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The impact of structural adjustment programme on Nigeria's manufacturing sector : a preliminary assessment

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THE IMPACT OF STRUCTURAL ADJUSTMENT PROGRAMME ON NIGERIA'S MANUFACTURING SECTOR: A PRELIMINARY ASSESMENT

BY

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DEDICATION

This study is dedicated to my late friend, Abdulbaqi Izudden Sani Auwalu, for whom education was both a process of enlightement and commitment to Society.

DECLARATION

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ABSTRACT

The Nigerian economy has been engulfed in crises since the early 1980s. Various policy measures have been enunciated to contain the crises; ranging from Shagari's austerity measures; through to Buhari's stringent stabilisation measures and now Babangida's Structural Adjustment Programme, despite these, however, the crises seem to intensify.

This study examines the background to Nigeria's Structural Adjustment Programme focussing specifically on the nature and origins of the crises in the manufacturing sector. The theoretical efficacy of SAP policy instruments/measures in the specific context and background of the development of Nigeria's manufacturing sector is examined with a view to highlighting the opportunities and contradictions these measures provide. Macroeconomic evidence on the empirical impact of SAP on the manufacturing sector is surveyed, the major findings of which reveal variations in the impact of the SAP, with big companies especially the subsidiaries of Transnational Corporations generally strengthening and widening their dominance and control of the sector, while most of the indigeneous small and medium scale enterprises are now having serious problems of adjustments. Some of them have been forced to close-down while others continue to face threats of closures, bankruptcies and reduced scales of operations.

The general levels of manufacturing investment, employment, production and capacity utilization remain very low. While prices and profits remain very high, domestic sourcing of raw materials, development of indigeneous technology and strategic industries such as the engineering and electrical and electronics, and iron and steel industries receive little attention under the market regulated envrionment.

CHAPTER ONE

BACKGROUND AND CONTEXT OF THE STUDY

INTRODUCTION:

This chapter discusses the general background and context of the study. Section one discusses the conceptual background, assumptions, basis and policy recommendations of SAP as developed within the Neo-classical theoretical framework. Section two reviews the crisis and counter-crisis measures leading to the SAP in Nigeria. Section three specificies the research problematic as the impact of SAP on the manufacturing sector. Section four outlines the methodology followed in this study. Section five clarifies the scope of the study.

1.1:0 SAP IN DEVELOPING COUNTRIES: A CONCEPTUAL BACKGROUND

Contemporarily, the enduring and generalised crisis of World Capitalism has evoked a pattern of policy response measures, generally called structural adjustment programme (SAP). Infact, the decades of the 1970s and 1980s and by extension the 1990s could well be called the decades of SAP of the IMF-World Bank type.

Although the industrial economies of Western Europe and North America had Structural Adjustments in the 1970s and early 1980s, especially with the emergence of 'Reaganomics' and 'Thatcherism', the scope and method of adjustments in these economies differed from the SAPs of debtor developing countries, (See Ndekwu, 1988:8).

The spread of SAPs, especially of the IMF-World Bank type, in the developing countries has been rapid. Almost all of the Latin American and some South East Asian economies have been engaged in the implementation of SAPs. In Africa, although by 1979 only four countries had a stand-by agreement with the IMF, by the late 1980s more than thirty African Countries had adopted stabilization or adjustment programmes under IMF supervision, (IMF Survey, August 15, 1988:26).

Developing countries with serious balance of payment and internal disequilibria usually approach the IMF, as a lender of last or only resort, for support. The IMF provides 'support' through stand-by arrangements by which an LDC member country is assured that it will be able to borrow foreign exchange during a specified period and up to a specified amount, provided the member abides by the terms of the arrangement, called the conditionality.

The conditionalities attached to the use of the IMF credits remain the most contentious issues, (Killick, 1984). While a member's access to the reserve tranche is automatic on request, and access to first credit and lower conditionality facilities (such as the compensatory, buffer stock, extended, trust fund and the subsidy financing facilities), is subject to minimal conditions, access to upper credit tranches, however, is conditional on the member satisfying the IMF that the credit is in support of an adequate programme of domestic policies designed to remedy the payments deficits,(Killick, 1984). The IMF, however, has, in this regard, a mandate to ensure that the use of its resources by a member is linked to a viable balance of payments position, permitting scheduled repayment of the resources if advances,(See IMF, September, 1987).

In recent years, the IMF's mandate has been stretched to ensure that the adjustment programmes of highly indebted LDCs enable them meet their external debt obligations to Western Creditor Nations. This is why a pre-condition for rescheduling the debts of some LDCs is that their adjustment programmes must be approved by the IMF and the World Bank*. It is therefore not surprising that most LDCs' structural adjustment programmes came to have more or less similar policy measures, designed, primarily, to achieve a viable balance of payment position in the short-medium term, all other measures are adopted to the extent that they contribute to balance of payment viability (Killick, 1984; Ndekwu, 1988;

Obadan and Ekuerhare, 1988).

The theoretical similarity of SAPs, also derives from the theoretical assumptions that inform the articulation of SAP. Before we discuss the policy recommendations of SAP in general, it is more appropriate to attempt a theoretical conceptualization of structural adjustment. This is particularly important because some critics have made distinction between the policy objectives of SAP on the one hand, and the strategies of achieving these objectives, on the other. It has been argued, for instance, that the policy objectives could be in conflict with the strategies, or rather different policy strategies than contained in a particular SAP could be used to achieve the same objectives. In Nigeria, some of the critiques of SAP centre on the dichotomy between what some see as otherwise good policy objectives of SAP but wrong strategies chosen to realize these objectives in the condition of under-development, (See Dike, 1988:1,2; Ndekwu, 1988; Phillips, 1987).

1:1:1 CONCEPTUAL DEFINITION OF STRUCTURAL ADJUSTMENT.

In the conventional literature on development, the development process has recently come to be seen as a continous process of structural adjustment, in which an economy acquires the capacity to reproduce itself on an ever increasing scale. Structural adjustment entails changes or alterations in the patterns of production, consumption, investment and resource allocation in a given economy. It was noted, for example, that the transition from backward agrarian production to modern industrial economy would entail considerable adjustment in the pattern of production, consumption, investment, trade and even the social relations underlying these. Thus, so long as the economy, as it functions currently, has not attained an optimal equilibrium, so long will there be need for structural adjustment. The need for structural adjustment arises, technically for any country, where there is persistent imbalance between aggregate demand and aggregate supply, (Killick, 1984: 2), a phenomenon which is said to be reflected in persistent balance of trade deficits, inflationary pressures and declining growth dynamics. The imbalances may be of a temporary nature; arising from cyclical fluctuations in supply/demand or it may originate from structural defects in the production mechanism; which circumstances make the imbalances long running or persistent in character. Short term, cyclical fluctuations or imbalances usually call for corrective or stabilization measures, while the more persistent or structural imbalances call for structural adjustment measures. Economists are not agreed as to when short-term imbalances become long-term imbalances.

Further distinction has also been made between SAP and planned adjustment. While SAP is seen as a policy package designed to deal with macroeconomic disequilibria or imbalances, planned adjustment policies are designed to restore equilibrium, while minimizing any negative impact on development objectives. Planned adjustment also requires deliberate reduction in domestic absorption relative to income, combined with supply side measures, designed to promote the production of exports and import substitutes (Killick, 1984: 2).

Within the context of general economic crises in the Third World, SAP has come to mean a set of policy measures and institutional reforms designed to restore balance and growth in a depressed economy. SAP in LDCs is hardly a result of deliberate, conscious internal efforts to restructure the economy. Infact, for Third World debtor countries SAP comprises of an articulated programme and policies for debt negotiations (Obadan and Ekuerhare, 1988; Ndekwu, 1988; Faber, 1989). An LDC's debts are rescheduled only if it pursues structural adjustment policies that link economic recovery, ostensibly, with the restoration of balance in the external sector.

1:1:2 BASIC ASSUMPTIONS OF SAP

The articulation of SAP derived from the theory of macro-economic policy associated with the works of Tinbergen, (1956); Mundell (1962); Meade (1978, 1982) and a host of others. SAP in its current version received its greatest articulation in World Development Reports (1983, 1986) of the World Bank, especially the 1983 publication, the analyses of which emphasized the mandatory articulation of SAP in debtor-LDCS. The mode of articulation of SAP emerged within the neo-keynesian macroeconomic policy framework. Within this framework; economic policy (is a kin to war strategy) requires a policy objective function in which (i) the objects of policy are stated and (ii) the policy instruments for achieving the objectives are also stated. The specification of the policy objective function and choice of policy instruments are all informed by the theoretical framework of the analyst. Generally, Keynesian and monetarist frameworks have been combined in ecclectic manner, albeit increasingly the monetarist framework has come to dominate in the design of SAP, (Ndekwu, 1988).

The original design of SAP dates back to the need to address the twin problems of balance of payments deficits and budget deficits, suffered by the developed industrial economies, as a result of the external shocks of the 1970s. It was argued then that the balance of payments deficits (external imbalance) that arose from high energy costs, created budget deficit (internal imbalance). Thus, eliminating the first cause; (external imbalance) became the first logical policy objective, and then the internal imbalances. However, the simultaneity and inter-relationships of the problem, required choice of policy instruments to attack each of the problems simultaneously. The mundellian assignment problem; the use of monetary policy to attack external imbalance and fiscal policy to attack internal imbalance was invoked. However, it was later recognized that multiple policy problems (M), require policy instruments (N),(Ndekwu, 1988: 6). In the hands of the IMF and the World Bank, the design of structural adjustment policies came to be associated with achievement or restoration of external balance as the primary goal of economic policy.

1:1:3 THEORETICAL BASIS OF SAP

There are basically two major theoretical strands of SAP. The dominant one being the monetary approach to balance of payments. The other strand is the so-called Absorption Approach to balance of payments.

According to the monetary approach balance of payments deficits or surpluses reflect stock disequilibrium between demand and supply in the market for money. A balance of payment deficit occurs when the stock of money exceeds the demand for money balances. Essentially, any expansion of domestic credit (money supply) leaks abroad resulting in balance of payments deficit and reserve loss. On the other hand, a surplus in the balance of payments occurs when the demand for money balances exceeds the money supply.

According to the IMF, the basic cause of balance of payments deficits is excessive monetary expansion, (IMF, 1985). The monetary expansion can be from bank credit and or money creation. Cheap money (borrowing by firms on too easy terms); excessive wage claims(due to trade union movement and government fixing of wages above their market levels); government budget deficits (to finance subsidies); and the unwillingness of government to curb these expenditures and or raise taxes; and other sources of monetary expansion, combine to bring about increase in aggregate demand more than aggregate domestic production capacity could cope with. This translates into changes in relative prices and therefore an overvaluation of the local currency, the effect of which would be to encourage import, discourage exports and induce capital movement out of the economy. These cummulatively cause balance of payments disequilibrium.

The policy implication of the monetary approach is that control of domestic monetary and credit expansion is a necessary and sufficient balance of payments policy. The only purpose of other policies is to speed up the adjustment process (Killick, 1984:10). The IMF, therefore, stipulates credit ceillings; credit squeeze; deflationary monetary and fiscal policies, and devaluation in adjustment programmes.

Another policy implication of the monetary approach, is that derived from the assumption that internal and external imbalances are rooted largely in inefficient and distortionary government intervention in the allocation of resources. It is particularly argued, that high budget deficits to finance wide ranging subsidies, controls imposed on prices, interest rates (financial repression) and exchange rates, high tariffs and quantitative restrictions have all created distortions in policies and costs, thereby obstructing the market mechanism from restoring balances at both the domestic and external levels. Consequently, SAP is an chored on the free market mechanism; there is emphasis on shifting the pendulum of economic activity from the public sector to the private sector, to ensure that the forces of demand and supply guide the economy towards an equilibrium, in the balance of payments, and in resource allocation, along Pareto optimal levels. Specific policy prescriptions include cut back in government expenditure abolition of consumer subsidies, tighter credit policies, higher interest rates, trade liberalization, devaluation and greater controls on wages and salaries.

The second major theoretical basis of SAP, is the Absorption Approach which is also closely related to the monetary approach.

The absorption approach analyses macroeconomic behaviour on the basis of the relationship between residents of one country's expenditure on domestic and foreign goods and services on the one hand, and their domestic income or the activity in the national economy on the other. Macroeconomic equilibrium is achieved when the total flow of goods and services in to the economy equals the total use, or absorption of goods and services. If aggregate income exceeds absorption, there is a surplus in the balance of payments. Conversely, an excess of absorption over national income implies an equivalent deficit on the current account of the balance of payments.

The policy implication of the absorption approach, is that deficit in the current account can be reduced by a decline in absorption (relative to income) or by an increase in production or both. Politics in SAP, assume that it is easier to reduce absorption than increase production (Obadan and Ekuerhare, 1988:9). Thus, policies advocated include; reduction in public expenditure; through elimination of subsidies, raising of taxes; reduction of private consumption and other demand management policies, which directly affect absorption, increased foreign resource flows is sometimes recommended as critical to the adjustment process. The basic thrust of the policy measures is, however, the use of restraint on domestic credit expansion to control aggregate demand for investible funds, imports and foreign exchange, these would reduce pressure on external reserves and release resources for the external sector to enable debtor LDC meets its debt obligations. There are other supporting policy measures, especially expenditure switching policies, external debt management and supply side policies. Exchange rate mechanism is the major instrument for switching expenditure from foreign to domestic output. Growth of output, however, does not seem to be a central objective of SAP.

Supply side policies are pursued only to the extent that they would lead to an improvement in the country's balance of payments. (Obadan and Ekuerhare, 1988).

The whole logic behind the structural adjustment measures is simple. Devaluation is expected to discourage imports, promote exports, stem capital flight and attract more foreign investment to generate more production in the medium to longrun to offset the short-run inflation. Trade liberalization is to encourage efficiency and competition and thereby increase output and employment. Interest rate deregulation and reduction in government expenditure as well as privatization are expected to shift resources from unproductive, inefficient sectors to more efficient and profitable sectors. While realistic wages, involves disciplining labour; weakening trade union movement to ensure cheaper cost of production.

Having seen the general background, assumptions, basis and policy prescriptions of SAP, we will now turn to the specific articulation of SAP in Nigeria.

1.2.0 CRISIS AND COUNTER CRISIS MEASURES IN NIGERIA: THE STRUCTURAL ADJUSTMENT PROGRAMME IN PERSPECTIVE.

In this section we attempt to provide a general historical background to the SAP in Nigeria. The Nigerian economy has been experiencing a very profound crisis since the early 1980s. The crisis manifests itself in unprecedented levels of mass unemployment, declining real wages, spiralling inflation, growing capacity under-utilization and increased indebtedness. These have led to a catastrophic fall in the already miserable living conditions of the majority of the working classes and other poor sections of the society.

Of course, the nature and dimension of the crisis, and the various policies preferred by successive regimes to attenuate it have varied.

The collapse of oil prices in 1978, and especially in the early 1980s, exposed the structural weaknesses of the foundations of the Nigerian economy. Government revenue, for example was reduced from $22.4 billion in 1980 to $16.7 billion in 1981 and to a lower figure of $12.8 billion in 1982, (National Experts Committee Report, 1983). Government deficit rose from ₦3.7 billion in 1981 to ₦4.9 billion in 1982. The GDP, at 1977/78 factor cost recorded negative growth rates of 5.9% and 3.4% in 1981 and 1982, respectively. Agricultural output declined in absolute terms; from ₦4.4 billion in 1978 to ₦3.7 billion in 1982, and in relative terms from 15% of GDP in 1978 to 13% in 1982, (NEC, 1983). Industries experienced severe shortages of raw materials, spare parts and other inputs. Average capacity utilization rates stood at less than 40% in 1982. Many industries had to close down, others embarked on massive retrenchment of labour. The number of people employed in the manufacturing industry declined from 453,632 in 1980 to 449,093 in 1981 and to 329,741 in 1982, (Federal Office of Statistics, 1985). The external debt rose from ₦2 billion in 1979 to ₦12.8 billion in 1981 and to ₦14.7 billion in 1982 (NEC, 1983).

1:2:1 SHAGARI REGIME'S 'AUSTERITY ERA':

It was against the background above that the Shagari regime's Economic Stabilisation (Temporary Provisions) Act of April, 1982, was introduced. The Act provided for austerity measures characterized by import restrictions, monetary controls and public expenditure cuts (see Ogbonna, 1984). The measures were meant as short-term measures to, restore balance in the country's balance of payments, reduce consumption of imported goods, save foreign exchange and encourage the use of local raw materials.

The Shagari regime failed to implement these reformist measures seriously. For instance, import licences were not only bureaucratized, but also given to mainly party stalwarts, touts and middlemen who were hardly involved in direct business operations, but rather hawked them to genuine importers, at exorbitant rates. In any case, even if the measures were successfully implemented, they would not have made any impact given the fact that they were largely cosmetic and failed to address the fundamental structural problems.

Thus, inspite of the austerity measures, the crisis deepened. The GDP further recorded a negative growth rate of 4.4% in 1983. Inflation rate rose from 7.7% in 1982 to 23.2% in 1983, many industries as a result of shortages of imported inputs closed down. Retrenchment of workers in the private sector continued. Some workers had to go on half salary, while others were owed salary arrears for months. Scarcity and hoarding further escalated price inflation. The external debt further increased from $8.4 billion in 1982 to $11.8 billion in 1983, (CBN, 1985). By June, 1983 the Shagari regime had started negotiations with a group of Western creditors for the rescheduling of Nigeria's outstanding trade bills estimated at over ₦4 billion. The creditor clubs, however, refused further credits to Nigeria unless the country reached agreement with the IMF.

The Shagari regime enumerated some more stringent measures in its 1984 budget, such as; privatization of government parastatals, imposition of new or higher fees for public services, reduction of public expenditure, securing of a World Bank Structural Adjustment loan and IMF balance of payment loan, so as to cope with the worsening crisis. The implementation of demand management measures amidst the deepening crisis required an authoritarian regime far beyond the authoritarianism of the Shagari regime. As General Buhari, the Head of the Military junta that ousted the Shagari regime in a military coup of 31st December, 1983, noted, "the civilian government lacked the will to tackle the(se) serious problems affecting the economy", (Buhari, Statement on 1985 budget).

1:2:2 BUHARI REGIME'S STABILISATION ERA

The Buhari regime, therefore, as a 'corrective' regime, reviewed and imposed in very draconian ways most of the Shagari's stabilization measures. Some institutional reforms along with counter-trade, massive retrenchments of workers in both the private and public sectors were pursued to reverse the worsening crisis and restructure the economy along efficient state capitalist lines. Negotiations with the IMF as started by the Shagari regime continued.

Although, the Buhari regime had accepted most of the IMF conditionalities for Nigeria, (see West Africa, September 9, 1985 and the Statement issued by the Presidential Committee on the IMF debate), its failure to devalue the naira substantially, remove oil subsidy, liberalise external trades, and deregulate prices meant that it would not receive the endorsement of the international capital market. The London and Paris creditor clubs refused to sustain Nigeria's credit lines. The regime could not therefore, collect the $2.5 billion loan it badly needed to offset part of the country's debt and re-open the blocked lines of credit. The flow of essential inputs was thus seriously impeded. The productive capacity of the economy was seriously constrained. This led to sharp fall in the levels of output and employment. The GDP growth rate at 1977/78 factor cost recorded a further negative growth rate from 4.4% in 1983 to 5.5% in 1984, (CBN, 1985). Hoarding and profiteering intensified, and these escalated the inflation rate from 23.2% in 1983 to 39.6% in 1984.

Industrial output declined by 41% and 11.7% in 1983 and 1984, respectively. Unemployment increased from 1.1% in 1981 to 9.7% in 1985 (Adeniyi, 1985). External debt rose from $11.8 billion in 1983 to $14.5 billion in 1984, (Ahmed, 1987).

The worsening crisis, coupled with the collapse of oil prices made the regime to impose further its own stringent regulatory measures. This, however, was met with greater opposition from the workers, students and professionals. The regime became quite unpopular as it sought to repress in draconian ways all opposition to its measures. The state apparatus that was used to intimidate and repress the people also became an instrument in settling some of the differences in the supreme military council, (SMC). The divisions and suspicious within the smc were resolved in, what seemed to be the first, pro-IMF military coup in Africa, which occurred on August 27th, 1985.

1:2:3 BABANGIDA REGIME'S STRUCTURAL ADJUSTMENT PROGRAMME

The Babangida regime that emerged with the August 27th, coup, promised to break the deadlock in the IMF negotiations with the ousted Buhari regime. The Babangida regime, after 'proper' arrangements, inaugurated on September 25th, 1986, the Presidential Committee on the IMF loan. The Committee conducted an unprecedented national debate on the desirability or otherwise of Nigeria's obtaining $2.5 billion IMF Loan. The outcome of the debate was an emphatic and overwhelming public rejection of the IMF conditionalities and loan (See National Concorde, September 20, 21, 1985). The government was forced to formally abandon loan negctiations with the IMF on December, 13th, 1985, (Africa Today, 1989:22).

However, while the debate on the IMF - Loan was in progress, a 15 - month State of National Economic Emergency was declared, under the Economic Emergency powers Decree No. 22, 1985. Under the period of economic emergency, the regime hoped to ensure "strong belt - tightening" to shift attention from Commercial to productive activities. The regime also sought to place greater emphasis on international competitiveness and promotion of non-oil exports. These were to be achieved through greater efficiency in public and private sectors, decentralization of decision making and avoidance of direct bureaucratic controls in favour of, particularly for the public sector, allowing the market to allocate resources. There were also provisions to mop up liquidity in the financial system from unproductive services like hotels, breweries and distilleries to more productive areas notably rural development; with emphasis on agriculture - fed industrialization, (see CBN, Annual Report and Statement of Accounts, December, 31st, 1985: 11).

The 1986 budget clearly laid the pro-IMF picture of the Babangida regime. The regime sought to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and imports. It also sought to achieve fiscal balance and balance of payments viability over the medium term and establish the basis for a suitable, non-inflationary growth path for the Nigerian economy.

Accordingly, the 1986 budget provided for reductions in subsidy on petroleum products; cut in subventions to most parastatals by about 50%; imposition of a 30% import levy on all categories of imports; the inclusion of more items on the prohibition list; the intensification of the import licensing scheme; the shift in emphasis to rural development; provision of various incentives for the promotion of non-oil exports, continuation of the gradual depreciation of the naira and the intention of deregulating exchange rates and prices; reviewing the tariff regime, divesting the state of some of its holdings and liberalising the economy. Most of these were to form part of the comprehensive structural adjustment package of June, 1986.

The sudden tumbling of petroleum prices to as low as under $10 per barrel during the first half of 1986, the underlying structural contradictions of the economy, pressures from the international creditors and their domestic allies, all combined to reduce the scope for manoevre, and therefore gave the state an added impetus to negotiate debt rescheduling with the international creditors. The latter, however, continued to insist on IMF guarantee; which could only be obtained with the regime implementing a structural adjustment programme. The Babangida regime in the circumstance, drew its local variant of the orthodox structural adjustment programme, 'in close collaboration with the IMF and the World Bank' (CBN, Annual Report and Statement of Accounts, 1987:30), without, however, taking the IMF facility. The World Bank, however, was to support the programme through its lending facility.

The Babangida regime, thus put in place a SAP, which was supposed to last from July, 1986 to June, 1988. SAP according to the regime, was introduced as a medium and long term policy package aimed at altering and aligning aggregate domestic expenditure and production patterns, so as to minimize dependence on imports, enhance non-oil exports as well as bring the economy back on the path of steady, balanced and non or minimal inflationary growth. It is also stated that the thrust of the programme is to achieve economic reconstruction, social justice and self reliance (see Federal Republic of Nigeria, (1986) Structural Adjustment Programme for Nigeria July, 1986 - June, 1988, Lagos, henceforth, the SAP document).

In pursuance of the aforementioned objectives the SAP relies, basically, on the restructuring of relative prices and incentives as a mechanism for inducing shifts in resource allocation in favour of tradeables; the deregulation of public sector activities and the elimination of subsidies as a means of securing efficiency in resource allocation and reducing public sector deficits, the rescheduling of the country's external debts and securing of greater foreign resource inflows. The specific strategies of achieving these, comprise of trade and exchange liberalisation, interest deregulation, privatization and or commercialization, institutional reforms and debt rescheduling.

1:3:0 PROBLEMATIC: IMPACT OF STRUCTURAL ADJUSTMENT PROGRAMME ON THE MANUFACTURING SECTOR:

In this section we delineate the specific area the study is concerned with. The introduction of the SAP has had a profound impact on the economy and society of Nigeria. Never was there a policy in post-colonial Nigeria that has been a subject of intense and varied debate as the SAP. The Government has argued that the balance of payments position has improved; the GDP rosed from 1.8% in 1987 to 4.1% and 4% in 1988 and 1989 respectively. Production of non-oil exports like Cocoa, Cotton and rubber has increased thereby raising the levels of rural employment incomes and standards of living. Imports of luxury consumer goods has been reduced. The level of industrial capacity utilization rate has increased. The country was able to reschedule some of its accumulated debts and restore international confidence on the economy. Government, however, recognized that inspite of the 'gains' of the SAP, some 'inevitable', 'undesirable' social costs of adjustments have developed and has offered a 'SAP relief package' to ameliorate the sufferings of especially the low income and vulnerable groups.

