could be achieved by importing components rather than assembled lanterns.

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1. The United Africa Co.Ltd. Statistical & Economic Review, op.cit., p.20.

Detailed calculations suggested that the transfer would be an economic proposition if the locally manufactured lanterns would capture the whole of the Nigerian market, displacing all imported lanterns and if local skills would be equal to the skills available in the U.K. It was found that in order to oust the imported lanterns, it would probably be necessary to cut prices to an extent that would make the local manufacture unprofitable. But the more important consideration was that local skills, particularly tool-room skills, were not available.[1] The tool-setter, it was stated, is a highly skilled craftsman and the key artisan in the factory. If Nigerians were to fill such posts, which were required to work to fine limits, they would need to be trained for a long period in a similar factory in Europe. On balance therefore, it was decided that the advantages of the project were outweighed by these disadvantages and the project was abandoned.[2]

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1. Ibid.
2. Ibid.

FACTORS AFFECTING FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1939/54.

CONCLUSIONS

The factors which affected foreign private investment in Nigerian manufacturing during 1939/54 may be grouped under three headings: government policy, political factors, and other factors.

Other factors were inadequate market for certain products, inadequate raw material for some manufactures, and lack of technique. The projects investigated and abandoned during the period because of these factors were illustrated in the text. Political factors included uncertainties about Nigeria's future political status and the disturbed political situation which followed the rise in militant nationalism on the return of the demobilised soldiers after the War. These adversely affected the foreign investors' assessment of the investment climate in Nigeria during the period. The concern which they expressed over these developments were illustrated in the text. The prospective investors must therefore have adopted a "wait and see" attitude which implied a postponement of investment decisions. While these and other factors mentioned above were important in limiting foreign investment in Nigerian manufacturing during 1939/54, their effect must not be exaggerated. Indeed, if these factors had not prevailed, it is doubtful if any investment would have materialised or that the projects investigated and abandoned would have been established at all. This is because of the inhibitive effects of government policy.

This policy adversely affected foreign private investment in three ways. The first was through statutory marketing of groundnuts between 1942 and 1954. This adversely affected the prospects of this industry through the ban on local processing between 1942 and 1947 and through the bulk buying contract with the U.K. Ministry of Food which preferred unprocessed groundnuts to processed products and thereby limited the prospects for local processing. The contract also limited the export markets for Nigerian groundnut processed products since the Nigerian processors were not allowed to sell their products in export markets other than the U.K. The position, therefore, was like this: the U.K. Ministry of Food preferred groundnuts in unprocessed form; but if the Nigerian processors processed any at all, they were not allowed to sell in any export market other than to the Ministry of Food who was reluctant to buy the processed products. This reluctance was manifested through the exercise of the monopoly powers of the Groundnut Marketing Board. The Board sold to the crushers groundnuts for local processing at prices higher than the statutory producer prices and bought the processed products from them for export at a price which did not cover their full costs plus a reasonable margin for profit. Finally in 1954 when the processor's milling capacity had reached about 100,000 tons per annum, the amount of groundnuts supplied to them for processing was reduced to 40,000 tons, thereby creating an excess capacity of 60,000 p.a. To these restrictions which discouraged local processing by increasing processing costs was

added an export tax which, by taxing processing costs, discriminated against export of processed products in favour of the maximum export of groundnuts in an unprocessed form. These restrictions not only created unfavourable environment for new entrants into the industry but also limited the prospects for expansion of the plants already established in the industry.

The second method by which government policy adversely affected foreign private investment in manufacturing during the 1939/54 period was through the adoption of an industrial strategy which preferred the establishment of industrial plants on a peasant and cottage basis rather than on a factory-level basis. As foreign manufacturing had to be on a factory level basis, the government, in pursuance of its policy, used many devices to prevent the establishment of foreign manufacturing. These methods were listed in the text.

Exceptions were made, however, to the above policy - in the case of the Nigerian Breweries, 1949, the African Timber and Plywood Factory, and the Nigerian Tobacco Factory in 1950. These exceptions were necessitated by the need to economise on non-sterling spending in the interest of the Sterling Area.

Apart from these exceptions, the governments policy up to 1952 was opposed to the establishment of factory level manufacturing plants. It is therefore understandable that the fiscal policy was geared towards the provision of revenue rather than to encourage the establishment of

manufacturing. When the United Africa Company Ltd. requested to be granted some concessions to enable it to establish a textile factory, these were refused on the grounds that they formed the sources of revenue which would not be sacrificed.

The 1951 Constitution which came into effect in 1952 introduced a ministerial government and offered Nigerian more say in policy making. It seems the first manifestation of this inclusion of Nigerians in the Cabinet was the enactment of the Aid to Pioneer Industries Ordinance. This obviously changed the earlier policy against factory level manufacturing establishment by offering limited tax concessions to encourage the establishment of pioneer industries. Although this Ordinance had a retrospective effect from July, 1951, by the end of 1954, no industry had been declared a "pioneer" industry and therefore no company had benefited from the Ordinance. Indeed, the first industry to be declared pioneer was cotton seed processing in September 1955.

This was because the Government interpreted its provisions very narrowly; and at any rate, was unwilling to take any positive decision on the establishment of major industries because it was waiting to receive the report of the World Bank Mission which visited Nigerian in 1953. The receipt of this report in September 1954 coincided with the introduction of the 1954 Federal Constitution. This created strong and largely autonomous and rival regions and made industry a concurrent subject over which the regions and the centre could legislate. Accordingly, decisions on industry were further postponed until issues had clarified under the new constitution.

CHAPTER TWO

FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1955-1965

INTRODUCTION

The federal constitution in 1954 offered Nigerians the freedom to develop their interest in the industrialisation of their country. The following statement illustrates this interest: "Industrialisation is on everyone's lips. It has been given a place in the priority list second only to increase in agricultural productivity. Nigerians want it and expatriates promise help. Every one is agreed that this is a world where everything is more and more being governed by developments in science and technology. It is not by mere accident that the most developed countries in the world with the highest standards of living, are the industrialised ones. It is not surprising either that the most powerful countries are also the industrialised countries. The yearning of industrialisation in Eastern Nigeria is therefore understandable".[1]

At the "Made in Nigeria" exhibition in Lagos in 1958, the Federal Minister of Commerce and Industries, Dr. K.O. Mbadiwe, declared: "The industrialisation of Nigeria is not a matter for the future. It is here: it is started already. My friends, I beg of you to stop talking about industrialisation; go and look what is already being done".[2]

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1. The Report of Eastern Nigeria Economic Mission, 1961, Official Document no.5, 1962, p.8.

2. Nigeria Trades With World: Nigerian Trade Journal Jan/March 1965.

The above two statements give an indication of the importance Nigeria attaches to industrialisation; the one defends the yearning for it; the other insists that it had already started by, or before 1958. This chapter studies what industrialisation there was in Nigeria during 1955/65 with particular reference to the role of the private foreign investor, which is mainly statistical and examines the number, sectoral distribution, and amount of foreign private capital investment in manufacturing industries during the period.

PART ONE

THE SECTORAL DISTRIBUTION OF FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1955-1965

I. Number of Manufacturing Establishments

Table 2.1. shows the number and sectoral distribution of manufacturing plants established in Nigeria between 1952/57 and 1958/63.[1] It shows that 451 manufacturing plants commenced operations in Nigeria between 1952 and 1963. 295 or 65% of these were established during 1958/63 and 156 or 35% during 1952/57. Thus more industrial plants were established or came into operation during 1958/63 than during 1952/57. There are two explanations for this.

The small number of establishments during 1952/57 illustrates the point made in the last chapter that no serious efforts at industrialisation in Nigeria were made before the introduction of the 1954 federal constitution. On the one hand, the period between 1954 and 1957 was occupied with many administrative and organisational problems which followed the introduction of the new constitution. During this transitional period, therefore, not much, again, was done in the industrial field. On the other hand, the period between 1958 and 1963 not only witnessed the achievement of self-rule in the Regions, but also the attainment of independence in 1960. To the experience gained in the earlier years was added the full impact of self-government and independence during this period. This was reflected in more vigorous measures to

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1. This covers the ten years between the introduction of Ministerial Government in Nigeria and of Republican status in 1963. 1957, which divides the two periods into two halves, marked the attainment of internal self government in the East and the West.

attract foreign private investment and to stimulate industrialisation. These measures will be discussed below; they are merely mentioned here to explain why the number of manufacturing plants established during 1958/63 was nearly double the number established during 1952/57. Table 2.1 shows that of all the plants established during 1952/63, those established during 1958/63 varied between 70% and 88% in all the sectors except the machinery and transport equipment, leather and leather products, timber and furniture sectors. Even then it is only in the machinery and transport equipment sector that the proportion fell below 55%.

Table 2.1. does not distinguish between foreign plants and indigenous plants. This distinction is attempted in Table 2.2.; but the following caution is necessary. The source of the Table did not make the distinction; and I have used the two criteria I adopted to classify the manufacturing plants in chapter One. The first is the size of employment: I assumed that, with some exceptions, all plants employing more than 50 persons are foreign. The second criterion is the name of the establishment since the outstanding foreign and indigenous plants during 1939/54 were known. However the reliability that can be placed on these criteria is less during 1955/65 than during 1939/54 for two reasons.

The first is that there were considerably more industrial establishments during the later than during the earlier period. For instance there were 955 during 1955/65 compared with 204 during 1939/54. Secondly while there were no industrial partnerships between foreign and indigenous capital during 1939/54, partnership was the common mechanism of foreign private investment in Nigerian manufacturing during 1955/65 and

the proportion of ownership of individual projects is not published in all cases. Where such proportion is known, I have grouped as foreign any plant where the foreign interests contributed 50% or more of the paid up capital and reserves, and as indigenous where the reverse is the case. Plants grouped as foreign under this categorisation include the Tower Aluminium (Nig.) Co and Guiness Factories in the West, and Williams and Williams (Nig.) Ltd and the Aba Textile Mills in the East; factories grouped as indigenous include the West African Breweries Ltd in the West and Niger Gas Ltd in the East. Where the proportions are unknown I included them as foreign. On the other hand, some plants, such as the Independence Breweries Ltd, the ceramics and the glass factories in the East are known to be wholly owned indigenous government establishments and have been similarly classified. Also classified as indigenous are all contractor-financed industrial projects which are generally owned 90% by the government or public development corporation and 10% by the foreign contractor/partner.

It is hoped that with above methods Table 2.2 represents a fairly accurate tabulation of indigenous and foreign plants established during 1955/65. The table is not comparable with Table 2.1. While the former was compiled from the 1965 industrial directory which contained a "comprehensive" list of manufacturing establishments existing in Nigeria in 1965, Table 2.1 was compiled from the 1963 industrial survey covering only 649 establishments. Moreover, the period covered in the two Tables differs. Unlike Table 2.1, Table 2.2. covers the periods between the introduction of the Federal constitution about early 1955 to Independence

in 1960, and the first five years of independence between 1961 and 1965.

In spite of these differences in coverage, however, the pattern which emerges in Table 2.2 resembles that in Table 2.1. This is that more industrial plants were established in the first five years of independence than in the 6 years between 1955 and 1960. Table 2.2 shows that 955 industrial plants were established during the decade, 1955/6. Out of these, 425 or 45% were foreign. However, 70% or 298 of these 425 foreign plants were established between 1961 and 1965 and 30% or 227 established in the 6 years 1955-1960. This suggests that Independence attracted rather than deterred foreign private investors in Nigeria.

A breakdown of the foreign plants into sectors shows that their proportion is greatest in clay, glass and cement products; metal products; transport equipment and machinery;[1] and in miscellaneous, mainly plastic, sectors. In these sectors the foreign plants varied between 92% and 73%. In textiles, leather and chemicals, the proportion of foreign plants exceeded 50%; only in two sectors, timber and food, is the proportion low at 18% and 26% respectively. The foreign plants are heavily concentrated in those sectors, clay, metals, chemicals and machinery, requiring heavy capital outlays and specialised skill and that they predominate in all the sectors except in the food and timber sectors. Obviously in these two sectors, activities such as baking and sawmilling do not generally require heavy initial capital outlays or specialised skill.

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1. Moreover the proportion established in each sector between 1961/65 varied between 50% and 84%.

The preponderance in number of indigenous plants in these sectors is thus understandable.

2. Foreign capital investment in Nigerian Manufacturing, 1955-1965

The above pattern is also illustrated in the capital investment of foreign private investors in Nigerian manufacturing as indicated in Table 2.3. This analyses the sources of paid up capital of 649 industrial establishments in Nigeria. It shows that out of a total paid up capital of £56.8m in these establishments the foreign private investor contributed £38.4m or 68% of the total and indigenous public and private sources contributed £18m or 32%. The foreign private investor contributed the greatest proportions in the following sectors; machinery and transport equipment, 98%; chemicals, oils and paints, 93%; miscellaneous and metals, 86% and 80% respectively. On the other hand, indigenous proportion is greatest in clay, cement, and glass products at 71%. This is due to the great importance which the Government attached to this sector and which therefore made it contribute substantially in order to make the establishment of some of the cement plants possible; that is why it contributed more than 50% (£3.6m out of £6.7m) of the paid up capital in this sector. In absolute figures, foreign paid up capital was biggest, £10m, in machinery and transport equipment; £9.3m in food beverages and tobacco, and lowest at £29.000 in the miscellaneous sector. The indigenous predominance in the food sector in terms of number of plants is not matched by predominance in terms of paid up capital. This is probably due to the overwhelming proportion of small bakery plants scattered all over the country.[1]

1. Peter Kilby found that capital requirement in the bakery industry ranges from £30 to £30,000 but that 39 of the 59 Nigerian bakery plants he surveyed had initial capital investment of under £500 each. See Peter Kilby, African Enterprise: the Nigerian Bread Industry, Stanford University Press, 1965, pp. 94 & 42.

The Regional breakdown of the paid up capital is available only for the Eastern and the Western Regions and is shown in Tables 2.4 & 5.[1] The figures for the Eastern Region covered 124 Manufacturing establishments in 1963 with a total paid up capital of £17.7m, of which £9.9m or 56% came from foreign sources and £7.9m or 44% came from indigenous sources. More than 50% (£4.8m) of the £9.9m was contributed from foreign sources in the food, beverages and tobacco sector, the next biggest foreign component being £1.7m in the machinery and transport equipment, 97% in miscellaneous products, 95%; and in food, beverages and tobacco, 84%. By 1963, there was no foreign investment in textiles, wearing apparel and footwear in the Eastern Region.[2]

The figures for the Western Region (Table 2.5) covered 65 manufacturing establishments in 1963 with a total paid up capital of £16.5m of which £11m or 67% was accounted for by the foreign private investor. In absolute terms, foreign paid up capital was highest in food, beverages, and tobacco, £6.3m, and in the leather and leather products sector, £1m. As a proportion of total paid up capital, foreign contribution was highest in chemicals, 94%; food, beverages and tobacco, 92%, and 89% in metal products. In contrast to the East, foreign contribution is smallest in the machinery and transport equipment sector.

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1. The Table was computed from the figures kindly made available by the Ministries of Economic Planning in the East and the West. None was available from the other regions. The Fed. Office of Stats. promises to publish the breakdown of its 1963 industrial survey in due course.

2. Since then two foreign textile mills have been established in the Region, one at Aba and the other at Quitshe.

A comparison of Table 2.2 with Table 2.3 shows that the predominance in the number of foreign plants is reflected in predominance of foreign paid up capital in all the sectors except in food, beverages and tobacco, timber and wood products, and clay, glass and cement products. Even in these sectors, the only exception to the national trend is in clay, glass and cement products where the dominance in terms of foreign plants is not matched by the predominance of indigenous paid up capital owing to the fact that without substantial government contributions some of the cement plants would not have been established. In the food, beverages, tobacco products sector, indigenous predominance in terms of plants is not matched by predominance in terms of paid up capital owing to the very large numbers of small indigenous bakery plants in these sectors, and the big initial capital requirement in brewing and tobacco industries. On the other hand, indigenous predominance of plants in the wood and timber sector is reflected in predominance of indigenous paid up capital.

Tables 2.4 and 5 show that these national trends are largely maintained in the Regions. In both the East and the West, paid up capital is largely foreign owned, following the national trend, in the food, beverages and tobacco sector where it was 84% in the East, and 92% in the West. Also following the national trend, foreign paid up capital predominates in the leather and rubber products sector in both regions and is in a minority relationship in clays, glass and cement products, being 16% in the East and 42% in the West. Beyond these, however, divergences with the national trend occur. While 97% of the paid up capital in the machinery and transport equipment sector in the East was foreign owned, only 23% of

this sector was foreign owned in the West; while the 28% foreign minority interest in the metal sector in the East, contrasts with 89% foreign interest in this sector in the West.

Another indication of the extent and distribution of foreign private investment in Nigerian manufacturing industry is shown in Tables 2.6 and 2.7. These Tables summarise the results of the series of surveys conducted by the Central Bank of Nigeria during 1962/64. They differ from the analysis in Table 2.3 which summarised the result of the 1963 industrial survey conducted by the Federal Office of Statistics. While the later survey related to 785 manufacturing establishments which employed ten or more people each, and having a minimum annual product value of £100, the Central Bank's survey related to 533 large and medium-sized concerns chosen in 1965 from those registered or listed with the Registry of companies as having an authorised capital of £10,000 or more, part, or all of which were believed to be foreign owned.[1] While 83% of the establishments surved by the Federal Office of Statistics in 1963 responded, 62% of the companies surveyed by the Central Bank in 1964 responded.

Table 2.6 shows the total capital investment in the manufacturing industries. Capital investment here consists of paid up capital, unremitted profits, increase in equity holdings and debentures, commercial

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1. When the CB's surveys started in 1962, only 388 companies were surveyed and 78% response secured. The number contacted was increased to 481 in 1963 and the response to the two surveys averaged 75%. An extrapolation procedure was then adopted to give an estimate of the total private investment in the country. Commercial banks and insurance companies, omitted from the 1963 and 1964 surveys, were included in the 1965 survey.

credits and other short term loans from overseas parent or affiliate companies.[1] It shows that foreign private capital investment in Nigerian manufacturing increased from £38m in 1962 to £58m in 1964. The food, beverages and tobacco sector accounted for 44% of the total in 1962. This proportion declined as other sectors increased and in 1964 it was 32%. This declining trend is also witnessed in the textiles and in the metal products sectors. On the other hand the most significant increase recorded during the period was in the chemicals, oil, paints and petroleum product sector which increased in proportion from 12% in 1962 to 23% in 1964 due, chiefly, to the investment in oil refinery in that year.

Table 2.7 shows the distribution of net fixed assets of foreign manufacturing plants in Nigeria for the three years, 1962-1964. It shows an increase from £39m in 1962 to £47m in 1963 and £64m in 1964. Again, the concentration of foreign investment in the food, beverages, and tobacco sector is highlighted by the fact that this sector accounted for 42% of total fixed investments in 1962, 40% in 1963, and 35% in 1964. This proportion declines as the investments in other sectors increase. While the proportions in the leather and rubber products, metal products, machinery and transport equipment, and textile sectors remained fairly constant over the period, increases were recorded in timber, wood, and paper products, and in chemicals, oils, paints, and petroleum product sectors. The latter sector in fact doubled from 9% in 1962 to 18% in 1964. Again this was largely due to the establishment in 1964 of the oil refinery which was commissioned in 1965.

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1. Central Bank of Nigeria, Econ. & Fin. Review, June, 1966.

The picture that emerges from the above analyses is one of tremendous advance in industrial development over the period 1955-1965. As was pointed out earlier, this development is most marked since 1958 and particularly since independence. Table 2.8, which shows the sectoral distribution of value added by manufacturing industries, lends support to this view. It shows that while the total value added in all the sectors increased from £7m in 1955 to about £11m in 1957, by 1963 it was £55m, an increase of about 664% during the period. While there were little increases in all the sectors between 1955 and 1957, significant increases were recorded in all the sectors by 1963, the biggest being 955% in machinery and transport equipment and over 800% each in textiles and leather products sectors. Again the food, beverages and tobacco industries dominate the scene, accounting for 46% of the total in 1955, and 38% in 1963. In absolute terms, it increased by 528% from £3m in 1955 to £21m in 1963. While the proportionate contribution from timber, wood and paper products, printing and furniture declined by more than half from 23% in 1955 to 11% in 1963, the proportionate contribution from the textiles, and machinery and transport equipment sectors increased from less than 1% in 1955 to 8% and 11% respectively in 1963; also while the cement, clay and glass products sectors contributed nothing in terms of value added in 1955, by 1963, this sector[2] accounted for about 7% of the total value added.

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1. Federal Ministry of Information: Industrial Development in Nigeria, Lagos, 1964 p.1.
2. The first cement factory began operation in 1957 and the first glass factory in 1960. Rural pottery industries existed in 1955.

It must be noted that the actual increase was greater in 1963 since the 1963 figures were derived from the limited survey conducted by the Federal Office of Statistics while the 1955 and 1957 figures were derived from a more comprehensive study by Dr.P.N.C. Okigbo. Since 1963, however, many new companies were established. In 1964 alone, 482 companies were registered,[1] and 518 in 1965.[2] Of the 482 companies registered in 1964, 42% were in the commercial sector, 24% in industry, 18% in the service sector, and the remainder in the transport, mining and agricultural sectors. Within the industrial sector 9% of the 114 companies were in metal working, 11% in printing and publishing, 10% in textiles, 11% in ready made clothing and 5% in rubber products and miscellaneous chemical products. About 49% of the registered capital of the 481 companies was in the manufacturing sector, 40% in the commercial, 6% in the service and the rest in the transport, agricultural and mining sectors. Within the industrial sector, capital registration was distributed as to 45% in textiles, 10% in metal working, 13% in non metallic minerals and 7% in printing and publishing.

The sectoral distribution of the 518 companies registered or formed in 1965 is given in the following table 2.9.

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1. Federal Ministry of Information: Industrial Development in Nigeria Lagos, 1964, p.1.

2. Nigerian Trade Journal October/December 1966, p.176.

TABLE 2.9

Sectoral Distribution of Companies Registered or Formed in 1965

Sector	No.	Registered Capital £000
Industrial	105	7.200
Engineering	10	0.125
Commerce	258	6.700
Miscellaneous	145	1.300
Total	518	15.325

Notes (a) Transportation, mining and quarrying, agriculture, forestry, hunting etc.

Source: Nigerian Trade Journal, October/Dec. 1966 p.176.

Thus although the industrial sector accounted for 105 or 20% of the 818 companies formed or registered in 1965, it accounted for £7.2m or 41% of the registered capital. Textiles accounted for 19% of this, metal working 14%, non-metallic minerals 10%, and printing 9%. With a total of 22, printing, publishing and allied industries accounted for the highest number of companies, followed by 17 in textiles, 13 in paper and paper products; 12 in wood working; and the remaing 41 distributed amongst food processing and other miscellaneous products.

Table 2.10 reveals further interesting information about industrial activities in Nigeria in 1965.

Table 2.10

Industrial Projects Planned in 1965

Stage of Planning	No.	Announced Investment (£000)
Under construction	28	27.472
Began operations	29	20.685
Not yet constructed but committed	24	29.022
Expansion projected for 1966	7	5.430
Total	88	82.609

Source: Nigerian Trade Journal Oct/Dec. 1966.

Thus a total of 88 projects with an announced investment of about £83m began operations, were under construction or were committed in Nigeria in 1965. The biggest of the 24 projects committed was the £18m gas plant of the Couch Methane Ltd. to produce liquified natural gas in Eastern Nigeria. 5 of the 28 projects under construction in 1965 were contractor-financed projects for a paper mill at Jebba in the North, & textile, glass and a cement project in the Mid-West, a cement project in the East and a cocoa processing project in the West. These five projects accounted for about £16 m out of the £27m worth of projects under construction in 1965. Among the companies that actually began operations in 1965 were the Aba Textile Mills Ltd., Zamfara Textile Industries, Textile Commodities (Kano) Ltd, the Modern Shoe Industry, Owerri, and the Nigerian Petroleum Refining Ltd, Port Harcourt, two cement factories, cosmetics factories, three engineering concerns and a pottery factory.

Lest the above recital prove misleading, it must be noted that manufacturing industries still account for less than 10% of Nigeria's gross national product. Moreover, most of the establishments are very small indeed, being mostly one man business or private limited companies. Table 2.11 shows that out of the 649 reporting establishments in 1963, 188 or 29% were sole proprietorships, 233 or 36% were private limited companies and only 75 or 12% were partnerships, and 14% or 88 were limited public companies. While sole proprietorships top the list in food, beverages and tobacco (41 out of 109), and in timber, wood, paper printing and furniture (100 out of 109), private limited companies were the greatest component in machinery and transport equipment. On the other hand, public limited companies were the greatest component in metals (14 out of 32) and in clay, glass and cement products (9 out of 24).

The trend that emerges from the analysis suggests that sole proprietorships predominate in industrial ventures requiring relatively small capital and simple skill, such as in bakeries or sawmilling and furniture making. As the required capital and skill increase, there is a tendency towards other forms of business association. Contrary to expectations, however, the movement is not towards partnerships but towards private limited companies or public limited companies. The table shows that partnerships are, in fact, rare. This is largely the result of a general aversion among Nigerians to form business associations among themselves owing to lack of capital and mutual trust.[1] The rarity of partnerships is also due to the insufficient advantages which this form of business

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1. S.P. Schatz and S.I. Edokpai, "Economic Attitudes of Nigerian Business" Nigerian Journal of Econs & Social Studies, 1957, pp.257-268.

association offers to overcome the lack of confidence in forming business association outside the family. Liability in a partnership is joint and several for all the debts of the partnership, and it is unlimited; moreover the partnership cannot sue or be sued as an entity and it comes to an end with the death of a partner. These limitations are largely overcome in a private limited company which is a legal entity; which can sue and be sued; and where liability is limited, and membership is limited to a maximum of 50 with only one director. That this is preferred in Nigeria to partnerships is illustrated by the fact that only 12% or 75 of the 649 establishments were partnerships against more than thrice this number, 233 or 36% which were limited private companies. The special appeal of the limited private company form of business in Nigeria as elwewhere, is that it generally leaves control within the family unit while securing most of the advantages of limited liability company.

Another indication of the size of companies in Nigeria is given by the size of registered capital. This as shown in Table 2.12 for 518 companies registered in Nigeria in 1965.

Table 2.12

Registered Capital of 418 companies in Nigeria, 1965.

Size of Registered Capital	No. of Companies	% of Total
Under £1,000	107	20.6
£1,000-£4,999	162	31.3
£5,000-£9,999	60	11.6
£10,000-£24,999	68	13.3
£25,000-£49,999	27	5.1

£50,000-£99,999	17	3.3
£100,000 and over	26	5.
Overseas Companies where total capital was insignificant	24	4.7
Associations with no registered and stated capital	27	5.1
Total	518	100.0

Source: Nigerian Trade Journal, October/December 1966.

The Table shows that about 21% or 107 of the 518 companies had registered capital of under £1,000 and 31% or 162 had registered capital of between £1,000 and £5,000. Thus 52% or 269 of the 518 companies had registered capital of under £5,000 and only 3% or 17 had registered capital of £100,000 and over.

The third indication of the size of industrial companies in Nigeria is given by the size of employment. This is illustrated in Table 2.13.

Table 2.13

Size of Employment of 649 Reporting Manufacturing Plants in Nigeria, 1963.

No. of Employees	No. of Establishments	% of Total
10-19	207	31.9
20-49	176	27.2
50-99	106	16.3
100-299	110	16.9
300-499	21	3.2
500-999	25	3.9
1000-over	4	0.6
Total	649	100.

Source: Federal Office of Statistics, Industrial Survey, 1963.

Thus about 32% of the 649 reporting establishments in 1963 employed between 10-19 persons and 27% employed between 20-49. In all, 383 or 59% of all the establishments employed under 50 persons and only 4 or 0.6% employed 1000 persons or over.

Table 2.14 shows that the timber, wood and paper products, printing and furniture sector accounted for the biggest number of establishments in four employment categories - 10-19; 20-49; 50-99; and 100-299. This is followed by the food, beverages and tobacco sector.[1] This confirms the analysis presented in Table 2.2 above that indigenous firms dominate the number of establishments in these two sectors because of the small capital and simple skill required to start operations in these sectors. The Table shows that the number of foreign firms was the least in these two sectors.

Of the four establishments employing 1000 persons or over, two were in the textiles, wearing apparel and footwear and one each in the timber, wood and paper products, printing and furniture; and leather products.

Foreign Private Investment in Nigerian Manufacturing, 1955-1965 Summary.

Between 1955 and 1965 about 955 manufacturing plants employing ten persons or more began operation in Nigeria. 45% or 425 of these were foreign owned. Of these, 298 or 70% began operations between 1961 and 1965. According to the 1963 industrial survey, 649 manufacturing plants had a total paid up capital of £56.8m of which £38.4, or 68% came from

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1. The machinery and transport equipment sector is influenced by a large number of small repair shops. See Table 2.1.

foreign private sources. The foreign sector had the major capital ownership in the following sectors: food, beverages and tobacco; leather and leather products; chemicals, paints, and petroleum products; metals; machinery and transport equipment, and miscellaneous industries such as plastics. Only in two sectors, timber and wood products, and clay, glass and cement products did Nigerians have the majority of the paid up capital of 61% and 71% respectively.

According to the Central Bank Surveys, capital investment by foreign plants in Nigeria increased from £38.4m in 1962 to £58.5m in 1964. In both 1963 and 1964, foreign capital investment in food, beverage, tobacco and in textiles and rubber industries together accounted for 50.6% and 44% respectively of aggregate capital investment in all sectors. Foreign private investment in fixed assets rose from £39m in 1962 to £64m in 1964.

While manufacturing still accounts for less than 10% of Nigeria's gross domestic product, the overall picture that emerges from the above analysis is one of tremendous industrial advance during the period, 1955-1965. This was evident in the 664% increase in value added by manufacturing industry between 1955 and 1963 and in the large number of companies that have been formed or had started business since 1963. In all these developments the foreign private investor played a key role. In the next two chapters, therefore, the main factors which influenced the level and distribution of foreign manufacturing investment in Nigeria during the period will be considered.

CHAPTER THREE

FACTORS INFLUENCING FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1955-1965

INTRODUCTION

The factors which influenced foreign private investment in Nigerian manufacturing during 1955-1965 may conveniently be grouped under two headings - Government policy and other factors. Other factors include the Nigerian market, profits, raw materials, labour and redeployment policies of the established firms in Nigeria. These will be discussed in the next chapter. In this chapter we discuss Government policy.

Government Policy, 1955-1965

One factor which so glaringly distinguished Nigeria's economic scene during 1955/65 from the period 1939/54 is the adoption of positive measures to stimulate economic development and to attract foreign investment to Nigerian manufacturing. While government policy between 1939/52 preferred the development of cottage industries to establishing industries on a factory basis, during 1955-1965, while not neglecting cottage industries, government policy preferred industrialising Nigeria through the establishment of modern industries. While during 1952 and 1954 all positive decisions on industry in Nigeria ~~was~~ were postponed pending the ~~report~~ of the World Bank's mission to Nigeria, and the clarification of issues under the 1954 federal constitution, these issues were clarified and resolved and the recommendations ~~of~~ of the World Bank ~~Report~~ Mission largely implemented during 1955/65. While government policy during 1939-1954 seriously objected to giving active support to the establishment of manufacturing industries, but merely concentrated in the provision of the basic essentials for the operation of

free private enterprise, during 1955-1965, while providing the basic infrastructure, there was active encouragement, and government participation in the establishment of manufacturing industries in Nigeria. It is therefore necessary, before discussing how this policy influenced foreign private manufacturing investment during this period, to indicate what actually was Government policy during 1955/65.

Unfortunately, there is no single source from which one can discover the full expression of government policy and of all the measures adopted to stimulate economic growth and to attract foreign investment to manufacturing industry in the country. This can be found scattered in the constitutions, in the various legislations,[1] and in the Ministerial budget[2] and other speeches in Parliament.[3] Even then, government economic policies and objectives are still in the process of formulation and it cannot be said that they are already finalised. Nevertheless it is to the development plans since 1955 that one has to turn to gain a more comprehensive view of Nigeria's policy objectives.

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1. Such as the Pioneer Industries Ordinance, 1952, Industrial Development (Income Tax Relief Act, 1958; the Industrial Development, (Import Duties Relieft) Act, 1957; the Customs Duties (Dumped and Subsidized Goods) Act, 1958; the Customs (Drawback) Regulations, 1958; and the Income Tax (Amendment) Act, 1958.

2. See for instance 'The Six Budget Speeches' of the late Federal Minister of Finance, Chief Festus Sam Okotie Eboh, 1958-1963, and subsequent and other regional government's budget speeches.

3. Such as the joint statement by all the Nigerian Governments captioned: "Opportunities for Overseas Investment in the Federation of Nigeria," in the Nigeria Econ. Survey 1959. App.86; Statement of Policy proposed by the Federal Government on the stimulation of Industrial Development by affording Relief from Import Duties and Protection to Nigerian Industry" Sessional Paper No 101 1956; and the Federal Republic of Nigeria: Statement on Industrial Policy, Sessional Paper No.6 of 1964.

The 1955-1960 Development Programmes.

Comprehensive planning at the regional levels in Nigeria began in 1955.[1] In that year all the governments of the federation, including the former Southern Cameroons, at the request of the United Kingdom Government, prepared economic programmes for the five year period,1955-1960.[2] These programmes followed very closely the recommendations of the World Bank Mission to Nigeria and are summarised in Table 3.1. for Nigeria excluding the former Southern Cameroons.

The primary objective of these plans was the provision of the basic services necessary for economic development and for a full operation of free private enterprise. This was clearly indicated in the Western Region's plan: "the plan concentrates attention on the provision of social overhead capital. The primary function of Government is the provision of these public services without which individual effort and initiative would be futile - education and health services, water, electrical energy

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1. Development planning, of course, began in 1946 with the 'Ten Year Plan for Development and Welfare,'1946-1956. It was subsequently found that ten years was too long a period for effective planning and the original plan was revised and cut into two, resulting in a plan for the period 1946-51 and another for 1951-56. The coming into effect of the federal constitution in 1954 necessitated the regionalisation of the plan and hence the 1955-56 plan was curtailed to end after the fiscal year, 1954/55.

2. Comprehensive planning was not immediately possible after the introduction of the new constitution in Oct. 1954 until the financial implications of the new constitution on revenue allocation among the governments had been known; a full study of the recommendations of the World Bank Mission Report submitted in Sept. 1954 and published in 1955 had been made; and until the legislation extending the U.K. Commonwealth Development and Welfare Act to 1960 was passed early in 1955, it was not known how much money would become available to the Nigerian Governments from this source on which the development plans would be based. Pending the clarification of these issues, 'Interim Development Plans' were

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and network of communications without which private enterprise would not flourish. Public services are basic to the economic development of a country. They improve its physical equipment as well as the skills and the quality of its people. If they are inadequate or stagnant, agriculture cannot become sufficiently productive or factories operate successfully. That is why the Government of the Western Region makes the expansion of the education and health services its first object of policy".[1] Precisely the same objective was expressly stated or implied in the other development plans.

This emphasis on the provision of social overhead capital is illustrated in the plan resource allocation, Table 3.1 shows that out of a planned capital expenditure of £365m by all the Governments, £156m or 43% was devoted for those sectors which contribute directly to development and £121m or 33% was devoted to social overheads. However, this classification considerably understates the resource allocation for social overheads. There is no doubt that items 3 to 6 under the development sector - electricity, transport, communications, and water supplies - might

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reference 2 continued:

passed by the Federal and Northern Region Government for 1955-56. Backed by the £43m expected to be received from distribution of the Marketing Board's surplus reserves following the regionalisation of the Marketing Boards and with a professional advice from W.A. Lewis, the Western Region Government launched a full scale five-year development plan, 1955-1960, and thus was undeterred by the above considerations. The Eastern Region apparently followed suit but was forced to revise her 1955-1960 Development Programme in 1958 when she put out the 1958-1962 plan.

1. Development of Western Region of Nigeria 1955-1960, Sess. Paper 4, 1956, page 11.

conceivably be classified under the social overhead sector. When this is done, the plan emphasis on social overheads will then be seen in its true perspective for the inclusion of these sectors would mean that £236m or 65% of the total plan expenditure was alloted for social overheads, against £25m or 7% for primary production and £17m or 5% for trade and industry.

Within the separate governments, emphasis among the various sectors varied with constitutional responsibility and regional priorities. The Federal Government, with exclusive constitutional responsibility for communications, was the only Government providing for this in the development plan, having alloted £12m or 8% of its plan expenditure for this. All the governments, except the West, gave top priority to transport development. This sector accounted for 34% of the federal allocation, 24% in the East and 22% in the North, against only 4% in the West. The topmost priority in the West was given to education which accounted for 33% of its allocation, against 20% in the East, 19% in the North, and only 5% for the Federal. On the whole, following the official classification in the Table, the Federal Government allocated the highest percentage to the development sector, 52%, followed by the East, 51%, the North, 45% and the West 27%. On the other hand the West's allocation for social overheads was highest in proportion, 54%, and in absolute terms, £56m, against 33% in the East, 32% in the North and 29% in the Federal. However, following a reclassified formula the regional allocations for the social overheads were in fact greater than the Table shows being 71% in the East, 68% in the Federal, 63% in the West, and 60% in the North.

With the exception of the West, none of the Governments fully implemented their plans by 1960. For the West, 'out of a planned total of £104.76m, actual expenditure during the quinquennium amounted to £98.82m, the shortfall being largely due to savings in recurrent expenditure. The programmes which the 1955-60 Development Plan contained were thus virtually, fully implemented'.[1] The primary reason for the non fulfilment of all the planned programmes of the other Governments was lack of executive capacity and difficulties in obtaining supplies and equipment from overseas. A time lag - at least six months, and in the early stages of the plan, more than a year - had to be allowed between indent and delivery.[2] Moreover, the Federal Government, as a result of annual reviews of its plan, had decided about halfway through the plan period, to project its programmes to 1962.[3] The other regions, except the West, also undertook to extend their plan periods to 1962.[4]

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1. Federation of Nigeria: National Development Plan, 1962-68, p.269.
2. Ibid, page 205.
3. Sessional Paper No.1 1959 (Federal Legislature): Third Progress Report on the Econ. Programme, 1955-60 para.3.
4. The National Plan op.cit. The reason why the Western Region government did not consider it necessary or desirable to extend the period of its plan was that it 'found itself with adequate executive capacity and financial resources to match its planned programmes. The Government then launched a new five year plan, 1960-1965. After two years operation it was decided to adjust it to accord with the rest of the country and the plan was revised to extend from 1962-1968.

The National Development Plan, 1962-68

It was against the above background that the National Plan, 1962-68, was produced in 1962.[1] The objective of the National Plan was to build on the achievements of the previous plans to speed up development. It was observed that the Nigerian economy during 1950-1960 grew at the rate of 3.9% per annum. With this as a base, the National Plan was designed to achieve a growth rate of 4% per annum and if possible to surpass this rate. This was to be achieved by investing 15% of Nigeria's gross domestic product annually and by raising per capita consumption by 1% over the plan period. The Plan was seen as the first in a series of three or four such plans by the end of which it was hoped the Nigerian economy would achieve a "self-sustaining growth". To this end the Plan envisaged raising the domestic savings ratio from about 9.5% of GDP in 1960-61 to about 15% or more by 1975, in order to sustain the bulk of the domestic investment envisaged. Other objectives of the Plan include the acceleration of education of all kinds and at all levels with emphasis on the training of technical and managerial man power; the achievement of a modernised economy consistent with the democratic, political, and social aspirations of the people and the maintenance of reasonable measure of stability through appropriate fiscal and monetary policies.[2]

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1. The 1962-68 Plan was christened 'National' or rather the "First National Development Plan" in the sense that the previous plan, 1955-60, was not 'national' as it was merely five different budgets of five governments which jealously guarded their rights and obligations under the new federal constitution. Although each of the 1955-60 programmes showed a much greater degree of integration and laid greater emphasis on economic considerations than under the 1946-1956 plans, there was evidently much overlapping and wasted effort. No economic targets were fixed for the country as a whole, and although the National Economic Council was established in 1955 as a forum for mutual discussion and

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To achieve the above objectives, a total capital expenditure of £676.8m was originally envisaged under the Plan. In the light of subsequent developments, this was revised to £828.9m. The breakdown of the original and revised allocations are shown in Tables 3.2 and 3.3. While the 1955-60 plans emphasised the provision of social overheads, the new Plan's emphasis was on "development". Accordingly, a primary objective of the plan was to shift resources more and more into the "development sector" as a basis for the desirable expansion of health and educational facilities. This new emphasis was most aptly put in a policy statement

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references 1 & 2 continued:

co-operation among the governments, the programmes had already been formulated by that time. Moreover the NEC met too infrequently, at times, once in a year, and the plans were executed in relative isolation one from the other; and new projects were added or subtracted without regard to their implications for the nation as a whole. Although much useful work was nevertheless accomplished, the resulting inefficiency and waste necessitated a plan, the "First National Plan" with a national outlook. This plan claims to have identified the mistakes of the earlier plans and to have made a major effort to ensure the possible maximum integration of all the governments' programme with fixed targets, deviations or modifications being made only after a careful examination of their effects not only upon the individual government's programme but also upon the "National Plan" as a whole. Experience has, however, shown that the "National Plan" is no more 'national' than the 1955-60 plans. It has, in fact, been described as 'federated' rather than national, the collection of four different plans which are published in one book and called 'A National Plan'. The process of coordination has been described as not more than "one of keeping the communication channels wide open ... the national framework of the plan in so far as it refers to planning in terms of gross changes in national product and of per capita incomes was entirely a federal responsibility and did not in fact, affect regional planning. From the view point of the Regions, this national framework was merely a translation into generally accepted economic terminology of regional plans and anticipated changes in output". See "The Machinery of Planning in the Federation of Nigeria by E.O. Obayan, Nigerian Journal of Econs. and Social Studies Nov.1962 pp.277-281. See also Frank J. Moore: "Development Planning in Eastern Nigeria", Journal of Local Government Administration Overseas, July 1964 p.141. Mr. Moore was one of the A.I.D. people who assisted in drafting the 'National Plan'.

2. The National Plan op.cit. pp.21-24.

by the Eastern Region Government in 1961: "The time has come to apply the brake on the speed with which social services are being provided. Too much money is going into education, into the building of hospitals and into local government. Instead of increasing the expenditure for these services, money should be diverted for investment in productive ventures which will produce the money for the social services. In the developed countries, the level of social services reflects the level of development. Here in Eastern Nigeria, expenditure on social services deflects instead of reflecting the level of development".[1]

A comparison of Tables 3.2 with Table 3.1 will show how this shift away from the social overheads to the development sector was effected. The National Plan allocated £482m or 71% of the £677m planned expenditure to the development sector against 43% under the 1955-1960 plan. On the other hand, expenditure on social overheads was reduced from 33% of total plan expenditure under the 1955-1960 plan to 21% under the National Plan. This shift is also noticeable in the individual plans. The development sector accounted for 72% of plan expenditure under the National Plan against 52% in the 1955-60 plan for the Federal, 67% against 45% for the North, 77% against 51% for the East, and 66% against 27% for the West. On the other hand, the percentage allocation for the social overheads decreased from 20% in the 1955-60 plan to 17% in the National Plan for the Federal, from 33% to 30% for the East; and the West's from 54% to 31%, while the North's remained at 32% for each of the two plan periods.

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1. The Report of the Eastern Nigerian Econ. Mission 1961, Official Document 5. 1962, p.11.

If the development sector is taken to include only primary production, trade and industry, that is, if electricity, transport, communications, and water supply are included in the social overhead sector, the following picture of resource allocation under the two plans emerges.

TABLE 3.4

Reclassified Plan Resource Allocation, 1955-60 & 1962-68.

Region	Development Sector.		Social Overhead Sector.		Others	
	1955-60	1962-68	1955-60	1962-68	1955-60	62-68
	%	%	%	%	%	%
Federal	3.4	15.6	68.0	73.2	28.6	11.2
East	12.9	57.6	70.6	39.1	16.5	3.3
West	17.0	46.4	63.1	50.5	19.9	3.1
North	17.7	33.0	59.6	66.0	23.5	1.0
All Nigeria	11.2	26.9	64.8	65.0	24.0	7.8

Source: Computed from tables 3.1 and 3.2.

Although for all the governments the resource allocation for the development sector was increased from 11% under the 1955-60 plan to 27% under the 1962-68 plan, there was, in fact, no shift of resources away from the social overhead sector which accounted for 65% of total plan expenditure in both the 1955-60 and the 1962-68 plans. Resource shift took place under "other sectors" which include general administration and financial obligations. Total resource allocation to these sectors was reduced from 24% under the 1955-60 plan to 8% under the 1962-68 plan. This reduction occurred in all the plans. However, as Table 3.5 shows, under-allocation to the general administration sector is illustrated by the fact that within the first two years of the National Plan, all the governments together, and

the Federal Government in particular, spent 45% of the total planned expenditure for this sector for the 6 years of the Plan. This indicates an overspending of 12% in each case. The corresponding percentages spent in this sector during the first two years of the Plan was 61% in the East and 93% in the North, thus showing an overspending of 28% in the East and of 60% in the North. Only in the West was expenditure in this sector below the plan estimate of 33% during the period. At 13%, the West, in fact, recorded an underspending of 23% in this sector.

The upshot of this analysis is that although there was a shift of resources to the development sector, this was not from the social overhead sector as the Plan stated, but apparently from the general administration sector.[1] Only in the East and the West was there reduction in the percentage allocation for the social overheads during the 1962-68 Plan. While the East increased its resource allocation from 13% under the 1955-62 plan to 58% under the 1962-68 plan for the development sector, the proportion allotted to the social overhead sector was reduced from 71% to 39%; for the West, it was reduced from 63% to 51% against an increase in the allocation for the development sector from 17% to 46%, On the other hand, while the Federal increased its development sector allocation from 3% to 16% and the North from 18% to 33% from the 1955-60 to the 1962-68 plan, the Federal Plan, far from reducing the allocation to the social overhead sector, in fact, increased it from 68% to 73% and the North from 60% to 66%.

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1. It might be argued that general administration, such as maintenance of law and order, is also social overhead capital, but this does not detract from the argument that there was no shift from social overhead expenditure in view of the overspending in general administration.

Another claim of the National Plan which is not generally borne out by the facts is that top priority was given to primary production, and trade and industry. The Eastern Plan put this very succintly: "the new programme, unlike the previous programmes, should emphasise investment in the more directly productive sector of the economy - agriculture and industry. To give expression to this policy, and to translate it into action, priority has been accorded to agriculture, industry, and technical training. The first priority belongs to agriculture ...the second is manufacturing and processing industries".[1] It is not clear, however, what the Plan meant by priority. If it is in terms of sectors that promise the maximum growth rate, then the top priority given to agriculture seems to be misplaced since primary production generated a relatively low growth rate in the 1950's.[2] Priority would have been given to the fastest-growing sectors of the economy while keeping primary production upon an even keel, unless it can be shown that the planned concentration on primary production would result in the highest growth rate of all the sectors during or soon after the plan period.

It does seem, however, that by priority, the Plan meant spending the most money for the topmost ranked projects, that is, in terms of resource allocation. This was obviously implied in the Plan statement that the two sectors, agriculture and industry, which have been accorded top priority in the Plan will account for more than one quarter of the total plan expenditure over the period against about 11% under the 1955-60 plan.

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1. Ibid. pp.207-208.

2. O. Aboyade: A General Critique of the Plan: Nigerian Journal of Economics and Social Studies, July 1962 p.113.

Defined in terms of resource allocation, however, the Plan statement of according topmost priority to these two sectors is not substantiated by the facts as Tables 3.1 and 3.2 show.

Table 3.1 shows that the biggest resource allocation went to the transport sector which absorbed 21% or £144m of the £677m planned expenditure. This is followed by electricity which accounted for 15% of the plan expenditure. Primary production, 14%, trade and industry 13%, and education, 10%, merely ranked as the third, fourth, and fifth in priorities and not as the three topmost ranked projects according to the Plan. Only the East maintained these priorities for primary production, 40%, trade and industry 17%, with transport and education receiving the third priority at 12% each of the Eastern plan's expenditure. The West gave topmost priority to trade and industry, 26%, primary production, 20%, and education, 13%. In both the Federal and Northern plans, topmost priority went to transport. The second priority in the federal plan went to electricity, 24%, while trade and industry shared the third position with general administration, each receiving 11% of the plan's expenditure. Second to the transport sector in the Northern plan was primary production, 23%, followed by education, 19%, and trade and industry, 10%.

The conclusion from this analysis is that for all the plans put together, the plan statement that topmost priority was given to primary production, trade and industry and education is not borne out by the facts. These sectors instead occupied the third, fourth and fifth priorities. It is only in the Eastern plan that topmost priority was given to them in

that order. In the West, they received the topmost priority except that trade and industry preceded primary production. In the Northern plan, primary production received the second priority, education the third, and trade and industry the fourth. In the Federal plan, trade and industry shared the third priority with general administration, education the fourth and primary production the seventh priority ranking.

Table 3.5 shows that only £151m or 22% of the planned expenditure of £677m was spent during the first two years of the plan, 1962-1964. These are the only years for which progress reports on the Plan had been issued. £100m of this, or 22% of the planned development expenditure, was spent in the 'development' sector, against £28m in the social overheads and £22m in the general administration sector. As a percentage of planned expenditure for each sector, this represented 21% for development, 20% for social overheads and 45% for general administration. On a pro rata basis, one sixth of the total planned expenditure would have been spent each year, meaning that for the first two years of the plan, a third of the total plan expenditure would have been expended. On this hypothesis, the plan recorded an over all underspending during its first two years of operation, the underspending being about 12%. Underspending in the development and social overhead sectors represented 12% and 13% respectively. For the separate plans, underspending was 13% for the Federal, 12% for the North, 7% for the East, and the highest, 16% in the West. Thus, for the development sector, only in the East did spending attempt to approximate the plan estimate. The percentage underspending in the social overhead sector for the regions is 11% for Federal, 18% in the North, 14% in the West, and 9% in the East. Again the East

recorded the least amount of underspending.

The general administration sector shows a different picture. While the plans as a whole recorded 12% overspending in this sector during the first two years of the plan, the North spent about 93%, and the East 61% of the plan allocation for this sector. This represents 60% overspending in the North, and 28% in the East. Only the West came off with 20% underspending in this sector. However, the general overspending in this sector, supports the contention above that there was an under allocation for the general administration sector, and that therefore the acclaimed shift away from social overheads is more apparent than real.

The Significance of Government Economic Policy.

Having discussed the Government's economic policy in terms of the general development plans since 1955, it now remains to indicate the significance of this policy in terms of industrial development and the attraction of foreign private investment into industry. The analyses of the plans indicate the genuine efforts being made to develop the resources of the country, to increase agricultural and industrial production and to effect a steady rise in per capita incomes and standard of living. The plans were development conscious: the 1955-60 plans concentrated attention on the provision of the necessary infrastructure; this was continued in the 1962-68 plan with greater emphasis on development. This plan is seen as the first in a series of three or four such plans to bring the economy to a stage of self-generating growth. Unlike the previous plans, the National Plan, despite its weaknesses, is the first true comprehensive effort at general equilibrium analysis based on a projected frame of national accounts and feasibility programmes.

And the long term growth prospects envisaged for Nigeria in the Plan were a powerful influence on foreign investors to invest in Nigeria. In a survey of 68 industrial firms by Mr. A.N. Hakan, this factor was mentioned 40 times as a factor which influenced the firms' choice of Nigeria over other countries.[1]

Industrial Policy

Official general economic policy as an influence attracting foreign private investors into manufacturing industry in Nigeria becomes all the more important when it is related to the government's industrial policy. Because industry is a concurrent subject in which the federal and regional governments can legislate under the federal constitution, industrial policy of the various governments varied with each government's constitutional responsibilities and regional emphasis.[2] Nevertheless, all the governments of the federation were agreed on encouraging the establishment of industries which manufacture import substitutes, which employ Nigerian labour and provide opportunities for Nigerians to acquire technical skill and managerial experience; and which process Nigeria's raw materials and make maximum use, at least 45%, of her raw materials and resources. In short, the industrial policy of all the governments

1. A.N. Hakam: The Motivation to Invest and the Locational Pattern of Foreign Private-Industrial Investments in Nigeria: Nigerian Journal of Econs. and Social Studies, March 1966 p.53.

2. There are, however certain things on which alone the Fed. Govt. can legislate for the interest of uniformity; these include banking and currency exchanges, trade marks, company law.

of the federation "is to stimulate the establishment and growth of industries which contribute both directly and materially to economic growth and which enable Nigerians to participate to an increasing extent in the ownership, direction, and management of Nigerian industry".[1] All the governments regarded industry as a means to diversify the economy in order to ensure a balanced economic growth and to enhance the country's balance of payments position.[2]

The above industrial policy is backed by a high priority ranking for trade and industry in the development plan as Tables 3.1 and 3.2 above show. In the 1955-60 plan, industry absorbed 5% of the total plan expenditure. In the 1962-68 Plan this proportion was raised to 13%. Further more, an array of incentives and guarantees were provided to attract foreign private capital into Nigerian manufacturing; and these have been very effective for this purpose. This operated through maintaining a favourable economic environment for industrial development, and through the provision of fiscal and financial incentives, ~~and through guarantees.~~

(1) Favourable Industrial Environment.

A favourable environment was provided through growth promoting measures which operated through the development plans. These measures were directed towards the provision of the necessary services essential for the operation of a free enterprise economy. It also has been shown that the growth prospects presented by these plans, especially the 1962-68 plan, were a strong force in attracting foreign private investment into the country.

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1. Federation of Nigeria: Statement on Industrial Policy: Sessional Paper No.6, 1964 p.20.

2. Ibid.

Favourable industrial environment was also maintained through the adoption of a clear and consistent policy towards foreign capital. Before 1955 there was no such policy. The World Bank Mission observed a good deal of confusion or dilemma among Nigerians over their attitude towards foreign investment. On the one hand, there was a general agreement on the need for such investment; on the other hand, however, Nigerians feared foreign exploitation and there were press hints in Nigeria about the intention to expropriate foreign enterprises after independence.[1] Frightened about these attitudes, and in view of the demand for self-government put forward by Nigerians during the 1953-54 constitutional conferences, and the introduction of the federal constitution in 1954, most foreign investors adopted an attitude of "wait and see" what government policy towards foreign capital would be.

The dangers of foreign exploitation should not be exaggerated. But, as Professor W.A. Lewis pointed out in a report on the industrialisation of the Gold Coast (now Ghana), "Whatever the foreigner's faults may be, the fact remains that the Gold Coast needs him more than he needs the Gold Coast ....The Gold Coast cannot gain by creating an atmosphere towards foreign capital which makes foreigners reluctant to invest in the Gold Coast".[2] This remark also applies to Nigeria. If, as the World

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1. Economic Development of Nigeria, op.cit. p.29.
2. W.A. Lewis, 'Report on the Industrialisation and the Gold Coast" Accra, 1953, p.26.

Bank Mission pointed out, Nigeria wants foreign capital, she must adopt a clear and consistently applied policy designed to encourage it. Accordingly, in July, 1958, the following policy statement on foreign investment was jointly issued by all the governments of the federation.[1] "The Governments of the Federation of Nigeria, of the Eastern, Northern, and Western Regions and of the Southern Cameroons, recognise that Nigeria will, for many years to come, need overseas capital and managerial and technological skills, if her resources are to be developed to the extent which the Governments and the people of Nigeria desire. They realise that overseas investors will be reluctant to lend their capital unless they can be assured that such investment, and the skilled overseas personnel which may be necessary to make it successful, will be welcome. The purpose of this statement is to give such an assurance".[2]

On the thorny question of nationalisation, the statement continued: "Our Governments have no plans for nationalising industry beyond the extent to which public utilities are already nationalised, nor do they forsee any such proposals arising. Nevertheless, they are anxious that there should be no doubt in the minds of overseas entrepreneurs that Nigeria will provide adequate safeguards for the interests of investors, in the event of any industry being nationalised in the future. Should this occur then fair compensations assessed by independent arbitrators would be paid".[3]

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1. Substantially the same policy statement had been separately issued by the Western, Eastern, and Northern Region Governments in 1955 and 1956

2. Opportunities for Overseas Investment in the Federation of Nigeria, reprinted in Economic Survey of Nigeria, 1959, Govt. Printer, Lagos, App.8B.

3. Ibid.

This policy was reaffirmed on many occasions and assurances given from the very highest levels of government, including the prime minister, that stress the role of private enterprise and restrict nationalisation to public utilities:[1] it was reaffirmed by Nigeria being one of the eighty-eight members that approved the U.N. Resolution on non-nationalisation, expropriation or requisitioning of foreign property except on grounds of security, national interest, or public utility, in which case there must be 'appropriate compensation'; and both the Independence and the Republican Constitutions provided for "adequate" compensation in cases of compulsory acquisition.[2]

While the above assurances are elegant on paper, in practice they do not mean much for the foreign investor because governments can be overthrown and constitutions amended. Additionally, therefore, the foreign investor is more interested in the underlying political situation, on whether the right to nationalise has been exercised,[3] and if so, how it has been exercised, and on the policies and objectives of political parties and national leaders.[4] On all these counts, Nigeria offered

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1. See Abubakar Tafawa Balewa: Nigeria Looks Ahead: Foreign Affairs, Vol.131 1962; Federal Ministry of Information: "No Nationalisation in Nigeria, 1961. Chief Festus Okotie Eboh: Parliamentary Debates, House of Representatives, March 21, 1964.

2. The Independence Constitution, 1960 Section 30; The Republican Constitution, 1963, Section 31.

3. Nigeria has effected three nationalisations since Independence - airlines, shipping and external communications. In all cases evaluation of assets was made by third parties and the price duly paid. In the case of external communications only majority interest was acquired by the Government.

4. Leader of opposition in the House also declared against nationalisation without adequate compensation, see No Nationalisation, op.cit.

a favourable environment for the foreign investor.

Before the military disruption of 1966, Nigeria enjoyed a high reputation among foreign investing countries as far as political stability was concerned. Speaking in support of the 1958/59 Appropriation Bill in the Federal House of Assembly in March, 1959, Mr L.C. Daldry, an expatriate Special Banking Member, declared: "I wish to state publicly that I believe this present Federal Government is the most stabilising influence in Nigeria today. I believe that it is doing and will continue to do everything in its power to create just those favourable conditions of calmness, stability, and confidence"[1] necessary for foreign investment and economic development. This declaration from banking circles on the spot would, on its own, alone, be a powerful influence on foreign investors; but it was reinforced by another similar statement by a team of experts from the Rockefeller Bros Funds in the course of their market studies in Nigeria. Reporting on the Possibilities for Cigar Leaf and Cigar Production in Nigeria, the team declared: "Climate: A stable and conservative government has given Nigeria a reputation as having the best climate for foreign investment in Africa."[2] That political stability, implying safety of capital from arbitrary expropriation, has been a powerful factor influencing the foreign investor's choice of Nigeria over other countries is illustrated in Hakan's study where this was mentioned 52 times by the 68 firms he interviewed.[3]

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1. Parliamentary Debates: House of Representatives, March 1959 p.515.
2. Rockefeller Bros Funds: Report on the Possibilities of Cigar Leaf and Cigar Production in Nigeria: U.S. Embassy, A.I.D. section, London code 3/22/00262.
3. A.N. Hakam op.cit. p.54.

In addition to political stability and security of foreign capital, Nigeria also offered financial stability and the freedom of foreign investors to repatriate their capital or profits, although it was hoped that they would reinvest a reasonable percentage of net profits after taxes in the same or other enterprises in Nigeria and that only a minimum proportion of capital and profit would need to be repatriated.[1] In fact, official policy in Nigeria is generally opposed to exchange or physical controls such as those that existed in the 1950's. Expressing his reluctance to reimpose such controls, the late Federal Minister of Finance, Chief Festus Okotie Ehohu, in his Mobilisation Budget, in 1962, stated that "there can be no doubt that the progressive dismantling of our physical controls during the past few years, and the liberal policies adopted towards the few controls which remain, have played a major role in confidence in our monetary stability. They have contributed to the creation of a climate conducive to the channelling of domestic savings into productive investment and to the inflow of foreign capital into the public and private sections of the economy ...It would be folly to throw away these hard-won advantages. Should balance of payments pressures arise, it will therefore be the policy of the Federal Government to seek to contain them by the more flexible fiscal and monetary means; by selective tariff increases, by stepping up the tempo of domestic savings, overall budget policies and by the use of the monetary weapons increasingly available to the Central Bank.[2]

1. Statement on Industrial Policy op.cit. p.2.

2. Six Budget Speeches of the Fed. Minister of Finance, op.cit. p.145.

The above does not mean that Nigeria had no exchange control regulations. In fact, under the Exchange Control Act, 1962, the Minister of Finance, had authority to institute controls over all foreign-exchange transactions, both sterling and non-sterling.[1] But this was regarded as a contingency measure, likened "to the fire extinguisher which the prudent man keeps in his factory...for use only in an emergency."[2] The Finance Minister stated quite emphatically that physical controls would be introduced only in the last resort when all other measures have failed. Instead of introducing new restrictions, he aimed at liberalising those that existed.[3]

Thus Nigeria had exchange control regulations but they were in reserve only to be used as a means of last resort. It would, indeed, be surprising if she had none, for they have been demonstrated, at least in the post-war European recovery program, to be necessary concomitants of economic growth when scarce resources must be carefully husbanded and when large capital formation is required. "Of greater interest to the investor than the power to impose controls, which exists almost everywhere as 'reserve' legislation, or than the presence of controls, are the factors that may lead or have led to activation of standby statutes. Are exchange controls looked upon and used as monetary tools that help to allocate resources? Have they been used as "last-ditch" manouvres to rectify irresponsible fiscal action somewhere further up the line?

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1. Before 1962 this authority was in respect of non-sterling transactions only.
2. Ibid.
3. Ibid.

Is careful consideration given in the statements of government leaders and central banks, to the nation's foreign exchange position? Are development plans centred on wealth-producing capital investment, on prestige items that do not produce wealth, or on social programs (however desirable) that require increasing current expenditure?"[1]

"Happily, Nigeria can be counted among the developing nations that have demonstrated a high degree of fiscal responsibility. Its leaders, in their statements and in the 1962-68 Plan, reflect a maturity in this respect that might well be emulated by others. The power is there to impose controls, and one cannot argue with the wisdom and necessity of that. The willingness to impose them, if necessary, is also there. But it has been made clear again and again that control legislation will be brought out of reserve only if other monetary measure and self-policing, on the part of Nigerians and aliens doing business there, fail".[2] This financial stability and the freedom to convert currency readily was highly significant in attracting foreign private investment into Nigeria. In the Hakan survey, it was mentioned 40 times by foreign investors as a reason for choosing Nigeria over other countries, such as Ghana.

The third factor which helped to create the favourable industrial environment was provision of industrial estates. The World Bank Mission found in 1954 that owing principally to the confused land laws in Nigeria, the foreign investor would find it very difficult to acquire land for factory sites and that even if he succeeded in acquiring land, he would

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1. P.O. Proehl: "Foreign Enterprise in Nigeria, Laws & Policies", University of North Carolina Press, U.S.A. 1965, p.129.
2. Ibid.

be very reluctant to build a factory himself because of uncertainties about Nigeria's political future. The Mission pointed out that these difficulties were not restricted to the foreign investor; they also affected indigenuous investors, for many desirable African industrial enterprises were handicapped by scarcity of suitable building space to rent. It was difficult enough for the small industrialist to raise capital for machinery and a working capital; if land had to be purchased and a factory built, the total investment would often prove prohibitive. To remedy the situation the Mission strongly recommended the development of "industrial estates". "Briefly, the idea is to provide modern factory facilities which can be rented, thus providing assistance to industry indirectly from government funds without the embarrassment and risk of loss which direct loans to entrepreneurs can so frequently cause".[1]

The capital expenditure to implement the above recommendation is shown in Tables 3.6 and 3.7 which show the breakdown of the planned industrial expenditure during the two plan periods, 1955-60 and 1962-68. More than £5.2m has been spent or committed for the provision of industrial estates in Lagos, East and West. Under the 1955-60 plan only the Federal Government provided for industrial estates and £0.08m was devoted for the Yaba Industrial Estate. Under the 1962-68 Plan, the East and West provided for them in the plans; but industrial estates were also established in the North, although no specific provision for them was shown in the development plan. In all, about 930 acres of industrial estates were

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1. Economic Development of Nigeria, op.cit. pp360-361.

developed at Apapa, Ijora and Iganmu in the Federal Territory; over 2,100 acres in the North at Kaduna, Kano, Zaria, Jos, Ilorin, Gusau and Maiduguri; 4,100 acres in the East at Port Harcourt, Enugu, Aba, Umuahia and many other places; 970 acres in the West at Ikeja, Mushin, Illupeju; and 700 acres in the Mid-Western Nigeria.[1] These estates were equipped with modern factory facilities, such as light, pipe borne water, telephones, roads and, where possible, rail sidings. The scheme was designed to stimulate industrial development by overcoming, through governmental powers of land acquisition, the difficulties encountered by private investors in acquiring factory space. Since the estates were rented at less expensive rates than if each industrialist had provided them for himself, the scheme also helped to reduce industrial costs.

There is no doubt that the industrial estate scheme considerably improved the industrial environment and attracted foreign investment in port-oriented industries in Lagos and Port Harcourt, or in market oriented industries in Kano, Onitsha and Kaduna. But it would be wrong to conclude that these industries were specifically attracted to Nigeria because of the existence of the Industrial estates. While they no doubt facilitated these investments, industrial estates might rather be regarded as a powerful locational factor as will be shown in ~~the next~~ chapter, Chapter 5.

The fourth factor which helped to create the favourable industrial environment is information. The infrastructure may be there; the country may be potentially rich in resources; opportunities for investment may

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1. Fed. Ministry of Information, Lagos: Industrial Directory, 3rd ed. 1965. p.34.

abound; and the environment may be favourable. But if the foreign investors do not know, or are not made aware of them, not much will be achieved. This was the position in Nigeria for a long time. The World Bank Mission found that one of the great impediments to Nigeria's development was ignorance of the country's potential resources. Owing to the Mission's recommendation, the Federal Institute of Industrial Research was established at Oshodi under the 1955-60 development plan at a cost of £0.590m. The Eastern Region Government also provided £037m for industrial research during the period. These research projects were designed to investigate the commercial properties of some of Nigeria's raw materials and to make their findings available to the Government, and, at a cost, to prospective investors.

In addition, Advisory Committees were set up in the various ministries of commerce and industry to advise prospective investors, and the industries sections of the Ministry were empowered to undertake pilot industrial projects, and if feasible, to interest foreign concerns in their commercial exploitation. Industries established in this way include the Nigerian Canning Company, 1955, and the Nigeria Marine and Engineering Company Ltd, 1960. These were previously developed as pilot projects by the Northern Ministry of Trade and Industry and were later transferred to private companies with foreign participation for commercial exploitation.

As for the survey of Nigeria's resource potentials, the World Bank's Mission report had already provided a blue print for Nigeria's future development. In fact, the Report was the first attempt at a plan for Nigeria sufficiently broad to review not only all the services of

Government but also to take into account all likely available revenue sources. The Report was supplemented by the Economic Survey of Nigeria published in 1959 by the National Economic Council "to show the present position and outlook of the national economy and to survey developments in the economy since the end of the War, to assist the co-ordination of governments' development plans and economic policies, and to serve as a guide to businessmen, both Nigeria and overseas."[1] Besides, a team of the A.D. Little Company, attached to the Federal Ministry of Commerce and Industry under the U.S.A.I.D. contract has made a survey to determine immediate investment opportunities. The list they produced includes hundreds of items that possibly can profitably be manufactured in Nigeria, such as: peanut butter, shoes, clothing, storage batteries etc. The Queen's visit to Nigeria in 1956 had already placed Nigeria on the world map by attacting wide publicity and arousing great interest abroad about Nigeria. To further publicise the country, its development plans and investment opportunities, the East in 1955, the West in 1956, and the Federal Government and the East again in 1961 undertook worldwide economic missions with a view to attracting foreign investment to the country.

It is beyond doubt that the various measures outlined above immensely succeeded in breaking the barriers of ignorance abroad about Nigeria's potentialities and investment opportunities. That such ignorance existed is not surprising; but its extent is amazing. For instance, it

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1. The Nigerian Handbook of Commerce & Industries, Fed. Min. of Information, Lagos, 1962, p.51.

was said that by 1954, the average American's conception of Africa is not beyond such highly successful motion pictures as the African Queen; the Snows of Kilimanjaro; King Solomons Mines etc.[1] "I did not know", wrote Mr.Grove Patterson "that Nigeria has within its borders practically all the minerals man needs from the ordinary coal to gold and uranium. I did not know that already it has some great industries and offers an astonishing future for capital investment.[2]

Commenting on the achievements of the 1961 Economic Mission, the late Federal Minister of Finance, Chief Festus Okotie Eboh, told the Federal House of Assembly: "I can say without any hesitation that the Mission succeeded in generating widespread interest in the many investment opportunities which exist in Nigeria. The Mission held discussions with commercial and industrial interests in all the countries visited. All of us in the Mission were surprised by the ignorance which still exists overseas of investment opportunities in Nigeria. We were therefore at great pains during our journey to expand upon these opportunities for investment...I feel sure that, as a result of the Mission's work in the commercial and industrial fields, we may confidently expect a great increase in the number and substance of foreign investors in Nigeria in the near future...there is no doubt in my mind that the mission has proved an unqualified success".[3]

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1. G.U. Meniru: Africa-American Co-Operation. Libertarian Press New Jersey, 1954 pp.12-14.
2. Ibid. Appreciation by Grove Patterson, Editor-in Chief of Toledo Blade, Toledo, New Jersey.
3. Parliamentary Debates: Federal House of Representatives, 25th Aug. 1961 pp.63-64.

On concrete achievements, the Western Nigeria Economic Mission reported in 1956 that "during the Mission's tour, negotiations were started or concluded on 15 major industrial projects ... in its specific aims and objects, the Mission achieved considerable success. It has helped to widen considerably the sources of supply of technical and financial assistance available to the Region. It has made known the Region's economic aspirations and investment possibilities to the widest range of interested parties, including not only industrialists and potential technical partners, but also those organisations best placed to stimulate the flow of investment capital to the Region."[1]

Industrial Environment: Conclusions

The above pages have attempted to give a picture of the type of environment in which foreign investors had to operate in Nigeria between 1955 and 1965. This favourable environment for industrial investment was created by official growth promoting infrastructural development plans supplemented by considered and calculated public pronouncements and economic missions to acquaint foreign investors with the immense potentials and investment opportunities in Nigeria and to boost their confidence in the political and financial stability of the country. From the foreign

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1. Report of Western Nigeria Econ. Mission, March-April, 1956, pp.7-8.

investor's point of view, by far the most important single element in the industrial environment was the freedom to bring in and take out his capital and profits from Nigeria. In a lecture on the Growth of West African industry given at a joint lunch meeting of the Royal African Society and the Royal Commonwealth Society on June 2 1966, by Sir Francis Turton Hart, K.B.E., Chairman of Dorman Long (Ghana) Ltd, and Chairman of Dorman Long and Amalgamated Engineering, Ltd, Nigeria, and one time member of the Federal House of Representatives in Nigeria and President of Nigerian Chamber of Commerce for many years, I asked him which of the government's incentives matters most for the foreign investor. Sir Francis replied: "I do not think that one individual one could be said to be the most important because it depends terribly on the type of manufacturing unit. <u>But if I was asked to guess, I would say - the ability to bring your money in and out is the most important thing to all manufacturers and investors</u>".[1] The extent to which this and other items in the industrial environment contributed to attracting foreign manufacturing investment into Nigeria during the period has been indicated in the text above.

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1. Sir Francis Turton-Hare: "<u>The Growth of West African Industry</u> -1 <u>African Affairs</u> Vol.65 Oct. 1966 p.287. Underlining mine.

Tax and Tariff Incentives

It was shown in Chapter One that although tax concessions became available from July 1951 under the Aid to Pioneer Industries Ordinance of 1952, it proved to be an ineffective incentive to attract foreign investment. The reason was principally the Government's narrow interpretation of the Ordinance and the postponement of positive industrial decisions pending the receipt of the report of the Mission of the World Bank. It was also due to the limitations of the Ordinance which have been noted. It was because of these limitations that the World Bank Mission advised that the provisions in the Ordinance would have to be periodically reviewed.

Thie review was undertaken by a Committee appointed in 1955 to "recommend to the Federal Government the general principles which should govern the relief of local industries from payment of customs duties on imported materials; a decision as to whether any particular local industry should be granted relief in respect of import duty on the raw materials it uses and/or protection in the form of an increase of import duty on equivalent finished goods manufactured abroad; and the method by which relief should be granted".[1]

The Committee reported that the Federal Government should take positive steps to stimulate the industrial development of Nigeria, in particular through affording relief from import duties on materials

1. Statement of Policy proposed by the Fed. Government on the Report by a Committee appointed to advise on the stimulation of Industrial Development by affording Relief from Import Duties and the Protection to Nigerian Industry. Sessional Paper No.10 1956, p.1.

essential to industry and through the adoption of protective measures where necessary. Assistance, however, was not to be afforded indiscriminately but only to encourage the development of the industries which would be advantageous to Nigeria and which appeared likely to be able to stand on their own feet eventually. It stressed that the fundamental aim of any assistance was to be to stimulate the growth of Nigerian industry by enabling it to compete on equal terms with comparable imported products or to provide services at competitive prices.[1]

The above recommendations were substantially embodied in four Acts subsequently enacted by the Federal Government. These were: The Industrial Development (Income Tax) Relief Act, 1958; The Industrial Development (Import Duties Relief) Act, 1957; The Customs Duties (Dumped and Subsidised Goods Act,1958): the Customs (Drawback) Regulations, 1958; and the Income Tax (Amendment) Act 1958.

The object of the Industrial Development (Income Tax Relief) Act was to extend and liberalise the provisions of the Pioneer Industries Ordinance of 1952, the primary object of which was to encourage the development or establishment of such industries as the Government might from time to time consider to be beneficial to Nigeria and to which assistance would be in the public interest. It offered tax relief in the first place for a period of two years to qualifying companies, provided that a minimum capital expenditure of £5,000 was incurred on fixed assets

1. Report of the Committee to advise the Fed. Govt. on the stimulation of Industrial Development by affording Relief from Import Duties and Protection to Nigerian Industry, Lagos 1956 pp 1-2.

before production commenced. If, by the end of the two years, the amount of qualifying capital expenditure incurred amounted to £15,000, relief would be extended for a further two years; and, if by the end of that extended period, the total capital reached £50,000, another year would be added. A final year, making a total of five years in all, would be given if the qualifying capital expenditure reached £100,000 at the end of the fourth year. Losses would be carried forward and for each accounting year for which a loss was incurred, the tax relief period would be extended by the same period. The tax holiday extended to the shareholders of the pioneer company for profits earned during the tax relief period whether distributed during, or after, the expiration of the period.

Even after the expiration of the tax holiday period, tax liabilities would still be kept low for the pioneer company under the Income Tax (Amendment) Act of 1958. This granted accelerated depreciation allowances for all companies whether incorporated or not, and replaced and liberalised the original income tax act of 1952. Under the 1952 act, no deductions were allowed for machinery, and annual deductions were at a rate of 5%. The new act granted initial deduction of 40% on machinery and increased the rate of annual deductions to 15%. On buildings of all types the annual write-off is 10%; and on mines it is based on the rate of exhaustion of the particular mineral deposits involved within a minimum of 15%.