Some critics have focussed attention on the social costs of adjustment and argued for some reforms or modifications of the programme to suit the peculiar circumstances of a developing country like Nigeria, (Ndekwu, 1988). While some critics argued that the objectives of the SAP are laudable and plausible they quarreled with some of the strategies and instruments for achieving these objectives. Suggestions have been made for modifications, timing, sequencing and phasing of adjustment measures, some complimentary measures were also suggested, (Bierstaker, 1990). Still others suggested for a return to Keynesian prime pumping era (Aluko, 1989). Some radical scholars however, viewed the SAP, as a disaster visited on the working classes and other non-propertied sections of the society, while enhancing the accumulation opportunities for the minority capitalist class. For these scholars the SAP is a bourgeois response to the crisis of Nigeria's dependent capitalist economy. They argued that the SAP is essentially anti-people and therefore cannot be reformed. A democratic socialist revolution is the only solution for the chronic crisis of neo-colonial, dependent capitalist economy (Toyo, 1988; 1989). Some neo-marxist scholars have argued that the SAP is progressive in that it aims at dismantling the inefficient, state capitalist model of accumulation in favour of a more efficient, and autonomous model of capitalist accumulation. This, they suggested, is likely to stimulate the development of productive forces, and generate greater working class struggles due to associated hardships and suffering which may culminate in to a socialist revolution (Obadan and Ekuerhare, 1988).

The major focus of this study is the impact of SAP on the manufacturing sector. The SAP itself is anchored on the premised that the manufacturing sector needs a fundamental restructuring to correct the distortions in the exchange rate, tariff regime and domestic prices that became acute in the late 1970s and early 1980s. Since the introduction of the SAP profound changes seemed to have taken place in the manufacturing sector; industrial costs have gone up by more than five fold; forcing many industries to fold up, retrench workers and introduce various rationalization measures. In the Lagos area alone about 720 small businesses were closed down in 1987, which according to some estimates meant that about 25,000 jobs might have been lost in the process, (First Bank of Nigeria Quarterly Review, September 1988: 7 - 12). Average capacity utilization stood at 25% as at 1987 compared to 30% in the pre-SAP year of 1986. According to the Manufacturers Association of Nigeria (MAN), there was a huge stock of finished goods valued at over ₦70 million, representing about 15% of total production from a sample of only 31 Companies, in 1987. It is thus imperative to unravel the dynamics of the adjustment process in the manufacturing sector; to highlight the opportunities, potentialities, and contraditions thrown up by the SAP. More fundamentally questions should be asked such as; What were the fundamental problems in the manufacturing sector before the introduction of the SAP? And whether the SAP policy measures adequately address these problems and the possible future trajectory of the adjustment process in the manufacturing sector.

1.4.0 METHODOLOGY

The study is conducted within the analytical framework of Marxian political economy. It is accepted here that other theoretical frameworks could also highlight the adjustment process, but greater insight will be derived through the Marxist analytical framework. The latter framework insists that a policy decision like the SAP must not be seen in a political vacuum but against the background, history, contradictions and struggles in a particular social formation. Therefore, we propose that capturing the dynamics of the adjustment process in the manufacturing sector, consequent upon the introduction of the SAP requires an understanding of the historical emergence of the contradictions and crises of accumulation in the sector and the specific roles of the state in regulating or mediating these. It is contended here that the present crisis, to which the SAP is a response to, has its roots in the specific nature and patterns of Nigeria's incorporation in to the world capitalist economy. Capitalist incorporation of the economy largely destroyed, and transformed the pre-colonial structures and processes of accumulation, to serve the interests of world capitalism. Capitalist accumulation structures and social relations were transplanted on the various pre-capitalist modes of production. Successive state policies since independence have taken the underlying structural deformities and social relations of peripheral capitalism as given, and have sought to change them in favour of the rising domestic bourgeoisie.

The study, therefore, proceeds by first, a review of the origins, nature and development of the crises in the manufacturing sector, before the introduction of the SAP. This is to provide an objective basis for examining both theoretically and empirically the impact of the SAP on the sector.

Secondly, the study then articulates the SAP policy measures with regards to the identified problems in the manufacturing sector. The **efficacy** of the measures with regards to the sector is critically evaluated within the context and development of the manufacturing sector in Nigeria.

Thirdly, an empirical survey of the impact of the measures on the sector in terms of some specific indices of manufacturing performance is attempted.

Finally, some general conclusions are drawn from the study.

1.5.0 SCOPE OF THE STUDY

Broadly, the study covers the period from the emergence of modern manufacturing industries in the period after the second World War through the colonial and post-colonial times, (1945 - 1989). Subject to data availability, the emphasis is on identifying the general trend in the development of the sector.

The study relies on data derived from the Federal Office of Statistics, Central Bank of Nigeria, Federal Ministries of Economic Planning; Finance; Trade, Commerce and Industry; Labour, Employment and Productivity, the organised private sector like the Manufacturers Association of Nigeria National Association of Small Scale Industries. The usual limitations of these sources, should therefore be borne in mind. In the study, attempts have been made to corroborate some of the sources by presenting the data derived from them as alternative(s). The study also uses the research findings of scholars both published and unpublished and all sources have been scrupulously acknowledged.

Finally, it should be noted that the SAP was only about (4) four years when this study was completed and comprehensive data on the impact of the programme was still emerging, hence the evaluation is necessarily a preliminary one which we hope will provide a basis for further study.

CHAPTER TWO

PRE-SAP DEVELOPMENTS IN NIGERIA'S MANUFACTURING SECTOR.

INTRODUCTION

An essential condition for a proper evaluation of the impact of SAP on Nigeria's manufacturing sector is to have an objective background review of the pre-SAP developments in the sector, with a view to identifying the major problems in the sector. Section TWO, reviews the specific roles of the Nigerian State in the development of the sector before the introduction of SAP. Section THREE reviews the growth and development of the manufacturing sector. Section FOUR concludes the chapter.

2:1:0 BACKGROUND TO MODERN MANUFACTURING IN NIGERIA

In this section, a review is made of the origins of modern manufacturing industry in Nigeria, up to the independence era, so as to provide a general background to the specific roles of the state in fostering development in the sector during the post-independence era.

Inspite of their primitiveness, given the low levels of development of the productive forces and social relations, the various pre-capitalist modes of production in pre-colonial Nigeria had their dynamics located within them. Studies have shown that the pre-colonial Nigerian economy was an internally integrated production system with agricultural and mining activities providing the food and raw materials requirements for internal consumption, manufacturing activities, (basically of the hand craft types), and exports. Symbiotically, the manufacturing activities provided the consumption goods and investment goods required for internal consumption and development of the productive forces.

The symbiosis between the different sectors formed the basis for the internal development of commodity production in the pre-colonial era, which was oriented mainly towards the meeting of the internal consumption requirements of the economy, (Shenton, 1986; Ekuerhare, 1983). There were of course obvious limitations and variations. The general trend, however, was that of retention of the social surplus within the economy for both productive and unproductive consumption.

Capitalist penetration, from the period of the trans-atlantic slave trade through colonialism, destroyed the centre of gravity of the disparate social formations that were to make up Nigeria, and instituted a pattern of production, consumption and exchange oriented towards the requirements of basically Britain. The transformation of these pre-capitalist social formations was undertaken in phases corresponding to the changes and transformation of world capitalism. First, these social formations were suppliers of slaves to the plantation farms and mines in the New World and later with the industrial revolution, through the agencies of imperial trading Companies like UAC, PZ, SCOA, CFAO, JOHN HOLT, G.B. OLLIVANT, indigeneous middlemen and the colonial state, they were oriented towards agricultural and mineral export production for, and importation of manufactured consumer goods, from largely Britain and other capitalist countries (Onimode, 1982). The incorporation in to the imperial circuit of capital resulted in the subjugation of the pre-capitalist mode of production and grafting upon it the capitalist mode of production (Ekuerhare, 1983).

The specific nature of the incorporation process by merchant capital and the colonial state at the time when capitalism had assumed a transnational character placed serious constraints on the emergence and development of balanced and integrated capitalist accumulation. The agents of integration, merchant capital and the colonial state were in Nigeria mainly to look for raw materials, find markets for industrial companies in Europe, and generate profits for their capital. The colonial state through a set of policy measures was able to effect some major transformations in the colonial economy. First, through the effective control and monetization of the economy; introduction and or imposition of taxes, establishment of infrastructural facilities like roads and rail lines, re-oriented peasant agriculture towards the production of primary commodities and their evacuation to Britain. This severed the raw material base of the local cottage industries, leaving them to either atrophy or play a subordinate role in the colonial dispensation (Bangura, 1987:3).

The colonial state, also, through discriminatory taxes, laws and even outright military action, destroyed most of the cottage industries like textiles and leather industries that sustained the competition with the cheap imports by the expatriate merchant firms (Smith, 1979). Most of the otherwise local enterpreneurs, were turned in to or relegated to licensed Buying Agents or distributors of the imported goods of the expatriate merchant firms (Ekereodulu, 1980).

The most crucial aspect of the colonial transformation was the disarticulation and destruction brought about by the disruption of the crucial linkages between agriculture and industry and the drain of the social surplus to Europe by the colonial state and the expatriate merchant firms, that would have been used for internal accumulation and development. Even though part of the surplus was used to import consumer ~~grads~~ goods and finance the activities of the colonial state, modern manufacturing was not given any encouragement. As Boahen (1985) observed, all African states were in accordance with the workings of the capitalist colonial economy turned in to markets for the consumption of manufactured goods from the metropolitan countries and producers of raw materials for export. It is this total neglect of industrialization by the colonial powers which should be chalked up as one of the most unpardonable indictments against colonialism. It also provides the strongest justification for the view that the colonial period was the era of colonial exploitation rather than the development of Africa (cf Mkandawire, 1988:).

Forrest, (1982:325) also, observed that the emergence of modern manufacturing in Nigeria was discouraged by the colonial state, the merchant, banking and shipping monopolies and later by the operations of the marketing board system which excluded Nigerian merchants and appropriated surplus funds to London. As at 1921 for instance, of the ~~lot~~ (102) non-mining foreign forms operating in Nigeria, a whopping (92) were engaged in commercial activities like the import of light consumer goods to Nigeria and export of raw materials such as cocoa, palm kernel and oil, groundnut, cotton and rubber. Only five were involved in manufacturing. Even these were not sufficiently modern. Infact as at the end of the second world war there was not a single modern manufacturing industry in Nigeria (Elegalam, 1985).

Developments, however, both within and outside Nigeria, necessitated the commencement of import substitution industrialization in Nigeria. On the one hand, the declining profitability in the metropolitan economy due to among other reasons; increased unionization of labour for higher wages and better conditions of services, the cut-throat competition among the capitalist countries for cheaper sources of raw materials and markets, especially after the devastation of the Second World War and the Korean War of 1949 - 53, which created shortages of nearly all raw materials, which in turn created shortages of consumer goods for exports from the capitalist centres made "the British authorities prepared to encourage import substitution in their African countries" (Coulson, 1982:63).

In Nigeria, on the other hand, pressures for national independence and economic development, balance of payments crisis, cheap and non-unionized labour force, protectionist barriers and other reasons forced the imperial trading companies to go in to some import substitution production. Foreign capital, therefore, shifted, though not completely, from trading and/or commerce, to manufacturing. This is reflected by the change in the direction of foreign investment in Nigeria since 1945 when an appreciable level of foreign investment began to go in to manufacturing activities, since 1962 the share of foreign investment going in to manufacturing has been rising from 17.3 per cent in 1962, to 22.3 per cent in 1967 and 28.6 per cent in 1971 when it surpassed the trading and business services sector to become the second most important area of foreign investment after the mining and quarrying sector. By 1978, the manufacturing sector emerged ~~on~~ as the single most important area of external private capital flows; with the share of 44.1 per cent. This was maintained in to the early 1980s (see table 1).

2:2:0 THE STATE AND DEVELOPMENT OF MANUFACTURING INDUSTRY IN NIGERIA: 1960-1986

In this section we reviewed the specific roles of the Nigerian State in the development of the manufacturing sector before the SAP. Capitalist contradictions both within and outside the colonial economy brought the peasants, students and the intelligentsis under the banner of nationalism, and with the support from British trade unions, to fight for colonial emancipation, political independence under the nationalist leadership was to create better condition for expansion and consolidation of capitalism in all spheres of the Nigerian Society. Economic development; industrialization in particular, became the most important item in the nationalist programme after independence. This was largely because in no other sector was colonial blockage to indigeneous accumulation so transparent than in the industrial sector. So the struggle for independence became closely linked with the right to industrialize (Mkandawire, 1988:13).

The Nigerian bourgeoisie up to independence, was restricted by the colonial state and foreign monopoly capital to the spheres of produce buying, distribution and securing priveleged occupations. In fact, at the inception of the import subsitution industrialization process and up to 1960, the Nigerian bourgeoisie was weak, small scale, largely commercial, fragmented and regional in outlook hence, it could not par-take in the new sphere of accumulation (Forrest, 1982). The absence of indigeneous industrial capitalists in addition to other manpower and other infrastructural constraints constituted the crucial social inheritance that were to shape industrialization and development in Nigeria, as in other African countries (Mkandawire, 1988). It is the historic absence or inadequacies of the essential conditions for capitalist accumulation that gave rise to the centrality of the post-colonial state in the

Table 1: NIGERIA: SECTORAL BREAKDOWN OF FOREIGN PRIVATE INVESTMENT, 1962 - 1982 (% DISTRIBUTION)

Year	Mining and Quarrying	Manufacturing and Processing	Agriculture, Forestry and Fishing	Transport and Communication	Building and Construction	Trading and Business Services	Miscellaneous
1962	36.7	17.3	2.0	1.1	3.8	38.4	0.7
1963	36.1	19.1	1.9	1.0	4.2	37.2	0.5
1964	40.1	18.2	1.7	1.1	3.8	31.4	3.7
1965	41.4	19.2	1.6	1.6	5.5	25.6	5.1
1966	49.7	17.5	1.1	1.5	2.2	24.8	3.0
1967	45.9	22.3	1.2	1.1	2.4	24.8	2.3
1968	48.5	19.8	1.1	1.1	2.3	23.9	3.3
1969	44.2	22.2	1.3	1.3	2.5	26.2	2.3
1970	51.4	22.4	1.1	1.4	1.4	20.6	1.7
1971	52.5	28.6	1.2	0.9	1.2	14.1	1.5
1972	54.7	22.7	0.6	0.8	2.2	15.4	3.6
1973	52.5	23.2	0.4	0.6	2.6	16.7	4.0
1974	45.3	28.7	1.1	1.2	3.5	17.7	2.5
1975	42.0	22.1	0.8	1.0	4.9	25.0	4.2
1976	39.4	23.6	0.9	0.5	5.2	26.8	3.6
1977	43.1	27.8	3.0	1.2	4.3	14.4	5.7
1978	14.7	44.1	4.1	1.9	7.8	18.3	9.1
1980	18.7	41.5	3.3	1.7	8.5	19.2	7.1
1981	14.0	45.4	3.2	1.6	8.7	20.4	6.7
1982	18.1	35.7	2.2	1.3	7.8	27.6	7.3

NOTE (1) Activities included under miscellaneous' embrace those carried out by consultancy firms, sub-contractors engaged in seismic operations and the provision of boats and materials to off-shore drilling companies, banking and development process. The post-colonial state was to provide the environment and support for private capital accumulation; infrastracture, public utilities, fiscal and monetary incentives, industrial estates and layouts. The state was to take over, the Commanding heights of the economy or be 'jointly involved in accumulation (Forrest, 1982:328). Scholars, mainly of the Sussex School, have referred to the post-colonial state as a developmental state in view of the role the state has come to assume in the accumulation process (see IDS Bulletin, Vol.15, No. 2, 1984 and IDS, Bulletin, 1986). Structuralist and Keynesian theories were to provide the theoretical rationalizations of the post-colonial state functions of providing and promoting conditions for accumulation in general. In the remaining part of the section we attempted a review of the Nigerian state policies towards the development of the manufacturing sector since independence.

Forrest (1985) has argued that the ISI process in Nigeria involving the establishment of capitalist social relations of production and consumption was not part of any planned, coherent strategy of industrialization. The essential features of the ISI strategy in Nigeria could, however, be identified. The policy objectives of the ISI strategy as articulated in the four periodic national development plan documents; 1962 - 68, 1970 - 74, 1974 - 80 and 1981 - 85, have remained basically as:

i) rapid growth and diversification of the manufacturing industry;
ii) Nigerianization of both ownership and operation of manufacturing industries;
iii) even geographical spread of industries; and
iv) rapid increases in manufacturing employment and income.

These objectives are consistent with the nationalist objectives of expansion and consolidation of spheres of capitalist accumulation in general, the development of domestic bourgeoisie and a more balanced accumulation pattern at both sectoral and regional levels. Accordingly, the various state policies have entailed:

i) the provision of the necessary environment and support for capital accumulation on an increasing scale;

ii) the promotion of local capital accumulation in the manufacturing sector;

iii) the regulation of the accumulation process so as to ensure a more balanced development at both the sectoral and regional levels.

These measures are closely related but we take each in turn.

First, the state provided the necessary infrastractural facilities for industrial accumulation through the construction and management of harbours, airports, highways, railways, electricity and water for industrial use. In addition, the state provided housing estates education, hospitals and hotels which were generally appropriated by capital. More specifically, the Nigerian state embarked on the development of industrial estates all over the country which could be rented or used free of charge by industrialists. These estates included 930 acres at Apapa, Ijora and Iganmu and another 1,970 acres industrial estate covering Ikeja, Mushin and Ilupeju in Lagos. 2,100 acres in Kano, Kaduna, Zaria, Jos, Ilorin, Gusau and Maiduguri. While in the Eastern Zone, the state developed over 4,100 acres in Enugu - Aba - Port-Harcourt areas (Osakwe, 1981). The development of these estates, of course, at the expense of other sectors like agriculture, education and health, was supported by huge capital expenditures on transport, communications, electricity and water supply.

Secondly, the state provided various fiscal and monetary incentives to encourage foreign investment and the development of domestic manufacturing. These include:

i) the pioneer industries ordinance of 1952, which exempted a company with pioneer status from profit tax during the first two years of its operations and for further one to three years if fixed capital expenditure undertaken by the company had not been less than ₦30,000 or ₦200,000 respectively;

ii) the industrial development (income tax relief) ordinance of 1958, extended the period over which the tax holidays could be claimed and also liberalized the procedure for granting pioneer certificates.

iii) the approved user scheme through which government gives subsidies to industrialists. Under the approved user scheme, for example, between September, 1979 and July 1982 the Federal Government, gave subsidies to a number of industrial groups to the tune of ₦936,515,538.00k. These groups included:

	Feed Mills	₦99,002,121.00k
	Pulp and Paper	115,686,155.00
	Textiles Industries	171,101,100.00
	Breweries and Soft Drinks Industries	7,678,299.00
	Air conditioning and Refrigeration	221,531,750.00
	Building and Metal Materials	73,726,094.00
	Chemical Products	63,789,270.00
and	Gas oil and Plastics Manufacturing	184,000.00

(see Keynote address by the Minister of Industries, A. A. ONIYANGI, to the Workshop on Local Raw Materials for Nigerian Industries, Badagary, 4 - 6 July, 1983).

iv) the government also provided initial capital allowance and depreciation allowance for investment on equipment, duty relief on industrial machinery spare parts and raw materials. The company Income Tax Act of 1961 allowed the following generous concessions and reliefs to companies; initial allowances were given for the following expenditures : industrial buildings, 15 per cents, vehicles and machinery 10 per cent. Annual allowances calculated on declining basis were 10 per cent on industrial building, 5 per cent on other buildings, 12½ per cent on plant, machinery and Mining facilities. Companies could claim without limit tax rebates in respect of losses (unlimited carry forward of losses) until April 1976, thereafter it was limited to 4 years in the case of manufacturing (CBN - Econ. and Fin. Rev. Vol.19, No.2, Dec., 1981).

Thirdly, given the weakness of the indigeneous capitalists vis-a-vis foreign capital, the state had sought to provide and promote conditions for the development and consolidation of indigeneous industrial capitalists. Right from the period after the second World War, the colonial state start providing assistance to Nigerian capitalists in the form of soft loans and direct equity participation in projects. The surpluses accumulated by the various commodity marketing boards, supposedly to be used to protect the peasant producers from the vagaries of primary commodity markets but which were never actually used for this purpose, became the major source of financing infrastructure, manufacturing and other activities. The regional development corporations were reported to have held about £5,577,000 in equity in indigeneous firms and advanced about £7,913,300 in loans to Nigerian capitalists (Helleiner, 1966).

Further, through Development Corporations like the NIDB, NBCI, NACB and a host of other investment corporations enormous resources were made available to local capitalists. These corporations and other public enterprises were, infact, fertile leads for corrupt practices which fuell the accumulation of the emerging domestic bourgeoisie. The numerous pro reports conducted at various levels, as far back as the 1950s, todate, have shown that public corporations functioned as the milk-cows of the growing domestic bourgeoisie, which came to rely on the state and its institutions as one means of reproducing and multiplying itself (Olukoshi, 1987: 10).

The state, also advanced, accumulation opportunisties of the indigeneous capitalists, especially with the expansion in oil revenue accrueing to the state in the 1970s. Under schedule I of the Nigerian Enterprises promotion (indigenization) decree of 1972, the state sought to reserve categories of the retail trade, categories of service and small scale manufacturing exclusively for the domestic bourgeoisie. Under schedule II certain enterprises with capital in excess of ₦400,000 or a turn over above one million naira were required to secure at least 40 per cent local equity participation, (Forrest, 1982: 366-7). The second phase of the Nigerian enterprises promotion decree, required the extension of Nigerian ownership by equity participation. There were three schedules covering full, majority and minority Nigerian ownership while large enterprises like UAC, SCOA, P.Z and John Holt were exempted from schedule I, they were required to extend Nigerian participation from 40 per cent to 60 per cent. The third schedule was for foreign capital majority equity participation.

The 1972 and 1979 indigenization decrees affected about 611 and 1,000 companies, respectively (Smith and Sender, 1986: 87). On the whole the indigenisation decrees accomodated the interests of foreign capital. Given the weakness of the domestic bourgeoisie, the state was only able to restrict some areas for the domestic bourgeoisie, while foreign capital was able to secure contacts and information, from top civil servants and strengthen its position (Forrest, 1982).

The state also provided protection for local manufacturers, through trade policies in the form of tariffs, quantitative restrictions and exchange rate management. The tariff regime, has generally been biased in favour of consumer goods and against capital and intermediate goods, reflecting the class character of the ISI in Nigeria catering for the specific requirements of the middle classes. In 1967, for example, the highest Norminal Rate of protection of 80.84 per cent was offered to the consumer goods category; within this category, alcoholic drinks, cosmetics and perfumes and tobacco attracted the highest protection of over 100 per cent, while meat products, miscellaneous food products, clothing and textile, soap and soap products, matches, musical instruments, clocks and watches, radio and radiograms, cameras and projectors, attracted a norminal rate of protection ranging from 50 per cent to 75 per cent (see Oyejide, 1975 Pp. 52-53).

The intermediate goods category attracted a nominal rate of protection of 41.25 per cent compared to the average nominal rate of protection of 80.84 per cent given to the consumer goods category in the same year within the intermediate goods category leather products, rubber processing, plastic wares, and ceramic and tiles attracted the highest nominal rates of 75%; 66 . 6%; 66.67% and 5% respectively while the other goods in this category attracted an average nominal rate of 37.3 per cent (see Oyejide, op. cit.).

The capital goods category in 1967 attracted the lowest average nominal rate of protection of 8.42 per cent, with motor vehicle assembly, bicycle assembly miscellaneous metal products and office machinery having 20, 10 and 5 per cent protection, respectively. The other goods in this category like electrical equipment, glass products, aluminium products, iron and steel products, metal wire and non-electrical machinery attracted zero per cent norminal protection (Oyejide, op. cit.).

The Net Effective Rates of protection for some selected Nigerian Manufacturing Industries in 1977 and 1981 also confirmed the consistent biasedness of the tariff structure over the years against capital and intermediate goods, while favouring consumer goods. For example, assembly industries and industries processing imported raw materials attracted NERP of 215.8 per cent and 66.8 per cent in 1981 respectively. Export oriented industries, and industries processing domestic raw materials and agro-allied industries generally attracted negative effective rates of protection of - 15.1 per cent, - 30.9 per cent and - 14.7 per cent respectively (see Table 2).

The state was also able to support local manufacturers through an over-valued currency to import machinery, spare parts, raw materials and foreign expertise to expand the ISI process. For example, the real effective exchange rate more than double from 56.4 per cent in 1973 to 113.7 per cent in 1982, (Yahaya, 1990:22). The appreciation of the exchange rate was to provide an effective incentive to expand the level of domestic manufacturing output especially against the background of restrictions in the importation of finished goods.

The state, apart from providing and promoting a conducive atmosphere for manufacturing production, also participated directly either through own investment and or through joint ventures with foreign capital and or domestic bourgeoisie. The state was to take over the commanding heights of the economy or participate in areas considered crucial for the growth and balanced development of the economy, where due to high entrepreneurial risks, or little returns private capital could not venture, the state was to open-up these areas to hand them over, after they were established and private capital must have developed to take over.

Table 2: NET EFFECTIVE RATES OF PROTECTION FOR SELECTED NIGERIAN INDUSTRIES.

	Industry	1977	1981
A.	Agro-Allied Industries	- 6.7%	14.7%
B.	Mineral and Forest based	- 10.3%	- 13.5%
C.	Industries producing construction materials	-	- 3.5%
D.	Metal working and Engineering Industries	-	50.8%
E.	Export Oriented Industries	- 22.3%	- 15.1%
F.	Industries processing domestic Raw Materials	- 4.1%	39.9%
G.	Industries Processing Imported Raw Materials	65.7%	66.5%
H.	Assembly Industries	79.4%	215.8%

SOURCE: Adapted from Ishrat, (1987: 109).

As at the end of 1977 for example, the Federal Government had majority shares in six oil companies, fourteen financial institutions, forty-one manufacturing firms and sixteen public corporations whose activities directly or indirectly affect the performance of manufacturing establishments. The magnitude of Government Investment in loans, grants and equity in manufacturing businesses was put at nearly ₦2 billion as at the middle of 1977 (Adeboye, 1981:64). The expansion in oil revenue greatly increased the level of state direct investment in manufacturing at both the Federal and State levels. For example, over the 1975 - 84 period, Federal expenditure in industrial projects totalled about ₦7 billion. These were concentrated in capital intensive projects; including basic iron and steel (50 per cent) petroleum products and petrol chemicals (24 per cent) pulp and paper (10 per cent) cement (3 per cent) and other industries including sugar agro-allied processing industries, vehicle assembly and engineering goods, 13 per cent, (Ishrat, 1987:95).

Where, local capital was too weak to venture due to high capital requirements or where it was considered very crucial for an integrated and balanced development or for national security state participation took the form of parastatals, to rectify these inadequacies in the accumulation process. These include, the Associated Ore Mining Company the Nigerian National Petroleum Company the Ajaokuta Steel Company, the Delta Steel Company, Federal Superphosphate Company, National Fertilizer Company, the Nigerian Mining Corporation, the Nigerian National Paper Manufacturing Company, Newsprint Manufacturing Company, Nigerian Paper Mills Limited, Jos Steel Rolling Mills Limited, Katsina Steel Rolling Mills Limited, Oshogbo Rolling Mills Limited, the Nigerian Security and Minting Company and the Defence Industries.

The state had also invested in a number of big manufacturing concern in partnership with foreign capital and in some cases indigeneous capitalists. These included, the automobile assembly plants, the Electric Meters Company in Zaria, the Nigerian Machine Tools Limited, in Oshogbo, New Nigerian Salt Company Limited, Nigercement at Nkalagu the Nigerian Sugar Company at Bacita and many others.

The upshot of this section has been to show, at a macroeconomic level, some of the various ways the state in Nigeria, since independence up to the period before the implementation of the SAP attempted to provide and promote conditions for modern manufacturing production, the emergence and consolidations of an indigeneous bourgeoisie and the general development of capitalist social relations of production. The next section examines the specific macroeconomic outcomes of the state policies in the manufacturing sector.

2:3:0 GROWTH AND DEVELOPMENT OF NIGERIA'S MANUFACTURING SECTOR: 1960 - 1985

This section reviews the growth and development of the Nigerian Manufacturing Sector before the SAP. Specific macroeconomic variables considered include: Manufacturing Share in the GDP; output composition, manufacturing employment, imports and exports.

2:3:1 MANUFACTURING SHARE IN THE GDP.

The share of manufacturing in Nigeria's GDP has grown steadily since independence. At 1974 constant prices, the contribution of the manufacturing sector to the GDP grew from 3.4 per cent in 1960 to 4.6 per cent in 1966. Import and foreign exchange controls during the civil war period; 1967 - 1970, outside the Biafran region, brought high capacity utilization and growth, (Forrest, 1982:328) hence manufacturing as percentage of GDP rose from 4.7 per cent in 1967 to 5.2 per cent in 1970. However, during the civil war investment in plant and machinery was severely affected, consequently, immediately after the war manufacturing output at 1974 constant prices fell from ₦530.7 million in 1970 to ₦514.1 million in 1971, correspondingly the share of manufacturing in the GDP fell from 5.2 per cent in 1970 to 4.4 per cent in 1971 (see Table 3).

From 1972, however, the contribution of the manufacturing sector to the GDP has been on the increase from 5.3 per cent in 1972 to 7.6 in 1976. Generally, since the end of the civil war the average annual growth rate of the manufacturing sector has been rapid. The average growth rates over the period 1970/71 - 1974/75, 1975/76 - 1979/80 and 1980 - 1982 was 8%, 15%; and 12% respectively (Ekuerhare, 1983).

Compared to other productive sectors of the economy, manufacturing activity has been the most dynamic productive activity. For example, whilst the agricultural and crude petroleum sectors between 1973/74 - 1986 recorded negative annual growth rates of 1.6 per cent and 2 per cent in real terms, respectively. The manufacturing sector recorded an annual growth rate of 9.5 per cent in real terms during the same decade (Ekuerhare, 1988:6). By 1982, however, the growth rate collapsed and industrial decline has continued to be the most conspicuous manifestation of the economic crisis Nigeria has been excruciatingly experiencing (Ekuerhare, 1990:18).

A comparative study of the contribution of manufacturing to GDP in 1970 showed that Nigeria lagged behind a number of African countries on comparatively similar levels of development. Whilst the contribution of the manufacturing sector to the GDP at 1970 factor cost, in 1970 was 22.7%; 21.7%; 11.6%; 11.9%; 11.8%; and 10% in Egypt, Ivory Coast, Kenya, Senegal and Tanzania, it was only 8.3 per cent in Nigeria in the same year. The share of manufacturing in the GDP in Nigeria that year was less than the average total share of 11.5 per cent for all Africa

Table 3: <u>Nigeria: The Contribution of Manufacturing Industries to GDP (1970 - 87) at Current Factor Cost.</u>

Year	Total GDP (₦ Million)	Value of Manufacturing and craft (₦ million)	Percentage of Manufacturing in GDP
1979/71	5,281.1	378.4	7.2
1971/72	6,650.9	415.8	6.3
1972/73	7,187.5	511.1	7.1
1973/74	10,990.7	496.9	4.5
1974/75	18,298.3	661.2	3.6
1975/76	20,298.3	1,170.4	5.6
1976/77	26,655.6	1,464.3	5.5
1977/78	31,283.4	1,555.0	5.0
1978/79	34,002.2	2,377.9	7.0
1979/80	41,974.7	3,815.6	9.1
1980	48,538.6	4,068.4	8.3
1981	50,658.3	4,934.5	9.7
1982	53,859.4	6,129.2	11.4
1983	53,347.2	5,951.8	11.2
1984	55,249.2	5,016.7	9.1
1985	74,470.0	4,230.0	5.7
1986	77,900.0	7,340.0	9.4
1987	79,280.0	7,660.0	9.7

SOURCES: (1) FOS, Annual Abstract of Statistics, various issues

(2) CBN, Annual Report, Various issues.

excluding South Africa (Rweyamamu, 1980:45). Even in the 1980s, two decades after independence the share of manufacturing in GDP lowered around 10 per cent; with Nigeria trailing behind countries like Egypt, Kenya and Ivory Coast, whose respective shares of manufacturing in GDP were between 10 and 15 per cent (UNIDO, 1983 of Nixson, 1984:12).

2:3:2 OUTPUT COMPOSITION OF THE MANUFACTURING SECTOR:

The output structure of the Nigerian Manufacturing Sector has been heavily biased in favour of consumer goods, especially non-durable. The food, beverages, tobacco, beer, spirit and textile industrial groups dominated the structure of manufacturing activity. These industry groups alone were responsible for 51.5%; 40%; 43.1%; 45%; 35.4%; and 37.7% of manufacturing value added in 1964; 1975; 1978; 1980; 1982 and 1983 respectively, (see Table 4). The high concentration of MVA in the consumer goods sector shows the backward and underdeveloped nature of the manufacturing sector based on agro-processing and labour intensive production techniques.

Although durable consumer goods industries such as vehicle, TV and radio, airconditioning and refrigeration assembly began to expand especially with the monetization of oil revenue in the mid-1970s, the impact of these industries on total manufacturing value added remains insignificant. The share of the chemical product sub-sector, in the MVA, however, has generally increased from 9.8%: 1964 to 17.1%, 11.9%; 23.7% and 22% in 1975, 1980; 1982 and 1983 (see Table 4). This increase was due to the rapid growth of pharmaceuticals, soaps, detergents and cosmetics in the Nigerian economy, than to an increasing presence of basic industrial chemicals (Ekuerhare, 1988:6).

The share of capital goods industry groups; comprising of Basic Metals Machinery, Electrical Equipment, Transport and Equipment, in the MVA was 10.4%, 10%, 13.9%, 29.7%; 11.2%; and 17.4%, in 1964, 1975; 1978; 1980; 1982 and 1983, respectively (see Table 4).

Thus, although the share has been rising, it has been dominated by transport equipment, while the real engineering sub-sectors of machinery and Electrical and Equipment accounted for only 0.5%; 2.8%; and 3% in 1964; 1980, and 1983 respectively (see Table 4). Infact, the growth of the transport (equipment) sub-sector was due more to increased assemblying of imported CKDs in the automobile and vehicle assembly plants.

2:3:3 STRUCTURE OF MANUFACTURING EMPLOYMENT

The number of people employed in the manufacturing sector has grown, for example from 145, 445 in 1975 to 175, 287; 244,243; 271,685; and 324,440 in 1974; 1975; 1976 and 1977, respectively. Manufacturing employment, however, declined from 324,440 in 1977 to 305,495 and 294,245 in 1978 and 1980 respectively, when the first signs of the crisis in the Nigerian economy where experienced following the decline in oil prices in 1978. Although, manufacturing employment rose by about 53 per cent from its 1980 level to 448,679 in 1981, with the on set of the crisis in the economy, it continued to decline to 329,704 in 1982 and to further 322,396 and 311,713 in 1983 and 1984 respectively (see FOS Industrial Surveys various years).

The employment structure of the Nigerian manufacturing sector has been generally low and concentrated in last stage production involving finishing, packaging and assembly operations. The food, beverages, tobacco, beer, spirit and textiles dominated the employment structure. These industry groups alone employed the largest

Table 4: Structural change in Nigerian Manufacturing 1964 - 83

Industry Group	% Share of Value Added						% Share of Employment					
	1964	1975	1978	1980	1982	1983	1964	1975	1978	1980	1982	1983
Food and Beverages	29.8	16.9	14.4	9.2	14.0	12.5	16.0	19.0	15.5	14.9	15.9	12.8
Tobacco, Beer and Spirit	15.5	10.9	14.2	26.4	13.1	14.7	5.8	4.3	5.3	9.1	5.1	6.0
Textiles	6.2	16.2	14.5	9.4	8.3	10.5	13.7	24.8	28.3	22.6	18.7	19.3
Leather	2.0	3.4	1.9	1.0	2.6	0.8	2.9	2.6	2.5	1.9	4.3	2.4
Wooden Product	8.6	3.7	3.4	2.5	3.4	3.9	17.3	8.8	7.0	6.6	7.4	9.7
Papers, Printing, etc.	3.5	6.0	4.2	3.8	2.2	3.7	9.3	7.2	5.0	6.6	9.8	8.2
Rubber Product	7.6	3.3	2.8	1.2	1.2	1.2	10.0	4.6	4.0	3.4	1.7	1.5
Chemical Product	9.8	16.0	7.1	11.9	23.9	22.0	5.7	5.3	6.8	7.9	6.1	7.3
Plastic Product	0.0	1.7	1.8	1.4	2.2	1.9	0.0	2.1	2.9	2.7	2.7	3.2
Pottery and Glass	0.1	0.5	0.6	1.0	0.6	0.4	0.7	0.8	0.7	0.9	0.7	0.9
Other Non-Metallic	6.7	10.5	10.6	2.1	4.3	4.0	5.4	5.3	5.1	4.0	3.5	5.2
Basic Metal	6.9	3.5	5.1	6.5	12.9	6.8	8.2	11.3	11.6	10.5	15.3	16.1
Machinery	0.1	0.2	3.2	1.0	1.3	1.2	0.1	0.2	1.9	1.3	1.2	1.3
Electrical Equipment	0.4	1.7	2.2	1.8	2.0	1.8	0.6	1.4	1.4	2.1	3.3	2.5
Transport (Equipment)	2.0	4.6	3.4	20.4	7.9	14.4	3.0	1.8	1.6	5.1	4.3	4.0
Miscellaneous	1.0	0.5	0.3	0.3	0.1	0.1	1.3	0.5	0.3	0.4	0.3	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: FOS, Annual Abstract of Statistics and Industrial Surveys, various issues. Cf Ekuerhare, 1990.

percentage of manufacturing employees of 35.5% in 1964, 48.1% in 1975; 49.1% in 1978; 46.6% in 1980; 39.7% in 1982 and 38.1% in 1983. Within the capital goods manufacturing groups; employment in the basic metal groups has generally been higher rising from 8.2% in 1964 to 11.6% in 1978; 15.3% in 1982; and 16.1% in 1983. Employment in the machinery, electrical equipment and transport has been insignificantly below 10 per cent ranging from 3.7 per cent in 1964 to 8.5 per cent in 1980, 8.8 per cent in 1982 and 7.8 per cent in 1983 (see Table 4). The generally low level of employment in the manufacturing sector was due more to the high sophistication and capital intensity of the production techniques in - use in most of the manufacturing establishments in Nigeria, (Ihouma and Ekuerhare, 1984,; Onimode, 1988).

Balance of manufacturing trade.

The triple alliance between the state, indigeneous bourgeoisie and foreign capital, under the dominance of the latter, resulted in a manufacturing sector with low internal linkages, low levels of MVA and low levels of employment. The alliance more crucially, fostered a domestic accumulation pattern anchored on the importation of raw materials, capital and intermediate goods and personnel from external transnational sources.

Thus, although import - substitution for consumer goods made some headways, by for example; reducing import of consumer goods from 61 per cent in 1960 (Kilby, 1969) to a range of 28 per cent and 33 per cent between 1977 and 1986, in direct contrast to this, however, there had been a corresponding rise in the importation of raw materials and capital goods from about 30 per cent in 1950 to about 72 per cent in 1983 (see Table 5). The massive importation of capital goods meant that the capacity to design, adopt and produce capital goods indigeneously had been greatly restricted. This had intensified the technological dependence and underdevelopment of the economy while further reducing the employment opportunity of the manufacturing sector.

With the decline in the manufacturing sector's contribution to total export from about 8 per cent to just over 1 per cent by 1975 and to about 0.3 per cent between 1980 and 1985 (Kolade, 1987), the sector had became a drain in national income (see Table 5). The performance of the sector also became crucially dependent on foreign exchange availability, which in turn was predicated on the earnings from the volatile crude oil market. Unless supplemented by foreign loans; supplier credits and grants, fall in the foreign exchange earning capacity meant serious compression in the imports of inputs needed for domestic production. This consequently affected capacity utilization rates, output, incomes, prices, and employment especially in heavily import dependent industries.

Consequently, decline in oil revenue in the early 1980s and growing debt burden, exposed the fundamental weaknesses of the manufacturing sector. As these reduced the level of foreign exchange for the importation of necessary inputs leading to low capacity utilization rates, closures, retrenchments, and inflation. For example while manufacturing output expanded at an annual rate of 14.6 per cent between 1965 and 1980, it expanded only by an average of 1 per cent a year between 1980 and 1986. Domestic Investment which averaged 14.7 per cent between 1965 and 1980 decelerated by as much as 13.7 per cent a year between 1980 and 1986. Capacity utilization averaged less than 25 per cent in 1986 (Ajayi, 1989: 3).

Table 5: Import of Machinery and Transport Equipment as a Percentage of Total Commodity Imports.

i	ii	iii	iv
Year	Machinery and Transport Equipment imports ₦'000	Total Commodity Imports ₦'000	(ii) as a percentage of (iii)
1970	282,619	755,420	37.4
1971	428,859	1,078,907	39.7
1972	398,476	990,062	40.2
1973	491,367	1,224,786	40.1
1974	611,794	1,737,324	35.2
1975	1,561,950	3,721,476	41.8
1976	2,444,719	5,148,475	47.5
1977	3,386,755	7,089,718	47.8
1978	3,562,801	8,140,788	43.8
1979	2,401,830	6,169,214	38.9
1980	3,363,089	8,217,125	40.9
1981	5,548,058	12,618,393	44.0
1982	4,169,866	10,100,142	41.3
1983	2,365,990	6,587,516	35.9
1984	1,604,405	4,484,525	35.8
1985	1,892,807	5,536,874	34.2
1986	2,277,800	5,983,600	38.1
1987	6,828,100	17,861,700	38.2
1988*	10,282,500	24,900,400	41.3

*1988 CBN estimates.

SOURCE: FOS, Annual Abstract of Statistics, various issues.

Table 6: NIGERIA: Trends in import composition by end-use category (percentage share in total value of imports) 1975 - 1985.

Year	Food	Other Consumer goods	Total Consumer goods	Capital goods
	1	2	3 = 1 + 2	4
1974	9.6	15.9	25.5	74.5
1975	9.5	16.9	26.4	73.5
1976	10.3	16.1	26.4	73.6
1977	12.9	16.0	27.9	72.0
1978	12.0	13.5	25.5	74.5
1979	16.9	18.8	35.7	64.4
1980	15.6	12.4	28.0	72.0
1981	17.0	13.2	30.2	69.8
1982	17.8	14.4	32.2	67.8
1983	21.6	19.1	40.7	59.3
1984	21.1	7.4	28.5	71.6
1985	18.0	11.0	29.0	71.0

SOURCE: FOS, Review of External Trade, 1984 - 1988, Lagos.

2:4: CONCLUSION

This chapter shows that the destruction and incorporation of the pre-capitalist social formations of Nigeria in to the world capitalist economy had implanted a crisis - ridden, dependent capitalist accumulation process. The chapter also shows that the pre-SAP crisis in the manufacturing sector was traceable to the structural foundations of modern manufacturing in Nigeria pioneered by expatriate merchant firms moving in to domestic manufacturing as result of changing conditions of accumulation both within and outside the Nigerian economy.

Peasant agriculture producing local raw materials provided the foreign exchange for the importation of industrial inputs to feed the early manufacturing establishments. Thus, peasant agriculture fed the manufacturing sector through the external sector rather than directly, and this denied the agriculture sector the benefit of industrialization, since the sector itself relied largely on the external sector for its own inputs. There was no meaningful attempt to locally source the raw material base of the new manufacturing industries that began to spring after the second world war.

The oil revenues of the 1970s were used to deepen and widen the structural distortions and disarticulations of the economy. The 'rent' derived from oil was used to foster a triple alliance between the state, domestic bourgeoisie and foreign capital. This alliance, under the hegemony of foreign capital reproduced and expanded the inherited colonial accumulation pattern, with resultant serious implications for local technology, employment, output and standards of living. The thrust of the specific outcomes of the ISI in Nigeria has been a manufacturing sector with higher concentration in the consumer goods sub-sectors, biased against intermediate and capital goods sub-sectors.

The development of the manufacturing sector, under the hegemony of foreign firms, behind highly protective tariffs and subsidies had intensified the technological dependence of the economy. The accumulation pattern became crucially dependent on the importation of foreign inputs (see Table 6) from external transnational sources. The net result was a manufacturing sector with low domestic value added, with internationally uncompetitive prices, and products of poor quality. The sector constituted a drain to Nigeria's foreign exchange earnings. This meant that any shortfall in the country's ability to earn foreign exchange would have serious repercursions on domestic production. Hence, the decline in oil revenue since the early 1980s exposed the weakness and contradictions of the ISI process in Nigeria, The crisis manifested itself in the manufacturing sector as the crisis of insufficient foreign exchange to sustain the level of imports for domestic production. Inspite of various measures by successive regimes, the crisis continued unabated, as evidenced by the low capacity utilization rates, industrial closures, retrenchment, unemployment and inflation. In the next chapter we examined the specific policy measures of the SAP as they relate to these problems.

CHAPTER THREE

THE SAP AND NIGERIA'S MANUFACTURING SECTOR: A THEORETICAL CRITIQUE.

INTRODUCTION:

This chapter discusses the SAP's policy measures as they relate to the problems in the manufacturing sector. Section one articulates specific elements of the SAP as they relate to the manufacturing sector. Section two examines the theoretical efficacy of the SAP policy measures against the background and context of the development of manufacturing in Nigeria. Section three concludes the chapter with some observations.

3:1:0 ELEMENTS OF SAP AS THEY RELATE TO THE MANUFACTURING SECTOR:

Elements of SAP as they relate to the MAN Sector:

The Babangida regime in collaboration with the World Bank and the IMF as we have seen in chapter one, drew up and implemented a SAP since 1986. The SAP as we noted also, has several important elements which include; exchange rate adjustment and restructuring of customs tariffs; trade liberalization; deregulation of prices, and interest rates; rationalization and restructuring of public expenditure and parastatals; greater reliance on market forces to allocate resources and external debt rescheduling. These measures, are, thus, generally consistent with the orthodox structural Adjustment measures of the IMF and the World Bank discussed in the **proceeding chapter one** of this **study.** In this section we shall be concerned only with those elements of the SAP that have direct bearing on the manufacturing sector.

The industrial strategy under the SAP, according to the Government (see Federal Republic of Nigeria; 1986:22) aims at:

a) ~~encouraging the~~ accelerated development and use of local raw materials and intermediate inputs rather than depend on imported ones;

b) development and utilization of local technology;

c) maximising the growth in domestic value added of manufacturing production;

d) providing export - oriented industries;

e) generating employment through encouragement of private sector small and medium scale industries.

f) removing bottlenecks and constraints that hamper industrial development;

and

g) liberalizing controls to facilitate greater indigeneous and foreign investment.

These objectives are consistent with the government attempts to ensure a more autonomous and coherent structures of accumulation based on private capital. The specific strategies and logic informing these, are discussed below.

3:1:1 EXCHANGE RATE ADJUSTMENT:

The kernel of the SAP centres on the devaluation of the naira exchange rate vis-a-vis the currencies of Nigeria's trading partners; like the dollar, pound sterling and others. It is the underlying principle that naira is overvalued as a result of policies pursued during the oil boom period. It was argued, for instance, that the naira appreciated by about 87 per cent in effective terms in the period between 1973 and 1981, on the basis of purchasing power parities. The overvalued naira it was argued made imports cheaper and consequently encouraged a manufacturing sector highly dependent on the importation of capital and intermediate goods as well as raw materials and experts.

The incentives for local sourcing of raw materials even where available like in the agro-allied industries such as the textiles, food and beverages industries, were dampened.

The overvaluation of the naira, it was further argued, discouraged the export of especially non-oil commodities due to their high price in international markets and low returns in naira denominated income. Consequently, with high import dependence and low capacity of the manufacturing sector to generate its own foreign exchange, the sector became a net consumer of foreign exchange. The centrality of exchange rate adjustment, therefore, became obvious, especially because of the way the current crisis of the Nigerian economy manifested itself in the manufacturing sector; as that of inadequate foreign exchange to service debt, import needed inputs for domestic production. The problems associated with the import licensing scheme as a means of rationing out available foreign exchange also seriously affected manufacturing production, especially for industries heavily dependent on foreign inputs for their operations.

Further, attempts by the state at securing debt rescheduling and opening of blocked lines of credit failed, with the international creditors insisting Nigeria reaches an agreement with the IMF. Among the conditionalities advanced by the IMF was that there should be a 25 per cent to 30 per cent initial devaluation to be followed by a quarterly review until the element of overvaluation was eliminated. Instead of the phased devaluation, the Babangida regime sought to establish a 'realistic' value for the naira via the second-tier foreign exchange market (SFEM), set up by the government and operationalized on 29th September, 1986. The major objectives of the SFEM, according to the government are to reduce balance of payment deficits by:

a) boosting exports; especially non-oil exports;

b) reducing imports, especially of non-essential nature and stimulate in their place domestic production, using domestic raw materials, thereby enhancing employment of labour;

c) by removing the administrative bottlenecks created by the import licensing scheme, the SFEM relying on free market forces of demand and supply is expected to eliminate parallel market rate and so produce a realistic foreign exchange rate for the naira; and

d) SFEM is expected, also, to stem capital flight out of the economy and attract foreign investment.

The funds for the SFEM were to be initially derived from oil revenue, the foreign domicillary account and a special World Bank trade policy and export development loan of $450 million signed on October 10th, 1986 (Bangura, 1987). Although all private and government transactions were to be undertaken on the SFEM, external debt service obligations and international subscriptions were to be undertaken on the first - tier market, which was allowed to depreciate until it coverged with the SFEM on July 2nd, 1987 and came to be known simply as foreign exchange market, (FEM).

Predictably, the SFEM took off with a heavily depreciated rate of ₦4.6174 to US $1.0000 for the first week of operation. When compared to the first-tier rate of ₦1.5731 to US $1.0000 as at 26th September, 1986, this implied a depreciation of about 66 per cent, that is twice greater than the amount initially recommended by the IMF, (Okongwu, 1987:12). Although, by January 1987, the value of the naira appreciated to ₦3.3 against the dollar, since then, however, the value continued to depreciate to ₦7.0; ₦9.70 and ₦7.94 against the dollar in 1988; 1989 and August, 1990, respectively.