By making relief from income tax possible during the early years of the public companies engaged in pioneer industries, the Income Tax Relief Act was meant to attract foreign capital to Nigeria. Since losses could be carried forward up to a maximum period of ten years, it meant that

a pioneer company could be in business over a period of ten years without paying any taxes at all. It was thus possible to incur initial losses while the business was being built up, and to postpone profits to years when the returns from the established business would be expected to be high. The significance of the income tax amendment act was that it granted companies a much larger allowance, to enable them to amortise their capital assets during their formative years, and to build up liquid reserves at an early date. Again, unabsorbed losses could be carried forward for as long as ten years.

These tax concessions facilitated the establishment of some manufacturing industries. The incentive to be pioneer for industries was found to be particularly strong to pull the potential foreign investor toward Nigeria from any other possible choice.[1] By October, 1965, 66 industries had been declared pioneer under the Pioneer Industries Ordinance, as amended,[2] 30 of them having been declared pioneer before the amendment in 1958. The industries for which the incentive to be pioneer, the first in the field, was important inducement, included textiles, blankets, modern ceramics, tarpaulin, paints, fertilisers and sugar.

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1. A.N. Hakam op.cit. Of the 68 firms he surveyed, the incentive to be pioneer was mentioned 28 times as a reason for attracting them to Nigeria.

2. Fed. Ministry of Industries: Industrial Directory, Lagos, op.cit. 40-42.

Tariff Protection

In the last chapter it was shown that, although upon investigation, the establishment of a modern textile industry was found to be uneconomic, the United Africa Company Ltd was nevertheless willing to proceed with the project if the Government would grant some protection against foreign competition. Eventually this and another similar project were abandoned because of the absence of protective tariff. Tariff protection for Nigerian manufactures was not, in fact, available until the passing of the Industrial Development (Import Duties Relief) Act, 1957, and the Customs Duties (Dumped and Subsidised Goods Act,)1958 and the Customs (Drawback) Regulations, 1958.

Under the Customs Ordinance No 60 of 1958, imports of raw materials not available in Nigeria could enter Nigeria duty free. But under the Industrial Development (Import Duty Relief) Act, 1958 repayment of import duties became available for materials imported into Nigeria for use in the manufacture or processing of assembling goods or in the provision of services. To qualify for such a relief, an applicant had to satisfy the Federal Government that it was impossible to provide the goods or services at low enough prices to compete with the imported equivalent; or that the imported finished articles have a lower proportion of import duty than the materials imported into Nigeria. The Government had also to be satisfied that any repayments to be made were to be in the overall economic advantage of Nigeria, having regard to certain criteria.[1]

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1. These include the special need for relief by the company; the cost of the relief to the economy; and the probable effectiveness of the proposed measure in encouraging the development of the industry.

The Customs Duties (Dumped and Subsidised Goods) Act 1958, permitted when necessary, the imposition of a special duty on any foreign subsidised goods which were being dumped in Nigeria. This power was to be sparingly exercised, for before doing so, the Government had to be satisfied that a material injury would be threatened, or caused, to a potential or established industry in Nigeria by the entry of such goods and that the imposition of a special duty would not conflict with Nigeria's international obligation under the General Agreement on Trade and Tariff. Further protection was available under the Customs (Drawback) Regulations, 1958, under which repayment of import duty would be made in full for re-exported goods provided they were re-exported in the same condition as they were imported. Full import duty repayment was also available if materials were imported for use in the manufacture of goods which were then exported; and on paper imported for use in the manufacture of educational goods where such goods were supplied to recognised educational establishments. Finally under the approved user scheme, approved manufacturers could be permitted to import either duty free or at a concessionary rate of duty, certain materials specified in the Customs Tariff, for a period not exceeding three years.

It is clear, therefore, from the above, that since 1958 Nigeria provided an array of protective tariff for her local manufactures, the primary objective of which is to stimulate industrial development and to encourage foreign private investment in Nigerian manufacturing by affording local protection against competition ~~from~~ from manufactured imports. But this was rightly emphasised to be a temporary protection. The following government statement makes this clear. "...This weapon will be used with

caution. The purpose of protection is not to provide undue profits for an indefinite period to the manufacturer at the expense of the consumer, nor will the Government allow a high 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 Nigerians with quality goods at fair prices, but also so that Nigerian manufactures may compete effectively in the markets of the world. We do not visualise Nigerian industry as catering only for the domestic market, it will increasingly become the supplier of manufactured goods throughout Africa. This it can only achieve if it remains efficient."[1]

The significance of Tariff Protection

The primary objective of tariff protection is to protect local manufactures from foreign competition by banning or restricting the import of goods similar to those locally manufactured so as to enable them to gain a strong hold in the domestic market. Its efficacy therefore depends on the size of the local market and the importance foreign manufacturers attach to maintaining or gaining entry into that market. Generally, two classes of prospective investors are affected by government tax and tariff concessions - those who have long exported manufactured goods in big quantities to the local market, and those who consider it essential to enter or gain a foothold in that market.

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1. The Six Budget Speeches of the Federal Minister of Finance, op.cit. pp.141-142.

To those who had long had big export business in manufactures in the local market, the effect of tariff protection has been described thus: "Whatever device is used, the effect of (tariff protection) is to restrict the import of the particular product into the country. The company is then faced with a problem. It has been exporting goods to the country (from his own country) or possibly from a plant in another country; it has built up a good market for the product; it is making good profits. Suddenly as a result of the government action, the product can no longer enter the country and be sold". "The private manufacturer has (therefore) to decide whether it is better for his product to be manufactured near the home of his customers, his traditional export market; can he maintain his market by using existing manufacturing facilities and skilled man power in this country; or must he take advantage of his goodwill and know-how to set up a factory abroad? If he does not manufacture his product overseas, some one else may, in which case he would be in competition with an indigenous manufacturer",[1] with the benefit of the protective tariff in his traditional export market.

For those investors who consider it necessary to gain a foothold in the Nigerian market, the tariff measures would pose an immediate policy decision. If they postponed investment, it might be too late to gain entry at a later date. In the meantime other competitors would set up, and, behind the local tariff walls, would make it all the more difficult for others to get in at a future date. Whichever way the

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1. Barlow & Werner: Foreign Investment and Taxation; Prentice Hall 1955 p.147.

prospective investor decides, it would depend on the importance of the domestic market, and, of course, on the level of tariffs. Unless the tariffs are protective enough, he might feel he could still compete by taking advantages of economies of scale in his own country to manufacture and sell in the domestic market. But if the tariffs are high enough and the market is big, then he may decide to set up a manufacturing plant in the domestic market before it becomes too late.

On the efficacy of tariff protection to achieve the above positive effect, it has been remarked that "there can be little doubt but that tariff relief for goods which enter directly into manufacturing costs is one of the most effective methods of stimulating the growth of local industry. It is significant that the Federation of British industries regards the level of customs duties to be the most significant important single legislative influence upon the establishment of secondary industries."[1]

The Nigerian tariff measures were very important in attracting foreign investment to Nigeria in defence of established markets, and to gain entry into the Nigerian market. These will be discussed in the next chapter which deals with the importance of the Nigerian market in attracting foreign private investment to Nigeria during 1955/65.

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1. The Report of the Committee on the Stimulation of Industrial Development by affording relief... op.cit. p 7. H.E. Hagan observed a strong correlation between the anticipation of high protective duties and the decision to invest in some Latin American countries, especially in those with relatively big domestic markets such as Argentina, Brazil and Mexico. See "The Economic Justification of Protectionism", Quarterly Journal of Economics, November, 1958.

Financial Incentives

Another method through which government policy attracted foreign private investment to Nigerian manufacturing during 1955/65 was the provision of financial incentives to stimulate industrial development. This was necessitated by the shortage of indigenous private capital and the fact that most foreign investors made Nigerian participation a condition for some of their projects.[1] The East stated the case for these financial incentives as follows: "In view of the present dilemma (lack of capital and the urgent demand for rapid economic development) of the Region, it is crystal clear that the Government must take the initiative and play a prominent role. This can be done in many ways: making emergency grants or loans to farmers, enlarging credit facilities to entrepreneurs, bolstering up business credit, strengthening banks, stimulating private investments, and participating vigorously in economic development".[2]

It was for the above reasons that a sum of £11.6m was provided under the 1955-60 plans and £81m under the 1962-68 plan, as Tables 3.6 and 3.7 above show. These sums were to be utilised in inviting technical partners to participate in establishing industries of national importance, and for the establishment of development banks, such as the Nigerian Industrial Development Bank Ltd., the Industrial Finance Company of

1. The Fed. Republic of Nigeria, National Development Plan op.cit. 183.
2. The Economic Rehabilitation of Eastern Nigeria Sessional Paper No.6, 1955, p.4.

Eastern Nigeria Ltd., and the Northern Nigeria Investments Ltd. through which the government would participate directly or indirectly in industrial projects; by seeking out investment opportunities and attracting foreign investors; and by providing the Nigerian counterpart of the capital where the foreign investors so desired. The Tables show that, to attain these objectives, the Federal Government provided about £1m, the North £2m, and the West £8m under the 1955/60 plans. In the 1962/68 Plan, the Federal Government provided nearly £42m, the East £11m, and the West £19m, and the North £9m.

The effectiveness of the above technique is illustrated by the projects which it helped to establish. They include, the Nigerian Cement factory at Nkalagu in the East, the £14m oil refinery at Port Harcourt, the Nigerian Sugar Company at Bacita and the Kaduna Textiles also in the North and a number of plants in the West. The list is not exhaustive. The significance of partnerships lies in the fact that Nigerians desire it as a source not only of capital but also as a means of being trained in modern industrial management and technology. At times too, Government participation is the only means of getting the project established.[1] The Nigerian Cement factory at Nkalagu clearly illustrates this point. Direct government participation was not originally contemplated in this project because it appeared that the necessary capital would be forthcoming almost entirely from normal commercial circles. The situation changed, however, when a leading cement manufacturer who had originally undertaken to provide about 40% of the capital withdrew. This presented the Government with a

1. The mechanics of the partnership scheme will be examined in ch.6.

difficult decision to make. If it refused to participate or was only willing to participate itself on a small scale, the project was bound to flop or be postponed. On the other hand, it justly hesitated to inject public funds in an untried project. After satisfactory enquiries, however, both the Federal and the Regional Governments took up a majority interest in the project[1] which came into production in 1957 as the first cement factory in West Africa.

An example of an industrial project attracted into the country through the initiative of the regional government is the Eastern Nigeria Enamel factory, a £100,000 project established in partnership with HongKong Chinese investors. The Eastern Nigeria Government found that Nigeria imported about £2.5m worth of enamelware every year, from HongKong. It therefore decided to interest manufacturers in HongKong in the possibilities of manufacturing enamelwares in Eastern Nigeria and the consequent negotiations resulted in the establishment of the factory. Interestingly, once in Nigeria, the HongKong Chinese sported another investment opportunity in the manufacture of plastic shoes to be followed by the manufacture of plastic household utensils, and the £50,000 "Zenith Plastic Industry Ltd" was established with the foreign partner holding 80% interest and the Eastern Nigerian Government holding 20%.[2] Other examples of how government participation helped to attract foreign private capital to establish projects which otherwise would not have been established will be given in Chapter 6.

1. Federal House of Representatives: Ministerial Statement by the Minister of Commerce & Industries, March 6, 1953.
2. Report on the 4th Conference of Leading Personalities of Eastern Nigeria Origin, 13-14 Dec,1963, Official Document No 28 of 1964,p.26.

Government Policy: Conclusions

The above discussion has shown that government policy played a very important role in attracting foreign private investment in Nigerian manufacturing during 1955/65. This role was through the maintenance of political stability and the general freedom allowed to investors to bring in and take out their capital and profits, and the assurances given against nationalisation without adequate compensation. These measures singled Nigeria out as the safest place for foreign investment in Africa, outside South Africa.

Secondly, the government economic policy in general and industrial policy in particular, as illustrated in the development plans and various policy statements, helped to present a favourable investment climate through the provision of the necessary infrastructure, through tax and other fiscal incentives, and through the provision of industrial finance which made possible the establishment of projects which otherwise would have been unrealistic.

As a result of the above measures, government policy favourably influenced foreign private investment to Nigerian manufacturing during 1955/65. This contrasts with the effect of government policy during 1939/54 when it was the main factor which inhibited foreign investment, as was shown in Chapter One. Government policy during 1955/65, of course, had its negative aspects. In particular, government policy limited foreign private investment through lack of adequate feasibility studies and centralised information, administrative delays, regional rivalry, and unsound investments. These will be examined in the last Chapter.

CHAPTER FOUR

OTHER FACTORS AFFECTING FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING, 1955 - 1965

INTRODUCTION

The last chapter examined how government policy influenced the flow of foreign private investment in Nigerian manufacturing during 1955-65. Other factors which also influenced the flow during the period are the Nigerian market, raw materials, and redeployment. These are examined in this chapter.

1. The Nigerian Market

Addressing the mission of the Federation of British Industries in 1961, the Minister of Commerce and Industries, Zanna Bukar Dipcharima, stated that one of Nigeria's greatest assets in attracting foreign private investment is her large and expanding market.[1] This claim is probably based on Nigeria's population of 55.6m (according to the 1963 census) which is 58% of the population of all West Africa, and 19% of that of all Africa, as Table 4.1 shows. Thus for every 5 Africans, one is a Nigerian, and for every two West Africans, one is a Nigerian. Based on population alone, Nigeria would therefore be considered the largest single market in Africa.

But population alone is not enough. A large population does not mean much as an indication of the size of a market if the Gross Domestic Product

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1. Federation of British Industries, Nigeria: An Industrial Reconnaissance, p.44.

is very small. On the other hand, a small population of about 3m with a big CDP cannot be considered a big market. Table 4.2 shows that, apart from South Africa and the United Arab Republic, Nigeria had the biggest CDP in Africa. Nigeria's CDP of $3,890 in 1963 was 45% of the CDP of all the West African countries in that year and 65% of all East African countries in 1960. In terms of CDP, therefore, Nigeria has the biggest single domestic market in Africa outside the UAR and South Africa.

This market is also expanding. During the decade, 1950-1960, her population grew at a faster annual rate of 2.5% compared with an average annual rate during 1958-64 of 2.3% in the whole of Africa and 1.7% in the world. While Nigeria's CDP grew by 4% p.a. during 1950-1960, between 1955 and 1965, her total imports, exports, and Federal Government revenue and expenditure each increased by more than 100%, money supply by 86%[1] and the tonnage of goods handled by her ports by 220%.

Another indication of the growth of the Nigerian market is the rate of increase in non-food consumption expenditure compared with the rate of increase in the expenditure on food items. Generally, at low incomes, people tend to spend a greater proportion of their incomes on food. As incomes rise, this proportion tends to fall and the proportion spent on other items, such as manufactured consumer and capital goods, tends to rise, although the aggregate food expenditure would rise. The rate of increase in the proportion of non-food expenditure is therefore a good indication of an expanding market for manufactured goods. By

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1. Calculated from Nigerian Annual Abstract of Statistics, 1964.

this measure, the Nigerian market is definitely expanding. During 1950-1960, expenditure on non-food items rose faster than expenditure on food. While total consumers' expenditure increased by 28% during the decade, expenditure on non-food items increased by 92%; and it was estimated to increase by another 80% between 1960 and 1972.[1] This would represent a per capita expenditure of between £8-£11 on non-food items by then. "Thus we expect a rapid growth in what we believe to be the major market for the products of Nigerian industry".[2]

The consumption of certain key items was also expanding. Nigerian textile consumption, for instance, doubled from 220m square yards in 1949/51 to 460m square yards in 1959/60 and consumption per head from 7.4 square yards to 13.4 square yards. During the same period, the consumption of woven piece goods rose by 80% from 211m square yards to 379m square yeards.[3] The consumption of beer and soft drinks rose from £8.2m in 1957 to £10m in 1960 and was estimated to increase by about 40% by 1967 and by 80% in 1972.[4] Cement consumption increased from 535,000 tons in 1957 to 812,000 tons in 1960 and the cement consumption index from 100 to 148. Although cement consumption was estimated to grow by about 4% p.a. to a total of 1.12m tons in 1968, and to about 1.3m[5] tons

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1. The Industrial Potentialities of Northern Nigeria, Kaduna, 1963, p.55.
2. Ibid. p.
3. Ibid. p.83.
4. Ibid. p.166.
5. Ibid. p.122.

in 1972; by the end of 1965, actual cement consumption was 1.138m tons. This is greater than the estimated consumption for 1968. It is thus obvious that the estimated consumption for 1972 would be considerably exceeded. All these illustrate that the Nigerian market is not only large, but is expanding.

The significance of this large and expanding market lies in the advantages of economies of scale which it confers to Nigeria. The large market will enable her to manufacture certain products more cheaply by producing them in large quantities and thereby spreading the costs over a larger number of units than would be possible in a small market. This is particularly important for such items as cement and steel, where the minimum economic size of plant tends to be big. It has, for instance, been estimated that the manufacturing cost per ton of cement is ₦28.7 in a plant with an annual capacity of 50,000 tons; but if the capacity is increased to 1.8m tons p.a., the manufacturing cost per ton drops to ₦13.9.[1] Similarly while the manufacturing cost per ton of steel for a steel plant with a capacity of 50,000 tons per annum is estimated at ₦209, in a steel plant capacity of 1m tons p.a., the manufacturing cost per ton drops to ₦127.[2] In the manufacture of products such as these, therefore, a large market, such as Nigeria has, is obviously at an advantage over a small market.

However, three factors have operated to limit Nigeria's effective size as a single market. The first is her low per capita income which

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1. United Nations: Economic Bulletin for Africa Vol IV, Jan.1964, p.51.
2. Ibid. The reduction in costs appears in all the major items on the cost as the following Tables 4a and 4b show. (see App B).

is among the lowest in the world. As Table 4.2 shows, Nigeria's per capita GDP of $71 in 1963 was only about one third that of either Ghana or Ivory Coast, or Algeria, and about an eighth of that of Libya. Within Nigeria, per capita income is not uniform; it is greater in the South than in the North. With a higher ratio of population per square mile in the South than in the North, this means that not only the market but also the effective demand for most items is concentrated in the South.

The second factor is the great distances involved especially between the South and the North and within the North. The North is about 700 miles away from the coast in Lagos and, it costs more in railway freight to transport some items from Lagos to Kano in the North than the sea freight from Europe or North America to Lagos. These transport limitations have tended to divide the Nigerian market for some items into a "Northern" market, and a "Southern" market; and it is suggested that where manufacturing is based on imported raw materials, it would be limited to the Northern market since the additional freight costs would make the resulting product uncompetitive with a similar product manufactured in the South.[1]

While physical barriers have thus subdivided the Nigerian market into two, the political structure, in effect, divided it into four separate markets. Nigeria is a federation made up of four strong and largely autonomous regions and a relatively weak centre. Constitutionally,

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1. For a more detailed discussion of these factors, see the next chapter on the location of manufacturing in Nigeria.

industry is a concurrent subject on which both the regions and the centre can legislate. Although inter-regional trade is a federal subject, the North nevertheless imposes a 10% duty on all cotton "exported" for use in textile mills in Nigeria located outside the North. Besides, as the 1955 mission of the Federation of British industries found out, "the division between the regions created great uncertainties for the future of trade and industrial development. Should the East and the West seek to dominate Nigeria, the North might demand complete separation and vice versa... In examining industrial possibilities, the potential British investor would therefore be wise to think in terms of relatively small units each drawing its raw materials from, and supplying its finished products to, the Region in which it operates, because of the possibility of rival plants being established in other regions".[1] This is what, in fact, had happened. While transport costs would, in any case, have necessitated the establishment of separate cement plants in most of the regions, in such items as textiles where transport costs do not constitute a very high proportion of total costs, it would have been more economical to establish two or three large textile mills to serve the whole Nigerian market. However, by the end of 1965, each region had at least a textile mill and there were 16 integrated textile mills within the country.

It is thus seen that although Nigeria has a large and growing

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1. Federation of British Industries: Report on a visit to Nigeria and the Gold Coast, 1955, pp.4-10.

internal market, its significance is limited by low per capita income which is higher in the South than in the North, and by transport and political considerations which, in effect, sub-divided the market into four separate units. Thus, for some items, Nigeria would not be reaping the full advantages of economies of scale which would have accrued to her if she had had an integrated market.

The effect of Nigeria's market in attracting foreign manufacturing investment

Despite the above limitations, however, foreign investors regard Nigeria's market as potentially larger than any other market in Africa. The market has therefore been a powerful factor in attracting foreign private investment to Nigerian manufacturing. 56 of the 68 firms surveyed by A.H. Hakan in 1966 mentioned it as a factor which influenced their choice of Nigeria over other countries.[1] The prospects of exports to neighbouring African countries also influenced the foreign private investor's choice of Nigeria. In this case, the advantages of her potentially large internal market were enhanced by her central geographical location among smaller countries east, west, and north of Equatorial Africa.[2] Foreign investors accordingly viewed Nigeria as a convenient and economic base from which to manufacture and supply to these other smaller countries. Indeed, it was hoped that in the event of an African or West African Common market, Nigeria would become the "workshop" of West Africa or indeed of all Africa.

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1. A.H. Hakan, op.cit. p.53.

2. Nigeria lies wholly within the tropics, between the fourth and 14th parallels north of the Equator, and between the 2nd and 15th meridians east of Greenwich. On three sides, the west, the north and the east, Nigeria is bounded by French speaking Africa, Dahomey in the West, the Cameroons in the East and Nigeria in the North. see map on p 577

The above point was made clear to the mission of the Federation of British Industries by the Federal Minister of Commerce and Industries in 1961. He pointed out that investors should not look to Nigeria's market as restricted to the boundaries of Nigeria alone. "With the increasing awareness of the advantages of larger economic groupings which is emerging in the world today, the time may not be too far distant when the emergence of a West African Customs Union becomes an established fact. By this I do not mean to imply that any specific negotiations to this end are either in progress or contemplated, but I think it is true to say that this is the way that men's minds are moving.[1] The consequences of such an economic grouping need no emphasis from me. One thing is especially clear and that is that Nigeria may well have the opportunity of becoming the industrial centre of the whole of this part of Africa".[2] The FBI mission observed of this aspiration: "She speaks with a good deal of certainty about the prospects of establishing within ten years a West African Customs Union of which she would be a member. In sum we think that (she) means to surge forward with economic growth, and can succeed in doing so. We feel sure that as this proceeds, we shall see the cumulative consequences that have already been demonstrated in other countries".[3] Other foreign investors also saw this as a strong possibility and it influenced their choice of Nigeria over other countries.[4]

1. Federation of British Industries: Nigeria, An Industrial Reconnaissance, 1961 p.44.
2. Ibid. p.3.
3. Ibid.
4. See: A.H. Hakan op.cit. p.53, and P.O. Proehl op.cit. p.126. Nigeria was among 12 West African countries which early in May 1967 signed a declaration to establish a West African Common Market.

While Nigeria's large domestic market, her central geographical location and the prospect of a West African Customs Union favourably influenced the choice of Nigeria over other countries, the immediate decision to invest in Nigeria was due to the fear of losing their export market in Nigeria. The most important aspect that induced such a fear was the various incentive laws and tariff restrictions made by the Nigerian government to encourage the manufacture of goods previously imported to Nigeria. These measures were examined in the last chapter. Their effect was to restrict the import of certain goods and to make them uncompetitive with similar goods manufactured in Nigeria. These restrictions presented the prospective foreign investors in Nigerian manufacturing with an immediate decision. This affected two classes of prospective investors - those who had previously exported to Nigeria, and those who wanted to get into the Nigerian market for the first time.

Those who wanted to get a foothold in the Nigerian market felt that if they delayed the decision to invest in local manufacturing in Nigeria, Nigerian government's continued restrictions on imports might make it difficult, if not impossible, for them to get in at a later date. Moreover, a major competitor might get in first and, protected by all the government restrictions, would be better able to supply the Nigerian market. This factor was mentioned 58 times by the 68 firms surveyed by Hakan[1] and 15 times by the 26 manufacturing firms surveyed by R.S. May.[2] It concerns particularly those international firms who have a strategy of

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1. Op.cit.

2. Op.cit.

investing in key global areas and who saw, or were convinced that Nigeria is a 'key' area. Frequently mentioned reasons in this connection include the aim to expand sales into a new market otherwise difficult by just exporting, or to forestall a major competitor's move or possible move into the Nigerian market; or as a result of the parent company's strategy of investing in key global areas and convinced that Nigeria is a very important area, felt that it may be too late to gain entry profitably into the market if the decision were postponed too long.

For those prospective foreign private investors who had long exported to Nigeria, the restrictions imposed on imports into the Nigerian market and the incentives provided for local manufacturing threatened them with the prospect of losing their export market in Nigeria. They were therefore faced with an important and immediate decision. If they did not invest in local manufacturing in Nigeria other competitors would, and these would be protected behind tariff walls in Nigeria. Most of these prospective investors therefore decided that rather than lose the Nigerian market for their exports, thus yielding to competitors, it would be better to utilise their good knowledge of Nigeria and its market and their past good commercial relations to establish local manufacturing to safeguard their established market in Nigeria. The effect of this consideration in attracting foreign investment into Nigerian manufacturing is illustrated in the fact that it was mentioned 60 times by the 68 firms surveyed by Hakan as a main consideration in their choice of Nigeria over other countries.[1]

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1. Op.cit.

An additional motive is that by establishing local manufacturing they would also be able to export capital goods for the plants since these are not yet manufactured in Nigeria.

It is thus seen that foreign private investors have invested in Nigerian manufacturing in order to defeat or jump Nigerian tariff restrictions by securing or maintaining a foothold in the Nigerian market. There is nothing new here: it has been the experience in many other countries. As C. Wilson observed in the history of the Unilever, "foreign tariffs had much to do with the changing character of the British export of capital about 1900. Britain had been exporting capital for the best part of a century. But now British investment in commercial and industrial manufactures began to grow as it had never done before"[1] Of the firm itself, Wilson wrote: "The story of Lever's European development is largely concerned with attempts to defeat the tariff legislator".[2] It might, indeed, be equally said that the story of the expansion of foreign private investment in Nigerian manufacturing is the story of attempts by foreign investors to defeat the Nigerian tariff legislator.

It is noteworthy that this reaction to gain a foothold or to defend the established market in Nigeria did not become significant until after Nigeria's Independence in 1960. For non British investors this was understandable. As Table 4.5 shows, a large proportion of Nigeria's imports comes from the United Kingdom. In 1950 this proportion was 60%;

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1. C. Wilson, The History of Unilever, London 1956, Vol.1 p.99.

2. Ibid. p.192.

by 1959 it was 45%, compared with 19% from the European Economic Community, 11% from Japan, and only 4% from the United States. With such a small proportion of imports so thinly spread over so many countries, there was in effect, no market for these countries to 'defend' in Nigeria. They could, of course, have invested to expand this trade; but, two factors limited the scope for such expansion in Nigeria before 1960.

The first was lack of adequate knowledge of the investment opportunities existing in Nigeria. Both the World Bank Mission to Nigeria in 1953 and the American Investment Mission in 1957 stressed this point. As we pointed out in the last chapter, it was in 1955 that the East and the West sent out their investment missions to Europe, North America and Japan to make the investment opportunities in Nigeria known to prospective investors. This was later supplemented by a strong economic mission sent out by the Federal Government, followed by many return missions, the first American economic mission to visit Nigeria being in 1957. All these missions helped to bring Nigeria's potential investment opportunities to the attention of potential foreign, non British investors.

The second factor was the general restrictions imposed on dealings with non-Sterling Area countries before 1959. In 1951, the Nigerian Government undertook to restrict the import of certain goods from non-sterling area countries in the interest of the Sterling Area.[1] These included beer from Western Europe and textiles from Japan. On the other

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1. See Chapter 1 p. 74

hand, as a part of the "dollar" policy, investment from the United States was not to be allowed unless the project would give a net earning or net saving of dollars or was of such economic benefit to Nigeria as to justify the loss of the dollars involved; and it was found that no project existed which would attract normal American investment and also be a net dollar earner or saver. As long as these restrictions obtained, it was difficult for investors from these countries to invest to defend or expand their markets in Nigeria.[1]

It is thus seen that, owing to their small exports to Nigeria and their little contact with, and knowledge of Nigeria, and the general restrictions imposed in the interest of the Sterling Area, little foreign private investment came from non-Sterling Area countries before 1960 to take advantage of Nigeria's potentially large and expanding market. By 1960, however, the position had begun to change. Four incentive laws were passed in 1957/58 to attract foreign private investment and encourage and protect local manufacturing. With the return to convertibility in January, 1959, the general restrictions placed on imports and investment from non-Sterling Area countries became unnecessary and were removed or relaxed. Although import restrictions were imposed from time to time (especially on imports from Japan) they were specifically in the interest of Nigeria's balance of payments and not necessarily that of the Sterling Area. The requirement that a project must be a net earner or saver of dollars also became unnecessary and was also abandoned and the overall

1. According to the Mineral Ordinance 1948 non British Commonwealth investors would not be licensed to prospect for mineral oil in Nigeria. See App. A p. 483 but it does not seem this applied also to industrial investors.

economic interest of Nigeria was substituted as a criterion for admitting investment from non-Sterling Area countries. All these facilitated business dealings with these countries, such that after Nigeria's independence in 1960, investors from these countries were able to emerge as active competitors to invest in Nigerian manufacturing not only to defend and expand their established markets but also to gain a foothold in the Nigerian market. As a result of these developments, the proportion of Nigeria's imports coming from the non-Sterling Area countries had expanded remarkably by the end of 1965. Although the U.K. was still the leading single supplier, her share of Nigeria's imports had fallen from 60% in 1950 to 31% in 1965 and the share from the West European countries risen to 32%, that from the United States to 12%.

Unlike the investors from the non-Sterling Area countries, the U.K. investors had much established market in Nigeria to defend or maintain. In 1950 Nigeria purchased 60% of her imports from the U.K.; even as late as 1960, the proportion was still as high as 44%. The FBI mission to Nigeria in 1955 had noted that the firm determination of the Nigerian governments to manufacture goods previously imported would at any rate threaten U.K.'s export market to Nigeria. It found, however, that the greater threat was competition from other manufacturing countries to establish manufacturing plants in Nigeria. It specifically mentioned the Germans as being particularly active and through price cutting they had succeeded in snatching some contracts from British investors in Nigeria.[1]

1. FBI Report of a visit to Nigeria and the Gold Coast 1955.

In 1957 the U.K. Trade Commissioner in Nigeria warned British industrialists and investors against neglecting the Nigerian market which should no longer be regarded as a traditional market for their goods. He urged on them to build up trade against the time when Nigeria would become independent and be more than ever wooed by the trading nations of the world. Above all, he advised British manufacturers to keep abreast of industrial development in Nigeria; "otherwise they might one day wake up to find that some one else has started an industry where that they might well have established or that their goods are henceforth virtually excluded from the Nigerian market".[1] Inspite of the FBI's observation of active competition and the Trade Commissioner's warning against potential competition in the Nigerian market, the U.K. manufacturers still did not take any effective action to 'defend' their established market in Nigeria until three months after independence, in January, 1961.

Three factors explain this apparent inaction. The first was political. Although the mission of the FBI observed active foreign competition in the Nigerian market in 1955, it found the political situation so uncertain and feared a break down of law and order, including a breakdown of essential services following the introduction of the 1954 Federal constitution, that it advised prospective investors to suspend investment decisions in Nigeria pending the clarification of the political situation in the country. As investment was to be long-term, the mission's caution was quite justifiable: and the political turmoil which

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1. Overseas Econ. Surveys: Nigeria, 1957 and its review: West Africa February 15, 1958 "Taking Notice of Nigeria".

erupted in the open in Nigeria since 1966 certainly justifies the caution.

The second explanation is that until the restrictions on imports from, and dealings with non-Sterling Area countries were removed by the return to convertibility in January 1959, the U.K. investors were obviously at an advantage in the Nigerian market. They probably therefore felt they could ignore any threat of foreign competition in the market, despite the Trade Commissioner's warning.

Thirdly, until the incentive laws were passed in 1957/58, there were no active measures to encourage the local manufacture of goods previously imported and to protect them from foreign competition. The general feeling among U.K. industrialists was therefore that the time was not yet ripe to invest economically in Nigerian manufacturing.[1] But other countries were actively campaigning to come to establish industrial plants in the country, and, especially after Independence, "Ministers with limited experience of these problems were now being required to decide between the statements of established manufacturing organisations and the claims for help by the newcomers. Perhaps inevitably the Ministers, often against the advice of their expatriate assistants, decided in favour of the newcomers.[2] And one of the big U.K. firms had to complain that "To some extent, we have found ourselves in the familiar business dilemma of watching our competitors set themselves up with the benefit of new procedures while we ourselves were handicapped by attempts to fit the new into the outlines of the old".[3]

1. Sir Francis Turton Hart: "The Growth of West African Industry", African Affairs, October 1966, p.283.
2. Sir Francis Turton Hart, op.cit.
3. A.H. Smith, op.cit. p.197.

It is against the above background that the strength and purpose of the 1961 mission of the Federation of British Industries to Nigeria can be fully understood. Addressing the mission, the Nigerian Federal Minister of Economic Development, Hon. Waziri Ibrahim, expressed the general hope that the British industrialists would show as much interest and enthusiasm in establishing industries in Nigeria as U.S.A. and Western Germany. He then added: "here is one way in which British industry, if it wishes, can make a lasting and substantial contribution to the development of Nigeria, and I hope my words will not fall upon deaf ears. We are committed to no one and we shall examine all proposals strictly upon their merits".[1]

Replying, the leader of the FBI mission, Sir Norman Kippling, explained the object of the mission which was to explore opportunities for British private investment in Nigeria. "We have come", he said, "to see and to learn, but also to understand your needs and your viewpoint; and to offer you an explanation of our own".[2]

Sir Norman Kippling emphasised that the 1961 mission was the first investment mission of its kind and that the British industry, as represented in the mission, wanted to make a genuine investment in Nigeria's future. "This is why we are here. In my fifteen years of experience with the F.B.I., this is a unique delegation. Trade missions there have been many, aiming principally at increasing our exports, for Britain - far less

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1. FBI: Nigeria, An Industrial Reconnaissance op.cit. p.46. Underlining is mine.

2. Ibid. p.48.

fortunate than Nigeria in her natural resources - is utterly dependent on these. But I have known no other delegation concerned only with investment - that is, with industrial development - nor any other government which has visualised the idea of such a conference as we are now inaugurating. I hope you will regard the strength of our delegation as evidence that we have found the idea a good one".[1] The fears about administrative breakdown and political instability expressed in 1955 were replaced in the 1961 report with great optimism for the future. "You will understand", the mission assured the Nigerian Government, "that this delegation would not be here if it had any fears of this sort in Nigeria. The very definite statement which you made in your speech, Mr. Minister, that the further nationalisation of industries plays no part in your plans for the future was a very welcome one, for this is fundamental. The promise of political stability in Nigeria is a starting point, and from there the investor turns his attention to economic prospects".[2]

The FBI 1961 report might indeed be described as a turning point or landmark in British manufacturers' attitude towards establishing manufacturing in Nigeria. Within two weeks of the return of the mission to the United Kingdom, a list of 21 projects, worth about £10m, was drawn up and seven of these were decided upon immediately. At a press conference immediately after, the leader of the mission, Sir Norman Kippling, emphasised that the list would be substantially longer after the

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1. Ibid, pp.47-48.

2. Ibid, p.51.

basic data collected by the mission had been properly processed. The projects immediately decided upon included a £2.5m textile plant in Eastern Nigeria, a £2m Dunlop tyre factory, a £1m Guinness brewery - said to be the third factory in Guinness' 200 years history and the first overseas factory to be so established -[1] and a £1m Asbestos cement factory by Turners and Newwall.[2] Besides, the mission made a number of feasibility studies and recommended that there was considerable scope for the expansion of textile factories, for the establishment of cocoa processing factories,[3] a paper mill and paint works and pharmaceuticals.[4] It concluded by further emphasising the considerable investment possibilities in the country, the uncomprehensive nature of its survey, and urged on other investors to conduct further and complementary surveys or feasibility studies.

Summing up, the mission considered that the Nigerian economy was sound; that there was a genuine determination to develop; and that the resources for development were not lacking. Nigeria's problems were those arising from the "lack of Nigerian industrial, technical and financial experience and knowledge" and it promised help to make these up.

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1. The first factory was established in Dublin in 1759 and the second at Park Royal during the chairmanship of the 2nd Earl of Iveagh, between 1927-1962.
2. Financial Times, March 2, 1961.
3. A cocoa factory and a paper mill, and several paint works have since been established.
4. FBI: Industrial Reconnaissance, op.cit.

How does one explain the contrasts between the 1955 and the 1961 reports of the mission of the Federation of British Industries? While the 1961 mission was highly optimistic about Nigeria's prospects and recommended the establishment of many industrial projects, the 1955 mission was very pessimistic and advised the suspension of projects because the time was not ripe for most of them and because of the uncertain political situation.

Recent events in Nigeria have justified the political fears expressed by the 1955 mission. In the same way, they have probably proved as unfounded the optimism about political stability expressed by the 1961 mission. This is because the 1955 mission based its fears on the underlining political situation arising from the nature of the federal constitution. By 1961 this situation had not materially changed since the federal structure was the same in 1961 as it was in 1955. What had changed was Nigeria's political status: by 1955 she was a colony; but by 1961 she was a sovereign state. It is probably this which explains the differing tones of the two missions. The 1955 mission could be outspoken on Nigeria's political prospects. The 1961 mission was dealing with an independent state and could not have been expected to be as outspoken as the 1955 mission. There was probably much diplomacy in all the optimism about Nigeria's political stability which the 1961 mission expressed.

The 1955 mission was also probably justified in advising postponement of investment decisions on the ground that the time was not ripe for some of the projects. By 1955 there was no genuine determination to

develop the economy nor was there any active industrialisation policy nor effort to attract foreign investment; and incomes were low. By 1961 all these had changed: there was a genuine determination to develop; incentive laws were in operation to encourage the local manufacture of goods previously imported and to protect these goods from undue foreign competition, and incomes were higher than in 1955. The time was therefore "ripe" to invest in economic projects in 1961 compared with the position in 1955 and this explains why the 1955 mission advised on postponement and the 1961 mission advised on immediate establishment of projects.

While the above may be true, it does not explain why the 1961 mission came so soon, only three months, after Nigeria's independence. This seems to be explained by the threat of foreign competition in the Nigerian market which followed or was expected to follow Nigeria's independence. As long as Nigeria was a colony, and as long as the restrictions imposed in the interest of the Sterling Area on dealings with non-Sterling Area countries lasted, the U.K. investors were in a favourable position on the Nigerian market. This position obviously changed when the return to convertibility in January, 1959, made all formal restrictions in the interest of the Sterling Area unnecessary, and independence in 1960 left Nigeria free to negotiate trade and business freely with all the world. While the threat of foreign competition in the Nigerian market could be relatively safely ignored before independence, it would not be safe to do so after independence. If the U.K. investors did not invest in Nigeria to manufacture the goods they previously exported to Nigeria, other competitors would, and inside Nigeria's tariff walls, these would be

more competitive than similar goods imported. It is therefore safe to conclude that the strength and effect of the 1961 mission of the Federation of British Industries was to defend or protect their established markets in Nigeria against foreign competition. This was the central theme of the Mission. Commenting on the prospects of the Nigerian market, the Mission stated "in view of its potential size, no effort should be spared to take advantage of the present situation (i.e. the Mission's visit to Nigeria) to retain existing trade and expand business for the future". It warned that British exporters must no longer take the Nigerian market for granted, "otherwise much of this favourable market may be lost".

The above discussions have illustrated how Nigeria's potentially large internal market and the threat of foreign competition in the market attracted foreign private investment to Nigerian manufacturing. Not all the investments, however, resulted from the threat of foreign competition. Some investment resulted from "a thoroughly convincing feasibility report or survey". These include the Nigerian Aluminium Products Ltd, and the Turners Asbestos cement factory at Port Harcourt.[1] Some investments, too, resulted from mere expansion of local operations owing to the growth of the Nigerian market. Such investments include Unilever's second soap factory at Aba, and the expansion of the capacity of such projects as the Kaduna Textiles Ltd. and the Nkalagu cement factory. Foreign manufacturing investment has also resulted from the need to serve existing establishments. An illustration of such industrial linkage effect is the establishment of

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1. The Report of the 4th Conference of Leading Personalities of Eastern Nigerian Origin, op.cit. pp.17 and 20.

the Niger Steel rolling mill at Emene, near Enugu, in 1963, to serve the needs of the existing and projected industries within the Nkalagu industrial vicinity.

Profits

Overriding all the motives for private investment is the profit motive. Indeed, in discussing all the attractions of the Nigerian market and the effect of foreign competition in the market, we were indirectly discussing how private foreign investors assessed and responded to the profit opportunities in the Nigerian market. Surprisingly, profit motivation did not feature significantly in the two surveys by Hakan and May of the motives of foreign investors in Nigerian manufacturing. In fact, it was not mentioned in May's survey.[1] According to Hakan, "less mentioned motives for investment were that of profit rates being higher in Nigeria than at home".[2] This does not mean that profits were not the primary motive for the investors in Nigeria;otherwise they would then be mere charitable institutions, which they are not. As the mission of the Federation of British Industries pointed out, "profit is an indispensable motive for private investment, for the only alternative to making profits is making losses, and that is the end of the whole show".[3]

The fact that profit was either not mentioned or was less mentioned in the motivation to invest, according to the above two surveys, was probably due to the nature of the surveys. Hakan's survey

1. Op.cit. pp.251-254. Profit on the supply of machinery which is in a different category was mentioned only three times.

2. Op.cit.

3. F.B.I. Nigeria: An Industrial Reconnaissance, op.cit. p.50.

was based on "interview" he had with 68 firms; and May's survey was based on "questionnaires" sent to 26 manufacturing firms. The results of these surveys would obviously depend on the nature of the questions asked. Some firms might not have considered it necessary to mention profit in the motivation to invest since this obviously occupies an overriding position in private motivation to invest.

It would also depend on what type of profit one had in mind. Since investment is long-term, long-term rather than short-term profit is obviously more important, for no firm would ordinarily invest to earn large short-term profits if this would mean large and recurring losses later on. On the other hand, firms would not invest in a country with favourable long-term prospects if they must undergo initial heavy losses.

Distinction should also be made between the profits of the subsidiaries and those of the group as a whole. "From a private view point, firms contemplating overseas investment will primarily be concerned with the effect which such an investment has on the profitability and growth of the investing enterprise as a whole, not just that of the foreign subsidiary or associate company in which the investment is made. The desire to exploit new markets, safeguard imports, or gain access to new technical knowledge may be equally important motives influencing the investing company and may make the export of capital worthwhile even if the profits earned on it are small or even negative".[1]

In view of the above, the extent to which firms would mention profit as a motivation to invest would depend on whether it is profit of the group

1. J.H. Dunning: Does Foreign Investment Pay? Moorgate & Wall Street, Autumn, 1964, p.8.

as a whole or that of the subsidiary. While the profit of the subsidiary alone may not be the primary motivation ~~to invest~~, because of the other factors mentioned above, this does not mean that overall profit consideration was not the primary motive. 81% of foreign private investment in Nigeria is channelled through subsidiaries and it may be that in the surveys conducted by Hakan and May, "profit" was not defined or specified. Since it is largely these subsidiaries that were "interviewed" or "questioned", they either did not mention profits at all or mentioned it less frequently if they understood profit to mean only the profit of the subsidiaries. On the other hand, they must have ignored mentioning profit motivation at all since this was obvious. In either case, the result would be that profit would be either not mentioned or less frequently mentioned as the motivation to invest. It would then be wrong to interpret this to mean that profit was not the overriding motivation ~~to invest~~.

Labour

Labour generally attracts industry for two different reasons: if labour costs represent a high percentage of the total cost of production and if relatively unskilled labour can be utilised. Examples are the attraction of the textile industry to Japan and India or from New England to the American South. Secondly, if unusual skill is required, an industry will tend to locate where that skill, which is usually rather immobile, is available; examples are the production of optical goods in Rochester, or New York, watches in Switzerland or high grade steels in Sheffield.

Nigeria is definitely short of skilled personnel and therefore one

would not expect to find the latter type of industry attracted to Nigeria because of skill. But Nigeria has an abundance of unskilled men and, at first sight, it would be surprising that examples of low cost labour orientation are not present in Nigeria at present. One reason for this is that, compared with some other parts of the world, unskilled labour is relatively scarce in Nigeria. Although there are local population concentrations, especially in the South, where under - and unemployment is a problem, the overall picture is one of scarcity compared with such countries as India and China. As F.J. Pedler pointed out, Nigeria, and indeed, Africa, "is not an area of teeming masses numbered in hundreds of millions like India and China".[1]

The result of this relative scarcity is that wages for unskilled labour are substantially higher in Nigeria than in India.[2] This is probably one of the reasons why no industry has been attracted to Nigeria on account of low wages for unskilled labour.[3] To this is added the traditional stigmatisation of the African worker as inefficient owing to "excessively high rates of absenteeism and turnover, lack of punctuality, and inefficiency and inaptitude in the work place, natural indolence, inadaptability to continuous labour, lack of response to monetary reward and being unsuited to Western technology".[4]

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1. F.J. Pedler: Foreign Investment in West Africa. International Affairs Vol.31.1955, p.461.
2. International Labour Office: Yearbook of Labour Statistics, 1960.
3. See R.S. May op.cit. pp.253-254. May writes: "One factor which was conspicuous by its absence among those inducing investment from overseas was "lowly labour costs", see also W.A. Hance: West African Industry An Analysis of Locational Orientation, School of International Affairs, Columbia University, Vol.15, 1961.
4. Peter Kirby: African Labour Productivity Reconsidered. Economic Journal June 1961, pp.274,291.

It seems, however, that the above is a "generalisation that discredits the author more than the Nigerian labourer. Nigerians take readily to the mechanical trades and it is a fact that a Nigerian makes a tractor last longer in service than an English farmer, working more and much worse land".[1] Moreover it has been emphatically established that the African does not possess any inherent incapacities or attitudes which are detrimental to efficient production and that his willingness to work considerably exceeds that of labourers in developed economies.[2] Wells and Warmington found that "it is possible with a Nigerian labour force to achieve a degree of stability as regards turnover and absenteeism that compares well with the experience of advanced countries. These instances are the more significant in that they are taken from the Northern Region which is less advanced in industrialisation than are other parts of Nigeria".[3]

There are, of course, certain facets of machine operations and maintenance which the African, because of his environmental background does not naturally adapt to. But training will cure this in course of time. Peter Kilby concluded "In the final reckoning it is not the African labourer but his employers who must bear the stigma of imperfect performance".[4]

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1. The Times (London) Special Supplement on Nigeria's Independence, Sept.29, 1960, p.xix.
2. Peter Kilby, op.cit.
3. F.A. Wells & W.A. Warmington: Studies in Industrialisation in Nigeria & the Cameroons, OUP 1962, pp.17-18.
4. Op.cit. p.291.

But it has been shown that wage rates for unskilled workers are already high in Africa relative to other countries. Training costs would obviously and inevitably not only add to operating costs but increase African labour costs relative to other countries. Thus, although compared with his counterpart in Europe, African labour may be cheap, this high cost of training, including the cost of low production rates in initial years due to enforced training on the job and the cost of supervision and administration due, presumably, both to the more intensive supervision required and the much higher cost of expatriate staff as compared with Europe, considerably outweighs the "cheapness".

It is thus to the above considerations of costs and productivity that one has to turn to explain the fact that no industry has been attracted to Nigeria so far because of abundant unskilled labour nor is one likely in the near future.

Raw Materials.

The most important group of industries in Nigeria today is that concerned with the primary processing of Nigerian raw materials. This is not surprising since about 99% of Nigeria's foreign exchange is derived from the export of agricultural and mineral raw materials and since the production of these staples usually requires at least some preliminary processing. Yet the presence of raw materials was mentioned only twice among the 26 firms whose motives to invest in Nigeria were surveyed by R.S. May[1] and was not mentioned at all by the 68 firms surveyed by Mr Hakan.[2] This does not mean that there are no foreign-owned raw material

1. Op.cit. p.252.
2. Op.cit.

processing plants in Nigeria. They abound.

Foreign investment has been attracted to process Nigerian raw materials as a result of initial investment in extractive operations. Two examples illustrate this. One is the £5.5m Nigerian sugar company at Bacita in the northern region and the other the £9m oil refinery at Port Harcourt in the eastern region.

The first foreign investment in sugar production in Nigeria was made in 1958 by the Bookers Sugar Company, when the first experimental growing of sugar cane began at Bacita. As a result of these trials, Bookers Sugar Company Ltd, the technical partner of the Nigerian Sugar Syndicate, issued in June, 1961, a feasibility report on the commercial production of white granulated sugar from cane grown on the Bacita fadamas, a flat of swampy area lying on the south bank of the River Niger. This report was accepted by the Syndicate and the Nigerian sugar company was formed with an issued share capital of £1.5m, half of which was taken up by the Federal and Regional Govts, and the other half by private foreign investors.[1] Thus, as a result of initial investment in an extractive industry, the processing investment resulted. At the end of April 1964, 6,400 acres of bush had been cleared and 2800 acres prepared and planted. Cane from 2,500 acres of the area planted were to be processed and the balance of 300 acres of cane used for planting the rest of the cultivable area in the subsequent dry season.[2]

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1. Nigerian Sugar. Nigerian Trade Journal Vol.12 no.2, April/June,1964.
2. Ibid.

The Nigerian Oil Refinery

This is another foreign manufacturing investment which resulted from an initial investment in the extractive industry. The story of oil in Nigeria dates back to 1937 when Shell-D'Arcy Petroleum Development Co. started prospecting for oil in the country. In 1953 the company announced that it encountered showings of oil associated with a considerable volume of gas in Akata, in the Opobo Division of the Old Calabar Province. "The story of oil in Nigeria spread like wild fire".[1] It took another five years, however, to prove that oil was available in Nigeria in commercial quantity. By July 1963, nine oil fields had been established with a total cumulative production of 69m barrels. In 1962, export of crude oil was valued at £16.5m; by December 1965, it had reached £68m to become Nigeria's biggest single export accounting for 25.4% of total exports.[2]

The establishment of an oil refinery followed the discovery of oil in commercial quantities in Nigeria.[3] The agreement to start the construction of the refinery was signed in 1962 and the refinery was commissioned towards the end of 1964 at a cost of £9m subscribed equally by the Nigerian governments and Shell B.P.[4]

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1. Nigerian Trade Journal Vol.11.no.4 Oct./Dec. 1963.

2. Nigerian Trade Journal Vol 14. No.2 April/June, 1965, p.71.

3. The first tanker to carry crude oil from Nigeria left Port Harcourt for Rotterdam in Holland in February, 1958, with 9,000 tons of oil. By December 1965 crude oil shipment had reached 7.2m valued £13m.

4. It was agreed that after the refinery had been in operation for some time, 10% each from the Governments' share and 10% of the Oil Companies' share would be offered to the Nigerian public at agreed times.

While the oil refinery and the Nigerian Sugar Company illustrate manufacturing establishments which resulted from initial investment in extractive industries, the cement factories all over Nigeria and the textile factories in the North[1] are illustrations of manufacturing investment attracted to Nigeria by the presence of raw materials. Other raw material oriented industries include the palm oil and groundnut processing mills and tin smelting in the East and North and cocoa processing in the West.

Indigenisation and Redeployment

Indigenisation is a process whereby the established foreign firms in distributive trade and road transport withdraw or are made to withdraw from these sectors and are replaced by Nigerian operators. Redeployment is the reinvestment of the capital thus withdrawn in other sectors such as department stores and manufacturing where, because of inadequate capital and technique, Nigerians are not yet able to operate effectively. These two processes have so affected the character of the established firms and foreign private investment in Nigerian manufacturing that it is necessary to sketch their evolution briefly.

The Evolution of Indigenisation and Redeployment.

Nigerians have been engaged in trade from very early times; and the organisation of the Nigerian markets, the bargaining skill of the traders,

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1. This excludes the textile factories in the East, West and Mid-West. The North produces about 98% of Nigeria's cotton. Accordingly these other textile factories in Southern Nigeria cannot be classified as raw material oriented.

and the shrewdness of the woman retailer - the mammy trader - have always won admiration of many foreign visitors from the early 19th century.[1] Historically this market orientation derives from the deep-rooted traditions of trade and barter which reach back over four centuries.[2] The average Nigerian trader today still possesses these characteristic qualities. Professor Bauer, for instance, observed in 1954 that the West African entrepreneur-trader possessed "exceptional effort, foresight, resourcefulness, thrift, and ability to perceive economic opportunity",[3] and Mr Peter Kilby came to the same conclusion in a recent study of the Nigerian bread industry.[4] This exceptional enterprise did not, however, extend to all distribution, but was limited to retail trading; and it did not extend to import or overseas trading. In fact before the Second World War, very few Nigerians participated in overseas trade beyond the distribution of imported goods on behalf of the expatriate importers, or the collection of cash crops for sale to these firms.

On the other hand, the ~~war~~ and post-war shortages of consumer goods and the consequent rationing of import licences on the basis of <u>past performance</u> during the war and the early post-war years cut off the few Nigerian importers and confirmed the established merchants in their monopoly of the import trade. It is stated that in 1949 Nigerians

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1. <u>The Report of the Committee to advise on Aid to African Businessmen</u>: Government Printer, Lagos, 1959 p.34.

2. R. Mauny: <u>Nigeria as seen by Leo Africanus</u>, 1526, <u>Nigerian Magazine</u>, August 1961 pp.189-191.

3. P.T. Bauer, <u>West Africa Trade</u>, p.30.

4. Peter Kilby: <u>Africa enterprise</u>: <u>The Nigerian Bread Industry</u>, <u>Standford University Press</u> 1965 p.111. A.H. Smith, the Chairman of the <u>United Africa Co.Ltd.</u> has written in "<u>Considerations Relating to Sound Private Investment in Commerce and Industry in West Africa that</u> "you

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accounted for only 5% of the country's import trade and for 10% in 1957 while the expatriate firms controlled 95% and 90% in 1949 and 1957 respectively.[1]

It is this expatriate dominance of the import and the distributive trade which gave the first official impetus to indigenisation or to the demand for it in this sector. All previous attempts to secure a bigger share for Nigerians had little effect.[2] In 1959 a Committee was set up to review the measures already taken; and to recommend future measures to be taken to assist African businessmen.

The Committee reported that owing to the defects of the colonial system, on independence, economic power in Nigeria remained with foreigners. Because of his lack of capital, managerial experience and technical skill, the Nigerian competed on unequal terms with the foreigners who possessed these requisites. The committee considered this

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reference 4 continued:

"dont need to go very far into the market here (in West Africa) to realise how much competition is alive(for full citation see later p.270 footnote.)

1. O. Olakanpo: Distributive Trade, A critique; Nigerian Journal of Economics and Social Studies Vol 5 no 2 July 1963 p.239.

2. These efforts include the formation of the Nigerian Association of Importers and Exporters in 1942 which secured a seat at the Supply Board and the abandonment of the principle of past performance for the principle of the ability to procure. In 1946 the Department of Commerce and Industries was created to accelerate the tempo of commerce and industry and to secure for Nigeria a larger share of the world trade and a larger share of the Nigerian trade for Nigerians. The Committee on Aid to African businessmen in 1959 found that the Department lacked adequate human and physical resources to achieve the objectives set for it and which the country urgently needed.

"a drastic disease" which required "a drastic remedy".

Part of the remedy it recommended was that Nigeria's import trade should be reserved specifically for Nigerian importers where the imported goods are necessaries in the domestic economy, such as second hand clothing and stockfish, or where the capital involved is small. It also urged that retail trade and road transport be reserved for Nigerians and that where the capital involved is big, the government should provide 51% and that Nigerians would be allowed to buy up this share gradually as the money becomes available; and urged on the Government to take all possible steps to enforce this policy.

In November, 1961, the Minister of Economic Development, Hon. Waziri Ibrahim issued a policy statement in the Federal House of Representatives which read in part that "Economic development automatically increases the volume of distributive trade and transportation. Therefore, if Nigerians are to benefit as much as possible from economic development projects in their country, they must control, among other things, the distributive trade and the road transportation of goods in their country". He therefore urged on the expatriate firms who had hitherto controlled these sectors to start to withdraw. After making exceptions for departmental stores, he stressed the inevitability of the measure with a plea that it was not meant to be a hostile attitude to the expatriate firms. "These changes", he said, "must come, and they will come, even though it is appreciated that many of our friends will lose substantially during the period of changing over from distributive trade and road transport to investment in industries where their co-operation and full participation will always be required ... It is an honest opinion which should be

accepted by all concerned without hesitation or excuses".[1]

Three points have to be made about the above statement. First, the policy was formulated without a study of the techniques and methods of distributive trade and road transport and the ability of Nigerians effectively and efficiently to replace the expatriates in the provision of these services. The Minister definitely stated that no such study had been made although he had commissioned one. The question then arises "Is a background of ignorance the best guide and time to adopt a policy which obviously has tremendous ramifications throughout the ecohomy"?

Secondly, the policy did not take account of the magnitude of the financial resources involved in distributive trade and the obvious inability of the ordinary Nigerian trader to provide such huge sums. For all that has been said of his trading skill, the average Nigerian entrepreneur-trader depended on credit facilities from the expatriate importers since his limited financial strength and other characteristics make him uncreditworthy for any substantial financial assistance from the commercial banks. In fact considerable proportions of produce buying in Nigeria had been financed by credit facilities from the expatriate firms, the proportions being about 76% for groundnut purchases, 85% of cocoa, 15% of palm oil, and 28% of palm kernels. These advances varied for periods ranging from two weeks in the North to about three or four weeks in the South. In the 1948-49 produce season, for instance, the United Africa Company Ltd granted such interest free advances to the tune of about £2m.[2]

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1. Parliamentary Debates, Fed. House of Representatives . Nov. 1961 pp. 200-201.
2. The United Africa Co. Ltd., Statistical and Econ. Review Sept. 1949 p.11

Evidently at independence the volume of such advances must have considerably increased. The policy statement did not consider that if the expatriates completely withdrew from this trade, they would, in all probability, not be willing to grant such advances again and alternative sources for this capital were not discussed at all.

One of the results of this policy was that, deprived of the normal credit from the expatriate banks, and with no capital of their own, the indigenous traders who replaced the expatriate firms resorted to the banking system. This strained the resources of the banks. Besides the indigenous traders proved inadequate for the task. In 1966 the President of the Nigerian Chamber of Commerce, Alhaji S.L. Edu, had to complain that "in the commercial field, the withdrawal of the leading trading houses from retail distribution has created a gap which is not being filled quickly enough by Nigerians. In particular the traditional wayside trading methods are proving unsuitable for efficient distribution of the expanding products of local industry"[1]

Thirdly, even if the capital was forthcoming, the indigenous Nigerian would still not effectively substitute for the expatriate middleman, at least in the short run, because of his lack of technique. As Professor W.A. Lewis pointed out in his Report on Industrialisation and the Gold Coast, "African enterprise cannot be built simply by lending Africans money. To lend money to entrepreneurs who lack managerial capacity is merely to throw it down the drain. What the potential African

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1. Commerce in Nigeria, Vol 8, 1966, p.7.

entrepreneurs lack is not primarily money, it is rather technical knowledge and experience of factory organisation."[1] The policy statement assumed that the Nigerian trader-entrepreneur already had this skill - an assumption apparently based on his celebrated skill as a trader. This, however, was wrong. For all that has been said of his skill, experience and response to economic opportunity, he remains a petty trader.

This pettiness may be illustrated from profit figures submitted by the Inland Revenue Department to the Committee on Aid to African businessmen in 1959. They indicated that 4,000 African traders in Lagos had annual incomes of under £150 p.a. and that only about 550 had incomes of above £150 p.a. Out of 500 companies reported trading in Nigeria only 160 had annual incomes of above £10.000, and the taxable profits for these amounted to £284,000. The Committee doubted whether the African share of these profits exceeded 50%; "and it is almost certain that there are only a sprinkling, if at all, of African controlled companies with taxable profits sensibly higher than £10,000 a year."[2] It is not clear from the report to which year these figures related; but it may be assumed that they were the latest available figures then, probably 1958 figures, and that the figures might not have very materially changed by 1961 when the policy statement was made. On the further assumption that the figures were representative of the Nigerian trader entrepreneurs, the implicit lack of technique and of large business management implied in

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1. Op.cit. p.12

2. Op.cit. p.34.

the petty trading character of the Nigerian becomes more readily obvious. He requires a long training in business management. This is only just beginning with the establishment of technical institutes and company training schemes. But a considerable time must elapse before enough people with the requisite training can emerge. The 'hurry' to indiginise seems to be misjudged.

Finally the policy statement ~~is that it~~ assumed that the withdrawn resources would necessarily be redeployed into the "politically acceptable sectors", especially in manufacturing. Indigenisation no doubt encouraged redeployment into industry but it also led to repatriation of capital from Nigeria.[1]

Redeployment.

While the policy of gradual withdrawal from distributive trade was meant to apply to all expatriate firms, the chief target appeared to be the Lebanese and Asian business men. The Committee on Aid to African Businessmen was particularly bitter about them and appeared to wish them expelled from Nigeria. According to the Committee: "The Syrian and the Lebanese function in the field of enterprise in which the African is now efficient -textiles and motor transport. ... (but) what has he to give to Nigeria? He obviously is not prepared to share managerial skill or technical knowledge if he has it himself. His business is a form of family partnership into which it is inconceivable that the African will ever be admitted even at the lower level ... they were called in to fill a gap and they have served their usefulness".[2]

1. For details see ~~Ch. 8.~~ App A.
2. The Report op.cit. pp.50-51.

Despite this political opposition, however, they were very reluctant to disengage themselves from general trading; but such were the pressures, of late, that they were apparently forced to redeploy their resources into some form of manufacturing; and K. Chellarams is said to be the first Indian trading firm to be active in manufacturing, with interests in candles, cosmetics, and luggages. Others have helped to establish textile mills, eg. the Aba textile mills, and Mandilas & Karabaris have an interest in the first iron and steel rolling mill in Nigeria.[1] Mention must also be made of the groundnut processing mills discussed in chapter two which were owned by Lebanese traders. Mr George Calil, the owner of the biggest mill also has a piggery and meat packing establishment in the country.

For the European expatriate trading firms, especially the bigger ones like the United Africa Company Ltd and John Holt & Co (Lpl) Ltd, redeployment has been a long accepted policy, although government policy accelerated the tempo. This is illustrated principally with the experience of the United Africa Co. Ltd. While this may not necessarily be the experiences of all other expatriate trading firms, it is submitted that in view of the large scale operation of the UAC and of its territorial spread in Tropical Africa, the group's experiences with redeployment may be taken as a fair representation of what is going on not only in Nigeria, but also in the rest of Tropical Africa.

Until comparatively recently, the United Africa Co. Ltd was

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1. Robert Ward: Industry in Nigeria: Who are the Investors, West Africa, Jan 2, 1965, p.8.

predominantly a group of trading companies, but with the changing life in Africa there came a change in policy. "There was a changeover from general merchandise importing and produce handling to specialist merchandising and industrial investment".[2] Explaining this change in policy in "Catching the wind of change", A.H. Smith declared: "The redeployment of the Company's capital, skills and knowledge and staff in Africa made headlines there while it lasted and even now it is constantly referred to by people at all levels. This undoubtedly is largely due to the immense impact such an operation had on the local community; but it is disquieting that there is a tendency for it to be regarded, firstly as a once-for-all surgical recourse, and secondly, as unique to the present African situation. Nothing could be further from the truth. While it is unlikely that an operation on this scale would again have to be undertaken, we have learnt - perhaps the hard way - that every business undertaking, whatever its nationality and whatever its activity, must be ready to redeploy itself if it wants to continue making a profit".[3] But what made this policy necessary in the first place? This question is important not only in understanding the whole process of redeployment; but also because some of the answers usually advanced have not necessarily been correct.

One such answer seems to be suggested in Mr Newell's statement that the new policy was associated with the social needs of the Africans and that the UAC saw in this "an opportunity to conduct an ethical business".[4]

1. This is fully documented in (a) A.H. Smith, Catching the wind of Change, Progress - The Unilever Quarterly - No.1, 1965; (b) "Redeployment: An Aspect of Development in Tropical Africa, Statistical and Economic Review, UAC Ltd no 28 April, 1963; (c) Malcolm Newell: The Developers, U.A.C. the gentle giant faces facts in Africa, New Commonwealth Feb. 1966; (d) J. Maitland Jones: "New Source of Strength", Unilver International, Summer 1954. The UAC kindly supplied me reprints or copies of these articles.

/Refs.2-4 over/

While social and moral considerations no doubt do at times influence private business decisions, they cannot be the over-riding factor. The UAC is not a charitable organisation charged with dispensing benefits. It is rather a profit making venture responsible to the shareholders and its workers for its prosperity, markets, and technical development. To survive it must make profits. As Sir Leslie Rowan pointed out, "without profit or the expectation of profit investment will not be made, and without its realisation, investment will fail. This in no way absolves private enterprise from recognising its moral as well as its commercial and creative obligations, or from seeking to render service while it seeks profit".[1] The profit motive and not any moral or social considerations is nearly always the immediate or long-term over-riding determining factor in private investment decisions.

The second reason is political. In the "wind of change" speech Mr A.H. Smith declared: "Some five years ago when African national independence was no longer a vision but established fact, the Company (UAC) realised that it was in an exposed position. Politically it was a

references 2-4 continued:

2. Malcolm Newell op.cit.
3. Mr Smith is the Chairman of the UAC Ltd since 1955 and a director of the Unilever since 1948.
4. M. Newell op.cit.

1. Investment and Development. Overseas Development Institute, 1965, p.6.

liability, not only so much because it was ominipresent and omnipotent, but because it was so convenient for some people to stigmatise it as such. As the company occupied an all-too-evident sector of African life, it could be, and was being argued that it was hampering the just efforts of local people to control their own affairs".

Evidence of this political stigmatisation abounds in the local press, in public speeches of leading politicians and in Parliamentary debates. As far back as 1949, Sir Francis Ibiam, formerly the Governor of Eastern Nigeria, and now the adviser to the Military Governor of Eastern Nigeria Military Government, declared in the Nigerian Legislative Council: "We need big business, Sir, to help us....on condition that Nigeria benefits substantially and unmistakeably from such capitalistic undertakings. In the meantime, Sir, I do affirm that Nigeria is getting the worst of big business. All these big combines in Nigeria give me the headache. The United Africa Company Ltd and their subsidiaries have dominated and monopolised our trade for many years now, and between them and their combines, the Nigerian trader or business man has been completely dwarfed so that his genuine fight to identify himself in the world of trade and commerce has been difficult indeed and often times quite a failure".[1] In 1964, the Federal Minister of Economic Planning, Hon. Waziri Ibrahim, accused foreign firms in Nigeria of slowing down the country's economic development by engaging in retail trading.[2] At a conference on West Africa held by the Federal Trust for Education and Research, the former

1. Nigerian Legislative Council Debates, 3rd Session, 1949, p.411.

2. Financial Times, London Feb. 1964.

Economic Adviser to the Nigerian Federal Government and formerly the Government's ambassador at Brussels, Dr P.N.C. Okigbo, was quoted as saying that the expatriate firms in West Africa were not encouraging manufacturing but had succeeded only in wiping out all their potential African successors "which was not an enviable record".[1] It is not proposed to discuss the validity of the above statements; they have been merely quoted to illustrate the political pressures which seem to have necessitated the adoption by the expatriate firms of the redeployment policy.

An illustration will show that political pressure actually influenced the redeployment policy. Addressing the students at the Business Administration class at Ghana University in 1960, Mr A.H. Smith stated that one of the cardinal principles of sound business management is flexibility and the preparedness to move with the times even if that means giving up part of its activities. "I will, if I may, give you an example of this out of our recent experience last year. The UAC took the initiative of handing over to Government the operation of its ferries in Ghana; more importantly, we also ceased trading in produce. I suppose that it is fair to say that we might have dug our toes in and used our financial resources to make unduly large over-payments to cocoa farmers and thus squeeze out for a while some of the smaller produce buyers. But that would have been a short-term policy. Worse, it would have been unfair and hence inevitably a politically damaging one ... the answer for us was not to roll back the tide of progress, but to accept the facts of life and redeploy our skills and our money into new fields."[2]

1. Financial Times, London, 12.3.64.
2. A.H. Smith: Considerations Relating to Sound Private Investment in Commerce & Industry in West Africa - UAC Ltd reprint of article appearing in the Ghana Trade Journal Jan. 1960.

While they materially influenced the redeployment policy, it is necessary to be certain what part political pressures actually played. While they hastened withdrawal from the politically unacceptable sectors, they certainly were not responsible for their reinvestment into other sectors. Otherwise one would be accepting the thesis that the expatriate firms had no choice but to reinvest the withdrawn capital in the economy.

This argument was advanced by Mr A.H. Hakan. "Particularly mentioned was redeployment from trade to industry ... For those investments, largely owned by expatriate trading firms, Europeans as well as Levantine, there was no choice involved. It was simply redeployment of resources".[1] This is difficult to accept. Economic activities have always involved open or overt choices between possible alternative means of attaining given ends and it seems unrealistic that established private firms like those he surveyed would not have exercised this choice. The choice would have been difficult and unpalatable had there been no general freedom to repatriate their capital; but it would still have been made. In Nigeria, however, there is a general freedom to repatriate capital and profits, so that the firms had the choice of reinvesting the withdrawn resources in Nigeria or repatriating them. Part of the withdrawn capital was in fact repatriated in 1962 and 1964 and part reinvested within Nigeria. This clearly shows that the firms had and did exercise choice. The reinvestment was made because it was found economic to do so. This point was clearly made by Mr A.H. Smith in the wind of

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1. Hakan, op.cit. p.55.

change speech. "After we had redeployed our resources and the full extent of our actions had become apparent to outsiders, we had to face a lot of questions about why we had ceased apparently profitable activities. People were asking why we had sawn off the branch we were sitting on. The short answer is that the Company ceased its activities because it became quite obvious that very soon they were not going to be profitable at all financially or socially. But let it be clearly understood that before we sawed off the branch, we shifted our perch to another part of the tree".[1] Such actions inevitably involved a choice.

The above discussion shows that redeployment policy was adopted not because the UAC saw an opportunity to do "an ethical business"; while political measures no doubt accelerated the withdrawal of capital from some sectors, they do not explain its reinvestment in other sectors because the investors had the choice to repatriate the capital. The decision to reinvest some part of the capital was due to the change in the attitude of the firms towards manufacturing in Nigeria. This, in turn, was due to the changes which took place in the economy.

Miss Margery Perham summarised the pre-war attitude of the expatriate merchants towards establishing industries in Nigeria.[2] She said they were not keen in processing Nigeria's raw materials or in establishing manufacturing industries for various reasons. They were primarily traders and therefore lacked the necessary industrial skill and

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1. Op.cit.
2. M.Perham ed Money, Commerce & Banking in Nigeria, OUP, 1948, p.19.

technique. They feared that the manufacturing plant would be uneconomic owing to the prevailing low levels of income, and risks of slumps such as those of the 1930s, or due to crop failures. Mere importing of manufactured goods and exporting raw materials would enable them to minimise their potential losses in such eventualities. Finally they were under contractual obligations with established manufacturers overseas to send them raw materials from Nigeria and to sell their manufactures in Nigeria and they did not consider it advisable to break this arrangement by engaging in local manufactures. Miss Perham adduced no evidence to substantiate these reasons. In view of what subsequently happened, they seem to represent a reasonable interpretation of the pre-war attitude of the expatriate merchants towards local manufacturing in Nigeria.

The changes in the Nigerian economy which largely resulted from the effects of the Second World War altered the above attitude. As was pointed out in chapter one, the enormous upsurge in the world's demand for Nigeria's raw materials during and since the war, and the release of the large sterling balances accumulated during this period marked a turning point in the Nigerian economy and in the outlook and character of the expatriate firms. From markets in which, because of the thin spread of purchasing power that was available over subsistence incomes, only the general merchants were able to operate to advantage, they became markets to which new categories of competitors were attracted and in which new levels and varieties of demand emerged.

Moreover, the increase in government revenues and the increased earnings from exports which resulted from the growth of the Nigerian economy facilitated considerable expenditure in goods and services and

helped to make practicable and economic projects which previously would have been unrealistic. As the governments increased their participation in the economy and provided many incentives, a new and powerful factor emerged in the overall economic invironment in which the merchant companies had to operate. As new sources of supply developed overseas, coupled with the government's active encouragement to manufacture the goods which previously were imported, and as Nigerians emerged as serious competitors in their traditional lines of business, such as produce marketing, the established expatriate firms found it necessary to withdraw from some lines of business and to concentrate and specialise in others. Although government policy accelerated this process, if the environment had not been favourable, that is, if there had not developed alternative economic opportunities, the firms would certainly have withdrawn from certain sectors to comply with goverhment policy, but they would have repatriated and not redeployed much of the capital thus withdrawn.

Redeployment and Industrial Establishments

That redeployment has been proceeding for a long time but was accelerated by political independence and government policy is illustrated by the experience of the United Africa Company Ltd. Recognising the West African's aptitude for retail trading, the UAC's merchandising policy had been to shift emphasis gradually from retail to wholesale trading and to leave the former for African traders. As a result the company's retailing points fell from 1380 to 930 between 1939 and 1953.[1] It was,

1. The U.A.C. (Unilever Ltd): Annual Report, 1954 p.8.

however, only a year before Nigeria's independence in 1960, in the 1958/59 produce season, that it began a progressive withdrawal from buying cocoa and palm produce.[1] It will be remembered that it was in 1959 that the report of the Committee on Aid to African business men was published. This urged the government to take effective measures to reserve the distributive trade for Nigerians. It seems the progressive withdrawal from cocoa and palm produce buying which started in the 1958/59 produce season was in anticipation of, and compliance with the government's wishes.

The Company, however, did not withdraw from buying cotton and groundnuts in Northern Nigeria until 1964 when the government stopped licensing foreign firms as produce buying agents. This is significant. In Ghana the company withdrew from cocoa buying a year in advance of the Ghana government's decision to exclude all expatriate firms as buying agents from this sector. The company's overall policy has been to comply with the government's known policy: how soon it complies obviously depends on how accurately it anticipates the government policy or how soon the government makes the policy known. That the company did not completely withdraw in Nigeria as licensed produce buying agents earlier than 1964 seems to be due to the fact that although the report of the Committee on Aid to African businessmen which urged government action to this effect was published in 1959, the government apparently did not adopt it as a policy until 1964. That the extent of the withdrawal depends on government policy is illustrated in the fact the company still trades in those items such as

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1. The UAC Ltd: Statistical and Economic Review No.28, April, 1963, p14.

hides and skins and rubber which are not under the control of the Nigerian Marketing Boards and therefore did not require licences. The company has also withdrawn from less specialised lines of general merchandising such as hardwares, provisions, and petroleum distribution. Although this conforms with the general policy of the government, the company states that the withdrawal from these sectors was also due to the fact that it no longer had any intrinsic advantages over other multiple competitors with less overhead costs in these sectors.

Part of the capital thus withdrawn was reinvested in department stores and in industrial establishments. The Company's first department store in Nigeria was set up in Lagos in 1948. This is the well known Kingsway Stores. Since then two other similar stores have been established at Port Harcourt in Eastern Nigeria and at Ibadan in the West. These stores cater for the special taste of those with high incomes; and some of the company's manufactured products are sold in these stores.