3:1:2 LIQUIDITY SQUEEZE

In addition to the massive devaluation of the naira, the government initiated a comprehensive liquidity squeeze throughout the economy at the end of 1986 and early part of 1987. This was done to especially lower inflation by reducing the aggregate demand for luxury goods and encourage domestic consumption of locally produced goods. The government, thus, reduced the rate of growth of money supply (Mi) in the economy from ₦13.105 billion in 1986 to ₦12.931 billion in January, 1987; ₦12.760 billion in February, 1987 and to ₦12.752 billion in May, 1987, (CBN, 1988). Pressures especially from the organised private sector like the Manufacturers Association of Nigeria, MAN; the National Association of Chambers of Commerce, Industry, Mines and Agriculture; NACCIMA made the government unable to continue with the liquidity squeeze. Infact, from 1987, the money supply rose from 11.8 per cent to 15 per cent in 1988 and 14.6 per cent in 1989 (see Table 7). While credit expansion to the government was reduced from 2.5 per cent in 1986 to 1.5 per cent in 1987 and also, the credit to the private sector was reduced from 2 per cent between 1985 and 1986 to 0.4 per cent between 1986 and 1987, the government had to reverse this one year after the introduction of SAP. For example to finance its reflationary packages, credit expansion to the government rose from 1.5 per cent in 1987 to 8.3 per cent in 1989. While the growth in credit to the private sector rose from 8.4 per cent in 1987 to 13.3 per cent in 1988 and 10.7 per cent in 1989 (see Table 7)

3:1:2 DEREGULATION OF INTEREST RATES:

The government had up to July, 1987 resisted the pressures from the World Bank, IMF and some big multinational Banks in the Country to deregulate the rates of interest so as to mop up excess liquidity, induce foreign capital inflow, stem capital flight and encourage

Table 7: NIGERIA: Monetary and Credit Policy Targets 1987/89 (%)

	1985	1986	1987	1988	1989
Growth in Money Supply (M1)	12.0	-	11.8	15.0	14.6
Growth in Aggregate Bank Credit	8.0	4.0	4.4	8.1	9.5
Expansion in Credit to Government	2.5	2.5	1.5	2.5	8.3
Growth in Credit to the Private Sector	6.0	8.0	8.4	13.3	10.7

SOURCE: Various budgets of the Federal Government of Egwaikhide, 1989:5.

domestic savings. The realization of positive real rate of interest could thus increase the level of investible funds in the country. Interest rates, however, remained fixed under the control of the CBN with the provisions that the minimum interest rate payable on banks savings deposits should be 11 per cent and the minimum bank lending rate was raised from 13 per cent in 1986 to 15 per cent in 1987 (see Statement on 1987 Budget).

The government, however, yielded to pressures and on July 31st, 1987 issued a circular No. 21 by which it abolished all forms of control on interest rates leaving the rates to be determined by market forces. Instantly, lending rates jumped from 12 per cent to 21 per cent (a rise of 75 per cent). The minimum rediscount rate; MRR rose from 11 per cent to 15 per cent (about 36.4% increase). This meant that commercial banks could not change any profitable interest rate below 15 per cent. Also, the CBN raised the interest rates on treasury bills from 10 per cent to 14 per cent and raised the liquidity ratio of commercial banks from 25 per cent to 30 per cent.

3:1:3 TARIFF RESTRUCTURING

According to the World Bank estimates, tariffs were generally low between 1973 and 1980, amounting to between 5 and 10 per cent for intermediate and capital goods and about 50 per cent for non-food consumer goods. Weighted tariffs were estimated at about 13 to 15 per cent in 1981. According to the World Bank effective protection for industrial commodities ranged from negative protection in excess of 200 per cent for assembly industries (see World Bank Op.cit.). The tariff and exchange rate policies were said to have placed serious pressures on the domestic production sector. Thus, it was recommended that in order to:

i) protect some local industries;

ii) discourage the importation of raw materials and unnecessary commodities

iii) expose domestic industries to competition and thereby generate efficiency and greater domestic resource utilization;

and

iv) raise greater revenue for the government, the tariff structure must be rationalized.

Consequently, the government announced in September, 1986, a revised tariff structure. The revised tariff put the duty on raw materials in the range of 10 to 18 per cent, intermediate inputs at 5 to 30 per cent and final capital goods at 5 to 20 per cent. The duty for final consumer goods ranged from 20 to 30 per cent, for durable goods and 100 to 120 per cent for non-durable, non-basic goods. The revised tariff structure was expected to last for 7 years to ensure continuity.

3:1:4 EXPORT PROMOTION

The government seeks to diversify the nation's foreign exchange earning base, and strengthen the manufacturing sector through exposure to international competition, which would encourage greater efficiency, domestic resource utilization, the development of indigeneous technology and make the manufacturing sector generate its own foreign exchange resources. Since the introduction of SAP various measures have been taken to shift the focus of manufacturing activity to export. The dissolution of the commodity boards in January, 1987, the abolition of import and export licensing system in September, 1986 with the introduction of the SFEM and the rationalization of the bureaucracy were some of the measures through which the government sought to facilitate the entry of Nigerian exporters in to the export trade arena.

In addition, the government in Decree No. 18 of 11th July, 1986 approved a package of export incentives ranging from export insurance to outright grant to export - oriented manufacturing industries. These incentives include;

i) the export development fund (EDF): This is to provide direct financial assistance to exporting manufacturing firms to cover part of their expenses in respect of export promotion matters such as training programmes, export market research and studies, participation in export oriented trade missions and overseas trade fairs as well as cost of collecting trade information. So far the Nigerian Export Promotion Council, NEPC, charged with the implementation of the EDF has spent well over ₦9 million to sponsor Nigerian Manufacturing Exporters to export oriented trade fairs in order to link them with foreign importers (see Abolaji, 1990:4).

ii) Export Expansion Grant, (EEG): Under this scheme exporters of semi-manufactured and manufactured goods who export a minimum of ₦50,000 worth of manufactured products would receive cash grants under some specified conditions to encourage them to expand the export of such products to foreign markets.

iii) Duty Drawback: This scheme allows exporters to import raw materials and intermediate products for use in the manufacture of export products free from import duty. The scheme covers both a refund of import duty already paid on imported inputs for production of export items and the suspension or exemption from the payment of such duties by exporters. The refund of import duties which, hitherto, was done in the form of tax credit certificate (TCC) is now replaced by cash payment of the equivalent amount to the experter. As at the end of August, 1990, the Federal Ministry of Budget and Planning had refunded the following Companies the following amounts under the duty drawback scheme:

SCOA (Nigeria) Ltd., Lagos	₦37,431.89 in February, 1990
Glaxo (Nig.) Ltd., Lagos	5,640.32 in February, 1990
Simfles (Nig.) Ltd., Lagos	92,049.97 in April, 1990
Colo dense (Nig.) Ltd., Lagos	35,512.70 in April, 1990
Glaxo (Nig.) Ltd., Lagos	18,463.68 in July, 1990
Ocean Fisheries Ltd., Lagos	22,416.00 in July, 1990
Horizon Fibres Ltd., Lagos	1,434,612.29 in August, 1990
Simfles (Nigeria) Ltd., Lagos	87,619.17 in August, 1990.

SOURCE: Address by the Ministry of Budget and Planning to a seminar on Duty Drawback Scheme, held at Central Hotel, Kano, in August, 1990.

iv) Subsidy for use of local raw materials: Exporters of manufactured products are, by this scheme, to be granted a subsidy provided they export up to 50 per cent of their annual turnover and have atleast 40 per cent of local value added.

v) Tax Relief on Interest Income: The companies income Tax Act of 1979 was amended to grant tax relief on interest accrueing from any loans granted to aid investment in export oriented industries.

vi) Export Adjustment Scheme, (EAS): The EAS is a supplementary export subsidy applied as a last resort if by the application of all other incentives, the price of the Nigerian product is still uncompetitive in the World Market due to high cost of production arising mainly from infrastructural deficiencies and other factors beyond the control of the exporter.

vii) Export Credit Guarantee and Insurance Scheme: This scheme is to ensure that Nigerian products compete effectively in the international market as well as to insure domestic exporters against some political and other risks including default in payment.

All these measures and incentives are expected to increase production for export, make the domestic manufactures internationally competitive and legally secured, so as to enhance the level of export earnings.

3:1:5 ATTRACTION OF FOREIGN INVESTMENT:

Related to the policy of export promotion, is the policy of attracting foreign investments to boost production, raise employment transfer technology and encourage export. It was presumed that a major problem of the pre-SAP policy measures was that the Nigerian environment was made unattractive to foreign investment, consequently there was inadequate flow of foreign investment, while at the same time there was capital flight out of the economy.

Therefore, the devaluation of the naira deregulation of interest rates and adjustment of the tariff regimes along with supportive infrastructural and other policy facilities are all expected to stem capital flight and attract foreign capital.

3:1:6 PRIVATIZATION AND OR COMMERCIALISATION:

The predominance of inefficient, excessively bureaucratic public sector in production and distribution, it was argued, hampered production, competition and therefore efficient allocation of resources. Thus, the privatization, commercialisation and general deregulation of prices and removal of subsidies, administrative controls, rigidities and imperfections in the economy would unlock resources and with the market forces in operation, new opportunities would be created for the private sector. While those firms previously benefitting from artificially cheap inputs due to their privileged access to them would be eliminated or forced to either curtail their operations or use more productively, the now more realistically priced inputs. The state, however, would concentrate on those areas considered necessary for the development of the economy.

Within this general supposition of the private sector as the engine of growth, government has divided parastatals in to five categories, namely: (to be) fully privatized, partially privatized fully commercialised and those that will continue to remain under total government control and management. This policy shift is to divest government from directly productive activities by selling its shares to the private sector or by charging fees to sustain the parastatals. Out of a total of 59 industrial enterprises, the government is to continue to retain full ownership of only 17, while the remaining enterprises will be either partially commercialised (26) or fully commercialised (16). Most of those to be commercialised are in the more lucreative consumer goods manufacturing sectors. Table 8 shows the tentative pattern of transfer of ownership of public shares to the private sector.

Table 8: Distribution of Public Industrial Enterprises by Industrial Category and Proposed Control Status.

Category	Number of Enterprises			
	Total	Full Government Ownership retained	To be partially privatised.	To be fully privatized
Food, Drinks and Tobacco	10	-	2	8
Textiles and Clothing	3	-	-	3
Wood products and Furniture	1	-	-	1
Paper, printing and publishing	3	-	3	-
Chemical Products	7	3	2	2
Non-metallic Mineral Products	8	-	8	-
Basic Metals	9	6	3	-
Metal products and Engineering	14	6	7	1
Other Industries	4	2	1	1
Totals	59	17	26	16

SOURCE: Usman, 1989.

3:1:7 THE NEW INDUSTRIAL POLICY, (NIP)

A new industrial policy based on the SAP was launched on the 14th of January, 1989. The policy document reviewed the problems of the manufacturing sector as high geographical concentration, high cost of production, low value-added, serious underutilization of capacity, over-dependence on imports for inputs and low level of foreign inputs.

The major objective of the NIP is to achieve an accelerated pace of industrial development. The industrial sector is to become the prime mover of the economy within this general objective are specific objectives of increasing private sector participation and attraction of foreign capital in to the manufacturing sector, to provide greater employment opportunities; improve the local technological skills and capabilities, and increase local content of industrial output. These, are expected to increase production, both for the home market and especially for export. The NIP also hopes to achieve even spread of industries in the country (see Federal Ministry of Information, 1989).

The strategies and policy measures enunciated to achieve the above objectives remain consistent with the SAP, these include; privatisation, commercialisation improving the regulatory environment, provision of fiscal, monetary incentives and infrastructural facilities. A major policy tool to enhance the achievement of boosting employment according to the NIP is the promotion of small scale industries, SSI. In the context of the SAP, the SSI are defined as those with total investment of between ₦100,000 and ₦2 million exclusive of land, but including working capital. The SSI are to be accorded higher priority because according to government they are the vehicles through which a broader base of entrepreneurial culture, a core of trained manpower and an effective institutional structure capable of providing technical services would be developed.

The NIP, is to continue with the ongoing projects like the Entrepreneurial Development Programme (EDP), the Working For Yourself Programme (WFYP) and the training the trainers scheme as avenues for developing the corps of needed entrepreneurs in the economy. The SSI corporation is to accord high priority to industries engaged in the manufacture of basic needs including food processing and agro-allied industries, household equipment manufacturing industries, building material industries, pharmaceutical industries, etc. The government is to involve 5 commercial banks, 3 merchant banks, the Nigerian Bank for Commerce and Industry, the Nigerian Agricultural and Co-operative Bank, and State development finance corporations, to ensure credit delivery to the small and medium scale enterprises. In addition, the Federal Government is to be assisting states with matching grants to establish industrial estates with appropriate infrastructural facilities. Another source of funding of industrial projects not only for SSI, as provided in the NIP is the National Economic Recovery Fund (NERFUND) to which contributions are to be made by the World Bank ($270 million), African Development Bank, ADB, ($230 million), Czechoslovakia ($50 million) and the Federal Government through the CBN ($300 million).

The NIP also emphasizes government strategy for increased export of manufactured goods through liberalized access to foreign exchange; establishment of a realistic exchange rate for the naira; retention by exporters 100 per cent of their export proceeds in foreign domicillary account with a bank in Nigeria; promotion of export free zones; and a plethora of fiscal and monetary incentives as provided in the export incentives decree of 1986. The NIP also highlights the establishment of the Industrial Development Co-ordinating Committee (IDCC) by Decree 36 of 1988. The basic aims of the IDCC are:

i) to eliminate the bureaucratic delays and corruption in processing of initial application for investment in Nigeria;

ii) advise on policy reviews proposals on tariffs, excise duties, various incentive schemes and commodity pricing as they relate to industrial development

and

iii) ensure adequate co-ordination of the various policies on industrial development.

Finally, in addition to other measures aimed at encouraging foreign capital inflows, the NIP also highlights the amendment of the Nigerian Enterprises promotion Decree of 1977. With the new amendment, these now exists only one list of scheduled enterprises exclusively reserved for 100 per cent Nigerian equity ownership. While both Nigerians and foreigners are free to negotiate levels of equity participation in the unscheduled enterprises, foreigners are free to participate even in the scheduled businesses provided such participation involves equity capital not below ₦20 million and prior approved is obtained from the IDCC.

Having reviewed some of the various SAP policy measures as they relate to the manufacturing sector, we shall now turn to a theoretical examination of the efficacy of these measures, against the background of the developments in the manufacturing sector before the introduction of the SAP.

3:2:0 SAP AND THE MANUFACTURING SECTOR: A THEORETICAL EVALUATION

In this section a critical examination is attempted of the SAP policy strategies or measures, like the market philosophy, exchange rate devaluation, interest rates deregulation, tariff liberalization, attraction of foreign investment, the retrenchment of the state and the NIP as they relate to the manufacturing sector. The discussion, which is developed in sub-sections, is to show some of the opportunities and contradictions or problems, the new policy measures could provide within the context of the development of manufacturing activity in Nigeria. Historical experiences of some countries with the specific policy measures are called in to substantiate some of our positions in this regard.

It could be argued that the implementation of the SAP in Nigeria, has in some ways consolidated and widened the scope for accumulation. The SAP, also has thrown up some problems, especially in some sections or categories of the manufacturing sector. A central issue of concern to this study is the national background and general international context within which restructuring is taking place. Equally, important is, the specific forces like the IMF, the World Bank, international creditors and their domestic allies, at whose instance the state is restructuring the accumulation process in Nigeria.

In chapter two of this study it is emphasized that the pre-SAP structures of accumulation were far from being autonomous and self-sustaining. On the contrary, they were underdeveloped and highly dependent on the vicissitudes of the international market. Perhaps, no where was the lopsidedness in the accumulation process more evident than in the manufacturing sector. A pattern of manufacturing whose reproduction and expansion depended structurally on the importation of raw materials, spare parts, capital and intermediate inputs from external transnational sources. This crisis-ridden, dependent, neo-colonial model of accumulation was laid at the beginning of the nineteenth century by the colonial state and expatriate merchant capital, only to be deepened and sustained by the post-colonial state in alliance with the domestic bourgeoisie and foreign capital, under the dominant hegemony of the latter.

The discussion in this section is to examine specifically the effects of the SAP policy measures as they undermine, strengthen or in other ways modify the conditions of accumulation in the manufacturing sector in particular.

3:2;1 THE PHILOSOPHICAL FRAMEWORK

Nigeria's SAP, like most other SAPs, is premised on the market as a superior mode of resource allocation. The logic of the market from its crude articulation in Adam Smith magnus opus to its present perfection has been summarized; under perfectly competitive markets, where businessmen maximise profits and consumer maximise utility subject to their respective incomes constraints, and prices are determined by the forces of demand and supply, in such a way that both producers and consumers are price takers. Then, consumers would use the price signals to ensure that the marginal utility from any pair of commodities would be proportional to their prices, and producers too would employ resources such that their respective marginal costs are proportional to their prices. Competition would ensure that factor rewards are everywhere the same for identical factors and factors would be employed until the marginal value product of a factor is equal to its reward. The marginal physical product in the production of any pair of goods would then be in proportion to the inverse of the prices of these. These price proportions are, however, also those that determine the marginal rates of subsitution and transformation between goods. Thus, markets would clear, resources would be fully employed and production and consumption decisions would be consistent, the amount supplied would be the amount demanded, (Picket, 1989:65). The inherent superiority of the market is thus in its ability to ensure, under certain conditions, a Pareto optimal allocation of resources; in which individual decisions will be consistent with the general social welfare, (Picket Op.cit:73).

Considerable criticisms have been levied against the market, at the general theoretical level. Sen, (1983:6) while recognizing that Pareto optimality is some achievement in theory, argued that it is not a grand prize. "All that Pareto optimality implies is that there is no other feasible alternative that is better for everyone without exception, or better for some and no worse for anyone. A state in which some people are starving and suffering from acute deprivation while others are testing the good life can still be Pareto optimal, if the poor cannot be made better off without cutting in to the pleasures of the rich no matter by how small an amount" (cf Pickett Op.cit.:69).

Structuralist and liberal scholars have also argued that in the less developed countries, Nigeria inclusive, the conditions required for the efficient functioning of the market do not exist. These include the assumptions of Perfect Competition; availability of correct information about present and future prices and non-price variables; independent consumer tastes; capital divisibility, absence of increasing returns, externalities and so forth. It is argued that because of structural rigidities, imperfections and market failures the market may not be ideal for a developing or even developed country. Further, the market may foster efficiency but not equity (Todaro, 1977:364, Ekuerhare and Obadan, 1988:13).

A more graphic rejection of the market mechanism argument in the context of third world industrialization has been articulated in a 1970 publication of the United Nations Industrial Development Organization (UNIDO) in which, instead, the rational for planning is justified. It is argued that Governments can not and should not take a merely passive role in the process of industrial expansion, planning, it is argued, has become an essential and integral part of industrial development programmes, for market forces, by themselves cannot overcome the deep seated structural rigidities in the LDCS. In the LDCS, planning is more feasible and more desirable than in Developed market economics, this is as result of the small number of variables that must be taken in to consideration and the fact that the automatic mechanisms for co-ordination of industrial actions function less satisfactorily in LDCs than in Developed economics.

Planning in LDCS, it is further argued is made ndcessary by, inter alia, the inadequacies of the market as a mechanism to ensure that individual decisions optimize economic performance in terms of society's preferences and economic goals. It is also argued that the inadequacy of the market mechanism as a means of allocating resources for industrial development sometimes results from government policy itself or because the theoretical assumptions (particularly with respect to the inability of the factors of production) do not apply to the actual economic situation. Even more importantly, the market mechanism cannot properly allow for the external effects of investment.

Murray, (1985) has argued that a number of objections to the use of the market as the basic criterion for restructuring remain within the static approach of the market theory itself and so they end up justifying the market. Some of these include;

i) external economies which cannot be realized by individual enterprises because they cannot appropriate result of their investments for example industrial training;

ii) inequalities of income and or mobility;

iii) mass production which lowers cost but reduces choice!

iv) the presence of monopolies, who drive out competition through price wars;

v) locational decisions which the social costs and benefits are not adequately reflected in market costs.

These inadequacies are used to justify public intervention to ensure that restructuring takes place in a way which reflects wider social interests than those embodied in the market prices. There are, however, other profound macroeconomic reasons why the market mechanism cannot be relied on: For example, the variability and unpredictibility of investment under the market mechanism, and the fact that the restructuring that is required is generally on such a large scale and over a long period that the market mechanism is incapable of sustaining. Further, the short term profitability criterion can not be contrasted against long-term development objectives of equity, self-reliance and balanced development.

The inadequacies of the market as a major instrument of economic restructuring are not only theoretical but also empirical. The advanced market economics have not shielded themselves from the current crisis of capitalism, if any they are the principal cause. Capitalism is indeed a crisis-ridden system. Specific worldwide dimension of the crisis could be seen; for example the great crisis of 1873 to 1895, the long crisis from 1913 to 1940s which included the great depression of the 1930s, fascism, revolution and two world wars, and since 1967 the industrial west entered another long crisis of accumulation, marked by excess productive capacity and a decline in the rate of profit, which militates against new investment except to reduce costs of production by making workers redundant at home and moving production sites to cheap labour area elsewhere (Frank, 1980:20). Frank, also noted such crisis as occurred in 1973 - 1975 and that since 1979 the crisis of world capitalism has become more dominant and devastating for the LDCS. The efficacy of the market mechanism becomes questionable to the extent that the model market economies have been engulfed in periodic crises.

Although the past crises have been followed by increase in productivity through rationalization; the introduction of new work methods, technology and speed up in the circulation time of production, they have almost always been accompanied by, sustained attacks on wage levels, the control of labour within the production process, massive unemployment, growing undercapacity utilization, closures and bankruptcies. Major restructuring has always taken place at the expense of labour. Infact, the rule of the market always tends to bear down on the wages and conditions of labour, (Murray, 1985:51).

The market is, thus, an inadequate concept to understanding the process of accumulation, even though the laws of this accumulation beardown on individual enterprises through the medium of the market and the principle of profitability. The market is also not an adequate guide for strategy. For, in the specific experience of greater London Metropolitan "the market has currently plunged London in to its deepest recession of the Century. As a mechanism for identifying and rewarding the most productive, it has commonly closed down the potentially most efficient, and consigned to the sidelines with zero productivity 400,000 London workers, 32 million square feet of industrial and commercial buildings and many machines. So deep has the destruction been that London may already have lost many branches of manufacturing permanently, regardless of an upturn. The use of market - determined profitability as a guideline is profoundly mistaken. It is like a campass which is pointing to the wrong way. So, far from economic strategy being geared to freeing the market or perfecting it, it should be directed primarily against the market, even while operating within it", (Murray Op. cit:52). Murray, concluded that not only in London but as elsewhere, in which restructuring takes place at the macroeconomic level, "the market mechanism is so brutal, wasteful and actually dangerous, that it is astonishing that its uninhibited use is still so generally accepted", (Murray, Op. cit.)

Bienefeld, (1988) has argued that the emergence and dominance of the market is not because it is intellectually superior but because the international financial institutions and the monetarist governments that came to power especially in the U. S. A. and UK in the 1970s and early 1980s found a radical reassertion of market principles as an essential means of protecting the value of their accumulated assets. Hence, they used their power over research finding, over publications and especially over credit to propel their interpretation of the facts of economic crisis to a dominant position. Consequently, because 'those who had power over credit effectively had power over life and death, practical people and struggling governments were gradually induced or forced to accept the neo-classical interpretation and policy recommendations,' (Bienefeld, 198:70).

Reviewing the experience of the so-called NICS of Taiwan and South Korea, it was found that the success of these countries in export oriented industrialization was accomplished by highly interventionist states in production, (heavy technologically advanced and or strategic industries); in capital markets (ownership of commercial and investment banking; extensive use of discretionary credit subsidies; extensive direction and control of domestic and foreign investment) in trade, (highly variable tariffs, quotas and discretionary licensing) in marketing (highly integrated marketing conglomerates) and in research and development (direct and indirect financing), (white and Wade, 1985, Bienefeld 1988:72).

The case is therefore made for state intervention to ensure strong and coherent structures of accumulation domestically and for a state to manage links with the outside world in the'national interest', (Bienefeld, Op. cit: 72). While the structuralist and dependency critiques highlight the international context of, and agencies pushing for, the SAP, they tend to gloss - over the specific opportunities and contradictions that the SAP provides in the process of restructuring. It is true for example, the doctrine of free market like that of free trade before it, is, in Joan Robinson's words, the mercantilism of the strong, that structural inequalities meant that free-market relations would surely favour the Developed Countries in certain lines of manufacturing over the LDCs, as would a hundred yard race favour the able-bodied over the lame. But, there are specific domestic forces that are objectively interested in the SAP policy measures to enhance their accumulation opportunities even if it involves repression and suppression of popular forces in the name of national interest. As Felix, (1981) observed, "in the more recent monetarist programmes of Brazil, Uruguay, Chile and Argentina, machine guns, torture chambers and concentration camps have indeed become standard practice along with the purging of Unions, outlawing of strikes and suppression of populist and leftist political movements. A brutal class-ridden, marxist accumulation model lurks behind the asceptic neo-classical jargon."

3:2:2 EXCHANGE RATE ADJUSTMENT

A major assumption of the SAP is the overvaluation of the naira, which it was argued caused distortions in the manufacturing and other sectors of the economy. Exchange rate adjustment through the SFEM, and later FEM, and IFEM, is to establish a realistic exchange rate for the naira. There is, as yet, no definition of what constitutes a realistic exchange rate for the naira (Kayode, 1987:23). If the realistic exchange rate is that which equates the demand for and supply of foreign exchange, then such a rate does not exist because of the continued existence of the parallel market, inspite of the attempts at exchange rate adjustment. In the presence of such a market as Obute, (1988:16) observed, the market-clearing rate on the official foreign exchange market, can not be regarded as the realistic rate, because the raison d'etre of the parallel market is to absorb the excess demand for foreign exchange.

The suggestion that the realistic rate is that which simultaneously eliminates profitable parallel market operations and brings demand in line with the supply of foreign exchange, (Olopoenia, 1986:13) is equally tenous, since the market clearing rate is optimal only within a competitive pricing framework. But the conditions on the Nigerian foreign exchange market are far from perfect. For one, the CBN controls the Funds in the market, as it supplies virtually all the foreign exchange in the market.

Secondly, the CBN has had to intervene on several occassions to fix the exchange rate. The most notable of these interventions were:

a) at the sixth bidding session when the CBN announced an additional $11 million to the original $75 million to reduce the marginal rate from ₦4.2062 to ₦3.8525;

b) the CBN rejected the rate of ₦2.9990 recorded by the banks at the twelfth bidding session and instead unilaterally imposed the marginal rate of ₦3.200 to the dollar;

c) at the 19th bidding session the CBN set aside the market rate and settled for ₦3.500 to the dollar, only to be overruled on the same day by the Government which decided on ₦3.00 to the dollar. These interventions and the disqualification of bidding banks on technical grounds such as not making suitable return, understates the actual demand for foreign exchange. The continuing discrepancy between demand for foreign exchange and the amount supplied is also another source of problem, for example for the total 37 bids, $2,669 million was supplied as opposed to $3,108.03 million demanded, representing a short fall of 15 per cent. (Okongwu, 1987). Furthermore, traders, small and medium scale industries complain about 'the undervalued naira' while big companies are worried about the instability of the exchange rate which makes business planning difficult. Thus, given these and other imperfections, the exchange rate could hardly be called a realistic one.

What is certain however, is that the SFEM took off with a heavily depreciated rate of ₦4.6174 to the US $1.0000 for the first week of operation, compared to the First-Tier rate of ₦1.5731 to $1.0000 as at 26th September, 1986, this implies a depreciation of about 66 per cent. The SFEM rate further depreciated to ₦5.0585 per

US dollar during the second week of operation; implying a depreciation of about 69 per cent, (Okongwu, 1987:12). As at September 28th, 1990 the naira had depreciated by about 103 per cent, exchanging at ₦7.9805 to the US dollar, (see The Guardian, 28/9/90). While according to some official estimate the naira is still over valued, some writers like Phillips, (1987:11) Oluko, (1987, 1988) were of the view that the naira has been grossly undervalued. The question we are concerned here with is: to what extent is the depreciation of the naira exchange rate consistent with the structural problems in the Nigeria's manufacturing sector?

The strategic importance of foreign exchange in the accumulation process in Nigeria derives from what Toyo, (1987) called the tripod strategy of industrialization: Raw materials and mineral oil were exported to earn foreign exchange with which to import necessary inputs for domestic production. In the context of balance of payments crisis, devaluation is a two - pronged strategy. First, it is supposed to work on the aggregate supply side of foreign exchange, by shifting the domestic terms of trade in favour of domestic producers of non-oil exports. This it is hoped would raise the producer prices of agricultural producers and therefore act as an incentive to raise agrarian surplus to be used, on the one hand for domestic production in especially agro-allied industries and provide the market for domestic industries, and on the other to export of surplus primary products to earn foreign exchange to finance the import of necessary industrial inputs. The efficacy of devaluation in this respect depends on a number of conditions that do not seem to be satisfied in pre-SAP Nigeria.

While higher domestic prices to farmers may act as an incentive to raise agricultural output, other important considerations are perhaps more crucial. These include a change or transformation in peasant methods of organisation, inputs, infrastructure, storing and marketing facilities and extension services, (Toyo, 1986:239). Although, the state seeks to improve on these, through DFRRI, and other agencies and policy measures, peasant farmers can hardly benefit from these provisions, especially such provisions as the export development fund, the export expansion fund, and other credit facilities, rather middlemen, and 'progressive farmers' with the necessary contacts, connections and collaterals are more likely to benefit from these facilities. Further, were devaluation does not guarantee either the adequacy of export prices or their stability. These depend on the forces in the world market which local policy matters have little control on.

Even if some of these constraints are overcome, there is the conflict between the availability of markettable output domestically and its export. While some agro-allied processing industries would demand this output, the export prices may be higher than what the domestic producers could offer. Also, as Loxley, (1986:96) observed, expansion in export requires much more than the correct price stimuli, there must be, especially in the case of manufacturing export, a reasonably well developed manufacturing sector and then the ability to penetrate competitive foreign market.

Secondly, devaluation is expected to improve the balance of payments by raising the domestic prices of imports and thereby reducing their importation and ensuring greater use of domestic raw materials. The works of Ajakaiye, (1985) and Nnanna (1985) have shown that the price elasticities of imports for Nigeria are very small.

Thus, given the structural dependence of the Nigerian manufacturing sector on the importation of inputs, devaluation would affect the volume and prices of manufacturing inputs, production costs, capacity utilization, employment and prices. Imports generally have been on the decline due to the foreign exchange constraints. However, three categories of imports could be identified in Nigeria; these are broadly;

i) imports of raw materials, capital and intermediate inputs with hardly any domestic substitutes;

ii) imports of manufactured goods that compete with domestic goods;

iii) imports of luxury goods with no domestic substitutes.

General devaluation would affect all the categories of imports by raising their naira denominated prices. Clearly, the more crucial category of imports is the first category, in this category, the degree by which devaluation will affect manufacturing production will be uneven, depending largely on the level of dependence on foreign inputs. Heavily import dependent industries, such as electricity, electronics, basic metals, iron and steel and vehicle assembly would be more adversely affected than less import dependent industries like agro-allied industries, (such as brewing, vegetable oil, food processing, paper manufacturing paints and cements industries).

But even those industries that can expand their production by sourcing their raw materials internally, apart from the effects of other SAP policy measures like liquidity squeeze, trade liberalization and rise in interest rates, the cost of local sourcing of raw materials is likely to be prohibitive due to the general inflationary spiral. that SAP generates in the economy. If they succeed in locally sourcing their raw materials, especially with the massive state support, then considerable foreign exchange could be saved, domestic value added, and employment could be raised. However, not all industries could redesign their installed production technologies in line with local raw materials. While some TNCS may seize the opportunity to strengthen their international sub-division of production by sourcing some of their raw materials locally, many TNCS, given the transnational character of their operations, are more likely to continue to import their raw materials from their parent companies.

The impact of devaluation on the small and medium scale industries with respect to local sourcing of raw materials will also vary. While TNCS have greater capital base and dominance over the multinational banks in mobilising resources compared to the indigeneous capitalists, and therefore could be expected to embark on greater local sourcing of raw materials, a number of small scale industries could, however, expand their opportunities by capturing a portion of the market of the highly priced goods of the import dependent industries whose prices must have risen due to inter-alia devaluation. Yet, the picture is more complex, for not all small scale industries are local raw material intensive, and while some small scale industries lack capital to operate effectively due to lack of collateral to get funds from banks and even the business knowledge of financing possibilities and how to exploit them, there are other categories of small scale industries very well integrated in to the network of the TNCS as satellite industries whose operations are directly linked to those of the TNCS. Broadly, three categories of small scale Industries could be identified, (Bangura, 1987);

First, there are traditional industries that are largely dependent on local raw materials and technology like local textiles, basket weaving, leather works, traditional soap and cosmetics. These industries are likely to benefit from devaluation and some of the other

SAP policy measures. This is because of the likely expenditures switch from products of those industries producing similar commodities which, however, were affected by devaluation which raises their cost of production and therefore product prices. However, the liquidity squeeze, trade liberalization or smuggling, marketing strategies of TNCS and so forth are all likely to restrict the expansion of this category of SSI, notwithstanding the various measures of support the state plans to give them.

Secondly, there is a category of SSI that are direct product of modern capitalism, which although they are local content intensive, have been linked to the modern capitalist manufacturing industries. These include modern shoes, polythene bags, petroleum vaseline, sandpaper, modern snacks like packaged cocoa nut, cakes and so forth. Depending on the critical content of raw materials imported, these industries are more likely to be adversely affected than the first category of SSI.

The third category of SSI are those that have been integrated wholly in to the system of import dependence either by providing raw materials and spare parts to big companies or producing final goods that rely upon a steady supply of foreign exchange to acquire the necessary inputs for production. These industries include battery acid, glue, modern cosmetics, wire and galvanising, aluminium utencils, show polish, nails, screws, PVC pipes bolts and nuts and so forth. The low capital base of these industries does not allow them to compete effectively with the big companies in the acquisition of foreign exchange. The general recession in the big companies, negatively affects their fortunes.

It could, therefore be argued that not all the SSI are entirely local raw material intensive. While some could expand their activities subject to overcoming other constraints imposed by the SAP, others could be liquidated. While, it could be argued that those that maybe liquidated are a necessary aspect of restructuring to ensure a more realistic manufacturing sector that utilizes domestic resources, consequently saving foreign exchange, increasing domestic employment and fostering therefore greater linkages in the economy, there is no guarantee that those that survive the foreign exchange constraints are necessarily local raw material intensive or are in the longterm interest of developing some critical branches of industry.

While some of the installed production technologies could be redesigned to utilize domestic raw materials, this does not address the critical question of technological underdevelopment and dependence of the manufacturing sector and the economy at large. Redesigning of production technologies could entrench the importation of other capital and intermediate goods. The SAP, therefore, does not have any answer to the problem of capital and intermediate goods imports and this has some implications, some of which are mentioned below.

First, the inherent dangers of a dependent and underdeveloped manufacturing sector anchored on the importation of production technologies in the form of intermediate and capital goods are being reinforced in a more permanent way. This means that a fall or sluggish growth in the capacity to import, would impose serious constraints on the growth rate and general performance of the manufacturing sector and the activities related to the sector.

Secondly, even if continous inflow of intermediate and capital goods is possible (which is certainly doubtful) it does not negate the transnational ownership and control of the production process. Specifically, the production technologies could be capital intensive, (as has been the case), contrary to the specific requirements of employment, development of indigeneous technology and greater economies of scale. Infact, as revealed by Table, 9, SAP anticipates greater dependence on merchandise imports from about 83 per cent in 1986 to about 84 per cent in 1990 and 1995. It is remarkable to note that the Soviet economy a backward and war devastated economy was virtually transformed in ten years (1928 - 38), even more remarkable, it was during one of the greatest capitalist depressions, (Toyo, 1987:5). Rather than an inward looking strategy, the SAP anchores the accumulation process to the volatile oil market in which Nigerian oil exports will supposedly go from 94.4 per cent in exports in 1986 to about 92 per cent 1995, (see Table 9).

The third implication of reliance on importation of production technologies is the tacit acceptance in the SAP that technology is transferable. But as Kwanashie, (1988:13) observed this strategy has proved to be very ineffective for over a quarter of a centrry in Nigeria; the strategy has failed to engender the broad catalytic effect necessary for genuine development. He noted that the assumption that technology can be transfered either at the micro or macro levels ignores the crucial role of control and monopoly of scientific and technological knowledge in the contemporary matrix of power relations. Kwanashie, specifically argued that the prospects for technological development and self reliance under SAP is not bright, since the programme fails to address the root causes of Nigeria's technological backwardness within the world accumulation process. The dominant social relations in production and the internal power relations seriously militate against the adoption of new technology (Kwanashie Op.cit:14).

Table 9: NIGERIA'S FINANCING PROSPECTS TO 1995
($ thousand)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Oil Exports	6.7	7.6	8.8	10.2	11.5	12.6	14.0	15.5	16.9	18.4
Non-oil Exports	0.4	0.5	0.7	0.8	1.0	1.1	1.2	1.3	1.5	1.7
Total Exports	7.1	8.2	9.5	11.0	12.5	13.7	15.2	16.8	18.4	20.1
Merchandise Imports	6.0	7.0	8.0	8.7	9.4	10.7	10.7	11.5	12.3	13.2
Invisible Imports	1.2	1.5	1.6	1.7	1.9	2.0	2.2	2.3	2.5	2.6
Total Imports	7.2	8.5	9.7	10.4	11.2	12.[illegible]	12.9	13.8	14.8	15.8
Estimated Financing gap*	4.2	5.1	5.7	3.6	1.2	0.2	-	-	-	-

*After rescheduled debt service.

SOURCES: World Bank and Federal Ministry of Finance, Lagos, cf Toyo, 1987:5.

It could be argued with respect to the SSI that even if these industries expand significantly they cannot form the basis upon which the development of self-reliant economy can be based. As Toyo, (1988) has argued, the development of a self-reliant economy requires that critical branches of modern basic industries such as iron and steel, non-ferrous metallurgy, fuel and power, chemical, construction, material and engineering industries are established to provide the needed capital and intermediate inputs of the other categories of industries. The iron and steel industry in Nigeria is halted by the depression and indebtedness and of the remaining critical branches of industry only cement and fuel power have an existence of any significance.

Finally, the politics of devaluation requires a cut in real wages by making all imported goods (and their substitutes) more expensive in relation to workers incomes. But this sows the seeds of inflation and political destabilisation, (Singh, 1986: 108). This is because devaluation by reducing the standards of living especially of the urban consumers of the imported goods, would inevitably lead to compensating wage demands, which if unmet would produce political conflicts and if met would fuel inflation and thus the need for further nominal devaluation and the process continues. The capacity of the state to manage this in Nigeria, given the fragile political base of ruling classes is highly questionable, without resort to some authoritariansm. This, as employed by the Babangida regime, has resulted in the banning of organisations like the Academic Staff Union of Universities, ASUU, the National Association of Nigerian Students, NANS, the weakening of the Nigerian Labour Congress, and the muzzling of the press and other opponents of the SAP policy measures. Even with this, and perhaps because of this authoritarianism, and the rapid fall in the standards of living of the already miserable conditions of the vast majority of workers, and other non-propertied classes, there have been several demonstrations most notable included the nationwide, April 1987 demonstrations and the May, 1989 'SAP-riots'. There were, infact, two reported attempts at ousting the regime of Babangida, seen as responsible for the increasing hardships in the country.

But, the propertied class could adjust very well to devaluation. Given the structural dependence of the economy on the importation of inputs, especially for manufacturing production, devaluation could bring some liquidity and cash flow problems and raise the cost of production, but firms could raise prices, especially in their monopolistic position, to maintain profitability. Infact, because of the accumulated profits and the super profits made by firms immediately before and after SFEM was introduced, firms were able to bid for foreign exchange in the Foreign Exchange auction markets at rates so high that the marginal rate as at 30th April, 1987 was about ₦3.00 to the dollar. Infact, the bids were so high that the Dutch Auction System had to be introduced on 2nd April, 1987. By this system, the official rate of currency was fixed at the marginal rate but authorised dealers buy at the rates they offer, (Okongwu, 1987).

3:2:3 INTEREST RATE ADJUSTMENT

Theoretically, interest rate adjustment is supposed to work as an instrument for achieving both internal and external balance. Internally, a higher rate of interest is, on the one hand, intended to reduce the level of investment expenditures by increasing the cost of capital funds in the market and by so doing, eventually reduce domestic inflation. Higher interest rates, on the other hand, are supposed to increase the return on savings and thus stimulate the population to save a larger proportion of their incomes, thus cutting immediate consumption. At the external front, interest rate adjustment aims at an upward alignment of the domestic rates to bring them at par with international rates so as to attract foreign capital inflow and stem capital flight.

The government as noted earlier has varied the minimum rediscount rate (MRR) between 12.75 percent and 15 percent since August, 1987, compared to the pre-SAP discount rate of less than 10 percent. The prime lending rate as a result of the rise in the MRR now ranges between 18 percent and 27 percent; making Nigeria one of the countries with highest interest rates in the world. Concomittant with the depreciation of the naira was the reduction in money supply (M1) from ₦13,267.8 million in 1985 to ₦12,728.3 million; ₦12,238.6 million and ₦11,811.2 in 1986; first quarter and second quarter of 1987, respectively, (FOS, 1988:27).

The efficacy of interest rates adjustment raising the amount of savings and therefore investible funds depends largely on the class category of the savers, the banking habits and the general political climate. In Nigeria, the underdeveloped banking habits, wide spread poverty, retrenchment, unemployment, low wages and political instability among other factors, generally militate against any substantial increase in savings among the majority working class, peasants, middle class professionals and some sections of merchant capital. Merchant capital may consider the rates less lucreative compared to investment in commerce, trade and real estate. However, some sections of the bourgeoisie, particularly the multinational banks with their greater dominance in the economy and ability to mobilise and attract to raise more savings, to enhance accumulation. At the same time, the accumulated and unrepatriated profits of the big firms can be used to raise substantial savings for investments.

Thus, while some savings could be raised by the bourgeoisie, there is no guarantee that these savings would go in to productive sectors like manufacturing, as more lucreative, quick maturing trading and commercial sectors may, in the context of the market, out compete the manufacturing sector, in particular even if the manufacturing sector is able to attract some more resources, it is doubtful whether they will go in to the more critical branches of the manufacturing sector; rather, there is greater likelyhood of these resources going in to the dominant and more profitable, consumer goods sub-sectors. It is possible, however, that foreign capital with its greater capital base could shift to the more critical sections of industry, while relegating the indigeneous capitalists to the consumer goods category.

Sule, (1986) has argued that because financial institutions in Nigeria considered small scale entrepreneures as high financial risks, they are generally reluctant to grant them credit facilities. An analysis of the performance of commercial banks in Nigeria against the directive of the CBN, which stipulates that 16 per cent of the total loans of these banks be given to small scale ventures, showed a slow response to the guidelines and a poor performance that never attained half the target in the period, 1980 - 1985. For example, commercial bank lending to the small scale industries was only 1.6%; 2.3%; and 2.0% in 1980; 1981; and 1982, respectively.
Although, the percentage has more than doubled from 3.1 percent in 1983 to 7.9 percent in 1985, the general performance still remains less than the prescribed 16 per cent, (see Table 10).

Table 10: NIGERIA: Bank's Performance under the guidelines prescribed targets (₦' million)

Year	(1) Total No. of Banks	(2) No. of Respondents	(3) Bank's Total Loans	(4) Loans to target group	(5) As per-cent of (3)
1980	20	10	6,300.00	102.10	1.6
1981	20	12	8,600.00	203.10	2.3
1982	22	11	10,300.00	206.70	2.0
1983	25	16	11,100.00	351.30	3.1
1984	26	20	11,500.00	354.30	3.0
1985	28	27	12,170.10	977.20	7.9

SOURCE: Adapted From Sule (1986).

Although the current official emphasis is to support the SSI through the National Economic Recovery Fund, NERFUND, the National Directorate of Employment; NDE and so forth, these categories as noted earlier, cannot be relied upon for genuine industrialization unless they are backed up by producer goods industries. Considerable advance, of course, could be made if some of the SSI could merge. This would mean more capital, technical capacity and greater ability to compete.

At the external front, the use of higher rates as a mechanism to attract foreign capital flows in a country like Nigeria does not take seriously the uncertainties associated with the domestic political economy. These uncertainties and especially the likely consequences of loosing control of state power, continue to stimulate capital flight out of the economy. Upward adjustment of the rates of interest and devaluation do not guarantee repatriation.

Finally, although with the liquidity squeeze, high interest rates, firms would find it more difficult to borrow, they could, as monopolists, continue to pass on rising costs, to their consumers, subject to the latter's income and tastes and so forth, ultimately, therefore, the rise in costs of production will fall on the consumers. The ability to do so, is, however, particularly restrained by the wage freeze policy and consequent consumer resistance. Inflationary spiral is most likely to continue, because due to the rising costs and in order to retain high profit, firms have to sell at higher prices, whatever they can sell to their customers. Yet from the profits they make, because of inflation, the firms have to obtain investible funds at still higher costs, to keep up production and so higher pressure on their costs structures which they compensate by high prices and so on. In the long run, capacity utilization and employment will remain low, with little production.

3:2:4 TRADE LIBERALIZATION

Theoretically, trade liberalization derives from the view that the Nigerian manufacturing sector has been overprotected under the guise of either infant industry argument and or nationalism, and therefore resources have been inefficiently employed, leading to poor quality and overpriced products. Thus, trade liberalization involving total dismantling of, and or severe reductions in the tariff rates will, along with other SAP policy measures rationalize the import structure of the manufacturing sector, encourage competition and a more efficient allocation of resources.

The pattern and extent of trade liberalization would vary. While the government had succumbed to the demands of the World Bank and IMF, and even agreed to allow experts from the World Bank to draw a comprehensive tariff structure that encourages competition and at the same time protect domestic manufacturers it is not likely to concede to total liberalization of trade, instead there would be selective trade liberalization, even this would inflict damaging results on employment and local self-reliant industrialization, (Yahaya, 1988: 61).

In the specific case of Nigeria, the efficacy of trade liberalization would vary. TNCS with greater advantage of technological, managerial and marketing economies of scale over their incipient Nigerian small and medium scale manufacturers could adjust better to the possible increased cost of production and intensified competition from foreign capitals. Sections of the indigeneous small and medium scale industries on account of low technological, managerial and marketing economies relative to the TNCS will face serious constraints competing with foreign capital along the same lines of production. Some of the indigeneous manufacturing firms will therefore close down, especially those that were (even before the inception of SAP), operating marginally. Some of the local firms, however, will be taken over by foreign capital, while those that remain will have smaller markets left due to competition from imports. Although increased importation of especially finished goods, would make the phenomenon of dumping a reality in Nigeria it is likely however, to stimulate greater efficiency, growth and better marketing strategies, and possibly raise the level of employment.

The scope for enhancing export of manufactured goods, which are likely to be basically consumer goods, is limited by the global glut of manufactured goods, (Nixson, 1986), rising protectionism, especially in the developed capitalist countries, the worsening world depression and the indebtedness of the third world. Still, within the limited scope for export of agricultural commodities, some problems could be anticipated that relate to the agro-allied industries. Export of some raw commodities denies some agro-allied industries the benefits of internal sourcing of raw materials unless the local manufacturers or agro-allied processing industries are able to offer prices beyond what could be obtained at the international market. Moreover, while this opens an opportunity for agriculture to feed the manufacturing sector directly, some of the vested interests that have developed around the export of primary products could not easily be dislodged as to allow for this linkage.

Finally, an economy seriously riddled with balance of payments crisis and mounting indebtedness could not ordinarily have anticipated trade liberalization. Rather trade liberalization only makes sense within the context of the demands of the IMF and creditor nations for greater access to Nigerian economy, (Kwanashie, 1988:4).

The World Bank and IMF, however, are not philantrophic institutions, rather they have a logic to construct, regulate and support a world system, where capital moves without restrictions, (Harris, 1986). This logic receives a practical articulation in Hamilton L. H., Vice Chairman of the U.S. House of Representatives in justifying increased U. S. fiscal support for the IMF;

> "The IMF legislation will help indebted countries pay interest on their commercial loans, but it will also help these countries pay imports that they could not otherwise afford. The relationship between the IMF, and US exports and jobs becomes clear when we examine the recent history of our trade with Mexico, third largest among our trading partners. In 1981, we exported roughly $18 billion in manufactured goods and farm products to Mexico. By the end of 1982 our exports had fallen by $6 billion due to Mexico's liquidity problems. Were exports to Mexico to remain at year end levels we would lose approximately 250,000 jobs. Hope for an increase of our exports lies with the IMF adjustment programme. With the IMF financing conditioned on the imposition of sound economic measures in Mexico and renewed commercial lending to that nation, Mexico will get its economy moving and increase its purchase of our products", (The Guardian London, 1/5/83: 16 culled from Usman, 1986: 101).

3:2:5 ATTRACTION OF FOREIGN INVESTMENT

The SAP seeks through devaluation, higher interest rates, trade liberalization and other supportive policy measures to attract foreign investment, to boost production, raise employment, transfer technology and encourage export. The policy of attracting foreign investment to ensure development in the third world has its roots in the orthodox vicious circle of poverty hypothesis which argued that the Third World countries have been caught in a vicious circle of poverty, which could only be broken by infusion of foreign capital from the now developed countries. In modern development economics parlance, the vicious circle of poverty hypothesis has resurfaced under the theory of resource-gap. According to this theory, in the third world there is a chronic and permanent gap between available resources and those needed to meet the raising domestic needs and aspirations of the people.

In the context of Third World Industrialization, the theory assumes, a gap between the demand for foreign exchange for the importation of needed inputs in the industrial sector and its availability. Accordingly, policy recommendation is made on the need to encourage foreign capital inflows via such agencies as the TNCS, the IMF World Bank and other bilateral and multilateral institutions, to finance the gap. Empirically, the 'success' of the so-called NICS, has been partly traced to the capability of the state in these countries to attract foreign investment, (Bienefeld, 1989, Balassa, 1983) and make the industrial sector export oriented.

The manifestation of the current crisis in terms of inadequacy of foreign exchange to import needed inputs, has given rise to a fetishisation of foreign exchange in the development process. Consequently, series of policy measures and institutional reforms are being undertaken to ensure greater foreign exchange earnings. In this process attraction of foreign investment seems to be more permanent and reliable.

However, mere policy measures important as they are, are not the only criteria that attract foreign investment. Other social and political conditions are paramount. The experience of the export oriented economies of South East Asia, has shown that not only is a highly repressed, cheap and non-unionized labour force important, but also the predilections of international politics and the ability of the state to exploit these opportunities. Even then, the efficacy of foreign investment in the development process, especially via the agency of TNCS has been questioned. The authoritarian character of the accumulation process under the supervision of the nation-state, the absence of any significant transfer of technology, highly skewed income distribution, faster rates of labour turn over and unemployment have been shown to be some of the major features of the development process anchored on foreign investment, (Bienefeld, 1989, Browett, 1985). In addition, even the foreign exchange earning capacity of foreign investment has been overshadowed by the increased balance of payment problems and high indebtedness of the NICS. For example, the total debt of Argentina, Brazil, Mexico, in 1985 stood at $50.8 billion; $107.3 billion and $99.0 billion, respectively, (see Union Bank, Economic Newsletter, No. 25, January 1987, P.20).

Granted the state in Nigeria could sufficiently provide incentives to make Nigeria hospitable to foreign investment, and or Nigeria becomes strategically important especially given its large and increasing market, abundant resources and its geopolitical status in Africa. The question then, is, could Nigeria become a manufacturing base in Africa? It could be difficult to answer this categorically, because, although some of the conditions could be provided by the state at a particular conjuncture their sustenance overtime is dependent upon the balance of forces which is shaped and transformed by forces and processes both within and outside the control of the Nigerian state.