In the industrial field the reinvestment has been significant. By the end of 1966, the company had established 46 industrial projects and investigated and abandoned 77. The projects established include cement factories, textile plants, a plastics factory, bicycle assemblies and three breweries. Other companies also adopted a similar policy and established industrial projects. John Holt and Co Ltd. owns a perfumery, a tannery, and three rubber processing factories. Paterson Zochonis has interests in a soap factory, a galvanising plant and a paints factory. Two French firms, the C.F.A.O., and S.C.O.A., have interests in a galvanising plant and a pre-stressed concrete factory.

Not all the above establishments, which are by no means comprehensive

resulted from redeployment. Six of the 46 projects established by the UAC Ltd were established before 1954. The special reasons for establishing two of these, a brewery, a plywood and timber factory were detailed in chapter one. The remaining four were mainly bunk oil plants at Apapa and Port Harcourt for preserving vegetable oil, pending export. John Holts tannery, established on an experimental basis in 1950 was to preserve hides and skins which the firm exported. None of these pre-1954 industrial projects can therefore be attributed to redeployment policy.

Only projects established after 1954 could be attributed to the redeployment policy. 40 of the 46 projects established by the UAC Ltd were undertaken between 1954 and 1966. It seems there is a correlation between Nigeria's political advance and the execution of the redeployment policy. While there might have been some bunching of projects carried forward from the earlier period, it is not merely coincidental that 26 of the 40 projects were established between the introduction of regional autonomy in the 1954 constitution and independence in 1960. Of the remaining 14 projects, 10 were established between 1964 and 1965. It will be recalled that it was in 1964 that the expatriate firms were officially asked to begin to withdraw from distributive trade to industrial establishments. The 10 projects therefore seem to be in direct response to this policy. It seems also that the 40 projects established between 1954 and 1960 were in direct response to the incentive laws and other measures which the government adopted to encourage the manufacture of goods previously imported and which, as we argued earlier, threatened established markets in Nigeria and therefore invited defensive measures by the firms who had previously exported to Nigeria. We also argued that the U.K. investors generally

did not actively respond to this threat until after independence. It seems that the United Africa Company Ltd was an exception. This is not strange. As a subsidiary of the Unilever group, the company was merely following the Unilever's general policy of tariff jumping.[1]

The UAC stated that all the capital it invested in the projects was generated within Nigeria, that no fresh funds were involved and that much of it was withdrawn from other sectors.[2] The following table shows the company's capital expenditure between 1951 and 1961, the last date for which published figures are available. It shows that the cumulative capital expenditure on industry during the decade amounted to 31.4% of total capital expenditure, compared with 49% for commerce and 13% for transport. Apart from 1959 and 1961 when it exceeded £1m, capital expenditure on industry averaged £0.5m annually over the decade compared with an annual average of about £1m for commerce. There is thus no support for the statement in the "New Source of Strength" that because of redeployment "there has been a decline in the amount of capital employed by the UAC Group in financing trade, and a marked increase in the amount of money invested in all the apparatus of industry".[3] On the contrary, the published figures so far show that capital expenditure on commerce has been increasing since 1955 and averaged more than £1m per annum between that year and 1961.

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1. See above p. 181

3. New Wall op.cit.

2. Private interview.

Of course, the post 1961 figures, when published, may well show a different picture.

Capital expenditure on industry is only one measure of the effect of redeployment in Nigerian manufacturing. By attracting foreign capital, redeployment helps to overcome the limitation which the shortage of capital imposes on Nigerian manufacturing. It also helps to overcome the limitation on foreign investment in Nigerian manufacturing due to lack of adequate knowledge of Nigeria and her investment opportunities and the absence of well prepared feasibility studies. With their long experience in and about Nigeria, the established expatriate firms have generally been better placed to identify investment opportunities, and with their international connections have been better able to find and persuade foreign technical partners to exploit the project. Thus, through their redeployment policies, the firms do not only invest their own capital, in most cases they do it in association with overseas partners who provide not only capital but also the technique. Additionally the established firms supply the knowledge of Nigeria and provide a net work of distribution facilities to market the products in, and at times, outside Nigeria.

This was made clear by Mr A.H.Smith. He stated that generally the UAC develops industrial projects in association with technical partners, generally non-Unilever partners. "They are very often those with whom we already have some kind of prior business contact. The normal pattern is for the U.A.C. to contribute specialised knowledge of Africa and to play the part of managing agent, and for the technical partner(s) to offer the knowledge of the particular manufacturing process involved, for instance, textile spinning and weaving .... So far as possible, we follow the principle that

all partners should contribute both money and some kind of specialised knowledge: we define ourselves as investing not just cash but skills in our industries, which differentiates us from the banking or finance houses.[1] In these ways the redeployment policy of the established foreign merchants in Nigeria has not only attracted foreign private capital but also foreign technique to Nigerian manufacturing.

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1. Op.cit.

CHAPTER FIVE

THE LOCATION OF FOREIGN MANUFACTURING IN NIGERIA

Introduction

This chapter studies the location of foreign manufacturing establishments in Nigeria. The main Tables on which the analysis is based are compiled from two sources. One is a written statement by the Parliamentary Secretary to the Ministry of Commerce and Industries in the Federal House of Representatives in March 1964 about the number of industrial plants established in Nigeria since her independence in 1960. The second is the Industrial Directory published by the Federal Ministry of Information.

Unfortunately, none of these sources distinguished between foreign and indigenous manufacturing establishments. I attempted this distinction in chapters 1 and 2 with two criteria - the size of employment and the name of the establishment. These criteria are reasonably satisfactory for analysing the plants established during 1939/54 because they were small in number; the significant foreign plants were known; and there was no industrial partnership between indigenous and foreign private capital. The criteria are less satisfactory for analysing the plants established during 1955/65 because of the great increase in the number of plants and because they were mostly established in partnership with indigenous and foreign private capital, though I attempted to overcome this in chapter two by classifying as "indigenous" any plant where it is known that the majority of the paid up capital is contributed from indigenous sources and as

"foreign" where the capital structure is not known and where it is known that the majority of the capital is contributed from foreign sources.

I have found the above criteria inappropriate for this chapter because, with a few exceptions connected with contractor - financed projects, the investors have been left relatively free to choose sites for their projects and they have been largely governed in this choice by economic considerations.

Because of the above considerations, no distinction has been made in this chapter between indigenous and foreign industrial establishments. The chapter therefore examines the location of all manufacturing establishments in Nigeria, indigenous as well as foreign. This is not as serious a limitation as it would appear at first instance. Because of lack of capital and technique, no manufacturing project of any significance has been established in Nigeria without the co-operation or participation of foreign investors. Moreover, the foreign sector accounts for more than two-thirds of the paid up capital in Nigerian manufacturing. Thus although the location of all manufacturing in Nigeria is being examined in this chapter, it is almost synonymous with the location of foreign manufacturing. But the qualifications should be borne in mind.

The chapter is divided into five sections. Section one analyses the location among the regions and section two examines the factors responsible for this. The location of the various industrial sectors is examined in section three, the location within regions in section four, and the main

conclusions are set down in section five.

Section One.

The Regional Location of Manufacturing*

Table 5.1 illustrates the location of manufacturing establishments in Nigeria for the period 1960/64. It shows that 244 industrial plants were established during the period and that 29% of these plants were located in the Federal Territory, 25% in the West, 23% in the East, 17% in the North, and 6% in the Mid-West. During the period, industrial projects were established at the rate of 50 a year. However, in 1964 alone, 114 industrial companies were registered and 105 in 1965. Thus, although during 1960/63 206 manufacturing plants were established, during 1964/65 219 companies were registered. But the regional breakdown of these registrations is not available.

Table One

Regional Distribution of Manufacturing Establishments. 1960-1964

Year	Fed. Territory	North	East	West	Mid-West	Total
1960	28	4	9	8	2	51
1961	12	7	16	10	5	50
1962	12	5	13	17	3	50
1963	14	16	8	14	3	55
1964 (March)	5	10	10	12	1	38
~~%xofxtotals~~	71	42	56	61	14	244
% of totals	29.1	17.2	23.0	25.0	5.7	100

Source: Federal Parliamentary Debates: House of Representatives Vol 15 (b) 1964 p 1136.
Percentages calculated from ~~six~~ figures. Total wrongly stated as 247 in the Debate cited.

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* For maps see pp.577 and 578.

It is more meaningful, however, to analyse the location not just of those established since Independence but of all manufacturing plants employing ten or more persons. This is done in Table 5.2, which sets out the regional distribution of 1,016 manufacturing plants existing in Nigeria at the end of 1965. It shows that the Federal Territory again leads, by accounting for 352 or 35% of all the establishments, against 17% in the West, 25% in the East and 16% in the North and 8% in the Mid-West.

Table 5.2.

Regional Distribution of all manufacturing Establishments existing at end 1965.

Region	No	% of Total.
Fed. Territory	352	34.6
West	170	16.7
Mid-West	76	7.6
East	256	25.2
Total South	854	84.1
North	162	15.9
Total Nigeria	1,016	100.0

Source: Computed from Federal Ministry of Information: Industrial Directory 1965.

No meaningful comments on the above regional distribution will, however, be worthwhile without analysing the relative sizes of the Regions. This is shown in Table 5.3. It shows that the North accounts

for over 79% or 282,000 square miles of Nigeria's area of 357,000 square miles against about 8% in the East, 8% in the West and 4% in the Mid-West. The population of the North is also greater than that of the rest of the country; it accounts for 53.4% of the total, against 22.3% in the East, 18.4% in the West, 4.6% in the Mid-West and 1.2% in the Federal Territory.

Table 5.3

Population and Area Distribution in Nigeria, 1963

Region	Area Sq. miles	% of Total	Population 000	% of Total	Population per sq. mile
East	29,484	8.1	12,395	22.4	420
West	30,454	8.4	10,266	18.4	337
Mid-West	14,922	4.2	2,536	4.6	170
Lagos Territory	27	-	665	1.2	24639
Total South	74,887	20.7	25,862	46.6	
North	281,782	79.3	29,809	53.4	106
Total Nigeria	356,669	100.0	55,671	100.0	156

Source: Nigeria: Annual abstract of Statistics 1964 pp 3 & 12. percentages computed from figures.

A comparative summary of the above three Tables is shown in Table 5.4 It reveals a striking concentration of industrial plants in the South on the one hand, and in the Federal Territory on the other. The North accounted for only 17% of the manufacturing plants established between 1960 and 1964, and for only 16% of all manufacturing plants existing in Nigeria in 1965.

This sharply contrasts with the South which accounted for only 21% of the land area and 47% of the population and yet accounted for 83% of the industrial plants established between 1960 and 1964, and for 84% of all the manufacturing plants existing in Nigeria at the end of 1965. Within the South, the Federal Territory, having only 27 square miles of land area, and 1.2% of the population, accounted for 29% of the industrial plants established between 1960 and 1964 and for 35% of all the existing plants at the end of 1965. Part two examines the reasons for this pattern of industrial distribution.

Table 5.4

Comparative Percentage Distribution of

Area, Population and Industries in Nigeria.

1965

Region	Area	% Population	Industries 1960-64	Industries 1939-65
Southern Nigeria East	8.1	22.4	25.0	25.2
West	8.4	18.4	23.0	16.7
Mid-West	4.2	4.6	5.7	7.6
Fed. Territory	-	1.2	29.1	34.6
Sub Total South	20.7	46.6	82.8	84.1
North	79.3	53.4	17.2	15.9
Total Nigeria	100.0	100.0	100.0	100.0

Source: Tables 1-3.

Section Two.

FACTORS INFLUENCING THE REGIONAL LOCATION

The first factor affecting industrial location in Nigeria is that there is no national location board to apportion industrial plants among the Regions. The Federal Government's policy is merely directed to providing the necessary favourable environment for a free enterprise economy. Once an industrialist satisfies official requirements for immigration, visas, and registration, (if he seeks to be accorded pioneer privileges), he is free to locate or site his plant in any part of the country. Even where the Governments participate with private investors to establish a plant, the choice of location is generally left to the private investor. For instance, out of 49 industrial plants investigated in the Northern Region, the site of 42 was selected by the sponsors-the private investors, and 7 by the Government. These seven plants were established by the Government themselves.[2]

If the private investor is thus free to choose a region to site his plant, he is more likely to choose the region where he would most economically manufacture and market his products. This does not mean that rational economic considerations have always guided the choice of location: in the motor industry, Ford's choice of Detroit because it was his home town, and Nuffield's selection of Cowley because of his family associations have often been quoted.[3] In Nigeria, the Nigerian Tobacco Company felt that to maintain goodwill with all the regions, it was better to set up three plants one in each of the three major regions, although it was not economic to do so.[4] These, however, are exceptional cases. Survival of an enterprise and its parfitability often depend upon ~~which or~~ whether the original site has economic advantages. On balance of costs and benefits, the private investor has to site his plant where he thinks he can maximise his earnings.

2. Based on my analysis of industries located in Northern Nigeria, as was

ft note cont'd p 231

The second factor influencing industrial distribution between the South and the North is the economic advantages of the South over the North. On a balance of considerations, the private investors have found it more advantageous to site their industries in the South rather than in the North. These economic considerations are illustrated in Table 5.5, which analyses the reasons for locating 43 industrial plants in the Northern Region.

Table 5.5

Analysis of Locational Factors of 43 Firms in Northern Nigeria

1st Feb. 1966

Reasons for Locating.	Number of times mentioned %
1. Market	35.0
2. Raw Materials	25.0
3. Distribution facilities	20.0
4. Water and Power	12.0
5. Seat of Government	4.0
6. Labour	-
7. Government Policy-disposal of Industries	4.0
Total Frequency	100.0

Source: Computed from schedule 1: Established Industries - supplied by the Ministry of Trade and Industry, Kaduna.

(footnotes contd.)

2. supplied by the Ministry of Trade and Industry, Kaduna.
3. The United Africa Co.Ltd., Statistical and Econ. Review, Sept.1959, p.12.
4. A.N. Hakam, op.cit., p.56.

The importance attached to market in selecting a site is illustrated by the fact that it was mentioned 35 times compared with proximity to raw materials, which was mentioned 25 times, availability of distribution facilities, 20 times, and of water and power, 12 times. The seat of Government and Government policy to disperse industries each was mentioned 4 times. Labour was not mentioned at all. This confirms our statement in the previous chapter that no industry has been specifically attracted to Nigeria because of the availability of cheap unskilled labour.

Although these reasons relate to industries located in the Northern Region, they may be used to explain the regional location of industries throughout Nigeria for two reasons. They correspond to Professor Hance's designation of West African Industry in terms of its locational orientation;[5] and the priority given to markets and raw materials corresponds to the ranking obtained by Mr Hakam from his interview of 68 firms operating in Nigeria.[6] In using them to explain the regional allocation of industries in Nigeria, we shall omit items 5, 6, and seven: item 6, labour, because it is nill; and items 5 and 7 because they affect more the choice of location within a region than between regions, which will be examined in section four.

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5. W. A. Hance: West African Industry: An Analysis of Location Orientation: Journal of Internation Affairs, School of International Affairs, Columbia University, Vol 15 No. 1961.

6. A. N. Hakam op cit.

Proximity to the Market.

Industrialists have given topmost priority to proximity to the market in selecting the region of their location for obvious reasons; it offers economies in production and distribution; and turnover of stocks tends to be more rapid - an important consideration in the case of perishable goods. Proximity to the market is also very important for manufacturing if the product is made bulkier by manufacturing, or if it is made more fragile or if it is a service establishment.

In terms of the above considerations, Northern Nigeria is at a considerable disadvantage relative to Southern Nigeria. This would appear strange in view of the fact that the North accounts for more than 53% of the country's population. Though this is so, Table 5.6, makes it clear that the main market is in the South. It shows that, though the North accounted for 50.5% of Nigeria's national income in 1957, the last year for which regional breakdown is available, she accounted for only 29% of total consumers' expenditure on non food items in that year. This compares unfavourably with the South, which though it accounts for 47% of the population, accounted for 71% of consumers' expenditure on non food items in 1957. The West accounted for 43% and the East for 27%. In concrete terms, this implied a total consumer's expenditure of £4 per head per year in the North compared with just under £9 per head per year in the East and slightly more than £15 per head per year in the West.[7]

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7. Industrial Potentialities of Northern Nigeria: GP Kaduna 1963 p 37.

Besides, per capita income in the North is the lowest in the Federation, at £25.6 against £25.9 in the East and £36.7 in the West.

The above considerations would not, however, have mattered too much were the concentration of population in the North as thick as in the South; this would have resulted in an overall buying power being greater in the North because of the greater population than in the South. But the North is very sparcely populated. Table 5.3, shows that the North has 106 persons per square mile which is lower than the Nigerian average of 156, compared with 420 persons to the square mile in the East, 337 in the West and 170 in the Mid-West.

Table 5.6

Regional Distribution of National Income

Per Capita Income and ~~Country's~~ Consumers Expenditure on

Non Food items - 1957 at 1957 Faires.

£m

Item	Federation		North		West		East	
	Value	%	Value	%	Value	%	Value	%
National Income	938.7	100.0	474.0	50.5	242.2	25.8	200.9	21.4
Per Capita Income £	27.6	-	25.6	-	36.7	-	25.9	-
Consumers Expenditure Non food item	243.0	100.0	70.5	29.0	104.3	42.9	65.3	26.9

Source: P. N. C. Okigbo: Nigerian National Accounts. 1956-1957
Percentages calculated from figures.

Thus for every one person that lives in the square mile in the North, there are four in the East, three in the West, and two in the Mid-West, and 25,000 in the Federal Territory. While the most densely populated area in the North is Kano with 347 persons to the square mile, the most thickly populated area in the West is Ibadan with 736 persons to the square mile; and in the East, Annang and Owerri have I,2II persons and I,07I persons respectively to the square mile. It is these concentrations of population, greater per capita income, and bigger buying power that gave the South an economic advantage over the North and therefore, in part, accounts for the concentration of industrial establishments in the South.

2. Distribution Facilities.

Another factor in the explanation is the availability of greater distribution facilities in the South than in the North. To an extent this is related to the market factor discussed above: the market may exist, the goods may be produced; but if there are no facilities to make the goods reach the market, then the production process may come to a halt. The more concentrated the population, the less is likely to be the distributive expence to reach the market. It is thus obvious that the sparse population in the North places her at an economic disadvantage over the South in higher distribution costs.

In addition, the great distance between towns in the North is more pronounced than in the South. As we have shown, the North alone occupies four-fifths of Nigeria's land area and comprises nine times the size of either the West or the East. Besides, while the biggest province, by area, in the West is Oyo, with an area of 9,695 square miles, and in the East is

Ogoja, with an area of 3,876 square miles, the combined area of only two Provinces in the North, Bornu, 40,584 square miles, and Sokoto, 36,477 square miles, is greater at 77,061 square miles than the combined land area of the whole South, which is 74,887 square miles. In fact the area of each of these two provinces is considerably greater than either the area of the East or the West, and more than double that of the Mid-West. The greater distances in the North than in the South have obvious implications in terms of higher distribution costs both within the North itself, for 'regional exports' within the country, and for overseas exports.

There are four types of distribution system in Nigeria:- air, rail, water, and road; but they are not all of equal reliability, flexibility, and cost. Air transport was found to be inadequate not only because of its cost, but also because its frequency and its capacity in almost all the routes is too low, resulting in unsatisfied demand; and the type of aircraft used is economically obsolete, thus tending to scare away potential users.[8] Water transport is the cheapest of the other three forms of transport at 1.7 pence per ton mile, compared with 2.2 pence per ton mile for rail and 6 pence for road; but it is limited in its use; it carries only 6% of total freight traffic in Nigeria; and even this much is restricted to the established navigable water ways which are themselves

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8. Economic Co-ordination of Transport in Nigeria: Stanford Research Institute. 1959 p 8.

subject to the seasonal character of the river.[9]

Despite its higher cost per ton mile, road transport is more popularly used. It carries nearly two-thirds of Nigeria's total freight traffic and over 90% of the passenger traffic.[10] Here, however, the North is at a disadvantage relative to the South as Table 5.7. shows. Of the 26,735 road vehicles in Nigeria in 1963, the North owned the least, 6,120 or 22.9% of the total compared with 77.1% in the South, of which Lagos owned 29.9%, East 26.2% and West 20.9%.

As Table 5.8 shows, road density in the North is the lowest in the country. Against an overall Nigerian average of one mile road for every 7 square miles of area, the North has only one mile of road to 13 square miles of territory compared with one to four in the West, and one to two in the East. It has, in fact, been stated that the road density in the East and the West is comparable to that in India and Ceylon; and as the Table shows, it is twice that of other African territories including Ghana and Uganda.

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9. Even here, the South is at an advantage. The River Niger is navigable all the year round only as far as Onitsha in the Eastern Region, some 200 miles from the Coast. Jebba in North, which represents the extreme point reached by the Niger traffic is accessible only for some seven months of the year. The River Benue too is navigable from the coast to Makurdi only for 6 months in the year, and to Yola and Garua, all in the North, for only four months and two months in the year respectively.

10. Three factors contributed to the rapid development of road transport: high railway freights, increase in railway charges, and the desire of the North to develop the 'long road haulage' as a third access to the sea.

In spite of the low road density in the North relative to the South, "the disparity is less marked when related to population; it becomes even less marked when account is taken of the lower level of economic development in the North and the lower traffic densities which the roads have to bear".[II]

The above seems to imply a perpetual disadvantage in road development for the North. This point was emphasised by the Stanford Research team when it stated that the lower road density in the North "is not a sufficient reason in itself for an accelerated road programme in that region.....to ignore actual and potential traffic density as the primary determinant for road capital expenditure would result in a serious waste of Nigeria's scarce investment resources. In terms of economic benefits derived from tarred roads, it is preferable that traffic density be the basic priority determinant of the highway investment programme. The higher quality road system in Southern Nigeria is appropriate and for many years ahead it will be uneconomic to surface the same relative proportion of Northern Nigeria's road system, although the rising traffic density in the North will necessitate major road improvements".[I2] Thus it is not only that the South possesses a superior advantage in this popular means of transport but that there is no immediate prospect of the North catching up; in the meantime, the poorer quality road in the North carries potential risks of more frequent vehicle breakdowns and higher and recurring maintenance costs,

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II. Industrial Potentialities of Northern Nigeria, Ministry of Trade and Industry, Kaduna 1963 p 224

I2. Economic Co-ordination of Transport in Nigeria op cit p.pp I4I-I42

and probably more accident toll, thus tending to increase the costs and risks of operating in the North.

The railway, handles about one third of total freight traffic and less than 5% of the passenger traffic. In the past, it was the main instrument through which much of the country was opened up; and in spite of the availability of alternative means of transport, the continuing economic development of the Northern Region "is to a marked degree dependent upon the maintenance of efficient railway links with the coastal ports".[13] However, the railway is fast losing grounds and its proportionate share of the traffic is fast declining as alternative routes develop. Moreover, the long distance from the coast militates against the North in this respect. For instance, from Kano in the North to Yaba in the South is a distance of about 700 miles and for some items, railway freight between these two centres is higher than sea freight from Europe or North America. Table 5.9 illustrates this.

The Table shows that while all imports would bear the sea freights listed, those destined for Kano would bear the additional railway freight. For such items as cement, salt, sugar and commercial vehicles, the railway freight constitutes a higher proportion of the value of the goods than the sea freight. Naturally these proportions are not constant from year to year, but they are more likely to have increased than decreased and they have obvious implications for manufacturing in the North relative to the South.

One is that it weakens the competitive position of industries located in the North relative to those located in the South when

13. Industrial Potentialities of Northern Nigeria Kaduna 1963 p 219

manufacturing is based on imported raw materials for export overseas. In such cases, the goods manufactured in the North would bear the additional freight costs for the imported raw materials; and the additional freight to the sea if the manufactures are for exports. As Sir Alexander Gibbs and Partners, economic consultants and engineers, observed in 1963: "whenever imported raw materials are predominant in the manufacturing process, the foregoing freight factors largely restrict manufactures in Northern Nigeria to goods intended for local consumption. Thus Northern Nigeria has less opportunity than the other two regions to produce import replacements where the demand for the product is not large enough to justify more than one or two factories in the Federation."

Table 5.9

Inland and Ocean freight as a percentage of delivered cost

December 1956. Delivered cost = 100%

Kano - 700 miles from Apapa (Lagos)

Item	Ocean freight %	Inland Transport rail freight %
Cement	23.6	~~37.1~~ 37.1
Flour	17.8	10.9
Salt	13.4	21.2
Sugar	8.2	13.6
Commercial motor vehicles	8.4	8.7
Corrugated Iron Sheets	4.6	6.9
Cotton piece goods	4.6	2.2

Source: United Africa Company Ltd: Statistical and Economy review No. 19 March 1957 page 12.

"This becomes all the more evident when it is recalled that Northern Nigeria accounts for no more than probably about one-third of the total Federal expenditure on non food items..... The cost of fuel, power, and the cost of delivery of finished products to the markets in Southern Nigeria is likely to be relatively high. Consequently it is unlikely that such industries, located in Northern Nigeria, will be able to capture a significant portion of the Federal market, where similar industries are already established in the other Regions. In most cases industries based on imported raw materials, can only be set up in Northern Nigeria if the demand of the Region itself justifies such a measure." [14] If the North cannot economically manufacture to sell in the Southern market, it follows that its chances to manufacture for export to other parts of Africa and overseas are limited. But it has been shown that the prospect of Nigeria becoming the "workshop" of Africa in the event of a West African or African Customs Union has been one of the motivating factors for foreign firms to elect to establish in Nigeria. It follows that it is in the South rather than in the North that they will normally choose to establish their plants because

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14. Industrial Potentialities op cit. It must be stated that the long distance from the coast confers the North some measure of protection against competition from certain bulky goods manufactured in Southern Nigeria since these, for example, cement and suit cases, will have to bear high transport costs to the Northern market. Moreover, the high delivery cost to and from the North matters less for products of high intrinsic values in relation to the cost of freighting them, and in fact, textiles, canned meat and shoes sell very well in the South. Despite these, however, the fact remains that investors do not look to the Nigerian market alone but hope eventually to manufacture for export, and the geographical advantage of the South over the North remains a magnet for investors to locate their plants in the South.

of South's nearness to the coast and the greater purchasing power and better distribution facilities, there than in the North.

3. Raw Materials

Industries are generally located near the source of raw materials where processing is necessary to make the product less perishable or to reduce the size or weight of the product so as to reduce the transport costs. Examples of the first point include the canning of fish or meat, or the extraction of oil from the palm fruit, where speed is essential in avoiding a too high free fatty acid content. Reduction in bulk results from the processing of meat, and reduction in weight from processing timber where about 50% of the weight of the log is reduced. Weight reduction also occurs from decortication of groundnuts, the ginning of cotton or from concentration of minerals.

In terms of the above consideration, it would appear at first that no Region in Nigeria possesses an overwhelming advantage over the others, since each Region is a dominant producer of one or more agricultural or mineral raw materials. Table 5.10 makes this clear. A dominant producer means the producer of about 80% of the Nigerian output of the product. In this case the North is the dominant producer of cotton, groundnuts, cattle, and hides and skins and the only producer of tin and columbite. The Mid-West is the dominant producer of rubber and timber; the East is the dominant producer of palm kernels and palm oil, and of mineral oil and natural gas, and the possessor of the only mined coal in West Africa; and the West is the dominant producer of cocoa and coir fibre. All the regions produce clay and limestone suitable for ~~the~~ tiles and cement manufacture.

Besides, all the regions produce considerable food crops for local consumption with the South producing more root crops and the North more cereal crops. In general, the North possesses more agricultural raw materials and the East more mineral raw materials. Again, however, processing in the North is limited to the Northern market owing to the high transport costs involved in the long distances which also considerably restrict the opportunities for processing for export. "The wide range of local raw materials in Northern Nigeria is a favourable factor in potential industrial development.....but as the result of a careful study of industries in this category (that is, processing materials for export) positive recommendation for development is made only in the case of hides and skins, where it is considered that the value of the export trade can be improved by better and more extensive use of tanning in Northern Nigeria instead of selling the hides in the raw state.[15] Thus although the North possesses varied local raw materials, the prospects for processing them for the export market are not very bright: when processing is limited to the regional market, the South possesses advantage over the North in having

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15. Industrial Potentialities of the Northern Nigeria op cit p 59.

a bigger market, higher per capita incomes, and better distribution facilities [16] and this partly explains the investors' general preference for the South to the North.

4. Varying Regional Incentives.

The overwhelming majority of company laws, such as company tax, registration of companies and trade marks, incentive laws and immigration, is under the control of the Federal Government that there is little scope for regional initiative through legislation. Nevertheless, the regions compete for foreign private investment through other ways, and these tend to illustrate the degree of aggressiveness of the regions in their efforts to attract investment. For instance, after the introduction of the Federal constitution in 1954, the East in 1955 and the West in 1956 sent out economic missions to Europe and North America to attract private investment and many more of such missions, and return missions have been undertaken since then. The North, on the other hand, did not send out any

16. In addition electricity costs higher in the North than in the South. In Kano it costs 2 pence per unit compared with 1d per unit at Aba and Onitsha in the East, and 0.68 pence per unit in Lagos. "In the North particularly, the cost of electricity is dominated by the high generation costs of the small diesel stations which are at present the main source of supply and by the scattered nature of the small undertakings which are characteristic of Northern Nigeria" c.f. Industrial Potentialities in Northern Nigeria op cit p 207. Much hope is placed on the Kainji Dam project to reduce costs of power in the North. But it has been pointed out that "the commissioning of the Kainji scheme will not result in any immediate or spectacular reduction in tariffs, although as time goes on such reductions will certainly be possible". The South, on the other hand, particularly the East, has its natural gas and coal which will certainly form the basis for power oriented industries in the future. Even now, natural gas is being used by industries in the Eastern Region. The higher cost of electricity in the North no doubt reinforces the other factors already discussed and tends to shift the balance in favour of the South.

such mission until 1964 although, like the other regions, it established a trade commission in London to acquaint prospective investors with information about Nigeria. It is natural that when investment resulting from such missions materialises, it is likely to be sited in the region which canvassed for it.[17]

Section Three

SECTORAL BREAKDOWN OF INDUSTRIAL LOCATION

Table 5.5 illustrated the four main considerations which influenced the investors in their choice of regions in which to set their industrial plants. These factors also explained the concentration of industries in the South compared with the North. In this section, we examine the specific industries located in Nigeria because of the above factors. Since, however, there is so far no power orientented industry of any significance in Nigeria and since distribution facilities are closely related to the market factor, we shall analyse the industries in terms of two major factors - market and raw materials.

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17. The degree of assistance given by a region to prospective investors in securing immigration quotas and visas or in being accorded a pioneer status generally helps to influence location in a region. An illustration is the case of Williams and Williams sheet metal project in Port Harcourt in the East. When the representative of Williams and Williams arrived in Port Harcourt in late 1957 and hinted that another firm was interested in the project in another region, the Eastern Minister of Commerce and Industries and the Industrial Engineer flew to Lagos to lodge documents for pioneer status and to emphasize to the Central Authorities the urgency and importance of the project. Eventually the plant was established in the East.

Market Oriented Industries.

Market oriented industries account for about 50% of manufacturing activity in Nigeria, the other half being raw material oriented.[18] Examples of market oriented industries in Nigeria are food, beverages and tobacco, textiles and wearing apparel including footwear, clay, glass and cement products, metal products and machinery and transport equipment.

Food and beverages offer examples of industries whose products become more perishable after manufacture and therefore have to be located as near to the market as possible. Beer and carbonated beverages, on the other hand, offer additional substantial savings in transport costs and the risk of breakages is reduced if they are manufactured near the market because the large quantity of water required in the manufacture makes the product heavy in weight and therefore costly to transport over long distances. Availability of good quantities of water in the market area is therefore an additional locational factor. To a large extent, these requirements influenced the location of most of the food, beer and beverages factories in the country. Table 5.12 above shows that the South accounted for over 85% of consumers' expenditure on beer, of which 46% was in the West and 39% in the East. It is not therefore surprising that large breweries were established in the South, in Lagos, Aba, and Port Harcourt and Onitsha. These are not only the centres of large concentrations of population;

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18. UN Social and Economic Council: Regional Symposium on Industrial Development in Africa - Paper presented by the Nigerian Delegation, Addis Ababa, 1965 pp 2-5.

they also have good quality water available for beer brewing. By 1960 these factories were supplying about a third of Nigeria's total beer consumption. Beer and soft drink factories have also been established at Kano, again because Kano is the most thickly populated area in the North, and at Kaduna because good quality water is available there and, as a railway junction between the East and the North, Kaduna is an ideal distribution centre.

The importance of the market in the location of food, beverages and tobacco factories is illustrated in Table 5.11 by the fact that about 80% of the plants in this sector is sited in the South, the Federal Territory accounting for 34%, the East 29%, and the West 15% compared with 20% in the North.

Metal Products, machinery and transport equipment

Metal doors and window frames, desirable because of their freedom from warping and from insect attack, are generally very bulky in relation to the space occupied by the metal strips and sheets of which they are made. The same is also true of metal drums. There is therefore usually a strong incentive to locate the factories making these things near the market to economise on transport costs. Other plants in this category are motor and bicycle assembling. The chief argument for assembling these goods locally is almost invariably to save transport costs by packing many more items in the space than a fully assembled product would occupy. Since the raw materials have therefore to be imported, espacially in the case of machinery and tranport equipment, the hinterland is at a disadvantage relative to the coastal towns in view of the additional transport costs

required if the assembly or manufacture would be undertaken in the up country town. This therefore is the principal reason why the Federal Territory alone accounted for as much as 59% of the establishments in the transport and machinery equipment sector and for 41% in the metal product sector. Lagos, Nigeria's principal port, is in the Federal Territory; for imported goods therefore transport costs there are at a minimum relative to the other parts of the country. It is striking how the concentration in the transport and machinery equipment sector decreases, the further inland one preceds; for instance, the West is nearer to Lagos, and therefore had the next bigger concentration with 21% and the East nearer the coast than the North had 12% against 9% for the North. The North also attracted the least quota in metal products at only 14% against 24% in the East, and 21% in the West. This clearly illustrates the point made earlier that where the manufacturing process is largely based on imported material, the North is at a considerable disadvantages.

Raw Material Oriented Industries.

Examples of raw material oriented industries in Nigeria are textiles, timber, leather and leather products, rubber and rubber products, chemicals, oils, and petroleum, clay and cement products.

As was pointed out above, industries are attracted to raw material if, by manufacturing, the product is made less perishable or transport costs are minimised by reducing its bulk or size. Textile manufacturing does not seem to fit into any of this requirement because transport costs generally form only a small proportion of the delivered cost. However, the first modern foreign financed textile plant in Nigeria was established in Northern

Nigeria in 1957 because the North accounts for more than 98% of Nigeria's cotton output.[22] Textile plants have also been established in all the regions in Nigeria and by mid 1966 Nigeria had a total of 14 integrated textile mills. One explanation for this is that textile manufacturing is not necessarily raw material oriented. More important in siting the mills has been "the availability of an abundant and guaranteed water supply, and air conditioning, not, as is usual in the tropics, in order to dry the atmosphere, but to stimulate the damp conditions prevailing in Lancashire..... unless the appropriate degree of humidity is provided in the factory, the cotton will spin and weave erractically."[23] As Table 5.11 shows, along with other wearing apparel, including footwear, the textile industry could be better described as market as well as raw material oriented than as purely raw material oriented. This is because the Federal Territory which does not grow cotton but has the biggest concentration of demand in the country accounts for over 42% of the establishments in this sector, the North coming second with 22% against 16% in the East, 14% in the West and 4% in the Mid-West.

The savings in bulk and or weight are particularly notable in the timber processing industries where processing often results in more than 50% reduction in the weight of the timber. The biggest timber[24] processing

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22. Nigerian Trade Journal: Reprint Series entitled "Industrial Estate July/September 1965 p 3.

23. Nigerian Trade Journal October/December 1957.

24. There were no sawn timber exports from Nigeria before the War; in 1965 2.9m cubic feet of sawn timber was exported compared with 16.3m cubic feet of logs.

mill in Nigeria is at Sapele in the Mid-West which is the dominant producer of timber; apart from two other ones at Ijora and Ijebu Ode in the West, all other saw mills in the country are very small.

Leather and leather products, rubber and rubber products are definitely raw material oriented. The Table shows that the Mid-West accounts for 47% of the establishments in this sector and the North for 20%. This is because the Mid-West is the dominant producer of rubber and the North the dominant producer of hides and skins. In the chemicals, oils and paints sector, including petroleum, the East tops the list by accounting for 36% of the establishments against 24% in the Federal Territory, 21% in the North, 15% in the West and 5% in the Mid-West. The concentration of this sector in the East is because the East is the dominant producer of palm kernels and palm oil, and also of petroleum oil. In this connection, the establishment of an oil refinery is significant as it resulted from a contract between the Federal Government and Shell BP Petroleum Development Company of Nigerial Ltd "that as soon as the output of crude oil from the area held under Mining Lease amounts in the aggregate to 500,000 tons per annum, the Lessee shall consider with the Minister of Mines and Power the economic feasibility of the erection of a refinery capable of suppling the local requirements of motor gasoline and fuel oil, provided the crude oil

is suitable for the purpose."[25] The oil refinery, located in Port Harcourt, and commissioned late in 1965, is therefore definitely raw material oriented. Other raw material oriented establishments include the cement factories in all the regions, tim smelting in Jos in Northern Nigeria and the Nigerian Sugar Company Ltd at Bacita also in the Northern Nigeria.

Part Four.

INDUSTRIAL LOCATION WITHIN REGIONS

In selecting a site within a region, the same advantages of proximity to markets, and raw materials, and availability of distribution facilities or a combination of all, influence decisions. Additionally other factors come into play such as the seat of Government, and Government influence and Government policy in the provision of industrial estate and infrastructure which affect the relative attractions of various centres within the region. To analyse the effect of each of these factors in choosing a site within a region, we give below a further breakdown of regional location of industries according to industrial sectors and in three principal sites within each region. In each region, the regional capital, that is, the seat of government, and the principal town or port are selected, while "others" include all other sites in the region. These are shown in Table 5.13.

The influence of the market is particularly strong in selecting the Federal Territory, Kano in the North, Port Harcourt in the East,

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25. The Establishment of Oil Refinery in Nigeria Sessional Paper Federal No. 5 1960 p 1.

and Ibadan in the West. The particular appeal of Lagos is that it has all the facilities of a Federal capital and is the principal port of the country: it is a primary distribution and market centre for Nigeria; and it is the seat of the Federal Government. Firms, even where they establish in the regions, generally endeavour to maintain an office in Lagos to facilitate port clearances and contact with the Federal authorities. Besides, Lagos and Port Harcourt, the two largest ports in the country, have attracted many port oriented industries, such as metal products, machinery and transport equipment (see Table 5.13). Kano is the most thickly populated area in the North with a population of 347 persons to a square mile compared with the Regional average of 106 persons per square mile. It is an international air port and attracts many tourists. It is not therefore surprising that about 47% of all the industries located in the North is in Kano. Similarly, Ibadan is the largest market in Western Nigeria with the highest population of 736 persons per square mile compared with the 337 average in the West. Again, because of the large market and the attendant economies in production, in stock turnover, and in distribution, Ibadan accounts for about a third, 32.4% of all the industries established in the Western Region.

In addition to the towns mentioned above, Kaduna has been very significant as an ideal distribution centre of finished goods by road and rail to all parts of the Federation because it is a railway junction between the North and the East. Its popularity also arises from the presence of an adequate supply of good water required for such industries as brewing and textiles. It was, in fact, because of good

distribution facilities and good quality water that Kaduna was selected for the first modern and the largest textile plant in West Africa - the Kaduna Textiles Ltd - established in 1957. During the last seven years, this has expanded from a unit of 10,000 spindles and 288 looms to a giant complex of 40,000 spindles and 1,100 looms producing 37m yards of cotton piece goods per annum. Five more textiles mills have since been established at Kaduna and other factories there include steel products, furniture, stationery, reinforced concrete goods, beer and mineral water.

The influence of raw materials is strong in selecting Kano for groundnut processing, and for the processing of hides and skins, since it is the centre of cattle and groundnut production in the North. Similarly Sapele in the Mid-West accounts for 15 of the 31 plants for rubber processing, and Benin, the capital for 12; because these are the dominant producing centres for rubber.

The regional capital or seat of Government plays an important part in attracting such industries as paints, printing and stationery, not only because of the market and distribution facilities, but also in order to be able to negotiate contracts directly with the headquarters or Regional Governments. In this respect, Table 5.13 shows a large concentration of timber, wood and paper products, printing and furniture, establishments in Lagos, and in Port Harcourt in the East.

What, however, is striking in the choice of a site within a region is that there is, in fact, few alternative sites available within each region. This introduces the greatest single factor in choice of sites within regions - that of Government influence. This influence is exerted

through the official desire to disperse industries over wider areas within the region, through the provision of industrial estates, and through Government participation in establishing industrial plants.

All the Regional Governments express the desire to spread industries to as many parts of the region as possible and while no undue pressures are generally brought to bear upon prospective investors, some of the long established firms like the United Africa Company and the Nigerian Tobacco Company have adopted a policy of trying to meet this expressed wishes for goodwill reasons. Mention has already been made of the establishment of tobacco factories in each of the three main regions by the Nigerian Tobacco Co. Ltd. Another example is the selection of Zaria by the United Africa Company Ltd for its bicycle assembly and toilet factories "to suit the (U.A.C.) administrative set up and to accord with Government's policy for the dispersal of industry".[26]

Government influence is also exerted through the provision of industrial estates. As we pointed out in chapter ~~three~~ four, one of the main deterrents to foreign investment in the country had been the high cost and the difficulty of acquiring industrial sites. The World Bank Mission recommended the Nigerian Government's to use their power of compulsory land ecquisition to provide industrial areas and estates with modern amenities such as water, power, railway siding etc, suitable for the

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26. The same reason was also given for the U.A.C.'s choice of Ilorin for its tobacco factory. It will be seen that since bicycle assembly depends heavily on imported raw material, the additional internal freight from the coast may probably make the Zaria site, at the extreme North, appear uneconomic, through goodwill reasons outweigh this.

erection of industries. Industrial areas now exist in Apapa and Yaba in Lagos; at Kaduna Kano, Jos, Ilorin, Gusau, Maiduguri and Zaria in the North; at Port Harcourt, Aba, Enugu, Umuahia, and Onitsha in the East; and at Ikeja, and Mushin in the West, and some are planned in the new Mid-West region. The Regional Governments generally take into considerations such items as the proximity to large markets and the availability of distribution facilities in establishing industrial estates. The shortage of capital and the few places within the regions where these facilities are available limit the number of industrial estates which can be most economically provided. This, in turn, restricts the choice of location within the region to the estates with the most facilities. Although industrial estates have been provided in many places within the regions, those sited at the regional capitals, principal port, or town have tended to enhance the "pull" of these areas as centres of industrial concentration because they possess bigger markets and better distribution facilities. Accordingly, there is a greater concentration of industries in these areas than in other places within the regions. This is clear from Table 5.13. In the North, for instance, about 47% of the industrial establishments is located at Kano, 14.2% at Kaduna, and only 38.9% at other places. When it is recalled that Kano and Kaduna constitute an insignificant proportion of the area of the vast North, the extent of the concentration of industrial establishments in these two places becomes more glaring. The same remark also applies to other regions. In the West, for instance, 22.4% of all the industrial establishments is located at Ikeja, 32.4% at Ibadan and 45.3% in other places within the Region. In the Mid-West the proportions are 31.6% in Benin, the regional capital, 39.5% in Sapele, the principal

town, and only 28.9% in other parts. In the East 27% of all the establishments is at Port Harcourt, 14.8% at Enugu, the regional capital, and 58.2% in other parts of the East. In terms of these figures, it does seem that industrial location is more dispersed in the East than in the West, and more dispersed in the South as a whole than in the North. In fact, apart from the Mid-West Region, the North has the lowest proportion of industries located in places other than the regional capital or the principal town. This proportion is 38.9% compared with 45.3% in the West, and 58.2% in the East.

In view of the attractions of the principal town or the regional capital, it can only be expected that these places will continue to attract more industries until comparable facilities are developed in alternative places. This, in fact, is already happening in the Federal Territory. The mainland accounts for about 65% of all the industries established in the Federal Territory. However, following congestion and high prices of land in the mainland, the Yaba Estates developed and, like those in Port Harcourt, they have attracted many port - oriented industries such as flour-milling, warehousing, automobile assembly and bulk storage. The Government states that there is now virtually no industrial space available on the Apapa estate.[27] This has led to congestion in and competition for

27. Nigerian Trade Journal Vol. 13 July/September, 1965.

the available factory space and to sharp practices, and firms have been moving to other places such as Ikeja, with comparable facilities. Mr Hakam points out that there were at least two firms which complained of bad deals in connection with the legal aspect of land in Apapa; and that one firm at Ikeja had to move there for he acquired a freehold in Apapa only to have to surrender it on legal grounds at a considerable loss in money and in time.[28]

Government influence also affects the choice of a site within a region where the Government owns an overwhelming proportion of the business. This is more common with contractor - financed projects where the regional Government or public corporation provides about 90% of the capital and the foreign contractor supplies 10% plus the necessary machinery and equipment under contractor finance arrangement. Because the Government provided such a large proportion and because the foreign partner is more interested in the sale of his machinery, the Government is left free to choose a site for the project. The siting of Jebba mill makes this clear.

The Jebba paper mill was constructed at a cost of £2.3m, 90% of which was contributed by the Nigerian Governments and 10% by a West German firm, Kreditanstall, which also supplied the machinery under contractor finance arrangement. The factory was designed to produce writing and printing papers, envelops, card-boards, corrugated boards, exercise books, cartons and

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28. A. H. Hakam Op cit p 58.

boxes, and initially all the raw materials had to be imported. The mill is located at Jebba in Northern Nigeria. This site is neither near the source of the raw materials for the mill nor near its markets. The mill is based on raw materials imported from Scandinavia and the main market for the products is in the South - Lagos. Yet the mill is sited in Jebba which is about 250 miles away from Lagos which not only is the port from where the raw materials would be imported but also the main market for the manufactured products. This means that the raw materials will incur the additional freight cost from Lagos to Jebba and the finished product will similarly incur the cost back to Lagos, its market.

The decision to establish a paper mill in Nigeria was taken in 1963 after a feasibility report by a West German consultancy firm but the economic soundness of the project would certainly have been improved if the mill had been sited nearer Lagos, thus avoiding the Northwards freighting of wood pulp and china clay and the Southwards haul of the finished products. It is not, in fact, clear why the Jebba site was selected: it is certainly not justified on purely economic grounds; and it may be that the employment prospects of the mill (between 500-600 Nigerians) influenced the Federal Government, in which the North is a senior partner, to decide on the Jebba site.

Another instance of political pressures leading to uneconomic siting of industries is the Cement Company of Northern Nigeria Ltd. Following a full scale feasibility survey into the possibility of establishing a cement works in Northern Nigeria, carried out by Stanley Engineering Company Ltd, an American consultancy firm, several interested industrialists were

invited by the Northern Nigeria Ministry of Trade and Industry to submit offers. Three firms replied and their offers were under appraisal in late 1961 and early 1962. "It transpired, however, that an agreement to set up a cement works at Sokoto in the North had been signed by the Minister of Economic Planning in Germany with one of the three firms, Messrs Ferrostaal A.G., on 21st December, 1961. Northern Nigeria Development officials expressed disquiet that no technical report was produced until the 21st April, 1962, and even then no financial projection or feasibility report had been submitted."[30]

It is clear from the above that although the feasibility report justified the establishment of a cement works in Northern Nigeria, the decision to site the factory at Sokoto was not based on any feasibility study at all. When one was later conducted, it was found that good quantities of limestone adequate for the establishment of cement works in the North exist at Sokoto, Lokoja, and Ashaka; but unfortunately none of the three deposits is closer than 200 miles to the main Northern market, which is in the Kano-Kaduna area and that a thorough search in that area has met with no success.[31] The problem, therefore, turned to a study of comparative costs of production and delivery in the three areas. This was found to be £4. 12. 0d in Sokoto, £4. 3. 0d in Lokoja, and £4. 18. 0d at Ashaka.[31a] The result was that "on the basis of serving the Kaduna

30. A White Paper on the Military Government Policy for the Reorganisation of the Northern Nigeria Corporation Kaduna. 1966 p 21.
31. Industrial Potentialities of Northern Nigeria op cit pp 125.
31a. ibid p 127.

area alone, the Lokoja site would have an advantage over the other two."[32] As we have already shown, however, the decision to site the factory at Sokoto had already been taken before this study of site was made and without any technical report produced.

The question then is: Why was Sokoto so selected? The answer is definitely political pressures engendered in this case by economic metooism. Cement factories had already been established at Nkalagu in the East, and at Ewekore in the West, and the North did not want to be left without one. In deed it need not have been established at all, based on purely economic considerations, because it was found that a cement factory in the North would be a high cost one relative to that in the South, especially the East, owing to lower fuel costs and higher output levels; and "available data lead to the conclusion that production costs in Eastern Nigeria are at least £3-£4 less than they would be at a Northern plant."[33] But "the Sardauna of Sokoto had, in many public statements, promised his people a cement mill."[34] This is the main explanation for siting the factory at Sokoto, without prior studies of possible alternative and more economic sites.

Reporting on the project, a correspondent in West Africa stated: "A few miles beyond Sokoto in the far North-East of Northern Nigeria, home of the Sardauna, the Late Premier, you will come across the impressive buildings of a vast cement works. But the works are silent,

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32. Ibid.
33. Ibid p125
34. Alan Sokolski: The Establishment of Manufacturing in Nigeria N. York 1965 p 247

there are no workers, and a handful of German technicians await new machinery to install. A year ago, for a brief time, the plant had worked; but it was found that the local limestone was too "wet" for the machinery, which had been brought across the Sahara at great expence".[35]

The above two examples, the Paper Mill at Jebba, and the Cement works at Sokoto are only two examples to illustrate how political pressures have led to uneconomic choice of location for plants. The examples are both from the Northern Region; but economic me-too-ism is common throughout the Federation and this has led to duplication of plants in such industries as cement, beer, textiles, flour mills, enamel wares and tyres. Although the Nigerian market is potentially large, demand for some items, is not yet sufficient to justify the erection of too many plants in one industry. Besides, economic me-too-ism carries the dangers of splitting the market into tiny and uneconomic sectors. Nigeria has tremendous economic potentials; her problems are political not economic. She "is faced with the problem of establishing priorities in a political context. Should natural gas be further developed? If so, even more coal miners will be thrown out of work. Should Asaba's lignite be used by the new steel mill? If so, political promises made in Enugu will not be met. Should the iron and steel mill be erected in the East? If so, political pledges of the Sardauna's Government will not be discharged. And so on".[36] If the "right" political solution can be found, and if priorities can be well established and

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35. Politics in Development, West Africa, November I9 I966 p I3I5.

36. Alan Sokolski op cit p 55.

reasonably adhered to, there is no doubt that Nigeria will be able to launch into a sustained economic growth in no distant date. In the meantime, it is difficult to say whether all the industrial establishments so far established further industrialisation, and hence the economic development of the country. Certainly the Sokoto Cement Works so far does not.

Part Five.

CONCLUSIONS.

The location of manufacturing in Nigeria is concentrated in the South. Although the North accounts for about four-fifths of the land area and more than 53% of the population, it only accounted for 17% of the industrial plants established between 1960 and March 1964, and for about 16% of all existing manufacturing plants in Nigeria in 1965. This compares unfavourably both with the South as a whole, and with the East and the West separately. Although the South accounts for about a fifth of Nigeria's land area, and about 47% of the population, it accounted for 83% of the manufacturing plants established between 1960 and March 1964, and for 84% of all existing manufacturing establishments in Nigeria in 1965.

The main reason for this concentration in the South however, is the North's long distance from the coast, its sparse population, its lower level of economic development and therefore lower per capita income, the long distances between towns in the North, and its inadequate distribution facilities relative to the South. The South, on the other hand, has advantages of proximity to the coast, to raw materials and to markets, and therefore has better access to external markets than the North. Further, the South's market is bigger, it is more thickly populated; it has greater

per capita income, and better distribution facilities. All these confer on the South more economic advantages over the North; and although the North has more varied agricultural raw materials, their processing is restricted to the relatively smaller market in the North. The South, on the other hand, can also process for export because of its geographical advantages of nearness to the sea and to the raw materials and markets. Becuase of these advantages, and because the prospect of Nigeria becoming the "workship" of Africa in the event of an African, or West African Common Market has been a strong influence on investors' choice of Nigeria as a key global area, they have generally preferred the South to the North for economic reasons.

Within the regions, industrial location is concentrated in the regional capitals and principal port or town. This is more marked in the North than in the South, and more in the West than in the East. While over 61% of all industrial establishments is in the North and is concentrated in the principal town, Kano, with 47%, and in the regional capital, Kaduna, with 14%; only 41.8% of the industries sited in the East is located in Port Harcourt, with 27%, and at Enugu, the regional capital, with 14.8%. In the West, the proportion is 54.8%, with Ikeja accounting for 22.4% and Ibadan, the regional capital, 32.4%. In the Mid-West, the proportion is even higher at 71.1% in the regional capital, Benin, and principal town, Sapele. On the whole, while the East has 58.2% of its industries located outside its principal town and regional capital, the corresponding proportion is 38.9% in the North; 45.3% in the West, and 28.9% in the Mid-West.

The reasons for this concentration within the regions are similar to

the reasons for concentration in the South as compared with the North:- the availability of large markets, higher incomes, and better distribution facilities within the principal town and regional capital than exist outside these areas. The provision of industrial estates within these areas also enhances their attractions relative to the other parts of the regions even though industrial estates were also provided in some of them. This explains the dominance of the Federal Territory in many port oriented and market oriented industries, as Table I3 showed.

Aggressive campaigns for, and the degree of assistance and participation offered to prospective investors by the various Governments also played some part in attracting industries to the respective regions. The Regional Governments' expressed wish to disperse industries helped to persuade some large firms like the United Africa Co. Ltd and the Nigerian Tobacco Company Ltd to site some industries at what appears to be uneconomic locations in the North for goodwill purposes. Finally political pressures and regional me-too-ism resulted in the establishment of second and third plants of an industry in some regions, and at least in two cases in the North led to chosing uneconomic sites for a paper mill and a cement works.

CHAPTER SIX

THE MECHANISM OF FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING.

Introduction

The foreign private investor in Nigerian manufacturing can invest either in projects which he wholly owns himself or jointly with Nigerian private or public capital. Investment in wholly foreign owned projects by private foreign investors was the common practice up to the early 1950s. Since the late 1950s, however, partnership with Nigerian capital has become very popular because Nigerians want it and some foreign investors make it a condition for their projects. This chapter examines this machanism of foreign investment. It is divided into five sections. Section one examines the evolution of the partnership principle and section two its mechanics. Its actual or potential benefits to the foreign investor and to Nigeria are examined in section three; and its significance in section four.

Section One.

The Evolution of the Partnership Principle.

When the mission of the Federation of British Industries visited Nigeria in 1955, and found that Nigerians wanted and, in deed, made indigenous participation a condition for admitting foreign capital, it reported that, "we should regard such arrangement with apprehension".[1] During the F.B.I.'s 1961 mission, Nigerians wanted to know if it still

1. Federation of British Industries: Report of the Mission to Nigeria and the Gold Coast, 1955 p 39.

opposed joint ventures with Nigerians. "We told them that we were not resistant to Nigerian participation. In general United Kingdom investors would welcome Nigerian private or institutional investment in their industries".[2]

Thus, while the FBI did not favour Nigerian participation in 1955, it had radically changed to favouring it, by 1961 or at least said so. What brought about this change? This is partly in response to the change in general world opinion towards the under-developed countries. The FBI report makes this clear. "They talk of the winds change which have blown ever more strongly from Africa and Asia and from Latin America and even Australia, but they have not ended in those countries. They have blown across the seas and have been felt too in Britain, bringing about new relationships between old countries and new, blowing away many cobwebs of traditional thought and attitude. We, too, have changed".[3] It would be wrong, though, to attribute the whole change in attitude to this political "wind of change". Behind it lies fundamental economic reasons which are partly paternalistic, and partly due to the attendant benefits of local participation.

The paternalisitic reason is due to the change of opinion in the developed countries on how best to help the under-developed countries to speed up their economic development. After the successful application of the Marshall Aid programme to resucitate the war stricken economies

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2. F.B.I. Nigeria An Industrial Reconnaissance, 1961 p 34

3. ibid p 48

of Western Europe at the end of the Second World War,[4] it was felt the same technique could be successfully applied in the under-developed countries. This aroused great optimism, and led to a great emphasis on aid to these countries during the 1950's. By 1961, however, this optimism had disappeared and yielded to disillusionment.[5]

Part of the reason for the disillusion was the realisation that injection of capital to the developing countries was of little help unless corresponding technical aid was given. Though this was given, it was regarded as another temporary measure to tide over the period while indigenous technicians were being trained; but the result was very disappointing and the resulting disillusion led to a rethinking of how best to acheive the objective of accelerating the economic development of the developing countries.

The results of this rethinking seem to be embodied or expressed in the Resolution of the United Nations General Assembly passed on 19th December, 1961, designating the 1960's as a "Development Decade" and urging on member states to "create conditions in which the national incomes of the developing countries not only will be increasing by 5% yearly by 1970 but will also continue to expand at that annual rate

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4. For instance, within 2½ years after the U.S. had spent 13,000m dollars or about 4% of her national income under the Marshall Plan scheme, industrial production in Europe rose by 40% and agriculture by 20% more than their best pre-war years. See A.K. Caincross, Factors in Economics Development, London. 1961 p 16.

5. Disillusion on Aid: Barclays Bank Ltd, Overseas Review Sept. 1966 p.1.

thereafter."[6] The Resolution further urged on member states to pursue policies that will lead to an increase in the flow of development resources, public and private, to developing countries on mutually acceptable terms; and to adopt measures which will stimulate the flow of private investment for the economic development of the developing countries. Finally it urged the Secretary General to make proposals to achieve and accelerate sound self-sustaining economic development in the less developed countries through industrialisation, diversification, and the development of highly productive agriculture.[7]

This last requirement was crucial, for only through it could there be reasonable hopes of achieving a self-sustaining economy. The snag, however, was that conventional aid is ill suited to this task. Accordingly, emphasis was shifted to[8] the role of private capital, without which external aid "is doomed to be a costly palliative of indefinite duration."[9]

But this shift in emphasis coincided with the emergence of self rule

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6. United Nations Development Decade: Proposals for Action, U.N.: Dept of Economics and Social Affairs, New York, 1962 p 45.

7. Ibid p 46.

8. For this shift in emphasis see Emilio G. Collado: Economic Development through Private Enterprise: Foreign Affairs, July 1963; Sir Jack Campbell: The Role of big business in the new nations: Investment and Development O.D.I. London 1965 p 177. William Clerk: Governments not Enough: Investment and Development O.D.I. at p. 16.

9. This was the finding of the advisory Committee on Private Enterprise and Foreign Aid set up by the U.S. Government. quoted in "Safeguarding Private Foreign Investment" Barclays Bank Ltd, Overseas Review November 1965. p.1.

and ultimate independence in the developing countries. This introduced a new element into the situation; and for obvious reasons both the foreign private investors and the developing countries looked at foreign investment with some suspicion.

The foreign private investors feared and still fear the possibility of nationalisation and expropriation without adequate compensation, the prospect of loss from war or revolution, unfair or discriminatory treatment by the host government which, though falling short of outright expropriation, would nevertheless constitute a real undermining of expatriate business.[10] While welcoming foreign capital and the expertise which it brings, the developing countries, on the other hand, feared that their highly prized 'independence' might be compromised with economic domination or "neocolonialism". They therefore seemed to regard foreign capital as a Trojan Horse. In Nigeria, this mutual suspicion of, or ambivalent attitude to foreign capital was expressed in a statement on foreign capital by the Premier of Western Nigeria, Chief Obafemi Awolowo, early in 1955:" because of historical and empirical circumstances which I need not propound in this address, there are suspicions both on the part of the under-developed countries which desire foreign capital, and on the part of the foreign investors themselves. On the eve of self-government, we are anxious to be free from foreign economic patronage and exploitation. On the other hand, the foreign investor, having at the back of his mind the

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10. Other risks include devaluation of the host country's currency, and exchange control restricting or entirely preventing expatriation of profits and dividends.

lesson learnt at great expence in some other countries which newly attained to freedom, wants to make sure that there are safeguards against political control which is not always conducive to business efficiency, against discrimination in the matter of taxes and against possible expropriation or confiscation of his capital."[11]

Commenting on the developing countries' fear of economic domination, Arthur Gaitskell stated that 'it is a resentment which we should be perfectly able to understand, because, under infinitely less subordinate circumstances, Canadians, French, and British have felt it against American investment; and within our own nations, materially backward areas, particularly with different racial complexes as, for instance, in Quebec within Canada, have often felt it against their more prosperous compatriots".[12] And Barbara Ward points out that "if we think of what General De Gaulle has to say about American infiltration" into the strong developed French economy, it is perhaps easier to imagine what reactions must be in a country like Nigeria where, on a recent estimate, the Ministers were confronted with the fact that 75% of the industrial sector might end up under foreign control. They had to conclude that, valuable as the investment would be, much as they wanted it and ready as they were to give every kind of tariff and tax concessions to acquire it, politically

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11. Western Nigeria Production Development Board Annual Report, 1955-56 p 11.

12. Investment and Development ODI op cit p 39

they could not afford any such disproportion."[13]

Justifying the Foreign investor's suspicion, Sir Jock Campbell pointed out, that "the daunting weight of their economic problems makes it inevitable that many of the new regimes will be 'dirigiste': there will be much state control, planning and participation in industrial enterprise."[14] He was convinced, however, that "the flow of foreign private capital to the less developed countries would increase greatly, if the private investor could be persuaded to overcome his fears that in many of these countries, his investment may be threatened by expropriation without fair compensation, or by other arbitrary action by the host government."[15] This assurance would not be forthcoming unless the receiving country has some assurance that its political freedom would not be threatened by economic domination. It was realised that as long as this mutual suspicion continued, not much could be achieved. A way must be found, therefore, to resolve the impasse.

One of the methods devised was for the developing countries to give guarantees against arbitrary expropriation without adequate compensation. Such guarantees as were given by Nigeria were discussed in chapter ~~four~~ three. In some developed countries, like Western Germany, Japan and the United States, schemes were devised as a further insurance against non-economic risks of investment in the developing countries, such as exchange

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13. Barbara Ward: Peter Bauer: Two views on Aid to Developing Countries Occasional papers No. 9 Institute of Economic Affairs 1966 p 23.

14. Investment and Development ODI op cit p 13.

15. Ibid pp 32-33.

restrictions and nationalisation without adequate compensation. These national schemes were, however, limited in at least two respects. First, simple insurance plans for investment tend to be no more than disaster insurance. What is required is a method of preventing disaster. Secondly, the schemes were and are one sided: they protect only the foreign investor; they do not allay the fears of the developing countries nor do they guarantee that the investment would be of the right "mix" conducive to their economic development. As Mr. A. Romeo Horton, President of the Bank of Liberia, once told a group of foreign industrialists: "Do not forget that we, in Africa, too, have reasons to be fearful and suspicious of you. Let us never forget that we, too, need certain guarantees from you. This business of guarantees and assurances is a two-way street. The peoples in Africa have had and are still having unholy experiences with members of the free enterprise system-with members of capitalism, and therefore they are justified in being fearful and in requiring certain guarantees from you".[16]

Political and investment guarantees, because they are ex-post remedies, and because they are one sided, have thus failed to allay the suspicions which exist between the foreign investor and the recipient developing country. One can go on for ever justifying the basis for this suspicion, but it all adds up to the fact that as a result of its existence the "developing economies are being deprived of an essential element

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16. What Kind of Welcome Awaits Private Capital?, American Economic Report March, 1965 p 13.

of successful growth and we in the West are unable to achieve that rapid growth in world trade on which our long-term prosperity depends. The disadvantages of restricting investment in the developing countries are greater for the poor countries, but they are considerable enough for the rich."[17] The difficulties of the foreign investor are understandably great enough and are real deterrents. "Yet what a challenge to the question of ultimate purpose in the Western world, and what a risk if we offer no up to date economic philosophy to meet it, the red end of the spectrum may seem better than nothing."[18]

The search for the up to date economic philosophy led to the adoption of what has been variously called the fitting in approach[19] or the filling-in-policy.[20] Briefly this means that neither the foreign investors nor the developing countries should insist that their own contention is right and every body else's wrong. Each would rather adapt policies to accomodate the view of the other half-way: there would have to be a 'synthesis' of views to break the impasse of mutual suspicion.

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17. Investment and Development O.D.I. op cit p 12.

18. Arthur Gaitskell: Investment and Development op cit pp 56-57.

19. Ibid p 47.

20. Ibid.

One form which this synthesis took was the adoption of joint ventures or partnership with indigenous capital.[2I] This was expected to resolve the mutual suspicion by giving the indigenous people a feeling of belonging that the project in question is as much their show as it is of the outsiders. It would also offer the expatriate partner some feeling of security by being politically acceptable. We discuss below the mechanics of this joint ventures before discussing its advantages in detail.

SECTION TWO.

THE MECHANICS OF LOCAL PARTICIPATION.

Three questions spring to mind in discussing the mechanics of local participation. With whom does the foreign private investor enter into partnership? Having chosen the partner, what are the terms? Who holds the majority interest in the partnership and who controls the management? These questions are important for on them depend very much the success or failure of the joint venture. They are discussed in this section.

2I. Other forms of the adaptation process include the foreign investors offer of equity shares, local registration of his company, promotion of local people in management, withdrawing from branches of activity which are politically provocative or competitive with the local people and their redeployment into the politically acceptable sectors, patronising local contractors, local banks and local industry, recognition of trade unions, establishment of joint consultative committees, utilisation of local raw materials and complete refusal to participate in local politics. See F. J. Pedler: The Encouragement and Protection of Investment in Developing countries, British Institute of International and Comparative Law Quarterly, Supplementary Series No. 3, 1962 pp 73-74. See also articles by Arthur Gaitskell, William Clerk, and Sir Jock Campbell in Investment and Development. O.D.I. 1965.

A. The Choice of a Partner.

In a survey of British private investment in East Africa, it was found that generally British investors prefer indigenous private investors as partners rather than the public development agencies and that only as a last result do they like to go into partnership with the Governments.[22] In Nigeria, public development agencies, such as the development corporations, are almost synonymous with the Governments since they operate with funds provided by, and carry out the general policy of Governments. The choice facing the foreign private investor in Nigeria is therefore between indigenous private investors or the Government.

The objection to Governments as partners stems partly from an ideological view of what should be the proper role of governments in development. The traditional view is that it should be confined to the provision of the necessary infrastructure and environment for the operation of free enterprise. This, of course, assumes that private enterprise will be forthcoming to exploit available business opportunity.

In Nigeria's present circumstances, and in deed, in most under-developed countries, this is unrealistic as far as industry is concerned. The reasons are obvious. By definition, under-developed countries are poor, and the resulting low per capita incomes limit domestic savings and hence the size of individual accumulations available for investment. This, however, does not mean that savings do not exist at all, for, in

22. D. J. Morgan: British Private Investment in East Africa O.D.I. 1965 p 20.

many under-developed countries, the amount of capital available for investment "is often surprisingly and inexplicably large."[23] The problem is that such savings as exist are usually held in forms not generally available for productive investment - in driblets, in hoards, or invested in real estate. To this is added the lack of exprience and industrial tradition and the fact that many manufacturing enterprises require bigger initial capital investment than the ordinary indigenous private investor can afford.

Thus a strategy of development which confines the Government's role in industry to the provision of the necessary infrastructure will not be adequate or effective in Nigeria simply because there is no private sector available to exploit the resultant economic opportunities. "In the circumstances", commented the World Bank's report on Nigeria's prospects for development, "industrial growth will be slow and Government assistance will not be fully effective.....therefore the Government can and will have to encourage and supplement African industrial initiative".[24] The lack of adequate indigenous capital, therefore, makes it "easier to understand why African political leaders on the threshhold for the first time of independent development, incline to a socialist concept of society. The state represents at once a defence against foreign economic domination, an instrument (and at first the only instrument) with

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23. W. Diamond: Development Banks. Baltimore 1957.
24. The Economic Development of Nigeria IBRD op cit pp 25 & 352

capital and personnel to develop an alternative locally-owned and managed economy, and a watch dog over development to obviate any small local clique conering the benefits".[25]

Here again, if development must proceed, in deed, if the accepted principle of partnership with indigenous capital is to be realistic, there must be a "synthesis" of views. The result was the acceptance of Government participation on "a revolving fund basis" whereby the government sells to the general public its shares in the equity of the concerns as soon as the indigenous public to buy them become available. The money thus released is then used to found or participate in other industrial ventures. By thus rolling over its limited capital, in addition to maintaining favourable economic environment, the Government's role in industrial development would be immense. This is the approach adopted in Nigeria, where local participation virtually means partnership with the Government or with a public development agency.

Nigerians prefer as partners those foreign investors who can enable them realise the benefits they expect from the association.

These are capital and technique. Broadly there are two types of investors in Nigeria - Europeans, including Canadians and Americans, and non-Europeans, principally Asians and Lebanese. When the Advisory Committee on Aid to African business men considered these two classes of expatriate investors for partnership in 1959, it concluded that the Syrians and the Lebanese did not qualify. Although they had the capital, the

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25. Investment and Development op cit p 40

committee doubted if they had any superior technique to the African since they engaged in trading in the fields in which the African was most qualified. At any rate, the Committee concluded, even if they had any such technique, they would not be prepared to transmit it to the African because they maintained a closed family partnership in which no "stranger" would be admitted. "The case of the European expatriate", the committee said, "is different. He has not only the capital, but also managerial and technical skill to import to Nigeria. It is really to him that Nigeria must look for partnership which can truly be of mutual benefit".[26]

In conclusion it will be seen that while the Nigerian prefers the European Expatrate investor as a partner because he has the attributes he desires, the latter's first preference is an indigenous private investor. Because this has inadequate resources, he accepts partnership with the Government as a last alternative. To do otherwise would have made the accepted principle of partnership with indigenous capital unrealistic. Local participation is therefore almost tantamount to Government partnership.

B. Terms of Partnership:

Problems of Management Control.

Introduction.

Partnership in business is good only if it does not reduce the efficiency or profitability of the company, or the quality of the

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26. Report of the Advisory Committee on Aid to African Business men op cit p 51.

product or service to the consumer. This would depend to a large extent on the terms of the partnership. The greatest problem here is that of management control. Naturally neither side would want to be treated as an inferior partner in the business. On the one hand, the foreign partner fears that if he concedes control to the indigenous partner, (which in Nigeria, is the Government) unbusiness-like decisions may be forced upon him; on the other hand, the indigenous partner fears that if the expatriate partner has the control, profit considerations would be his over-riding concern and that this would ignore social and political considerations. A 50:50 arrangement on the other hand, has the advantage that neither side dominates; but, then, the risks of deadlock are great. Let us assume, for instance, that each partner has very strong ideas on how the business should be run. The resulting impossible or impracticable situation would be likened to an army operating under divided control and mixed-up channels of command. Such army will never win a war! The advantages and disadvantages of eight other variants of partnership arrangement are illustrated in the Table 6. It all adds up to this; there can be no one solution applicable to all situations, synthesis of views and interests must come into play for any arrangement to be workable.

Partnership Structure in Nigeria.

The above discussion assumes, of course, that both parties to the joint venture have relatively equal resources, capital, ~~xxxxx~~ technique, and management. This is not the case in Nigeria where one of the expressed motives for seeking partnership with expatriate business is to acquire managerial technique and expertise. What therefore has evolved

is that naturally, where the project is predominantly foreign owned, the foreign partner retains management responsibility; he also retains it in the initial stages even where the project is equally owned or predominantly Nigerian owned, with an undertaking to train indigenous people to take over management after sometime. The FBI's mission emphasised retaining management under expatriate control when it visited Nigeria in 1961. "We said that all U.K. industrial investors would be insistent on retaining management control, and probably most would wish to retain financial control, there are already well known cases where the latter has not been pressed. The Federal and Regional Governments all stated that they were entirely open to discuss any financial structure which represented a real partnership between Nigerian and expatriate participants".[27]

It is therefore interesting to examine the partnership structure which has finally emerged from the 'discussions' in Nigeria. Unfortunately information is only available for the East and the West. This is summarised in Tables 6.2 and 3. Table 6.2 summarises the structure in Western Nigeria for 16 joint ventures, in which the Government participated. Where capital holding is listed as 'others' without specifying whether it is an expatriate or indigenous holding, I have assumed that it is expatriately held, e.g. by foreign public institution such as the Commonwealth Development Corporation. The calculation is made from a list sent to me by the Western Nigeria Ministry of Economic Planning. It represents the position on 31st Dec. 1964.

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27. FBI: Nigeria, An Industrial Reconnaissance op cit p 34.

Table 6.2

Projects in Partnership as at 31-12-64.

Western Nigeria.

Name of firm	Authorised Capital £000	Proportinate Ownership % Foreign	Nigeria
1. West African Breweries	1,000.0	30	70
2. Guinnes (Nigeria) Ltd	1,111.0	90	10
3. Premier Tobacco Ltd	50.35	25	75
4. Nigerian Textiles Mills Ltd	500.0	75	25
5. Vono Products Ltd	250.0	85	15
6. The Caxton Press (W.A) Ltd	200.0	70	30
7. Dunlop (Nig) Industries Ltd	1,500.0	72	28
8. Askar of (Nig) Ltd	50.0	40	60
9. Nigerian Mosaic & Glass Mfg.	85.6	65	35
10. Asbestos Cement Products Ltd	1,000.0	65	35
11. Pre-Strest Ltd	25.0	80	20
12. Crittal Hope (Nig) Ltd	160.0	77	23
13. Industrial Enterprises Nig Ltd	52.74	67	49
14. Tower Alminum (Nig) Ltd	165.0	82	18
15. Nipol Ltd	65.0	50	50
	6,214.69		

Source: Computed from a list sent to me by the Western Nigeria Ministry of Economic Planning.

Obviously the structure is not immutable: it is necessary to bear this in mind in interpreting the trends shown in the Tables.

Table two shows that out of the 16 ventures, Nigerians majority capital holding is only three, that 50:50 arrangement exists only in one, and that foreign majority capital holding accounts for the remaining 12 ventures. Foreign majority holding in these 12 venture ranges from 65% to as much as 90%.