A crucial factor in the whole equation is the relative strengths of labour and capital, (Lawrence, 1986: 3). Since the resolution of the crisis depends upon a combination of productivity gains and substantial reductions in the rate of growth of real wages, so that the cheapening of goods can lead to an expansion in sales internationally, then the relative organisational capacity of labour becomes most central to the restructuring process. If the organisational capacity of the working class remains weak and disjointed, thus tilting the balance of forces in favour of capital, then the capacity to block the current capitalist reconstitution of the political economy would be undermined. This would allow for intensified exploitation of labour and resources of Nigeria by foreign capital in alliance with the indigeneous capitalists and the state. And given the weakness of sections of domestic bourgeoisie vis-a-vis foreign capital, and the fact that the current adjustment efforts are being pursued at the instance of foreign capital, the hegemony of foreign capital may well be strengthened and or even enhanced.

It could also be argued, that the nature of foreign capital inflow may be in such spheres that are ecologically disastrous. Intensified anti-pollution campaigns and green movements, as well as corporate taxes in some specific branches of industry in the developed countries for example, may force concerned industries to relocate in Third World countries. Like Nigeria, where these movements have not gained any momentum, if at all they exist, to demand greater attention for the ecological implications of these industries.

It has been argued that export of manufactured goods as opposed to primary commodities will not result in greates foreign exchange earning stability, (Love, 1983), because LDCS are poorly placed in the current international economic order to cope with fluctuations in the output of manufactured exports resulting from periodic shortages of raw materials, capital equipment, spare parts and skilled labour and the relative inexperience of LDCS in the export of manufactured products.

There is however, a more compelling and systematic conceptualization of foreign investment in the Third World. This derives from the Marxist analytical framework. Marx, in the communist manifestor argued that capital moves across space in search of cheaper raw materials, labour and higher profits. In the changing context of the uneven development of capitalism areas like Nigeria can now become the new centres of industrial relocation. This is so because of the changing conditions of accumulation, especially the rise in trade unionism, faster rates of technological obsolesence, increased competition among capitalist firms, which make for lower profits rates in the developed capitalist countries vis-a-vis the cheap, nonunionized labour, abundant raw materials markets and the plethora of incentives increasingly offered to capital in the LDCS. This thesis accords with the deindustrialisation of some branches of industry in the developed countries and the relocation of industrial production or contracting out of some processes of production - in the Third World especially the so-called NICS.

The provision of incentives and institutional reforms by the Nigerian state to attract foreign investment accords with the changing conditions of global accumulation, which although entailing repressive and exploitative labour conditions will result in an improvement in the productive forces and heighten social struggles. It is, therefore, possible to see why effective working class organisation can act as an obstacle, from the point of view of capital, to this newphase of capitalist accumulation. Consequently, the state seeks to weaken and cajole working class organisations in to submission.

3:2:6 PRIVATIZATION AND COMMERCIALIZATION

The current crisis of capitalism as noted earlier, occuring amidst widespread neo-colonial state intervention, has brought the developmental state under attack. It has been argued that state intervention has engendered distortions, inefficiencies and wastages. The state expenditures and parastatals have to be rationalised, privatized and or commercialised, to make them more efficent and cost effective. Greater emphasis is to be given to the private sector and market forces in the allocation of resources. The specific implications and significance of privatization and or commercialization of the state parastatals are many.

Primarily, the current retrenchment of the state in some sectors shows how the current crisis is to be resolved in the interest of capital. Capitalism needs an interventionist state to regulate the level of demand and accomodate some of the economic and political demands of the dispossessed, without the state, the naked forces of capitalist exploitation would be exposed; and the entire capitalist edifice would come down crumbling under the pressures of working class demands, (Bangura, 1986) Yet increased state intervention limits the surplus necessary for expanded accumulation. In the context of the fiscal crisis of the state, the state seeks to transfer resources from social sources such an education water supply, health, through charging higher prices to enhance accumulation in sectors like manufacturing.

It has been proposed by government that a number of manufacturing concerns owned by the state are to be commercialized or privatized to a varying degree. What others like Akor, (1987:7) see as the gains of economic nationalism derived consequent upon.

Consequent upon the oil boom, in which the state propped up the indigeneous capitalists and acquired shares in most subsidiaries of TNCS, are from the imperialist perspective deviation from the imperatives of the capitalist system, as they are seen to have created distortions, inefficiencies and so forth. Thus, the state's shares in these concerns should be returned to the private sector, in order to restore efficiency and growth. There is, however, no convincing empirical or theoretical evidence of the supposed inherent efficiency of the private sector in Nigeria. Infact using the profit criterion as a measure of efficiency, it has been shown that the alliance between the state and capital at large, allowed capital to flourish through numerous state policies, projects and agencies, fraudlent inflation of contracts and outright looting of public funds (Alukò, 1988: 17; Usman, 1986: Alkassim et al, 1985).

The current retrenchment of the Nigerian State to more productive areas of accumulation signifies the coming of age of the indigeneous capitalists to own and control lucreative and fertile areas of accumulation to be privatized. Foreign capital also in collaboration with the indigeneous capitalists could buy those enterprises which the latter could not buy alone due to high costs or technical requirements -. The specific pattern of the new ownership structure may be difficult to project. Moreover, the extent of the retrenchment of the state is also likely to be mediated by the regional disparities in the patterns of capitalist development in the country. Generally, the more developed industrial areas like Lagos, Kano, Kaduna, Port-Harcourt, Enugu and Aba are much better places to benefit from privatization than the other areas. But, the tensions; ethnic, religious and regional orientations of the bourgeoisie may seriously militate against wholesome sales of the state shares or enterprises. This is particularly so because, part of the reason for the maintenance of the current Federal Character is the use of the state shares and parastatals in maintaining patronage and consensus among the different social groups and classes in the country.

It is predictable that the partial privatization of capital intensive industry with huge state investment, like the iron and steel industry, while providing opportunities for indigeneous capitalists to consolidate and control some strategic sections of industry is bound to have adverse effects on Nigeria's industrial growth, especially in the area of construction industry. This derives from the inflationary effect of high cost production and inadequacy of skilled manpower to manage these industries. The commercialization of NEPA would raise energy bills, thus affecting the cost structure of especially NEPA dependent industries. In effect most of these policies are inflationary and would give rise to increased cost of production. However, the state may realize greater revenue with which to subsidise the industrial and other sectors.

3:2:7 THE NEW INDUSTRIAL POLICY

The NIP is essentially a restatement and elaboration of the policy objectives and strategies of the SAP as they relate to the industrial sector. It does not contain any significant changes from the provisions of the SAP. Apart from the clarification of objectives specific strategies of achieving these and explicit recognition of small and medium enterprises as focus of industrial development, only the re-classification of the areas and terms under which Nigerian equity ownership as against foreign ownership constitute some meaningful policy changes. On the whole, however, the objectives of the NIP do not differ from the stated objectives of industrialization of the Nigerian State over the past three decades. While the strategies to be employed to achieve these objectives remain consistent with the SAP policy measures; namely: exchange rate adjustment, trade liberalization, privatization and commercialization, attraction of foreign investment, greater reliance on market forces, export promotion and supportive infrastructural - and - incentive measures. The **efficacy** of these measures have been discussed in the preceeding sections of this chapter, we shall therefore not go in to that here.

3:3:0 CONCLUSION

The SAP policy measures, despite the new opportunities they provide, do not fundamentally address the structural distortions and social relations in the manufacturing sector. The measures do not confront the dominance of the manufacturing by subsidiaries of TNCS and their domestic agents which anchor domestic production to the acquisition of foreign inputs. The measures while in some respects, like in agro-allied industries, favour domestic sourcing of raw materials, generally reinforce the structural distortions and powerful interests that benefit from these arrangements. The chapter attempted to highlight how and why the SAP policy measures favour generally foreign capital and some sections of the domestic bourgeoisie, the possible intensification of the use of production technologies which are at variance with internal requirements and resource availability under SAP. While seriously discriminating against some sections of the small and medium scale enterprises, the SAP provides greater opportunities for profiteering activities, crushing of labour unions, unemployment, inflation and increased dependence on foreign technologies, expertise and finance.

The SAP, therefore, far from predicating industrial self-reliance on economic independence, based on national ownership control and planning of development, the existence of basic industries necessary for autonomous, self-reliant development, the capacity to originate and modify modern technology, rather the programme seeks to anchor the manufacturing, as indeed other sectors, firmly in to the world capitalist accumulation process with all the consequences that this entails. In the next chapter, therefore, we survey the macro-economic evidence of the impact of the SAP on Nigeria's manufacturing sector in particular to see whether our anticipations accord with the empirical outcomes.

CHAPTER FOUR

STRUCTURAL ADJUSTMENT PROGRAMME AND THE MANUFACTURING SECTOR: SOME EMPIRICAL OUTCOMES

INTRODUCTION:

The SAP, as we have seen, aims at restructuring and diversifying the productive base of the Nigerian economy to reduce dependence on the oil sector and imports, establish a sustainable, non-inflationary growth path and enhance efficiency in the allocation of resources, both in the public and private sectors. As shown in chapter one, even before the official proclamation of the SAP in 1986, most of its elements have been put in place. However, the full package of the SAP came in to effect from 29th, september, 1986, when the SFEM was introduced, import and export licensing as well as price controls abolished and interest rates subsequently deregulated the tariff regime was also liberalised and some civil service reforms effected. However, policies relating to commercialization and privatization of public enterprises and the adoption of 'appropriate' pricing arrangements have taken more time to implement and some are still yet to be fully implemented. What then are the empirical outcomes of the measures so far implemented?

This chapter surveyed the macroeconomic evidence on the impact of the SAP on Nigeria's manufacturing sector. A brief review of the performance of the national economy at large, was attempted to provide a wider basis for the evaluation. Then, specific macroeconomic variables of manufacturing growth rate capacity utilization rate, domestic sourcing of raw materials, Research and Development, manufacturing employment and industrial relations, closures and survival, and balance of trade, were used to evaluate the impact of the SAP on the manufacturing sector.

There are basically two conceptual approaches to evaluating the impact of the SAP on the economy (Killick, 1984). First, is the conventional approach. This compares relevant macroeconomic variables before and after the introduction of the SAP. This approach is said to be objective in that it allows changes in the relevant variables to be observed empirically. The second approach is the counter factual approach: this compares the programme results with what would have occurred in the absence of the SAP. This approach has two versions namely: the absolute and relative versions. The absolute version is purely an exercise in econometric simulation, as it involved the fitting of some selected historic time series data on a trend equation to predict the likely economic development in the absence of SAP. The relative version, on the other hand, involves a comparison of the performances of countries that adopted SAP vis-a-vis those that had need for SAP but did not adopt it during the same period. (Nnanna, 1987:40). The counterfactual approach in general has been found to be subjective and require comprehensive data, its use tended to be restricted to the IMF and other international organisations with comprehensive data and resources to afford the approach.

In this chapter we adopt the conventional approach, for its objectivity in comparing changes in macroeconomic variable before and after SAP, subject to data availability. Some of its inadequacies, however, should be acknowledged. For example, the approach tends to under play the social relations that give rise to the empirical facts or figures worked to substantiate the performance or impact of SAP. This is so because not all social phenomenona are quantifiable. Further, precise delineation of pre-SAP and post-SAPperformance is impossible, since the dialectical interactions and working-out of past policies, influence the subsequent trajectory of the dynamics of the adjustment process. Also, the extreme limitations of data in Nigeria especially interms of methodology and techniques of collection pose serious problems of effective evaluation. The available data are generally inconsistent and incomprehensive. The general ambivalence of individual manufacturers to releasing data on their performance necessitated the broad macroeconomic approach adopted in this study. This, however, tends to overgeneralise the performance, since specific individual variations could not adequately be taken care of. Thus, more detailed studies are needed to capture the dynamics of the adjustment process in the manufacturing sector.

The chapter is divided into three sections. Section one, reviews the performance of the economy under the SAP from 1986 to 1990, subject to data availability. Section two, examines the impact of the SAP on the manufacturing sector in terms of some selected variables, as noted above, and section three, concludes the chapter.

4.1.0 IMPACT OF SAP ON THE ECONOMY: AN OVERVIEW:

Official and liberal reviews of the performance of the economy under the SAP have generally found the impact as mixed, having both positive and negative results. (Okongwu, 1987:28; Ahmed, 1988:3; Bierstaker, 1990). In a published document on Babangida's four years in office in 1989, government stated that, the SAP has recorded some appreciable gains. The GDP recorded 'modest' growth rates of 1.8 percent in 1987, 4.1 percent in 1988 and 4 percent in 1989. There was increased inflow of foreign investment which by April 1990 totalled ₦1.404 billion in new investment through the debt conversion programme. This was consumated in the agriculture, manufacturing, building and construction, hotel and tourism and other sectors of the economy. The exte. al revenue improved with $991.8 million, due to goreign exchange earnings of $6.85 billion, between January and November, 1989. By February, 1990 the external reserve rose to

₦16.807 billion. The balance of payments also improved with ₦3.469 billion in the first six months of 1989 as against a deficit of ₦1.119 billion in 1988 (ThisWeek, May 21, 1990:18).

Government also argued in the above document that as a result of the trade and payments liberalisation which brought higher commodity prices in naira terms agricultural production increased remarkably. Production of export crops such as palm kernel, cocoa, rubber, cashew and groundnut all increased. Cocoa for example which sold for ₦1,600 per tonne went up to ₦25,000 per tonne in 1988. This stimulated cocoa production from 90,000 tonnes in 1986 to 140,000 tonnes in 1987/88 season. Cotton production rose from 50,000 bales in 1986 to 300,000 bales in 1987/88 season. The local production of wheat whose importation was banned, increased from 60,000 tonnes in 1986 to 300,000 tonnes in Kano State alone, while production in three other states were put around 250,000 tones. Food production was also said to have increased as evidenced by reduction in imports of basic food stuff, from 15-17 percent between 1980 and 1985 to 8.8 percent in 1987 and 'food is visible in the markets and on the shelves of shops and large markets" (Bierstaker, 1990:5).

The increase in agricultural production according to government must have boosted gainful farm employment and opportunities. The SAP has also increased the participation of city dwellers in part time farming. There is the enhanced acceptability of the idea of self-employment and expansion in self-employment and expansion in self-employment opportunities. The SAP has thus created an atmosphere of greater ingenuity in enterpreneurship, tapping the latent entrepreneurship spirit of Nigerians hitherto dampened, especially by dependence on government white collar jobs. Closely related to this, is the observation that SAP is rationalising individual and national consumption pattern away from foreign imported items to the consumption of domestically produced items. Many industries that hitherto depended on imported raw materials now utilise local raw materials to a greater degree and at a fast rate. Those industries that sourced their raw materials locally achieved higher capacity utilisation rates, there include, for examply tyre and tube manufacturing (80%); footwear, (61%); textile, (54.7%); printing and publishing, (53.3%); drugs and carpets, (50.6%); while those that are heavily import dependent like auto-assembly, communication equipment, radio and television experienced lower capacity utilisation rates of less than 25 percent.

However, the government, observed that half the jumber of the firms in the manufacturing sector utilised between 40 and 100 percent of their installed capacities. That, the sector has been the fastest growing sector of the economy since the inception of the SAP. Government figures show that manufacturing production recorded an average annual growth of 16 percent between 1987 and 1989, compared with the average growth of only 1.3 percent between 1984 and 1986, (CBN, April, 1990; ThisWeek, May 21, 1990). The increase in manufacturing production, it was argued, resulted in a major reduction in consumer goods imports from an average of nearly 40 percent of total imports between 1980 and 1985 to under 25 percent in 1987. (Bierstaker, 1990:5). Since the expansion was associated with those industries with extensive backward linkages (textiles, food processing, plastics, rubber containers glass bottles, cement, footwear and breweries), Bierstaker, (1990 : 5) argued that, Nigeria under the SAP was closest to genuine ISI than in the last 20 years since independence.

According to Government, increased agricultural and industrial production and the more efficient allocation of resources have made goods available and inflation growth rates contained. Official figures from the FOS stated that inflation has been reduced from 42.7 percent in 1988 to

40.9 percent as at December, 1987 and to further 38.3 percent in January, 1990. Government further argued that, increased revenue from the monetization of petrodollars in the foreign exchange market made it possible for workers, in both federal and state sectors, to be paid regularly and financed the activities of DFRRI and NDE, through which it hopes to ensure a transformation of the rural areas (Ahmed, 1988:3), and expand employment opportunities for individuals.

Perhaps, it is at the external front that the 'gains' of SAP are most visible and remarkable. The SAP has restored international confidence on the Nigerian economy. As a result of the SAP Nigeria was able to enter into fruitful negotiations on debt rescheduling with the London and Paris creditor clubs, that hitherto insisted on the adoption of SAP. Accumulated debt of $14.1 billion were rescheduled in 1986 and 1987. The total debt service to export ratio was reduced to under 80 percent. Without the debt rescheduling, it was estimated that Nigeria's total debt service to export ratio would have exceeded 75 percent by 1988, (Bierstaker, 1990:4). Nigeria, as a fairly 'disciplined', 'good reformer', compared to other countries implementing SAP, was able to clear much of its back-log of short term trade debts, thereby enabling a resumption of trade credits and more 'normal' international financial transactions and changed the composition of its debt portfolio in a positive direction (Bierstaker, 1990:4). Thus although Nigeria's debt under the Babangida regime rose from about $20 billion in 1985 to over $30 billion in 1990, the rate of new debt accumulation was lower, and more importantly there was a change from short-term, private debt with higher interest rates, to long-term, lower interest and longer maturation debts, (Bierstaker, 1990).

The above are some of the gains of the SAP which the government now seeks to consolidate. Given more time and resolute pursuit of the SAP, it was argued, the gains would become larger, more visible and durable.

Both the official and liberal reviews, however, argued that every SAP involves dislocations and disruptions; there would be both winners and losers. Thus, although it was recognized that the SAP has engendered some adverse side-effects such as inflationary repercursions, increasing unemployment, the deflationary impact of tight monetary policies. It was stressed that given the seriousness and intractable nature of the problems, which the SAP was intended to deal with, these side effects were unavoidable. They are some of the sacrifices which must be made now to secure future prosperity, (Ahmed, 1988:3).

In apparent reference to some critics of the SAP, the CBN governor, Ahmed, (1988:5), argued that had the country continued with the pre-SAP policies of stringent trade and exchange controls, together with an overvalued currency; capacity utilisation would have been lower and acute supply shortages would have ensured, moreover, non-oil exports would have stagnated, governemt revenue from oil would have been lower, and government's fiscal integrity would have been seriously eroded. The logical conclusion of this scenario of 'what would have happened if the country had failed to adopt the SAP is economic collapse' (Ahmed, 1988:5). Government therefore continues to demand from the people iron clad discipline, greater sacrifice and patriotism to sustain the path of growth mapped out by the SAP, for 'any departure from this path of rationality would be to court disaster' (Ahmed, 1988:.).

A number of observations could be made with regards to the official and liberal reviews of the performance of the economy under the SAP.

First, the review was pre-occupied with the nominal or monetary, rather than the real performance of the economy, this according to phillips, (1988:7) is akin to 'indulging in a game of deception'. It could be argued, for instance, that in real terms the GDP at constant 1977/78 factor costs declined from ₦26.2 billion in 1985 to ₦25.3 billion in

1986 and to ₦25.6 billion in 1987. Even at constant 1984 factor cost, the GDP declined from ₦74.5 billion in 1985 to ₦72.9 billion in 1986 and to ₦73.8 billion in 1987. However, at current factor cost (in nominal terms) the GDP gives an erraneous performance of the economy, by indicating constant improvement from ₦65 billion in 1985 to about ₦75 billion in 1987, (Phillips, 1988).

On per capita basis, the total output of the economy has been falling since the on set of the crisis in 1982. Infact, even the World Bank estimated that Nigeria's per capita income fell from about $800 since the early 1980s, to about $370 in 1987; and to around $350 in 1990. The Bank has since 1987, rated Nigeria down from a 'middle income' economy to a low income economy (Phillips, 1988; Bierstaker, 1990).

It has also been argued that although the value of exports in naira terms had increased from ₦8.9 billion in 1986 to ₦30.2 billion in 1987, in real dollar purchasing power terms the value only increased from $6 billion in 1986 to $7.2 billion, (Phillips, 1988). With regards to non-oil exports, it is difficult to attribute the rise in production of agricultural commodities like rubber, cocoa and palm oil, to the incentives measures of the SAP. Most of these crops require more than one year to be ready for harvest and export. While their production might have increased, the dollar denominated export earnings declined from $503 million in 1985 to $370 million in 1986 and to further $357 million in 1987. Also in 1988 non-oil export earnings declined sharply from about $44 million in January, to only $21 million in April (Phillips, 1988:8). It is significant to note that, when the prices of some commodities crashed in the world market, the so-called SAP-induced cocoa-boom also collapsed. The price of cocoa per tonne dropped from ₦25,000 in 1988 to ₦4,000 by the end of 1989 (This week, May 21, 1990). Excess production, especially due to new scientific farming techniques in Malaysia, Indonesia and Ivory Coast, was largely responsible for the crash in cocoa prices. It has also been noted that middlemen, especially Asians, in Nigeria tended to corner most of the proceeds from non-oil exports which they even hardly repatriate to Nigeria.

Furthermore, while the dollar value of imports declined from $7.8 billion in 1985 to $4.0 billion in 1986 and $4.3 billion in 1987 (Phillips, 1988), this was not as a result of growing and significant substitution of domestic equivalent. The decline had to do with the decline in foreign exchange earnings which started since before the SAP. The decline in imports was exacerbated by the rise in foreign exchange costs occassioned by the depreciation of the naira exchange rate and other policy measures of the SAP; as well as the decline in foreign exchange earnings.

Unemployment rose from 4.3 percent in June 1985 to 6.1 percent in December, 1985 to 7 percent in December 1987 and 5.3 percent in December, 1988 (FOS, statistical news, August, 1988). Retrenchment continued, in 1988 for excample the Nigerian Railways Corporation retrenched 8,000 workers and the Nigerian Airways, 2,500. The Nigerian Airports Authority; Construction Industries; Flour Mills; and the Nitel retrenched 2,000; 151, 000; 32,000 and 8,000 workers respectively, (Business Times and Business Concord various issues). Profit after tax, however, continued to rise. For example, the profit after tax in 1987 was, UAC; (₦50.9 million); Dunlop; (₦18.2 million); CAPL (5.5 million); SCOA (₦7.7 million); CARDBURY, (₦6.8 million); John Holt, (₦21.9 million); CFAO, (₦8.3 million); Beecham, (₦11.2 million); WAPCO, (₦28 million); Guines, (₦65.1 million); Lever Brothers(₦.2 million). The profit after tax of these companies all continued to increase in 1988, from their respective levels in 1987 (see table 11).

Beyond the easily quantifiable variables, which the official and liberal reviews were concerned with, are the worsening conditions of social existence of the working classes, students, women and children as well as the unemployed, deterioration of social services and infrastructure, increased state repression and subversion of labour movement, frustration, hunger and intensified exploitation on the one hand, and the luxury, thievery and arrogant display of wealth by capitalists, on the other. The dialectical combination of these 'gains' and 'losses' led to series of struggles that erupted in various forms, as evidenced by the various coup attempts and demonstrations notably the April, 1988 and more especially the May, 1989 demonstrations when a strong and massive solidarity demonstration, which raged from dusk to dawn, in condemnation of the SAP shooked the bourgeois state to its foundations, (Business and Financial Analyst, 1989:20, News Watch, May, 1989).

TABLE 11: NIGERIA: ANNUAL PROFITS OF SOME SELECTED COMPANIES (IN MILLION NAIRA)

COMPANY	PROFIT AFTER TAX	
	1987	1988
UAC	50.9	101.1
DUNLOP	18.2	20.2
CAPL	5.5	6.2
SCOA	7.7	11.0
CADBURY	6.8	10.6 (before tax)
JOHN HOLT	21.9	18.9
CFAO (GROUP)	8.3	20.0
CFAO (COMPANY)	N.A	1.8
BEECHAM	11.2	12.9
WAPCO	28.0	40.5
GUINNESS	28.0	46.2
LEVER BROTHERS	65.1	111.0
INTERNATIONAL TOBACCO CO.	1.2	1.8

Source: Business Times, Various Issues.

The state responded by massacring, maiming, imprisoning and tear gassing scores of the oppressed and exploited, who took part in the demonstration. It was later recognized, by the state, that to forestall future occurrance of such demonstrations or 'SAP wars' there was need to 'ameliorate' the 'undesirable' social consequences, or cost of adjustment. The SAP relief measures were subsequently introduced. Beyond this general evaluation, what are the specific outcomes of the introduction of SAP on the manufacturing sector?

4.2.0 IMPACT OF SAP ON THE MANUFACTURING SECTOR: AN EMPIRICAL SURVEY

This section attempts a critical survey of the impact of SAP on Nigeria's manufacturing sector in terms of the following variables:

2.1 Manufacturing Growth Rate:

The contribution of the manufacturing sector to the GDP at the 1984 factor costs shows a steady increase under the SAP from 9.42 per cent in 1986 to 9.66 per cent in 1987, and 10.02 percent in 1988. The contribution of the manufacturing sector, however lagged behind the other sector such as agriculture, wholesale and retail trade, and crude petroleum which continued to dominate the structure of the economy (see table 12). The rate of increase in the contribution of the manufacturing sector to the GDP rose from 4.36 percent between 1986 and 1987 to 7.96 percent between 1987 and 1988. This, however, is less than the increasing dominance of the financial and insurance sector which rose from 8.68 percent to 12.18 percent in the period 1986 to 1988. The performance of the financial and insurance sector was directly connected with the monetarist instruments of exchange rate adjustment and deregulation of interest rates in particular, which allowed banks to make money

Table 12: Gross Domestic Product at 1984 Constant Factor Cost (₦' Billion)

Activity Sector	(1) 1986	(2) 1987	(3) 1988+	Percentage Share in Total 1986	1987	1988	Percentage Change Between (1) and (2)	(2) and (3)
Agriculture	23.35	23.92	24.76	29.7	30.17	29.98	2.44	3.51
Livestock	4.66	4.71	4.85	5.98	5.94	5.87	1.07	2.97
Forestry	1.43	1.44	1.48	1.84	1.82	1.79	0.70	2.78
Fishing	1.77	1.79	1.25	2.27	2.26	1.51	1.13	-30.17
Crude Petroleum	11.38	10.19	11.26	14.61	12.85	13.64	-10.46	10.150
Mining and Quarrying	0.38	0.41	0.45	0.49	0.52	0.55	7.89	9.76
Manufacturing	7.34	7.66	8.27	9.42	9.66	10.02	4.36	7.96
Utilities	0.37	0.34	0.34	0.47	0.43	0.41	-8.11	0.00
Building & Construction	1.27	1.09	1.11	1.63	1.37	1.34	-14.17	1.83
Transport	2.70	2.74	2.87	3.47	3.46	3.48	1.48	4.74
Communication	0.24	0.24	0.25	0.31	0.30	0.30	0.00	4.17
Wholesale & retail	12.08	13.60	14.10	15.51	17.15	17.08	12.58	3.68
Hotels & Restaurant	0.70	0.71	0.72	0.90	0.90	0.87	1.43	1.41
Finance and Insurance	2.42	2.63	2.95	3.11	3.32	3.57	8.68	12.18
Real Estate & Business Savice	0.25	0.25	0.25	0.32	0.31	0.30	0.00	0.00
Housing	1.91	1.94	1.99	2.45	2.45	2.41	1.57	2.58
Producers of Government Services	5.02	4.98	5.03	6.44	6.28	6.09	-0.80	1.00
Comm. Soc. & Pers. Ser.	0.63	0.64	0.65	0.81	0.81	0.79	1.59	1.56
Total	77.9	79.28	82.58	100.00	100.00	100.00	1.77	4.16

+Estimates by the office of Planning and Budget of the Presidency.

SOURCE: CBN: Annual Report and Statement of Accounts, 1988, Lagos.

directly out of money, without translating the money into viable investment in industry or other productive sectors.

The total index of manufacturing production with 1972 as base year, declined generally from the pre-SAP level of 432.7 in 1982, to 323.5 in 1986 when SAP was introduced, it declined further to 340.2 in 1987. It was only after the second year of the SAP, in 1988 that the index increased to 488 surpassing the pre-SAP 1982 level of 432.7. There were fluctuations, however, while the index declined by 26.3 percent and about 12 percent between 1982 and 1983; and 1983 and 1984 respectively it rose by about 20 percent between 1984 and 1985, that is during the Buhari's stringent control measures. The index then declined by 2.9 percent between 1985 and 1986. Since the inception of the SAP, however, the index increased by 5.2 percent, between 1986 and 1987, and by 44 percent between 1987 and 1988, (see table 13).

There were variations between and within the manufacturing sub-sectors, in the level of production. During the period, 1982 to 1988 sub-sectors like sugar and confectionary, soft drinks, cotton textiles, footwear, paints, vehicle assembly and radio and television never recovered from their pre-SAP, 1982 high levels of production, even though some of them recorded some increase in their respective levels of production during the SAP period. The soft drinks sub-sector, for example, its index of production rose from 559.4 in 1986 to an extimated 1,005.3 in 1988, this increase however, is not up to the 1982 level of 1,006.0. The cotton textiles index also rose from 44 to 145.4 in the first year of the SAP and to a further 138.5, (an increase of 215%) in 1988, this however, is also not up to the high level of 285.5 achieved in 1982.

Other sub-sectors like Beer and Stout, synthetic Fabrics, Cement, Soap and Detergent experienced considerable increase in their production

Table 13: NIGERIAN: Index of Manufacturing Production 1982 - 1988 (1972 = 100)

	1982	1983	1984	1985	1986[1]	1987[2]	1988
Sugar Confectionery	78.5	55.3	47.2	42.5	30.5	28.3	31.9
Soft Drinks	1006.0	873.0	921.6	785.4	559.4	510.7	1005.3
Beer and Stout	509.3	306.1	419.4	489.3	617.4	639.0	469.6
Cotton and Textiles	285.5	144.8	103.9	110.0	44	145.5	138.5
Synthetic Fabrics	1175.0	1262.0	639.4	340.2	666.8	768.0	4423.0
Footwear	32.0	53.8	51.3	41.8	32.7	34.4	33.5
Paints	474.3	211.1	243.1	177.2	140.1	151.4	162.6
Refined Petroleum	353.4	255.7	251.7	358.8	301.0	306.8	36[illegible].5
Cement	272.8	96.6	60.9	303.8	328.5	332.5	36[illegible].4
Roofing Sheets	243.3	106.8	113.2	285.1	525.9	431.8	2[illegible].6
Vehicle Assembly	5463.3	2068.3	689.3	1344.11	629.0	610.8	244.7
Soap and Detergents	412.8	383.8	171.0	178.3	181.4	185.2	483.0
Radio and TV	467.0	558.6	334.1	367.9	181.4	84.1	26.0
Total Manufacturing	432.7	319.0	280.8	336.5	323.5	340.2	488.0

1 Revised

2 CBN estimates

SOURCE: CBN, Annual Report and Statement of Accounts December 1987, and December 1988.

levels by far greater than their pre-SAP levels. For example, the synthetic Fabrics sub-sector continued to record higher increase in the level of production from 340.2 in 1985 to 666.8 in 1986, 768.0 in 1987 and 4,423.0 in 1988, (see table 13).

The liquidity squeeze, wage freeze and higher prices reduced the levels of demand for some commodities and therefore led to reduction in their production. The increase in production in some of the manufacturing sub-sectors has been attributed to;

(i) increased capacity utilization stimulated by greater access to foreign exchange for the importation of raw materials, spare parts and other inputs;

(ii) increased local sourcing of raw materials;

(iii) higher local consumption and

(iv) export, (CBN, 1988:1).

The specific performance of the various sub-sectors of the manufacturing sector, however, varies depending on the criterion used to gauge their performance. Below we attempt an empirical measurement of the performance using various criteria.

4.2.1 Capacity Utilisation Rates:

The level of plant capacity utilisation in industry is assumed to be a direct measure of the extent to which assets are productively by employed, (Weiss, 1988:206). Higher levels of capacity utlisation show higher growth performance and productive utilisation of resources. While lower capacity utilisation suggests low level of productive activity or growth dynamics in the industry. There are, however, various measures of capacity utilisation deriving basically from differences regarding the concept of the capacity output with which actual output should be compared.

For some, full capacity output is defined as the maximum output is defined on the maximum output that could be produced under 'normal' working conditions, (Weiss op. cit. 207). What constitutes 'normal working conditions in terms of, for example, the number of shifts worked per day could vary, this therefore makes comparison difficult. Another measure of capacity utilisation is based on an estimate of the maximum number of hours plants can be operated per year allowing for multiple shifts and necessary maintenance time and then this is compared with the actual time operated, this is properlycalled technical capacity, that is, it measures the maximum output achievable in a given time.

The third measure of capacity utilisation is the optimum capacity which is essentially based on the profit maximizing output or the output where net economic benefits are at a maximum, (Weiss, op. cit.). Equally, for this measure, there remains the problem of what output level is profit maximizing output, given externalities and other unforesen developments in the market for the goods. On the whole, however, the capacity utilization measures essentially measure the capacity utilisation of firms in operation, they do not show the loss of industrial capacity due to industrial closures, which can cause loss of output, employment and income in industry. Capacity utilisation is generally affected by

(i) inadequate domestic demand;
(ii) inadequate foreign exchange creating scarcity of key imported inputs;
(iii) infrastructural and manpower constraints and bottlenecks.

Average capacity utilisation of firms in operation in Nigeria fell from 42.7 percent in 1985 to 39.5 percent in 1986, and with the inception of the SAP, the rate of capacity utilisation instead, increased to 40.4 percent in 1987 and 44.5 percent in 1988, (CBN, 1987, 1988). The rate, however, declined to 42 percent in 1989, (see Federal Government Budget Speech, 1990). Despite greater allocation of foreign exchange to the manufacturing sector, for example, during the early months of the SAP, October and November, 1986 about 84 and 80 percent respectively of total foreign exchange allocations were allocated to the sector the overall average capacity utilization declined to 35.6 percent in the first quarter of 1987 compared with 39.5 percent in the corresponding pre-SAP quarter of 1986 and 36.2 percent in the fourth quarter of 1986.

The impact of the SAP on capacity utilisation varied, reflecting the unequal resources available to the various firms and the demand structure of their commodities. Manufacturing enterprises such as paper manufacturing, beer brewing, textiles, vegetable oil, paints and cements recorded significant increases in capacity utilization averaging 51.7, 41.5, 60.4, 42.5, 59.8 and 84.7 percent respectively, during the first quarter of 1987, compared with 41.8; 39.5; 46.4; 26.9; 45.3; and 70.7 percent. They recorded respectively, in the corresponding quarter of 1986, (Okongwu, 1987:29). The levels of capacity utilisation in motor vehicle assembly, carpets and rugs, electronic equipment manufacture declined to 7.0; 15.0; and 18.5 percent respectively in the first quarter of 1987, when compared with the levels of 16.2; 45.0 and 24.5 percent achieved in the corresponding period of 1986, (Okongwu, op cit).

Capacity utilisation rates in the consumer goods subsectors were higher than in the capital and intermediate goods enterprises. For example, in the third quarter of 1988 the following consumer goods sub-sectors achieved the following rates: printing and publishing (70%); knitting, carpets and rugs (68%); drugs and medicine, (56.5%); textiles, (52.8%); beer and stout, (52%); tyres and tubes, (50%); leather, (49.2%); miscellaneous goods preparation (48.5%); soft drinks, (46%); soap and perfumes (44.9%). The other sub-sectors such as structural metal products, fabricated metal products, radio and television, communication equipment, motor vehicle assembly, recorded 18.3; 30.2; 28.5 and 22.0 percent respectively during the same period, (see table 14).

During the fourth quarter of 1989 a CBN survey of 228 manufacturing establishments in Lagos area further showed that the consumer goods subsectors continued to record above average capacity utilisation rates, for example: beer and stout (79.3%); textiles, (69.7%); cement, (67.5%); soft drinks, (53.9%); sugar confectionery (50.6%). The other sub-sectors operated below the average utilisation rate of 42 percent, they included paints (29.9%); radio and television and communication equipment (29.9%); (CBN, Economic and Financial Review, 1989:13).

Alternative data by the Manufacturers Association of Nigeria, MAN, although suggesting lower average capacity rates, of 40% in 1985; 30% in 1986 and 25% in 1987, compared with the governments higher rates of 42.7% in 1987, (Phillips 1988:8), they generally remained consistent with the observed trend of higher capacity utilisation in the consumer goods sub-sectors than in the capital and intermediate goods sub-sectors. For example, MAN's date; showed that between January 1988 and June 1989, generally lower average capacity utilisation rates of between 15 and 27 percent were recorded in the Basic metal, Iro and Steel, Fabricated metal products, Motor vehicle and Miscellaneous Assembly, Electrical and Electronics sub-sectors. While the Food, Beverages and Tobacco, pulp, paper and paper products, printing and publishing, textile wearing apparel, leather products and Non-metalic mineral products generally experienced higher average capacity utilisation rates of between 30 and 62 percent, (see table 15)

Table 14: Average Installed Capacity Utilization (%)

	3rd Quarter 1987	2nd Quarter 1988	3rd Quarter 1988
Meat and Diary Products	36.0	35.5	37.0
Vegetable and Grain Mill	20.3	31.3	25.5
Bakery Products	13.5	20.0	25.0
Sugar, Cocoa Confectionery	39.0	32.7	34.5
Micellaneous food Preparation	37.5	12.2	48.5
Beer and Stout	50.5	50.6	52.7
Soft Drinks	40.[illegible]	43.5	46.2
Textiles	48.9	43.3	52.8
Knitting, Carpets and Rugs	62.3	67.4	67.5
Leather Products	48.0	54.8	49.2
Leather Footwear	36.5	35.0	39.0
Wood and Cork Products	52.9	42.1	38.4
Paper Manufacture & Products	25.9	36.8	38.8
Printing and Publishing	60.0	70.0	70.0
Basic Industrial Chemicals	43.7	45.0	46.9
Paints	17.1	19.3	19.3
Drugs and Medicines	58.1	39.5	56.5
Soap and Perfumes	35.3	40.1	44.9
Other Chemicals &Petroleum Products	47.0	55.0	34.0
Tyres and Tubes	53.0	48.7	50.0
Plastic Products	40.2	39.8	40.1
Glass and Glass Products	29.0	19.9	18.8
Cement and Cement Products	36.6	41.[illegible]	42.3
Structural Metal Products	22.0	16.5	18.3
Fabricated Metal Products	33.2	24.7	30.2
Radio, TV, Communication Equipment	33.0	20.0	28.5
Motor Vehicle Assembly	17.5	15.8	22.0
Average	38.0	38.5	39.5

Figures refer to CBN's nationwide survey of 355 manufacturing establishments, 56.4 percent responded to survey questionaires.

SOURCE: CBN, Annual Report and Statement of Accounts, 1988.

TABLE 15: PERCENTAGE CAPACITY UTILIZATION BY SECTOR

SECTOR	JULY TO DEC 1987	JANUARY TO JUNE 1988	JULY TO DEC. 1988	JANUARY TO JUNE 1989
Food, Beverages & Tobacco	44	33.62	42	35
Wood & Wood Products, Including Furniture	N.A	N.A	N.A	N.A
Non-metallic Mineral Products	62	42.01	58	36
Textiles, Wearing Apparels and Leather Products	30	46.46	33	40
Chemicals & Pharmaceuticals	38	30.51	45	47
Domestic and Industrial Rubber and Plastic	30	39.38	38	40
Basic Metal, Irons and Steel, Fabricated Metal Products	25	26.65	30	15
Motor Vehicle and Miscellaneous Assembly	N.A	N.A	N.A	20
Electrical and Electronics	N.A	22.24	N.A	22
Pulp, Paper and Printing and Publishing	27	40.11	37	40
Average % capacity utilisation	37	35.12	40	31

N.A = Not available

Source: M.A.N Half Yearly Economic Report (Various Issues).

The overall average capacity utilisation rates, in both the Government and MAN surveys, show a very poor performance of the manufacturing sector far below 50 percent. This, partly explains the continued existence of idle or excess capacity. Further more, the bigger manufacturing concerns continued to perform better than the small and medium scale enterprises. The CBN nation wide survey for example, confirmed that capacity utilisation was higher in the Lagos, Ibadan and Bauchi zones were the firms were of medium or large scale level compared to the lower rates recorded in Kano and Enugu zones of small scale industries (CBN, Financial and Economic Review, Vol. 26, No. 3, 1988:12).

The relative poor performance of the small scale enterprises may be attributed to the disadvantaged position of these industries especially those dependent on import, in the procurement of foreign exchange, high production cost of imported inputs, reduced credit due to higher interest rates and the crisis that afflicted the big companies. Yet some of the small scale enterprises not solely dependent on foreign inputs like soap, leather, shoes and some textiles industries were able to expand their production to capture the market of the highly priced, import-dependent industries, this however could not persisted, after sometime, the expansion was severely curtailed, if not reversed.

4.2.2 DOMESTIC SOURCING OF RAW MATERIALS

Central to the achievement of a self-reliant manufacturing sector under the SAP is domestic sourcing of raw materials. The higher the level of domestically sourced raw materials the higher the degree of self-reliance achieved, on more efficient basis. This is because 'enterprises that source substantial proportion of their inputs locally, due to price competitiveness of their locally made goods vis-a-vis imported ones, improve on their production-cost profile and also sales.

In this direction, there has been a steady increase in domestic sourcing of raw materials in some sectors of the manufacturing sector. According to a CBN survey (CBN, March, 1988:12) domestic sourcing of raw materials increased from 30 percent in the third quarter of 1987 to

40 percent in the corresponding quarter of 1988. The value of locally sourced raw materials in another survey (CBN, September, 1988:13) increased by 37.7 percent from ₦96.2 million in the first quarter of 1987 to ₦154.5 million in the fourth quarter of 1987. The value, however, declined by 14.2 percent from the fourth quarter level in 1987 to ₦132.5 million in the first quarter of 1988, (see table 16).

The improvement in local sourcing of raw materials was more remarkable in the following sub-sectors: Beer and Stout, Paper manufacturing, textiles, leather products, fabricated metal products, soap and detergents, vegetable and grain milling, paints, drugs and medicine. Data from MAN, also suggested increase in domestic sourcing of raw materials. For example from July to December, 1987 average local sourcing of raw materials was 46 percent and this increased to almost 20 percent between January and June 1988, and to further 52 percent during the second half of 1988. The quantum of raw materials derived from local sources, however, declined by about 6 percent from 52 percent in the second half of 1988 to 46 percent in the first half of 1989. The Food, Beverages and Tobacco sub-sector according to the MAN survey performed less than expected. In the first half of 1987 the sub-sector recorded 65.2 percent, while wood and wood products sub-sector recorded 77.6 percent and Non-metallic mineral products recorded 76.5 percent in the same period. Also, although in the first half of 1988 the Food, Beverages and Tobacco sub-sector recorded above average 62.7 percent, the sub-sector showed a decline of 2.5 percent from the 65.2 percent achieved in the corresponding period in 1987. The Non-metallic mineral products sub-sector, however, increased its share of locally sourced raw materials from 76.5 percent in the first half of 1987 to 88.4 percent in the first half of 1987 to 88.4 percent in the first half of 1988.

Table 16: NIGERIA: 1988 First Quarter Survey of Manufacturing Sector.

Items	First Quarter 1987 (1)	Fourth Quarter 1987 (2)	First Quarter 1988 (3)	Percentage Change Between (1) and (2)	Percentage Change Between (2) and (3)
1. Installed Capacity utilization Rates (%)	35.1	38.7	38.8	+ 3.7	0.1
2. Value of Production (₦ million)	315.5	374.9	397.1	25.9	5.9
3. Total Value of raw materials used (₦ million)	278.3	322.3	338.1	21.5	4.9
i) value of imported raw materials used (₦ million)	182.1	167.8	205.6	12.9	22.5
ii) value of locally sourced raw materials (₦ million)	96.2	154.5	132.5	37.7	-14.2
4. Sales (₦ million)	458.2	684.3	654.6	42.8	- 4.3
5. Inventories of raw materials (₦ million)	458.9	502.7	461.1	0.5	- 8.3
6. Inventories of finished goods (₦ million)	284.0	183.8	209.9	-26.1	14.2
7. Total investment expenditure (₦ million)	145.3	103.3	113.7	-21.7	10.1
i) Machinery and Equipment (₦ million)	108.7	45.9	64.0	-41.1	39.4
ii) Spare Parts (₦ million)	14.9	32.9	33.7	126.6	2.4
iii) Repairs and Maintenance (₦ million)	21.7	24.5	16.0	-26.2	-34.6
8. Sources of Funds invested (₦ million)	145.3	103.3	113.7	-21.7	10.1
i) Company's own funds (₦ million)	60.1	85.2	95.5	58.9	12.1
ii) Local Banks (₦ million)	85.2	18.1	18.2	-78.6	0.5
9. Total Number of employment (₦ million)	22,076	21,496	21,706	- 1.7	1.0

Note: Figures refer to survey of 200 manufacturing firms in Lagos Area, 54% responded to survey questionaires.

SOURCE: CBN, Economic and Financial Review Vol.26, No.1, March, 1988:13.

Even during the second half of 1988, the Non-metallic mineral prod . . sub-sector maintained the lead with 85 percent locally sourced raw materials compared to the 63 percent of the Food, Beverages and Tobacco sub-sector. Infact, in the first half of 1989, the Food, Beverages and Tobacco sub-sector experienced a decline from it 63 percent in 1988 to 62 percent (see table 17).

TABLE 17: NIGERIA: LOCAL SOURCING OF RAW MATERIALS BY SECTORS (%)

SECTOR	January to June, 1987	July to Dec. 1987	January to June, 1988	July to Dec. 1988	Jan to Juen '89
Food, Beverage and Tobacco	65.2		62.7	63.0	62.0
Textiles, Wearing Apparels and Leather products	52.4		52.5	57.0	62
Chemicals and Pharmaceuticals	31.5		36.3	36.0	37.0
Pulp, Paper and Paper Products, Printing and Publishing	13.7		15.3	42.0	46.0
Wood, Wood Products Including Furniture	77.6		N.A	N.A	N.A
Domestic and Industrial Plastics and Rubber	20.6		53.0	48.0	45
Non-Metallic Mineral Products	76.5		88.4	85.0	81.0
Basic Metal, Iron and Steel and Fabricated Metal Products	49.7		39.7	30.0	30.0
Automobile and Miscellaneous Assembly	21.8		N.A	N.A	37.0
Electrical and Electronics	19.3		N.A	N.A	10
Average	42.8		49.70	51.6	46.0

Note: N.A Indicates Not Available.

Source: MAN, Half Yearly Economic Review, Various Issues.

The relative poor performance of the agro-allied sub-sector could be attributed to the impact of supply shortages arising from

(i) low domestic production of agro-based raw materials;

(ii) the increased tempo of non-oil export;

(iii) the problem of redesigning existing production technologies to utilize domestic raw materials.

While the devaluation of the naira and other SAP policy measures have encouraged production of some cash crops, they have at the same time created some problems for some of the agro-allied industries. There seems to be an official dilemma on this. On the one hand, government seems anxious to ensure higher prices to farmers so as to encourage production of these crops for export. On the other hand, local agro-processing industries, due to higher costs of production find prices of agricultural commodities as prohibitive. The government opted for banning of export of unprocessed agricultural commodities, like cocoa, rubber, cotton and hide and skin. It is not clear whether domestic agro-processing industries could offer equal or better prices than foreign markets. Although in terms of greater linkages, employment and to forestall declining terms of trade the ban seems proper, it may not necessarily be in consonance with the competitive pressure required to force local sourcing of raw materials. The activities of smugglers, of recent, tended to compound the problem.

A possible way of resolving the shortages of agricultural commodities that have competing export, industrial and consumer demands, is, according to MAN, for government to encourage private sector investment in large scale agriculture. Already, the government had reviewed the indigenization decree to allow for 80 percent foreign capital participation in agriculture. While foreign capital especially, under colonialism was largely responsible for severing the cottage industries from their raw material base, if it now succeeds in boosting agricultural production to ensure speedy and adequate supply of raw materials, then considerable advance in neo-colonial self-reliance and development of productive forces would have been achieved. There are indications that big companies, retired generals, civil servants and businessmen are going into full scale farming.

Government has been arguing that manufacturing enterprises that relied less on imported inputs achieved higher capacity utilization rates than those that depended largely on imported inputs, (CBN, Economic and Financial Reviews, Various Issues). Data by MAN, however, suggested that this could not be generalised to all sub-sectors. For instance, during the first half of 1988, the highest capacity utilization rate of 46.46 percent was recorded in the Textile, Wearing Apparel and Leather manufacturing sub-sector, but this sub-sector was clearly not with the highest local sourcing of raw material of 88.4 percent recorded in the Non-metallic mineral products manufacturing sub-sector during the period. While over the same period, the pulp, paper and paper products sub-sector had the highest percentage of foreign raw materials of 84.7 percent, this sub-sector recorded 40.11 percent capacity utilisation rate, which was 4.9 percent above the average capacity utilisation of 35.12 percent recorded for the manufacturing sector as a whole. (see tables 15 and 17).

It could be argued that the value of domestic sourcing of raw material does not necessarily determine the (percentage) capacity utilization. Rather capacity utilisation in this context depends, inter alia on

(i) the critical importance of the foreign input(s) in the production process;

(ii) foreign exchange availability and access to foreign inputs and

(iii) the consumer demand and availability of substitutes.

The performance of the manufacturing sector with respect to local sourcing of raw materials was, thus, constrained by the difficulties in acquiring machines for processing crude raw materials, where available, in to forms usable by industry, poor quality of some of the available raw materials and lack of know-how' in certain specific fields. Ths problems associated with the acquisition of machines derives primarily from virtual absence of engineering industries that can fabricate machines in the country. This leaves no option than to procure the necessary machines from abroad. Even then, this option is severely restrained by the enormity of the cost of such machines and high cost of finance, (MAN, 1989:3). This situation was clearly reflected by the experience of the beer industry.

The beer industry was expected to produce a 100 percent made in Nigeria beer from January, 1988 using the SK 5912 specie of sorghum as a substitute to imported barley. Many of the breweries rushed to the land to produce their sorghum. For example, the Northern Breweries Limited acquired a 9,000 hectare farm in Keffi, the Cross Rivers Breweries also acquired a 4,000 hectare farmland in Bunsara and the North Breweries got 8,000 hectare of farmland in Niger for grain farming. The breweries complained that they required 4,000,000 tonnes of raw sorghum per annum to operate at full capacity, which cannot be obtained locally within the prescribed time.

The industries required sorghum malting plants to process sorghum, but these plants were not available and investors interested in importing the plants at cost of ₦2.5 billion were yet to be found, (Business Concord, 19/6/87). A consortium of five Nigerian breweries, comprising of International Breweries Limited, Cross Rivers Breweries Limited, Kwara Breweries and Premier Breweries, infact attempted to establish a sorghum malting plant, while Guiness made some remarkable strides in the use of local maize to produce beer, (Bangura, 1987).