Table three summarises the position at the end of 1963 for 14 joint ventures in Eastern Nigeria. The calculation excludes those firms where

the relative capital holdings are not specified, One factor that will have to be borne in mind in reading the trend in the Eastern Region is that the Government invests through its principal industrial bank - the Finance Company of Eastern Nigeria Ltd. This finance company is owned equally by the Eastern Nigerian Government and the Commonwealth Development Corporation. It was not stated in the source of the table whether the capital contributed by the Government through this institution includes the 50% foreign ownership of this Finance company. If it does, then the indigenous proportion of the capital holding as shown in the table is accordingly over stated. With these observations, at the background, the picture that emerges from the table is that indigenous majority holding accounts for 4 of the I4 joint ventures, fifty-fifty arrangement for one, and foreign majority holding for 9. Unlike the West, foreign majority holding varied from 5I% (West 65) to 80% (West 90%). It would appear from these tables that the foreign partner controls a higher percent of the joint ventures in the West than in the East. This becomes all the more plausible if it is remembered that table two is more comprehensive than table three as the former includes indigenous private subscriptions in the Nigerian ratios which the latter, table three, did not. While much need not be made of this comparison, it is necessary to state that the urge for greater indigenous control or ownership seems to be greater in the East than in the West; that the FBI mission found in I96I that the East insists that ultimate control and ownership would have to be transfered to indigenous hands for projects established in the East,[27a] and that "in jointly owned companies and (in the East) the Heads of agreement and articles of Association frequently set out the

27a ibid

timing and the conditions under which the Government or the foreign investors will dispose of their holdings to the Nigerian public".[28] Three comments may be made on the above analysis. The first is that the Nigerian Governments do not insist on Nigerian majority holding in joint ventures. Indeed, except for pioneer companies 'where indigenous ownership of at least 10% of the shares in the equity is a condition, the Governments do not insist on Nigerian participation as a condition for foreign investors to set up manufacturing in Nigeria. As the Eastern Region Government pointed out, the position is that foreign capital is to be welcomed preferably in partnership with Nigerian capital, the portion alloted to Nigerians being taken up by the Government if the Nigerian private investors are not forthcoming, but even without local participation provided that such foreign investors offer a phased programme of introducing local capital.[29]

Non insistence on Nigerian majority holding represents a reversal of the position in the West and the East in the mid-1950's. Early in 1955, Chief Obafemi Awolowo, the Premier of the Western Region, in a policy statement declared that a new enterprise starting in Western Nigeria would have to arrange for 51% of the capital to be Nigerian owned. This attracted so much unfavourable comments in local and foreign press that the Premier reversed the position by stating that each business venture would be considered on its own merits. "The impression seems to continue to linger in certain circles", he stated, "that we in the Western Region do not favour

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28. Report of the 4th Conference of leading personalities of Eastern Nigeria origin op cit p 8.

29. ibid.

the admission of foreign capital and that I, in particular, have an exaggerated idea of our wealth in this Region. Nothing would be further from the truth. I am sufficiently informed to appreciate that one of the questions which always bedevils any negotiation for foreign capital is..... the ratios of capital participation as between themselves and ourselves. My experience is that misunderstanding and mis-representation always easily arise when ratio of capital participation is discussed in the abstract. No self-governing person or country, not even an under-developed country - would like to be treated as an inferior in any joint venture. But the issues become clearer and each party is able to see much more objectively the position which he occupies when discussion on ratio of capital participation is related to a specific business proposition. Each specific business venture will be considered on its merits, and the ratio would be fixed by agreement between us and the particular foreign investor concerned."[30]

It is thus seen that the Western Region Government originally made Nigerian majority holding a condition for new enterprises in Western Nigeria. When this policy backfired, it was quickly modified. In the Eastern Region, the Premier, Dr. N. Azikiwe, declared in 1955 that much as the country needed foreign capital, it must be "on the basis of equality."[31] The implication of this statement will be analysed later. It is enough to state here that it implied that it was conditional for new enterprises in the East to settle for a 50:50 basis with Nigerian capital. This policy was not modified until

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30. WNDC. Annual Report, 1955-56 p 11.

31. Economic Rehabiliation of Eastern Nigeria op cit p 7.

1960. (see later).

The second comment is that the Nigerian Governments do not ordinarily wish to invest in industrial projects except when this is very necessary to call forth the accompanying foreign capital or where the project is of national significance, such as the oil refinery. The following statement on industrial policy makes this clear. "The industrial policy of the Government is to encourage private enterprise in all industrial sectors. Only in certain cases does the Government or its agencies participate. There is no rigid insistence on local participation but the Government may wish to share in the financing of certain large enterprises which have a special significance to the public, Likewise, financial assistance in the initiation and financing of an industry, either by way of loan or direct investment, may be given by the Government where sufficient private capital is not available, but here again the aim is to supplement private enterprise and not to displace it. The Government considers that industrial development is essentially a field of endeavour for private enterprise and that the function of the Government is to provide the essential facilities as the basis upon which private enterprise can establish industries. Owing to lack of capital in the indigenous private sectore, the Government may appear to have greater interest in the establishment of industries by direct participation than might otherwise have been thought necessary. This should not be interpreted as a movement away from free enterprise economy".[32].

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32. Industrial Directory, 1965 op cit.

The extent of the Nigerian Governments' industrial investment is illustrated in Table 6.4. While the ratio of foreign private investment to total industrial investment is 68 for the whole Nigeria, 56 for the East and 67 for the West, the corresponding ratios for the Government are 22 for both the whole of Nigeria and the West and 35 for the East. Thus for every one pound the Nigerian Governments invested in industry, the foreign private investor contributed about three pounds for the whole Nigeria and the West and about thirty shillings in the East. Three interpretations may be advanced for the higher public capital involvement in industry in the East than in the whole Nigeria put together and in the West.

First, it may be the Eastern Region's Government insistence on equality in joint ventures up to 1960, and on ultimate control since then militated against the region's attractions for foreign private capital. As will be shown in the next section, this may have been so up to 1960 but not since 1960. The second explanation may be the point previously made, that is, the possibility that the Eastern ratio is over-stated by the inclusion of some foreign capital in view of the 50% ownership by the CDC of the Eastern Region's Industrial Finance Company which is the region's main investment agency. The third explanation is more plausible: it is that because of lower per capita income in the East than in the West, private individual accumulations are probably greater in the West than in the East. In deed, until the recent oil and gas discoveries, the Eastern Region was regarded as the poorest member of the Nigerian Federation. This relative poverty might have worked against the East and favoured the West especially during the cocoa boom of the 1950's. This will be discussed

Table 6.4

Foreign, Government, and Private Investment

In Nigerian Manufacturing, 1963.

Investing Body	All Nigeria		East		West.	
	Amt.	%	Amt.	%	Amt.	%
	£m					
Foreign Private	38.4	67.7	9.9	55.5	11.0	66.7
Public (Govt)	12.4	22.0	6.2	35.0	3.5	21.3
Private (Nig)	5.6	9.9	1.7	9.5	2.0	12.0
Totals	56.4	100.0	17.8	100.0	16.5	100.0

Source: Chapter ~~Four~~ two, tables 3,4, and 5.

more fully in the next section. Its relevance here is that in the circumstance of the East, if any progress at all had to be made, the public sector had to assume a greater responsibility since because of the low per capita incomes, indigenous private investors could hardly be expected to do much. As Table 6.4 shows, indigenous private industrial investment is the lowest in the East either relative to Nigeria as a whole, or relative to the Western Region. While the validity of these interpretations is limited by the fact that the figures on which they are based relate to only one year, 1963, they probably more accurately indicate the trend of what actually has happened up to 1963 than what is likely to be the future position.

The third comment on the analysis of the financial structure of partnership with foreign investors in Nigeria derives principally from Table 6.2. It will be seen that in seven of the eleven companies in which the foreign investors held the majority interest, in the West this holding varied between 70 and 90%. In deed, only two were in the 70's, three

between 80% and 85% and one 90%. It will be remembered that one of the conditions to qualify for 'pioneer' privileges is that at least 10% of the equity capital of the company must be held by Nigerians. The high percentage of foreign majority holding in the West seems to indicate that although willing to invest, the foreign investors probably were reluctant to admit indigenous capital in the West beyond the minimum required to qualify for pioneer privileges. On the other hand it could be a reflection on the bargainning strength of the Regional Government, or both. If this does indicate a trend for the country, the remedy might be to raise the minimum statutorily required for Nigerian participation.

In the East on the other hand, one of the foreign majority holdings exceeded 80%; and only three were up to 80%. In these cases, however, there was a definite provision for a phased sale of the foreign investor's shares to the Nigerian public, and, at least in two cases where the foreign partners are HongKong Chinese, it was specifically provided that the foreign investor, either on request, or after ten years, should sell to the Government such of his shares as will bring the Nigerian Government holding up to 60% of the total holdings.

Finally, it is worth mentioning that the foreign partner is always entrusted with the management of the concern during the early years, with a provision that Nigerians would be rapidly trained by the foreign partners to take over as soon as possible. No specific period of tutulege is stated in the rest of Nigeria. In the East the period varies between three to five years. This period could be too short for more complex operations.

SECTION THREE

BENEFITS OF LOCAL PARTICIPATION

A. Benefits to the foreign investor

1. Goodwill

From the foreign investors' point of view, one of the advantages of local participation is political acceptability and goodwill of the Nigerian Governments. In view of what we discussed above about mutual suspicions between the foreign investor and the receiving countries, this is a very important advantage. This advantage was stressed by the Chairman of the United Africa Company (Nigeria) Ltd in his new year message to Nigerians in 1966 thus: "The U.A.C. Group of Companies continues to enter into partnership with the Federal and Regional Nigerian Governments and with companies having technical know-how, and in this way, we are both stimulating Nigeria's economy and engendering goodwill for our enterprise. The onus is for us to become ever more closely integrated to the local economy as a whole, aligned with its development and contributing to its advance. We draw on our overseas parentage and our international connections but day by day we are strenghtening our roots in Nigeria."[33]

2. Pioneer Industries

Goodwill is not sought for its own sake, however, but for the economic advantages which follow from it. One of these is that, in many cases, local participation is the only way to get a foothold in the country, such as those seeking pioneer privileges. Accordingly this has been a great incentive for the foreign investor to seek local participation or for the old established

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33. Link - Magazine of the UAC Group in Nigeria Vol. 1 No 10 Dec. 1965 p 3

firms to offer at least 10% of their shares to the Nigerian public to qualify for pioneer status. This is probably the reason why only 10% of the £1m Guiness factory - Guiness first overseas factory in three centuries - is held by Nigerians. Some, however offer more than this, in order, probably, not to give the impression of being motivated solely by the attendant pioneer benefits. This seems to be these companies (Table 2) where not more than 20% or 15% of the equity capital is indigenously owned.

3. Supply of Contact Men

Another economic benefit of local participation to the foreign investor is the supply of local intermediaries or contact men. These are cast in a number of roles, the most important of which is that of coping with officaldom. There is so much to be done on so many levels, from obtaining licences and favourable interpretations of regulation and precedures in the Federal and Regional capitals to expediting goods through congested ports and getting hold of a couple of railway wagons, that any access to Governmental authority is itself an important 'factor of production'. These services could, of course, equally be performed by 'contractors' who are not partners in the company; but this would be rather more costly, and at any rate, is likely to breed more suspicion and hence be politically damaging. On the other hand, local partners with local knowledge and able to get into places where the foreigner cannot are admirably well placed to procure this valuable factor of production, especially if the board includes government

officials, or influential politicans, and ex-senior civil servants.[34]

4. Obtaining Contracts

The fourth benefit to the foreign partner of association with indigenous capital is the possibility of winning more government contracts than would otherwise be possible. This is very important where the government or its agency is a large consumer of the product, e.g. stationery, or a large employer, e.g. of contractors. Two illustrations make this clear.

The first is the Northern Construction Company Ltd, a £150,000 project owned 40% by the Northern Nigeria Development Corporation, ~~40%~~ and 30% each by two British firms, who sought the participation of the Northern Nigeria Development Corporation because it was hoped that government influence would be used to obtain government contracts.[35]

The second illustration is the case of two construction companies in Western Nigeria. These were owned 40% by Israeli firms and 60% by the Western Nigeria Development Corporation. The partnership agreement expressly provided that the W.N.D.C would "do its best to ensure that the activities

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34. Other "contact" roles for local partners readily suggest themselves. The supply of local materials is usually best handled by local people: sales and publicity require local knowledge; labour relations equally so. In deed, there seems to be a tendency towards a fairly rigid functional specialisation in which the Nigerian partner deals with the local items listed, and the foreign partner deals with the technical operations, management, foreign supplies, and finance. The division is not immutable. It depends to some extent on the proportional commitment on each side and on the terms of the partnership. As a rough approximation, however, it holds.

35. A White Paper on Military Government Policy for the Reorganisation of the Northern Nigeria Development Corporation. Kaduna 1966 pp 20-21

of the companies shall benefit from knowledge of local conditions and local sources of supply and from privileges afforded to local contractors". The W.N.D.C. was also expected to procure a letter of intent from the Western Nigeria Government stating that the majority of works not undertaken directly by the Government would be assigned to the companies by "negotiated contracts." When some contracts were awarded almost immediately after signing the agreement, the chairman of the two companies, who also was the chairman of the WNDC, complained that the work assigned to the companies was insufficient and therefore called upon the Government to honour its side of the agreement. Thereafter, the Government "guaranteed" a £30m contract to the two companies for the period 1960-1965. This was to be implemented by negotiated contracts for which no open tender would be invited.[36] Thus not only were the companies guaranteed some work over a period of 6 years, thereby facilitating long-range planning, they would not compete in the open for this work. The danger here is a possible inefficiency resulting from the absence of competition, and the government is very likely to pay inflated prices for these contracts.

5. Machine Selling

Increased facility for machine selling is another advantage of local partnership for the foreign private investor. All industrial ventures involve imports of plant and equipment and since these are not manufactured in Nigeria at present, they have to be imported. It is natural that in the

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36. Report of the Coker Comm. of Inquiry op cit Vol. 11 pp 32-34.

joint ventures, the foreign partner, with his overseas connections, would be required to purchase these equipments.

There is, however, a special category of partnership where the foreign partner's motive is primarily to sell machinery and equipment. This is the contractor-financed project or suppliers credit type of partnership. This will be more fully discussed in the next section. It is sufficient here to point out that the foreign partner in this type of partnership does not usually insist nor even desire majority control of capital and management. Where possible, he does not have any share in the equity holding. Invariably, however, he takes a token interest of about 10%, and the Government or its agency contributes about 90%. Having taken up the 'token' interest, he then undertakes to supply the machinery and equipment and to construct the factory against a Federal Government guarantee that the contract price would be paid.

6. Hedge AgainstRisks.

Local participation is also considered by the foreign partner as a hedge against some political risks, such as arbitrary expropriation without adequate compensation, and as a means of closely identifying himself with the local people and giving them a sense of 'belonging' and a feeling that it is as much their own show as that of outsiders. "No longer" said Mr, A.H. Smith, the Manager of the U.A.C. Ltd, "do they have to stand by and watch many of the rewards from manufacturing processes remaining overseas but can see them spread more equitably in their own countries."[37] Besides, local participation

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37. Progress - The Unilever Quartely, 1965 p 196.

enables foreign investors to finance expansion and to avoid assuming full capital risks when a new product is being tested in the market.

BENEFITS OF LOCAL PARTICIPATION TO NIGERIA

We pointed out above that because of the relative shortage of private indigenous capital in Nigeria, Nigerian Governments and public agencies have assumed a greater role in providing industrial finance. It is obvious, however, that whatever success this measure may have, it can only bring forth enough capital for a limited industrial growth. "If Nigeria wants a faster rate of development", the World Bank Mission advised, "it will have to make full use of foreign capital, and of the managerial and technological skills that accompany it".[38] These are the principal benefits which Nigeria expects to derive from joint ventures with foreign private investors.

1. CAPITAL

Local participation tends to give a greater sense of security to foreign private capital by making it politically acceptable and by associating Nigerians with the country's industrial development. The resulting goodwill and public relation advantages on both sides, in turn, tend to give the foreign investors more incentive to invest. This is partly the reason why some foreign investors make such participation a condition for their projects. Local participation has therefore proved an effective way of attracting foreign capital. In deed, other things being equal, it seems that what the foreign firms want is only a token participation, in most cases, for them to invest. A glance at Table 6.2 and 6.3, particularly the former, shows, that, only in exceptional cases, has local participation

38. Econ Dev. of Nigeria IBRD 1955 p 353.

taken majority interest. This may be illustrated from Table 6.4 above which shows that for every £1 provided locally in the whole Nigeria and the West, the foreign investor contributed £3, and for every one pound provided locally in the East, the foreign investor provided thirty shillings. It must however, be stressed that although very important, local participation is only one of the many factors which attracted foreign capital in Nigeria, as chapters three and four above showed.

2. Establishing New Industries

Besides attracting foreign capital, local participation has proved to be the only way most industries of national interest could be started in the first place. Examples are the Nigerian Cement factory at Nkalagu and the Kaduna Textiles Ltd, discussed in chapter three. Another example is the Nigeria Sugar Company Ltd at Bacita in the North.

The company was incorporated in October 1961, with an equity capital of £1.5m and a loan capital of £2.25m, of which £1.5m was to be raised in the London Money Market as a sterling loan. Following a subsequent worsening of market conditions in the London Money Market, the merchant bankers who had undertaken to raise the debenture stock advised that this would not be possible until the market situation improved. This tended to jeopardise the whole project as the subscribers of the equity capital refused to honour their commitments without being sure that the corresponding loan capital would be raised.

Explaining the above situation in the Federal House of Representatives, the Federal Minister of Commerce and Industry, Zanna the Hon. Bukar Dipcharima, declared in April 1962 that "however, we were assured that the

intrinsic merits of the Bacita project were such that when conditions in the Money Market improved, there would be a very good chance of diposing of most of the debenture loan stock on the London Money Market and that if the Federal Government were to indicate its support for this project by underwriting the uplaced protion of this debenture, not only would the prospect of placing the remainder on the London Money Market be substantially improved, but also the remaining loan and equity capital would be more readily forthcoming. In the circumstances, it was decided that the Federal Government should agree to subscribe for up to £1.5m of the debenture loan stock as "short-term bridging operation" since it will carry an attractive rate of interest and should be readily saleable when the company is operating and market conditions improve. In order that the activities at Bacita may proceed while the permanent capital is being raised, the Government also agreed to provide a £250,000 guarantee to enable the company to obtain overdraft facilities from a commercial bank, the guarantee to lapse as soon as the shares had been allotted. In reaching these decisions, we were influenced not only by the national importance of the project but also by the realisation that had the Federal Government appeared reluctant to give such assistance, it might have cast doubts on the attitude of the Government to this project, and therefore prejudiced the chances of sucess of the whole financial operation".[39] This, therefore, is another clear case where Government participation was the only condition making possible the establishment of

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39. Fed. House of Assembly Debates, 18 April, 1962 pp 1998-1999.

of an industrial project of national importance.

3. Technique.

Technique or know-how is another benefit which Nigeria gets or hopes to get through partnership with foreign investors. This is a less tangible asset to evaluate than capital. It can be technical know-how, as in the brewing or textile spinning; it can be management know-how, or simply foreign connections - how and where to get certain things done with the minimum of fuss and waste and so on. It is, however, a very real asset and lack of it has been and still is a serious bottleneck in Nigeria's development.

Through his wide overseas connections and knowledge, the foreign partners can and do supply Nigeria with this vital factor of production. The Sheet Metal and Glass Project in Eastern Nigeria illustrates this. This project was planned in 1956 by the Eastern Nigeria Government as a wholly owned government project. It was to be run by a technical expert. By 1957 about £10,000 had been spent on the factory building and on plant and machinery with a further commitment of £7,500. However, the technician to run the project could not be found despite extensive advertisements in Europe and North America. "It therefore became clear that a new approach to the project was imperative."[40] The decision to own the project completely was abandoned and several British firms were approached for partnership so that "the technical staff difficulties would automatically disappear".[41] The resulting project, established in 1960 and owned 51% by Williams and Williams Ltd of Cheshire, England, and 49% by the Eastern Nigeria Government, was managed by the former who also undertook to train Nigerians both in the Nigerian factory and in the U.K. to take over eventually. The technical

40. Eastern Nigeria: Dept of Heavy Industries, Annual Report 31st March 1958 p 1. 41. ibid.

staff diffulties therefore automatically disappeared.

4. Nigerianisation.

Partnership with foreign investors is also expected to assist the governments to speed up their Nigerianisation policy. All the governments of the Federation are committed to this policy which is designed to promote Nigerians to management and directorship positions in order to acquaint them with the necessary skill. It is thought that pressures could be more effectively put on companies in which Nigerians, particularly the government, participated. An example of the application of such pressures is the case of the Northern Construction Company Ltd. When it was decided to double the issued and paid-up capital of this concern, the Board of directors of the NNDC, the government partner, unanimously resolved not to subscribe its quota because of the slowness of the company in implimenting the "Northernisation" policy. This aroused a concern among the other partners who held 60% of the equity interest: urgent efforts were made to implement the northernisation policy; and the NNDC authorised the payment of its subscription of £30,000.[42]

It is to be emphasised that this type of pressure, if hurriedly and recklessly applied, could be very ruinous not only to the particular project but also to the Nigerian economy; otherwise it could be a potent instrument for bringing about rapid Nigerianisation. The danger is that it is likely to be misused in a country where politicians view industrial projects, or in deed any establishment, not as a means to produce goods and services efficiently but as a haven for party supporters. It is more dangerous where qualified

42. A White Paper on the Military Government Policy for the Reorganisation of the NNDC op cit pp 20-21.

skilled men are either in short supply or not available at all. It was found, for instance, that although the Northern Nigeria Marketing Board handles some £60m worth of produce every year, not a single member of the staff "possesses adequate managerial training and not a single member is qualified to occupy his post" and that "irrevocable losses on a fantastic scale" have been made by the board owing to the executives' incompetence "and possible dishonesty".[43] If such a situation can be found in an institution second in importance only to the Government in the Region, it then becomes easier to imagine the position in other lesser instutions. And when it is remembered that it is the Marketing Board, through its agent, the Northern Nigeria Development Corporation, which has applied the pressure for rapid implementation of the "Northernisation" policy, then the inefficiency of the "northernised" posts, and the resulting ruin and loss to the Nigerian economy can better be imagined than described.

Benefits of Local Participation.

Summary.

Local participation or partnership with foreign investors has benefits both to Nigerians and to the foreign investor. By affording greater security to foreign investors, it helps to attract more capital to Nigeria. It also helps to establish projects which otherwise would not be established. It affords Nigerians access to foreign contacts and know-how and an opportunity

43. A White Paper on the Northern Nigeria Military Government's Policy for the Comprehensive Review of the Past Operations and Methods of the Northern Nigeria Marketing Board. Government Printer, Kaduna, 1967

to acquire technical and managerial skill. It facilitates government pressures to speed up Nigerianisation of key posts through training on the job and elsewhere.

To the expatriate investors, local participation is sometimes the only way to get into the country. Being politically acceptable, it engenders goodwill and public relations benefits and acts as a means of the foreign investor being seen to ~~be~~ indentify himself with the country's development.

To both the Nigerians and the expatriates, partnership is a source of strength which increases the total available resources and extends the catchment area for funds. Just as individual savings may amount to little, but collectively can achieve large proportions, so partnership with world wide institutions can and do result in vast schemes. It plays a leading role in Nigeria's drive for rapid industrialisation. It is, however, a double edged weapon which could be significantly inhibitive of industrial, and in deed, of development effort if improperly used. In the next section, we consider this aspect of local participation by examining its significance.

SECTION FOUR

THE SIGNIFICANCE OF LOCAL PARTICIPATION.

Introduction.

The significance of local participation can be examined in two ways, One is the nature of the partnership; this is done in the second part of this section. The other is by analysing the performances of the different governments in this effort. This is done in this part of this section.

The Nigerian Governments' Partnership with Foreign Private Investors, 1955-1965.

A. The Federal Government.

Table 6.5 sets out the industrial projects in which the Federal Government participated between 1955-1965. In all they are 12 with a total capital commitment of which the Federal Government contributed £3.43m in equity capital and £3.1m in loan or debenture capital. With the exception of the Nkalagu cement factory, all the projects in which the Federal Government had debenture or loan capital, and three of the 12 projects in which it has equity capital are located in the North, compared with three in the East, two in the West and two in the Federal Territory. Capital commitment is also heaviest in the Northern based projects, being £4.2m, compared with £2.15m in the East, and £.07m in the West. Only seven of the 12 projects could be said to be Federally inspired or initiated. These are the paper and flour mills, the cement factory at Nkalagu in the East, the Oil refinery, also in the East, the Sugar refinery, the Nigerian Fermentation industries, and the Security and Minting works. These were considered to be of wider national significance as "leading industries". The remaining five projects owed their establishment principally to regional initiatives.

The Federal Government noted in its progress report that "it must be admitted that more could have been accomplished but for the various handicaps such as administrative bottlenecks from staff shortages and the slow speed at which feasibility studies can be accomplished in countries like Nigeria. The Federal Government attaches the greatest importance to such thorough pre-investment investigations in order to ensure that limited public

funds are not invested in projects which are not profitable".[44]

Experience shows that these laudable "sermons" have not always been observed. It is definitely true that the absence of, or delay in preparing feasibility studies in Nigeria has limited investment. But the iron and steel project, the feasibility study of which was long prepared, has not been established. This suggests that there is more to it than the preparation of feasibility study. Again what could be a greater waste of scarce resources then the decision to establish three iron and steel mills when "pre-investment investigation" recommended that only one mill would be economic in Nigeria's present circumstances?

B. The Regional Governments.

It is better to discuss the regional partnerships in two time periods, 1955-1960, and 1961-1965. The former date corresponds to the 1955-1960 plan period, and the latter covers a part of the present plan period.

During the first period, 1955-1960, only the Western Region Government achieved very substantial results in the partnership process with the establishment of 11 manufacturing projects with a total share capital of £6.99m (Table 6.6). Government commitment in this amounted to £2.826m, out of which £0.999m had actually been disbursed by 31st March, 1960. The industrial projects include plastics, textiles, cement, and aluminium.

Complete information is not available for the Northern Region. It does appear, however, that only two partnership projects were established

44. Nat. Plan: Progress Report op cit 74.

between 1955 and 1957. These are the Nigerian Canning Co. Ltd, established in 1955 in partnership with U.K. interests, and the Kaduna Textiles Ltd, established in 1957, also with U.K. interests. In 1958 the Northern Nigeria Investments Ltd was formed in partnership with the CDC to promote and finance industrial projects. It does seem however that the period to 1960 was used for administrative organisations and pre-investment investigations. It must be specified that we are here concerned with projects in which local capital participated. Wholly owned foreign projects were of course established, two of which were the UAC Breweries, and the Nigerian Tobacco factory at Zaria.

In the Eastern Region, on the other hand, the position was most disappointing, for between 1955 and 1960, only one partnership project was established. This was the sheet metal and glass project which was established as "Williams and Williams (Nig) Ltd, in 1960. This is strange, especially when it is stated that "Eastern Nigeria has long stood out among Nigerian Regions for the rapidity of its industrial espansion".[45] This becomes clearer, however, when it is realised that much of the so called industrialisation in the Region took place since after Independence. This will be indicated later; in the mean time, it is fair to state that the fact that only one partnership venture was established between 1955-1960, does not mean that there were no modern manufacturing establishments in the region during the period. As far back as 1955, the Eastern Region Government stated in a policy statement that "in the past 12 months

45. New Thinking in Eastern Nigeria. West Africa, 25th December, 1965 p 1457.

arrangements have been completed or are in the final stages of negotiation for the establishment in the Region of industries having a capital value totalling about six million pounds."[46] One of these was the £4.2m Nkalagu cement project established in 1957. As we pointed out above, this was not a regional but a federal government initiative and could not therefore be attributable solely to the Eastern Region Government efforts. The other industrial projects included the lead and zinc mine at Abakaliki which is not a manufacturing venture, the UAC (Nig) Ltd brewery at Aba, and the Nigerian Tobacco factory at Port Harcourt both established in 1956. These were not partnership projects, however. They were rather part of the 'goodwill' projects in pursuance of the policy of establishing projects in each region adopted by these old established firms in the country after the introduction of strong regionalism in the 1954 Federal constitution. Similar projects were established in the North and the West, and they could not be attributable to independent efforts of these regions.

In the 1955 policy statement, the Eastern Region Government declared that the Ministry of Commerce and industries has drawn up plans for further industries with a total capital value of about £2m which it is proposed to introduce as early as possible. These included a textile factory, a modern ceramaics organisation, paper and pulb manufacture, a canning factory combined with a pig production scheme and joinery and light metal manufacture. By 1960 some of these were still in the negotiating process, none had come into existence, and some, like the paper and pulp

46. Eastern Nigeria: Policy for Industrial Development, Sessional Paper no 2 1955 p.1.

manufacture, have not even been established yet.

It is seen that while the Western Region admirably succeeded and the North managed to set up at least two partnership projects, the Eastern Region failed to secure any partnership during the period, 1955-1960, except one in 1960. So abject was the failure that the Eastern Nigeria Minister of Commerce and Industries made an open apologetic statement. "If, a times," he said, "no immediate results are apparent, it is not because the Ministry is not giving of its best, or that its efforts do not bear fruits, but rather because the essential preliminary work of investigation, negotiation, and research must needs take time. Like all new and under-developed countries, we are very short of indigenous capital and technical know-how, and so must look overseas for these industrialisation essentials in competition with other countries and governments in equal need. The Ministry is relentlessly grappling with its difficult task (of attracting foreign investors) with realism, optimism and an encouraging measure of success which I hope the next annual report will bear out".[47] The next annual report for 1958-59 only said that "the period 1958-59 was preparatory to major events that lie ahead; you will see a glimpse of the shape of things to come written boldly on manufacturing industries as ushered in by my visit to Europe".[49] The report mentioned a glass

47. Eastern Nigeria: Ministry of Commerce and Industry, Annual Report 1957-58 Forward by the Minister- Hon. J. U. Nwodo.

49. Ditto, ~~1958-59~~ Annual Report 1958-59 p 3.

project, a cement, and an aluminum factory which were "expected to go into production early in 1961". The glass factory was eventually established as a wholly owned government project; and at any rate, the fact remains that by 1960, only one partnership project was launched by the government, and this only in 1960.

What was responsible for the success in the West, the apparent failure in the North, and the utter failure in the East? First with the North. Apart from the physical and natural disadvantages of the North discussed in the last chapter, the apparent failure there may be explained by differences in industrial policy and strategy and in out look of the people as compared with the South. While the South, immediately after the introduction of the 1954 Federal constitution, adopted a policy which emphasised the need for rapid industrialisation to bring about "a balanced economy" through the establishment of light and heavy industries,[50] the North stuck to the pre-1954 industrial policy, as was enunciated by I. V. E. Smith, the Development Secretary in 1945, which preferred "the development of cottage industries".[51] As foreign industrial projects had to be on a factory level rather than on a cottage level, it is understandable why, unlike the East and the West, no really serious attempt was made to attract foreign partners through sending out economic missions. In fact, the North did not send out any foreign economic or investment mission until 1964, although like the South, it established a commercial section in

50. See Eastern Nigeria Development Programme, 1958-62, Official Doc No 2 1959, and Western Nigeria Development Plan 1955-60 p 27

51. Social and Economic Progress in the Northern Region, GP 1955.

London for the convenience of prospective investors. As will be shown presently, the foreign economic missions sent by the South, particularly the West, led to many partnership ventures with foreign investors.

As to the difference in attitude between the North and the South, the Late Premier of Northern Nigeria wrote: "You will see that we were never militant nationalists, as some were. We were sure that in God's good time we would get the power. The British had promised this frequently and we were content to rest on these promises".[52] Describing these human characteristics of the North, Mr Stanhope White, once an expatriate Assistant Director of Commerce and Industries in the North, wrote in 1950 that "in the commercial sphere, the people of Ilorin and Kebba (in the North) approximate the Yoruba (in the West), elsewhere the chief trader is the ubiquitous Hausa, who is known from the Atlantic to the Red Sea and from Tunis and Tripoli to the Bight of Benin. Yet, traders, as he is, in comparison with many of the would be traders of the Eastern and Western Regions, he is retiring and self-effacing. It takes little for any school boy or Cook's mate in those areas to invest in printed note paper bearing some such glorious title as 'the Olu-Obode People's Import and Export Agency' and then

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52. Ahmadu Bello, My life 1963 p 86. This does not mean that the North was not warned against her lethargic attitude. Addressing the Northern House of Assembly on 8th Feb, 1954, the Lt. Governor, Sir Bryan Sharwood-Smith warned that "on almost every occasion on which I have spoken to you in the past, I have emphasised that one of the most important, if not the most important project on which this Government is engaged is war to banish ignorance and speed enlightenment.....To you, I say again, "war" against ignorance means "war" in every sense other than that of violence. It is essential that simple folk should learn the true nature of the world in which they live..... This war will continue relentlessly. Let those persons, small as well as great, who have not read the signs of the times take heed to do so before it is too late".

with a capital of shillings apply for permits for thousands of Swiss watches. In the North the great traders of Kano do not even bother with the printed note paper, and though wealthy enough to compete with, at any rate the smaller expatriate firms, prefer to carry on as they have done in the past. The work of a commercial officer elsewhere is, in the first place, to separate the sheep from the goats; in the North, it will be to get both sheep and goats to come forward before division can be considered".[53] When all these considerations are added to the geographical disadvantages discussed in chapter ~~six~~ 5, the failure of the Northern Region Government to attract expatriate partnership during 1955-1960 in relation to the South, and in particular the West, becomes much easier to understand.

If differences in policy, strategy, and outlook explain the apparent failure of the partnership scheme in the North, how does one explain the success in the West and the complete failure in the East? Both regions adopted a 'progressive' industrial policy and emphasised the need for rapid industrialisation through the establishment of light and heavy industries in order to secure a balanced economic growth. Compared with the North, both regions also had a 'progressive' outlook and virtually equal geographical advantages of proximity to the sea and of concentration of population, and each was the dominant producer of one agricultural raw material, cocoa in the West and palm produce in the East, and finally both regions sent out economic missions to attract funds and seek participation of foreign private

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53. The Department of Commerce and Industries: its role in the Northern Region and suggested projects, Government Printer, Kaduna, 1951 p 2.

investors in industrial projects.

The above considerations were quite true; but a closer examination explains the irony. First, although both regions sent out economic missions, the East in 1955 and the West in 1956, the West went with a carefully prepared development plan setting out priorities and strategies which "caused very favourable comments wherever the mission went"; and as a result of which "negotiations were started or concluded on 15 major industrial projects", including bricks and tiles, cement and tyre retreading, paper, pulp and furniture,plastics and textiles.[54] The Eastern Region's mission, on the other hand, left Nigeria without any development plan and from the report of the mission, it can be seen that the primary objective of the mission was to go to study what should be developed in the Eastern Region and how it should be developed. Far from being an investment mission, it was, in fact, a research trip. The following extract from the report of the mission makes this clear.

Transmitting the report to the Governor of Eastern Nigeria, Sir Clement Pleas, the Eastern Region Premier, Dr. Azikiwe, and the Late L. P. Ojukwu, who headed the mission declared; "we have the honour to transmit the Report of the Economic Mission.....(which) contains our observations on various factors which influence the course of economic development of the Eastern Region, as required in our terms of reference, together with our recommendations, for the consideration of the Government. We have taken the liberty to include a special chapter on General Findings, which

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54. The Report of the Western Nigeria Economic Mission, March-April 1956 Government Printer, Ibadan 1956 pp 5-8.

contains our views on a number of subjects which affect the economy of the Region and we hope that you will be disposed to accept it in the spirit in which it was written".[55] Thus, while the Western Nigeria's mission went to campaign for foreign capital, the Eastern mission went out to study factors in the economic development of the region. What is more strange, however, is not that it did not go with any development plan but that the plan drawn on the return of the mission made no mention of industrialisation nor allotted any funds for industry. It is no wonder, therefore, that the Western mission yielded much immediate dividends.

The attitude of the Regions to foreign capital also differed. Both acknowledged the need for foreign capital and technique but they differed on the terms of admission. The West had wanted indigenous majority holding of any new projects as a condition for admitting foreign capital; but this approach was quickly modified when it backfired and the principle of each case being considered on its own merits instituted. The Eastern Premier, on the hand, insisted that such arrangement "must be on the basis of equality". He did not specify whether it is equality of capital subscription or of management. If it meant both, then this ran counter to the general insistence of foreign investors to retain control of management even where the majority of capital may be conceded to the indigenous partners-an insistence justified by the obvious lack of management technique in the country. At any rate, the Eastern policy or condition, which was not changed until there was a change in Premiership in the Region after 1959, was rather

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55. Economic Rehabilitation of Eastern Nigeria - Report of Economic Mission to Europe and America Sessional Paper No. 6 1955.

rigid and compared unfavourably with the flexible approach in the West. It is interesting to note that although the East insisted, it did not get the equality of holdings in the only partnership project established during the period; it had therefore to reconcile itself with 49% holding, the foreign partner holding 51% and management control.

There was also a difference in the relative wealth of the East and the West, with per capita income greater in the later than in the former. The early post-war years and much of the 1950's were boom years in cocoa prices. Because the West is the dominant cocoa producer in the country, when the reserves accumulated by the Commodity Marketing Boards, Cocoa, groundnut, cotton, and palm produce, were shared among the regions on the basis of 'derivation', following the regionalisation of the Marketing Board System in 1954, the Western Region got almost as much as the East and the North put together, as Table 6.7 shows. With a reserve of about £43m to begin the development process, compared with £11m in the East, and £33m in the North, the West obviously had a better start, financially, than the rest of the country. It was partly because of the Eastern Region's share in this distribution and because of the poor prospects for palm produce prices (the East being the dominant producer of palm produce) compared with the boom in the cocoa prices in the 1950's that the Eastern Region was generally regarded as the poorest member of the Nigerian Federation. With this background, it becomes easier to understand the title of the report of the Eastern Nigerian Economic Mission of 1955 which is "The Economic Rehabilitation of Eastern Nigeria", and the fact that the primary objective of the mission was to study abroad the development prospects of Eastern Nigeria. The point to make is that, as they are not philanthropists,

Table 6.7

Nigerian Commodity Marketing Boards: Reserve Distribution

To Regional Marketing Boards, 1954 +

£000

Marketing Board	East	North	West	Total
Cocoa	176.1	135.5	32,625.1	32,936.7
Palm Produce	11,248.4	484.5	10,199.0	21,931.9
Groundnut	39.6	24,722.6	-	24,762.2
Cotton	-	7,309.2	73.0	7,382.2
Totals	11,464.1	32,651.8	42,897.1	87,013.0

Notes: + The transfers of the sums due were not made at the same time; it took several years for the last payments to, be made.

Source: G. K. Helleiner, The Fiscal Role of the Marketing Boards in Nigerian Economic Development, 1947-61. p 586 Economic Journal, Vol LXXIV.

foreign investors were not prepared to salvage or 'rehabilitate' an apparently poor region.

On the other hand, the bigger financial reserves of the Western Region, and their favourable future prospects, were a confidence booster for the Western Region Government. It enabled the government to pursue a fairly independent economic policy. This is reflected in the size of her 1955-60 Development Plan. Prepared with the assistance of Professor W. A. Lewis, it budgeted for a total expenditure of about £105m compared with £89m for the North and £5m for the East's original plan. Even the East's revised plan expenditure, in 1958 at £25m, was only about 25% of the Western budgeted expenditure. While the West allotted 7% or £7.5m of her total expenditure for trade and industry, the original plan for the

East made no such allocation at all while the revised plan allotted only £2.7m. (see Table IO Chapter 2.) This disparity is explained by the fact that the 1955-1960 Development Plans were prepared at the request of the Colonial Secretary and were dependent for finance on the allocations from the Commonwealth Development and Welfare Grants. Both the size and contents of the plans therefore depended on how much each Region expected to get from the CD&W Funds and what projects such funds could finance. Extra expenditure and projects beyond the CD&WF allocations therefore depended on each region's access to other funds. The West and the North with bigger reserves and good prospects for world prices of cocoa (for the West) and groundnuts, and columbite (for the North), budgeted for extra items while the East with the smallest reserves and very poor prospects for palm produce prices, confined its original 1955-60 plan expenditure to the grants from the CD&W Funds and to the projects financeable by such grants. This was clearly stated in the plan: "the theme of the new plan should be the development of the rural areas, the improvement of rural water supplies and of roads and bridges.....these are ~~not~~ the sort of expenditure

which would be likely to qualify for Colonial Development and Welfare grants."[56] With efforts concentrated on rehabilitating the region and with no provision for industrial development added to the bleak future for the only commodity-palm produce - which accounted for more than 90% of her foreign exchange and reserves, it is easy to understand or appreciate the failure in the East to attract expatriate partnership, except one, during 1955-1960."[57]

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56. Eastern Nigeria: Outline of Development Plan, 1955-1960. Sessional Paper No. 4, 1956.

57. Another factor in the explanation could be the personality of the Premier of the Eastern Region up to 1960, Dr. Azikiwe, and the relative political instability in the region up to 1960. Dr Azikiwe was the most outspoken nationalist leader in Nigeria during this period, and with a chain of newspapers, he was also the most dreaded by expatriate investors and firms. See chapter one for some of their reactions against Dr Zik's strong nationalism. The origins of relative political instability in the East dated back to 1953. THE NCNC party, led by Dr Zik, had won the election to the Western House of Assembly in 1952. However before the House met in 1953, most of the Yoruba members had crossed over to the newly formed Action Group Party, led by Chief Obafemi Awolowo. An in-fighting ensued within the NCNC party; another crisis followed in the Eastern House of Assembly where the party, led by Professor Eyo Ita, was in power. In the event, the Eyo Ita Government was swept away, and a new government, headed by Dr Zik took over. In-fighting continued and crisis after crisis followed. They led first to the Ikpeazu Commission of Inquiry in 1956 as a result of which the Finance Minister, the Late Mazi Mbonu Ojike, resigned; then to the Foster Sutton Commission of Inquiry, again in 1956, into the conduct of the Premier, Dr Zik, in connection with the investment of public money into his bank, the African Continental Bank Ltd; and finally to the "Zik Must Go" crisis of 1958-59 organised by a section of the ruling NCNC party. Zik did go in 1959; but it was to become the Governor General of Nigeria, after the 1959 Federal Elections. It must be stated that, despite all these crises, the NCNC never lost its control of the Regional Government; but it must have reacted unfavourably on foreign investor's minds, especially when it is added to the other handicaps mentioned above. Moreover, with such in-fighting among the leaders, it is doubtful if much or adequate attention was paid to economic policy and development.

Regional Partnerships, 1961-1965.

Complete details of regional partnerships for the years, 1961-65, are not available. From such information as is available, it does seem that the position was reversed among the regions, with greater successes being achieved in the East and the North than in the West, Between 1961 and 1963 over 16 partnership projects were established in the Eastern Region. These cover such industries as flour milling, enamelware production, textiles, furniture, plastics, tyre retreading and manufactures, and asbestos and concrete cement production (see Table 6.3). In the Northern Region, a Committee appointed in 1966 by the Military Government "to enquire into the affairs of the Northern Nigeria Development Corporation over the last three years" found that the Northern Region Government, through the NNDC, entered into 27 partnership schemes within the period covered by the Committee's investigation.[58] Similar progress does not appear to have been made in the Western Region during the first two years of the 1962-68 Development Plan. Although extensions were made to the capacity of some existing industries such as the West African Portland Cement, and a galvanising and iron sheet production commenced in 1964, it was stated that the overall performance of the planned programme, "was not particularly encouraging".[59]

58. A. White paper on the Military Government Policy for the Reorganisatation of the Northern Nigeria Development Corporation G.P Kaduna 1966 pp 1

59. National Plan: Progress Report op cit 168-169.

The low performance in the West was attributed principally to "a shortage of funds."[60] It was also stated that "the post-plan Akintola Government (showed) little concern with economic policy."[61] The greater number of partnership projects established in the East and the North must have been due to the making up of the leeway of the earlier years. The East however, had brighter economic prospects since the discovery of oil and gas in commercial quantities in the Region. There was also a change of Government in 1959. These two events are significant. The first turned the East from being regarded as the poorest member of the Federation to being potentially the richest region, and the second ushered in a government more dedicated to economic policy and development than the former. One of the immediate effects of this change of government was the modification of the terms on which foreign private investment was to be admitted into the region. Partnership with the government or any other indigenous body was no longer to

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60. Ibid.

61. R. H. Green, Four African Development Plans. The Journal of Modern African Studies Vol. 3. No. 2 August, 1965 p 254 foot note 2. The Western Region had her own lot of political instability and in-fighting for leadership. This erupted in the Coker Commission of Inquiry, 1962, which discredited the ruling Action Group Government in the Region, and in the dissolution of the Western House of Assembly. A new Government formed by a breakaway party from the Action Group and headed by the former Deputy Leader of the Action took over from the interim administration. Political thuggary ran riot following allegations of election rigging in the region and the centre. Following rumours that the Army would be used to quell the troubles, the attempted coup of January 15, 1966 ushered Nigeria into the present debacle.

be a condition if the foreign investor did not want it,[62] while the former insistence on "equality" by the former government was modified to a preference "where the overseas investor is agreeable, that there should be some degree of Nigerian participation in cases of large investments in basic industries or where the foreign investor regards this participation as an insurance against risk". The realism of this new approach, as contrasted with the rigid and unrealistic insistence on "equality" by the former Government needs no elaboration. Moreover in the new government, a policy Wwhich" wishes to see industries investigated and developed",[63] which let things happen when they pleased, gave way to a policy "to initiate greater industrial activities".[64] It was in fact, stated that Dr Okpara's regime wasaa regime in a hurry for progress.[65] The change in fortune due to oil, and the change in strategy and enthusiasm for development due to the change in Government, obviously must have reacted very favourably in the foreign investor's outlook about the prospects of the Region and hence in the upsurge in partnership ventures in the region.

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62. Investment Possibilities In Eastern Nigeria, Government Printer Enugu, 1962 p 32.

63. Eastern Nigeria Development Programme, 1958-1962, Official Document no. 2 1959 p 15.

64. Report of the Eastern Nigeria Economic Mission, 1961 Official Document No. 5 1962 p. 2.

65. E.N.D.C. in the First Decade, 1955-1964, Eastern Nigeria Development Corporation, Enugu, 1965 p 3.

1. The Significance of Local Participation.

2. Foreign Private Investment Guaranteed by the Government.

None of the partnership projects between the Nigerian Governments and foreign private investors in Nigeria before 1960 involved the governments in any obligation to repay the foreign partner that part of the capital and interest he contributed towards the purchase of the plant, machinery, and other equipment for the project. Barring compulsory nationalisation without adequate compensation, whether he would recover it depended on the success or failure of the project. Since 1961, however, a new form of partnership was additionally evolved in which the government guarantees to repay the foreign partner, within a specified period, the capital and interest he contributed towards the purchase of the equipment for the project. This "guaranteed" foreign private investment is discussed in this section.

Its mechanics is as follows. A foreign investor or a group of investors forms a Nigerian public company with one of the Nigerian governments or public corporations. The Nigerian partner subscribes the controlling interest, and the foreign partner takes up a minority holding, in addition to supplying the machinery and equipment for the project. The Nigerian Federal Government then guarantees to repay the cost of the machinery and equipment, including the interest, within a specified period, if the Nigerian partner fails to make the payments as they fall due. For a prototype company, the equity capital may be £300,000 of which the Nigerian partner contributes £270,000 and the foreign partner £30,000, in addition to supplying machinery and equipment costing about £1.7m. The Federal Government then guarantees to repay this £1.7m over the agreed period, which may be

6 years, plus the interest of, say, 8% p.a., if the Nigerian partner fails to meet the payments as they fall due.

The commitment undertaken by the Federal Government in this way resembles the commitments under contractor finance. J. V. Simpson defined contractor finance as a process whereby the Government of a country engages a contractor on a capital project with clauses written into the agreement which arrange for deferred payments to the contractor over a number of years rather than as large sums during the time that the project is being undertaken".[66] The difference between this and guaranteed private investment is that while the commitment under contractor finance is actual, the commitment under the former is contingent on the Nigerian partner failing to meet the payments as they fall due. This difference is immaterial, however, since the Nigerian partner in all the government guaranteed foreign private investment in Nigeria has always been the government itself or a public corporation. Thus it is the government which enters into the partnership and at the same time guarantees the repayment of the cost and interest contributed by the foreign partner towards the purchase of the plant and equipment for the project.

Another difference is that under contractor finance, the capital project is for infrastructure, while under guaranteed private investment, it is for industrial establishment. While the infrastructure projects may indirectly contribute towards the servicing of the debt, a successful private guranteed investment may contribute directly to servicing the debt, either by saving foreign exchange through the local manufacture of goods previously

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66. J. V. Simpson, Development Finance: A Comment on Sierra Leone, Journal of Development Studies, January, 1967.

imported; or by increasing foreign exchange earnings through the production of goods for export.

During the first two years of the National Development Plan, 1962 - 1968, the Nigerian Governments negotiated 38 "contractor" projects involving capital and interest repayment commitments of £38m.[67] During the same period, the Federal Government guaranteed or agreed to guarantee 17 private investment projects involving a total commitment of £21.5m. Table 6.8 lists these projects which include textiles, cement, shoe and glass manufacturing. One private guranteed investments announced since then is the Nigerian Cocoa Products Ltd, a cocoa prosessing factory costing £1.852m and owned 85% by the Western Nigeria Development Corporation and 15% by a West German interest. The following section examines the characteristics and implications of this form of partnership.[68]

Characteristics of Contractor Finance.

One of the characteristics of contractor finance is that it apparently has all the advantages of a genuine partnership, as discussed above. The foreign partner contractor conducts the 'feasibility' study of the project and thereby helps to bridge an important gap where the lack of feasibility studies has been a bottleneck in development. He also undertakes to provide technical management, act as economic consultants, and train indigenous personnel. In this way, he satisfies one of the indigenous requirements for

67. The National Plan, 1962/68: Progress Report p. 22 & Table 1.19.

68. Because the financial commitment is same, "contractor finance" is used in the discussion, though it must be borne in mind that what is meant is foreign private industrial investment guaranteed by the Federal Government.

seeking partnership with foreign investors. He brings to the project the weight or benefit of his overseas connections and thereby facilitates the purchase of the relative equipment and the procurement of the required foreign exchange. This is made all the more easier because of the governments' guarantees and the fact that the equipment may be supplied and financed from his own group in his home country. By this process, the foreign partner executes a project lock, stock and barrel from the pre-investment study to the production stage. He will therefore be considered a powerful influence on giving 'birth' to factories which otherwise would not have seen the light of day.

Another characteristic is that the foreign partner does not insist on having majority ownership of the project or in retaining management control. He would, in fact, want not to own any interest in the equity share capital of the project; where this is not possible, he settles for a "token" interest. This contrasts with the general insistence of foreign investors on equity and management control. As Tables 3 and 4 above show, only rarely did the Nigerian Governments negotiate majority ownership; even then, management remained with the foreign partner. The contrast with contractor financed projects is significant in view of the mutual suspicions between governments and foreign investors which were discussed in

the previous sections. By removing all visible signs of economic domination or neocolonialism, through the foreign partner's non-insistence on equity and management control, contractor finance strongly appeals to the emotional desire of governments for ownership or control.

It is not therefore surprising that Nigeria welcomed contractor finance as one of the mechanisms for achieving her industrial objective. Nigeria is not alone in this regard. A recent World Bank study found that the use of contractor finance has grown rapidly within the last fifteen years and that at the end of 1965 total outstanding indebtedness of the developing countries on account of credits under guarantees was nearly 7 billion dollars, or an estimated one-sixth of the total external indebtedness of such countries; that they paid more than 1.4 billion dollars out of a total debt charges of 4.3 billion dollars in 1965; and that about 90% of the flow of guaranteed export credits to developing countries is estimated to come from Western Europe and Japan, the balance of some 10% coming from the United States. The bulk of such debts, the study finds, was concentrated in ten countries - Argentina, Brazil, Ghana, Korea, Mexico, Nigeria, Peru, the United Arab and Yugoslavia.[69]

The Limitations of Contractor Finance.

But contractor finance has serious limitations as a mechanism for stimulating industrial development. This is due to its higher costs, the absence of common interests between the partners and the resulting

69. Suppliers' Credits from Industrialised to Developing Countries: A Study by the Staff of the World Bank, IBRD Jan. 20 1967 pp 12-13.

inefficiency, and the short maturity structure of such investments.

One of the limitations of contractor finance is that the period within which repayment is expected to be completed is too short. As Table 6.8 shows, the duration of contractor investment, that is, the period within which repayment is to be completed under the guarantee is as short as four years in the case of the modern shoe industry in Owerri and as long as 11 years in the case of the Calabar cement factory. Only in the two hotel projects in which the CDC is interested is the duration as long as 21 years. This, however, is exceptional, and at any rate, it is outside the manufacturing sector with which we are interested. For the rest, the duration varied between 4½ years and 8 years, only in one case is it 9 years, and 10 years in two cases. On the whole, the average maturity structure of contractor financed projects in Nigeria would be about 6 years.

One of the effects of this short period is that if the project is entitled to tax and other concessions, for instance, as a pioneer company, the heavy payments necessary to complete the whole repayments over the short period would nullify part or all of the beneficial effects of the tax and other concessions. No published list of companies enjoying tax and other concessions is available. However all the projects which have been contractor financed in Nigeria fall within the industries which have been declared pioneer and since the companies are Nigerian registered public companies with at least 10% of the equity Nigerian owned, they probably all were accorded pioneer privileges of tax and other holidays. There is actually no reason to doubt that this is so,

for, as the G.A.T.T. study group observed of the Nigerian scene, "a potentially powerful instrument of policy, the grant of "pioneer status" is being used wastefully. Almost any firm can obtain privilege at present with the result that the Government is foregoing not only revenue but, more important, also the formative influence on industrial structure".[70]

The government, or course, expected to forego revenue when granting pioneer and other incentives. These privileges are extended upto ten years on the understanding that the industrial investment would be longterm and that by that time the project would have consolidated through ploughing back profits and amortisation of capital as to be able to stand on itself. It has, however, been shown above that the average period within which repayment of principal and interest on contractor financed projects in Nigeria is 6 years, even if we assume that it is ten years (the extreme case,) it is obvious that the effect of the annual repayments of interest and principal is to cancel or nullify the advantage of the grace period made possible by tax and other concession, for while the contractor financed project would not be paying taxes and are exempt from import duties on some of its imports, it may be making even greater payments overseas for interest and principal. Thus what the project gains in the innings it loses in the rounds.

Moreover, these repayments are more costly than conventional loans. Table 6.8 shows that the rate of interest payable under these guaranteed loans ranges from 3% to 8% with an average of about 8%. This is considerably

70. Programme for Expansion of International Trade: Trade of Developing Countries, "The First Six-Year Plan of Nigeria, G.A.T.T. Geneva 1966 p 17 foot note.

higher than the rate of interest on conventional or soft loans.[71] For instance, in 1964, about 53% of total loans to the under-developed countries were at interest rates of 3% and under, 20% at between 3% and 5%, and only 7% of the total loans incurred interest rate of 6% and over.[72] Compared with soft loans, therefore, suppliers' credit is a more costly mechanism for development, both in terms of loan maturities and of interest payments.

These costs must also be related not merely to the quoted rate of interest but also to the nature of some of the contracts and the method of calculating the rate of interest. There is no published information on these aspects of contractor finance in Nigeria. It is however, known that most of the contracts are negotiated rather than open tender contracts. This carries the dangers of price rigging and at once creates vested interest in contractor financed projects. As was pointed out above, the foreign partner generally conducts the feasibility study of the project, costs it, and presents it to the Government. In contrast to the selective processes of competitive tendering which should give some idea of the competitive price, there is a very serious danger that this foreign partner may successfully persuade the government not to consider alternative methods or to consult other contractors. At least, in two projects in Western Nigeria, it was specifically provided in the contract that contract awards would be by negotiation and that in that case no open tender would

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71. The distinction between the classes of loan lies in their maturity. Contractor finance is usually between 3 to ten years, conventional loans from 15 to 25 years and soft loans from 30 to 40 years.

72. UN. International Flow of Long-term Capital and Official Donations 1961-65 p 19.

be invited from any other contractor. The result has often been that the actual price or cost of the project is considerably higher than the quoted price. This was the case with the Sokoto cement works in Nigeria where a committee found that "the eventual cost of the project was considerably more than the original estimate".[73]

Through the process of negotiation, vested interests are created and there is a danger that enthusiastic contractors will persuade the Government to undertake projects as a result of their persuasive negotiations rather than on the general economic needs of the country. The result is likely to be hidden costs and distortion of priorities of the Development Plan in favour of contractor projects even though they rank lowest in the development programme. This has been the case in Nigeria where "contractor finance arrangements, because of the 'side attractions and vested interests' involved lead to gross distortions through the promotion of projects which would otherwise have been rated low down the accepted scale of priorities".[74]

Another serious consideration is the method of calculating the interest payments and more importantly, the date from which repayment would begin. Hereagain there is no published information for Nigeria. It has, however, been observed that one of the main points about these contractor "investors" is that they do not wait for the project to pay before they take their profits or demand their payments.[75] If it is assumed that

73. A White Paper on the Military Government Policy for the Reorganisation of the Northern Nigerian Dev. Corpn Kaduna 1966 p 21.
74. National Plan, 1962-68 Progress Report p 19.
75. West Africa. March 26, 1966. p 341.

repayment of interest and principal dates from the moment the contract is signed, then it is possible that interest can be paid to the contractor even before the capital is committed to the project and the government would then be paying interest, in the early years, on money that it has not yet 'borrowed'. This is very likely to happen because many ministers from the developing countries seem to be 'hypnotised' by any offer of a credit on whatever terms and either through ignorance or sheer corruption do not hesistate to commit their governments to such 'credits' when a careful or perhaps an expert study of the terms would have advised otherwise.[76] The Sokoto cement project again illustrates this. While the Northern Nigeria Development Corporation officials were considering three offers for the project in late 1961 and early 1962, it happened that the Minister of Economic Planning had in fact concluded an agreement for the project with a West German firm during the Minister's visit to Germany on 21st December, 1961. The officials expressed concern that no technical report was produced until 21st April, 1962, and even then no financial projection or feasibility report had been submitted. Although the contract was signed in 1961 and the guarantee given for ten years, by the end of 1966 the project had not commenced production. The contract provided for repayment of interest and principal, and the.....

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76. This situation can arise where the terms of the contract are such that on signing, the Government issues a series of promissory notes which are dated as redeemable on various future dates, thus giving the wrong impression that the money has actually been borrowed.

Government must obviously have made these payments for five of the ten years before the project starts production!!!

This increases the country's balance of payments burden because the projects do not, in fact, start production before repayments fall due and therefore do not generate foreign exchange through export promotion or import substitution to service the debts. There is the additional impairment of the country's ability to attract further external loans. Out of Nigerian's external debt repayment schedule of £85.2m for the years 1964/65 to 1970/71, contractor finance, apart from guaranteed private investment, accounted for £38m or 45%.[77] In 1965 contractor finance in Nigeria represented 20% of total outstanding external indebtedness, and its service payments constituted 53% of total debt service payments. This illustrates the heavy burden contractor finance places on the balance of payments. Comparative figures for other countries are shown in Table 6.9.

Although the 53 percentage of service payments on Suppliers' credits to total service payments in Nigeria, is lower than the 90% in Korea, and 60% in Brazil and ~~60% in~~ Liberia, it is nevertheless considerably greater than the percentage in other countries such as the U.A.R. with 24% and 25% in Chile and is a cause ~~of~~ for alarm. This alarm has in fact been expressed by the Nigerian Government: "contractor finance obligations and suppliers' credits to the public sector of the Nigerian economy have now reached an alarming scale particularly as the Regional Governments appear recently to be following the foot steps of the Federal Government just when the latter is trying to curtail its activities in this direction. The

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77. Progress Report op cit p 18.

Federal Government is fully aware of the serious implications of this method of finance and unless something is done quickly on a national level to contain this type of foreign exchange obligation, the future development of the Nigerian economy may be seriously prejudiced".[78]

The need for such urgent actions becomes all the more imperative when another characteristic of contactor finance is examined. A genuine partnership requires the existence of a common interest, which is to produce goods and services profitably for both sides. This is not so in contractor finance because of the divergence of interests between the partners. While the receiving government is anxious to develop its economy as quickly as possible, the foreign contractor partner is interested in selling his machinery and in the resulting commission. "The absence of planning, and the natural desire of governments themselves to operate, or participate in, new industries,.....gives an opportunity to the foreigner who, while claiming that he is anxious to assist industrialisation in Africa, really wants to sell machinery;..... and even this he sells on terms which, though impatient politicians too often fall for them, are in the long run very onerous".[79] This interest in machine selling is probably the principal, if not the only reason, for the contractor partner's non insistence on retaining majority holding and control of the project. In deed, he is prepared to 'invest' in wholly owned indigenous project if it is possible, as in the case of glass and ceramaics factories in Eastern Nigeria; where this is not

78. ibid.

79. "Industry off the Ground" West Africa 12th Dec. 1964 p 1385

possible, he takes up a (token' interest of about 10% in the equity of the project. This is normal with nearly all contactor-financed industrial projects in Nigeria. It is however possible that since the contractor conducts the feasibility study and costs the project without the counter checks of open tender (since it is generally 'negotiated') he would have included this 10% in the contract price. In any event, if the project fails, he falls back on the Government guarantee and "takes the next available plane back to his country before looking for his next victim, another developing country anxious to industrialise very rapidly. He would have taken no risk, lost nothing but gained everything at the expence of the Nigerian taxpayer".[80]

Commenting on foreign private investment in Nigeria, Dr P. N. C. Okigbo, the former economic adviser to the Federal Government of Nigeria, urged that a distinction should be made between the real investor and mere "vendors of equipment who try to seduce everybody with commissions without regard to the viability of the enterprises for which the machinery is sold".[81] In 1963, the Northern Nigeria Ministry of Trade and Industry reported that "After Independence in 1960 Nigeria became the target of intensive sales campaign by foreign manufacturers of machinery. Many and varied were the schemes submitted but strict scrutiny disclosed that in most cases their acceptance would have saddled Nigeria with unprofitable enterprises or useless machinery".[82]

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80. Nat. Plan Progress Report op cit p 21.
81. Financial Times 12th March, 1964.
82. Industrial Potentialities of Northern Nigeria, G. P Kaduna, 1963 p 13

It must be emphasised that most of these contractor projects are preceded by a "feasibility study.' However, as the World Bank study pointed out, "undertakings of dubious merit were encouraged by virtue of the fact that feasibility studies for them, carried out by the suppliers themselves, may not have been thorough.....credits were extended, as a result, with little regard to the economic soundness of the project or the suitability of the terms and their effects on total indebtedness, nor on the technical quality of the project."[83] An illustration of the unreliability of some of these so called feasibility studies and of the interest of the contractors in their commission rather than in the economic development of the country is Mr John Morley's projected £20m deal with Dr Banda of Malawi. When Mr Morely, an English man, heard about Dr Banda's decision to build a new town, he quickly prepared a "plan" and presented it to Dr Banda, and undertook to provide the £20m credit. But all that Mr Morley "wanted (apart from 7% interest) was the right to allot contracts for the new development, worth some £2½m in commission plus brokerages commissions."[84] It turned out, however, to be that Mr Morley's "models of the new capital" was, in fact, parts of "Swiss Cottage and of an Old-folk's home in Sevenoaks....."If the deal had actually gone through, "its British promoters might have made £3m, and Malawi could have been brought to the verge of bankruptcy."[85] In some cases, of course, as in the case of the Sokoto cement works, the contract is

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83. Suppliers' Credits from Industrialised to Dev. countries IBRD op cit pp 16-19.

84. Sunday Times 12th June, 1966.

85. Ibid.

signed without any feasibility study, or, as in the case of the Jebba paper mill, the project is located without regard either to the source of raw materials or to the market for the finished product, although the siting was based on a 'feasibility' report.

Contractor Finance.

Conclusions

The following statement summarises the main limitations of contractor finance. "1965 proved in some ways a disappointing year for the C.D.C. in West Africa so far as new business was concerned. The business methods of many overseas promoters of projects operating in the area were not such as, in the C.D.C.'s opinion would lead to the establishment of sound undertakings, and, unfortunately, in recent years these methods have often enjoyed enough success to damage the chances of adoption of more honestly conceived schemes. There will be heavy liabilities to be met over the next few years in respect of government guaranteed short-term loans for expensive machinery incorporated in projects not necessarily well adapted to local conditions and unbacked by the professional management and long-term financial investment which is essential for the establishment of a successful industrial operation in developing countries".[86]

The question then arises: "in view of the above disadvantages of contractor finance or suppliers' credits, why did Nigeria embark upon such mechanism for financing her development"? Put in another way, "Why has suppliers' credit recorded the 60% growth between 1950 and 1965, according to World Bank study"? The answer to this question can be found in the

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86. C.D.C. Annual Report 1965 p 103.

conditions obtaining in both the developed and the developing countries, of which Nigeria is one.

From the side of the developing countries the factors responsible for the growth in the use of contractor finance include the desire for rapid economic development and the inadequacy of soft and conventional loans or private investment, lack of discrimination by the country's experts, and in the case of Nigeria specifically, regional competition.

A major reason for the extensive resort to, suppliers' credits has been the emergence of independence and the positive drive in the national economic policies of developing countries. In earlier decades, major undertakings in these countries were largely confined to public utilities and infrastructure. In Nigeria, for instance, the emphasis of the development plans between 1946 and 1962 was the development of infrastructure. The 1962-1968 plan, on the other hand, emphasised agriculture and industrialisation for which the conventional forms of finance have not been available or are inadequate.

Moreover, international institutional lending was confined largely to the financing of infrastructure. Even when it was available, for industry, in many cases it could not be obtained because the project to be financed was poorly prepared[87] or was of low economic priority. As the World Bank study noted, even the extension of institutional lending at a later stage into the

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87. For instance the C.D.C. stated that about 4 out of every five projects put forward for financing in Eastern Nigeria have been dropped because they were poorly prepared. In one case which showed some promise, they had to advise and assist in reformulation and the project was eventually financed through its subsidiary, the Finance Co. of Eastern Nigeria Ltd.

Source: Private Interview.

manufacturing sector was too limited in scope and volume to replace private export credits.[88] Thus although the maturities of the conventional and soft loans have been progressively lenghtened and their rates of interest lowered,[89] these loans, the cost of which we used to compare the cost of contractor finance, were not readily available.

In addition to the above, two alternatives open to the developing countries were either not very helpful or inadequate. The first is direct foreign investment. But the emergence of strong nationalist policies in a number of developing countries reduced the attractiveness of this alternative to potential lenders or investors: in some countries, the flow of private foreign investment actually decreased. In Africa, for instance, it fell by 44% from 147 billion dollars during 1951-55 to 83 billion dollars during 1956-59.[90] In Nigeria, in particular, there was a net outflow of U.K. private investment of £4.6m in 1962 and £4.8m in 1964.[91] The next alternative would be borrowing at home on favourable terms followed by the purchase of needed capital and other goods against cash payment; or borrowing

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88. Suppliers' Credits from Industrialised to Developing countries IBRD op cit p 14.

89. For instance, between 1961 and 1963 the proportion of loans pledged by the industrialised countries at a rate of interest of less than 3% p.a. more than doubled, and the proportion at 5% or more dropped from about 70% of the total amount to about 40%. Similarly, the proportion of loan commitments of relatively short tenor-less than ten years - has more than halved, to about one-eight of the amount pledged in 1963 and 1964 while the proportion lent for 20 years and over has almost doubled from about one-third of the total in 1961 to about two-thirds in 1964. See International Flow of long-term Capital and Official Donation U.N. 1961-1965 p 18.

90. See Table A15 ~~and 6~~ of the appendix A p 501

91. See Table A14 of the appendix A A " 500

abroad from private financial institutions rather than from suppliers. The first alternative required domestic financial markets with sufficient capacity to supply the needed funds at competitive interest rates and, at the same time, the predisposition and ability of the monetary authorities to sell the needed foreign exchange. Nigeria's money and capital markets are yet at their embryonic stages and although the central bank of Nigeria is trying to speed up their development, it will be a long time in the future before much reliance can be placed on them to satisfy the country's demand for long-term financing. The second alternative, that of borrowing from foreign private sources, requires, among other things, that financial policies be pursued in the debtor countries which would inspire confidence and induce lending by private foreign financing instutions. Upto the end of 1965, Nigeria pursued such policies but the political disruption which occured since 1966 shows that these requirements can never always be guaranteed.

This it is the strong desire to industrialise rapidly and the inadequacy[91a] of the conventional forms of financing that has left suppliers' credits or contractor finance virtually the only available source of finance to achieve the objectives of the developing countries. To this is added the inexperience of governments and the ignorance of indigenous politicians and project approvers; and there may also have been cases of sheer corruption. As the Sunday Times pointed out, this situation has offered tremendous opportunities to, and have been exploited by some unscrupulous

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91a. There are many reasons for this: conventional loans are not always available on mutually acceptable terms and are unsuitable for industrial projects. Governments may insist on unacceptable terms for private investment; and the projects may be economically unsound. In short, the problem is not always from the side of supply.

financiers 'of unquestionably dubious standing[92] who specialise' "in dangling tempting offers before African Governments and ministers - offers which make the general run of 'suppliers' credits look paltry."[93]

The inadequacy of the traditional forms of financing has been particularly responsible for the resort to contractor finance in establishing the cement and textile projects in Mid-Western Nigeria and for the glass factory in Eastern Nigeria. Foreign private investors were probably doubtful of the economic soundness of establishing textile and cement factories in the Mid-West, the smallest region with a population of about 2.5m, when these factories had already been duplicated in the surrounding areas in Eastern and Western Nigeria. In the case of the glass factory, the problem was complicated by regional competition. The Eastern Nigeria Government had been contemplating the establishement of a glass factory for some time and when the FBI Mission in 1961 reported that there was some scope for a moderate sized factory to supply bottles for the breweries, a new momentum was added to the project. But private foreign finance was surprisingly not forth-coming for the project. In June 1961, however, it was announced that the Western Nigeria Development Corporation had signed a contract with an American firm for a brewery and glass factory. "The East, which had been conducting tests on its sands, reacted immediately:

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92. Sunday Times June 12 1966.
93. West Africa June 18 1966 page 681-83. These machine sellers often pass under flamboyant names such as economic co-ordinator', industrial co-ordinator' and 'general manager' of some foreign companies. They dress their offers in highly sophisticated legal terms, the implications of which become too late to remedy after they have been committed to and understood by ignorant politicians. One of these expert machine sellers floated a £13m development project in Lybia, although the company handling it had only a paid-up capital of only £4.

obviously at this stage there was no room in Nigeria for two glass container plants. Because no private enterprise was then ready to join in partnership, it was decided that the ENDC would proceed on a 100 per cent ownership basis.....to be sure, no reputable private enterprise was willing to invest in a glass manufacturing facility in 1961. If it were not for regional rivalry, neither the West nor the East would have committed themselves to what may prove to be a premature effort."[95]

While the urge for rapid industrialisation in the developing countries, their inexperience, and the inadequacies of the traditional forms of finance have been largely responsible for the resort to, and the increase in the use of suppliers' credit or contractor finance, factors on the supply side also contributed. As the World Bank survey found out, creditor countries have supported the mechanism largely in response to pressures on their balance of payments, and from their export sectors but also due to competition from other exporting countries.[96]

It is thus seen that factors in the developing and the creditor countries have contributed to the increasing use of the mechanism of contractor finance. It must be stated, however, that despite all the

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95. Alan Sokolski: "The Establishment of Manufacturing in Nigeria op cit pp 233 and 234.

96. Suppliers' credits IBRD op cit p 18.

defects in the mechanism noted above, there is nothing wrong with contractor finance per se. In deed, it is difficult to see what can replace contractor finance in Nigeria if substantial progress is to be made in initiating a veriety of industries that can serve as a basis for industrial education and growth. Conventional and soft loans are desirable but are in short supply and at any rate are hardly available for medium sized industries; and she cannot hope to attract foreign equity capital in the amount and form she would require. On the other hand, she has decided against financing all her investment from her internal resources as she considers that this would make her development to be painfully slow and extremely difficult. This is why she has planned to depend heavily on foreign resources, and contractor finance or suppliers' credit seems to be more readily available. However, this would not benefit her if the projects thus financed fail. It is for this reason that it is necessary to note some of the conditions under which contractor finance would benefit her.

Some Conditions under which Contractor Finance may Benefit Nigeria

The first condition is that the contractor must be persuaded to have a bigger share in the equity of the project than the 10% which has so far characterised all the contractor - financed industrial projects in Nigeria. This need not be a controlling interest: some thing like 45% may be appropriate; but each case must be treated on its own circumstances. The governments' desire for Nigerians to own the project substantially or wholly may be met by

an agreement for a phased sale of the foreign partners' interest to Nigerians at agreed dates in the future after the project has been able to stand on its own.

The case for the contractor having a bigger interest in the equity of the project rests on the influence such interest will bear on the selection of the site and on the management of the project. We pointed out in chapter 5 that the foreign private investors have generally been left free to select a site for their project and that this has generally been based on economic considerations. This has not always been the case with contractor financed projects. Because he has a 'token' interest of about 10% in the equity of the project (which probably was convered by the commission he expects from the sale of the machinery,) the contractor leaves the government free to select the site. But Nigerian Governments and political leaders generally regard projects not as a means of an efficient procurement of goods and services but as an instrument for rewarding loyal constituents or for punishing recalcitrant ones. Guided by these political considerations, they have not always selected the most appropriate sites for projects: The siting of the Paper Mill, at Jebba and of the Sokoto cement factory in this respect were illustrated in Chapter 5. In a genuine partnership where the foreign partner is interested not in his commissions alone, but also in the success of the project, such uneconomic sites would probably not have been chosen for either the government agrees on a site based on a balance of economic considerations or the foreign partner may not invest in the project.

The success of a project also depends on an efficient management

and the foreign partner or contractor is likely to be more careful in the management of the project if he has a substantial stake in the equity. What has so far happened in Nigeria is that the contractor undertake to manage the project for some time during when he trains indigenous managers. But these contractors are not, industrial managers but skilled machine sellers. At any rate, contract managers, because they have no substantial stake in the equity of the project, can only look forward to their fees; if they had substantial stake in the equity of the project, they would additionally look forward to the success of the project. "A company brought in solely to manage, and not as a substantial contributing partner, rarely achieves maximum results."[1]

A corollary to the above is that the government should not own or finance a project except in genuine partnership with the foreigner who is prepared to have a substantial equity in the project. This is partly because of the unreliability of contract managers and partly because the government is not an industrial manager but an administrator and when a government owns the project, political considerations tend to override economic considerations: expert advice is bypassed; posts are created that may not be very necessary on economic grounds; and unqualified people may be employed as rewards for political services elsewhere.

The third condition is that contractors should be selected after open and competitive bidding rather than by negotiation, so as to have the benefit of alternative costs and conditions. This has not been the case in most contractor-financed projects in Nigeria. In two cases in Western Nigeria,

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1. U.N. E.C.A: Industrial Finance and Management for Africa p 16. Addis Ababa Nov. 1966.

the contractor was "guaranteed" a contract of £30m to be executed by negotiated tendering over a five year period; and it was specifically stated that no open tendering would be invited from other contractors during the period, 1960-65. In the case of the Sokoto cement factory, while alternative offers were being considered the contract was awarded to a German firm and it was latter found that the costs were considereably in excess of the what was originally planned. In these two cases, the government lost the benefit of alternative bidding and costing from other contractors. Moreover, a guaranteed contract carries a risk that in order to honour the contract, the government may be persuaded to undertake projects which otherwise would have ranked lowest in priority thus distorting the planned programme.

The fourth condition concerns the guarantee itself. The guarantee is necessary to assure the creditor that the credit he advances will be repaid during the agreed period. In Nigeria all foreign loans pass through the Federal Government which gives the guarantee where this is necessary. Before doing so, the Federal Government should insist on the regional government or public corporation obtaining at least three alternative offers, if possible from different countries, to ensure that alternative costing and conditions have been considered.

The government should also insist on obtaining longer spread of the repayment period. Moreover repayment of interest and principal should commence from the date the project starts operation and not from the date of signing the contract. There are two advantages here. It will ensure that the project contributes to servicing the loan through export promotion or import substitution; and it will help to impart caution on the creditor who would

then ensure that the project is economically sound and would take steps to avoid delays in construction and provision of equipment since he would otherwise not be receiving any repayments until the project starts production. The Sokoto cement factory illustrates this. The contract for this was signed in 1961 but the project only started production in May, 1967. However one of the reasons for such a long delay before the project started operation is that the original machinery supplied was found to be unsuitable for the type of clay in Sokoto and a new machinery had therefore to be installed. The terms of the contract or guarantee are not published. But if repayment had to start immediately on signing the contract, it means that the government might have paid 60% of the contract price before the project starts operation. It also means that no contribution was received from this project in terms of import savings or export promotion towards the servicing cost of the loan. If the contract provides for repayment to begin when the project starts operation, then the foreign partner would have lost interest and tied up capital for six years without receiving anything. An awareness of this contingency will be ensured if, as a general rule, it is provided that repayment would not start until the project comes into operation. This will caution the creditor who would take steps to avoid mistakes and ensure that the project to be financed is economically sound before committing his resources. Finally interest repayments should be on a diminishing balance method.

The fifth condition for the success of a contractor-financed project is that the government should never enter into the contract without taking an expert advice. Again the Sokoto cement factory illustrates this. The

contract for this was signed during the German tour of the Minister of Economic Planning without consulting the staff of the Northern Nigeria Development Corporation, the government partner, and when the staff were still considering three offers for the project, The agreement was signed without any financial projection and it was later found that the ultimate cost of the project was very much higher than what the Minister was made to believe when he signed the contract. It is possible that much of the extra costs and delay in starting the project would have been avoided had the Minister not committed the government in the way he did for the expert opinion and alternative costing would have uncovered much of the defects in the contract.

Finally since the creditor countries have also contributed to the wide use of the mechanism by insuring the credits in their home countries, it will greatly help to improve the situation if they paid greater scrutiny and attention to the economic soundness of the project for which the credits are being insured. The World Bank found that by using selective criteria the creditor countries would have prevented or discouraged ~~so~~ some of the unwise transactions. ~~As the~~ It found, however, that "creditor countries may not have been sufficiently aware of the consequences of such credits extended by their own residents. If there was such awareness, these consequences probably weighed less heavily in some cases than the commercial and balance of payments policy objectives of the creditor countries."[1] However, it is possible that even if they did otherwise and thus attempted to 'prescribe', such prescription would be politically resisted. The whole argument about

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1. Suppliers' Credits from Industrialized to Developing Countries IBRD January 1967 p 18.

independence is that a country should be largely left free to develop according to its preferences. The test of rationality is for the wise borrower and not for the creditor.

The conditions stipulated above will help to make the borrower "wise" and to benefit from contractor finance.

CHAPTER SEVEN

THE CHANNELS OF FOREIGN PRIVATE INVESTMENT IN NIGERIA

INTRODUCTION

There are two main channels of foreign private investment in Nigerian manufacturing. One is institutional; the other is non-institutional. This chapter discusses these two channels. The non-institutional channel is discussed in part one and the institutional channel in part two of the chapter.

PART ONE

The Non-Institutional Channel

The non-institutional channel of investment does not involve an 'external' organ other than the company itself and, or, its foreign principal or agent. It consists of retained earnings or unremitted profits, of the companies, trade or suppliers' credits, and other foreign liabilities, principally with the companies' head office.

During 1961 and 1964, the total inflow of foreign private investment into Nigeria amounted to £145.9m. The breakdown of the sources or channels of this investment is shown in Table 7.1. It shows that the non-institutional channel, as defined above, accounted for a total of £101m or 69% of the £145.9m, and the 'institutional' channel accounted for £44.9m or 31%. Of the three segments of the non-institutional channel, "other foreign liabilities" accounted for the highest, £48.2m or 33% of the total, against 29% by unremitted profits, and 8% by suppliers' and trade credits.

While the latter consistently accounted for the lowest percentage throughout the four years, the relative contributions of unremitted profits and other foreign liabilities varied. From about 10% of the total in 1961, unremitted profits amounted to about 45% in 1962 and declined to 28% in 1964. On the other hand, from about 50% of the total in 1961, other liabilities fell drastically to 15% in 1962. It doubled to 32% in 1963; and dropped again to 31% in 1964. Over the four-year period other liabilities accounted for a higher percentage than unremitted profits; but the latter is more important as an indication of the extent to which the companies are self-financing. It is significant that companies in Nigeria plough back a substantial proportion of their total earnings.[1] Table 7.2 shows that retained darnings of foreign companies in Nigeria amounted to £24m or 65.8% of the £36.5m of total earnings during 1961-1963, the only years for which figures are available. As a percentage of total earnings, retained earnings rose steeply from 38.6% in 1961 to 68.7% in 1962, and to 74.4% in 1963. The improvements in 1962 and 1963 were largely due to the earnings of oil companies.[2]

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1. Total earnings are made up of total profits, dividends and interest, and are exclusive of managing agency fees or remunerations paid to parent or affiliate companies, provisions for Nigerian taxation, and depreciation of assets.

2. Central Bank of Nigeria, Economic and Financial Review, Vol.3, No.1, June, 1965 p.10.

Table 7.2a shows that retained earnings amounted to 10% of net new investments, in 1961, 45% in 1962, and 35% in 1963, and averaged 29% over the three year period.

PART TWO

The Institutional Channels

While the non-institutional channels are internal to the company, its associates, or head office, the institutional channels are external, in the sense that the transactions pass through or are derived from sources outside the company or its associates. These external sources are made up of two components - the short-term or the money market channel, and the capital market or the long-term channel. These two channels are essentially unified through a wide spectrum of liquidity ranging from cash to irredeemable bonds which make for cross flows of funds between the two channels. Nevertheless, the division is essential for analytical purposes.

The Short-term Channels

In Nigeria the short-term or money market channel of foreign private investment is the commercial banking system. Table 7.3 shows that this was made up of 17 commercial banks in 1963. Eight of these were expatriate banks, three were mixed, and six were indigenous banks. The expatriate banks are wholly foreign-owned, and the mixed banks were owned jointly by Nigerians and foreigners. Five of the six indigenous banks were wholly owned by the Nigerian governments and the remaining one by private Nigerians.

There were 204 commercial bank offices in Nigeria in 1962. About two-thirds of these were owned by the eight expatriate banks. The two biggest expatriate banks, the Bank of West Africa Ltd and Barclays Bank DCO owned 112 of the 129 expatriate bank offices. The third biggest expatriate bank, the United Bank for Africa Ltd had 11 offices in 1962. These three expatriate banks were in operation in Nigeria before 1950.[1] The other five expatriate banks were established between 1959 and 1962. Following subscriptions to the capital of Banque de L'Afrique Occidentale by the First National City Bank of New York in 1965, the BAO was re-organised as Banque Internationale Pour L'Afrique Occidentale with a capital of £2.9m.[2]

In December, 1965, the Nigerian branch of the Chase Manhattan Bank merged with the Bank of West Africa Ltd, which itself had amalgamated with the Standard Bank of London earlier in the year.[3] One of the mixed banks, the Bank of Lagos, surrendered its licence, and from 17th September, 1965, commenced operations as the Finance Company of Lagos, Ltd. With these developments, the number of commercial banking companies in operation fell from seventeen to fifteen.

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1. The United Bank for Africa Ltd formerly operated since 1949 as the British and French Bank Ltd.
2. Central Bank of Nigeria: Annual Report, 1965 p.31.
3. Ibid. p.16.

Although Table 7.3 states that there were only 204 commercial bank offices in Nigeria in 1962, the correct number was 210[1] at the end of the year. By 1965 the number had reached 240. However this is not broken down between indigenous and expatriate banks; so the figures in Table 7.3 will be used in the analysis. The indigenous banks, accounted for 69 or about a third of the total commercial bank offices, the two biggest indigenous banks, the African Continental Bank Ltd and the National Bank of Nigeria accounting for 52 or about 25% of the total.

The above analysis shows that the Nigerian commercial banking system is predominantly expatriate since over half of the banks and more than two-thirds of the bank offices are wholly expatriate owned. Although two of th mixed banks started operations with a majority of Nigerian capital, it is said that subsequent increases in capital have been provided by the foreign partners.[2] They are therefore now probably largely owned by expatriates.

It would have been very interesting to see how this expatriate dominance in the number of banks and bank offices is reflected in the proportionate share of the Nigerian banking business. But there are no published figures for this exercise; and this has led to some guess estimates. The World Bank Mission felt that the expatriate banks controlled "close to 90% of total bank deposits"[3] and Dr C.V.Brown could not hazard a guess except that the Bank of West Africa Ltd conducts about

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1. C.B.N: Annual Report 1962 p.24.
2. C.V.Brown, Development of Money & Credit Institutions in Nigeria Ph.D London,Thesis,1964, p.16.
3. The Economic Development of Nigeria IBRD op.cit. p157.

half of its business in Nigeria.[1] Finally Dr. Olakanpo made two guesses:[2] one was that the expatriate banks 'control over 80% of the total banking business'; and the other that, what he called "the Big Five" control 80% of the total banking business. The big five are the three biggest expatriate banks: Barclays Bank DCO, the Bank of West Africa Ltd, and the United Bank for Africa Ltd and the two biggest indigenous banks, the African Continental Bank Ltd and the National Bank of Nigeria Ltd.

After repeated requests and refusals, the Central Bank of Nigeria kindly supplied me with the deposits and advances figures of the expatriate and indigenous banks for the period 1959/65. These are summarised in Table 7.4. It is therefore, at last, possible to make a definite statement about the relative shares of the Nigerian banking business to be attributed to each class of bank.

The Table shows that during the period deposits amounted to £641m and that the expatriate banks accounted for £513m or 80% of this and the indigenous banks for £128m or 20%. Out of a total loans and advances of £582m during the period, the expatriate banks accounted for £442m or 76% and the indigenous banks for £140m or 24%.

The above analysis of the Nigerian banking structure has been necessary to indicate the foreign component in the structure. It shows

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1. C.V. Brown: Developments of Money and Credit Institutions in Nigeria op.cit. p.23.

2. O. Olakanpo: Monetary and Banking Problems in Nigeria. Bankers' Magazine, March 1966 p.177, and Commercial Banking in Nigeria, Bankers' Magazine, January 1965 p.18.

that the expatriate banks accounted for 7 of the 15 commercial banks and for more than two-thirds of the banking offices at the end of 1965. They also accounted for 80% of the deposit business and for 76% of the loans and advances business during 1959/65. Thus in discussing the role of the Nigerian commercial banks as a channel of foreign private investment in Nigerian manufacturing, we are indirectly largely discussing the role of another group of foreign private investors in Nigerian manufacturing.

The Banking System as a Channel of Investment in Manufacturing

The role of the Nigerian commercial banks as a channel of foreign private investment in Nigerian manufacturing is to provide short-term working capital for industry. To examine this role it is necessary to analyse the available banking statistics. These are shown in Tables 7.5 and 7.6 for the period 1944/65. The analysis will be conducted in two time periods, 1944/54, and 1955/65.

Table 7.5 shows that commercial bank loans and advances rose from £0.3m in 1944 to £12m in 1954. This represented 3.4% of total deposits in 1944 and 38.1% in 1954. The breakdown of these advances is not available; but it can be assumed that the proportion that went to manufacturing was very small. This is because, as we showed in chapter one, there was little manufacturing in Nigeria by 1954. Although the increase in loans and advances was very rapid over the ten years, the Table shows that little overall credit was extended to the local economy and this was mainly due to lack of effective demand for bank credit and of acceptable investment outlets. The result was that the banks

invested much of their resources in foreign assets during the period. In 1944 these amounted to £8.5m; by 1954 they amounted to £24.8m or 86.6% of total deposits in 1944 and to 61.2% in 1954. These investments resulted in a net capital outflow of £5.7m from Nigeria through the banking system during the period.

A different asset structure resulted in the period 1955/65. Loans and advances increased in absolute terms by five times from £26m in 1956 to £135m in 1965. This represented 55% of total deposits in 1956 and 102% in 1965. Deposits however increased at a lower rate by three times from £46m in 1956 to £132m in 1965. To meet the increased demand for advances the banks invested less in foreign assets. In fact they drew down these foreign investments which decreased from £25m in 1954 to £15.9m in 1958. As a percentage of total deposits foreign assets fell from 61.2% in 1954 to 15.5% in 1965. These movements also resulted in a net capital inflow of £14.9m during the decade.

It is thus seen that during 1944/54 the banks channelled a net capital export of £5.7m from Nigeria and a net capital inflow of £14.9m during 1955/65. Over the period 1944/65, therefore, the Nigerian commercial banks accounted for a net capital inflow of £9.2m to Nigeria. The biggest single outflow during the period was £8m in 1965 and the biggest single inflow was £21.3m in 1964. This net inflow was to meet the increasing demand for bank loans and advances. A breakdown of these advances is shown in Table 7.7 for the period 1958/65.

The Table shows that during the 8 years 1958/65 commercial bank loans and advances amounted to £620m. £238m or 38.3% of these went

to general commerce, 23.7% to agriculture, 6.2% to real estate and construction and 8.3% to manufacturing. Over the 8 years, the share of general commerce fluctuated between 35% and 43%; and that for agriculture declined from 31% in 1958 to 25% in 1965; while manufacturing doubled its share from 5% to 11%.

The predominance of general commerce is partly explained by the fact that it has been the traditional sector which commercial banks finance. Indeed all the expatriate banks were established with this principal motive. In recent years, however, the reasons have been more fundamental. First, there has been a genuine increase in the demand for working capital which it is the legitimate function of the banks to provide. Secondly the withdrawal of expatriate firms from retail and wholesale trading, and from the agricultural marketing of produce as buying agents has reduced the volume of self-generated finance which was a major source of finance in this sector in the past; and the entry of indigenous firms replacing the expatriate firms as produce buying agents with neither sufficient resources of their own nor access to foreign funds has meant increased reliance on the banks for short-term finance for this sector. Thirdly, it has been observed that in recent years stock turnovers have been sluggish and this has involved a slower clearing of overdrafts thereby increasing the outstanding credit to this sector at any one time; and that most firms have switched their stock financing requirements from short-term overseas funds to domestic credit in consonnance with the official policy of the Nigerianisation of the credit base.[1]

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1. The Modernisation Budget in the Six Budget Speeches of Fed. Minister of Finance op.cit. p.173.

The doubling of the credit to the manufacturing sector from 5% in 195 to 11% in 1965 is partly due to the transformation that has taken place in manufacturing in Nigeria. For instance, manufacturing output increased from £3m in 1950 to about £15m in 1960 and to £63m in 1965, representing an annual compound growth rate of 25% from its 1957 level of £11m.[1] The increase in loans and advances to the manufacturing sector, therefore, represents a genuine increase in the demand for bank credit in this sector This is partly because the large expatriate banks who withdrew from wholesale and retail trading have looked to the local banks for short-term working capital. Moreover, it has been suggested that owing to fears of political instability and nationalisation, some of the large expatriate firms who formerly maintained large balances in Nigeria to finance their working capital requirements have since repatriated or run them down and are now working on overdraft facilities from the local banking system.[2] These factors therefore explain the increase in the volume of loans and advances to the manufacturing sector.

Although the commercial banks concentrate on the provision of short-term working capital, they also provide long-term finance for industry by rolling over some of their short-term advances in such a way that they, in fact, constitute long-term credit.[3] They also lend long-

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1. Central Bank of Nigeria: Annual Report 1965 p.23.

2. C.V. Brown: Banking in Sierra Leone: A Comparative Survey, Bankers' Magazine, March 1966 p.195.

3. Private conversation with an ex-manager of ~~one of~~ the African Continental Bank Ltd. One technique said to be employed is "window dressing" of balance sheets by the banks, and 'a rob Peter to pay Paul' devise by the customers. The process is as follows: the banks submit returns to head office at different dates and the customers generally maintain accounts with more than a bank. So customer A with an overdraft with Bank B, borrows from his other account with

/continued over/

term through debentures. During 1952/53 two expatriate banks and one indigenous bank took up six debentures amounting to £637,600 as Table 7.8 shows. Unfortunately no published information is available on this after 1953.

Although the banks thus roll over their short-term advances,[1] and also grant long-term credits, it is customary for the commercial banks to emphasise that their primary function is to restrict themselves to short-term financing. This is because most of their liabilities are short-term and repayable on demand or short notice; and they therefore must correspondingly lend short-term. "Put in this extreme form, the argument is fallacious: the banker is able to make a living because he knows that repayment of his deposits is in fact not required in total at any one time, and he could not make any living by matching his assets

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reference 3 continued:

Bank C to clear his overdraft on Bank B's balancing day, perhaps, at the end of the month on the understanding that the entries will be reversed the following day. On Bank C's balancing day, which is normally not the same day with Bank B's, the process is repeated perhaps with customer D this time and so on. By this process the accounts are overdrawn between, but repaid or balanced on, balancing days and the short-term advances are rolled over for long periods.

1. That the Nigerian commercial banks roll over their advances is further confirmed in the first Annual Report of the NIDB for 1964 p.10.

precisely to his liabilities. On the other hand, he cannot behave like an investment trust. The liquidity he must maintain is a matter of degree; there can be no absolute rule on this ground forbidding the holding of medium-term and long-term assets, and every banker of strength does, in fact, hold some of these assets".[1]

It might be argued that since time and savings deposits now constitute more than 50% of total deposits in Nigeria, the commercial banks should grant more long-term advances. However, much of the time deposits are really very short-term. For instance, ~~in~~ time deposits of three months duration constituted 68.3% of total time deposits in 1964 and 78.9% in 1965.[2] "This shift was mainly at the expence of demand and time deposits of over six months' maturity, and reflected a preference on the part of the public for relatively liquid, yet income-yielding deposits".[3] Assuming, however, that all the time and savings deposits are really long-term, the commercial banks generally lack the experience and expertise for long-term lending. "The logically sound basis for the presumption against long-term commitments is that it is much more difficult to estimate a borrowers' credit-worthiness twenty years ahead than six months ahead. The factors relevant to credit-worthiness are

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1. R.S. Sayers, Central Banking After Bagehot, Oxford, 1958, p.121.
2. Central Bank of Nigeria: Economic & Financial Review, Vol.4,No.2, p.18.
3. Ibid.

substantially different over the longer period and the capacity and experience required in the bank manager are of an altogether different order, an order it is not reasonable generally to expect (unless he has specialised expert staff)".[1]

One general solution to the problem has been to establish specialist long-term financial institutions which, while providing capital and expert knowledge, encourage the commercial banks increasingly to lend medium and long-term without jeopardising their liquidity.[2] The specialist institutions established in Nigeria for this purpose are the Nigerian Industrial Development Bank, the Lagos Stock Exchange, the Northern Nigeria Investments Ltd, and the Finance Company of Eastern Nigeria Ltd. The last two are established in equal partnership with the Commonwealth Development Corporation, which, in itself, though a public corporation, is a specialist long-term channel of investment in selected commonwealth countries. In the next section we discuss the role of these three institutions.

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1. R.S. Sayers, op.cit. p.122.

2. For two specialist works on this see W. Diamond: Development Banks, 1957 and S. Boskey: Problems and Practices of Development Banks, 1959

PART THREE

THE LONG TERM CHANNELS

I

The Nigerian Industrial Development Bank Ltd.

The Nigerian Industrial Development Bank Ltd was established in 1964 but its two antecedents were the Central Industrial Corporation, and the Investment Company of Nigeria. The Central Industrial Corporation was proposed by the Nigerian Government in 1953 as an instituion to "be responsible for executing and managing major industrial schemes and to focus thought and activity on non-governmental development by bringing investment opportunities, capital, and management together".[1] This proposal was subject to approval by the World Bank mission which was then visiting Nigeria. The mission felt that there was much merit in the scheme but felt that it would be impracticable as a result of the political re-organisation of the country under the 1954 Federal Constitution[2]. The proposal was therefore dropped.

The Investment Company of Nigeria Ltd.

It was not, however, dropped for ever. In 1958 the Federal Government thought that "the factors which influenced the Mission's recommendations in 1953 will not have the same cogency in 1958, and the original proposal might be considered again". Accordingly, the Commonwealth Development Finance Company Ltd was invited to participate with the Government "to establish an institution to furnish long-term credit and technical management to approved industrial enterprises".[3]

1. Statement of the Activity of the Department of Commerce and Industries, Sessional Paper no7, 1953.
2. IBRD. Economic Development of Nigeria op.cit.

3. /over/

The CDFC in 1959 examined the need and the scope for a free enterprise investment and development company in the Federation of Nigeria on the lines of those already established in India, Pakistan, Ceylon and elsewhere".[1] The examination revealed that if good progress would continue to be made a well planned machinery would be necessary to ensure an appropriate flow of industrial capital. The key to this was found to "be a strong, centrally planned institution to mobilise private capital both Nigerian and external, and to apply it to projects strictly on their economic merits as seen from the point of view of the Federation as a whole in alliance with skilled technical advice and competent management".[2]

The result was the formation, in 1959, of the Investment Company of Nigeria Ltd with an authorised capital of £5m of which £1m was issued and fully paid up immediately. The breakdown of the capital holding is not available; but it is known that the CDC subscribed £0.1m and that subscribers numbered over 80,[3] and that although substantial Nigerian investment from Nigerian private enterprise institutions was expected, the bulk of the capital had to come from overseas in view of

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footnote 3:

3. The Role of the Federal Government in Promoting Industrial Developmer Sessional Paper No.3 1958 p.3.

1. CDFC Ltd. London: The Investment Co. of Nigeria Ltd: Explanatory Memc July 1959.

2. Ibid.

3. CDC: Annual Report 1959 p.96.

"the present stage of the country's development"[1] The Federal Government lent the company £0.5m 'on favourable terms' subordinated to the equity of the Company's other indebtedness so as to facilitate negotiations for loans or other credits from other sources".[2]

The Investment Company of Nigeria (ICON) was to assist industrial, commercial and agricultural enterprises in Nigeria in general by assisting the creation, expansion and modernisation of such enterprises; encouraging, sponsoring and facilitating participation of internal and external capital in the ownership of investments, shares and securities; creating, expanding and stimulating investment, shares, and security markets; and in particular by providing finance in the form of long- or medium-term loans or share participations; sponsoring and underwriting the issue or conversion of shares and securities; guaranteeing, and counter-guaranteeing loans and obligations; making funds available for re-investment by causing the transfer of shares and securities, and by revolving investments, as rapidly as prudent; and finally by furnishing managerial, technical, and administrative advice and services to Nigerian industry, commerce and agriculture.[3] Within this broad framework, the Board of the Company worked out the broad policy and the precise nature of the Company's activities, which were to provide assistance in the form of equity, loans or debentures, or in any other form most appropriate to the particular project under consideration.

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1. CDFC Ltd. op.cit.
2. Ibid.
3. Ibid.

Table 7.9 summarises the ICON's operations between its formation in 1959 and 1964. During this period ICON approved 7 projects with a total share capital of about £5m in which it invested £217,500. The projects include aliminium, thread, biscuit, tyre and stationery manufacture and sugar refinery. During the same period it also made 12 loans and equity investments amounting to £707,300 in food and beverages, rubber and rubber products, textiles, metal products, financial institutions, paper products, and furniture. Of this £707,500, £571,300 or 81% of this came from foreign sources and £136,000 from Nigerian sources. 9 of the 12 projects in which the company made loan and equity investments were controlled by foreign interests and 3 by Nigerian interests.

ICON also engaged in new issue and underwriting activities and played a leading part in the development of the Lagos Stock Exchange. On 30th June, 1962, it formed two wholly-owned subsidiaries, Icon Securities Ltd, to carry on its new issue, stockbrocking and stock-jobbing operations, and ICON Nominees Ltd to act as a nominee company.

III

The Nigerian Industrial Development Bank Ltd.

The Investment Company of Nigeria Ltd was reorganised in 1964 to form the Nigerian Industrial Development Bank. One of the reasons for the reorganisation was the need for an institution "which must have the full backing of all the Governments (of Nigeria) without being under their direct control, and command and enjoy the full confidence of local and foreign investors. Such an institution would be in a position to promote Nigeria's economic development effectively because it would be

independent of political or other influence. This was the rationale behind the establishment, on 22nd January, 1964, of the Nigerian Industrial Development Bank Ltd which took over from that date the functions of the Investment Company of Nigeria Ltd.[1]

It would appear, however, that ICON had most of these requirements. Being a private institution, it obviously was independent of political influence and it probably enjoyed the confidence of foreign investors, obvious, at least, from its sponsorship by the CDFC Ltd and its foreign connections; and the backing of all Nigerian governments would appear to be implicit in the £0.5m of Federal Government's loan; and there was no reason why, nor evidence that it did not enjoy the confidence of local investors. If ICON could not 'effectively' promote Nigeria's development, and, indeed, if there was any real reason or need for a different institution, it would appear to be either because its issued capital of £1m was too small (the answer here would appear, to have been to increase its issued capital since it already had an authorised capital of £5m) or because it was a predominantly foreign owned institution and the Nigerian Governments wanted a predominantly Nigerian owned institution.

However, in 1962 the Federal Government informed the ICON of its intention to create a Nigerian Development Bank and subsequently discussions took place with a view to merging ICON with the new Development Bank. During these discussions it became evident that, rather than set up a new company for this purpose, it would be more satisfactory to reconstruct the Company as the new Development Bank.

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1. Nigerian Trade Journal, Vol 312. No.3, July/Sept,1964.

The reconstruction involved the reorganisation of ICON's issued share capital, the adoption of new Articles of Association and the change of ICON's name to Nigerian Industrial Development Bank Ltd. It also involved a cash offer by the Central Bank of Nigeria of one quarter of each of the existing shareholding of the capital of ICON, and the subscription of a substantial amount of further share capital by the Central Bank, the International Finance Company, and leading financial institutions in Europe, Japan, and the United States of America. Shareholding in the company is illustrated in Table 7.10.

The NIDB has an authorised capital of £5m, of which £2m was issued and fully paid at once as ordinary shares and £250,000 in non-voting preference shares. £1,020,000 of the ordinary shares, or 51% of the Company's voting capital, was designated "A" Ordinary Shares, and reserved for Nigerians and international organisations, such as the IFC, of which Nigeria is a member. Of this amount, the IFC held £499,827, the Central Bank £499,828, while £13,120 was held by Nigerian private investors. The remaining £980,000 ordinary share, classified as "B" shares may be subscribed to by any interested investor, whether Nigerian or foreign. The issued capital has been converted into stock. In addition, the Fed. Government gave the NIDB an interest-free long-term loan of £2m repayable in equal annual instalments during 1980-1994. This loan is subordinated to the other debts and liabilities of the NIDB which it can repay at any time, if it wishes, but cannot issue further shares to which the loan would be subordinated without the prior consent of the Federal Government. This £2m loan brought the NIDB's initial resources to £4.25m. In addition, the NIDB was empowered to borrow up

to three times its issued share capital, reserves and subordinated borrowings. This brought NIDB's initial potential resources to £12.75m.

b. Objects and Functions

NIDB was established to provide medium and long-term finance to enterprises in Nigeria which are privately owned and managed. Thus public corporations or government projects are excluded. However, the existence of government or other public interest in an enterprise is not expected generally to rule out financing by the NIDB, provided the Government's interest as measured by voting power or control of the management of the enterprise is not predominant and especially if the Government's investment is temporary, pending its selling out to private interests.

The projects the NIDB is expected to finance are limited to mining and industry. Thus agriculture, trade and transport are excluded. Being an investment institution, it does not undertake ordinary commercial banking such as accepting demand or time deposits. It is also barred from investing in social infrastructure projects such as schools, hospitals and roads. The projects which the NIDB are expected to finance are those which, by reason of their size, will make a significant contribution to Nigeria's economic development. It does not finance cottage and small-scale industries; nor will it assist proprietory or partnership enterprises.

The role assigned to the NIDB under the National Development Plan is that of joining foreign skills and capital with Nigerian skills and capital in developing new industrial enterprises and expanding existing ones.

It is expected to stimulate indigenous enterpreneurs by helping them to develop sound and well conceived projects in which it could take financial interest. Where the size of the investment warrants foreign participation, the Bank is expected to help in working out the financial aspects of collaboration.

Technique of Investment

The guiding principles of NIDB's investment are that the project to be financed should inspire confidence of being expeditiously carried out and efficiently operated. To this end, reputation, experience and capital structure of the Company or the worth and experience of the promoter are taken into account. The project should also be economically desirable, i.e., show promise of raising living standards, providing employment or conserving foreign exchange; it should also be technically feasible and commercially viable, adequately costed, properly managed and have favourable market prospects for the product.

The NIDB finances projects in a number of ways: either through direct subscriptions or underwriting of equity, preference stock or debentures, medium or long-term loans, or any combination of these methods. In either case it limits its overall financial participation in any one enterprise between a minimum of £10,000 and a maximum of £200,000 which is related to its own equity capital. The total cost of the project may, of course, be quite different. The minimum limit is relaxable in exceptional cases. Furthermore, NIDB cannot invest in, or underwrite more than 25% of the capital of a company; but this does not preclude the NIDB from arranging additional financing from other sources. Since it plans to recoup its cash in future years by selling

out its portfolio to the public, it prefers investment in easily realisable form with present or future prospects of obtaining stock exchange quotation.

Loans, which must be adequately secured, are granted from between 5 and 15 years, but a longer, though not a shorter amortisation period can be considered in exceptional cases. "Grace" periods are generally allowed during which only interest need be paid while loan repayments ahead of the agreed amortisation schedules will be permissible only if it is to be from cash accruals and would in any case attract penalty rates determined by the degree of deviation from the amortisation schedule. Loans are not disbursable in a lump sum but against evidence of equipment purchased or expenditure incurred. This and the preceding requirement are probably designed to prevent loans being used for other than the purpose for which they are granted and against repayment ahead of schedule out of borrowings from other sources and thereby prematurely escaping the NIDB's beneficial supervisory activities.

NIDB and ICON Compared

It is interesting to compare the nature and functions of the NIDB with those of the ICON. While ICON was largely sponsored by the CDFC Ltd and other U.K. interests, the NIDB was largely sponsored by the World Bank and the IFC, and the Nigerian Central Bank. Besides, the £2m interest free long-term Federal Government loan was a glaring evidence of the Government's interest and confidence in the NIDB. "With the support of the Government, it stands a very good chance of obtaining substantial credit from the World Bank and other overseas financial institutions as

similar corporations in other countries".[1] In addition, although it has the same authorised capital of £5m like the ICON, unlike it, the NIDB started off with an initial actual and potential resources of £12.75m as compared with ICON's £1m. The NIDB is therefore considerably bigger than the ICON which it replaced.

Differences also occur in the functions of the two bodies. Where as financing public or government projects were excluded from the share of both companies, ICON's area of operation was wider than NIDB's. Whereas the latter excludes agriculture and trade, the former includes them, and whereas infrastructure and small scale enterprises were specifically excluded from the NIDB's operations, they were neither specifically included nor excluded from the ICON's operations, though it is unlikely ICON would ordinarily have undertaken them.

NIDB Operations 1964-1966.

Table 7.11 summarises the operations of the NIDB between its establishment in January, 1964 and 30th September, 1966. During this period, the NIDB made 40 loans and equity investments amounting to £3,166,200 in various industrial enterprises which included textiles, food and beverages, mining, and metal products. Its equity investments alone amounted to £480,000 in many industrial projects with a total share capital of £3,500,000. Its role as a channel of foreign investment is manifested in the fact that £2,043,700 or 65% of the total loans and equity investment came from foreign sources. Foreign investors had controlling interests in 24 of the 40 projects. On ther other hand,

1. The National Budget: Government Printer, Lagos, 1964, p.5.

£1,122,500 or 35% of the equity and loan investments came from Nigerian sources which had majority interest in 16 of the 40 projects.

Table 7.12 summarises the combined operations of the ICON and the NIDB from 1959 to Sept. 30,1966. It will be seen that the companies made a total of 52 loans and equity investments amounting to £3,871,500, of which £2,606,000 or 67% came from foreign sources. The controlling interest in 33 of the 52 projects was foreign against 19 projects controlled by Nigerians. These projects had a combined share capital of £8,578,500.

It is however interesting to note, as a comparison of tables 7.11 and 7.12 shows, that while the ICON patrohised 12 projects with total equity and loan investments of £707,300 during its 5 years existence from 1959 to 1964, the NIDB, during its relatively shorter period of less than three years from 1964 to Sept. 1966, invested in 40 projects a total of £3,166,200. However, the total share capital of the ICON's 12 projects is considerably higher at over £5m than that of the NIDB's £3,6m in 40 projects. While the proportion of foreign contribution in the loan and equity operation to indigenous Nigerian contribution was 6 to 1, through the ICON it was only 2 to 1 through the NIDB. Thus for every £1 contributed from Nigerian sources through the ICON, foreigners contributed £6 against £2 for every £1 through the NIDB.

This is significant for, if it is accepted, that "the success or failure of the Bank will be measured in part by the amount of private investment capital it is able to channel to the productive sectors of private enterprise",[1] then it means that the NIDB, with considerably more

1. Nigerian Trade Journal, Vol.12 No.3 July/Sept,1964.

potential resources (£12.75m) than the ICON has not been as successful as the ICON with an initial paid up capital of £1m.

The NIDB must however, be judged not only by the amount of private foreign capital it is able to attract to Nigeria but also by its promotional activities. It assists entrepreneurs, both Nigerian and foreign to prepare well-articulated projects and to find technical staff and managerial assistance both in Nigeria and abroad. Another promotional role of the Bank is the development of the capital market, by encouraging promising enterprises to incorporate as limited liability companies and by offering to take up their shares after incorporation. It further encourages such companies to seek to apply at the appropriate time for stock exchange quotation for their shares, which thus become available to the public. This policy has two important advantages. It helps the growth and development of the Lagos Stock Exchange as the companies seek a quotation for their shares; and secondly, it engenders public confidence in industrial shares, for the association of the NIDB with any company is increasingly recognised as a good indication of the company's viability and sound management.[1] In addition, with ~~the~~ effect from the beginning of 1965 an arrangement was made whereby the Lagos Stock Exchange's management Committee of three would include the General Manager of the NIDB[2] thereby further enabling the Bank to be more closely associated with, and assist the development of the Exchange.

1. The Rededication Budget, Government Printer Lagos 31st March, 1965. p.8.

2. NIDB: Annual Report, 1965 p.10.

These promotional activities help to broaden the Nigerian capital market and therefore help to strengthen the NIDB's role of attracting investment to Nigerian manufacturing. This role could be further strengthened by the following three methods.

The NIDB "stands ready to assist entrepreneurs, both Nigerian and foreign, to prepare well-articulated projects ... to obtain the necessary advice in carrying out feasibility studies that precede actual investment".[1] This is fair and good if the clients can come forward to its "stand" with sufficient projects. But one of the main bottlenecks in Nigeria's development is the lack of market and feasibility studies. If the NIDB can prepare these studies, it would then be easier to interest prospective investors in the development of these projects and this would enable it to attract more investment.

Secondly the NIDB does not set up projects on its own; and the reason is that "to investment its resources in a few large projects would negate the ends for which the Bank is set up".[2] It rather participates in preparing and financing the projects. If the NIDB takes the initiative to formulate, initiate, and develop the projects, it would then be easier to sell them to prospective foreign and indigenous entrepreneurs when the projects have been successful. The proceeds will then be used to establish other projects which, when successful, would again be sold to prospective investors. In this way, the impact of the Bank in attracting and channelling investment to Nigerian manufacturing

1. NIDB: Explanatory Memorandum and Guide to Applicants, Lagos, no date. pp.4-6.
2. Nigerian Trade Journal July/Sept. 1964.

would be greater.

The two modifications in the NIDB's technique envisaged above are not unusual. Similar institutions in other countries undertake them. For instance, the Industrial Development Bank of India undertakes "market research and surveys, techno-economic studies, planning, promoting, and developing new industries to fill the gaps in the country's industrial structure".[1] If the NIDB takes similar measures to fill the gaps in Nigerian industrial structure, the prospects for attracting more foreign and domestic capital to Nigerian manufacturing would be considerably improved.

Thirdly, the NI DB only finances "enterprises which, by reason of their size, will make a significant contribution" to the Nigerian economy, and it does not finance small scale industry. Size and significant contribution were not, of course, defined; nor is there any standard definition of small industries.[2] If small-scale industries mean those employing between 10 and under 50 persons per establishment, then their 'significance' in Nigeria is that they constitute about 60% of Nigerian manufacturing establishments.

It was recently pointed out that "in the context of African countries with chronic shortage of capital, on the one hand, and insistent demands from several sectors, on the other hand ... small industries appear to offer a good solution to the problems". Although

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1. G.O. Nwankwo: Monetary Problems and Monetary Policy in India since Independence - an unpublished thesis submitted in partial fulfilment of the Master's Degree of the University of London, May 1965. p146

2. Development of Small-Scale Industry in Africa: UN.ECA: Sumposium on Industrial Development in Africa, Cairo, Jan 27 1966 p.1. Ghana

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this view may have been over-stated, the following states the obvious "small industries are an excellent primary school in industry and a stepping stone in the process of evolution of the African entrepreneur to become owner and manager of large enterprises. It should be emphasised that successful small-scale enterprises are an economic asset to every African country".[1]

In the light of the above observation, by excluding small-scale industries from its sphere of operation, the NIDB excluded a sector that is likely to make the most significant contribution to Nigeria's development. This would not have mattered much if there were a separate institution specifically charged with promoting and assisting the development of small industries in Nigeria. But there is no such institution. Yet it is in the small industries sector that the lack of capital and expertise is greatest in Nigeria. The NIDB is an institution through which such international institution as the World Bank, the International Development Association and other foreign commercial banking and insurance institutions invest in Nigerian

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reference 2 continued:

considers as small scale establishments employing less than 9 persons; less than 20 for Sudan; less than 50 for UAR and the Cairo Symposium adopted as small scale those employing less than 100 persons.

1. Ibid, p.12.

manufacturing . As we pointed out above, this investment is either by taking up shares in the projects or through loans. If the NIDB can include the small industries in its operations, this would broaden the projects that the Bank would be able to finance and therefore be an additional inducement to attract more foreign capital to Nigerian manufacturing.

In conclusion it will be seen that if the NIDB can take the initiative to formulate projects and interest prospective foreign investors; if it can develop projects on its own, and when successful sell them to the public; and if it includes small industries in its operation then its prospects for attracting more foreign capital to Nigerian manufacturing would be considerably improved.

The Commonwealth Development Corporation[1]

Although the Commonwealth Development Corporation (CDC) is a public Corporation established under the Overseas Resources Development Act (U.K.), 1948, to assist the economic development of the then dependent territories of the Commonwealth with stipulated public funds,[2] it is such a powerful investor in the private sector and such a powerful

1. Until it changed its name in 1963, it was formerly known as the Colonial Development Corporation and was not allowed to operate in independent countries of the Commonwealth. As colonies gained independence, its area of operations was progressively contracted. Ghana was first to be hit by this requirement when she became independent in 1957, then followed Nigeria, 1960, and Sierra Leone in 1961, Southern Cameroons having separated from Nigeria, after a UN plebiscite, to join the Republic of the Cameroun. CDC's operations in West Africa were thus limited to Gambia, following these developments: it could continue to manage already established projects, but would not undertake fresh financial commitments, though it could act as consultants to the Governments concerned. By an Act in 1963, CDC was empowered to operate in the independent commonwealth countries, except, as under the original Act of 1948, the Old Dominions, India, Pakistan, and Ceylon, though it could operate in these areas as managing agents and consultants. 2. Over.

channel for foreign private investment that it qualifies for a separate and fairly detailed discussion. By the end of 1965 it had committed a total of about £133m in 134 projects in the various parts of the Commonwealth, of which £11m was committed in more than 14 projects in Nigeria. Indeed, the CDC appears to be the third single biggest foreign investor in the private sector in Nigeria after Shell BP and the United Africa Company Ltd. It is therefore worthwhile to discuss the CDC's operations as a channel of foreign private investment in Nigerian manufacturing.

The Operations of the Commonwealth Dev. Corporation

a. Type of Projects

The CDC provides supplementary finance to both the Commonwealth Development and Welfare Funds and private capital in the territories of its operation. It operates on commercial lines and has to pay its way "taking one year with another". It finances a wide range of projects in agriculture, factories, mining, manufacture, public utilities, transport and communications, housing, hotels, marketing, and engineering construction, but not welfare services such as buildings for public services, schools, colleges, or hospitals.[1] Table 7.13 illustrates the sectoral allocation of CDC's resources in 1951,1959 and 1965.

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2. Originally the CDC was empowered to borrow up to £10m in short-term and £100m in long-term loans from the UK Treasury. This was increased by £50m long-term loans in 1957 of which £150m, £130m could be outstanding at any one time.

1. CDC: Partners in Development, Finance Plus Management, London, no date, p.1.

The table shows that primary production accounted for 57% of the total allocation in 1951, and for 43% in 1959. Public utilities came second with 30% in 1951 and 45% in 1959. Commerce and Industry accounted for the least with 12% in 1951 and 12% in 1959. This pattern of investment results from the CDC's primary purpose which was to stimulate the production of primary products for export in the colonies. In general, the CDC "aimed at selecting the projects which show promise of either earning or saving dollars in the interest of the territory itself and the Sterling Area as a whole".[1] In particular, "the policy was to discourage production for the internal market unless costs for such production would be less than the cost of import, or the advantages greater or that the production would supply a market for which imports do not exist or are not available".[2] This policy precluded high cost import/substitute manufacture and largely explains the low rating of commerce and industry in CDC's investment allocation.

Emphasis on primary production seems to have been substantially modified since 1959: this is evident in the reversal of priorities in the allocation schedule. Thus in 1965 public utilities accounted for the biggest quota, 53% of the total allocation, and thus maintained the lead it took since 1959. Primary production at 21% was the least in the allocation. On the other hand, the share of trade and industry more than

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1. CDC: Annual Report, 1949, p.10.
2. Ibid.

doubled from its 1951 and 1959 levels of 12% to 26% in 1965. This reversal of policy was neither acknowledged nor explained by the CDC.

b. Territorial Operations

The CDC operates in six overseas regions of the Commonwealth - in the Caribbean, Far East, East Africa, Central Africa, Southern Africa, and West Africa. Table 7.14 summarises its operations in these areas. It shows that the CDC's total commitments in these areas increased from about £34m in 1951 through £96m in 1959, and at £133m in 1965, were three times their 1951 level. Central Africa accounted for the highest amount of investment throughout the period; it accounted for 28% in 1951, 22% in 1959, and 21% in 1965. The Far East came second with 25% in 1951, 20% in 1959, and 18% in 1965. In terms of number of projects, East Africa received the biggest number, 44 or a third of the 134 projects in all the regions in 1965, followed by 23 for the Caribbean and 25 for the Far East and 19 for West Africa. Throughout the period, West Africa received the lowest proportion of investment which was 12% in 1951, 10% in 1959, and 11% in 1965.[1] Indeed, it was only by 1959 that the total commitment in West Africa approached £10m: even then the percentage

1. CDC supplements rather than supplants other sources of capital such as public funds and private capital. When projects are proposed, its main consideration, apart from profitability, is why it could not be financed from other sources; and acceptable reasons may be that the CDC's management or name is required, perhaps to encourage other foreign investors or that profits are too low to interest them. Other consideration is the effect of the investment on the region's overall development; for instance it finances hotels where tourist industry necessitates it or as temporary residence for prospective foreign investors. See British Aid-5 Colonial Development, Overseas Development Institute, 1964 pp.47-48.

of the total that was disbursed by that date was only 28% compared with the percentage of total commitments that were disbursed in other regions which ranged from 41% in Central Africa to 97% in East Africa. West Africa is the only region where total disbursements by 1959 were less than total commitments in 1951. There is no official explanation for this imbalance; and it will be difficult to attempt any detailed explanation without studying CDC's operations in detail in all the regions (which is outside the scope of the present study). A general explanation is, however, attempted below and since this ties closely with the CDC's operations in Nigeria, it is discussed in that context.

III

C.D.C.'s Operations in Nigeria

One explanation seems to be that the CDC's operations in West Africa were almost synonymous with its operations in Nigeria. Table 7.14 shows that Nigeria accounted for 73% of the total commitments in West Africa in 1951, 92% in 1959, and 76% in 1965. She accounted for 15 of the 18 projects in 1959, and for 14 of the 19 in 1965. This predominance is partly due to Nigeria's great size and resources, and partly due to low absorptive capacity of Sierra Leone[1] and Gambia and of an apparently unfavourable attitude of the Ghana Government towards foreign investment.[2]

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1. For instance, Sierra Leone Investments Ltd, a local development company jointly owned by the CDC and Sierra Leone Government was closed down because it was unable to attract sufficient business to warrant its continued existence. It ceased operations in 1965 and the CDC manager was withdrawn. See CDC. Finance Plus Management: West Africa Region, London, no date, p.10.
2. By 31st March, 1965, CDC had only one engineering project with approved investment of £77,500 - Stirling Astaldi (Ghana) Ltd. The reason given by CDC was "Government policies discouraging overseas investment in recent years". CDC: Finance Plus Management op.cit. p.9.

A second explanation is suggested in the CDC's statutory prohibition from operating in independent countries of the Commonwealth until 1963. Since Ghana, Nigeria, and Sierra Leone achieved independence, in 1957, 1960, and 1961 in that order, earlier than the East and Central African territories and the Caribbean, this prohibition obviously affected West Africa much earlier and longer than these other countries and this may help to explain the imbalance between CDC's investment in these countries and in West Africa.

A more convincing explanation, however, appears to be the nature of the projects undertaken in the various regions. These fall under three main groups, public utilities, primary production, and commerce and industry. Table 7.15 shows that, with the exception of the £1.25m loan for land reclamation to the Lagos Executive Development Board, the CDC made no public utility investment in Nigeria. Since public utility undertakings are generally capital intensive, their absence in CDC's West Africa projects and their inclusion in the projects of the other regions, largely explains the overwhelming imbalance in investment allocation. For instance a single loan of £7.1m to the Central Electricity Board of the States of Malaya[1] is about 70% of all the sanctioned commitments in West Africa in 1965; while the CDC's loan of £15m to the Central African Power Corporation for the Kariba Dam[2] is 50% higher than the £10m total commitments in 19 projects in West Africa by 1965.

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1. CDC. Annual Report, 1964, p.58.
2. Ibid. p.88.

In the primary production sector, CDC's operations in West Africa were apparently limited by the customary and legal prohibitions against alienation of land for estate or plantation agriculture unless under African labour and peasant settlement schemes. The Calaro Oil Palm Estate in Eastern Nigeria illustrates this. This was a proposal for a tripartite partnership between the CDC, the Eastern Region Production Development Board, and a European plantation interest for a 1,000 acre oil palm estate at Calaro in which the CDC was to own 51% interest. After arrangements had been nearly completed, it was abandoned after a Government motion passed in the Eastern House of Assembly was carried to the effect that "no European firm should own estates in this country".[1] This did not rule out plantation agriculture in Nigeria; but it had to be under a peasant settlement scheme. But the CDC's experiement with this scheme in the Niger Agricultural Project was a failure. The project was established in 1949, but was abandoned in 1954 by the CDC after it had accumulated a loss of £123,494.[2] In contrast, European plantation agriculture was allowed in all the other regions, with the exception of Uganda.[3] Its virtual prohibition in West Africa and the unsuccessful

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1. Eastern House of Assembly: Debates, August, 1952. The CDC, of course owned 50.4% interest in the Omo Sawmills in Western Nigeria. Besides, the UAC Ltd had "experimental" plantations for oil palm. Nevertheless the opposition to European plantation system was very real. See W.K. Hancock (below) for a discussion of Unilever's futile attempts to secure plantation concessions in West Africa. The CDC now has a £0.9m commitment in the £1.77m plantation and small holder project in Eastern Nigeria. This, however, is largely based on peasant settlement.
2. CDC: Annual Report, 1954, p.48.
3. See W.K. Hancock: Survey of British Commonwealth Affairs, Vol.11, part II, Section III.

experiments with peasant settlement plantation schemes explains the insignificant proportion of primary production in CDC's investment schedule in West Africa and again helps to explain the disparity in total allocation between West Africa and other regions.

Table 7.15 shows that the greater part of CDC's investment in Nigeria is industrial and financial. However the first industrial investment was in the Nkalagu Cement Industry, in 1957, three years after the introduction of the Federal Constitution in 1954, and after the East and the West had acquired internal self rule in 1957. Thereafter, other investments followed, either directly through the CDC itself, or indirectly through some finance or development companies in which the CDC is an equal partner. Before discussing these other investments, however, it is necessary to examine the reasons for the absence of industrial investment by the CDC before 1957.

Two factors may be offered in explanation. One is government policy before 1952 against establishing modern manufacturing; and the other is the CDC's declared policy against high cost import substitute manufacture. The prohibitive effect of government policy up to 1954 was explained at length in chapter One. These two factors are obviously related, the one reinforcing the other; and their combined effect is that until they were reversed or modified as a result of political and other changes, the CDC could not invest in manufacturing in Nigeria because "no project is undertaken without the assurance of the territorial government concerned that they want it".[1] At least, two projects were

1. CDC. Teaching Notes For the Wall Chart on the CDC, London, no date p.3.

investigated and dropped by the CDC before 1954. The reasons for dropping them obviously tend to support or were evidence of the operation of the above two interacting factors. It is therefore necessary to examine these projects more closely. One was a project for groundnut processing and the other for sack manufacturing.

The possibilities for large scale groundnut processing in Nigeria were discussed by the CDC and the Nigerian Government in 1948 as a result of which it was agreed to appoint an expert to study the project. The CDC later withdrew, and the Nigerian Government, proceeding alone, appointed Mr J.C. Gardiner, a Chartered Accountant, to study the project. I asked the CDC why it withdrew from the project and the following was the reply: "As to the investigation into groundnut processing, this was one of several schemes with which the CDC decided not to proceed after initial investigations. CDC comment at the time in reference to a number of development projects was that the financing of such activities was particularly difficult for an outside corporation to operate unless substantial local participation and/or commercial partners could be found".[1]

An additional reason seems to be the attitude of the government towards the groundnut processing industry in Nigeria. We showed in Chapter One that between 1942/48 the government banned local processing of groundnuts in Nigeria; and up to 1954, it restricted the expansion of the industry. Since the CDC had to get approval from the government, it must have considered that the time was not opportune for such application.

1. CDC: Letter dated 3rd Nov, 1966.

The second industrial project was a joint cotton spinning and sack manufacturing project for which the Nigerian Fibre Industries Ltd was formed in 1949 by the CDC and the Cotton and Cocoa Marketing Boards. The intention was to use Indian and Pakistani Jute for the manufacturing process, but the steep rise in jute prices in 1950 made it clear that a factory using imported jutes would run at a loss. An "independent" expert investigation later recommended that the sack factory be replanned and the spinning project dropped.[1] A revised scheme for a sack factory was eventually dropped partly because another investigation found that, as a result of a steep fall in world jute prices, it was cheaper to import complete jute sacks than to manufacture them locally. It was because of these cost considerations that the CDC abandoned the project.

The CDC did not give details why the expert investigation recommended that the cotton spinning project be dropped. During this period, textile imports were the biggest single import item in Nigeria accounting for about a third of her total imports. It seems, however, that the reason for abandoning the project was because it was cheaper to import than to manufacture textiles in Nigeria at that time. This seems to be suggested in the CDC's statement that projects for textile manufacturing were abandoned because of the fear of Japanese competition since import duties were advalorem and therefore did not give adequate protection for local manufacturing.

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1. Ibid.

It is thus seen that cost considerations, unfavourable government attitude, and absence of tariff protection were responsible for the dropping of the textile, sack, and groundnut processing projects investigated by the CDC before 1957. This was in accordance with its policy against high cost import substitute manufacture if it was cheaper to import than to manufacture the goods locally.

By 1957, however, the position had begun to change. There was a determination on the part of the Nigerian governments to industrialise rapidly and tax and tariff concessions were available to make realistic projects which otherwise would not have been undertaken. The first industrial project undertaken by the CDC in Nigeria was the Nkalagu cement project. As we showed in chapter two, this project would not have been possible but for active encouragement and participation by the Nigerian governments.

In 1958 the CDC expressed a concern that many projects had not already been started. The "failure", the CDC complained, "to finalise even one new project in Nigeria which has by far the largest population and potential for development of all territories, was a special and sore disappointment".[1] It blamed this to government intransigence. The CDC continued: "schemes for joint development companies in association with regional governments were held up despite their importance as a sharing responsibility for investigating and launching new projects. Regional governments and other local authorities were hard to bring to decision".[2]

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1. CDC: Annual Report 1958, p.64.
2. Ibid.

One of the reasons for this anxiety was that independence was drawing near and "there.....may be many schemes still in the air when the CDC is shut out",[1] since after independence, it could no longer operate in Nigeria under a statutory prohibition which was lifted in 1963. The CDC therefore was anxious to set up as many projects as possible before it would be shut out by independence in 1960.[2]

One of the devices to meet this contingency was to formulate with the various Governments in 1959 some pattern of development companies. On the federal level the ICON was formed on 17th October 1959; this was later reorganised as the NIDB. In the Northern region, Northern Developments Investments Ltd, was formed on 9th September, 1957; and the Industrial and Agricultural Company Ltd, in the Eastern Region on 13th October, 1959. None was formed for the Western Region probably because the Western Region Government already had a finance corporation of its own.[3]

Northern Nigeria Investments Ltd.

The Northern Developments Nigeria Ltd was established in 1959 after Lord Leith (TheChairman of the CDC) visited the North in 1958 and held discussions with the Northern Region Government on launching "A company to promote commercial development projects within the region where so far they (the CDC) have done so little so far".

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1. Ibid.
2. The writer asked an official of the CDC whether any special reasons could explain Government's intransigence. "No definite reasons", he said, "experience shows that in other colonies when independence date has been fixed, but not yet granted, colonial civil servants are reluctant to make any firm decisions or contracts about the prospective independent country while business men and indigenous civil servants stand on the fence awaiting the transfer of power.
3. The East established a financial corporation in 1957. After a year's operation it was merged with the EMDC.

The initially authorised share capital of 1.25 million was subscribed 60% by the CDC and 40% by NRDC. An interest free loan of £25,000 was made by the Northern Region Governments towards administrative expenses.[1] In 1963 the issued capital was raised to 3.6m fully paid and a loan capital of £594,000 both held equally by the CDC and NNDC and the name was changed to Northern Nigeria Investment Ltd. To implement the capital expansion scheme, investments in 11 projects valued at £1,796,995, were transferred by the NNDC to NNIL in 1964 and CDC subscribed £1152,500 in cash for investment in 8 projects.[2]

The Industrial and Agricultural Co.Ltd., was established with an initial capital of £286,000, later increased to £1,036,000, and originally held 68% by CDC and 32% by ENDC. In 1965, ordinary shares were raised to £2.036m made up of £2m equally held by the CDC and the Eastern Nigeria Government. The latter however retains a majority interest by owning the balance of £36,000 deferred shares.[3] As part of the expansion arrangements the company's name was changed to Development Finance Company (Eastern Nigeria) Ltd. Thus the CDC owns 50% interest in both the NNIL Ltd. and the DPC(EN) Ltd. The CDC's local agent (Commonwealth Development Corporation West Africa Ltd.) was appointed managing agents for both companies.

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1. CDC Annual Report, 1960, p.101.
2. CDC Annual Report 1964, p.118.
3. CDC Annual Report, 1965, p.105.

The Development Companies were designed to promote and assist the economic development of the East and the North by investigating, initiating, and supporting commercial schemes in industry and agriculture. The CDC's main industrial effort has been channelled through these development companies. With the CDC as a partner, and a managing agent they are able to draw not only on CDC's Lagos and London services, they are also enabled to be a powerful channel of foreign private investments into Nigeria through CDC's contacts with commerce, industry, and international financial agencies. Indeed the 'potential' pull of resources, enterprise and expertise through this arrangement cannot be exaggerated for the CDC is in association with the West German Government's and Netherlands Governments' Development Agencies, the World Bank, IFC, CDFC, and the leading Banks, Insurance and Commercial Companies from Australia, Britain, Canada, Holland, New Zealand, South Africa and the U.S.A.

By the end of 1965, the Development Finance Co.(Eastern Nigeria) Ltd had invested or committed to invest £1,396m in various projects. For NNIL it was £4.643m by the same date. Table 7.16 shows also the importance of these development companies as channels of foreign investments. Of the total capital of £14,307m involved in NNIL projects 75% came from foreign sources and 25% came from Nigerian private and public sources. For DFC (E.N.) Ltd, 84% of the £6.2m total investments came from foreign sources and only 16% from Nigerian private and public sources. NNIL projects numbering about 27 at the end of 1965 cover such fields as textiles, cigarette and food manufacture, commercial, housing, metal manufacture, tanneries, and others. At 31st December, 1965, DFC (E.N.) Ltd had 14 projects which included textiles, basic metal industries, logging and

manufacture of wood products, vehicle assembly and distribution, civil engineering and other manufacturing and agricultural projects.

2 The Lagos Stock Exchange.

A. The need for a stock exchange

Two courses are open to the entrepreneur who decides to invest. He can either seek the capital from resources within the business or its associates or he utilises the savings of others outside the business through issuing shares or securing loans. As we have shown above, 69% of foreign private investment in Nigeria between 1961-64 was channelled through resources within the business or its associates, in the form of retained earnings, and suppliers' and other credits from associates. With most joint stock companies, however, an issue of shares becomes desirable sooner or later not only to secure new capital but also - and what may perhaps be more important in the long run - to associate the public with their ownership. "The time has come for developments in this direction in countries of tropical Africa and the need now is to bring local people into the ownership of local concerns".[1] It is at this point at which investment capital comes to be sought from the investing public outside the business rather than from inside that the need arises for a capital market or stock exchange.[2]

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1. Finance Plus Management op.cit. p.2.
2. Statistical and Economic Review, UAC Ltd, June 1962 p.3.

A capital market, of which its stock exchange is the real 'market place' is a market in titles to productive assets-stocks and shares. By providing for the buying and selling of these assets, it serves as its main function to reduce the risks attendant upon capital investment, especially the risk of illiquidity. The more easily stocks and shares can be bought and sold, the more predictable, and in general, the steadier will be their price and the more willing, - other things being equal - will investors be to risk their capital in dealing in them. A stock exchange in these circumstances, therefore, would make it possible for enterprises to raise, or dispose of additional capital on more economic terms. It thus introduces an element of flexibility in capital management.

A stock exchange properly arises in response to the above needs, viz, the need for dealing in stocks and shares; but it also arises in response to a need, which at a certain stage in the development of share dealing becomes evident, for an organisation to help protect the public (over and above the available legal protection) against a misuse of the funds committed to investment. Working through its controlling council or committee, a stock exchange, like the London Stock Exchange, serves to provide such a protective organisation, without which the full growth potential of a market in stocks and shares could not be realised. Not only does it regulate the conduct of its members, it carefully vets the shares of all companies that it permits to be quoted on its official list, so as to ensure, within the limits of practicability, against the offering of shares being used as a device for securing money under false

pretences. A stock exchange therefore is both a market for dealing in securities and also an institution designed, as far as practicable, within the legal context, to protect the investor against all but the genuine demand and supply hazards of a free securities market.

The Lagos Stock Exchange

It is such needs as the above, in particular, the need for an institution to mobilise public and private savings, to make these savings available to business and the government through stocks and shares and to protect the public from shady practices in quoted securities, that induced the Federal Government of Nigeria, in May 1958, to appoint a committee under the chairmanship of Professor R.H. Barback to consider ways and means of promoting a stock market in Nigeria. The committee's report, published in 1959,[1] recommended the creation of facilities for dealing in shares, the establishment of rules regulating transfers, the reduction or elimination of stamp duties on transfers and the elimination of tax deduction at source including measures to encourage savings and issue of securities by the government and other organisations. The result of these recommendations was the establishment of the Lagos Stock Exchange on June 5, 1961, under the Lagos Stock Exchange Act of preceding May. The business on the Exchange is regulated by a Stock Exchange Council (incorporated on Sept.15, 1960) on which are represented the three firms of stockbrokers at present dealing in the exchange, two Lagos finance houses, and five leading Nigerian businessmen.[2] With effect from the beginning of 1965 an

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1. Report of the Committee Appointed to Advise on Ways and Means of Fostering a Share Market in Nigeria, Government Printer, Lagos, 1959.
2. The United Africa Co Ltd, Statistical and Econ. Review, op.cit. pp.11-13.

arrangement was made whereby the Exchange is managed by a committee of three members, one of which is the General Manager of the Nigerian Industrial Development Bank.[1]

The importance of the Lagos Stock Exchange as a channel of foreign private investment in Nigerian manufacturing lies on two grounds. First it facilitates dealings in government stocks. To the extent that this provides the governments with funds to participate with foreign investors in establishing industrial projects, the Exchange indirectly facilitates foreign investment in Nigerian manufacturing.

Secondly the Exchange is a channel through which the foreign investors offer their shares to the Nigerian public to associate Nigerians with the ownership of their projects and thereby qualify for privileges under the Aid to Pioneer Industries Ordinance. Transactions on the Exchange since its inception in 1961 to the end of 1965 are summarised in Tables 7.17 and 7.18. By the end of 1964, the total

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1. Nigerian Industrial Development Bank Annual Report, 1964, p.10.

2. Statistical and Economic Review, UAC Ltd, June 1962, p.3.

3. A capital market in its full sense can include a number of institutions including a stock exchange, issuing and discounting houses, and investment and unit trusts. We here are concerned only with the stock exchange where the values of shares are determined impersonally through the price mechanism and risks minimised to a degree that facilitates dealing by those best equipped for the business.

number of stocks listed on the Exchange was 40, after quotations were given to eleven stocks,[1] in that year. They show that, although there were only 334 transactions amounting to nearly £0.8m, in 1961, there were 3743 transactions amounting to £23.2m by the end of 1965, 36% or 1358 of the total transactions were in government stock. On the other hand, although there were 242 transactions in industrial stocks in 1961, by 1965 there were 2,385. The value of government stocks has, however, been considerably greater, for although the number of transactions in government stock by the end of 1965 was only 36% of the total, the value was £21m or 90% of the £23m of all the transactions. Nevertheless both classes of securities had recorded considerable growth both in number of transactions and in value.

Dealings in government securities had been encouraged by the stimulating effect of Government policy. Under the Income Tax Management Act, no.21 of 1961, existing pension and provident funds were required to invest at least one-third of their funds in Nigerian Government stocks at the penalty of forfeiting valuable tax concessions. Pension and Provident fund established after 1961 were required under the Act to invest half of their funds in these stocks. Under the Insurance (Miscellaneous Provisions) Act, 1964, insurance companies operating in Nigeria were required to invest locally at least two-fifths of premia received on insured local risks in any financial year. The Act also stipulated that by 1st April 1966, investments of insurance companies

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1. Rededication Budget, Government Printer, Lagos, 1965, p.7.

in Nigeria must not be less than the value of funds covering endowment assurance policies as from 31st March, 1962. The Act further required that at least 25% of local investments by insurance companies must be in government securities. These proportions, of course, were not meant to be the minimum to be invested and it was expected that they would be exceeded by handsome margins and that, in particular, at the earliest opportunity the institutions would ensure that their assets in Nigerian securities at least would equal their liabilities in Nigeria.[1] Another stimulating factor is the activities of the government broker who buys and sells these securities at par, that is, at 100, plus or minus accrued interest. In this way the investor is enabled to obtain a long-term rate of interest on what, in effect, is short term investment.

Dealings in industrial stocks were stimulated, on the one hand, by the desire of foreign investors to associate Nigerians in the ownership of their business partly in order to qualify for benefits under the Pioneer Industries Act which stipulates, that at least 10% of the stock must be Nigerian-held; and on the other, by the activities of the Nigerian Industrial Development Bank and its new issues subsidiary, Icon Securities Ltd. These institutions encourage companies to seek stock exchange quotation, and offer from their portfolio the stocks of companies that have passed initial difficulties and been successful. These were designed not only to increase the number of industrial stocks on sale but also to broaden share ownership in the country.

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1. Six Budget Speeches op.cit. p.87.

These developments encouraged new issues in the Exchange. The first public issue in Nigeria was the Nigerian Cement Company's £0.2m shares in 1959 followed by £0.1m by the Nigerian Tobacco Company Ltd in 1960. These were both oversubscribed. Other issues followed but in 1964 the only shares offered through the Exchange were the £1m issues of Nigerian Tobacco Company which was oversubscribed by £220,000. In 1965, Iconsec put out two new issues. One was the issue of the debentures by the Textile Printers of Nigeria Ltd amounting to £1.3m and the other an offer of £0.6m ordinary stock of Guiness (Nigeria) Ltd. Both were oversubscribed by 300%.[1] The Textile Printers issues were the first time that a Debenture Stock wholly denominated in Nigerian currency was issued. The whole stock was fully taken up and this represented an important change from the other issues which had previously been made. "The fact that the stock was denominated in Nigerian currency without any sterling cover is a sign that the capital market is gradually developing on its own and is a mark of confidence not only in the capital market but also in the Nigerian currency."[2]

Despite the above developments, the Central Bank states that public demand for industrial securities has been limited and this, in turn, has limited the willingness of the companies to seek quotation on the Exchange.[2a] It attributes this to the fact that the Nigerian public has not yet become accustomed to investment in stocks and shares, that the volume of personal savings is small and that those who have investible

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1. CBN: Annual Report 19.
2. NIDB. Annual Report, 1965 p.11.
2a C.B.N. Annual Report, 1963 p.33.

funds find alternative higher yielding investment outlets outside the Exchange.[1] There is no doubt that personal savings are limited or that higher yielding investment outlets exist outside the Exchange. But the oversubscriptions of the issues that have been made through the Exchange does not indicate a lack of public demand for industrial securities; on the contrary, it indicates unsatisfied demand for such securities. However, details are not published about the holders of the stocks; and it may well be that the oversubscriptions came from institutional investors or that only the issues that have been oversubscribed have been publicised. But until details are available, the oversubscriptions may be taken to indicate unsatisfied rather than a lack of public demand for industrial stocks.

The limited willingness of companies to seek quotation on the Exchange seems to be political. Most industrial projects of any significance were established in partnership with the Nigerian governments or their development corporations and it is the declared policy of the governments to offer the government holdings to the public at appropriate periods. However, because of strong regional competition, the governments hesitate to offer these shares through the Exchange for fear that they might be bought up by the indigenes of rival regions. The result has often been private dealings in these shares so as to retain ownership within the regions. The following statement illustrates this tendency.[2]

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2. Report of the 4th Conference of Leading Personalities of Eastern Nigeria Origin Dec. 1963 Official Document no 28 1964, p.4.

1. CBN. Annual Report, 1964, p.54.

"The Government would have introduced the projects to the Stock Exchange which is the normal medium for raising new capital for companies and loans for governments and public authorities. But because the Government would like these shares to remain with our people, we are making the first offer of participation to you. We will not go to the Stock Exchange without first giving you the first opportunity of participation in this alliance for progress".[1] Given the desire to retain ownership, it is very unlikely that the Exchange would be used if the first opportunity is not utilised. The odds are that, in such cases, second and subsequent opportunities would continue to be given as an excuse for not going through the Stock Exchange.

This political factor means that the public is not given the full opportunity to become familiar with the mechanism of the Stock Exchange and, added to the general scarcity of funds, limits the scope of the Exchange as a channel of investment. As a result "business enterprises in Nigeria have, therefore, had to depend to a large extent on their internal resources, overseas capital and increasingly on credits from local commercial banks not only for short-term operating funds, but also for long-term funds".[2]

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2. CBN Annual Report, 1964, p.54.

1. Ibid.

CHANNELS OF FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING

FINAL CONCLUSIONS

There are two main channels of foreign private investment in Nigeria. One is non-institutional through retained earnings, suppliers' credits and other liabilities with head office or foreign associates. Between 1961 and 1964, the years for which complete figures are available, this non-institutional channel accounted for 69% of total private investment in Nigeria. Retained profits accounted for 29%, suppliers' credits for 8%, and other foreign liabilities for 33%.

The other channel is institutional or external, that is, it passes through, or is derived from sources external to the business or its associates. This institutional channel is made up of the commercial banks, the Nigerian Industrial Development Bank Ltd, the Commonwealth Development Corporation, the Northern Nigeria Investments Ltd, and the Development Finance Company of Eastern Nigeria Ltd. The last two are equally owned by the CDC and the regional Governments.

The commercial banks, which are about 85% owned by non-Nigerians, are used mainly as sources of short-term working capital. During 1944/45 their deposits rose from £10m to £133m and their advances rose faster from £0.3m to £135m. To meet the increasing demand for advances they ran down their previously accumulated foreign assets which fell from 87% of total deposits in 1944 to 16% in 1965. In addition they imported a net capital of £9.2m over the period. Between 1958 and 1965 commercial banks' loans and advances amounted to £620m of which 38% went to general commerce, 24% to agriculture and 8% to manufacturing. The resources of

the commercial banks are strained by heavy loan demands. This is illustrated in their high loan deposit ratios which were 110% for the indigenous banks and 86% for the expatriate banks, and 91% for all the banks at the end of 1965 (see Tables 7.19-7.21). The bank's continued ability to satisfy loan demands depends on their ability to attract further cash, both internally and externally and on the ability and willingness of the central bank to expand further credit to the economy through deficit financing, with their inflationary and balance of payments implications.

The NIDB has a great potential as a channel of foreign private investment in Nigeria. Within the period of less than three years of its operation since 1964, it made 40 loan and equity investments totalling £3.2m in projects with a total share capital of £3.6m. 65% of the loan and equity investments came from foreign sources and 35% from indigenous sources. The NIDB's ability to attract further finance can be improved if it includes small scale industries in its operations; if it undertakes feasibility studies and interests prospective investors and if it develops projects to be eventually sold to the public when they have been successful and the proceeds used for developing other projects which would eventually be similarly sold, and so on.

Though a public institution, the CDC is a powerful channel of foreign private investment in selected Commonwealth countries. Nigeria, along with the whole of Commonwealth West Africa, has so far received the lowest allocation of its investment. The reasons for this were discussed in the text. Operating through its two industrial finance

agencies which it owns equally with the Northern and the Eastern Region Governments, the CDC is likely to be a greater force in the industrialisation of the country than hitherto.

The Lagos Stock Exchange is used by foreign firms as a channel for associating Nigerians in the ownership of their projects. Its scope for this, however, is limited by the general lack of capital in the country and more particularly by the reluctance of regional governments to offer the shares of the companies in which they participate through the Exchange for fear that they would be bought up by indigenes of rival regions.

CHAPTER EIGHT

CONTRIBUTION OF FOREIGN PRIVATE MANUFACTURING INVESTMENT SUMMARY AND CONCLUSIONS

INTRODUCTION

Section two of this chapter summarises the main findings of this study and section three sets out the main defects in Nigeria's industrial strategy which have limited both the amount and contribution of foreign private investment in Nigerian manufacturing. We begin in the following section to analyse the main contributions of foreign private investment in Nigerian manufacturing to Nigeria's economic development.

SECTION ONE & TWO

CONTRIBUTION OF FOREIGN PRIVATE INVESTMENT IN NIGERIAN MANUFACTURING TO NIGERIA'S ECONOMIC DEVELOPMENT

Unfortunately information on this aspect of the study is very scanty. This is probably because industrialisation is very recent in Nigeria and emphasis has so far been placed more on how to assist the projects to stand on their feet than on what they have contributed. Nevertheless it is proposed here to examine, with such information as is available, the main contribution of foreign manufacturing investment to Nigeria's economic development in the context of Nigeria's industrial objectives which is to raise Nigeria's standard of living. This is expected to be achieved through increasing the level of capital formation and through the establishment of industries to manufacture goods previously imported and to process Nigeria's raw materials before export, thereby providing more employment, and opportunities for Nigerians to acquire managerial experience and

technical skill. To achieve the above objectives, the National Development Plan, 1962/68, relies on foreign capital and expertise to the extent that 50 per cent of the Plan's capital expenditure is expected to come from foreign sources to finance half the capital formation in the public and private sectors of the economy.

Contribution to Capital Formation

The National Development Plan, 1962/68, budgeted for a total capital formation of £1183.3m over the Plan period, of which £793.8m was expected to be undertaken by the Government, and £389.5m by the private sector. The private sector's share works out at about £65m p.a. and £33m of this was expected to come from foreign private sources and £32m from domestic indigenous sources; but the Plan did not attempt to allocate this investment to any specific economic sectors.

Table 8.1 shows that the Plan's assumption of the private sector's gross investment approximated the experiences in 1959 and 1960 when it was £63m and £66m respectively. In 1961 and 1962 it was £84m and £82m respectively. Throughout the five year period, however, foreign private investment was consistently lower than the Plan's assumption of £33m p.a. In fact, during the first year of the Plan, 1962/63, foreign private investment was about £18m. This means that the bulk of the private investment during the period came from private indigenous sources. Table 8.1 shows that foreign private investment fluctuated between 38 per cent of total gross private investment in 1959 and 22 per cent in 1962.

1962, however, was exceptional in the shortfall in foreign investment because of the net disinvestment in that year of £13.6m by U.K. investors in the trading and services sectors, and the switch by some companies from overseas sources of finance to the domestic banking system. Table 8.2 shows that in the subsequent three years to 1965, foreign private investment exceeded the Plan's assumption by very handsome margins. During the first four years of the Plan, 1962-1965, the net inflow of foreign private investment amounted to £177.5m. This is about £22.5m short of the £200m expected to come from foreign private sources over the six years of the plan period. Assuming the 1966 total of foreign private investment to equal the Plan target of £33m, then the £200m will have been exceeded within five of the six years of the Plan.

Thus although foreign private investment during 1958 to 1962 fell short of the Plan assumption of £33m annually during 1962-1968, this was exceeded with handsome margins during 1963-1965 when it was £38m, £63m and £59m respectively. Figures for gross private investment during these three years are not available; but if we assume the indigenous sector's gross investment to be constant at the 1962 level of £64m, then the percentage of foreign private investment to total gross private investment will be greater during the three years, 1963-1965 than in the previous years. As a percentage of total gross fixed investment in the economy, however, foreign private investment fluctuated between 6.9

per cent and 15 per cent during 1950/55, and between 12 per cent and 17.7 per cent during 1956/60, and averaged 12.8 per cent over the decade, 1950-1960.

Contribution to Gross Domestic Product

Between 1950 and 1962, Nigeria's Gross Domestic Product, at 1957 prices, increased by about 56 per cent from £688.7m to £1072.3m. This represents an annual growth rate of about 4½ per cent over the twelve years. During the same period, net annual foreign private capital inflow in Nigeria rose by about 7 times from £2.6m in 1950 to £17.7m in 1962. But we have shown that 1962 was exceptional for the net outflow of £13.6m from the trading sector of the economy. Annual private foreign capital inflow fluctuated between £19m in 1956 and £27m in 1961 and in 1964 was £63m. As a proportion of the Gross Domestic Product, however, foreign private capital inflows constituted only 0.4 per cent in 1950 and 0.7 per cent in 1953. For the rest of the years the proportion varied during 1956/62 between 1 per cent in 1952 and 2.6 per cent in 1959 and 2.9 per cent in 1961. Over the twelve years, it averaged about 1.6 per cent of the GDP.

The above proportions, however, considerably understate the significance of foreign private investment in the Nigerian economy. This can be seen in its true perspective when it is related to the contribution to Nigerian manufacturing. For instance, manufacturing in 1962 accounted for 3.5 per cent of Nigeria's GDP and for 3.4 per cent in 1961.

On the other hand, net inflows of foreign private capital accounted for 2.7 per cent of the GDP in 1961 and for 1.7 percent in 1962. Of course all the foreign private capital inflows did not go to manufacturing, but these proportions indicate that the contribution of net inflows of foreign private capital to the GDP is comparable with the contribution of manufacturing to the GDP.

The significance of foreign private investment in Nigerian manufacturing can also be measured in terms of its constribution to the value added by manufacturing in Nigeria. This is shown in Table 8.3. The foreign sector comprises all the sectors except timber, wood and paper products, printing and furniture, and clay, glass and cement products where more than 50 per cent of the total paid up capital is subscribed from foreign sources. This sector accounted for £45m or 82 per cent of the £54.9m value added by manufacturing in 1963. The indigenous sector, comprising the timber, wood products and clay and cement products accounted for only £9.8m or 18 per cent of the value added by manufacturing in that year. Thus although foreign private investment accounted for 12.8 per cent of the capital formation and 1.6 per cent of total GDP over the years 1950/60, it accounted for about 82 per cent of value added by manufacturing in 1963.

Wages and Salaries Paid by Foreign manufacturing firms

Another indication of the contribution of foreign private investment is wages and salaries paid by foreign manufacturing firms in Nigeria. Total industrial wages and salaries in Nigeria are summarised in Table 8.3 for 1963. It shows that total wages and salaries in all

the industrial sectors amounted to £13.3m in 1963, 20 per cent of which was accounted for by the timber, wood and paper products, rubber and rubber products sector and 17 per cent each by machinery and transport equipment, and food, beverages and tobacco sectors. It is not possible to specify how much exactly of these wages and salaries is attributable to foreign firms and how much to indigenous firms; it is obvious, however, that foreign proportion is considerably greater. For instance, the indigenous sectors, viz. timber, wood and paper products, printing and furniture, and in glass, cement, and clay products accounted for only 25 per cent of the total industrial wages and salaries, and the remaining sectors in which foreign investors hold controlling interest accounted for 75 per cent. Wages and salaries per employee are higher in three of these sectors at around £240 than the £230 in clay, cement and glass products sector, and in three of the remaining four sectors than the £161 in timber, wood and paper products sector.

The contribution of these wages and salaries to the economy follows the familiar multiplier process - higher incomes leading to higher savings, consumption and so on, limited by leakages in the form of foreign remittances and payments for imports, depending on the marginal propensity to consume and to import. The size of these propensities is not known for Nigeria but are likely to be high in view of Nigeria's generally low per capita incomes. However, to the extent that the consumer goods are manufactured in Nigeria, the propensity to import is likely to be relatively low since imports would be mainly limited to capital goods and raw materials.

Expenditure on goods and services by foreign firms

The same multiplier process will also obtain in respect of the expenditure of the foreign manufacturing firms on goods and services in Nigeria.[1] As Table 8.3 shows, this amounted to £14.3m in 1963. Again, the seven industrial sectors in which foreign investors have the controlling interest accounted for 75.2 per cent of the total. The leakages in this respect are considerably greater than the leakages from the expenditure on wages and salaries, and can be quantified as in Table 8.4. Great caution is needed in reading this Table as some of the expenditure figures were not disclosed for confidential reasons. Nevertheless, of the £14.3m total net capital expenditure of the 649 reporting firms, £8.4m or 59 per cent was expenditure on imports and £4.3m or 30 per cent was expenditure on local goods, such as land and buildings. Import expenditure here means expenditure on vehicles, machinery and equipment, which obviously are not yet manufactured in Nigeria. With this high proportion of imports, constituting about three-fifths of total net expenditure, it is obvious that the resulting multiplier effects of these expenditures is considerably reduced.

Contribution to Nigeria's Balance of Payments

Foreign private investment in Nigerian manufacturing is expected to contribute to Nigeria's economic development by improving her balance of payments through the local manufacture of some goods previously imported, through the processing of some of her raw materials before export, and by financing an uncovered gap in the 6 Year National

For footnote see p.406.

Development Plan. This section examines to what extent, if at all, this objective has been achieved.

1. The Local manufacture of goods previously imported

Nigeria's industrial objective is geared towards reducing her dependence on imports of certain essential goods by manufacturing them locally. At present, emphasis is on the local manufacture of basic consumer goods and some consumer durables which is preferred to the manufacture of heavy capital goods because of the combined impact of capital intensity, the large size of the market and the high skills required for an efficient operation of heavy industries.[1] As the consumer goods are manufactured locally, their imports would tend to fall. Table 8.7 shows that this has happened with the import of some products which are now locally manufactured in Nigeria. With 1960 as the base year, the import index for cement fell to 20 in 1965, to 77 for manufactured tobacco, 60 for rubber goods, 41 for enamel ware, 6 for beer, and 99 for textiles. But for increasing domestic production the index for textiles could have exceeded 100 in 1965.[2] In fact, import substitution manufacture has proceeded so much that there is a potential threat of overproduction in some cases.

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1. There is also a tax advantage. Foreign nationals and companies are easier to tax than indigenous nationals and companies; if the taxes are paid from earnings which otherwise would have been repatriated and if the Government invests them in successful capital projects, they help to increase the capital accumulation within the country.

2. Central Bank of Nigeria: Annual Report, 1965, p.24.

In the case of cement, local output as a proportion of total domestic consumption (defined as imports plus domestic output) has grown from about 21 per cent in 1960 to about 90 per cent in 1965.[1] Even then, actual production at the end of 1965 was about 270,000 tons short of potential domestic production, compared with a shortfall of 441,000 tons in 1964. With additional cement plants of various capacities at Sokoto (100,000 tons), Calabar (50,000 tons), and Ukpilla (150,000 tons), scheduled to commence production in 1966, it was estimated that the industry's capacity must have well exceeded 1.7m tons by the end of 1966, "Even if imports were prohibited, and the expected increase in consumption allowed for, the industry may still be left with excess capacity of close to 200,000 tons at current prices".[2]

The Table shows that the greatest fall in the import index since 1960 is in beer which fell from 100 in 1960 to 6 in 1965. Estimated domestic consumption of beer in 1965 was 12.8m gallons compared with 13.4m gallons in 1964 but the share of local production increased during 1965 by about 400,000 gallons while imports amounted to 377,000 gallons, compared with 1.6m gallons in 1964. Potential over production in beer is illustrated by the fact that in 1964 the industry operated with an excess capacity of 4.8m and 4.4m gallons in 1965.

The textile industry illustrates a case of actual or potential overproduction existing side by side with increasing imports. Domestic

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1. Ibid, p.25.
2. Ibid.

demand for and output of textile goods were estimated at 310m and 120m square yeard respectively in 1965. Thus domestic production supplied about 39 per cent of total domestic demand and imports accounted for 61 per cent. Since total plant capacity in 1965 was about 200m square yards, this indicates that aggregate plant capacity utilisation was only 60 per cent in the year. What accounts for this existence of excess capacity in the face of unsatisfied local demands ? The explanation lies in the limited lines of textile production in Nigeria. There has been an over-concentration in the production of some limited lines, such as bleached and unbleached cloth, and less on the production of high quality printed cloth. The former was very popular at low levels of income in Nigeria. However, with "rising incomes, Nigerians are becoming more quality conscious. It is a fact that better quality textile prints have been arriving in increasing yardage and variety since textile plants started production in Nigeria".[1] Rationalisation of the existing plants is necessary here to produce the type of cloth now in demand but presently satisfied from imports.

Other manufacturing industries have also witnessed some impressive advances, the most rapidly growing one being tobacco manufacturing. Production and sales rose by 11 per cent in the financial year ending 30th September 1965, compared with 8 per cent during the previous year. The British American Tobacco Company pioneered tobacco production in Nigeria

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1. Ibid

in 1933; but by 1965 Nigeria had five cigarette factories able to produce at least 80 per cent of her needs. Nigeria's demand for manufactured tobacco was estimated at 19,000 metric tons in 1963, and is practically certain to have increased, while her imports of manufactured tobacco which was 827 metric tons in 1963, were down to less than a third, 278 metric tons in 1965, owing to increasing production from local factories. Domestic production of rubber goods, including tyres, shoes and household goods have also increased rapidly in the past few years.

It is thus seen that import substitution has stimulated the production of many goods previously imported and that there already exists potential over-production in certain lines such as cement and beer and textiles. This is illustrated in the unutilised capacity which exists in some of these sectors.

2. The Processing of Raw Materials Before Export.

Nigeria's industrial objective also aims at increasing the country's export earnings by processing some of her raw products before export. Processing plants have been established by foreign private investors for groundnut processing and for timber and plywood. Recently petroleum refinery and cocoa and palm kernel processing plants were established in partnership with foreign private investors. The oil refinery is so far geared towards meeting Nigeria's requirements; and cocoa and palm kernel processing plants have only recently gone into production and no exports have resulted from the plants so far.

Table 8.6 shows Nigeria's exports of processed products. It shows that the value of the exports increased from about £15m in 1964 to £18m in 1965, representing about 6.8 per cent of Nigeria's total export earnings in 1965. The major component of the exports are groundnut oil and groundnut cake. All the exports come from processing plants which are wholly foreign owned. These include four Lenanese groundnut processing plants in the North, and the African Timber and Plywood Company at Sapele in the Mid-West.

As the other processing plants come into full production and as more plants are established, it is expected that exports of processed products would increase. However, the extent of the increases would depend on the competitive ability of the Nigerian plants to compete in price and quality with similar products in the export market.

Import Substitution, Exports and the Balance of Payments

To what extent have the local manufacture of goods previously imported, and the export of Nigeria's manufactured products contributed, or are likely to contribute, to her balance of payments ? The answer is that the scope for any substabtial contribution so far is considerably limited. Although the proportion of consumer goods imports has steadily fallen, total imports have risen from £115m in 1954 to £275.3m in 1965. At the same time, exports rose much more slowly from £146.2m to £263.3m during the same period, and the visible balance deteriorated from a favourable balance of £35.7m in 1954 to a deficit which was highest at £49m in 1961. Largely due to increased oil exports, it narrowed to £9m in 1965 (Table 8.7).

The above state of affairs is not, of course, peculiar to Nigeria. "The experience of all countries engaged in this policy has been that they are pretty soon confronted with a very acute balance of payments crisis. Imports rise; exports are stagnant, and they become increasingly dependent on foreign assistance".[1] At first sight this seems paradoxical because, after all, the substitution of home for imported manufactures should have improved, not worsened the balance of payments. What in fact happens is that the new industrial activity raises national and personal income inside the country; and this in turn raises the total demand for imports to such a level that it more than cancels the savings on manufactured imports achieved by the new industries.

Imports rise for three reasons: partly because the industrial machinery for construction has to be imported. As we saw from Table 4, 69 per cent of total net capital expenditure was spent on imports, mainly machinery and vehicles. Secondly, because raw materials and perhaps some industrial fuels have to be imported; and thirdly, because there is an import element in rising standards of living. These have all been demonstrated in the case of Nigeria. As import substitute manufacturing progressed, the imports of capital goods have risen from 22 per cent of total imports in 1960 to 31 per cent in 1965. During the same period, imports of raw materials rose from 17 per cent to 24 per cent. The

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1. Ronald Robinson (ed.): Industrialisation in Developing Countries, Cambridge University Overseas Study Committee, 1964, p.15.

result is that, as Table 8.8 shows, while imports of consumer goods fell from 81 per cent in 1954 to 45 per cent in 1965, that of capital goods rose from 19 per cent to 55 per cent during the same period. Thus rather than reduce the total volume of imports, local manufacturing has helped to increase it in Nigeria; while the proportion of consumer goods imports to total imports has fallen, that of capital goods imports has risen.

At the same time, as we have shown, exports have not expanded in proportion to imports, and the proportion of manufactured exports has remained very small at around 7 per cent. In addition, industrialisation is so recent in Nigeria that it will take quite some time in the future for industries to be firmly established in the domestic market before exploring and developing export markets for manufactures.

Foreign Capital and the Uncovered Gap in the Development Plan

The Government, of course, recognised that in the development process, imports would rise faster than exports and there would be an uncovered gap in the balance of payments. This gap was estimated at £480.5m over the National Development Plan period, 1962-1968. This gap was expected, under the Plan, to be financed from foreign resources with foreign aid contributing about £327m and foreign private capital £200m. As we showed in the previous section, although the annual foreign private capital inflow fell short of the Plan target in 1962, it recovered and exceeded it during the three years, 1963-1965.

As Table 8.9 shows, firm offers for foreign aid during the first two years of the Plan amounted to £171.7m or 53 per cent of the £327m expected over the Plan period. Under the Plan, foreign aid was expected to finance 50 per cent of total public expenditure. But as Table 8.10 shows, during the first two years of the Plan, it only financed 12.3 per cent of total public capital expenditure of about £150m. Foreign aid did not therefore fulfil the high hopes raised for it in the Plan. Several reasons were given for this shortfall of about 38 per cent. These include the fact that negotiations for foreign assistance for the Plan merely started with the adoption of the Plan in 1962; that it was difficult to obtain foreign aid for the 1955-60 projects carried forward under the plan; that executive capacity was limited; that some prepared projects could not attract aid because they did not satisfy lenders' specifications; that most donors would only finance the offshore costs of projects and would not release funds unless the domestic counterpart funds were forthcoming; and that most of the firm offers were tied to specific projects in the plan and could not be used to finance other projects no matter ~~what~~ their importance in the development strategy.[1]

The effect of the failure of foreign aid to fulfil the planned targets meant that although the annual inflow of foreign private investment exceeded the annual target from 1963 onwards, over all foreign

1. Central Bank of Nigeria: Annual Report, 1964, p.11.

capital did not meet the Plan's target. Since Nigeria pushed ahead with the Plan, she had to finance the resulting import deficit by running down her external reserves, which fell from £172.5m in 1960 to £86.8m in 1964. Thus, "The growing need for imports of capital goods for the execution of Plan projects and the shortfall in external finance have made it necessary for us to run down our external reserves in order to finance the deficit in our international transactions. The low level of reserves is now causing some concern and increasing attention is being given to ways and means of checking the downward trend in the level of our reserves".[1]

It would be wrong to conclude that foreign private investment has not contributed to easing Nigeria's balance of payments simply because local manufacturing has facilitated a rise in total imports while exports have not proportionately risen. Although total imports would not have risen as much as they did in the absence of local manufacturing, nevertheless foreign private capital inflows contributed to paying for these imports. Table 8.7 shows that net private foreign capital varied between 9 per cent of total imports in 1954 to about 25 per cent in 1964, and during 1954/65, it averaged about 14 per cent of total imports, and 16 per cent of total domestic export earnings. Thus although Nigeria's external reserves were drawn upon to supplement export earnings to pay for the imports, in the absence of foreign private capital inflows, the strain on the reserves would have been greater. Foreign private capital

1. National Plan, Progress Report, op.cit., p.12.

inflows therefore contributed to easing Nigeria's balance of payments by financing about 14.1 per cent of Nigeria's imports during 1954/65.

SECTION THREE

CONTRIBUTION TO EMPLOYMENT AND SKILL

Unemployment is a very serious problem in Nigeria. Owing to the adoption of universal free primary education in the East (presently up to standard four) and in the West, thousands of school leavers every year graduate from the primary schools and flock into the towns in search of employment. In the Western Region, for instance, the output of successful primary school leavers rose from 54,000 in 1958 to 129,000 in 1960, but provision of employment opportunities has not increased at a proportionate rate.[1] Moreover, about 420,000 school leavers were expected to enter the labour market in the Western Region during 1962/67. The figures for the East and the North are not available. It is clear, nevertheless, that the employment situation in these regions is equally grave, especially in the Eastern Region. To help to solve this serious unemployment problem, Nigeria's development strategy has been directed towards the creation of more employment opportunities. One of the economic sectors in which great hope has been placed in this endeavour is industry. This section therefore considers the contribution of industry or of foreign private manufacturing investment to employment in the country.

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1. National Development Plan, 1962-1968, pp.327-329.

This is shown in Table 8.11 which also classifies the industrial employment according to the various sectors for 1963. In that year, the 649 reporting industrial establishments employed a total of 67,978 persons. 25 per cent of this was in the timber, wood and paper products, printing and furniture sector, and 14 per cent each in food, beverages and tobacco, and machinery and transport equipment sectors, respectively. About 94 per cent of the total employees were Nigerians: in fact in all the industrial sectors, more than 90 per cent of the employees were Nigerians, the biggest percentage being 97 per cent in three sectors, chemicals, oils, paints and petroleum products; clay, glass, and cement products; and leather, leather products, rubber and rubber products. About 3.2 per cent of the total employees was non-Nigerian and others, comprising working proprietors, unpaid apprentices and family workers constituted 3.2 per cent.

Table 8.12 compares total industrial employment in relation to employment in other sectors of the economy. It shows that total employment increased marginally from 476,000 at the end of September 1957 to 519,000 at the end of December 1962. Throughout the period, the services sector offered the most employment which rose from 26 per cent of total employment in 1957 to 35 per cent in 1962. The next biggest contributor to employment was construction, 19 per cent, followed by 10 per cent each in 1962, by transport and communications, and manufacturing. In 1957, manufacturing accounted for only 6.6 per cent

of the total employment and 10 per cent of the total in 1962. In concrete numbers, however, total employment in manufacturing increased by more than 105 per cent from 32,000 in 1957 to 68,000 in 1963. The comparative figures for other sectors are not available after 1962; but it is obvious that manufacturing so far accounts for a very small proportion of total employment, and that this was not likely to have greatly exceeded 10 per cent of the total in 1963.

It does appear, therefore, that Nigerian manufacturing, two-thirds of which is foreign owned, has not contributed very significantly to solving the unemployment problem in Nigeria. This is not unusual. The belief that manufacturing industry will provide substantial employment is a fallacy for "there is by now plenty of evidence to show that a growing manufacturing sector does not provide much employment, even if care is taken to make it labour intensive. The correct proposition is that if industry develops, the consequent rise in incomes will permit a substantial expansion of employment to take place in the economy as a whole".[1] Moreover, owing to its capital intensive nature, foreign manufacturing would not be expected to contribute very significantly to employment in quantitative terms. Qualitatively, its contribution can be immense through training in industrial management and in handling complicated machines and other industrial operations. As Professor Lewis

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1. The Role of Industry in Development: some Fallacies, Journal of Modern African Studies, December 1963, p.4164

pointed out, "the crucial test of an industrialisation policy is not how rapidly it increases employment or output, but how rapidly it builds up indigenous enterprise".[1] The acquisition by Nigerians of technical skill and managerial experience through employment in manufacturing is one of the primary objectives of Nigeria's industrial strategy and the main reason for seeking partnership with foreign capital. This is because there are simply not enough foreigners in Nigeria to initiate and develop all the projects Nigeria would want, so that progress would be slow until Nigerians learn to start and run industries by themselves.

TECHNICAL SKILL AND MANAGERIAL EXPERIENCE

How foreign private manufacturing investment in Nigeria has enabled Nigerians to acquire technical skill and managerial experience may be illustrated in two ways. One is a functional analysis of industrial employment, and the other is the examination of the practical steps most foreign manufacturing firms have taken to train Nigerians in the various skills.

The functional analysis of industrial employment in 1963 is shown in Table 8.11. It shows that 38 per cent of the total industrial employment in 1963 was unskilled labour, 43 per cent was skilled and semi-skilled, 12 per cent clerical and only 2 per cent was employed in the professional and managerial grade. Highest proportion of unskilled labour occurred in the leather and leather products, rubber and rubber

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1. W.A. Lewis: Industrialisation and the Gold Coast, Accra, 1953, p.12.

products sector. This sector, it will be remembered, accounted for the biggest proportion of unskilled labour. It seems, therefore, that it is a sector that requires the least skill in its operations.

Compared with skilled and semi-skilled, the number of Nigerians employed in the managerial and professional grade is very low, at 2 per cent of the total industrial employment. Out of the 1326 employees in the managerial and professional grade, the seven industrial sectors in which foreign private interests contributed more than 50 per cent of the paid up capital accounted for 718 or 54 per cent and the other two sectors in which indigenous capital is dominant accounted for 608 or 46 per cent. This is made up of 552 in timber and wood products sector and 56 in the clay, cement and glass product sector. Since foreigners or non Nigerians obviously would be professional and managerial personnel, a comparison of the number of non Nigerians with the number of Nigerians employed in this grade would give an idea of the extent of Nigerianisation at this level. This shows that while 2 per cent of the total industrial employment in 1963 were Nigerians employed at the managerial and professional grade, 2.4 per cent were non-Nigerians. Figures for the past years are not available; but it may be said that the state of Nigerianisation at this level in 1963 was that approximately, for every non Nigerian employed at the managerial and professional level, one Nigerian was similarly employed. This proportion is not uniform in all the industrial sectors. In textiles and metal product sectors, the proportion was one Nigerian to 5 non Nigerians, and two Nigerians to three non Nigerians in the machinery and transport equipment and chemical

sector and in the clay, glass and cement product sector. The reverse, however, is the case in the timber, wood and paper product sector where the proportion was three Nigerians to one non-Nigerian.

A considerable space has been devoted to analysing the employment at the professional and managerial level because of its importance. As Professor W.A. Lewis pointed out: "it is a common error in under-developed countries to believe that entrepreneurship requires mainly technical knowledge and capital to work with. What makes a business successful is the efficiency of its management, for, given this, all else will follow".[1] This is because capital can be borrowed, and technical knowledge can be learnt at schools, but managerial skill can only be acquired by working over a number of years. It is on this basis that the number of Nigerians employed at the managerial and professional grade and thus offered the opportunity to acquire the necessary skills has to be judged. In view of the absence of industrial tradition in Nigeria the levels attained in this grade by 1963 is no mean contribution from foreign private investment; this becomes more so when it is considered as a measure of co-operation by foreign firms with government policy which did not specify the number of Nigerians to be employed at this level; but merely relied on persuasion. If these Nigerian managers are given adequate scope and

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1. W.A. Lewis, op.cit., p.12.

opportunities to acquire the necessary skill, then the contribution would be more tremendous.

Opportunities for Nigerians to acquire the necessary skill are generally provided by the firms both through training within industry and by training overseas. The system of training within industry originated in the United States and was widely adopted in the United Kingdom during the second world war to meet the urgent need for increased productivity, and it has since been generally adopted by most companies in Commonwealth West Africa. The principle is based on an analysis of the essential skills and knowledge required of a manager and it endeavours to develop the skills through training in job instruction, job relations, and job methods with the objective that those trained should be able to train others. This method has been adopted by the United Africa Company Ltd. and some other big foreign firms in Nigeria.

Training is also given by sending promising candidates overseas. Most contracts of partnership provide for such training either overseas or in Nigeria. The United Africa Co. first started sending selected African managers to the United Kingdom in 1947 in order to broaden their experience in factories and other training institutions in the U.K. The Company's policy is that no African brought to the United Kingdom who is an actual or potential manager should return without attending a course in industrial relations and other courses which enable him to study the more important functions of management.[1]

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1. United Africa Co.Ltd., Statistical Econ.Review, 1954, p.35.

Technical training is also offered at other levels. The United Africa Company, for instance, opened its first training school in West Africa at Burutu in Nigeria in 1954. The school offers five types of training: a five-year course for indentured apprenticeships, a two-year course for trade trainees; booster classes for craftsmen and supervisors; evening classes; and courses in new techniques.[1] In addition, by arrangement with the Federal Government, the company offers articleship to boys who have spent three years in a government trade centre to give them the opportunity of spending the remaining two years of their apprenticeships with the company in one of its training schools and workshops. One significant point about these trainees is that, unlike those trained by the Government, they are not bound by any contract to serve the sponsors for a specified number of years after their training. The view is generally taken that each individual should be allowed to choose freely for himself, and that it is preferable to risk losing a man altogether than to retain him as an unwilling employee.

CONCLUSIONS

Foreign private investment in Nigerian manufacturing has contributed to creating more employment opportunities. At the end of 1963 total industrial employment in Nigeria amounted to about 68,000. This represented a 105 per cent increase from the 32,000 industrial labour force at the end of September 1957. Seven industrial sectors in which foreign private investors have the controlling interested accounted for 71 per

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1. Ibid.,pp.22-24.

of the total industrial employment in 1963, the balance of 29 per cent being accounted for by the remaining two industrial sectors with indigenous Nigerian majority interests. Even at the high level in 1963, industrial employment merely accounted for about 10 per cent of total employment. Manufacturing has thus accounted for a very small proportion of total employment and apparently has contributed little to solving Nigeria's pressing unemployment problem.

Of more significance, however, are the opportunities manufacturing has offered to Nigerians to acquire managerial and technical skill. About 75 per cent of those employed in skilled and semi-skilled grades in manufacturing were in industrial sectors in which foreign private interests have majority interest; this sector accounted for 56 per cent of those employed at the managerial and professional level while the indigenous sector accounted for 44 per cent. It is thus obvious that although total industrial employment in 1965 was very small relative to all employment ~~xxxxxx~~ in the economy, the foreign sector accounted for an overwhelming proportion of this both absolutely and in the various functional levels. Besides, this sector offers considerable training facilities at technical and other levels. Relative to the indigenous sector, therefore, the foreign sector contributed significantly to creating employment opportunities in manufacturing.

Manufacturing in the National Economy

Having thus considered the contribution of foreign private investment in Nigerian manufacturing to the growth of the gross domestic product, to the improvement in the balance of payments and to employment and training in technical skill and managerial experience, we consider in this final section the position of manufacturing in the national economy. This can be illustrated by comparing the contribution of manufacturing to the GDP with the contribution from other economic sectors. This is shown in Table 8.13.

Nigeria's GDP at 1957 prices grew from £688.7m in 1950 to £1072m in 1962. The biggest contributor to this, as the Table shows, is agriculture which grew from £465m in 1950 to £694m in 1962; next came distribution, including the marketing boards, whose contribution increased from £107m to £132m over the period. Although the contribution from manufacturing increased by about 12 times from £3m in 1950 to £37m in 1962, its share was only 3.5 per cent in 1962 compared with 65 per cent from agriculture, livestock, fishing and forestry, 12.4 per cent from distribution, and 4.8 per cent from public utilities. That industrialisation is a post-1957 phenomenon in Nigeria is illustrated in the fact that it never contributed up to 1 per cent of total GDP until that date when its share was only 1.2 per cent. That manufacturing accelerated after 1957 is illustrated in the fact that by 1962, its share of the GDP was nearly four times its 1957 share.

Even at this rate, manufacturing in Nigeria is still insignificant relative to such sectors as agriculture and general commerce. Nigeria,

after all, is still overwhelmingly an agricultural country, since agriculture still contributes about two-thirds of her GDP. Comparative figures for other African countries are given in Tables 8.14 and 8.15.

Although manufacturing is thus insignificant, it must be emphasised in conclusion that even the much manufacturing that exists today, foreign private investment plays a key, and indeed a dominant role. Table 8.14 shows that in 1963 the foreign sector or foreign private investment accounted for 68 per cent of total paid up capital in Nigerian manufacturing, 75 per cent of net capital expenditure, 82 per cent of total value added, 71 per cent of total employment, and 75 per cent of total wages and salaries paid by Nigerian manufacturing firms. This is no mean contribution.

SECTION TWO

Foreign Private Investment in Nigerian Manufacturing, 1939/65: Summary

There was little manufacturing in Nigeria during 1939/54. This is illustrated in the fact that in 1950 manufacturing merely accounted for 0.5 per cent of Nigeria's Gross Domestic Product (at 1957 prices); in 1954 the proportion was 0.7 per cent. Even in this small degree of industrialisation, foreign private investment played a key role. It accounted for 52 or about 25 per cent of the 204 manufacturing plants existing in Nigeria by the end of 1954. 46 of these 52 foreign manufacturing plants were engaged in processing Nigeria's agricultural raw materials, the five biggest foreign plants being the Nigerian Tobacco Company, the Nigerian Breweries, the African Timber and Plywood

Company, a steel drum fabricating plant and the Unilever's soap factory. In addition there were four Lebanese groundnut processing factories in the North.

Numbers alone, of course, grossly understate the significance of foreign private manufacturing investment during the period. Out of the £3.1m value added by manufacturing in 1950, the two sectors, food beverages and tobacco and timber, wood products, printing and furniture which included three of the biggest foreign manufacturing plants ~~that~~ at that time accounted for well over 70 per cent. In 1954 these two sectors contributed for £4.5m or 70 percent of the £6.5m value added by manufacturing. In view of the fact that the foreign plants are generally bigger in terms of employment and capital investment and since they were spread among the other sectors, it may be assumed that the foreign sector accounted for more than 80 per cent of value added by manufacturing in 1954.

In contrast to the first period, 1939/54, manufacturing made a tremendous advance in Nigeria during the second period, 1955/65. During this period, 955 manufacturing plants were established, compared with 204 during 1939/54; and the foreign sector accounted for 45 percent or 425 of these establishments, compared with 25 per cent during 1939/54. Finally by 1962 manufacturing accounted for 3.5 per cent of the GDP compared with 0.7 per cent in 1954. There was thus greater manufacturing in the country during 1955/65.

However, the greater part of this manufacturing occurred since 1958. Out of 451 reporting plants established between 1953/1963, 65 per cent or 295 were established during 1958/63 and 156 or 35 per cent established during 1952/57. More significantly, more manufacturing occurred in the five years after Independence, 1961/65, than in the six years, 1955/60. For instance, 70 per cent or 298 of the 425 foreign plants established during 1955/65 were established during 1961/65 and only 227 or 30 per cent were established during 1955/60. This pattern is also illustrated in the flow of foreign private investment. Out of a total foreign private capital inflow of £345m during 1950/65, £205, or 59 per cent was attracted during 1961/65, and £140m or 41 per cent during 1950/60; while the average annual inflow during 1950/60 was £13m, it was £41m during 1961/65. These figures illustrate that instead of discouraging,Independence, in fact, encouraged more foreign private investment in Nigeria.

The paid up capital of 649 reporting manufacturing establishments in 1963, according to the 1963 industrial survey, amounted to £56.7m of which the foreign sector accounted for £38.4m or 68 per cent, and the indigenous sector accounted for £18m or 32 per cent. The foreign sector is dominant in all the sectors except clay, glass and cement products where it accounted for 29 per cent of the paid up capital, and timber and wood products sector where it accounted for 39 per cent of the paid up capital. In all the other sectors, the foreign sector's proportion of the paid up capital varied between 52 per cent in the

leather and leather products sectors to 98 per cent in the machinery and transport equipment sector. The foreign sector's proportion of the total number of establishments varied between 50 per cent in the textiles and wearing apparel sector to 92 per cent in the metal products sector and was least in the timber, wood and paper products, printing and furniture at 18 per cent.

Foreign investment in fixed assets in the manufacturing sector increased from £39m in 1962 to £63.5m in 1964 of which the food, beverages and tobacco sector accounted for 35 per cent in 1964, followed by the chemicals, oils, paints, and petroleum sector which increased its proportion from 9 per cent in 1962 to 18 per cent in 1964. Value added by manufacturing increased by 664 per cent from £7m in 1955 to £55m in 1963. Again the food, beverages and tobacco sector accounted for the biggest proportion at 38 per cent followed by the chemicals, oils, paints, and petroleum sector, though the greatest increases were recorded in the machinery and transport equipment sector, 955 per cent, and leather and leather products, 863 per cent.

Among the various factors which influenced the above foreign investment in Nigerian manufacturing during 1939/65, two are most significant. One is government policy and the other is the Nigerian market. But their effects varied between 1939/54 and 1955/65.

During 1939/54 foreign manufacturing investment was limited by inadequate market for some products and inadequate raw materials, and lack of skill for some manufactures. Two other factors were the

shortage of capital goods, and the disturbed political situation in Nigeria which followed the militant nationalism resulting from the return of the demobilised soldiers at the end of the Second World War. This, in turn, led to rapid political and constitutional changes which reacted adversely on the foreign investors' assessment of Nigeria's investment prospects. This induced among them an attitude of "wait and see"; and, added to the other factors mentioned above, led to the abandonment of some projects. Even if these factors had not occurred or had been favourable, the abandoned projects would probably not have been established during the period because of government policy.

Government policy is the most important factor which limited foreign private investment during 1939/54. Although the war and early post-war inflationary pressures and the need to economise on imports made possible the change of government policy in 1941 to encourage local manufacturing, industrial policy until 1952 was against establishing modern industries on a factory scale. It rather preferred industries to be established on a village and peasant basis. Since foreign manufacturing had to be on a factory level, it is obvious how this policy worked against foreign private manufacturing investment during the period. The various direct and indirect methods which the government, in pursuance of this policy, used to prevent foreign manufacturing during the period were discussed in Chapter One.

The corrollary to the above policy was, of course, the refusal or failure to adopt measures to stimulate factory-level industrialisation.

Tariff policy was geared to raising revenue and a demand for some tariff preference to assist the establishment of a textile project was refused on the ground that it would deprive the government of its source of revenue. Another aspect of the policy against factory level industrialisation was the ban on the establishment of new groundnut processing factories between 1942 and 1948 and the increasing restrictions on the expansion of the four Lebanese groundnut processing factories in Kano, against the advice of many experts such as the World Bank mission, Professor Bauer, and Mr. J.C. Gardner.

Exceptions were made to the above policy to permit the establishment of the Nigerian Breweries, 1949, the African Plywood and Timber Factory and the Nigerian Tobacco Company Ltd. in 1950 and 1951. These exceptions were necessitated by the need to economise on non-sterling spending in the interest of the sterling area. These exceptions were discussed in detail in Chapter One.

When the 1951 constitution, which gave Nigerians more say in running the affairs of the country by introducing ministerial government, came into effect in 1952, the policy against factory level industries underwent a change. One of the first acts of the Ministerial Government was the enactment in 1952 of the Aid to Pioneer Industries Ordinance with retrospective effect from July 1951, and the amendment of the Income Tax Ordinance, all with a view to stimulating factory level industries, through granting "pioneer" privileges and income tax concessions to qualified industrial projects. All this, however, was on paper.

Although Nigerian ministers were now included in the Cabinet, the policy level civil services were still expatriate and with the prospect of further political changes granting more autonomy foreshadowed in the 1953 constitutional conference, there was an apparent reluctance by the Government to take any positive decisions on Nigeria's economic future. Accordingly, although the pioneer industries ordinance had retrospective effect from 1951, by the end of 1954, no industry had been declared a pioneer, nor any venture granted a pioneer status. In fact the first industry to be declared pioneer was cotton seed processing in September 1955. This apparent inefficacy of the ordinance was due to the narrow interpretation of the ordinance by the governor in council, although two official reasons were given. The first was the decision to postpone decisions on Nigeria's economic development pending the report of the World Bank Mission then due to arrive in Nigeria. The second was the receipt of the report in September 1954 which coincided with the introduction of the Federal Constitution in October 1954. This constitution created strong and autonomous regions and made industry a concurrent subject between the regions and the centre. Accordingly, action on the pioneer business and other problems was postponed further pending classification of issues under the new Federal Constitution.

1954 may therefore be called a great divide in the evolution of economic policy and economic development in Nigeria just as the war and post-war changes constituted a land-mark in the country's political and economic history. 1954 was also significant because with decontrol measures introduced in the United Kingdom and the return to free market

trading, it was the first post-war year in which trading and economic conditions approached normality.

The 1954 constitution gave Nigerians the freedom to develop their economy and to pursue their interest in industrialisation. Five year plans followed in 1955 with emphasis on the development of infrastructure as a basis for future development and to facilitate private enterprise development. The Eastern region government in 1955 and the Western region in 1956 sent out economic missions to Europe and North America to attract foreign investment. In 1956, all the five Governments of the federation issued a joint statement welcoming foreign capital in certain sectors. With the East and the West becoming self-governing in 1957, incentive laws were passed in that year and in 1958 to stimulate economic development: the scope of the pioneer industries Ordinance and the Income Tax Amendment Act of 1952 was widened and liberalised; and, following the report of the committee to advise on ways and means to stimulate industrial development, tariff concessions and tariff protection became available to qualified industrial investors for the first time in Nigeria under the various Acts and regulations passed in 1958, as amended.

The above measures improved the investment climate in the country. In addition the launching of the Six Year, 1962/68 Development Plan with defined priorities and targets foreshadowed even more growth prospects which reacted favourably on investors' minds. On top of all this was an apparent political stability. Indeed, Nigeria's greatest assets in

attracting foreign private investment during 1955/56 were political stability and her large and growing domestic market. An apparent political stability coupled with the firm guarantees against nationalisation without adequate compensation and the general freedom to bring in and take out capital and profits, singled Nigeria out in a politically unstable continent as the safest country for foreign investment in Africa, outside South Africa.

On the other hand, Nigeria's large population of about56m which is more than half the population of all West Africa, and more than a sixth of the population of all Africa, and the third largest population in the Commonwealth, coupled with the favourable growth prospects envisaged in the 6-year Development Plan made her the biggest single market in Africa. This market was also growing. The indicators of this growth and the main factors which limited the effective size of Nigeria as a single market were discussed in detail in Chapter Four.

Despite the limitations, however, foreign private investors saw in Nigeria a market potentially larger than any other market in Africa and this was a powerful factor in their choice of Nigeria over other countries. To this was added the pull of her geographical position among smaller countries in north, east, and west of Africa, the potential economies of scale in her potentially large internal market and the prospect of a West African or an African Customs Union which made her a most convenient base for manufactures to supply to the rest of Africa.

All the above factors, including, especially, the government's incentive laws to encourage local manufacturing of some goods previously imported, made for an active competition for the Nigerian market. These measures affected two classes of prospective foreign private investors in Nigerian manufacturing. They threatened those manufacturers for whom Nigeria had long been a traditional export market with the loss of the export market in Nigeria; and those who regarded Nigeria as a key global area for manufacturing felt that because of the government measures, if they delayed investing further, it might be too late to get a foothold in the Nigerian market.

In view of its growth potential, these two classes of investors actively competed for the Nigerian market, the one to retain or defend its established trading relations; and the other to gain a foothold in the market. This competition, which was gathering momentum by the late 1950's, turned to what might be called a "scramble" for the Nigerian market when the return to convertibility in January 1959 removed or relaxed the formal restrictions on non-sterling investments, and independence in 1960 removed any remaining inhibitions on non-Commonwealth countries from entering the Nigerian market. This competition resulted in a progressive decline in the U.K's share of Nigerian imports as other countries gained access to the market and other sources of supply became available. With the exception of the United Africa Co.Ltd., the U.K. industrialists first viewed this competition with some coolness, amounting to unconcern, despite warnings to the contrary from the United Kingdom Trade Commission in Nigeria and pleas from Nigerian ministers. It was felt that the time

was not yet ripe for industrialisation in the country. However with Independence in 1960 the threat to established market implicit in the foreign competition could no longer be ignored. The U.K. industrialists reacted swiftly after Independence; an investment mission was sent to Nigeria in January 1961; and this ushered in a new era in the U.K. industrialists' attitude towards establishing manufacturing in Nigeria. The immediate result of the mission was a number of feasibility studies and a list of 21 projects worth about £10m. Most of these have since been established. Besides, the FBI decided on establishing a permanent office in Nigeria so as to "maintain a continuing link".

Another development in the Nigerian market which influenced not only the character of the old established trading firms but also the whole course of economic change in Nigeria was indigenisation and its corollary, - redeployment. The enormous upsurge in the world's demand for Nigeria's raw materials during and since the war and the accumulation of and, later, the release of sterling reserves, marked a turning point in Nigeria's economic history. From a tiny market before the war, the post-war Nigerian market attracted new competitors, ushered in people with new income levels and varieties of demand. Moreover, the growth of the market generally and the release of accumulated sterling resources in particular, gave the Nigerian Government increased revenues and facilitated increased industrial development; and the Nigerian governments emerged as a new and powerful competitor or participant in the economic scene. As a result of these developments, the old established merchants found it desirable to

withdraw from some of their traditional activities of general merchandising and retailing to expand or take up others. This trend was made possible by declining relative demand for staples, increasing competition, both domestic and foreign, rising costs, greater government intervention in the economy and the need for specialisation.

The result was redeployment of resources into manufacturing and specialist trading such as multiple and departmental stores. The latter stimulated industrial development by influencing new classes of consumers through displays in the shops and advertising. On the other hand, redeployment into manufacturing stimulated industrial development through the provision of finance, through investigation of projects and seeking out technical partners and by providing local knowledge and marketing facilities for the products.

The process was slow, however, until the approach of independence, which brought with it increasing political pressures and government policy to accelerate the pace of redeployment. The United Africa Company Ltd., after restrictions on her industrial attempts during 1939-54, owing to lack of official encouragement and incentives, utilised the opportunity presented by redeployment and between 1954 and 1966 investigated and abandoned 71 projects and developed 40. This was not surprising. As the biggest importer and exporter in Nigeria the firm was in a better position than some other U.K. merchants to appreciate the industrial opportunities in Nigeria and the attendant foreign competition. As a subsidiary of the Unilever, the UAC could not have been an exception to the parent company's policy of "jumping tariffs". As Charles Wilson

pointed out, "the story of Lever's European development is largely concerned with attempts to defeat the tariff legislator", and it might be said with some justice that the story of United Africa's Company's redeployment is largely concerned with attempts to defeat the Nigerian tariff legislator.

The most important factor which the investors emphasised now and again was political stability and the freedom to bring in and take out their capital and profits. It was mainly because of political uncertainties under the new federal constitution in 1954 that the Mission of the Federation of the British Industries advised prospective investors in 1955 to suspend decisions on investment pending the clarification of issues under the new constitution. It was also because the 1961 mission was convinced on the ability of the Nigerian governments to maintain political stability that the mission decided on immediate investment on selected projects worth about £10m.

Given political stability, the two most important factors which affected foreign private investment during 1955/65 were government policy and Nigeria's market, as has been illustrated above. It should be stressed, however, that it was government policy more than the market which played a key role, though the importance of the one reinforced the other. Without a genuine determination to industrialise and the incentive laws to encourage and protect the local manufacture of goods previously imported, it probably would have been uneconomic to manufacture most of the goods now being manufactured in the country; and the investors would

have probably preferred to utilise the benefits of the economies of scale in their own countries to supply the Nigerian market. The determination to industrialise rapidly , and the incentive and protective measures which threatened the prospective investors with the loss of their exports to Nigeria made for an immediate decision to invest in Nigeria. This decision was facilitated by Nigeria's potentially large and growing internal market.

The presence of raw materials also helped to attract foreign manufacturing investment. Here again, it is not the raw materials per se that induced the investment but government determination to manufacture the goods or process the raw materials in Nigeria. The establishment of the oil refinery, for instance, was the result of an agreement with the oil company concerned, that if oil was found up to a certain quantity and quality, a refinery would be established. Furthermore, the Nigerian Sugar Company Ltd., the Nkalagu cement factory and the Kaduna Textiles, are other instances of the processing of local raw materials as a result of government initiative and encouragement. But for substantial contribution of the capital by the government, none of these projects would have been established, at least, by the time they were established. Finally the various contractor-financed projects are other instances of industrial projects which would not have been established but for the government's active participation and encouragement.

Given political stability it is thus to government policy that one must turn for the explanation of the paucity of foreign private manufacturing investment during the first period, 1939/54, and its sizeable amount during

the second period, 1955/65. Indeed, the contrasts in government policy during the two periods are striking. In the earlier period, as has been shown, the government opposed the establishment of industries on a factory-level basis but preferred them on a village and peasant basis. It therefore took steps to prohibit the establishment of such industries by direct prohibition, by refusal to grant tariff concessions and by refusing to participate in such establishments. Although this policy was modified or changed under the Aid to Pioneer Industries Ordinance which had a retrospective effect from July 1951, it is shown above that the same negative attitude prevailed, though for other reasons, until the end of the first period in 1954.

By contrast, this negative approach changed during the second period, 1955/65; indeed, one of the main findings of this study is the strong correlation that is found to exist between Nigeria's political advance and the adoption of positive measures to stimulate industrial development and to attract foreign private investment. We have already pointed out that one of the first acts of the inclusion of Nigerians in the Cabinet under the 1951 constitution which introduced ministerial government in Nigeria for the first time was to amend the policy against factory level industrialization. This amendment was obvious in the passing of the Aid to Pioneer Industries Ordinance in 1952.

The 1954 federal constitution brought with it internal regional autonomy and made industrialisation a concurrent subject over which the regions and the centre could legislate. The freedom thus offered to the

Regions to develop their economies and stimulate industrialisation was significant: the East in 1955 and the West in 1956 sent out economic missions abroad to attract foreign investment and incentive measures to stimulate industrial development and encourage foreign investment followed the attainment of internal self-government in the East and the West in 1957. After Independence in 1960, political pressures for rapid development were given full play. These pressures accelerated indigenisation and redeployment as a strong factor attracting foreign manufacturing investment during the period.

The foreign investors adopted two mechanisms of investment. One is partnership with Nigerian capital. This mechanism, which is now popular is a direct opposite of the position in early and mid 1950's when the foreign investors viewed it with "apprehension". Its popularity since the late 1950's is that it is a compromise between Nigeria's genuine demand for foreign capital and expertise, and the desire to be associated in the ownership and management of industrial projects in the country on the one hand and the foreign investors' reluctance to invest because of the fear of arbitrary treatment including compulsory nationalisation without adequate compensation, On the other hand, The anticipated benefits of this mechanism to Nigeria and to the foreign investor were discussed in Chapter Six.

The second mechanism is a variation of the first. This is private investment guaranteed by the governments. Again the reasons for the resort to this mechanism and its defects as well as suggestions on how it can be employed to Nigeria's advantage were discussed in Chapter Six.

Because of the paucity of indigenous private capital, government participation has become the normal procedure, and, in many cases, such participation is the only way by which a project can be established at all. The governments emphasise this need for its participation and the fact that it is temporary as the investments would be sold to the Nigerian public at appropriate future dates, and the fact that it is made only when it is necessary to call forth the attendant foreign capital or when it is a condition for the projects to be established.

As a result, the governments now control 22 per cent of Nigeria's industrial sector compared with 10 per cent by the private indigenous sector and 68 per cent by the foreign sector.

Foreign private investment in Nigerian manufacturing during the period passed through two main channels. One is institutional, the other is non-institutional. The non-institutional channel is internal to the companies or their associates and is made up of their retained earnings, suppliers' credits and other liabilities principally with their head offices. During 1961/64, 69 per cent of foreign private investment passed through this channel, and retained earnings averaged about 29 per cent of net new investment during 1961/63.

The institutional channel of foreign investment in Nigeria is made up of the short-term channel and the long-term channel. The short-term channel is composed mainly of the commercial banking system which is used as a source of short-term working capital. During 1958/65 total commercial

banks' loans and advances amounted to £620m of which £51.6m or 8.3 per cent was advanced to the manufacturing sector, £147m or 23.7 per cent to agriculture, and £237.7m or 38.3 per cent to general commerce. Some of these short-term advances are rolled over to such an extent that they in fact become long-term. Nevertheless the commercial banks concentrate on and emphasise their role as purveyors of short-term capital.

The long-term channel is made up of the NIDB, the Lagos Stock Exchange, the CDC, the Northern Nigeria Investments Ltd., and the Development Finance Company of Eastern Nigeria Ltd. The last two are 50 per cent owned by the CDC and the other 50 per cent by the regional governments.

The NIDB was reconstructed in 1964 from the Investment Company of Nigeria which was established in 1959. The combined operations of the two institutions during 1959/66 show that they made 52 equity and loan investments amounting to £3.9m in various industrial projects with a total share capital of £8.6m, ~~or~~ 68 per cent of the equity and loan investments came from foreign sources and 32 per cent from Nigerian sources.

By the end of 1965 the CDC had invested or committed to invest £10.7m in 14 projects in Nigeria. This compares with a total commitment in all Commonwealth West Africa which amounted to £14.2m in 19 projects against a total commitment of £27.5m in East Africa, £25.6m in the Far East, and £19.7m in the Caribbean. The reasons for this disparity were discussed in Chapter Seven.

Between their inception in 1959 and 1965, NNIL invested or committed to invest £4.6m in 27 projects with a paid up capital of £14.3m. The DFC(EN) invested £1.4m in 14 projects with a total capital investment of £6.2m. 75 per cent of the NNIL and 84 per cent of the DFC(EN) came from foreign sources.

The Lagos Stock Exchange is used by foreign investors as a means of raising further capital and a means of associating Nigerians in the ownership of their projects partly to qualify the investors for privileges under the Aid to Pioneer Industries Act which requires at least 10 per cent Nigerian participation as one of the qualifying conditions. The Central Bank of Nigeria states that this mechanism is limited by the lack of public demand for industrial stocks and that this, in turn, has limited the willingness of the foreign investors to issue further shares through the Exchange. This statement is not borne out by the facts. Indeed, the reverse seems to be the case, viz. that the mechanism is limited by lack of supply of industrial stocks. This is suggested by two factors. First, some of the issues through the Exchange have been over-subscribed, at times, by about 330 per cent. These over-subscriptions do not evidently indicate lack of public demand; they rather indicate a shortage or failure of supply to meet the demand for industrial stocks.

Secondly, owing to strong regional rivalry and the desire to retain ownership within the regions, there is a reluctance on the part of the regional governments to offer the shares of projects in which they participated through the Exchange for fear that they might be bought by indigenes of rival regions.

The location of manufacturing in Nigeria is concentrated in the South. Although the North accounts for about four-fifths of the land area and more than 53 per cent of the population, it only accounted for 17 per cent of the industrial plants established between 1960 and March 1964, and 16 per cent of all existing manufacturing plants in Nigeria in 1965. On the other hand, the South, with about a fifth of Nigeria's land area, and about 47 per cent of the population, accounted for 83 per cent of the manufacturing plants established between 1960 and March 1964, and for 84 per cent of all the existing manufacturing establishments in Nigeria in 1965. Within the South, the Federal Territory accounted for the biggest proportion of industries in 1965, accounting for 35 per cent, followed by the East, 25 per cent; the West, 17 per cent; and the Mid-West 8 per cent.

The reasons for the concentration in the South include the South's proximity to the Coast, concentration of purchasing power and markets, better distribution facilities, and proximity to raw materials compared with the North.

Within the regions, industrial plants are concentrated in the regional capital and principal port or town. This is more marked in the North than in the South and more in the West than in the East. 61 per cent of the industrial establishments is located in Kano and Kaduna, the principal town and regional capital; in the West the proportion is 55 per cent and in the East it is 42 per cent. This means that only 39 per cent of the industrial plants in the North at the end of 1965 was located outside the regional capital and principal town. The corresponding

proportions in the West are 45 percent and 58 per cent in the East, and 29 per cent in the Mid-West.

The same reasons which explain the concentration in the South relative to the North also explain the concentration within the regional capital and the principal town within the regions:- the availability of large markets, higher incomes, and better distribution facilities within than outside these areas.

The final conclusion that may be drawn from the above summary is that there was greater foreign private investment in Nigerian manufacturing during 1955/65 than during 1939/54; that more foreign private investment was attracted into the country during 1961/65 than during 1950/60; and that the most important single factor which favourably influenced this inflow was government policy and government's industrial strategy, reinforced by the attractions of Nigeria's potential market. However, certain errors in government policy also limited the amount and the contribution of foreign private manufacturing investment in Nigeria during the period. These are discussed in the next section.

INADEQUACIES IN GOVERNMENT POLICY

Inadequacies in government policy during 1955/65 may be discussed under four headings:- errors in planning, errors in execution, the results and causes of these errors.

Planning Errors

The first planning error concerned the position of the private sector. £389.5m of the £1183.3m gross fixed investment under the National Plan, 1962/68, was expected to be invested in the private sector during the six years of the Plan. This worked out at about £65m per annum out of which £33m was expected to be foreign and £32m indigenous private investment. However, the plan did not specify a desired structure for this investment and the assumption seems to have been that any investment mix would suffice. In addition, no study of the private sector was made to discover whether, in fact, it could have been allotted more or less of the investment; and, indeed, the private sector's projected investment was derived in the plan as a residual item after deducting the estimated public investment from the projected aggregate investment under the Plan.

The second planning error concerned the position of industry. Although industry was given second priority after agriculture, its position in the strategy of development was not always clearly specified. For instance, Eastern Nigeria's original plan (1955-60) made no mention of industry nor allotted any funds for it; yet an investment mission was sent to Europe and North America to attract foreign private investment to

manufacturing. How could such a mission hope to attract sizeable investment into manufacturing if no provision was made for industry in its strategy of development ?

Even when industry was specifically provided for, as under the 1962/68 Plan, the type of manufacturing to be undertaken was stated in such general terms as to leave the private investor with no specific direction. For instance the industrial policy aimed at encouraging the manufacture of consumer goods previously imported and processing Nigeria's raw materials before their export; but there was no specification of what type of consumer goods' substitutes or raw materials should be locally manufactured or processed and to what extent the activity should be undertaken. This lack of definite criteria partly meant that the pioneer privileges designed to encourage local manufacturing were too liberally applied so that almost every industry has benefited from them.

This lack of definite criteria of industries to be encouraged also meant that often investment missions were sent out without prepared projects and feasibility studies to interest investors. The result was that "external finance did not fulfil the high expectation of the plan";[1] and the Western Nigerian Government stressed that "Representatives of foreign countries and donors who visited the Region indicated that more foreign capital would have come into the country if adequate and detailed

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1. The National Plan: Progress Report 1964, p.34.

analysis of projects indicating costs and benefits to the economy could be got ready to 'sell' to their organisation".[1]

The third planning error was the absence of a national industrial location policy. The federal government concentrated on the provision of the basic infrastructure, while the regional governments additionally took into consideration such matters as proximity to markets and distribution facilities in providing industrial estates. The industrialist was therefore almost left free to site his industry at his place of choice. The advanced economy can afford the loss which such a laissez faire brings about, but in an economy like Nigeria, where investment resources are very scarce, and where there are wide disparities in per capita incomes and concentration of populations within the regions, a national location policy is essential. While aiming to maximise the advantages of industrial concentration in particular areas or regions as a long-term measure, such a policy would have created incentives aimed at dispersing industrial projects over wide areas and to avoid excessive industrial concentration and urbanisation in particular areas with all their attendant social and political problems.

Errors of Execution

Having decided on some broad priorities and set-up of the Plan, the Government committed many errors in its execution. The first type of error was simply demonstrably mistaken decisions to invest. For example, in the Federal Plan, £30m was allocated for the establishment of an iron and steel

1. Western Nigeria Development Plan 1962-68, 1st Progress Report, official eocument no.2, 1962, p.2.

mill. After a Technical report had established that only one mill would be economic and had recommended the most suitable site for it, the governments decided on establishing three mills, one in each of the three regions, East, North, and the West. As the mills would be established with the participation of foreign private capital and expertise, none of the mills has as yet been established as the foreign investors were not prepared to risk their capital in what is bound to be uneconomic propositions.[1]

Secondly, all the governments complained of lack of capital as limiting the establishment of projects in which foreign investors needed Nigerian participation. "It is quite clear", said the Eastern Nigeria development plan's first progress report, "judging from the total commitments during the first two years of the Plan, that Government participation is severely limited by the Plan allocation, and of course, by the more general problem of scarcity of financial resources".[2] Yet, through its development corporation, the government lent £1m to a real estate company for development of real estate in Lagos. "This[3] loan calls for some further comment...in the first place, real estate is not a suitable area for the use of Development Corporation (or Marketing Board) funds. Particularly is this so when the company is engaged in activity primarily in Lagos rather than in the Region concerned. Far more damning, however,

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3. G.K. Helleiner: The Eastern Nigeria Development Corporation: A Study in sources and uses of Funds for Public Development: Nigerian Journal of Economics and Social Science, March 1964, p.117.

1. It is stated that the World Bank's view is that an iron and steel industry could only be possibly done in only one place in the whole of West Africa and that this is unlikely to be in Nigeria. See Sir Francis Turton Hart: The Growth of West African Industry, African Affairs, October 1966, p.287.

2. Sessional Paper no.15, 1964, p.13.

is a second issue - that the chairman of the real estate concern happens also to be chairman of the Development Corporation. The ENDC has carefully omitted the mention of this particular loan, which amounts to 37.6 per cent of total loans during the period, in the texts of its Annual Reports; indeed, the Report for the year in which it was granted goes so far as to state that no new loans were issued during that year. The ENDC is thus clearly not at ease about this abuse of its responsibilities to the public - an abuse which, incidentally, is strikingly reminiscent of those uncovered by the Coker Commission in the Western Region".

The progress report of the Northern Region development plan stated: "It would appear that the plan target will be surpassed in this sector. It becomes more and more common for foreign investors to make local participation a condition for their projects. In the case of important and viable industries it is clearly in the interest of the country that such participation (public or private), takes place. A major difficulty, however, is the shortage of local capital".[1] Yet it is this same Government, through its development corporation which, out of a total allocation for the Corporation of £4.3m during 1964/65 and 1965/66, used £1.171m to acquire existing foreign private interests at heavily inflated prices. £534,441 of this sum was used to acquire interests in property and road transport.[2]

The progress report for the Western Region Development Plan commented: "The overall performance for the two years (of the plan) is not particularly encouraging. Both the absolute level of expenditure and its

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1. The National Plan: Progress Report, oplcit., 183.

2. White Paper on the Military Government Policy for the Reorganisation of the N.N.D.C., Kaduna, 1966, p.47.

distribution among the various sectors do not give cause for satisfaction. The principal reason responsible for the low level of expenditure is a shortage of funds".[1] Yet in some cases it was found that no provision was made in the estimates to secure allocation of funds. Besides, the Report of the Coker Commission had already revealed the same pattern of misinvestment of funds in transport and property business.

The above investments were no doubt apparently based on selected priorities. However they were defective in many ways. First, they contradicted the priorities given to trade and industry in the development plans. Secondly, the wisdom of using scarce public funds to buy up established foreign private business is questionable unless it is justified on the grounds of national interest. This is doubtful in the investments made. Thirdly, the capital should have been used to set up new businesses. Fourthly, given the general freedom to repatriate capital, there was the possibility that such investments could lead to outflow of funds from the country; it becomes more questionable when the governments themselves noted that the scarcity of local capital limited foreign private investment since some of the foreign investors made indigenous participation a condition for some of their projects. Finally, government investment in real estate and road transport was not justified in Nigeria where indigenous private capital is generally available for such projects.

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1. The National Plan: Progress Report, p.168.

The Northern Nigeria Military Government's White Paper on the above investments is telling: "In view of the need to conserve finance for investment in productive projects, there was no justification for the Northern Nigeria Development Corporation to acquire building property other than houses and offices for Corporation use...a considerable sum has been spent...in acquiring existing assets. Government does not consider that such acquisitions normally contribute to the development of the economy but may, on the contrary, facilitate the expatriation of capital from Nigeria. The investment of the Corporation's limited capital in the development of new enterprises must in any case take priority over the purchase of existing assets".[1] This should apply to all public investment in Nigeria.

The third error of execution concerned the criteria and mechanism of investment. We have already pointed out that pioneer privileges have been wastefully used by applying it almost to all types of industries including those deserving and those not deserving the privileges. While it might have been necessary to encourage all industries initially, the denial of the privileges should obviously have been used to discourage the third and subsequent plants in such industries as brewing, textiles, and cement where already there is a potential excess capacity.

It was an error of policy for the governments not to have made the contractor-partners in contractor financed projects to contribute more than the nominal 10 per cent interest in the projects. This was dealt with

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1. White Paper...Military Government op.cit., p.54.

at some length in Chapter Six.

Fourthly, some projects were encouraged by the governments with loans without security and some contracts were entered into with foreign private firms without definite conditions. It was found, for instance, that during the negotiations leading to the incorporation of the Nigersol Construction Co.Ltd. owned 40 per cent and 60 per cent respectively by Israeli firms and Western Nigeria Government, the Government guaranteed the Company a £30m contract during 1960/65; but the guarantee did not include a proviso to ensure either that the quality of the service should be very high or that the contract prices should be fair.[1]

The Northern Nigeria Development Corporation lent about £100,000 during 1963/66 without security. One of them was a piggery project established in 1960 in partnership with the United Africa Company Ltd. The NNDC owned about 20 per cent of this £95,000 project to which it lent £12,000. The project continued to show annual losses and in 1964 it was found that the loan had not been secured or a debenture prepared. "As far as can be ascertained from Corporation records, no interest on the loan was received until 1965, when £676 was paid to the Corporation. Up to 18 March 1966, there was still no record on the file of the preparation of the debentures or of the rate of interest to be paid annually. The farm produces pigs to supply raw materials to a pork processing plant in Lagos which is wholly owned by the United Africa Company Ltd., and is believed to be operating profitably; thus the United Africa Company have

1. Federation of Nigeria, The Report of Coker Commission of Inquiry into the Affairs of Certain Statutory Corporations in Western Nigeria, 1962 Vol.II, p.28. See also "Comments of the Federal Government's on the Report" Sessional Paper No.4,1962, p.8.

some compensation for losses incurred at the farm whilst the Northern Nigeria Development Corporation has none".[1]

In another project, the Northern Steel Works, the NNDC made a loan of £20,000 between March and July, 1963. In 1966 it was found that the loan "has not been secured in spite of the company's promise in 1963 to execute a first Deed of Debenture in respect of all fixed and floating assets of the Company...the loan was never secured because the plot occupied by the company has been registered in another name... and no loan agreement has been drawn up...This haphazard state of affairs cannot be allowed to continue".[2]

The Results of the Errors

With the exception of 1962 when it was about £18m, the annual inflow of foreign private investment exceeded the Plan's target of £33m. In fact about £178m of the £200m expected from foreign private sources over the six years of the Plan was realised over the first five years. It would therefore appear that although this target was a residual, it seems to have been about right although rather conservative. This result however appears to have been luck rather than judgment. A proper projection might have planned for a higher figure.

As a result of lack of direction and because the global target was not allotted to the different economic sectors, the structure of the

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1. A White Paper on the Military Government Policy for the Reorganisation of the Northern Nigeria Development Corporation, op.cit., pp.18-19.

2. Ibid., pp.29-30.

investment was most unsatisfactory. More than half of the realised foreign private investment went into the mining, principally petroleum sector and, in fact, only about 18 per cent went to the manufacturing sector. Even here, the investment is concentrated in the food, beverages and tobacco, and in the chemicals, oils, and petroleum sectors. Thus as a result of the lack of definition of the desirable content of the investment mix, foreign private investment has not been evenly spread in all the industrial sectors. Moreover, because the pioneer privileges were applied almost without discrimination, many projects were established which duplicated existing or other planned capacity. Brewing, textiles, and cement are among the sectors which have suffered from this.

As a result of these mistakes of execution, many projects were "recklessly" encouraged and considerable public funds were lost. For instance, between 1959 and March 1962, the Western Nigeria Development Corporation, which is the main agency through which the Western Nigeria Government participates with foreign private investors in industrial projects, invested about £5.5m in various partnership projects with foreign private investors and it was found that "many of the projects were running at a loss, and where they did not run at a loss, no figures for profits have been recorded at all", and that they were "recklessly entered into without any regard whatsoever for the safety of the monies that were being invested in the various undertakings".[1] "Of the

1. The Report of the Coker Commission of Inquiry, oplcit.

twenty-seven commercial ventures examined in which the Northern Nigeria Development Corporation "has financial interests, only six can be regarded as successfil so far. Even in one case where the Corporation's investment proved most profitable, it sold out its interest to the other shareholders of the venture at a fantastically low price contrary to the advice of its Auditors and Officials." [1]

The Causes of the Errors

One cause of the mistakes in planning and execution has been lack of statistics and centralised information, especially in the industrial field. This has made rational decisions very difficult. Even the National Plan on which the whole strategy of development very heavily depends, was prepared against this background of acute shortage of statistical information. As one of the architects of the plan confessed, "Frequently, analysis revealed gaps in our knowledge, and we had to make do with whatever our imagination could devise as rational criteria of analysis."[2] The result was that the plan is "a hodge-podge of miscellaneous projects, ideas and wishes of uncertain priority, utility, and structural interdependence. An objective ratio decidendi for the industrial sector lies in the future".[3]

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1. A White Paper on the Military Government Policy for the Reorganisation of the NNDC, op.cit., p.2.

2. W.F. Stolper, "How Bad is the Plan ?", Nigerian Journal of Economics and Social Sciences, July 1962, p.107.

3. A Lardner: A Presidential Address., delivered at the Annual Conference of the Nigerian Economic Society, held at the University of Nigeria in January 1964.

Secondly, most of the projects were undertaken without expert advice, and where expert advice was taken, it was generally not heeded. It was, for instance, pointed out that the Western Nigeria Development Corporation did not refer to technical advisers in most of the projects in which it invested the £5.5m referred to above and where references were made, the advice was not heeded.[1]

Another instance is that when the participation of the NNDCwas sought in the Northern Steel Works Ltd., mentioned above, in August 1962, the feasibility of the project was discussed but the details provided were "scanty and the figures given doubtful".[2] Nevertheless, the Board invested £20,000 in loans and £10,000 in equity of the project. Not only was the loan not secured, "no accounts, minutes of the meetings, Balance Sheets, or other records have been submitted to the Corporation which also has no knowledge of investments made by other subscribers. In fact, no meetings of the Board of Directors have ever been held and no documents filed with the Registrar of Companies as required by the Companies Act. The Company is now in its second year of operations and so far had made a net loss of £396, after allowing for repayment of loan interest to the Northern Nigeria Development Corporation, although no interest had yet been paid...Government will require the Corporation to report the company's failure to comply with the Companies Act to the Registrar of Companies".[3]

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1. The Report of the Coker Commission, op.cit.
2. White Paper of the Northern Nigeria Military Government Policy, op.cit.
3. Ibid.

Thirdly, there was no effective co-ordinating agency and no central pool of information. There are five planning units in the country (one each for the four regions and the centre); and the National Plan was nothing more than five different plans bound in one volume and called the National Plan. Each of the five planning units planned in relative isolation one from the other and the rival regional governments jealously guarded their constitutional positions and obligations. They were, in effect, almost planning for four different countries instead of for one country and each statistical or investment information related specifically to its region of origin as their respective names illustrate: "The Industrial Potentialities of Northern Nigeria"; "The Investment opportunities in Eastern Nigeria"; and "The Western Region of Nigeria, a Gate Way to Africa"; "The Industrialists' Guide to Northern Nigeria". Apart from the Industrial Potentialities of Northern Nigeria, none of these publications contained any information of real value to the prospective investor and none of them related specifically to the whole of Nigeria. Besides, such feasibility studies as exist in the country are scattered throughout the five planning units and various departments within the different governments and there is no central co-ordinating agency to which investors could readily turn for a fairly comprehensive information about the investment possibilities in Nigeria. The National Economic Council which was supposed to be a forum to discuss and co-ordinate policy and information proved to be a weak consultative and advisory group with

neither a strong secretariat nor a significant power base, and therefore was unable to give philosophy and direction to the planning units.

The full realisation of the above state of affairs after studying the progress of the National Plan during its first two years of operation, led to a decision to establish a Project Evaluation Unit and an Investment unit which are to conduct feasibility studies and project evaluation on a nation-wide scale to ensure that our industrialisation programme is properly oriented to those industries which will ensure the maximum growth in our economy.[1] For the prospective investor, this was welcome news. The Investment Unit was to serve both as an information centre and a liaison office for new investors and as a registry for industrial projects established in Nigeria. It was hoped that this would remedy the lack of "focus" that characterised most government measures to attract new foreign investment. So far, however, this has ~~been~~ not been established. Given the weakness of the National Economic Council as a co-ordinating power, the four or five economic planning units continued to plan in relative isolation, one from the other. Thus, instead of getting his information from one central point in Nigeria, the prospective investor has to turn to five governments, assemble and digest whatever information is available, and decide for himself which projects and which government he would sponsor. This is bound to be a frustrating task: it is not the strategy of a government all out to attract maximum foreign private capital.

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1. Federal Nigeria, Lagos, Nov. 1962.

Fourthly, mistakes arose from the inexperience of the politicians and their unwillingness to accept the technical advice from the bureaucrats on the one hand, and the inexperience, and in some cases, incompetence of the indigenous civil servants, On the other hand, the Nigerian civil service was modelled on the lines of the colonial civil service, which was geared largely to maintaining law and order; but this is different from what is required for a rapid implementation of a development plan. J.D. Kingsley's study of the civil service in Eastern Nigeria found it to be youthful and inexperienced and this was reinforced by the rapid Nigerianisation policy of the Eastern Nigerian Government, which led to a rapid turnover in the civil service. He noted also that most of the expatriates who left were generally the more experienced ones.[1] Most of these problems also characterise the federal public service and the other regions. The 1961 report on the Federal public service Commission stated that "by the end of 1962, at least 61 per cent of overseas pensionable officers will have left the Service since Independence",[2] and an official report found that the officers employed in the Northern Nigeria Marketing Board were not "qualified" for the post for which they were employed. It seems that the transition from a civil service largely designed to maintain law and order and protect commerce to one oriented to the design and implementation of development plans, is being made at a time when even the burdens of administration have been changing and this has contributed to mistakes in planning and in execution.[3]

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1. Eastern Nigeria, Staff Development in the Public Services of Eastern Nigeria, official document No.7 of 1961, by Dr. J.D. Kingsley, Enugu, p.39.
2. Nigeria, Fifth Report on the Federal Public Service Commission, Lagos, Lagos 1962, p.10.
3. See next page.

The historical evolution of the Nigerian civil service also affected its relationship with the political decision makers. "The British civil servants in Nigeria, more desirous of protecting their own interests, and more conscious of the defects of the nationalist politicians than was the government in London, fought a rearguard action, if not against independence, at least against what they considered its excessively fast onset. The conflict over the integration of the ministries and departments was a salient episode in the readjusting of the roles of politician and administrator. Especially in the Southern regions the difficulties of such readjustments generated a lack of trust between the politicians and the administrators. That lack of trust, added to the heady wine of new power, left the politicians less willing than they might have been to accept technical advice of the bureaucrats. When the Nigerian administrators succeeded the British they stepped into this situation".[1] This is one of the reasons why the politicians either did not seek for advice at all or failed to heed to some of the technical advice in some of the investments.

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3. There is also the problem of sheer inefficiency or civil service red tape or over caution in taking decisions. The politicians took little detailed interest in the day-to-day running of their departments. This lack of interest together with the frequent absence of politicians on tour (more for the lavish expence accounts which for them constitute an important source of revenue) offered fascinating opportunities for the civil servants to amass power. By and large they did not do so partly for fear of being seen as competing with the politicians for power, and at times for other obscure reasons. "One has the impression in visiting office after office, in both federal and regional governments, of officials who have 'arrived' and are quite content with being, rather than doing. The atmosphere one encounters is almost always friendly, but it is much too relaxedin terms of the objectives that Nigerians have set for themselves. All too often the impression is one of haphazard operation, where the compass of competence and knowledge of individual

1. J. O'Connell: The Political Class and Economic Growth NJESS March 1966 pp 134-135

contd.

But the politicians' decisions were not always based on rational economic considerations and some of them, as are illustrated above, were mis-investments. "Basically the failure of the politicians to contribute substabtially to economic growth derived from a lack of developed modern attitudes. In other words, they were deficient in analytico-causal, historical and inventive attitudes; they tended too often to defend themselves against the risk of social change by financial corruption; and they excessively ignored national considerations for the sake of their own communities".[1] In some cases they appeared to be in an undue hurry

3 (contd.) officers is very narrow, self criticism is rare, co-ordination is sparse, records are unevenly maintained (complaints of lost files are numerous), and the presumption is against initiative and action. Frequently, one can find greater concern and enthusiasm for moving ahead with Nigerian industrial development among expatriates than among Nigerians". P.Q. Proehl: Foreign Enterprises in Nigeriam op.cit., pp. 132-133.

1. "They were careless in working out the connections between government investments and the returns on the money invested. Little accustomed to the exigencies of mathematical time they were unresponsive to the pressing need for feasibility studies and the strategically timed award of contracts; economic decisions waited indefinitely on cabinet meetings; and cabinets were most unwilling to delegate financial decisions where their members might be able to get a cut. They thought that censuses could be manipulated as political weapons and they had no conception of a census as a tool of economic development. They paid small heed to the proper and relative autonomy of public corporations, and saw no incompatibility between using these organisations as instruments of patronage and personal gain and using them as instruments of public investment. In short, there was missing an understanding of the structured relations between resources, expenditure, timing, and allocating...They wanted to divert - and often succeeded in doing so - projects to their areas of origin, irrespective of the national or regional economic considerations...one of the most ironic illustrations of political communalism was seen in the siting of the national secondary schools that were intended to foster political integration. The three ministers who decided their location came from Sokoto, Warri, and Afikpo. The three schools were located at Sokotp, Warri and Afikpo. An unfortunate consequence of communalism was that the distrust of communities for one another was deepened. National planning was difficult in that kind of atmosphere". See F. O'Connell op cit pp 136/2.

to establish projects. For instance, a less than optimum size of a palm kernel processing mill was preferred by the Eastern Nigerian Development Corporation because the government could not "wait for six months" to enable a prospective investor complete his studies for a mill double the capacity of the one decided upon.[1]

A fifth cause of the errors was regional competition. This is due partly to the fact that under the federal constitution, each of the five governments could legislate on industry within its own region, and partly to the geographical and economic imbalances in the federal set up. Moreover, the political parties in charge of the various governments regard industry as a social service with which to reward loyal constituents and punish recalcitrant ones. The political power rests with the North which under the 1963 census has a population more than the rest of the country and a land area four times that of the rest of Nigeria. On the other hand, the economic power rests with the South which additionally has the natural advantage of proximity to the sea. Because "the North is the most backward, the most remote, and the least desirable area in which to establish a new industry from a purely business point of view",[2] the North endeavours to redress this imbalance through its political power with a consequent resentment in the South.

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1. Report on the 4th Conference of Leading Personalities of Eastern Nigeria origin Enugu, 13-14 December 1963, official document No.28, 1964, pp.32-33.

2. P.O. Proehl, op.cit., p.128.

In addition, because of the acute unemployment problem, especially in the South (particularly in the SEast), industry is seen as a weapon to redress the unemployment situation at the expence of other considerations. Thus, each of the governments competes with the others in establishing industrial projects and in attracting projects to their regions. This has no doubt led to the establishment of more projects than would otherwise have been possible (some of which are of doubtful viability); but it also limited the inflow of foreign private investment to manufacturing. For instance the £30m iron and steel mill has not been established because of the disagreement over siting which led to the decision to establish three mills instead of the one that was recommended as economic in Nigeria's present circumstances. As the mills would have to be established with the participation of foreign capital, the prospective investors were not prepared to risk their capital in obvious uneconomic propositions.

Regional competition also limited foreign private investment through administrative delays. "It is widely suspected that much of the delay in processing applications for pioneer status, or simply for permission for a foreigner to do business in Nigeria, is attributed to contention among federal officials, expressing regional points of view, particularly those of the North, (backed by their politicians). Given the urgency that is expressed on every side for rapid industrialisation, the need for foreign capital and know-how, and the variety of enterprises that could find room in Nigeria, this appears to be the only plausible

explanation for delay".[1] According to the Federation of British Industries, the pioneer certificate "was not proving easy to administer, largely because the grant of the certificate involved the exercise of choices between rival projects sometimes located in different regions. We came upon cases when the political difficulties had led to delays of many months in reaching decisions".[2]

The administrative delays were also serious in customs muddles and in grant of visas. At one stage the Michelin factory at Enugu in Eastern Nigeria exported tyres to U.K. and Scandinavia from Nigeria. This entitled it to a "drawback" under the 1958 Act; but though the claim lasted for more than two years, nothing was received and the company abandoned exporting.[3] As a pioneer company, Michelin ought not, in fact, have paid any duty at all on its exports; but it had not received the certificate and it was suggested by a top civil servant in Enugu that the Federal Government was deliberately obstructing Eastern Region Government projects for political or spiteful reasons.[4]

The effect of the errors discussed above limited both the quantity of foreign private investment and the efficiency of such investment as entered Nigeria up to 1965. The importance of eliminating defects in Government policy toward foreign private investment in manufacturing must be judged not only against the security of capital in Nigeria, but

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3. New Thinking in Eastern Nigeria, West Africa, December 1965, p.1457.

4. Ibid

1. P.O. Proehl, op.cit.
2. FBI Nigerian: an Industrial Reconnaisance, op.cit.

also in the light of the fact that the inflow of recent years was partly the product of a boom mentality on many investors. If as a result of past experience, of bureaucratic inefficiency, political hazards, and the other problems discussed above, foreign private investors lose interest in Nigeria, the Government may find that the inflow of foreign private capital for the next Plan will be very much reduced.

FINAL CONCLUSIONS

It may be said in final conclusion that, compared with the 1939/54 period, foreign private investment in Nigerian manufacturing was immense during 1955/65. The dominant factor which influenced it throughout the period was government policy: during 1939/54 it was negative; but during 1955/65 it was positive. The second most important factor was Nigeria's potentially large market; during 1939/54 it was limited by the overall low economic development and low per capita income; but during 1955/65 it was enhanced by the government's positive industrialisation and economic policy, by higher per capita incomes relative to the earlier period, and by the prospect of an African or a West African Common Market of which Nigeria was expected to be the "workshop".

However, the size and the effective contribution of foreign manufacturing investment during 1955/56 was limited by the government's failure to take or heed expert advice before encouraging and participating in establishing some projects, by unsound investments and strategies, by lack of statistical and centralised information, and by regional competition. These other factors may be overcome but

regional competition is the most serious and the most intractable. It led to the virtual division of the large or potentially large Nigerian market into five components; it led to administrative delays and to duplication and waste of industrial projects. It has now threatened the very existence of Nigeria as one country.[1] Nigeria's problems are political: she has a tremendous economic potential. If the right political solution can be found, and if priorities can be established, and reasonably adhered to, the prospect for future foreign private manufacturing investment in the country would be very bright.

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1. This thesis is a factual study of what happened in foreign private manufacturing investment in Nigeria during 1939/65. It does not therefore cover the period since the Military Disruption in January, 1966. This Disruption and the political turmoil in Nigeria since then are evidence of the strains and stresses in the Nigerian political and economic structure which have been indicated in many parts of this study. Until long after a mutually agreeable political solution is settled, it would be futile to speculate on the effect of the crisis on the prospect for foreign private investment.

   But one thing is certain. It has shaken the very foundation of the foreign investor's confidence in Nigeria as the most politically stable country in Africa, outside South Africa. It has also threatened the second most important factor in the foreign investor's choice of Nigeria over other African countries - her potentially large internal market of about 56 m people. If these two factors go, Nigeria may still attract sizeable foreign private investment, especially because of her rich oil resources; but she may no longer be regarded as a "key global area" for investment or as the "workshop" of a prospective African or West African Common Market.

APPENDIX A

STOCK, FLOWS, SECTORAL DISTRIBUTION, AND NATIONALITY OF ALL FOREIGN PRIVATE INVESTMENT IN NIGERIA, 1939/65.

The National Development Plan, 1962/68, set a target for anticipated aggregate foreign private investment in Nigeria during the period of the Plan; but it did not attempt to allocate this aggregate to particular sub-sectors or projects. Thus there are no separate targets for industry or agriculture. The preceding chapters have studied foreign private investment in manufacturing; but it is thought necessary to relate this to and give a general picture of the overall foreign private investment in Nigeria. This is attempted in this appendix. It is divided into two parts. The first part discusses the stock and flows, and the second part examines their sources.

PART ONE. THE STOCK OF FOREIGN PRIVATE INVESTMENT IN NIGERIA

The first attempt to estimate the stock of foreign capital in Nigeria, and indeed, in the whole of Africa, was made by Professor S.H. Frankel.[1] He estimated that between 1870 and 1936, total foreign capital in Africa amounted to £1222m of which £117m or about 10 per cent was invested in West Africa, and £110m in East Africa. Table A.I shows that £75m was invested in Nigeria during the period, compared with £35m in Ghana, £46m in Kenya and Uganda, and £51m in Tanzania.

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1. S.H. Frankel: Capital Investment in Africa 1870-1936, O.U.P., 1938.

Frankel listed £35m of the £75m invested in Nigeria as public and £37m as private capital. He based his calculations on separate examination of all the known foreign investment according to purpose and geographical area. Public listed capital was traced to its published sources, where possible, and private capital, comprising equity and loan capital, was extracted from the quoted shares in the London stock exchange. He estimated that undisclosed private capital and loans including ploughed back profits, constituted about 10-15 per cent of the total listed capital. He called this "non-listed" capital and for Nigeria this amounted to £4m during the period.

The Bank of England's Estimate

The next important estimate of foreign private investment in the African Commonwealth countries was made by the Bank of England,[1] covering the period 1938/57. This showed that the U.K's investment in West Africa dropped from £55m in 1938 to £44m in 1950 and rose again to £46m in 1957. This compared with U.K's investment in East Africa which rose from £24m in 1950 to £69m in 1957. In South Africa it fell from £199m in 1938 to £147m in 1957 and rose from £92m in 1950 to £136m in 1957 in Rhodesia and Nyasaland.

The Bank of England's estimates resembled Frankel's. Both were limited to stocks quoted on, unofficially dealt in, or otherwise known to

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1. Bank of England: United Kingdom Overseas Investments, 1938-1957

the London Stock Exchange. They referred only to "nominal values" of the shares and hence did not reflect additions to invested capital through capital appreciation or ploughed back profits. They did not therefore reflect the current market values of the physical assets. The two estimates however differed in some respects.

First, Frankel's figures covered all known quoted or listed foreign capital in Africa, while the Bank of England figures covered merely the quoted investments of U.K. residents operating entirely, or almost entirely in Africa but excluded those U.K. firms which also operated on a big scale both at home and abroad. Accordingly, unlike Frankel's figures, the Bank's figures excluded "many important companies, all insurance companies, and all shipping companies. These limitations greatly influenced the computation ... and may account for the fact that the figures showed a reduction in total outstanding investments over the period."[1]

Secondly, unlike Frankel's, the Bank of England figures did not include public loans and Commonwealth Development and Welfare grants. Moreover, they did not give country breakdowns which Frankel did, especially for East and West Africa. But it is the breakdown for Nigeria which is of interest here. I wrote to obtain this from the Bank. The reply dated 25th May 1966, stated that "separate figures for Nigeria

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1. U.N. The Int. flow of long term private capital and official donations 1946-1952, Dept. African Affairs, New York, 1954.

cannot be isolated from the British West African investment figures which appeared in the pamphlet "United Kingdom Overseas Investments" published by the Bank. This series ended in 1958 and since that time no analysis of portfolio investments by countries is available from official sources".

Board of Trade Surveys

Since 1958, the U.K. Board of Trade had been conducting annual surveys of U.K. overseas direct investment, the result of which is published in the Board of Trade Journals. In 1962 a stock survey was made. This showed a net asset value of all U.K. private overseas investment of £1964m, excluding oil, banking and insurance. Table A.2 shows that £901 or 37 per cent of this was in the developed overseas sterling area countries. Nigeria accounted for £79m or 4 per cent of the total, compared with £256m or 13 per cent in India.

Table A.3 shows that £40.8m or 51.6 per cent of the £79m was in distribution and £15.5m or 18.2 per cent in electrical, mechanical and other manufacturing industries.[1] The United Africa Company stated that their net investments in Nigeria amounted to £48.5m in 1961.[2] Assuming the same figure for 1962, it means that UAC accounted for more than 61 per cent of the £79m worth of U.K. investments in Nigeria in 1962, excluding oil, banking and insurance.

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1. During his speech on the British day at the Lagos International Trade Fair, Alan Green, a British M.P., stated that Britain's private investment in Nigeria exceeded £150m, of which £30-£40m was invested in the two years following Independence. He did not give details of how this figure was made up. See London Times, October 29, 1962.

2. Unilever Ltd. Annual Report, 1962.

The Central Bank's Surveys

The Bank of England's surveys and the estimates of the Board of Trade were limited to U.K. investments and therefore did not give an accurate account of the stock and flow of all foreign capital in Nigeria. The need for such information became urgent during the preparation of the 1962-68 Development Plan, the implementation of which depended on a 50 per cent contribution from external sources. Besides, the assessment of the effect of such inflow on Nigeria's balance of payments and consequently on her foreign exchange position became highly important, especially in view of the Plan's assumption of a balance of payments gap of about £480m to be covered by foreign capital inflows. Prompted by these considerations, the Central Bank of Nigeria instituted a survey of foreign private investment in Nigeria starting with a pilot survey in 1962. With the experience gained from the pilot survey, an expanded enquiry was conducted in 1963 to obtain information not only on the amount of private foreign investment in Nigeria, but also on the flow of private capital.

The 1962 survey covered 388 large and medium-sized concerns chosen from those listed in the Register of Companies as having an authorised capital of £10,000 or more, part or all of which were believed to be foreign. Banks, air transport, shipping, and insurance companies were

excluded. Only road transport companies known to be foreign owned were solicited. The principal data requested were related to their external capital transactions during 1961 and 1962. In addition they were requested to furnish data on profits and dividends; capital structure, ownership, and fixed investments.

About 78 per cent of the firms surveyed in 1962 responded while the returns received which contained relevant information were 61 per cent of the sample or 77.3 per cent of those responding. The reason for the divergence was principally that a number of the responding concerns were still in the process of organisation during the reporting period; others were dormant or defunct, while some proved to be wholly indigenous companies without foreign capital.[1]

The survey showed that total paid up capital and reserves and other net liabilities of foreign companies in Nigeria amounted to £218.4m and total net investments in fixed assets amounted to £151.7m. Further information revealed that foreign private investment in Nigeria was conducted principally through a) Branches of foreign incorporated dompanies with their head office abroad from where they were controlled; b) subsidiaries of foreign companies wholly or partly owned by a foreign company which exercises a partial control over the subsidiaries' operations; c) other companies which, while neither a branch nor a subsidiary, are partly or wholly foreign owned. This category includes a number of companies established in Nigeria with foreign and Nigerian capital participation. It was found that about 81 per cent of foreign

1. Central Bank of Nigeria, Econ. and Statistical Review, vol.2, No.1 June 1964, p.10.

investments in Nigeria are channelled through subsidiaries, the remainder about equally divided between branches and other forms of organisation.[1]

The 1963 survey, which covered 481 companies compared with 383 in 1962, tried to improve the conceptual methodology of the survey and this led to a revision of the 1962 figures. The firms surveyed in the 1963 survey were in the same category as those surveyed in 1962 and the response to the two surveys averaged 75 per cent. An extrapolation procedure was then developed to provide an estimate of total private investment in the country. Banks, air transport and insurance companies were omitted in the 1962/63 surveys but were covered in the 1964 survey. The results of these surveys are summarised in Tables A.4 and A.5.

Table A.4 shows that mining has consistently accounted for the biggest quota of foreign private investment in Nigeria. It accounted for £65m or 41.5 per cent of net investments in fixed assets by all foreign firms in 1962. By 1964 this had risen to £146.2m or 52.2 per cent of the total. Manufacturing and processing accounted for £39m or 25 per cent in 1962 and for £63.5m or 23 per cent in 1964. Table A.5 shows the same pattern. In 1962 mining accounted for £81m or 37 per cent of all the paid up capital, reserves, and other liabilities of foreign private firms in Nigeria By 1964 this had risen to £128.7m or 40 per cent of the total. Manufacturing and processing accounted for £38.3m or 17 per cent of the total in 1962 and for £58.5 m or 18 per cent in 1964.

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1. Ibid., p.11.

The concentration of investment in mining is principally due to the investment of the oil companies since the discovery of oil in commercial quantities in Nigeria. According to the Petroleum Press Service, "Nigeria is now the tenth biggest oil producing country in the world, with hopes of an expansion even greater than that which has already taken place".[1] The big rise in investment in this sector in 1964 is probably due to the establishment of the £9m Oil Refinery at Port Harcourt in Eastern Nigeria.

Disinvestment has been occurring in the trading and services sector. In 1962 alone, there was a total disinvestment of £13.6m by the U.K. companies in this sector.[2] This was partly due to the Nigerian government policy of encouraging the foreign firms to withdraw from, and reserve these sectors to Nigerians. This process, which is continuing was responsible for the overall net disinvestment of £4.6m by the U.K. companies in 1962 and £4.8m in 1964. (Table A.14 below). As the firms moved out of retail and general trading, they invested some of the funds withdrawn in specialist trading, such as department stores. This explains the increase in net fixed investment in the trading and services sector from £37m or 21 per cent of the total in 1963 to £47.5m in 1964, although the proportion fell to 17 per cent. Part of the withdrawn resources also went to the manufacturing sector and helps to explain the increase

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1. Petroleum Press Service: June 1967, p.208.
2. Board of Trade, May 1966.

in investment in this sector from £47m in 1963 to £64m in 1964.

Stock of Foreign Private Investment in Nigeria: Summary.

According to the surveys conducted by the Central Bank of Nigeria net foreign investment in fixed assets rose from £156.7m in 1962 to £280.2m in 1965, of which 52 per cent was in the mining sector, 23 per cent in the manufacturing and processing sector, and 17 per cent in trading and services. The surveys also showed that the total paid up capital, reserves, and other liabilities of foreign private firms in Nigeria rose from £220.9m in 1962 to £321.2m in 1964 of which 40 per cent was in mining, 18 per cent in manufacturing and processing, and 32 per cent in trading and services. Thus foreign net private investments in fixed assets increased by about 79 per cent and paid up capital, reserves and other liabilities by about 46 per cent during 1962/64.

II

The Flow of Foreign Private Investment in Nigeria 1939-1965.

The figures relating to foreign private investment in Nigeria are not available for the years prior to 1950. Table A.6 shows the flow of figures between 1950 and 1965. It shows that foreign private investment in Nigeria during the 16 years, in flow terms, amounted to £345.1m or an average of £21.5m per year. About 41 per cent or £140m of this was invested in the 11 years 1950/60 and 59 per cent or £205m in the first five years of Independence, 1961-65. This represents an annual inflow of £12.7m during 1950/60 and £41m during 1961/65. Thus more investment was attracted in the five years of Independence than in the 11 years,

1950/60. This supports the finding in Chapter Two that more foreign private investment was attracted in the first five years of Independence than during 1939/60.

The factors responsible for this pattern of inflows were the lack of government incentives, and government inhibitions up to 1954. Although government incentives to attract foreign investment became available in the incentive laws passed in 1957/58, their full impact was felt in the years after 1960. Other factors included foreign competition, apparent political stability during the first five years of Independence, freedom to bring in and take out capital and interest especially after the return to convertibility at the end of 1958, the attractions of the Nigerian market, the prospects of a West African or an African Common Market, and redeployment. These factors were examined in detail in Chapters One - Four above.

Sectoral Distribution of the Capital Flows.

The sectoral breakdown of the net capital flows is available only for three years, 1961/63 and is illustrated in Table A.7. It shows that £14.6m or about 54 per cent of the £27.3m inflow in 1961 went to the trading and services sector. On the other hand, there was a net outflow of £15.4m from this sector in 1962. About 33 per cent of the £37.9m inflow in 1963 went to the mining sector, 29 per cent to manufacturing and processing, and 28 per cent to trading and services. The predominance of the mining sector in private foreign capital investment in Nigeria is again illustrated in the Table.

PART TWO

THE SOURCES AND SECTORAL DISTRIBUTION OF FOREIGN PRIVATE INVESTMENT IN NIGERIA

I

Sources and Sectoral Breakdown of the Flows

The breakdown of the flow figures according to source is available for the years 1953/59 and 1961/65 and is shown in Table A.8. Caution is required in interpreting the figures. The U.K. figures during 1953/59 included those for the rest of the sterling area countries. The exact proportion is unknown, but it is unlikely to be much. This is illustrated by the fact that there was practically no difference in the figures for the years after 1960[1] when they only included U.K. Investment. The investment from the rest of the sterling area has been included in the figures after 1960. Up to 1959 the Dollar Area included Canada. Under the Central Bank's surveys after 1961, it relates only to the U.S.A.

Table A.8 shows that the total inflow during 1953/59 amounted to £102.5m. The U.K. accounted for £63.7m or 62 per cent of this, the OEEC countries accounted for 21 per cent, the Dollar Area for 13.5 per cent and the rest of the world for 3 per cent. During 1961/65 the total inflow was £145.9m. The U.K. accounted for £61.7m or 42 per

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1. 1962 was exceptional for the £13.6m net disinvestment already explained and 1964 for investment in oil.

cent of this, the OEEC countries for 28 per cent, the Dollar area for 21 per cent and the rest of the world for 9 per cent. Over the eleven years, total inflow amounted to £248.4m of which the U.K. accounted for £125.4m or 51 per cent compared with 25 per cent by the OEEC countries, 18 per cent by the Dollar area, and 6 per cent by the rest of the world.

It is thus seen that the U.K. is the biggest foreign private investor in Nigeria. Of the £63.7m which came from the U.K. during 1953/59, the United Africa Co accounted for £15.3m or 15 per cent of the total foreign private capital inflow during the period. This illustrates the importance of the Company as a private investor in Nigeria.

The second biggest foreign investor is the OEEC countries which accounted for 25 per cent of the total inflow during 1953/65. Unfortunately the breakdown of this is not available. It is not therefore possible to say which of the OEEC countries invested more than the other. However, the stock figures throw some light on this.

II

The Sources of the Stock of Foreign Private Investment in Nigeria

The breakdown of the stock of foreign private investment is available for the years 1962/64 and is shown in Tables A.9 and A.10. Table A.9 shows that of the net investment in fixed assets of £156.7m in 1962, the U.K. accounted for £104.8m or 67 per cent, the United

States for 10 per cent, Western Europe for 13 per cent and the rest of the world for 11 per cent. In 1964 the net investment in fixed assets of foreign firms was £208.2m, of which the U.K. accounted for 58 per cent, the United States for 12 per cent, Western Europe for 23 per cent and the rest of the world for 8 per cent. Table A.10 shows that in 1964 the total paid up capital, reserves, and other liabilities of foreign firms in Nigeria amounted to £321.2m of which the U.K. accounted for 57 per cent, the U.S.A. for 12 per cent, Western Europe for 24 per cent and the rest of the world for 8 per cent.

The above figures show the same pattern as the flow figures - that the U.K. is the biggest foreign investor in Nigeria, followed by Western Europe, and the U.S.A. in that order. Table A.11 shows that £53m of the £63.6m net investment in fixed assets that came from Western Europe in 1964 came from the Common Market countries, of which the Netherlands accounted for 83 per cent and France for 8 per cent. £58.7m of the £75.7m of the paid up capital, reserves, and liabilities of the foreign firms that came from Western Europe in 1964 came from the Common Market countries. The Netherlands again accounted for the biggest at 65 per cent of the total compared with 16.2 per cent by France and 16 per cent by Italy. No investment has come from Belgium or Luxembourg.

The dominance of the U.K. as the leading foreign private investor in Nigeria is understandable for there is a correlation between long established trade relations and the motivation to invest in a country. Of all the three major sources of foreign private capital inflows to Nigeria, the U.K. has the greatest export business with Nigeria, followed by Western Europe and the United States of America in that order. Table 4.3 in Chapter Four makes this clear. In 1950 the U.K. supplied 60 per cent of Nigeria's imports and only 4 per cent came from the United States. In 1965 the proportions were 31.1 per cent from the U.K., 31.7 per cent from Western Europe, and 12 per cent from the United States. We pointed out in that chapter that investment from these other countries in Nigeria before 1960 was limited by the fact that they had little established markets with Nigeria to defend, and by the restrictions on non-sterling transactions imposed in the interest of the sterling area until 31 December, 1958. Until these restrictions were removed or relaxed shortly before Nigeria's independence in 1960, these countries were in a disadvantageous position to invest in Nigeria while the U.K. was in a particularly favourable position. The U.K. is therefore the biggest foreign private investor in Nigeria because she is the ex-colonial power and because she has the biggest and longest established export business relation with Nigeria.

The correlation between established trade relations and investment is illustrated in the case of the U.S. investment in Latin America. Table A.12 shows that Latin America accounted for over 86 per cent of

all of U.S. private investment in low income countries in 1957. In 1956 the proportion was 73.3 per cent and 52.1 per cent in 1958. This is partly because the U.S. has had long trading relations with the Latin American countries. By comparison with the U.K. the U.S. private investment in Nigeria was small, accounting for about a quarter of the U.K. inflows during 1953/59. Indeed, according to the U.S. Department of Commerce, the book value of U.S. direct investment in the whole British West Africa amounted to no more than $10.5m in 1950, of which $8.6m represented investment by petroleum companies mainly in distributive facilities.[1] In 1953 only £o.1m was invested by the U.S. in Nigeria. This was partly due to the very small volume of trade between the U.S. and Nigeria throughout the period, which was also due to a lack of knowledge in the U.S. of Nigeria's full potentialities.[2]

Another factor which explains the paucity of non-British investment in Nigeria before 1960 is the regulation about mining mineral oils. According to the Nigerian mineral ordinance, "no lease or licence shall be granted except to a British subject or to a British company registered in Great Britain or in a British colony, and having its principal place of business with His Majesty's dominions, the Chairman and the managing director (if any) and the majority of the

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1. U.S. Department of Commerce, Foreign business investment of the U.S: Supplement to Survey of Current Business, 1953.

2. U.S. Department of Commerce: Investment in Nigeria: Basic information for U.S. Businessmen, New York, 1957, p.4.

other directors of which are British subjects".[1] There is no evidence that this Ordinance was repealed before 1960 and it seems to have lapsed with Independence in 1960.

It means that non-U.K. investors could not invest in oil prospecting in Nigeria as long as that Ordinance was in force. This contrasts with the position in Latin America. In fact the concentration of U.S. private investment there is much because of long commercial relations with Latin America as it is because of the mineral oil investment there, especially in Venezuela.

Two other factors that come into the explanation are income levels and political stability. Generally, investment is attracted to higher income countries with rich resources where profits can be maximised. Table A.13 shows that Latin America accounted for 66 per cent of all foreign private capital inflows into the developing countries in 1961 and for 68 per cent in 1962. On the other hand the proportion which went to Africa dropped from 16 per cent in 1960/61 to 8 per cent in 1962. The dominance of Latin America is explained by the generally higher incomes and rich oil resources than in Africa. The same pattern is also shown in U.K. investment in the Overseas sterling area countries. Table A.14 shows that £129.3m or 86% of the £150m U.K. investment in 1964 went to the three developed overseas sterling area countries - South Africa, Australia, and New Zealand - while only £15.7m or 10% went to 6 underdeveloped sterling area countries -

1. Laws of Nigeria, (1948 edition), Vol.IV, Cap.135.

India, Nigeria, Sierre Leone, Ghana, Kenya, and Uganda. The low incomes prevailing in these countries evidently reinforced the other factors mentioned above to explain the paucity of non-U.K. investment in Nigeria before 1960.

Table A.14 also reveals another factor. This is political. Normally a country may have high per capita incomes and potential resources, but unless the investor feels that his investment is safe and that he can take in and take out his capital and profits, he may not invest. The Commonwealth Development Corporation, for instance, complained that unfavourable government attitude to foreign investment was one of the main factors which limited foreign investment in Ghana and the disinvestments of £0.8m and £0.3m in 1963 and 1964 by U.K. investors in Ghana may have some connections with the unfavourable political atmosphere. The net disinvestments in Nigeria in 1962 and 1964 have already been explained as due to the government policy that foreign firms should withdraw from and leave retail and general trading to Nigerians.

Table A.15 seems to illustrate the effects of political factors in attracting or repelling foreign investment in Africa. It shows that the flow of foreign private capital to Africa fell by 44 per cent from $147m during 1951/55 to $83 during 1956/59. Evidently the latter period witnessed the beginning of the political "wind of change" in Africa which tended to frighten away investors or to make them adopt a "wait and see attitude". We showed in Chapter One that during 1939/54 foreign private investors adopted this attitude towards

investment in Nigeria owing to rapid political and constitutional changes in the country. If the U.K. investor could and did adopt this attitude in Nigeria which is within their sphere of influence, it is obvious that other countries would be even more cautious.

To summarise, the main factors which explain the paucity of non-U.K. private investment in Nigeria before 1960 are the mineral ordinance which excluded non-U.K. investors, the general restrictions on dealings with non-sterling area countries, including the requirement that any investment from the U.S. had to be net dollar earner or saver before it could be authorised, the small volume of trade between Nigeria and these other countries which weakened their incentive to invest in defence of the markets; and generally the lower levels of income in Nigeria compared with some Latin American countries, and ignorance of Nigeria's full resource potentials.

Independence changed most of the above. The exclusion of non-U.K. investors in mineral oil prospecting and the general restrictions on transactions with non-sterling area countries in the interest of the sterling area lapsed with Independence in 1960 and the return to convertibility in 1959. Independence enabled Nigeria to negotiate business with any country in the world and the discovery of oil in commercial quantities in the late 1950's added to an apparent political stability and the general freedom to repatriate profit and capital to improve the investment climate in Nigeria. American and Italian oil companies now operate side by side with U.K. companies in mining

mineral oil in Nigeria and the mining sector accounted for the biggest proportion of foreign private investment in Nigeria during 1962/64.

The effect of the above developments in attracting non-U.K. private investment to Nigeria is illustrated by the fact that although during the seven years 1953/59 the flow of U.S. investment in Nigeria amounted to £13.7m which was about a quarter of the U.K. total inflows, during the four post independence years, 1961/64, the total inflow from the U.S. amounted to £30.3m or about 50 per cent of the U.K. inflows during the same period (Table A.8), while the total inflow from Western Europe during 1953/59 amounted to £21.7m or about two-thirds of the inflows from the U.K. during the same period. Similarly, while the U.K. accounted for 62 per cent of the total inflows during 1953/59, it accounted for 51 per cent of the total during 1961/64. Western Europe improved on its proportion from 21 per cent in the earlier period to 25 per cent in the latter period and the U.S. from 14 per cent in the earlier period to 18 per cent in the latter period.

The above factors help to explain the fact that Nigeria received 2.8 per cent or the 11th highest proportion of the net international flow of long term capital and official donations to developing countries during 1960/62 as Table 8.16 shows. India received the highest - 12.6 per cent.

GENERAL CONCLUSIONS

During 1950/1965 there was a total inflow of £345.1m of foreign private capital into Nigeria, of which £140.3m or 41 per cent related to the period 1950/60 and £204.8m to the first five years of Independence 1961/65. The United Kingdom is the biggest source of foreign private capital for Nigeria. Of the £248.4m inflow during 1953/65, the U.K. accounted for £125.4m or 51 per cent, Western Europe for £63.2m or 25 per cent, and the U.S.A. for £44m or 18 per cent. The balance of £15.8m or 6 per cent came from the rest of the world.

The United Kingdom also accounted for the biggest proportion of foreign private investment in fixed assets and in paid up capital, reserves, and other liabilities. These proportions were 58 per cent and 57 per cent respectively in 1964, compared with 23 per cent and 24 per cent by Western Europe and 12 per cent respectively by the U.S.A. The Netherlands accounted for 83 per cent of the net fixed investment in fixed assets and for 65 per cent of the paid up capital, reserves and other liabilities of the foreign private firms of the European Economic Community in 1964.

The mining sector has attracted the biggest proportion of foreign investment during 1962/64. It accounted for 52 per cent of net foreign investment in fixed assets and of 40 per cent of the paid up capital, reserves and other liabilities in 1964.

TABLE A.1

CAPITAL INVESTMENT IN AFRICA: 1870-1936 £000

Country	Public listed	Private listed	Non listed	Total	Percentage of African Total
West Africa	50871	60430	5429	116730	9.56
Nigeria	34721	36790	3576	75087	6.35
Ghana	13462	20160	1681	35303	2.98
Sierra Leone	2454	750	160	3364	0.28
Gambia	234	-	12	246	0.02
Sundries	-	2730	-	2730	0.22
East Africa	73180	25424	11585	110189	9.02
Kenya-Uganda	31542	8583	6019	46144	3.78
Tanzania	31340	15841	4718	51899	4.25
Nyasaland	10298	1000	848	12146	0.99

Notes: The total for whole Africa was £1222m.

The Nigerian total is about 64 per cent of West African total.

Source: S.H. Frankel: Capital Investment in Africa, O.U.P. London, 1938, pp.158-60.

TABLE A.2

NET BOOK VALUE OF U.K. INVESTMENTS IN SELECTED OVERSEAS STERLING AREA COUNTRIES, 1962

Country	Amount £m	Percentage of total OSA
Developed OSA Countries		
Australia	522.0	27.0
South Africa	269.0	14.0
New Zealand	110.0	6.0
Total: Dev. OSA.	901.0	37.0
Undeveloped OSA Countries		
India	256.0	13.0
Pakistan	32.0	2.0
Fed. Malaya	126.0	6.0
Nigeria	79.0	4.0
Sierra Leone	16.0	1.0
Kenya	20.0	1.0
Total: Undev. OSA	529.0	27.0
All OSA Countries	1964.0	100.0

Note: The figures exclude oil, banking and insurance.

Source: U.K. Board of Trade Journal, August 7, 1964, p.2. Extract kindly supplied by the Board of Trade.

TABLE A.3

TOTAL NET ASSET VALUE OF UNITED KINGDOM PRIVATE DIRECT INVESTMENT IN NIGERIA AT END 1962

Industry	Amount £m	Percentage
Agriculture	2.8	3.5
Mining	5.6	7.6
Electrical & Mechanical Engineering	0.2	0.3
Other Manufacturing Industries	14.4	18.2
Construction	1.5	1.9
Distribution	40.8	51.6
Transport, Communication & Shipping	7.0	8.9
Other activities	6.7	8.5
Total	79.0	100.0

Source: Board of Trade: Statistics Division, May 1966; excluding oil, insurance and banking.

TABLE A.4

SECTORAL DISTRIBUTION OF NET FOREIGN PRIVATE INVESTMENT IN FIXED ASSETS IN NIGERIA, 1962-64

Sector	1962		1963		1964	
	Amount £m	Percentage	Amount £m	Percentage	Amount £m	Percentage
Mining	65.0	41.5	75.6	43.0	146.2	52.2
Mfg. & Processing	39.0	24.9	46.5	26.4	63.5	22.7
Agric. & Fishing	6.1	3.9	5.0	2.8	5.9	2.1
Transport & Comm.	1.5	1.0	2.6	1.5	3.0	1.0
Building Const.	4.9	3.1	7.5	4.3	8.2	2.9
Trading & Services	39.7	25.4	37.0	21.0	47.5	16.9
Other activities	0.5	0.2	1.8	1.0	5.9	2.1
Total	156.7	100.0	176.0	100.0	280.2	100.0

Source: Central Bank of Nigeria: Statistical and Economic Review, June, 1966.

TABLE A.5

SECTORAL DISTRIBUTION OF FOREIGN PRIVATE PAID UP CAPITAL RESERVES AND OTHER LIABILITIES IN NIGERIA, 1962-1964

Sector	1962		1963		1964	
	Amount £m	Percentage	Amount £m	Percentage	Amount £m	Percentage
Mining	81.0	36.7	93.4	36.1	128.7	40.0
Manufacturing & Processing	38.3	17.3	49.3	19.0	58.5	18.2
Agric.Forestry & Fishing	4.3	2.0	4.9	1.9	5.4	1.7
Transport & Communications	2.4	1.1	2.6	1.0	3.5	1.1
Building Construction	8.5	3.8	10.9	4.2	12.3	3.8
Trading and Services	84.9	38.4	96.5	37.3	101.0	31.5
Other activities	1.5	0.7	1.2	0.5	11.8	3.7
Total	220.9	100.0	258.8	100.0	321.2	100.0

Source: Central Bank of Nigeria: Economic and Financial Review, June 1966, p.6

TABLE A.6

FOREIGN PRIVATE INVESTMENT IN NIGERIA: NET FLOW: 1950 - 1965

Year		Amount £m	
1950		2.6	
1951		8.6	
1952		7.6	
1953		5.5	
1954		10.4	
1955		9.6	
1956		19.1	
1957		17.1	
1958		16.8	
1959		24.0	
1960		19.0	
	Sub total		140.3
	Average for 11 years		12.7
1961		27.3	
1962		17.7	
1963		37.9	
1964		63.0	
1965		58.9	
	Sub total		204.8
	Average for 5 years		41.0
Grand Total		345.1	
Average for 16 years			21.5

Source: Fed. Nigeria: Annual Abstract of Statistics, 1964, p.105
Central Bank of Nigeria: Annual Report, 1965, p.52.
CBN: Economic & Financial Review, July 1965, p.10.

TABLE A.7

SECTORAL DISTRIBUTION OF THE FLOW OF NET FOREIGN PRIVATE INVESTMENT IN NIGERIA, 1960-1963

£M

Sector	1961	1962	1963	% (1963)
Mining	6.9	7.5	12.5	32.9
Mfg. & Processing	5.9	20.5	11.0	29.0
Agric. Forestry & Fishing	-1.1	-0.2	0.5	1.3
Transport & Communications	0.3	0.2	0.1	0.3
Trading and Services	14.6	-15.4	10.5	27.7
Building & Construction	0.7	4.6	3.1	8.2
Other Activities	=	0.5	0.2	0.6
Total	27.3	17.7	37.9	100.0

Source: Percentages calculated from the figures. Central Bank of Nigeria: Economic and Financial Review, July 1965, p.10

TABLE A.8

FOREIGN PRIVATE CAPITAL IN NIGERIA: SOURCE OF FLOWS
1950-1965 £m

Year	United Kingdom Total	United Kingdom Of which UAC accounted for	OEEC	Dollar Area	Rest of the World	Total
1953	4.2	1.5	1.0	0.1	0.2	5.5
1954	4.7	1.5	3.9	1.5	0.3	10.4
1955	5.3	2.1	2.2	1.7	0.4	9.6
1956	11.3	2.6	4.7	2.5	0.6	19.1
1957	10.1	2.7	4.2	2.2	0.6	17.1
1958	10.2	2.1	2.4	3.7	0.5	16.8
1959	17.9	2.8	3.3	2.0	0.8	24.0
Sub-total	63.7	15.3	21.7	13.7	3.4	102.5
% of total	62.1	15.0	21.2	13.5	3.4	100.0
1961	13.8	2.7	5.9	5.9	1.7	27.3
1962	2.9	-	6.9	4.0	3.9	17.7
1963	17.0	-	13.4	5.4	2.1	37.9
1964	28.0	2.7	15.3	15.0	4.7	63.0
% of total	42.3		28.4	20.8	8.5	100.0
Total 1961/4	61.7		41.5	30.3	12.4	145.9
1953/59	63.7	15.3	21.7	13.7	3.4	102.5
Total 1953/65	125.4	18.0	63.2	44.0	15.8	248.4
% of total	50.5	7.2	25.4	17.7	6.4	

Source: Up to 1959: Annual Abstract of Statistics, Nigeria, 1964, p.105; 1961-1963 from CNB Economic and Financial Review, June 1966.
UAC figures from Economic & Statistical Reviews

TABLE A.9

NET FIXED PRIVATE FOREIGN INVESTMENT BY ORIGIN, 1962-64

Country	1962		1963		1964	
	Amount £m	Percentage	Amount £m	Percentage	Amount £m	Percentage
United Kingdom	104.8	66.9	116.5	66.2	162.2	57.9
United States	15.0	9.6	14.3	8.1	32.7	11.7
Western Europe	19.7	12.6	36.6	20.8	63.6	22.7
Other unspecified	17.2	11.0	8.5	4.8	21.7	7.7
Total	156.7	100.0	175.9	100.0	280.2	100.0

Source: Central Bank of Nigeria: Statistical and Economic Review, June 1966

TABLE A.10

NATIONALITY OF FOREIGN PRIVATE PAID UP CAPITAL RESERVES AND OTHER LIABILITIES IN NIGERIA, 1962-64

Nationality	1962		1963		1964	
	Amount £m	Percentage	Amount £m	Percentage	Amount £m	Percentage
United Kingdom	135.6	61.4	154.1	59.5	181.4	56.5
United States of America	19.4	8.8	24.0	9.3	39.0	12.1
Western Europe	46.8	21.2	60.3	23.3	75.7	23.6
Other unspecified	19.1	8.6	20.3	7.9	25.1	7.8
Total	220.9	100.0	258.8	100.0	321.2	100.0

Source: Central Bank of Nigeria: Economic and Financial Review, June 1966, p.5.

TABLE A.11

FOREIGN PRIVATE INVESTMENT & INVESTMENT IN FREED ASSEST OF EUROPEAN ECONOMIC COMMUNITY IN NIGERIA, 1962 - 1964[a]

Country	1962		1963		1964	
	Amount £m	Percentage	Amount £m	Percentage	Amount £m	Percentage
France	3.0	17.6	3.5	12.1	4.2	7.9
Italy	0.5	2.9	1.2	4.2	3.2	6.1
Netherlands	15.3	78.3	23.6	81.7	44.1	83.2
Belgium & Luxemburg	-	-	-	-	-	-
West Germany	0.2	1.2	0.6	2.0	1.5	2.8
Total EEC	19.0	100.0	28.9	100.0	53.0	100.0
All Western Europe	19.7	-	36.6	-	63.6	-
Outside EEC.	0.7	-	7.7	-	10.6	-

PAID-UP CAPITAL RESERVES AND OTHER LIABILITIES OF E.E.C. COUNTRIES IN NIGERIA, 1962-1964.[a]

France	7.8	21.3	14.5	28.8	9.5	16.2
Italy	4.1	11.2	7.5	14.8	9.1	15.5
Netherlands	23.4	63.7	26.5	52.6	37.9	64.6
Belgium & Luxemburg	-	-	-	-	-	-
West Germany	1.4	3.8	1.9	3.8	2.2	3.7
Total EEC	36.7	100.0	50.4	100.0	58.7	100.0
All Western Europe	46.8	-	60.3	-	75.7	-
Outside EEC	10.1		9.9		17.0	

Source: Central Bank of Nigeria: Economic and Financial Review, June 1966, p.4.

a = Percentages are of E.E.C. totals.

TABLE A.12

DISTRIBUTION OF THE FLOW OF U.S. LONG TERM PRIVATE CAPITAL TO LOW INCOME COUNTRIES, 1953 - 1958

$m

Country	1953	1954	1955	1956	1957	1958
Latin America	89	191	403	667	1249	440
All others	205	328	112	243	200	404
Total	294	519	515	910	1449	844
Latin America as % of total	30.3	36.8	78.3	73.3	86.2	52.1

Source: Percentages my calculation.
UN Department of Economic & Social Affairs: The International Flow of Private Capital, 1956-58, p.20.

TABLE A.13

THE FLOW OF FOREIGN PRIVATE CAPITAL INTO DEVELOPING COUNTRIES: PERCENTAGE DISTRIBUTION BY REGION, 1960-1962

Region	1960	1961	1962
Africa	16	16	8
Latin America	54	66	68
West Asia	9	8	10
Far East	21	11	15
Total	100	100	100

Source: United Nations: International Flow of Long Term Capital and Official Donations, New York, 1964, p.25

TABLE A.14

FLOW OF UNITED KINGDOM'S PRIVATE INVESTMENT IN SELECTED STERLING AREA COUNTRIES, 1958-1964

£m

Country	1958	1959	1960	1961	1962	1963	1964
Developed OSA Countries							
South Africa	19.9	6.8	12.1	9.6	12.1	35.7	43.1
Australia	19.6	27.3	59.9	33.7	48.5	55.6	79.5
New Zealand	4.0	4.2	6.0	6.1	8.0	4.3	6.7
Developed OSA Total	43.5	38.3	78.0	49.4	68.6	95.6	129.3
Undeveloped OSA Countries							
India	5.9	12.4	13.5	14.3	14.2	14.4	14.2
Nigeria	4.0	3.9	6.9	10.5	-4.6	6.6	-4.8
Sierra Leone	1.3	-	1.1	2.3	4.1	1.6	3.1
Ghana	0.1	2.8	4.1	1.9	0.9	-0,8	-0.3
Kenya	2.7	1.2	2.6	-	0.9	-0.8	0.3
Uganda	0.8	0.1	0.0	-	0.2	0.2	-
Undeveloped OSA Total	14.8	20.3	28.2	29.0	30.3	21.2	15.7

Source: Board of Trade Journals.

TABLE A.15

UNDER-DEVELOPED COUNTRIES: AVERAGES OF REGIONAL FLOWS OF PRIVATE CAPITAL, 1951-55 to 1956-59

$m.

Region	1951-1955 1	1956-1959 2	Change over 1951-55 3	Percentage change 4
Africa	147	83	-64	-44
Latin America	443	1071	+628	+142
Middle East	42	87	+45	+107
South East Asia	33	21	-8	-24
Others	239	363	+124	+52
Total	904	1625	+721	+80

Source: The Capital Needs of Less Developed Countries: UN Department of Economic & Social Affairs, N.Y., 1962, p.22.
Columns 3 and 4 were calculated from the figures.

TABLE A.16

PERCENTAGE DISTRIBUTION OF NET INTERNATIONAL FLOW OF LONG-TERM CAPITAL AND OFFICIAL DONATIONS IN SELECTED DEVELOPING COUNTRIES, 1960-1962

Country	Percentage Distribution
India	12.6
Argentina	6.4
Puerto Rico	5.7
Brazil	4.9
Pakistan	4.7
Israel	4.6
Republic of Korea	4.0
Mexico	3.8
Indonesia	3.8
Republic of Vietnam	3.1
Nigeria	2.8
Chile	2.6
United Arab Republic	2.2
Ghana	1.9
China (Taiwan)	1.8
Total: countries listed	65.0
Other developing countries	35.0
All developing countries	100.0

Source: International Flow of Long-term Capital and Official Donations, 1960-62, U.N. Department of Economic and Social Affairs, N.Y., 1964, p.24.

APPENDIX B

STATISTICAL TABLES

FOR

CHAPTERS 1 - 8

TABLE 1.1

INDUSTRIAL PLANTS IN NIGERIA, 1939-1954

ISIC No.	Industry	Total	FOREIGN Total	Pre-1939	1939 - 1954
201-214	Food, Beverages & Tobacco	36	8	2	6
231-243	Textile & Wearing apparel including foot wear.	18	1	1	-
251-289	Timber, Wood & Paper Products, Printing & Furniture	94	22	2	20
291-300	Leather & Leather Products, Rubber & Rubber Products, except footwear.	16	5	3	2
311-319	Chemicals, oils, Paints & Petroleum Products	23	9	-	9
339	Clay, Glass & Cement Products	5	1	-	1
350	Metal Products, except Transport Equipment	4	2	-	2
381	Machinery & Transport Equipment	7	4	1	3
399	Miscellaneous Products	1	-	-	-
		204	52	9	43

Source: Computed from Industrial Directory - a list of manufacturing plants in Nigeria. Fed. Ministry of Comm. & Industry, Lagos, 1964.

TABLE 1.2

GROSS CAPITAL EXPENDITURE ON FIXED ASSETS BY MAJOR COMPANIES, 1950-1952

£000

Activity Sector 1	1950		1951		1952	
	Amount	%	Amount	%	Amount	%
Agriculture, Forestry & Fishing	527	12.0	493	7.5	864	11.4
Mining	808	18.4	2035	30.8	2405	31.8
Manufacturing & Processing	271	6.2	573	8.7	947	12.5
Transport & Communications	813	18.5	1274	19.3	704	9.3
Trade & Business Services	1688	38.5	1893	28.6	2068	27.3
Building & Construction	276	6.3	348	5.3	577	7.6
	4383	100	6616	100	7565	100

Source: IBRD The Economic Development of Nigeria, John Hopkins, Baltimore, 1955, p.659.

TABLE 1.3

SECTORAL DISTRIBUTION OF MANUFACTURING OUTPUT, 1950 & 1954

£000 at 1957 Prices

Industrial Sector	Value Added		Percentage of Total	
	1950	1954	1950	1954
Food, Beverages & Tobacco	1690.7	3060.2	54.0	47.3
Textiles, Wearing Apparel, etc.	4.5	50.0	0.1	.8
Timber and Wood Products	544.0	1465.6	17.4	22.6
Leather & Leather Products	25.4	154.5	0.8	2.4
Chemicals, Oils & Paints	615.0	1222.6	19.7	18.9
Clay, Glass & Cement Products	241.3	499.5	7.7	7.7
Transport Equipment	6.9	21.6	0.2	0.3
	3129.3	6474.0	100.0	100.0

Source: Computed from P.N.C. Okigbo: Nigerian National Accounts 1950-1957, Government Printer, Enugu, 1961, p.79.

TABLE 1.4

EXPORTS, IMPORTS AND VISIBLE BALANCE, 1938-1954 £000

Year	Total Imports	Total Exports	Visible Balance
1938	8632	9701	+ 1069
1939	6757	10469	3712
1940	7479	11604	4125
1941	6505	13783	7278
1942	10490	14524	4034
1943	12418	15152	2734
1944	15748	17189	1441
1945	13583	18057	4468
1946	19824	24643	4116
1947	32637	44321	11855
1948	41946	62472	21091
1949	58231	81069	22704
1950	61868	90222	28354
1951	84569	120068	35499
1952	113180	128987	15807
1953	108291	125338	17047
1954	114069	146236	32167
	716227	933835	217501

Source: For 1938-39, Digest of Statistics, Nigeria.
For 1954, Nigerian Trade Report, 1955.

TABLE 1.5

INDEX NUMBERS OF VALUES, VOLUMES AND PRICES OF IMPORTS AND EXPORTS, INCLUDING THE COST OF LIVING INDEX, 1939 - 1945

Year	IMPORTS			EXPORTS			Cost of Living
	Value 1	Volume 2	Price 3	Value 4	Volume 5	Price 6	7
1939	100	100	100	100	100	100	100
1940	112	84	134	110	95	116	-
1941	97	67	146	131	116	113	-
1942	156	94	166	138	112	123	147
1943	185	83	222	145	105	138	159
1944	231	96	242	164	100	163	165
1945	201	90	223	171	95	180	176

Source: Cols. 3, 6 & 7 from A.R. Prest: War Econs of Primary Producing countries, Camb.U.P., 1948
Cols. 1, 2, 4 & 5 from H.M.A. Onitiri: Nigeria's Balance of Payments, 1946-63, Unpublished Ph.D Thesis, London, 1963.

TABLE 1.6

MONEY SUPPLY AND SAVINGS, 1939-1954

£000 as at 31st March

Year	MONEY SUPPLY			SAVINGS		
	Currency	Demand + Deposits	Total	Time & Savings Deposits with Comm. Banks	Post Office No. of Accounts	Savings Total POSB
	1	2	3	4	5	6
1939	5857	-	5857	-	41737	185
1940	5549	-	5549	-	49200	210
1941	6060	-	6060	-	49658	255
1942	7453	-	7453	-	54320	366
1943	11409	6138	17547	2036	64814	604
1944	13514	7267	20781	2599	71397	879
1945	15386	9033	24419	2880	84130	1185
1946	18140	9401	27541	3260	98184	1697
1947	23429	10389	33818	3308	112711	1847
1948	24602	11435	36037	3062	132693	2458
1949	31272	10267	41539	3199	159418*	2554*
1950	31577	13190	44767	3212	178742	2688
1951	39240	18430	57670	3992	168954	3096
1952	50286	22230	72516	5614	177012	3724
1953	51365	24468	75833	6770	197656	4059
1954	53139	32870	86009	7734	209472*	4315*

Notes - means not available; + as at 31st Dec.
* from Nigerian Digest of Stats., Vol.10, no.1, Jan. 1961, p.17.

Source: Nigeria: Annual Reports, HMSO, and Digest of Statistics.

TABLE 1.7

REVENUE AND EXPENDITURE OF NIGERIA, 1938-1954

£000 as at 31st March each year.

Year	Revenue	Expenditure	+ = Surplus - = Deficit
1938-39	5811	6867	-1056
1939-40	6113	6499	- 385
1940-41	7273	7254	+ 019
1941-42	7975	7027	948
1942-43	9034	8999	035
1943-44	10913	9977	937
1944-45	11445	10133	1312
1945-46	13200	10693	2508
1946-47	14832	14051	780
1947-48	18404	17186	1218
1948-49	23811	23898	- 087
1949-50	30765	28253	+2512
1950-51	32794	30388	2405
1951-52	50327	43673	6654
1952-53	50906	44103	6802
1953-54	59256	55003	4252
	352859	324004	28854

Source: Accountant General's Annual Reports.

TABLE 1.8

EXPORTS OF RAW COTTON AND % IMPORTS OF COTTON TEXTILES, 1937-1954

Year	Raw cotton exports tons 1	Imports of cotton textiles as a % of total merchandise imports 2
1937	9587	33
1938	5729	23
1939	4384	-
1940	9331	29
1941	10235	28
1942	18517	32
1943	7152	38
1944	4328	41
1945	1060	38
1946	6612	30
1947	5248	31
1948	4635	30
1949	9984	31
1950	12623	28
1951	15374	27
1952	19296	31
1953	17707	26
1954	2163*	24

* Monthly averages only.

Source: Export figures from Digest of Statistics. % calculated from trade reports for 1937-46 and annual abstract of statistics for 1947-1954. The percentage for 1950 includes 5% for rayon imports and 9% for each year 1951-54.

TABLE 1.9

BEER IMPORTS INTO NIGERIA: % DISTRIBUTION FROM U.K., EUROPE AND OTHERS

Value £000 1946-1954*

Year	Quantity Imp.Gallons	Value	Western Europe %	U.K. %	Others %
1946	461	165	68	1	31
1947	1415	543	90	7	3
1948	1192	411	56	43	1
1949	2387	838	62	37	1
1950	2578	904	59	39	1
1951	4289	1768	72	26	2
1952	3661	1747	62	32	6
1953	5090	2390	66	32	2
1954	4767	2265	71	28	2

Source: Calculated from Nigerian Blue Books.

* % of value only
+ 000 imperial gallons

TABLE 1.10

IMPORTS OF MANUFACTURED TOBACCO, 1938-1954 £000

Year	Total * Quantities thousands lbs	Total Value	Imports from the United States Quantity in 000 lbs	% of total	Value	% of total
1938	2558	139	2447	97	132	95
1939	2236	128	2203	99	125	98
1940	2139	147	1975	92	133	91
1945	3142	384	2546	81	325	85
1946	4070	570	3590	88	509	89
1947	3390	499	2836	84	411	82
1948	4271	641	3573	84	545	85
1949	4625	806	3828	83	682	85
1950	4334	947	3405	79	816	86
1951	5996	1362	3852	64	983	72
1952	8803	1805	4501	51	1262	70
1953	5690	1354	3681	65	1078	80
1954	66803a	1642	41480a	62	1195	73

a = cwt.

Source: Calculated from the Nigerian Trade Reports.

Table 2.1

Manufacturing Establishments in Nigeria: 1952-1963.

ISIC No.	Industrial Sector. Total	Total	Date Established			
		1952-63	1952-57		1958-1963	
		1	2	3 (1)	4	5 % (1)
201-220	Food, Beverages & Tobacco	82	25	30.5% of	57	69.5% of
231-244	Textiles, Wearing Apparel & Footwear	54	16	29.6	38	70.4
251-280	Timber, Wood & Paper Products, Printing & Furniture	119	46	38.7	73	61.3
291-300	Leather & Leather Products, Rubber & Rubber Products, Except footwear.	29	12	41.4	17	58.6
311-329	Chemicals, Oils, Paints & Petroleum Products	41	10	42.4	31	75.6
331-339	Clay, Glass & Cement Products	22	6	27.3	16	72.7
341-350	Metal Products, except Machinery & Transport Equipment	28	7	25.0	21	75.0
340-385	Machinery & Transport Equipment	68[a]	33[b]	48.5	35[c]	51.5
399	Miscellaneous	8	1	12.5	7	87.5
	Totals	+= 451	156	34.6	295	65.4

Notes: a. of which 49 are motor & cycle repair shops
b. of which 27 are motor & cycle repair shops
c. of which 22 ..... ditto .....

Source: Federal Office of Statistics: Industrial Survey, 1963, p.16. Lagos, 1966.

Table 2.2

FOREIGN INDUSTRIAL ESTABLISHMENTS IN NIGERIA, 1955 - 1965

Isic No.	Industrial Sector.	Total	% of total	FOREIGN 1955-60 Total No.		1961-65	% of total
		1	2	3	4	5	6
201-220	Food, Beverages & Tobacco	178	25.8	46	15	31	67.4
251-244.	Textiles & Wearing Apparel incl. Footwear.	110	50.0	55	9	46	83.4
251-280.	Timber, Wood & Paper Products, Printing & Furniture	307	17.9	55	26	29	52.7
291-300	Leather & Leather Products, Rubber & Rubber products + footwear.	47	63.8	30	15	15	50.0
311-300.	Chemicals, Oils, paints & Petroleum products	110	58.2	64	20	44	68.8
331-339.	Clay, Glass & Cement Products	54	81.5	44	9	35	79.5
341-350.	Metal Products Except Transport Equipment & Machinery	87	92.0	80	22	58	73.5
360-385.	Machinery & Transport Equipment	36	88.9	32	8	24	75.0
391-842	Miscellaneous Products	26	73.1	19	3	16	84.2
	Totals	955	44.5	425	227	298	70.1

Source: Federal Ministry of Industry: Industrial Directory, 3rd edition, Lagos, 1965.

Column 3 = Total number of foreign firms
" 4 = " " " " " established 1955-60
" 5 = " " " " " " 1961-65
" 6 = % of those established 1961-65 to all ~~1961-65~~ firms i.e. % of 5 to 3.

Table 2.3

SOURCES OF PAID UP CAPITAL OF MANUFACTURING INDUSTRIES IN NIGERIA, 1963 £000

ISIC No	Industrial Sector	Total 2	Foreign 3	% of Total 4	INDIGENOUS Public 5	Private 6	Total 7	% 8	Others 9
201-220	Food, Beverages & Tobacco	12,421.0	9306.2	74.9	1954.4	1,119.6	3074.	25.0	40.8
231-244	Textiles, Wearing Apparel & Footwear	5,057.3	3153.5	62.4	1453.0	450.7	1903.7	38.0	-
251-280	Timber, Wood & Paper Products Printing & Furniture	6,395.5	2482.1	38.8	2204.7	1708.8	3913.5	61.0	-
291-300	Leather & Leather Products, Rubber & Rubber products except footwear	5,942.7	3107.4	52.3	2347.5	287.8	2635.3	44.0	200.0
311-329	Chemicals, Oils, Paints & Petroleum Products	4,456.2	4139.4	92.9	177.9	139.0	316.9	7.0	-
331-339	Clay, Glass & Cement Products	6,734.	1976.8	29.4	3593.9	1163.3	4757.2	71.0	-
341-350	Metal Products except Transport & Mach. Equipment.	4,931.2	3924.6	79.6	542.0	364.6	906.6	18.0	100.0
370-385	Machinery & Transport Equipment	10,488.8	10030.1	98.2	143.6	315.0	458.6	4.0	-
360, 391-842	Miscellaneous Products	338.2	290.7	86.	32.5	15.0	47.5	14.0	-
	TOTALS	56,764.9	38410.7	67.7	12449.5	5563.8	18013.3	32.0	340.8

Source: Federal Office of Statistics: Industrial Survey, 1963 page 15: Totals do not agree because of rounding up figures. Percentages calculated from figures. Lagos: 1966

TABLE 2.4

BREAKDOWN OF PAID UP CAPITAL AND RESERVES OF 124 MANUFACTURING PLANTS IN EASTERN NIGERIA, 1963. £000

ISIC	Industrial Sector	Reporting Establishments	Total	Foreign	% of Total	INDIGENUOUS Public	Private	Total	% of Total
	1	2	3	4	5	6	7	8	9
201-220	Food, Beverages & Tobacco	34	5682	4786	84.2	470	426	896	15.8
231-244	Textiles & Wearing Apparel + Footwear	6	23	-	-	-	23	23	100.0
251-280	Timber, Wood & Paper Products Printing & Furniture	26	556	52	9.4	376	128	504	90.6
291-300	Leather & Leather Products, Rubber & Rubber Products except Footwear	6	2312	1252	54.2	950	110	1060	45.8
311-321	Chemicals, oils, points & Petroleum Products	11	758	324	42.7	-	434	434	57.3
331-339	Clay, Glass & Cement Products	8	5447	889	16.3	4085	473	4558	83.7
341-350	Metal Products, Except Transport & Machinery Equipment	3	400	112	28.0	197	92	289	72.3
360-385	Machinery & Transport Equipment	23	1753	1702	97.1	46	5	51	2.9
391-842	Miscellaneous Products	7	811	769	94.8	28	14	42	5.2
	Totals	124	17742	9886	55.7	6152	1705	7857	44.3

Source: Computed from Figures Kindly Supplied By Eastern Nigerian Ministry of Economic Planning.

TABLE 2.5

BREAKDOWN OF THE PAID UP CAPITAL AND RESERVES OF 65 FOREIGN MANUFACTURING PLANTS IN WESTERN NIGERIA, 1963 £000

ISIC	Industrial Sector	Reporting Establishments	Total	Foreign	% of Total	INDIGENOUS Public	Private	Total	% of Total
	1	2	3	4	5	6	7	8	9
201-220	Food, Beverages & Tobacco	11	6865	6284	91.5	546	35	581	8.5
231-244	Textiles & Wearing Apparel + Footwear	9	661	498	75.3	131	33	164	24.7
251-280	Timber, Wood & Paper Products Printing & Furniture	15	1867	357	19.1	372	1138	1510	80.9
291-300	Leather & Leather Products, Rubber & Rubber Products, except Footwear	4	1527	1075	70.4	375	77	452	29.6
311-321	Chemicals, Oils, Paints and Petroleum Products	4	504	474	94.0	30	-	30	6.0
331-339	Clay, Glass & Cement Products	5	2299	961	41.8	658	680	1338	58.2
341-350	Metal Products Except Transport & Machinery Equipment	10	1059	939	88.7	85	35	120	11.3
360-385	Machinery & Transport Equipment	4	1645	385	23.4	1260	-	1260	76.6
391-84	Miscellaneous Products	3	71	36	50.7	33	3	36	50.0
	Totals	65	16498	11009	66.7	3490	2001	5491	33.3

Source: Computed from Figures Kindly Supplied By Western Nigerian Ministry of Economic Planning.

TABLE 2.6

FOREIGN PRIVATE CAPITAL INVESTMENT IN NIGERIAN MANUFACTURING: 1962-65: CAPITAL INVESTMENT £000

ISIC	Industrial Sector	1962 Amt.	1962 %	1963 Amt.	1963 %	1964 Amt.	1964 %
	1	2	3	4	5	6	7
201-220	Food, Beverages & Tobacco	16,912	44.1	16904	34.3	18611	31.8
231-244	Textiles & Wearing Apparel including Footwear	4,005	10.4	4300	8.7	4167	7.1
251-280	Timber,Wood & Paper Products,Printing & Furniture	1,224	3.2	2015	4.1	2508	4.3
291-300	Leather & Leather Products,Rubber & Rubber products except Footwear	2,033	5.3	4178	8.5	2960	5.1
311-321	Chemicals, oils, paints & Petroleum Products	4,748	12.4	8702	17.6	13297	22.7
331-339	Clay,Glass & Cement Products	3,393	8.9	4995	10.1	3676	6.3
341-350	Metal Products Except Transport & Machinery Equipment	3,504	9.1	4967	10.1	8882	15.2
360-385	Machinery & Transport Equipment	2,063	5.4	2602	5.3	3875	6.6
391-842	Miscellaneous Products	453	1.2	671	1.3	507	0.9
	Totals	38,335	100	49334	100	58483	100

Source: Central Bank of Nigeria: Economic & Financial Review,Vol.4, No.1 June 1966, p.7.
Percentages calculated from figures.

TABLE 2.7

NET FOREIGN PRIVATE INVESTMENT IN FIXED ASSETS IN NIGERIAN MANUFACTURING: 1962-1964 £000

ISIC	Industrial Sector	1962 Amount	1962 %	1963 Amt	1963 %	1964 Amt.	1964 %
	1	2	3	4	5	6	7
201-220	Food, Beverages & Tobacco	16529	42.4	18488	39.8	21927	34.5
231-244	Textiles & Wearing Apparel including Footwear	4226	10.8	3815	8.2	5498	8.7
251-280	Timber, Wood & Paper Products Printing & Furniture	1311	3.4	1721	3.7	4964	7.8
291-300	Leather & Leather Products, Rubber & Rubber Products except Footwear	2688	6.9	3177	6.8	3938	6.2
311-321	Chemicals, Oils, Paints and Petroleum Products	3435	8.8	6524	14.0	11256	17.7
331-339	Clay, Glass & Cement Products	6094	15.6	8019	17.0	9195	14.5
341-350	Metal Products Except Transport & Machinery Equipment	3457	8.9	3497	7.5	5147	8.1
360-385	Machinery & Transport Equipment	628	1.6	680	1.5	927	1.5
391-842	Miscellaneous Products	634	1.6	579	1.3	678	1.0
	Totals	39002	100.0	46500	100.0	63530	100.0

Source: Central Bank of Nigeria: Economic & Financial Review, Vol.4, nol. June, 1966, Page 7.

Percentages calculated from the figures.

TABLE 2.8

ANALYSIS OF VALUE ADDED BY MANUFACTURING, 1955, 1957 & 1963, £000 at 1957 PRICES

ISIC	Industrial Sector	1955 Value	1955 %	1957 Value	1957 %	1963 Value	1963 %	% Increase 1955-63 %
201-220	Food, Beverages & Tobacco	3,332.3	46.4	4,089.5	37.4	20,936.0	38.2	528.3
231-244	Textiles, Wearing Apparel and Footwear	54.0	0.08	377.0	3.4	4,622.0	8.4	845.9
251-280	Timber, Wood & Paper Products Printing & Furniture	1,647.2	23.0	1,810.2	16.5	6,259.0	11.4	280.0
291-300	Leather & Leather Products, Rubber & Rubber Products, Except Footwear	340.5	5.0	677.2	6.2	3,279.0	6.	863.0
311-321	Chemicals, Oils, Paints & Petroleum Products	1,086.6	15.1	29,841.8	27.3	6,643.0	12.1	511.4
331-339	Clay, Glass & Cement Products	-	-	413.5	3.8	3,543.0	6.5	-
341-350	Metal Products Except Transport & Machinery Equipment	658.1	9.2	476.7	4.4	2,877.0	5.2	337.2
360-385	Machinery & Transport Equipment	57.4	0.8	102.7	0.9	6,056.0	11.	955.0
391-842	Miscellaneous Products	-	-	9.2	-	638.0	1.2	-
	Totals	7,176.1	100	10,941.3	100	54,853.0	100	664.0

Sources: For 1955 & 1957: P.N.C. Okigbo, Nigerian National Accounts, For 1963: Fed. Office of Statistics: Industrial Survey, 1963.
Percentages calculated from the figures.

TABLE 2.11

ANALYSIS OF THE OWNERSHIP OF 649 MANUFACTURING ESTABLISHMENTS IN NIGERIA: 1963

ISIC	Industrial Sector	Total Reporting	Sole Proprietorships	Partnerships	Private Limited Cos.	Public Limited Cos	Government	State Corporations	Others
201-220	Food, Beverages & Tobacco	109	41	19	25	13	1	8	2
231-244	Textiles & wearing apparel & Footwear	71	18	6	21	16	2	2	6
251-280	Timber, Wood & Paper Products, Printing & Furniture	196	100	21	49	7	12	3	4
291-300	Leather & Leather Products, Rubber & Rubber Products except Footwear	43	6	3	27	4	1	2	-
311-329	Chemicals, Oils, Paints & Petroleum Products	54	2	8	27	10	3	2	2
331-339	Clay, Glass, Cement Products	24	2	3	7	9	3	-	-
341-354	Metal Products Except Transport & Machinery	32	1	2	11	14	-	1	3
370-385	Machinery & Transport Equipment	111	17	13	59	15	-	5	2
399-	Miscellaneous Manufactures	9	1	-	7	-	-	-	1
	Totals	649	188	75	233	88	22	23	20
	% of Total		29.0	11.6	35.9	13.6	3.4	3.5	3.0

Source: Federal Office of Statistics Industrial Survey 1963. p.16.

TABLE 2.14

SIZE OF EMPLOYMENT IN NIGERIAN MANUFACTURING 1963

ISIC No	Industrial Sector	10-19	20-49	50-99	100-299	300-499	500-999	1,000 & over
201-220	Food, Beverages & Tobacco	35	35	16	16	3	4	-
231-244	Textiles, Wearing Apparel & Footwear	27	12	14	11	3	2	2
251-280	Timber, Wood & Paper Products Printing & Furniture	83	53	28	21	3	7	1
291-300	Leather & Leather Products Rubber & Rubber Products Except Footwear	6	12	8	11	1	4	1
311-329	Chemicals, Oils, Paints & Petroleum Products	9	19	10	9	5	2	-
331-339	Clay, Glass & Cement Products	6	4	9	2	1	2	-
341-350	Metal Products Except Machinery & Transport Equipment	7	7	3	12	2	1	-
370-385	Machinery & Transport Equipment	31	31	18	26	2	3	-
360,391	Miscellaneous Products	3	3	-	2	1	-	-
	Totals	207	176	106	110	21	25	4
	% of Total	31.9	27.1	16.3	16.9	3.2	3.9	0.6

Source: Compiled from Federal Office of Statistics: Industrial Survey, 1963.

TABLE 3.1

NIGERIAN DEVELOPMENT PLANS 1955-1960: ALLOCATION OF EXPENDITURE

	FEDERAL[a]		NORTHERN		EASTERN[b]		WESTERN		TOTALS	
	Amount	%	Amount £000	%	Amount	%	Amount	%	Amount	%
Development										
1. Primary Production	1.2	0.8	12,550.0		874. (346)	3.5	10,272.0	9.8	24,896.0	6.8
2. Trader Industry	3.8	2.6	3,240.0		2,715	9.4	7,540.0	7.2	16,895.0	4.6
3. Electricity	7.0	4.8	-		-	-	1,000.0	1.0	8,000.0	2.2
4. Transport	49.9	34.0	19,690.0		5,850. (802)	23.7	4,000.0	3.8	79,440.0	21.8
5. Communications	12.1	8.3	-		-	-	-	-	12,100.0	3.3
6. Water Supplies	2.0	1.4	4,500.0		3,455(1750)	14.0	5,060.0	4.8	15,015.0	4.1
Sub Total	76.0	51.9	39,980.0		12,494(2898)	50.7	27,872.0	26.6	156,346.0	42.8
Social Overheads										
7. Education	6.8	4.6	17,000.0		4,888[c](1000)	19.8	34,103.0	32.5	62,791.0	17.3
8. Health	2.9	2.0	9,585.0		1,383(500)	5.6	9,937.0	9.5	23,805.0	6.5
9. Town & Town Plg.	17.4	11.9	1,000.0		1,691.0	6.9	8,663.0	8.3	28,754.0	7.9
10. Social Welfare	0.4	0.3	755.0		-	-	1,812.0	1.7	2,967.0	0.8
11. Information	1.0	0.7	-		115.0	0.5	1,571.0	1.5	2,686.0	0.7
Sub Total	28.5	19.5	28,340.0		8,077.(1500)	32.8	56,086.0	53.5	121,003.0	33.2
General Administration										
12. Judicial	0.11	0.1	-		90.0	0.4	1,269.0[e]	1.2	1,459.0	0.4
13. General	35.7	24.4	16,800.0		3,396.0	13.8	17,244.0	16.5	73.140.0	20.6
Sub Total	35.8	24.5	16,800.0		3,486.0	14.2	18,513.0	17.7	74,599.0	20.4
14. Financial Obligations.	6.1	4.1	4,130.0		575.[d](5200)	2.3	2,305.0	2.2	13,110.0	3.6
GRAND TOTAL	146.4	100	89,250.0		24,632.	100	104,776.0	100	365,058.0	100

Notes (a) Covering 1955-61; (b) Covering 1958-62 figures in 1958-62 figures ~~in brackets~~ denote allocations under original 1955-60 Plan.

(c) Including £3,5m for Nsuka University. (d) Reserves £800,000 =.15.4% of allocation.

Sources: 1. Federal figures from 1962-68 Plan p.51.

2. For East = Outline of Dev.Plan, 1955-60 Sessional Paper, No.41956 p.2, 1958-62.
North = N. Nigeria Dev. Program,1955-60 p.3;
Western= Dev.Plan. 1955-60.

TABLE 3.2

THE NATIONAL PLAN, 1962-68. SECTORAL BREAKDOWN OF ORIGINAL ALLOCATIONS. £m.

SECTORS	FEDERAL		NORTHERN		EASTERN		WESTERN		TOTAL	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Development										
1. Primary Production	20.5	5.0	22.5	22.8	30.4	40.4	18.4	20.4	91.8	13.6
2. Trade & Industry	44.0	10.6	9.9	10.2	12.9	17.2	23.4	26.0	90.3	13.3
3. Electricity	98.1	23.8	1.5	1.5	0.6	0.8	1.5	1.7	101.7	15.0
4. Transport System	104.0	25.2	24.7	25.0	8.9	11.8	6.4	7.0	143.8	21.2
5. Communications	30.0	7.3	-	-	-	-	-	-	30.0	4.4
6. Water Except Irrigation	1.9	0.4	7.4	7.5	5.1	6.8	9.9	10.9	24.3	3.6
Sub Total	298.5	72.3	66.0	67.8	57.9	77.0	59.6	66.0	481.9	71.1
Social Overheads										
7. Education	29.2	7.1	18.9	19.2	8.8	11.7	12.9	14.2	69.8	10.3
8. Health	10.3	2.5	3.3	3.4	1.8	2.3	1.6	1.8	17.0	2.5
9. Town & Country Planning	23.2	5.6	6.0	6.1	3.3	4.4	9.3	10.3	41.7	6.2
10. Co-operatives	-	-	2.4	2.4	-	-	3.0	3.3	3.9	0.6
11. Social Welfare	2.7	0.7	0.9		0.5	0.7	.5		4.7	0.7
12. Information	2.4	0.6	0.9	0.9	0.5	0.7	0.8	0.9	3.7	0.6
Sub Total	67.8	16.5	31.5	32.0	14.9	19.8	27.6	30.5	140.8	20.9
General Administration										
13. Judicial	0.3	0.1	-	-	0.3	0.3	0.4	0.5	1.0	0.1
14. General	43.9	10.6	1.0	1.0	2.1	2.8	1.1	1.2	48.1	7.1
Sub Total	44.2	10.4	1.0	1.0	2.4	3.1	1.5	1.7	49.1	7.2
15. Financial Obligations	2.2	0.5	-		0.1	0.2	1.6	1.8	3.9	0.6
Grand Total	412.7	1000.	98.8	100.	108.9	100.	90.3	100.	676.8	100.

Source: Federation of Nigeria, National Plan, 1962-68.

TABLE 3.3

THE NATIONAL PLAN 1962-68 SECTORAL BREAKDOWN OF REVISED ALLOCATIONS £m

SECTORS	FEDERAL Amount £m	%	NORTHERN Amount	%	EASTERN Amount	%	WESTERN Amount	%	TOTAL Amount	%
Development										
1. Primary Production	20.9	4.0	22.5	22.8	36.8	34.0	12.9	12.2	93.1	11.2
2. Trade & Industry	44.2	8.5	9.9	10.1	13.5	12.0	20.0	18.9	87.6	10.6
3. Electricity	118.4	22.9	1.5	1.5	0.6	1.0	1.5	1.4	122.0	14.7
4. Transport System	137.5	26.6	24.7	25.2	10.2	9.0	15.5	14.7	187.9	22.7
5. Communications	28.3	5.5	-	-	-	-	-	-	28.3	3.4
6. Water except Irrigation										
Sub Total	349.3	67.5	58.6	59.6	61.1	56.0	49.9	47.2	518.9	62.6
Social Overheads										
7. Education	32.4	6.3	18.9	19.4	29.9	28.0	16.7	15.8	97.9	11.8
8. Water	2.0	0.4	7.4	7.6	6.2	6.0	21.7	20.5	37.3	4.5
9. Health	11.2	2.1	3.3	3.5	3.2	3.0	1.6	1.5	19.3	2.3
10. Town & Country Planning	50.0	9.7	6.0	6.1	3.5	3.0	11.5	10.9	71.0	8.6
11. Co-operatives)										
12. Social Welfare)	2.8	0.5	-	-	1.3	1.0	0.1	0.1	4.2	0.5
13. Information	3.5	0.7	0.08	0.1	0.6	1.0	1.1	1.1	6.0	0.7
Sub Total	101.9	19.7	36.4	39.2	44.6	42.0	52.7	49.9	235.7	28.4
General Administration										
14. Judicial	0.5	0.1	-	-	0.4	1.0	0.8	0.4	1.7	0.2
15. General	61.3	11.8	9.0	1.0	2.4	2.0	2.1	2.4	66.9	8.0
Sub Total	61.8	11.9	9.0	1.0	2.8	3.0	2.9	2.8	68.4	8.2
16. Financial Obligations	4.9	0.9	-	-	0.1	-	-	-	5.0	0.7
Grand Total	517.9	100	98.8	100	108.5	100.	105.6	100.0	828.9	100.

Source: Federation of Nigeria, National Plan, 1962-68.

TABLE 3.5

NATIONAL PLAN 1962-68 ACTUAL EXPENDITURES, 1962-64 £000

SECTOR	FEDERAL		NORTHERN		EASTERN		WESTERN		TOTALS	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Development										
1. Primary Production	5,275.7	25.8	3,034.0	13.5	5,196.0	17.1	2,651.0	14.4	16,156.0	17.6
2. Trade & Industry	6,102.9	13.9	4,591.0	46.5	5,263.0	40.7	2,936.0	12.5	18,893.0	20.9
3. Electricity	10,006.0	10.3	14.0	0.9	163.0	27.2	1.0	0.7	10,184.0	10.0
4. Transport	36,345.4	35.0	3,381.0	13.7	2,644.0	29.9	1,921.0	30.3	44,291.0	30.8
5. Communications	2,950.0	9.8	-	-	-	-	-	-	2,950.0	9.8
6. Water Supplies	167.4	9.0	2,526.0	33.9	1,769.0	34.7	2,668.0	27.1	7,130.0	29.4
Sub Total	60,847.4	20.4	13,546.0	20.5	15,035.0	26.0	10,177.0	17.1	99,604.0	20.7
Social Overheads										
7. Education	7,277.6	25.0	2,360.0	12.5	1,292.0	14.7	3,956.0	30.8	14,886.0	21.3
8. Health	1,545.7	15.0	1,150.0	34.7	323.0	17.8	103.0	6.3	3,121.0	18.3
9. Town & Country Plng.	3,860.1	16.7	175.0	2.9	1,364.0	41.3	1,111.0	12.0	6,510.0	15.6
10. Social Welfare	403.5	15.0	761.0	31.2	129.0	24.2	28.0	0.9	1,322.0	43.9
11. Information	1,462.6	62.2	200.0	227.3	534.0	118.7	-	-	2,197.0	46.5
Sub Total	14,549.5	21.5	4,646.0	14.7	3,642.0	24.4	5,198.0	18.8	28,036.0	19.9
General Administration										
12. Judicial	304.5	111.9	-	-	44.0	17.6	100.0	22.6	449.0	46.6
13. General	19,400.9	44.2	925.0	93.2	1,423.0	68.8	98.0	12.0	21,847.0	45.4
Sub Total	19,705.4	44.6	925.0	93.2	1,467.0	61.1	198.0	12.7	22,296.0	45.4
14. Financial Obligations	697.1	31.7	-	—	82.0	18.3	-	-	779.0	20.0
Grand Total	95,799.4	23.2	19,117.0	19.3	20,226.0	26.6	15,572.0	17.2	150,715.0	22.3

Source: National Development Plan 1962-68: Progress Report 1962-64.

TABLE 3.6

1955-1960 DEVELOPMENT PLANS: BREAKDOWN OF INDUSTRIAL ALLOCATION

A. Federal

Activity Sector	Amount	% of total
	£000	
Industrial Finance		
Industrial Loans (Federal Loans Board)	300.0	22.8
Direct investment to industry	675.0	51.3
	975.0	74.1
Industrial Research	260.0	19.8
Industrial Estate	80.0	6.1
Grand Total	1315.0	100.0

B. Eastern Region

	£000	
Industrial Finance		
Direct Investment	385.0	30.4
Rural Loans (cottage Industries)	8.5	0.7
Investment Companies	196.0	15.5
Development Corporation	400.0	31.6
Sub total	989.5	78.2
Industrial Research	36.6	2.9
Abakaliki Lead & Zinc Mines	50.0	3.9
Nigerian Shipping Line	40.0	3.2
Enugu & P.H. Hotels	150.0	11.8
Grand Total	1,266.1	100.0

C. Western Region

	£000	
Industrial Finance		
Department of Industries	472.0	6.3
Production Dev. Board	4500.0	59.9
Finance Corp.	2250.0	30.0
Sub total	7222.0	96.2
Statistics	100.0	1.3
Exercise Book Factory	190.0	2.5
Grand Total	7512.0	100.0

D. Northern Nigeria

	£000	
Industrial Finance		
Rural industries & schemes	390.0	12.0
N. Nig.Dev. Corp.	2000.0	61.7
	2390.0	73.7
Head quarters	185.0	5.7
Housing	75	2.3
Trade (Produce Inspection & marketing)	590.	18.3
	3240.0	100.0

Source: The 1955-60 Development Plans

TABLE 3.7

NATIONAL PLAN, 1960-68: PLANNED INDUSTRIAL EXPENDITURE £000

	Amount	%	Amount	%
A. Federal				
Industrial Finance				
Loans (Fed.Loans Board)	500	1.1		
Direct Investment	7,000	15.9		
Iron & Steel Industries	30,000	68.1		
Mint & Security Printing	300	0.7		
Nat.Dev. Bank	4,000	9.1		
Sub Total			41,800	94.9
Industrial Research			1,000	
Nigerian Coal Corporation			330	0.8
Marketing Publicity -Trade Fair			500	1.1
			400	0.9
Total			44,030	
Source National Plan p.65.				
B. Eastern Region				
Industrial Finance				
Industrial Institutes & Centres			494	4.0
Direct Investment to Industry			10,000	74.0
Small Industry & Loan Scheme			500	4.0
Miscellaneous Investigation			60	0.0
Sub Total			10,054	82.0
Industrial Estates			1,804	13.0
Co-operatives			520	4.0
Trade Division			140	1.0
Source. W. Plan p.238			13,518	100.0
C. Western Region				
Industrial Finance				
Loans etc.			6,800	30.6
Direct Investment to Large Scale Industries			10,000	45.0
Cottage & Rural Industries			235	1.0
Small Scale Industries			1,372	6.2
Integrated Rural Development Indus.Schemes			500	2.2
Sub Total			18,907	85.0
Industrial Estates			3,333	15.0
Source. N. Plan p.299				
D. Northern Region				
Industrial Finance				
Direct Investment to Industry			9,275	100.0
Source National Plan p.139				

TABLE 4.A

ECONOMIES OF SCALE IN STEEL PRODUCTION COSTS PER TON
(IN 1948 U.S. DOLLARS)

Items	Annual Capacity of Plants in 1,000 tons of finished steel.			
	50	250	500	1,000
Raw Materials	33.84	31.26	31.26	25.68
Maintenance & Miscellaneous	20.59	11.11	10.57	9.83
Capital Charges	122.93	101.20	87.10	85.05
Labour Cost	32.00	15.20	8.57	6.60
Total Cost	209.36	158.77	137.50	127.16

Source: U.N. Economic Bulletin for Africa, Vol.IV. Jan 1964, p.51.

TABLE 4.B

ECONOMIES OF SCALE IN CEMENT PRODUCTION COSTS PER TON (in Dollars)

	Annual Capacity of Plant in 1,000 tons						
	35	50	100	230	450	900	1800
Operating Costs	16.2	15.5	15.2	14.7	11.0	9.4	8.4
Capital Charges	12.5	11.5	10.8	10.0	8.8	7.0	5.5
Total Costs	28.7	27.0	26.0	24.7	19.8	16.4	13.9

Source: as above.

TABLE 4.1

REGIONAL COMPARISON OF POPULATION IN AFRICA, 1964

Region	Population millions	% of total Africa's Population	Average Annual Growth Rate, 1958-64
Nigeria	56	18.5	2.5 (1950-1960)
" % of W.African population		58.0	
West Africa	96	31.7	2.2
East Africa	83	27.4	2.3
North Africa	72	23.8	2.4
Middle Africa	32	10.6	1.9
South Africa	20	6.6	2.4
Total: Africa	303	100.0	2.3
Total: World	3220	...	1.7

Source: For Nigeria, Annual Abstract of Stats. 1964
For others cols 1 and 3: U.N. Demographical Yearbook, 1965 p.103;
Col.2 was calculated from the figures.

TABLE 4.2

POPULATION, G.D.P. and per Capita Incomes of Selected African Countries

Country	Year	Population Millions	G.D.P.	G.T.P. Per. Capital U.S.$
Algeria	1964	11.0	2,463.5	224
Lybia	"	1.6	936.3	585
U.A.R.	"	28.9	4,333.2	150
Congo (Kimshasha)	1963	15.1	1,185.2	78
Kenya	1960	9.2	778.0	78
Uganda	"	7.4	500.0	64
Tanzania	"	10.5	626.0	58
Zambia	"	3.7	603.0	181
Nigeria	1963	54.6	3,890.0	71
Niger	"	3.0	253.0	83
Dahomey	"	2.3	160.0	71
Ghana	"	7.3	1,489.0	205
Sierra Leone	"	2.6	211.0	81

Source: A note on the Present stage of Industrial Growth in Africa, U.N. ECA 1966.

TABLE 4.3

SOURCES OF NIGERIA'S IMPORTS, 1950,1958-65
% of total Imports:

	1950	1958	1959	1960	1961	1962	1963	1964	1965
U.K.	59.8	43.6	45.3	43.6	38.8	36.8	34.5	31.2	31.1
W.Europe	-	17.8	18.5	26.0	26.2	27.4	28.6	29.8	31.7
U.S.A.	4.1	5.8	4.4	5.4	5.4	7.5	8.7	11.5	12.1
Eastern Europe	-	2.1	2.0	2.0	2.5	3.0	3.4	3.0	2.9
Japan	9.4	11.6	10.5	13.3	13.8	12.4	13.1	12.2	9.4
West Africa	-	-	-	-	-	-	-	-	-
Other Commonwealth Countries	-	-	-	5.9	7.8	7.3	6.2	6.2	6.0
Others	-	5.5	4.0	3.5	5.2	5.4	5.2	5.7	6.5
West Africa	-	-	-	0.3	0.3	0.2	0.3	0.4	0.3
				100.0	100.0	100.0	100.0	10010	100.0

Notes - not available.

Source: Calculated from Nigerian Trade Reports, Annual Abstract of Statistics,1964 and Central Bank of Nigeria, Economic and Financial Review.

TABLE 4.4

UNITED AFRICA GROUP: CAPITAL EXPENDITURE IN NIGERIA

£000

Year	Commercial Amt	Commercial % of Total	Industrial Amt	Industrial %	Transport Amt	Transport %	Agricultural Amt	Agricultural %	Total
1951-52	549	30.4	728	40.3	529	29.3	-		1806
1952-53	587	32.5	701	38.9	516	28.6	-		1804
1953-54	823	55.6	492	33.2	166	11.2	-		1481
1954-55	787	50.9	238	15.4	316	20.4	206	13.3	1547
1955-56	1186	56.4	519	24.7	296	14.1	100	4.8	2101
1956-57	1624	63.5	552	21.6	209	8.2	172	6.7	2557
1957-58	1351	49.6	508	18.6	635	23.3	232	8.5	2726
1958-59	935	44.6	563	26.9	263	12.6	334	15.9	2095
1959-60	1074	38.1	1224	43.5	40	1.4	479	17.0	2817
1960-61	1403	59.8	736	31.4	82	3.5	124	5.3	2345
1961-62	1368	50.9	1267	47.2	48	1.8	2	-	2685
Totals	11687	48.8	7528	31.4	3100	12.9	1649		23964

Source: UAC Ltd: Statistical & Econ. Reviews. % calculated from figures.

Table 5.7

Table of Road Vehicles Registered in Nigeria 1963

Type	Lagos	West	East	North	Total
1. Commercial	1,206	1,321	1,286	1,677	5,490
2. Private Cars and taxis	4,643	2,123	3,157	1,636	11.559
3. Motor Cycles	2,103	2,089	2,467	2,415	9,074
4. Tractors and Trailers	53	60	107	392	612
Totals	8,005	5,593	7,017	6,120	26,735
% of Totals	29.9	20.9	26.3	22.9	100.0

Notes: The Region in which a car is registered is not necessarily that in which it will operate.

(2) Commercial vehicles exclude Government and Government owned service cars and privately owned trucks (Kitcars) which have been registered as private.

Source: Nigeria: Annual Abstract of Statistices 1964.

Table 5.8

Comparison of Average road densities in Nigeria and other selected African countries.

Country	Square miles of territory per mile of road.
Eastern Nigeria	2
Western Nigeria	4
Northern Nigeria	13
All Nigeria	7
Ghana	7
Uganda	7
Kenya	10
Tanganyika	12
Central African Federation	9

SourceL Industrial Potentialities of Northern Nigeria, Kaduna 1963 p 224

Table 5.10

Regional Distribution of Principal Raw Materials in Nigeria, in 1965 according to ~~Dermant~~ Dominant Producing Region

Regional Distribution of Principal Raw Materials in Nigeria, in 1965, according to ~~Dermant~~ Dominant Producing Region

Raw mate

Cocoa material	£000 Value	% of total Exports	Region of Dominant produce
Groundnu			
Cotton & Cotton seed	3,630	I.3	North
Palm Kernels	26,54I	9.9	East
Palm Oil	I3,59I	5.I	East
Groundnut oil	I0,0I3	3.7	North
Soya beans	I0,988	4.I	North
Rubber	I46	-	Mid-West
Timber-logs	4,953	I.9	"
Timber Sawn	I,494	0.6	"
Tin Ore & Metal	I4,9I2	5.6	North
Columbite	I,I6I	0.4	"
Benniseed	I,45I	0.5	"
Hides & Skins	4,563	I.7	"
Coal	85	-	East
Petrolium oil	68,097	25.4	"
Natural Gas	-	-	"
Limestone	-	-	All Regions
Clay	-	-	"

Note: Dominant producer = Producing more than 80% of the Nigeria's output.

Source: Nigerian Trade Journal, April/June I966 p 7I

Table 5.II

Sectoral Distribution of Industrial Location in Nigeria, 1939-1965.

Industrial Sector	Total	Federal Territory		North		East		West		MidWest	
		No	%	No	%	No	%	No	%	No	%
Food, Beverages and Tobacco	179	61	34.1	36	20.1	51	28.5	26	14.5	5	2.8
Textile & wearing apparel including foot wear.	113	50	44.2	25	22.1	18	15.9	16	14.2	4	3.5
Timber, wood & paper products, printing and furniture	332	122	36.7	37	11.1	91	27.4	56	16.9	26	7.8
Leather and Leather products, Rubber & Rubber Products	66	4	6.0	13	19.7	10	15.2	8	12.1	31	47.0
Chemicals, oils, paints and Petroleum Products	127	30	23.6	27	21.1	46	36.2	19	15.0	6	4.7
Clay, Glass and Cement Products	51	15	29.4	7	13.7	12	23.5	14	27.5	3	5.9
Machinery and transport Equipment	34	20	58.8	3	9.0	4	11.8	7	20.6	-	-
Metal Products, except Transport Equipment and Furniture	85	35	41.2	12	14.1	20	23.5	18	21.2	-	-
Miscellaneous	29	15	51.7	2	7.0	4	13.8	6	20.7	2	7.0
Totals	1,016	352	34.6	162	15.9	256	25.2	170	16.7	77	7.6

Source: Calculation from Federal Ministry of Industries. Industrial Directory, 1965.

5

Table 4.I2.

Regional Breakdown of Consumer's Expenditure on

Non food items I957 at I957 Rates.

£M

Item	Federation Value	Federation %*	North Value	North % of Federation	West Value	West % of Federation	East Value	East % of Federation
Drink	I5.6	6.4	I.8	II.5	7.I	45.5	6.I	39.I
Tobacco	I8.0	7.4	5.3	29.4	7.4	4I.I	6.I	33.9
Clothing	77.2	3I.8	29.0	37.6	29.3	38.0	I7.7	22.9
Other non Durables	30.0	I2.3	7.7	25.6	I2.7	42.3	9.I	30.3
Fuel and light	II.8	4.9	3.8	32.2	5.3	44.9	2.6	22.0
Durable Goods	I8.9	7.8	4.6	24.4	9.0	47.6	5.0	26.5
Travel	20.9	8.6	6.4	30.6	9.6	45.9	4.I	I9.6
Education	I9.8	8.I	2.2	II.I	9.3	47.0	8.3	4I.9
Miscellaneous & Housing	30.8	I2.7	9.7	3I.5	I4.6	47.4	6.3	20.5
Totals	243.0	I00.0	70.5	29.0	I04.3	42.9	65.3	26.9

* Percentage of total consumers' expenditure.

Source: P. N. C. Okigbo, Nigerian National Accounts, I950-57 pp 56, and I65-6.
Percentages calculated from figures.

Table 5.13

Regional Breakdown of Industrial Location According to Principal town, Capital & Others

	Federal Territory			North			East			West			Mid-West		Totals		Totals
	Apapa	Yaba	Mainland	Kano	Kaduna	Others	Phct	Enugu	Others	Ikeja	Ibadan	Others	Benin	Sapele	Others		
Food, Beverages, and Tobacco	16	8	37	12	5	19	16	7	28	5	9	12	1	1	3		179
Textiles & Wearing Apparel & Foot wear	9	7	34	14	7	4	1	2	15	3	2	11	2	1	1		113
Timber, Wood & Paper Products, Printing & furnture	10	21	91	13	7	17	23	16	52	8	26	22	8	9	9		332
Rubber & Rubber Products Leather &Leather Products	-	1	3	8	-	5	1	-	9	2	2	4	12	15	4		66
Chemicals, Oils, Paints & Petrolium	11	5	14	17	-	10	10	4	32	7	4	8	1	1	3		127
Clay, Glass & Cement Products	6	-	9	3	2	2	3	6	3	3	4	7	-	2	1		51
Machinery & Transport Equipment	8	2	10	-	-	3	2	-	2	2	1	4	-	-	-		34
Metal Products Except Transport and Machinery	11	-	24	8	2	2	13	3	4	7	3	8	-	-	-		85
Miscellaneous	5	5	5	1	-	1	-	-	4	1	4	1	-	1	1		29
Totals	76	49	227	76	23	63	69	38	149	38	55	77	24	30	22		1,016
% of totals	21.6	13.9	64.5	46.9	14.2	38.9	27.0	14.8	58.2	22.4	32.4	45.3	31.6	39.5	28.9		

Source: As in Table 2. %s Calculated from figures.

Table 6.1

Variants of Partnership Arrangements

Capital	Management 50% foreign 50% national	Management foreign majority	Management Indigenous Majority
50% foreign 50% National	1 (a) no domination (d) risk of dead locks	2 (a) benefit of international experiance (d) Risk of Indigenous resentment	3 (a) roots in community (d) foreign doubts about control
Foreign Majority	4 (a) Little reason for fraction (d) Indigenous resentment over expatriate casting vote.	5 (a) Clear situation (d) national ambitions unfulfilled	6 (a) Pleases nationals (d) foreign investor uneasy especially if forced.
Indigenous Majority	7 (a) Strong roots in community (d) foreign manager uneasy	8 (a) Full benefit of international experience (d) Risk of indigenous resentment	9 (a) Clear situation (d) Little appeal to foreign investor

(a) = advantage

(d) = disadvantage

Source: Prof. Peter Kuin: Private Enterprise in Econ Development, Progress Vol 48 May, 1961

Table 6.3

Projects in Partnership: Eastern Nigeria

as at 31st Dec, 1963

	Project	Authorised Capital £000	Year Set up or began operation	Percentage & Foreign	Ownership Nigerian
1.	Williams & Williams (Nig) Ltd	100.0	1960	51	49
2.	Alcan Alminum Co Ltd				
3.	Michaelin (Nig) Ltd	3,000.0	1962	60	40
4.	Nig. Alminum Products Ltd	100.0	1961	60	40
5.	Turners Asbestos (Cement)Nig Ltd	1,000.0	1962	80	20
6.	Sunray Flour Mill Ltd	1,000.0		50	50
7.	Aba Textile Ltd	1,071,0	1964	70	30
8.	Textile Printers of Nig. Ltd	2,500.0			
9.	Zenith Plastics Industry Ltd	50.0	~~1962~~	80	20
10.	Niger Steel Ltd	300.0	1962	51	49
11.	The Eastern Enamel Factory Ltd	100.0	1962	80	20
12.	Opex (Eastern Nig.) Ltd	70.0	1963	50	50
13.	Niger Gas Ltd	100.0		33	77
14.	Eastern Nig. Furniture and construction	100.0		49	51
15.	Eastern Nig. Water Planning Co. Ltd	100.0		49	51
		9,591.0			

Source: Compiled from the "Report on the 4th Conference of Leading Personalities of Eastern Nigeria origin Dec, 1963: of Doc No 28 1964 and from a list sent by the E.N.D.C.

Table 6.5

Industiral Projects in which the Fed. Government Participated, 1957-1965.

Project	Nationality of Partner	Region of Location	Authorised Capital	Feds' Contribution Share Capital	Feds' Contribution Loan or Debenture.
1. Nigerian Paper Mill Ltd	German	North	£1m	900.0	~~1,750.0~~
2. Nigerian Sugar Co. Ltd	U.K.	"	£4m	540.0	1,750.0
3. Sokoto Cement Co.	German	"			
4. Nortex Textile Mills Ltd		"			500.0
5. Kano Piggery		"			500.0
6. Nigerian Flour Mill				60.0	
7. Nigerian Fermentation Industries			155.0		
8. Industrial Enterprises (Nig) Ltd		West	52,746	20.0	
9. Dunlop (Nig) Industries Ltd	U.K.	"	£1.5m	50.0	
IO. Nigerian Mint & Security Printing Works	U.K.	Lagos	£1m	60.0	
11. Nigerian Cement Co. Ltd	U.K.	East	£4.2m	750.0	350.0
12. Nigerian Oil Refinery	U.K.	"	£9m	1,000.0	
13. Machaelin (Nig) Ltd	U.K.	"	£3m	50.0	
				3,430.0	3,100.0

Source: National Plan: 1962-68. Progress Report 1964 and Nigerian Trade Journals

Table 6.6.

Projects in Partnerhip.

Western Nigeria. 1955 - 1960.

Projects	Year Established or began operation	Authorised Capital £000	Ownership Foreign	Ownership Nigeria
1. Nigerian Plastics Co.Ltd	1957	65.0	50	50
2. Nig. Plastics Co(Sales) Ltd	1958	1.0	50	50
3. Nidogas Ltd	1957	150.0	70	30
4. Nigersol Construction Co. Ltd	1959	200.0	40	60
5. Nigersol Water Resources Dev. Co		I00.0	40	60
6. Nig. Pre-strined Concrete Co. Ltd	1958	50.0=	80	20
7. Crittal Hope (Nig) Ltd	1958	200.0	78	22
8. Vono (WA) Ltd	1960	20.0	85	15
9. Lower Alminum Ltd	1960	125.0	76	24
10. Asbestos Cement Products (Nig)Ltd	1959	600.0	65	35
II. West African Portland Cement Co.	1959	1,000.0	61	39
I2. Nig Textiles Mills Ltd	1960	455.0	67	33
		2,966.0		

Source: Report of the Coker Commission of Inquiry into the affairs of Certain Statutory Corporations in Western Nigeria 1962. Vol. 1 p 81.

Table 6.8

Private Investment Guaranteed by Government, 1962-1964

Borrower	Nationality of Contractor	Date of Guarantee	Duration (Years)	Int. (%)	Amount (£000)	Purpose
I. Nigerian Paper Mill	W. German	9-9-63	9½ yrs	6	2,297.0	A Paper Mill
2. Western Region Govenment	-do-	March 1964	7 yrs	6½	1,196.0	Palm kernel Processing
3. - do -	Israel	April '64	6 yrs	6½	341.25	Ibadan Hotel
4. - do -	-do -	May'64	5 yrs	6½	199.108	- do -
5. - do - Dev.Corpn.	W. Germany	" 1962	6 yrs	6½	659.4	Breweries
6. N. Nigeria Cement Co (Sokoto)	W. Germany	Oct'62	10 yrs	3	2,897.320	Sokoto Cement Factory
7. Fibre Bag Factory	U.K.	-	6 yrs	5	1,364.0	Fibre bag Factory
8. Mid-West Nig. Govt	W. German	June 1964	8 yrs	6	2,787.0	Ukpala Cement Factory
9. - do -	- do -	-do -	6 yrs	6	885.0	Mid-West Glass Factory
10. - do -	- do -	-do -	9 yrs	6	2,986.8	Asaba Textile Mills
11. Eastern Nig. Dev. Corpn	- do -	July 1962	6yrs	6	1,229.8	Brewery & Glass Factory
12. Nigerian Hotels Ltd	U.K. (CDC)	12.12.63	20yrs	7½	125.0	Hotel Expansion
13. - do -	- do -	- do -	20 yrs	7½	100.0	- do -
14. Eastern Nigeria Govt.	W. Germany	14.9.64	11 yrs	6	2,608.0	Calabar Cement Factory
15. Northern Nig. Govt.	-	-	-	-	1,010.0	Meat Factory
16. Eastern Nigeria Govt. Aba Textile Mills(East) Govt.	U.K.	1.4.64	4½yrs	5½	760.9	Textile Mill
17. Eastern Nig. Govt.	-	June 1965	4 yrs	8	64.0	Shoe Factory
Total					£ 21.5m	

Source: Fed. Republic of Nigeria: National Development Plan. Progress Report 1964.

Table 6.9

Indicators of Suppliers' Credits in Selected Countries.

As at the end of 1965.

Area and Country.	Service Payments on Suppliers' Credits as a percentage of total Service Payments on all External Public Debt.	Suppliers' Credits as a percentage of Outstanding external indebtedness.
Latin America.		
Brazil	63	30
Chile	25	11
Peru	52	33
Argentina	22	28
Venezuela	14	4
Africa.		
Liberia	60	24
Nigeria	53	20
Tanzania	28	2
Asia.		
Korea	90	39
Thailand	36	19
Pakistan	10	4
Middle East		
U.A.R.	24	15
Iran	23	7
Europe.		
Spain	26	11
Yugoslavia	49	35

Source: Suppliers' Credits from Industrialised to Developing Countries IBRD Jan. 1967.

TABLE 7.1

CHANNELS OF FOREIGN PRIVATE INVESTMENT IN NIGERIA 1961-1964

£m

Year	Total Investments	Unremitted Profits	%	Trade & Supplied Credits	%	Other foreign liabilities	%	Share & Loan Capital	%
	1	2	3	4	5	6	7	8	9
1961	27.3	2.7	9.9	2.3	8.4	13.6	49.8	8.7	31.9
1962	17.7	7.9	44.6	2.3	13.0	2.6	14.7	4.9	27.7
1963	37.9	13.4	35.4	1.8	4.7	12.2	32.2	10.5	27.7
1964	63.0	17.8	28.3	4.6	7.3	19.8	31.4	20.8	33.0
	145.9	41.8	28.6	11.0	7.5	48.2	33.0	44.9	30.8

Source: CBM: Econ & Financial Review, Vol 4 No.1 June 1966.

TABLE 7.2

RETAINED AND TOTAL EARNINGS OF FOREIGN COMPANIES IN NIGERIA, 1961 - 63 £m

Year	Total Earnings[1]	Retained Earnings	% of 3 to 2
1	2	3	4
1961	7.0	2.7	38.6
1962	11.5	7.9	68.7
1963	18.0	13.4	74.4
Total	36.5	24.0	65.8

1. Total Earnings = Profits, Dividends & Interest

Source: CBM: Econ. & Fin. Review, Vol.3, No.1, July 1965.

TABLE 7.2a

RETAINED EARNINGS OF FOREIGN COMPANIES IN NIGERIA AND NET NEW INVESTMENT IN NIGERIA, 1961-1963

Year	1 Net new Investment	2 Retained Earnings	3 Per centage
1961	27.3	2.7	9.9
1962	17.7	7.9	45.0
1963	37.9	13.4	35.3
TOTAL	82.9	24.0	29.0

Source:
Columns 1 & 2 from CBN Econ. & Fin.Ref. July 1965.

Column 3. calculated from the figures.

TABLE 7.3

THE NIGERIAN BANKING STRUCTURE AS AT 31.12.62.

Class of Banks	Name of Bank	Date Licensed	Head Office	No. of Nigerian offices.	
Expatriate Banks					
	1. Arab Bank	1962	Amman	1	
	2. Bank of West Africa	1894	London	55	
	3. Bank of America	1960	San Francisco	1	
	4. Bank of India	1962	Bombay	1	
	5. Banque de L'Afrique Occidentale	1959	Paris	2	
	6. Barclays DCO	1925	London	57	
	7. Chase Manhattan	1961	New York	1	
	8. United Bank For Africa	1961	Lagos	11	
Total	8			129	129
Mixed Banks					
	1. Bank of Lagos	1959	Lagos	1	
	2. Bank of the North	1959	Kano	4	
	3. Berini	1959	Lagos	1	
Total	3			6	6
Indigenous Banks					
	1. African Continental	1947	Lagos	21	
	2. Agbomagbe	1945	Lagos	9	
	3. Co-operative Bank of Eastern Nigeria	1962	ABA	3	
	4. Co-operative Bank of W. Nigeria	1962	Ibadan	4	
	5. National	1933	Lagos	31	
	6. Muslim	1958	Lagos	1	
Total	6				69

Source: C.V. Brown: The Nigerian Banking System London 1966, p.32.

TABLE 7.4

DEPOSITS AND ADVANCES OF INDEGENOUS AND EXPATRIATE COMMERCIAL BANKS IN NIGERIA, 1959 - 1965

£000

Year	Loans & Advances					Deposits				
	Total	Indigenous Banks	%	Expatriate Banks	%	Total	Indigenous Banks	%	Expatriate Banks	%
	1	2	3	4	5	6	7	8	9	10
31st Dec.										
1959	40824	14580	35.7	26244	64.3	65294	17024	26.1	48270	73.9
1960	57000	14126	24.8	42874	75.2	68512	15579	22.7	52933	77.3
1961	59990	14892	24.8	45098	75.2	76914	17765	23.1	59149	76.9
1962	77036	19247	25.0	57789	75.0	86940	17880	20.6	69060	79.4
1963	89468	20619	23.0	68849	77.0	95908	15227	15.9	80681	84.1
1964	122406	27113	22.2	95293	77.8	115045	22323	19.4	92722	80.6
1965	135028	29174	21.6	105854	78.4	132459	21814	16.5	110645	83.5
Total	581752	139751	24.0	442001	76.0	641072	127612	20.0	513460	80.0

Source: The Central Bank of Nigeria

TABLE 7.5

ASSETS OF THE NIGERIAN COMMERCIAL BANKS, 1944/65 £m

Year	Foreign Assets	%	Cash	c %	Loans & Advances	c %	Investments Nig.Others (a)	Net Assets	Capital Flow (b)
1944	8.5	86.6	1.1	10.8	0.3	3.4	+ 0.5	+ 8.5	-1.8
45	10.4	87.5	1.0	8.5	0.5	4.2		+10.3	-0.8
46	11.1	88.0	1.3	10.0	1.0	7.6		+11.1	+0.2
47	11.0	80.0	1.5	10.9	1.7	12.4		+10.9	+0.4
48	10.7	73.6	1.5	10.3	3.5	24.4		+10.5	+4.0
49	7.7	56.8	2.1	15.8	3.7	27.4		+ 7.5	-2.1
50	10.4	63.3	2.0	12.4	4.3	26.5		+ 9.7	-2.9
51	13.5	60.2	3.4	15.0	5.5	33.6		+12.5	-1.0
52	16.0	57.3	3.9	13.8	9.2	40.8	0.3	+13.5	-0.8
53	16.1	51.4	5.4	17.2	10.2	36.7	0.3	+14.3	-7.7
54	24.8	61.2	5.3	13.1	12.0	35.1	0.2	+22.0	+6.8
55	20.5	48.5	7.4	17.6	19.1	45.2	0.4	+15.2	+0.7
56	21.8	47.3	6.8	14.8	25.5	55.4	0.4	+14.5	+5.8
57	16.9	32.6	7.0	13.5	34.5	66.4	0.4	+ 8.7	-1.6
58	15.9	27.1	6.7	11.5	38.3	66.0	0.3	+10.3	-0.7
59	23.7	36.2	8.5	12.9	40.9	62.6	0.7	+11.0	+8.1
60	21.3	31.0	8.0	11.6	57.0	83.2	2.7	+ 2.9	-11.6
61	36.5	47.4	7.6	9.9	60.0	78.0	4.3	+14.5	+1.6
62	21.5	24.7	7.5	8.7	80.4	88.6	5.0	+12.9	-0.6
63	26.6	27.7	11.7	12.1	89.5	93.3	2.3	+13.5	+21.3
64	16.9	14.7	14.4	12.5	122.4	106.4	7.0	+ 7.8	
65	20.6	15.5	12.9	9.7	135.0	101.9	7.9	+ 0.3	- 8.1

(a) Insignificant up to 1952.
(b) Capital flow = difference between foreign assets and foreign liabilities.
- = Capital out flow
+ = Inffiows
c: % of deposits Source: Nigeria - Annual Abstract of Stats. CBN. Annual Reports.

TABLE 7.6

LIABILITIES OF THE NIGERIAN COMMERCIAL BANKS 1944/65 £M

Dec 31st	Total Liabilities	Foreign Banks	DEPOSITS Total	Demand	%	Time & Savings	Others
1944	10.5	0.02	9.9	7.3	73.7	2.6	0.6
45	12.8	0.09	11.9	9.0	75.8	2.9	0.8
46	14.4	0.04	12.7	9.4	74.3	3.3	1.7
47	15.1	0.1	13.7	10.4	75.8	3.3	1.3
48	16.7	0.2	14.5	11.4	78.9	3.1	2.0
49	14.2	0.1	13.4	10.3	76.3	3.2	0.6
50	17.8	0.7	16.4	13.2	80.4	3.2	0.6
51	26.1	1.0	22.4	18.4	82.2	4.0	2.7
52	36.0	2.4	27.8	22.2	79.8	5.6	5.8
53	38.9	1.8	31.2	24.5	78.3	6.8	5.9
54	52.1	2.8	40.6	32.9	81.0	7.7	8.7
55	57.7	5.3	42.2	31.6	74.9	10.6	10.2
56	67.7	7.2	46.0	35.4	76.8	10.7	14.4
57	72.9	8.2	51.9	37.3	71.9	14.6	12.9
58	79.7	5.6	58.1	40.3	68.8	17.8	16.0
59	100.5	12.7	65.3	40.2	61.5	25.1	22.5
60	117.9	18.4	68.5	41.1	60.0	27.4	31.0
61	147.3	22.0	76.9	41.7	54.2	35.3	48.4
62	142.6	8.7	86.9	45.3	52.1	41.6	47.0
63	162.6	13.1	95.9	48.8	50.9	47.1	53.6
64	198.0	24.7	115.0	57.8	50.2	57.2	55.2
65	217.1	20.3	132.5	62.0	46.8	70.6	64.6

Source: Nigeria Annual Abstract of Stats. & C.B.M. Reports.

TABLE 7.7

ANALYSIS OF COMMERCIAL BANK ADVANCES & LOANS 1958-65 (As at 31st December £000)

	1958		1959		1960		1961		1962		1963		1964		1965			
SECTOR	Amt	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Totals"	%
Agriculture & Forestry etc	11,764	30.7	9,360	22.9	11,281	19.8	12,614	21.0	18,039	23.4	19,672	22.0	30,223	24.7	34,169	25.3	147,122	23.7
Mining & Quarrying	328	0.9	409	1.0	543	0.1	474	0.8	526	0.7	577	0.6	577	0.5	644	0.5	4,078	0.7
Manufacturing	1,836	4.8	1,649	4.0	2,429	4.3	3,296	5.5	5,857	7.6	8,933	10.0	13,131	10.7	14,500	10.7	51,631	8.3
Real Estate & Construction	2,471	6.5	3,068	7.4	3,595	6.3	5,541	9.2	5,185	6.7	6,444	7.2	5,760	4.7	6,469	4.8	38,533	6.2
Gen.Commerce	13,398	35.0	14,160	34.7	22,288	39.4	20,552	34.3	30,834	40.0	38,128	42.6	4,8519	39.6	49,876	36.9	237,755	38.3
Transport & Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit & Fin. Institutions	1,654	4.3	3,391	8.4	2,907	5.4	2,432	4.0	868	1.1	1,324	1.5	3,648	3.0	1,518	1.2	17,862	2.9
Govts.& Public Utils.	313	0.8	306	0.7	1,583	2.8	953	1.6	915	1.2	1,674	1.9	1,712	1.4	2,634	2.0	10,090	1.8
Personal & Professional	-		-		-		-		-		-		-		-		-	
Miscellaneous	6,534	17.1	8,481	20.8	12,354	21.9	14,128	23.6	14,811	19.3	12,716	14.2	18,837	15.4	25,118	18.6	112,979	18.2
Totals	38,298	100.0	40,824	100.0	57,000	100.0	59,990	100.0	77,035	100.0	89,468	100.0	122,407	100.0	135,028	100.0	620,050	100.0

Source: Economic & Financial Reviews CBM.

TABLE 7. 8

REGISTERED DEBENTURES OF NIGERIAN COMMERCIAL BANKS

1952 - 1953

Date Created or Registered	Company Creating	Bank	Amount
11.5.53	Zik's Enterprises Ltd	A.C.B. Ltd	50,000
30.3.53	J. Allen & Co.	Bank of West Africa Ltd	350,000
26.6.53	Costain (West Africa)	ditto	60,000
17.11.52	Tin and Assoc. Minerals Ltd	Barclays DCO	32,500
29.6.53	Nigerian Oil Mills Ltd	ditto	110,100
13.7.53	The Kano Oil Millers	ditto	35,000
			637,600

Source: Nigerian Trade Journals.

TABLE 7.9

OPERATIONS OF THE INVESTMENT COMPANY OF NIGERIA LTD 1959-1964

£000

	No of loans & equity Investments	%	Amount	%
Nigeria	3	25	136.0	19.2
Foreign	9	75	571.3	80.8
Total	12	100	707.3	100.0

TOTAL SHARE CAPITAL = £5,007.5

" EQUITY INVESTMENT £217.5

Source: Nigerian Industrial Development Bank.

TABLE 7.11

OPERATIONS OF THE NIGERIAN INDUSTRIAL DEVELOPMENT BANK LTD

1964- 30th Sept. 1966.

Nationality	No. of loans & equity Investments	%	Amount	%
Nigerian	16	40	1,122.5	35.5
Foreign	24	60	2,043.7	64.5
Total	40	100	3,166.2	100.0

TOTAL SHARE CAPITAL £3,571.0

Amount of EQUITY INVESTMENT £480.0

Source: N.I.D.B.

TABLE 7.10

NIGERIAN INDUSTRIAL DEVELOPMENT BANK LTD.

AUTHORISED SHARE CAPITAL

Authorised		Issued & Fully Paid
£250,000 5½% Cumulative Pref.Stock		250,000
£1,050,000 "A" Ordinary Stock		£1,020,000
980,000 "B" -do-		980,000
2,750,000 Unclassified Shares of £1 each		Nil
£5,000,000		£2,250,000

Issued & Fully Paid	"A" Ordinary Stock	
	Unclassified	7,225
£1,020,000	Holders: Central Bank of Nigeria	499,828
	IFC	499,827
	Nigerian Private Investors	13,120
£1,020,000		1,020,000

B. Ordinary Shares			£
£980,000	Holders:	Bank of America	71,100
		Chase Int.Investment Co	160,825
		Commez Bank	38,500
		Irving Int.Fin.Corp.	38,500
		Instituto Mobiliere Italiano	73,100
		North West Int.Bank	38,500
		Societe-Anonyme	28,200
		Bank of Tokyo Ltd	38,500
		U.K. Institutions	
		Bank of West Africa	25,000
		Barclays O'seas Dev.Corp	25,000
		CDFC	100,425
		UAC	37,500
		Unclassified	154,750
£980,000			980,000

SourceL N.I.D.B.

TABLE 7.12

COMBINED OPERATIONS OF NIDB AND ICON 1959-1966 £000

Nationality	No. of loans & Equity	%	Amount	%
Nigerian	19	36.5	1,258.5	32.5
Foreign	33	63.5	2,606.0	67.5
	52	100.0	3,864.5	100.0

Total share Capital of Companies £8,578.5

Amount of Investment £697.5

Source: NIDB.

TABLE 7.13

COMMONWEALTH DEVELOPMENT CORPORATION

Sectoral Allocation of Investment
1951, 1959, 1965 %

Sector	1951 %	1959 %	1965 %
Public Utilities	30.4	45.2	53.1
Primary Production	57.2	43.1	21.0
Commerce & Industry	12.4	11.7	25.9

Source: CDC Annual Reports

TABLE 7.14

£000. CDC's TERRITORIAL OPERATIONS

REGION	1951 Amt	1951 %	1959 No of Projs.	1959 Value	1959 %	1959 Disbursed	1959 %	1965 No.of Projs.	1965 Value	1965 %	1965 Disbursed	1965 %
Caribbean	7,381	21.7	18	13,887	14.4	7,274	52.4	23	19653	14.8	13963	71.0
Far East	8,334	24.5	14	18,717	19.5	14,937	79.8	25	23613	17.8	17120	72.5
East Africa	4,242	12.5	18	16,113	16.8	15,667	97.2	44	27491	20.7	18387	67.9
Central Africa	9,378	27.6	8	20,973	21.8	8,672	41.3	12	24164	18.2	23084	95.5
West Africa	4,120	12.1	18	9,798	10.2	2,731	27.9	19	14158	10.7	10377	73.3
Nigeria	3,005	72.9	15	9,058	92.4	1,709	-	15	10744	75.9	8529	79.4
South Africa	-		12	16,657	17.3	10640	63.9	9	22994	17.3	21938	95.4
Extra regional								2				
Total	33,999	100	103	96,145				134	132592			

Source: CDC: Annual Reports 1951 pp.2-3; 1959 p.65, 1965 p 10.
% calculated from figures

TABLE 7.15

COMMONWEALTH DEVELOPMENT CORPORATION: OPERATIONS IN NIGERIA
as at DEC. 1965

Sector.	A	Amount	£000
Agriculture			
	1. Eastern Nigeria. Nucleus Estate & Small Holder Scheme	500.0	
	2. Illushin Estates Ltd	900.0	
	Total		1,400.0
Public Utility			
	1. Lagos Executive Development Board	1,250.0	1,250.0
Commerce & Industry			
a. Finance Companies			
	1. Nigerian Industrial Dev. Bank	75.0	
	2. Northern Nigeria Investments Ltd	1,800.0	
	3. Development Finance Co. (EN)	1,500.0	3,375.0
b. Hotel & Housing			
	1. Nigerian Hotels Ltd	445.0	
	2. Nigerian Housing Development Society Ltd	2,225.0	
	3. Northern Housing Estates Ltd	10.0	
			2,680.0
c. Industry			
	1. Coast Construction Ltd	155.0	
	2. Dorman Long & Amalgamated Eng.	100.0	
	3. Dunlop Nig. Industries Ltd	350.0	
	4. The Nigerian Cement Co Ltd	372.5	
	5. Textile Printers of Nigeria Ltd	200.0	
	Total		1,177.5
Unidentified			861.0
	Final Totals		10,744.0

Source: Computed from CDC: Annual Reports

TABLE 7.16

DEVELOPMENT FINANCE COMPANY OF EASTERN NIGERIA LTD
and
NORTHERN NIGERIA INVESTMENTS LTD

Summary of Operations, 1959 - 1965 £m

		NNIL	DFC(EN)
a.	Total Investments/Commitments	4.643	1.396
b.	Total capital involved in projects (excl.(a)	14.307	6.200
c.	Percentage of a & b from foreign sources	75.1	83.7
d.	ditto: Nigerian Sources	24.9	16.3
e.	Number of projects	27	14

Source: Commonwealth Development Corporation

TABLE 7.17

NUMBER, VALUE & TYPE OF QUOTED STOCKS ON THE LAGOS STOCK EXCHANGE

	NUMBER				
	Government	%	Industrial	%	TOTAL
1961	92	27.5	242	72.5	334
1962	105	25.2	520	74.8	695
1963	296	41.6	415	58.4	711
1964	404	41.0	581	59.0	985
1965	391	38.4	627	61.6	1018
	1358	36.3	2385	63.7	3743

TABLE 7.18

VALUE £000

1962	2115.9	92.8	165.3	7.2	2281.2
1963	4868.3	93.8	323.1	6.2	5191.4
1964	5909.5	84.5	1,086.6	15.5	6996.1
1965	7194.9	90.7	734.8	9.3	7929.7
1961	710.4	93.4	49.8	6.6	760.2
	20,799.0	89.8	2,359.6	10.2	23,158.6

Source: CBN: Economic & Financial Review Vol.4, no.2, 1966.

TABLE 7.19

ADVANCES/DEPOSIT RATIOS OF INDEGENOUS AND EXPATRIATE BANKS IN NIGERIA 1959-65.

Year	Indigenous Banks %	Expatriate Banks %
1959	85.6	54.4
1960	90.7	81.0
1961	83.8	76.2
1962	107.6	83.7
1963	135.4	85.3
1964	121.5	102.8
1965	133.8	95.7
Average 1959/65	109.5	86.1

Note * As at 31st Dec.

Source: Derived from Table 7.4.

TABLE 7.20

EXPATRIATE BANKS' ADVANCES/DEPOSIT RATIOS

Year	Bank of West Africa Ltd.[a] % 1	Barclays Bank DCO.[b] % 2
1955	12.4	42.9
1956	19.2	38.8
1957	23.8	40.0
1958	30.1	43.0
1959	26.9	41.2
1960	26.7	48.8
1961	46.5	49.0
1962	38.8	46.4
1963	36.5	41.7
1964	36.6	~~43.5~~

a. As at 31 Mar.

b: As at 30 Sep.

1: Average 1955/64 = 29.7%

2. Average 1955/63=43.5

Source: Statis: World Banking Survey, December 1964, pp.189 and 193.

TABLE 7.21

CURRENCY AND ADVANCES RATIOS OF SELECTED COUNTRIES

Year	Nigeria		Chana		United Kingdom		United States		India	
	1	2	1	2	1	2	1	2	1	2
1955	57.6	45	66.9	26.9	33.8	31	20.6	45.4	70.9	73
1956	61.0	55	68.2	33.7	35.6	30	20.6	48.4	69.3	76.6
1957	56.1	66	67.2	34.1	37.1	31	20.8	49.4	69.4	66.3
1958	53.7	66	67.7	25.0	37.1	30	20.3	47.4	71.0	62
1959	55.5	63	64.2	43.4	39.0	38	20.4	55.6	71.0	59.3
1960	55.0	83	64.6	50.4	39.2	45	20.5	54.4	73.1	75.6
1961	61.8	78	61.6	61.8	40.2	47	20.3	53.6	72.3	73.2
1962	62.6	89	56.6	51.0	40.2	45	20.7	55.9	71.9	77.8
1963	58.4	93	53.9	57.7	38.4	51	21.1	59.3	69.4	79.5
1964	57.8	106	48.5*	39.4*	33.0**	52	21.5	61.0	68.0	78.9
Average	58	74.4	61.9	42.3	37.4	39.2	20.7	53.8	70.6	72.2

* As at June ** As at 16 December

Notes: 1 percentage of currency to total money supply

2. percentage of loans and advances to deposits.

Sources:

1. Nigeria: Annual Abstract of Statistics and Central Bank Annual Reports and Statistics & Econ. Reviews.
2. Ghana: Annual Abstract of Statistics and Bank of Ghana Annual Reports.
3. United Kingdom: Annual Abstract of Statistics, Bank of England Quarterly Bulletin, and the 'Banker'.
4. United States: Annual Abstract of Statistics and Federal Reserve Bulletins.
5. India: Reserve Bank of India Bulletin, April 1965, pp.584 & 567.

TABLE 8.1

FOREIGN PRIVATE COMPONENT OF GROSS FIXED INVESTMENT IN THE PRIVATE SECTOR, 1958-1962/63

£m

Year	Gross Private Investment 1	Foreign Private Component 2	Percentage 3
1958-59	59	16.8	28.5
1959-60	63	24.0	38.0
1960-61	66	19.0	28.8
1961-62	84	27.3	32.5
1962-63	82	17.7	21.6
Total	354	104.8	29.6

Source: Column 1: Nat. Plan Progress Report, 1964, p.8
Column 2: Adapted from Table
Column 3: Calculated from the figures

Table 8.2

Contribution of Foreign Private Investment to Gross Domestic Product and Gross Fixed Investment 1950 - 1965

Year	Net Foreign Private Investment	Gross Domestic Product a	Gross Fixed Investment a	1 as % of 2	1 as % of 3
	1	2	3	4	5
1950	2.6	688.7	48.4	0.4	5.4
51	8.6	741.4	59.7	1.2	14.4
52	7.6	793.5	75.0	1.0	10.1
53	5.5	811.6	79.9	0.7	6.9
54	10.4	872.1	92.9	1.2	11.2
55	9.6	895.2	102.6	1.1	9.4
56	19.1	873.7	108.0	2.2	17.7
57	17.1	910.0	113.0	1.9	15.1
58	16.8	900.0	122.3	1.9	13.7
59	24.0	938.5	136.7	2.6	17.6
60	19.0	981.3	158.0	1.9	12.0
61	27.3	1014.0	na	2.7	-
62	17.7	1072.3	na	1.7	-
63	37.9	na	na	na	-
64	63.0	na	na	na	-
65	58.9	na	na	na	-
	345.1	11492.3	1096.5	1.6	12.8

notes a at 1957 prices
na = not available.

Sources: Federation of Nigeria. Nat. Dev. Plan

Column 1 see table ch.
2 Fed of Nig. Annual Abstract of Stats p.144.
3 National Plan, 1962-68 p.13
4 & 5 Computed from figures.

Table 8.5

Analysis of Total Employment, value added, Net Capital Expenditure and Total Wages and Salaries per Employee in Nigerian Manufacturing, 1963

ISIC No.	Industrial Sector	Total Employment £000	Net Capital Expenditure	Net Capital Exp. per Employee £	Value-added £000	Value added Per Employee £	Wages & Salaries £000	Wages & Salaries Per Employee		No. of Reports Established
		1	2	3	4	5	6	7a	7	8
201-220	Food, Beverages and Tobacco	9294		504.561	20936	225.3	2222	16.7	23.9	108
231-244	Textiles, Wearing Apparel & footwear	10581	1528575	144.464	4622	43.7	1814	13.6	17.1	72
251-280	Timber, Wood & paper Products, Printing & Furniture	16656	995585	597.733	6259	37.6	2677	20.0	16.1	196
291-300	Leather & Leather Products, Rubber & Rubber Products, except Footwear	8246	1340413	162.5	3279	39.8	1275	9.6	15.5	43
311-329	Chemicals, Oils, Paints, and Petro Products	5569	1141349	204.9	6643	119.3	1380	10.4	24.8	53
331-339	Clay, Glass & Cement Products	2972	2544821	856.2	3543	119.2	677	5.1	22.8	25
341-350	Metal Products, Except Transport & Machinery Equipment	4508	1098780	243.7	2877	63.8	874	6.6	19.4	32
370-385	Machinery & Transport Equipment	9302	636842	684.6	6056	65.1	2226	16.7	23.9	111
360,391-842	Miscellaneous Products	850	287051	337.7	638	75.0	174	1.3	20.5	9
Totals		67978	14262811[1]	200.8	54853	80.7	13319	100.0	19.6	649

7a represents % of total wages & salaries.

1. Total does not reflect capital expenditure figures as some were not disclosed for confidential reasons.

Source: Industrial Survey, 1963, p.14. Columns 3,5 and 7 calculated from figures.

Table 8.4

Analysis of Net Capital Expenditure 1963 £000

ISIC No	Industrial Sector	Imported Materials Imports Value 1	% 2	Local Local Value 3	% 4	Total Expenditure Total 5
201-220	Food, beverages and tobacco	2433	51.9	1847	39.4	4.689
231-244	Textiles, wearing apparel and footwear	742	48.5	713	46.6	1.529
251-280	Timber, wood & paper products, printing and furniture	647	65.0	274	27.5	996
291-300	Leather & Leather Products, Rubber & Rubber Products, except footwear	901	67.2	417	31.1	1340
311-329	Chemicals, oils, Paints & Petroleum Products	728	63.8	385	33.7	1141
331-339	Clay, Glass & Cement Products	1679	66.0	31	12.2	2545
341-350	Metal Products, Except Transport Equipment	727	66.2	349	31.8	1099
370-385	Machinery & Transport Equipment	345	54.2	256	40.2	637
391-842 + 360	Miscellaneous	212	73.9	71	24.7	287
	Totals	8414	59.0	4343	30.4	14263

Notes Columns 1 and 3 do not add up to column 5 nor columns 2 and 4 add up to 100 owing to non-disclosures to ensure confidentiality.

Source: Computed from Federal Office of Statistics: Industrial Survey, 1963, p.14.

Table 8.5

The Effect of Import Substitute Manufacture on Selected Imports 1960 - 1965

1960=100

Product	1960	1961	1962	1963	1964	1965
Cement	100	68	44	37	23	20
Tobacco (manufactured)	100	106	96	106	93	77
Rubber goods	100	104	92	93	61	60
Beer	100	101	72	20	18	6
Textiles	100	118	83	96	104	99[1]
Enamelware	100	121	89	99	47	41

1. But for domestic production, this index would have been in excess of 100.

Source: Central Bank of Nigeria Annual Report 1965, p.24.

Table 8.6

Exports of Nigerian Manufactures, 1964,1965

£000

Item	1964 Value	1964 % of Total Exports	1965 Value	1965 % of Total Exports
Groundnut Cake	4634	2.2	5251	2.
Groundnut Oil	8135	3.8	10013	3.
Cotton Goods, Textiles	69	-	66	-
Leather	881	0.4	1459	0.6
Plywood	1071	0.5	1207	0.5
Others	201	0.1	76	-
	14991	7.0	18072	6.8

Source: Nigerian Trade Journal April June, 1966,p.71.

Table 8.7

Merchandise Exports Imports and Visible Balance

1954 - 1965 £000

Year	Imports	Net foreign Investment as % of Imports	Exports Domestic	Net Foreign private investment as % of domestic exports	Visible Balance [1]
1954	114,069	9.1	146,242	7.1	+ 35,463
1955	136,117	7.0	129,816	7.3	- 3,583
1956	152,770	12.5	132,261	14.4	-18,197
1957	152,468	11.2	124,177	13.8	-24,934
1958	166,274	10.1	132,791	12.7	-30,724
1959	178,405	13.5	160,505	15.0	-14,908
1960	215,891	8.8	165,619	11.5	-46,177
1961	222,519	12.3	170,067	16.-	-48,891
1962	203,217	8.7	164,013	10.8	-34,681
1963	207,477	18.3	184,865	20.5	-17,778
1964	253,880	24.8	210,462	29.9	-39,314
1965	275,322	21.4	263,341	22.4	- 6,861
	2,278,409	14.1	1,984,59	16.2	-250,685

1. including re-exports and parcel post.

Source: Nigeria Annual Abstract of Statistics 1964, p.67;
Nigerian Trade Journal April-June 1966, pp. 70-71.

Table 8.8

Percentage Distribution of Capital and Consumer goods Imports in Nigeria. 1954-1965

Year	Capital Goods %	Consumer Goods %	Import Index 1960 = 100
1954	19	81	-
1955	22	78	-
1956	23	77	-
1957	22	78	-
1958	25	75	-
1959	26	74	-
1960	39	61	100
61	39	61	103
62	42	58	94
63	45	55	96
64	52	48	118
65	55	45	127

Source: 1954-1959 from Nigerian Trade Journals
1960-1965 Central Bank of Nigeria
Annual Report 1965, p.24.

Table 8.9

Firm Offers of Foreign Aid 1962 - 1964

Source and Details	Amount £m	
International Financial Institutions.		
IBRD		
Niger Dam	£29.3	
ECN (Transmission lines)	10.7	
Nigerian Ports Authy. Apapa Ext.	4.8	44.8
IFC		
Nigerian Ind. Dev. Bank	0.5	0.5
IDA		
Education Projects	7.1	
Northern Roads	5.5	12.6
United States Government	45.0	45.0
United Kingdom Government:		
C'wealth Asst. Loan 1960	2.84	
Nigerian Railway Corpn. (Rails)	1.5	
Telecommunications Loans	1.6	
C'wealth Asst. Loan, 1962	10.0	
Exchequer Loan	3.0	
Apapa Industrial Dev. Plan	1.25	
Niger Dam	5.0	25.19
West German Government		8.5
Swiss Government		
Netherlands Government		1.7
		4.0
Polisy Government		15.0
Israeli Government		1.17
Italian Government:		9.0
London Money Market - Bonny Bar Loan Stock		4.25
	Total	171.72

Source: Fed. Repub. of Nigeria. Nat. Dev. Plan. Progress Report 1964, p.31.

Table 8.10

Foreign Aid Component of Capital Expenditure

1962 - 1964 £000

Disbursing Authority.	Capital Exp.	Foreign Aid Component	%
Federal Government	95,340	15,924	16.7
Eastern Government	20,226	0.522	2.7
Western Region	15,573	0.984	6.3
Northern Region	19,117	1.010	5.3
Total	150,254	18,470	12.3

Source: Fed. of Nig. Nat. Dev. Plan, 1962-1968 Progress Report, 1964, p.33.

SECTORAL DISTRIBUTION OF INDUSTRIAL EMPLOYMENT, 1963

I.S.I.C. No.	Industrial Sector	No. of Reports Est.	NIGERIANS: Professional & Managerial No.	%	Clerical No.	%	Skilled & semi-skilled No.	%	Un-skilled No.	%	Grand Total No.	%	Non-Nigerians	Others	To-tals	% Non Nig
201-220	Food, Beverages & Tobacco	108	181	1.9	1423	15.3	3352	36.1	3857	41.5	8813	94.8	227	254	9294	2.4
231-244	Textiles, Wearing Apparel and footwear	72	53	0.5	463	4.4	6057	57.2	3494	33.0	10067	95.1	259	255	10581	2.4
251-280	Timber, Wood & Paper Products, printing and furniture.	196	552	3.3	1672	10.0	7622	45.8	5595	33.6	15441	92.7	211	1004	16656	1.3
291-300	Leather & Leather Products, Rubber & Rubber products except footwear.	43	122	1.5	504	6.1	1465	17.8	5944	72.1	8035	97.4	148	63	8246	1.8
311-329	Chemicals, oils, paints & petroleum products.	53	112	2.0	840	15.0	1898	34.1	2541	45.6	5391	96.8	159	19	5569	2.9
331-339	Clay, glass & cement products.	25	56	1.9	265	8.9	1573	52.9	976	32.8	2870	96.6	83	19	2972	2.8
341-350	Metal products, except transport equipment.	32	57	1.3	348	7.7	2220	49.2	1508	33.5	4133	91.2	236	139	4508	5.2
370-385	Machinery & Transport equipment	111	180	1.9	2355	25.3	4513	48.5	1566	16.8	8614	92.6	285	403	9302	3.1
391-842	Miscellaneous Products	9	13	1.5	91	10.1	434	51.1	253	29.8	791	93.1	35	24	850	4.1
		649	1326	2.0	7961	11.7	29134	42.9	25734	37.9	64155	94.4	1643	2180	67978	2.4

Source: Calculated from Federal Office of Statistics Industrial Survey 1963, p. 12.

£m at 1957 Prices.

Contribution of Manufacturing to Gross Domestic Product 1950, 1954, 1958-63

Activity Sector	1950		1954		1955		1957		1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Agriculture, livestock, fishing & Forestry.	465.0	67.5	557.8	64.0	572.3	63.9	565.2	62.1	619.9	68.9	613,0	65.3	640.0	65.2	665.6	65.6	694.1	64.7
Mining and oil exploration	7.6	1.1	8.1	0.9	9.0	1.0	9.4	1.0	7.0	0.8	6.6	0.7	8.4	0.9	13.8	1.4	18.2	1.7
Manufacturing	3.1	0.5	6.5	0.7	7.2	0.8	10.9	1.2	23.0	2.6	27.7	3.0	32.5	3.3	34.9	3.4	37.0	3.5
Building and construction	29.2	4.2	47.2	5.4	48.0	5.4	53.3	5.9	30.8	3.4	40.7	4.3	42.6	4.3	37.5	3.7	39.9	3.7
Public utilities - electricity, water, transport & communications.	32.1	4.7	54.9	6.3	64.1	7.2	79.9	8.8	34.4	3.8	38.3	4.1	44.1	4.5	51.0	5.0	51.7	4.8
Government - administration and defence.	15.0	2.1	17.6	2.0	23.4	2.6	30.5	3.4	29.1	3.2	36.3	3.9	35.0	3.6	38.0	3.7	40.0	3.7
Distribution including Marketing Boards.	107.2	15.6	147.4	16.9	134.8	15.1	118.2	13.0	108.7	12.0	124.2	13.2	123.4	12.6	116.6	11.5	131.9	12.4
Others - education, health, banking, insurance etc.	13.7	2.0	16.4	1.9	20.0	2.2	25.9	2.8	26.7	3.0	31.3	3.3	34.5	3.5	36.2	3.6	39.1	3.6
Crafts	15.8	2.3	16.2	1.9	16.4	1.8	16.7	1.8	20.4	2.3	20.4	2.2	20.4	2.1	20.4	2.0	20.4	1.9
	688.7	100.0	872.1	100.0	895.2	100.0	910.0	100.0	900.0	100.0	938.5	100.0	981.3	100.0	1014.0	100.0	1072.3	100.0

Source: Annual Abstract of Statistics 1964, p. 144; National Plan Progress Report 1964, p. 2; P.N.C. Okigbo - National Accounts, pp. 97-98. Percentages computed from figures.

TABLE 8.14

PERCENTAGE DISTRIBUTION OF INDUSTRIAL ORIGIN OF GROSS DOMESTIC PRODUCT IN AFRICAN SUB-REGIONS, 1963.

%

Sector	North Africa	Central Africa	East Africa	West Africa	All Africa
Agriculture	27	34	41	54	39
Mining	10	6	6	3	6
Manufacturing	13	12	8	4	9
Other Sectors	50	48	45	39	46
Total	100	100	100	100	100

Source: A note on the present stage of Industrial Development in Africa, U.N.E.C.A. Addis Ababa, Jan. 1967, p. 3.

TABLE 8.15

COMPARATIVE ANALYSIS OF AGRICULTURE AND INDUSTRY IN THE GROSS DOMESTIC PRODUCT OF SELECTED AFRICAN COUNTRIES 1963

Country	Year	Population	G D P $ M	Agriculture	Industry	Manufacturing	PER CAPITA G D P	PER CAPITA Industry	PER CAPITA Agriculture
1	2	3	4	5	6	7	8	9	10
Algeria	1964	11.0	2,463.5	21.2%	32.3 %	10.8 %	224	72	47
Libya	"	1.6	936.3	7.3	57.2	4.1	585	89	43
UAR	"	28.9	4,333.2	28.0	28.6	21.3	150	43	42
Congo Kinshasa	1963	15.1	1,185.2	29.5	29.2	18.1	78	23	n.a
Kenya	1960	9.2	778.0	39.0	14.0	9.8	78	11	30
Uganda	"	7.4	500.0	53.0	11.0	8.1	64	7	34
Tanzania	"	10.5	626.0	50.0	11.0	4.3	58	6	29
Malawi	"	4.0	131.0	47.0	10.0	4.1	42	4	18
Zambia	"	3.7	603.0	12.0	54.0	0.2	181	98	22
Nigeria	1963	54.6	3,890.0	63.0	9.0	3.9	71	6	45
Ghana	"	7.3	1,489	46.0	13.0	5.2	205	26	94
Sierra Leone	"	2.6	211	40.0	33.0	3.8	81	27	32

Source: A Note on the present stage of Industrial Development in Africa: U.N.E.C.A. Addis Ababa Jan. 1967.

TABLE 8.16

SELECTED INDICATORS OF RELATIVE CONTRIBUTIONS BETWEEN INDIGENOUS & FOREIGN SECTORS IN NIGERIAN MANUFACTURING 1963

	Foreign Sector		Indigenous Sector	
	Value £000	%	Value £000	%
Reporting Estabs.No.	428	65.9	221	34.1
Net Capital Exp.	10,722	75.2	3540	24.8
Wages & Salaries	9,965	74.8	3354	25.2
Value Added	45,051	82.1	9802	17.9
Total Employment No.	48,350	71.1	19628	28.9
Managerial & Professional Employment No.	718	54.1	608	45.9
Paid-Up Capital	38,410	67.7	18,013	32.3

Notes: Foreign Sector = Those sectors in which more than 50% of paid up capital is owned by foreign private investors.

Indigenous Sector= Those sectors in which more than 50% of the paid-up capital is owned by indigenous Nigerian private and public interests.

APPENDIX C

MAPS FOR CHAPTER 5

Sources for these two Maps: Industrial Potentialities of Northern Nigeria, Kaduna, 1963.

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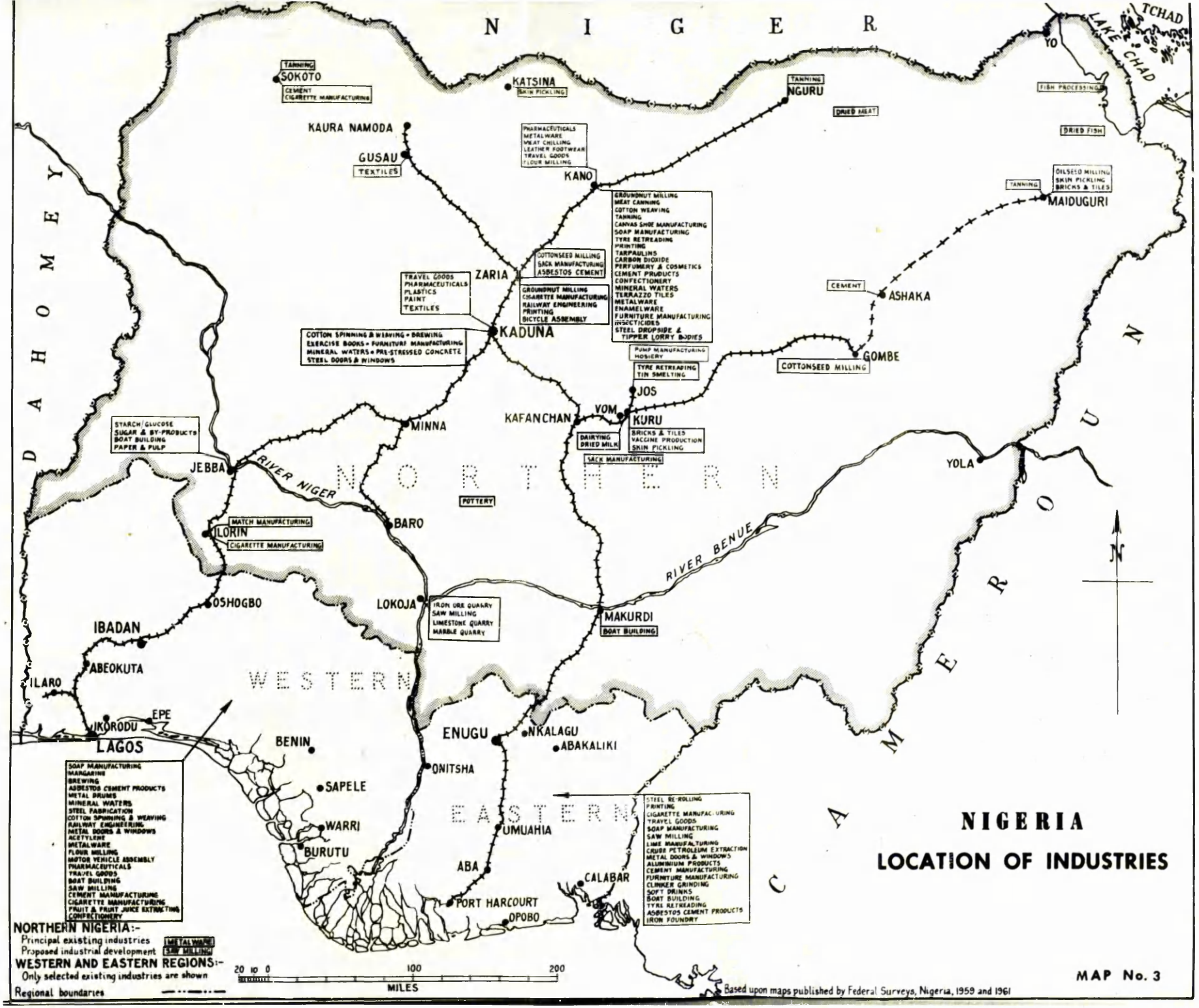
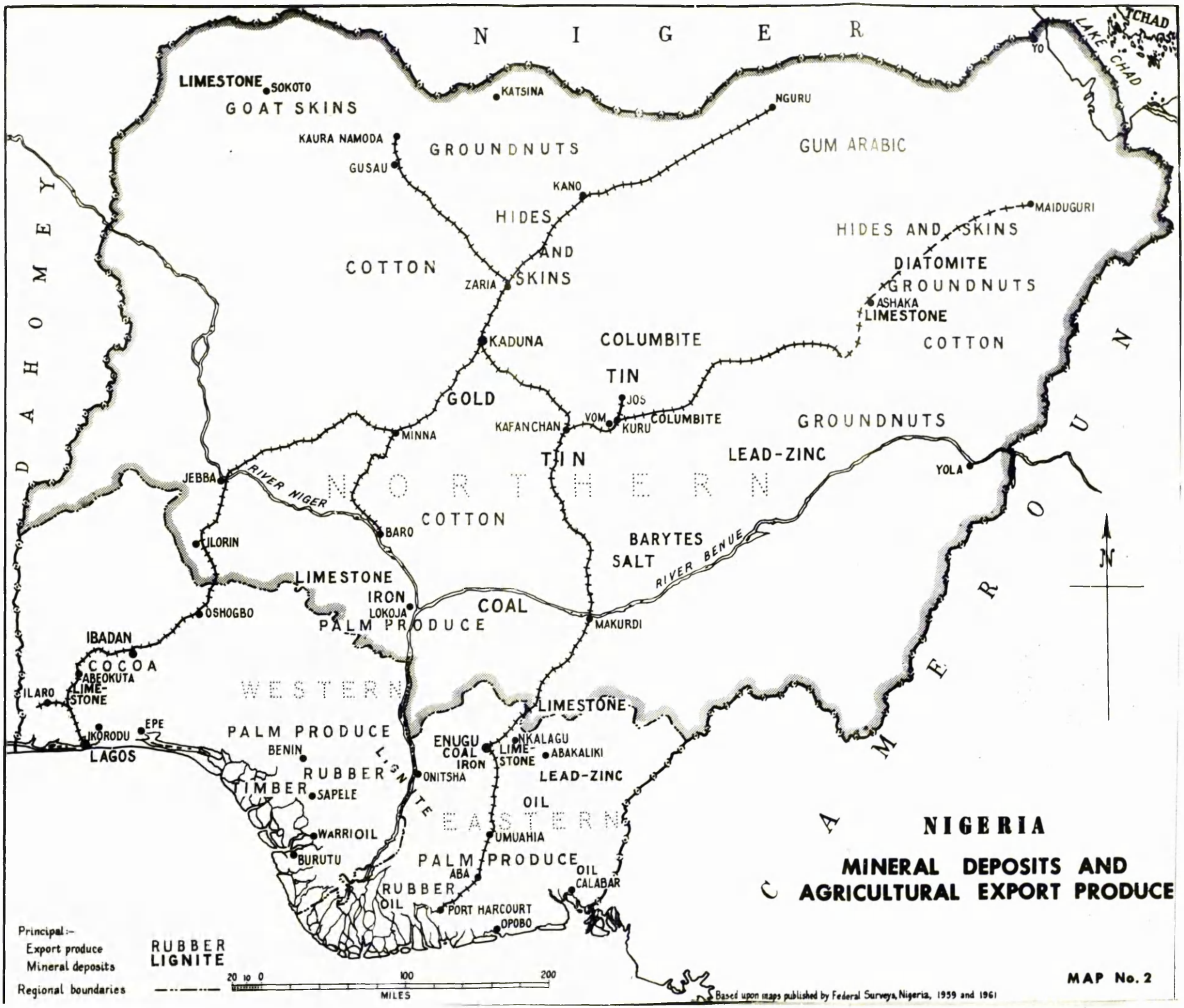

NIGER
TCHAD
LAKE CHAD
DAHOMEY
CAMEROUN
NORTHERN
WESTERN
EASTERN
SOKOTO
TANNING
CEMENT
CIGARETTE MANUFACTURING
KATSINA
SKIN PICKLING
NGURU
TANNING
DRIED MEAT
YO
FISH PROCESSING
DRIED FISH
KAURA NAMODA
GUSAU
TEXTILES
PHARMACEUTICALS
METALWARE
MEAT CHILLING
LEATHER FOOTWEAR
TRAVEL GOODS
FLOUR MILLING
KANO
GROUNDNUT MILLING
MEAT CANNING
COTTON WEAVING
TANNING
CANVAS SHOE MANUFACTURING
SOAP MANUFACTURING
TYRE RETREADING
PRINTING
TARPAULINS
CARBON DIOXIDE
PERFUMERY & COSMETICS
CEMENT PRUDUCTS
CONFECTIONERY
MINERAL WATERS
TERRAZZO TILES
METALWARE
ENAMELWARE
FURNITURE MANUFACTURING
INSECTICIDES
STEEL DROPSIDE & TIPPER LORRY BODIES
TANNING
OILSEED MILLING
SKIN PICKLING
BRICKS & TILES
MAIDUGURI
ZARIA
COTTONSEED MILLING
SACK MANUFACTURING
ASBESTOS CEMENT
TRAVEL GOODS
PHARMACEUTICALS
PLASTICS
PAINT
TEXTILES
GROUNDNUT MILLING
CIGARETTE MANUFACTURING
RAILWAY ENGINEERING
PRINTING
BICYCLE ASSEMBLY
KADUNA
COTTON SPINNING & WEAVING • BREWING
EXERCISE BOOKS • FURNITURE MANUFACTURING
MINERAL WATERS • PRE-STRESSED CONCRETE
STEEL DOORS & WINDOWS
CEMENT
ASHAKA
GOMBE
COTTONSEED MILLING
PUMP MANUFACTURING
HOSIERY
TYRE RETREADING
TIN SMELTING
JOS
VOM
KAFANCHAN
KURU
DAIRYING
DRIED MILK
BRICKS & TILES
VACCINE PRODUCTION
SKIN PICKLING
SACK MANUFACTURING
MINNA
STARCH/GLUCOSE
SUGAR & BY-PRODUCTS
BOAT BUILDING
PAPER & PULP
JEBBA
RIVER NIGER
POTTERY
YOLA
MATCH MANUFACTURING
ILORIN
CIGARETTE MANUFACTURING
BARO
RIVER BENUE
OSHOGBO
LOKOJA
IRON ORE QUARRY
SAW MILLING
LIMESTONE QUARRY
MARBLE QUARRY
MAKURDI
BOAT BUILDING
IBADAN
ABEOKUTA
ILARO
EPE
IKORODU
LAGOS
BENIN
ENUGU
NKALAGU
ABAKALIKI
ONITSHA
SAPELE
WARRI
BURUTU
UMUAHIA
ABA
CALABAR
PORT HARCOURT
OPOBO
SOAP MANUFACTURING
MARGARINE
BREWING
ASBESTOS CEMENT PRODUCTS
METAL DRUMS
MINERAL WATERS
STEEL FABRICATION
COTTON SPINNING & WEAVING
RAILWAY ENGINEERING
METAL DOORS & WINDOWS
ACETYLENE
METALWARE
FLOUR MILLING
MOTOR VEHICLE ASSEMBLY
PHARMACEUTICALS
TRAVEL GOODS
BOAT BUILDING
SAW MILLING
CEMENT MANUFACTURING
CIGARETTE MANUFACTURING
FRUIT & FRUIT JUICE EXTRACTING
CONFECTIONERY
STEEL RE-ROLLING
PRINTING
CIGARETTE MANUFACTURING
TRAVEL GOODS
SOAP MANUFACTURING
SAW MILLING
LIME MANUFACTURING
CRUDE PETROLEUM EXTRACTION
METAL DOORS & WINDOWS
ALUMINIUM PRODUCTS
CEMENT MANUFACTURING
FURNITURE MANUFACTURING
CLINKER GRINDING
SOFT DRINKS
BOAT BUILDING
TYRE RETREADING
ASBESTOS CEMENT PRODUCTS
IRON FOUNDRY
NORTHERN NIGERIA:-
Principal existing industries
METALWORK
Proposed industrial development
SAW MILLING
WESTERN AND EASTERN REGIONS:-
Only selected existing industries are shown
Regional boundaries
20 10 0 100 200
MILES
Based upon maps published by Federal Surveys, Nigeria, 1959 and 1961
NIGERIA
LOCATION OF INDUSTRIES
MAP No. 3


NIGERIA
MINERAL DEPOSITS AND
AGRICULTURAL EXPORT PRODUCE
MAP No. 2
Based upon maps published by Federal Surveys, Nigeria, 1959 and 1961
Principal:-
Export produce
Mineral deposits
Regional boundaries
RUBBER
LIGNITE
20 10 0 100 200
MILES
N I G E R
CHAD
LAKE CHAD
DAHOMEY
CAMEROUN
NORTHERN
WESTERN
EASTERN
LIMESTONE
SOKOTO
GOAT SKINS
KATSINA
NGURU
YO
KAURA NAMODA
GROUNDNUTS
GUSAU
GUM ARABIC
KANO
HIDES AND SKINS
MAIDUGURI
HIDES AND SKINS
COTTON
ZARIA
DIATOMITE
GROUNDNUTS
ASHAKA
LIMESTONE
KADUNA
COLUMBITE
COTTON
TIN
GOLD
JOS
VOM
KURU
COLUMBITE
KAFANCHAN
GROUNDNUTS
MINNA
TIN
LEAD-ZINC
YOLA
JEBBA
RIVER NIGER
COTTON
BARO
ILORIN
BARYTES
SALT
RIVER BENUE
LIMESTONE
IRON
LOKOJA
COAL
OSHOGBO
PALM PRODUCE
MAKURDI
IBADAN
COCOA
ABEOKUTA
ILARO
LIME-STONE
LIMESTONE
EPE
IKORODU
LAGOS
PALM PRODUCE
BENIN
ENUGU
COAL
IRON
NKALAGU
LIME-STONE
ABAKALIKI
RUBBER
ONITSHA
LEAD-ZINC
TIMBER
SAPELE
LIGNITE
OIL
WARRI
OIL
UMUAHIA
BURUTU
PALM PRODUCE
ABA
OIL
CALABAR
RUBBER
OIL
PORT HARCOURT
OPOBO

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NJESS = Nigerian Journal of Economics & Social Studies.

OJE = Quarterly Journal of Economics.

EJ = Economic Journal