Backward integration, therefore, is easier in the agro-allied industries than say in electrical, engineering, chemical and metal industries. Yet, even in the former industries, the problem of steady supply of input remains as agriculture has not developed to the level where it can steadly support industry. And even where inputs are available, the existing production technologies may have to be modified.

4.2.3 RESEARCH AND DEVELOPMENT:

Closely related to the issue of local sourcing of raw materials is Research and Development, (R and D). The possibilities of large scale sourcing of raw materials amidst high rates of closures, high production costs reduced credit facilities and reduced consumer demand would depend largely on the capital base of the firm. Development of local raw materials entails enormous financial commitment in R and D and in plant development of technical capability. This means that largely the big firms would be mostly the ones to embark on R and D on a substantial scale. But some of the big firms are largely subsidiaries of TNCs with their central R and D centres located generally outside the country. This category may continue to import their raw materials or rely on their central R and D units outside. The other category of firms may not have such central R and D and in order to protect their market, can embark on R and D in Nigeria. This could provide opportunities for greater backward integration and linkages in the economy.

Essentially, there are two kinds of R and D activities in Nigeria; government sponsored research insitutes such as the Federal Institute of

Industrial Research, Oshodi, (FIIRO) and Projects Development Agency (PRODA), and in-house reseach by manufacturers. However, with the government outto commercialise the research institutes, the financing of R and D will likely be reduced and therefore R and D will be largely undertaken as in-house activity by the manufacturers. This will adversely affect the small and medium scale enterprises that rely on government support for R and D.

A CBN nation-wide survey of 600 manufacturing establishments as at the end of 1988 showed that although R and D expenditure of the respondent firms increased by 30.4 percent over its level in 1987 the in-house R and D efforts accounted for only 2 percent of total investment expenditure, thus indicating a heavy reliance by manufacturers on government sponsored research efforts, (CBN, 1988:26).

It must be noted, however, that local sourcing of raw materials does not gurantee domestic production of crucial intermediate and capital goods. Rather, local sourcing of raw materials, as the experience so far in Nigeria has shown, could be accompanied by increased importation of capital and intermediate inputs for domestic production, (see tables 24 and 25). This is similar to the experience of the Industrialised countries where subsidiaries of TNCs in collaboration with domestic bourgerisie and the state reduced the importation of some raw materials and imported intermediate and capital goods to organise domestic manufacture for both export and the home market, (Bienefeld, 1988). Thus, foreign ownership and control of the economy and the lopsided structure of domestic manufacturing are cemented. While increased importation of foreign production technologies retards the development of indigeneous technology, the dynamics of accumulation based on importation of inputs become dependent on the capacity to import which in turn depends on the vagaries of the world market. As such, any fluctuation in the capacity to sustain this importation affects the the accumulation process.

4.2.4 MANUFACTURING EMPLOYMENT AND INDUSTRIAL RELATIONS:

The impact of the SAP on manufacturing employment incomes and prices like on other sectors of the economy would be expected to improve the material conditions of Nigerians. In the sub-section we would consider the impact of the SAP on manufacturing employment and industrial relations.

The national unemployment rate based on the labour force sample surveys by the FOS worsened from 4.3 percent in June 1985 to 6.1 percent in December in 1985 and to 6.3 percent during the first quarter of 1986. Although the rate declined to 5.3 percent in September, 1986, it continued to increase from 5.3 percent in September 1986 to 6 percent in the first half of 1987 and to 7.4 percent in September, 1987. Since then, however, the unemployment rate declined to 4.1 percent in September, 1988, (see table 18). The improvement in the unemployment situation, however, is still below the 1985 pre-SAP level of 4.3 percent, except in September 1988 and March, 1989 when the rates were 4.1 and 4.4 percent respectively. In general, the unemployment situation remains critical.

Manufacturing employment also remains very low. MAN's survey over the period 1987 to 1988 showed a decline in manufacturing employment. While in the first half of 1988, manufacturing employment declined by 2 percent, there was a marginal increase of 1.5 percent in the second half of 1988. Between January and June, 1989, MAN's survey showed an increase in manufacturing employment by 3 percent,

TABLE 18: COMPOSITE NATIONAL UNEMPLOYMENT RATES JUNE 1985 - MARCH 1989

SURVEYS	COMPOSIT RATE
June, 1985	4.3
September, 1985	N.A
December, 1985	6.1
March 1986	6.3
June, 1986	6.1
September, 1986	5.3
December, 1986	5.3
March, 1987	4.5
June, 1987	6.0
September, 1987	7.4
December, 1987	7.0
March, 1988	5.1
June, 1988	4.5
September, 1988	4.1
December, 1988	5.3
March, 1989	4.4

Source: FOS, Statistical News, 4th August, 1989, Lagos

The Food, Beverages and Tobacco sub-sector recorded the highest increase of 978 employees while the Chemicals and Pharmaceuticals sub-sector recorded the lowest number of 6 employees. The two sub-sectors of Non-metallic mineral products and Basic metal, iron and steel and Fabricated metal products, however, shed their labour by 20 and 216 employers respectively, (MHYER 1988). Much significance should not be attached to these figures since there were no responses to the survey questionnaires by companies that were completely closed down or were under receivership. Low level of capacity utilisation, low sales and industrial closures especially among small scale enterprises, generally accounted for the low level of employment in the manufacturing sector.

Various CBN surveys also showed that low levels of employment in the manufacturing sector. For example, a CBN nation-wide survey of 305 manufacturing firms in 1987 showed that the level of employment declined by 6.4 percent in 1987, (CBN, 1987:26). The employment situation in the manufacturing sector, in the first quarter of 1988 increased only by 1 percent over the level in the fourth quarter of 1987, but declined by 1.7 percent over the level recorded in the first quarter of 1987 (CBN, Economic and Financial Review, Vol. 26, No. 1, March, 1988:11). Another CBN survey in the second quarter of 1988 showed that aggregate employment in the 134 firms that responded declined by 2.8 percent. However, some of the manufacturing sub-groups, like miscellaneous Food preparation, printing and publishing, structural metal products, fabricated metal products, drugs and medicine recorded marginal increases in the number of people employed, (CBN, op. cit. No. 2:12). In the third quarter of 1988 another CBN nation-wide survey of 355 manufacturing establishment showed no improvement in the employment situation. Infact, total employment declined during the quarter by 6.4 percent compared with the second quarter of 1988, (CBN, op. cit. No. 3; 12).

The Babangida regime has attempted to improve the unemployment situation directly especially through the National Directorate of Employment, NDE. As part of the efforts to 'combat' unemployment the NDE provided an estimated 148,109 new jobs directly out of its activities in 1987. Apart from the Youth Employment and Vocational Skills; Agriculture; and Special Public Works Programmes which were said to have involved 70,000; 45,000; and 24,000 people respectively was the small scale industries and Graduate Employment Scheme. Under this scheme, Graduates and other young enterprenems were to be assisted with credits from commercial banks under a loan granted by the NDE at a concessional rate of interest to set up small scale industries 'thereby providing employment for themselves'. Out of the 5,500 applications processed and sent to the participating banks only 716 of them were approved as at the end of December, 1987 (CBN. q987:44).

In 1988, the NDE intensified its efforts at providing employment, by providing 94,365 new jobs, (CBN, 1988). With regards to the small scale industries scheme the NDE deposited ₦8 million with the 20 participating banks for soft lending to graduate entrepreneurs. In addition, ₦15 million was granted to all states including Abuja by the Federal Government to boost the number of such loan beneficiaries. As at December, 1988 total loan approved by the NDE for 1,557 graduate entrepreneurs amounted to ₦44.5 million. The Entrepreneurship, Development Programme (EDP) which aims at training participants in project identification, feasibility studies, resource mobilisation and marketing was said to have involved 34,558 participants in 1987 and further, 36,625 people in 1988. Also, in 1988 pilot projects of the programme in Oyo, Anambra, Kaduna and Lagos states were commenced under an international co-operation agreement between the International Labour Organisation, ILO, and EDE, with funding from ILO and the United Nation's Development Programme, (CBN, 1988:44 and 45).

The low levels of employment, wage freeze, retrenchment and the general weakening of the Labour movement, generally curtailed agitations by workers for improved conditions of service. Thus the number of trade disputes in 1987 one year after the SAP declined by 25.3 percent to 6.5. Of this, 38 resulted in strikes or work stopages, as against 53 in 1986 and 40 in 1985. The number of workers involved in the work stoppages/ strikes also declined by 63.7 percent from 157,165 in 1986 to 57,097 in 1987. The man-days lost also fell by 69.1 percent from 461,345 in 1986 to 142,506 in 1987, (See table 19).

TABLE 19: NIGERIA: INDUSTRIAL RELATIONS, 1985 - 1988

DESCRIPTION	(1) 1985	(2) 1986	1987		Percentage Change Between 1 & 2	2 & 3	3 & 4
Trade Disputes	77	87	65	156	13	-25.3	140
Work Stoppages	40	53	38	124	32.5	-28.3	226.3
Workers Involved	71,732	157,165	57,097	55,620	119.1	-63.7	- 2.6
Man-Daus Lost	193,322	461,345	142,506	230,613	138.6	-69.1	61.8

Source: Federal Ministry of Employment, Labour and Productivity, Lagos, c.f CBN, Annual Report and Statement of Accounts, 1987 and 1988.

Following increased agitations, due to deterioration in the living standards of workers and consumer resistance, as well as low sales, the government, in 1988 lifted the freeze on wages. The number of recorded trade disputes rose to 156 in contrast to the decline of 25.3 percent recorded in 1987. The number of work stoppages/strikes also rose to 124 in 1988 compared to only 38 in 1987, (See table 18). About 15 industrial unions were able to reach agreement with their employers, either in the form of elongated wages/ salary scales or outright wage salary increase of between 10 to 25 percent, (MEYER, January - June, 1988:6).

4.2.5 INDUSTRIAL CLOSURES AND SURVIVAL:

The general liberalization of the economic environment between 1986 and 1989 has created some constraints and opportunities for the various manufacturing enterprises. Adjustment to these constraints and opportunities varied, leading to some industries folding up, or reducing their scales of operation and others expanding. Manufacturing costs of production have generally been on the upward trend since the inception of the SAP. A combination of the SAP policy measures was responsible for the observed rise in production cost some of which included:

First, the sharp depreciation of the naira exchange rate by for example, about 87 percent in 1988, which led to sharp increase in the cost of imported inputs. For example, between July and December, 1987 the cost of imported raw materials on the average recorded an increase of 229 percent over the pre-sfem level, (MHYER, 1987). Also in the corresponding period, July to December, 1988, the average cost of imported raw materials witnessed an increase of 58 percent (MHYER, 1988:2). Further, as all sectors adjusted to the inflationary pressures generated by depreciation in the naira exchange rate, the average cost of local raw materials increased. During the second half of 1987, for example, the cost of local components of production input rose by 96 percent. This further increased by 49 percent in the corresponding period in 1988, (MHYER op. cit.). As a result of the rise in cost of production and the continued depreciation of the naira most of the small and medium enterprises that depended on the importation of foreign inputs but could not effectively compete with the big companies had to severely reduce or even close down their operations.

Secondly, the deregulation of interest rates and the raising of the Minimum Rediscount Rate; MRR sharply raised the cost of finance for example, the prime lending rates rose to about 16 percent and the commercial rates stood at 18 to 20 percent in the first half of 1988. As a result of these measures, the cost of borrowing for the small and medium enterprises became too high and unattractive, this was particularly compounded by decline in the rate of return on manufacturing investment to an average of less than 10 percent in 1988, (MHYER, 1988).

MAN's data suggested that the depreciation of the naira exchange rate and the deregulation of the interest rates cumulatively escalated manufacturing costs of production and ex-factory price of manufacturers.

For example, the average unit cost of production according to MAN's estimates increased by 48 percent in the second half of 1988 and by further 80 percent in the first half of 1989. The average ex-factory price increased by 30.25 percent in the first half of 1988 and by 81 percent in the corresponding period in 1989, (see table 20).

Adjustment to the escalation of production costs and ex-factory prices by the firms varied. The high costs of loanable funds and foreign exchange led to the closure of many small and medium enterprises, especially those that depended on the importation of foreign inputs or credits from the banks for their operations. For example, in the Lagos area alone during the period January 1987 through June, 1988 about 720 small scale industries folded up, (The Nigerian Association of Small Scale Industrialists, NASSI. Report on SSEs, August, 1988 c.f CBN, Economic and Financial Review, Vol. 26, No. 3, September, 1988:12). The small scale enterprises that remained in operation did so at very low levels of capacity utilisation. The big companies with greater capital base were better placed to adjust with less problems. They could for example compete more effectively in the foreign exchange market and in mobilising financial resources. Even then CBN noted that "large scale enterprises were better able to cope with the problems (of high production costs) in contrast with small scale enterprises" (CBN op. cit:12)

The subsidiaries of TNCs in addition to their general competitive advantage over the indigeneous small and medium enterprises in the mobilisation of domestic resources, could also get support from their parent companies, governments or other international financial institutions. For example Peogeout Assembly of Nigeria, PAN, received a structural adjustment loan of ₦1 billion from the French Government to enable the company overhaul its production system and embark upon the development of local content industries, (Business Concord, 24/2/87).

Table 20: NIGERIA: Cost and Price Behaviour Between (January - June) 1988 and (January - June) 1989

Sector	% change in Average cost of Imported Raw Materials	% Change in Average cost of Local Raw Materials	% Change in Unit Cost	% Change in Ex-factory Price
1. Food, Beverages and Tobacco	+ 247.0	+ 129.0	+ 57.0	+ 55.0
2. Wood and Wood Products Including Furniture	N.A	N.A	N.A	N.A
3. Chemicals and Pharmaceuticals	+ 67.0	+ 107.0	+ 84.0	+ 81.0
4. Non-metallic Mineral Products	+105.0	+ 78.0	+ 61.0	+ 53.0
5. Textiles, Wearing Apparels & Leather Products	+ 59.0	+ 65.0	+ 45.0	+ 40.0
6. Pulp, Paper and Paper Products, Printing and Publishing	+ 68.0	+ 90.0	+ 121.0	Not indicated
7. Plastics and Rubber Products	+ 94.0	+ 97.0	+ 61.0	+ 57.0
8. Electronics and Electrical	+136.0	+112.0	+ 61.0	+118.0
9. Basic Metal, Iron and Steel and Fabricated Metal Products.	+144.0	+143.0	+133.0	+150.0
10. Motor Vehicles and Miscellaneous Assembly	+ 80.0	+ 61.0	+ 97.0	+ 90.0
Average	111.0	98.0	80.0	81.0

Note: + = increase. - Decrease.

SOURCE: MAN, Hyer, January - June, 1989, No. 5, Pp.14.

Anambra Motor Manufacturing Company, ANAMCO, also received DM 150 million from its technical partner in Germany, while Steyr obtained $100 million from Steyr Daimle Puch of Austria and Volkswagen Nigeria Limited, was indebted to its Overseas technical partners by DM 100 million as at 1986, (Bangura, 1987:16). However, not all the subsidiaries of the TNCs were able to get the necessary support from outside. Leyland, an automobile assembly plant, was put up for sale in March, 1987 as the management found it difficult to remain afloat and pay off the huge debts it had accumulated.

The high cost of production, the continued depreciation of the naira, and the consequent inflationary pressures in addition to the wage freeze and consumer resistance resulted in the accumulation of unplanned excess stock of goods in many of the manufacturing sub-groups. According to MAN's survey, there was an excess stock of finished goods valued at over ₦70 million representing about 15 percent of total production of only a sample of 31 companies as at the end of 1987. Despite the lifting of the wage freeze and other reflationary measures in the 1988 budget to stimulate demand, the accumulation of finished goods according to MAN's survey in the first half of 1988 amounted to ₦38,146,652. The chemicals and pharmaceuticals sub-sector recorded the highest percentage of unsold good of 45 percent, (see table 21).

Many firms, however, were able to pass the high cost of production on to the available customers, in form of higher prices to maintain their liquidity and some profitability. For example, at 561.6 (1975=100), the average all items composite consumer price index for 1987 showed an increase of about 10 percent compared to the 5 percent increase in 1986. The rate of increase in consumer prices accelerated by 38.3 percent, to 776.5 in 1988. All components of the index rose, except

Table 21: NIGERIA: Unplanned Excess Stock of Goods Resulting From Poor Sales

Sector	No. of Companies	Total Production (Naira)	Amount of Excess Stock (Naira)
1. Food, Beverages and Tobacco	8	45,942,598	N. S.
2. Wood and Wood Products including Furniture	1	300,000	180,000
3. Non-Metallic Mineral Products	8	146,745,275	7,266,673
4. Textiles, Wearing Apparel and Leather Products	5	36,250,359	2,505,000
5. Chemicals and Pharmaceuticals	21	81,470,649	17,264,265
6. Domestic and Industrial Plastics and Rubber Products	12	10,697,977	3,178,252
7. Electrical/Electronics	3	9,561,004	4,500,000
8. Pulp, Paper and Paper Products	3	9,078,972	500,000
9. Basic Metal, Iron and Steel and Fabricated Metal Products	6	78,411,698	2,752,462
10. Motor Vehicle and Miscellaneous Assembly	-	-	-
Total	67	418,458,532	38,146,652

Note: N. S. = Not Significant

SOURCE: MAN, HYER, January - June, 1988, No. 3 Pp.11.

Table 22: NIGERIA: Composite Consumer Price Index (Base Year; 1975 - 100), 1976 - 1988.

Year	All items	Accomodation Fuel and Light	Food	Drinks	Tobacco and Kola	Clothing	Household Goods and Other Purchases	Transport	Other Services
1976	123.0	109.0	122.0	132.0	143.0	135.0	145.0	139.0	148.0
1977	143.0	127.0	146.0	140.0	123.0	141.0	137.0	141.0	146.0
1978	167.0	131.0	172.0	154.0	186.0	176.0	147.0	158.0	156.0
1979	186.0	167.0	180.0	176.0	203.0	219.0	156.0	196.0	178.0
1980	205.0	170.0	200.0	188.0	229.0	270.0	162.0	197.0	235.0
1981	248.0	173.0	250.0	193.0	264.0	314.0	195.0	202.0	283.0
1982	267.0	180.0	272.0	208.0	278.0	335.0	213.0	224.0	296.0
1983	328.0	240.0	336.0	236.0	318.0	398.0	328.0	271.0	357.0
1984	458.0	270.0	479.0	290.0	436.0	543.0	165.0	316.0	499.0
1985	484.0	258.0	479.0	380.0	549.0	610.0	542.0	357.0	612.0
1986	509.7	362.0	499.2	421.4	672.7	704.3	709.0	422.2	834.4
1987	561.6	378.1	541.5	451.5	767.5	787.8	839.1	478.9	1,015.9
1988	776.5	357.3	820.5	478.8	829.5	811.4	863.9	552.9	1,091.5

SOURCE: FOS, 1988, Economic and Social Statistics Bulletin and 1989 Statistical News 118.

accomodation which declined by 5.5 percent. The highest increase occurred in food, (52.2 percent); transport, (15.7 percent); and clothing, (10.6 percent), (see table 22).

A CBN nation-wide survey of 600 manufacturing establishments, (CBN, 1988:26) showed that the sales of the respondent firms (312), increased substantially by 44.5 percent, partly because of moderate improvement in consumer demand, but mostly due to the higher prices of finished goods. Sales were found to be remarkably high in the miscellaneous food preparation, drugs and medicine, basic industrial chemicals, meat and dairy, tyres and tubes, beer and stout manufacturing sub-sectors, were increase of 45 percent or more were recorded.

In the specific case of the automobile assembly plants while some of the plants, were able to raise the prices of their vehicles (see table 23) other short term adjustment measures; such as trade-in schemes, hire purchase, production for export and specialisation in commercial vehicles, were introduced, (Bangura, 1987:16).

TABLE 23: NIGERIA: PRICES OF SELECTED VEHICLES, 1982 - 1987 (000₦)

VEHICLE	1981	1982	1983	1984	May, 1986	Jan. 1989
Peugeot 505 GR	6,691	8,630	9,825	10,780	13,385	33,432
Peugeot 504 SR	11,250	11,250	12,800	14,300	19,500	40,162
Volkswagen Beetle		4,395	5,295	5,745	6,695	26,000
Mercedes Truck 911		24,100	25,256	35,080	35,469	

Source: Adapted From Bangura, 1987:16.

PAN introduced a trade-in scheme in March, 1987; sixty-eight organisations consisting of fleet owners, government enterprises and some private firms, wer allowed to trade-in their used cars for new ones after paying the difference between both the old and new prices. Beneficiaries were estimated to have paid up to 60 percent of the cost of a new car after evaluation by PAN. The Volkswagen assembly plant introduced the hire purchase scheme in which the company arranges with commercial banks to provide its distributors with loans to buy large stock of vehicles for reselling to individual buyers who were required to deposit some amount of money, (Business Concord, 17/3/87). Peogeout and Volkswagen were also experimenting with export trade. A Congolese Vehicle Firm, Corrossierie Comptoir Autos Assessoires Raunis, bought thirteen Santana GX cars at the cost of $9,148 each in 1987, (Business Concord, 24/4/87).

Many of the firms' adjustment to the high cost of production and weak demand showed a general decline in new investment and a survival strategy dictating emphasis on capital expenditure for adaptation of plants to process local raw materials than expansion programme. According to a CBN nation-wide survey of 605 manufacturing establishments, (CBN, 1987: 25 and 26) total investment expenditure declined by 4.4 percent in 1987. Although aggregate investment expenditure rose by 23.1 percent in 1988 in contrast to the decline in 1987, the increase in investment was more of a reflection of the increase in the general price level which contributed to higher expenditure than due to an absolute increase in investment. Moreover, not only was the increase due to the rise in cost, as the CBN noted, but it was more on spare parts, 65.6 percent; repairs and maintenance, 59.3 percent and only 27.7 percent on machinery and equipment, (see table 16). Similarly, MAN survev of 88 companies in the first half of 1989 showed that out of a total investment expenditure of ₦185.78 million only about ₦44.24 million, representing 24 percent of the total investment was committed on new projects. The rest, ₦141.54 million was for the modification of existing plants, replacement of assets and expansion programmes. The largest investment of ₦26 million was in the

Food, Beverages and Tobacco sub-sector, followed by ₦5 million each in the Electrical and Electronics and Motor Vehicle, and Miscellaneous Assembly sub-sectors. The textiles, wearing Apparels and Leather product, pulp, paper and products, printing and publishing and plastics and rubber products sub-sectors had no investment on new projects in the period under review. Also, the Food, Beverages and Tobacco sub-sector dominated capital expenditure for expansion, modification of existing plants and replacement with ₦52.16 million representing about 37 percent of the total expenditure of ₦141.34 million in this category, (MHYER January - June, 1989).

4.2.6 TARIFF ADJUSTMENT AND BALANCE OF TRADE:

In this sub-section, a brief review is made of the various attempts at tariff adjustment and the impact of the SAP on the balance of trade, especially as it relates to manufacturing imports and exports.

Although the tariff (interim) regime of 1986 was structured to protect domestic industries, encourage domestic sourcing of raw materials and expose the domestic producers to competition the regime did not succeed in balancing these seemingly irreconcillable objectives. Domestic manufacturers complained that the interim tariff regime was skewed against local industries, that the regime made it more profitable to import finished goods rather than producing them in Nigeria. Some manufacturing industries such as the automobiles, detergents and chemical industries were infact reported to have resorted to massive importation of the finished goods in their category, thereby posing a very serious danger to the survival of competing industries, (Bangura, 1987). Even the government admitted that increased importation of finished goods poses great dangers for local production and employment, (Okongwu, 1987:34).

In response to the increased importation and smuggling of finished goods into the economy, many compaigns were instituted by the various industrial groups against both the interim tariff regime and smugglers. Most notable among the industrial groups in these campaigns were the Battery manufacturers association, the Enamel Ware manufacturers association, the Fishing net industries and the automobile plants. For example, according to the four fishing industries the interim tariff regime placed them at serious disadvantage by the 20 percent duty on raw materials for the local manufacturers of fishing nets, while duty on imported fishing nets was only 5 percent. Consequently the total landed cost per kilogramme of complete fishing net was ₦28.73, whereas locally manufactured net was ₦33.06. The automobile plants were also affected by the interim tariff regime. Under this regime cars with classified cubic capacity had their tariff reduced from 70 percent to 30 percent. While cars between 1600cc and 1800cc had their tariff reduced from 200 percent to 50 percent. Transportation of CKDs components of cars up to 1600cc attracted 15 percent tariff while the duty paid for the fully built up cars of the same capacity was put at 30 percent. The customs duty for CKDs parts of vehicles between 1800cc and 200cc was reduced from 40 to 33 percent (See The Customs and Excise Decree No. 32 of 1986).

The government yielded to some of the pressures. Hence, the modifications of the tariff regime in 1987, 1988 and 1989. The interim tariff regime according to the government "was intruduced without any prior study to determine the effective and nominal rates of protection for domestic activities under the SAP" (Okongwu, Statement on the 1988 fiscal budget; 6). The government found that the internal effective rates of protection were substantially eroded and therefore advanced a new tariff regime to provide appropriate levels of protection to domestic industries.

Under the new tariff structure of 1988 the rate of duty on spare parts and CKDs components were harmonized for the same category of vehicles. For cars, import duties on CKD components were harmonized to attract a uniform duty of 25 percent compared to the rates under the interim tariff regime that ranged from 10 to 185 percent. Spare parts for cars were to attract the same duty of 25 percent. Similarly, the duty on CKD components and spare parts for buses and long vehicles under the 1988 tariff regime ranged from 35 to 100 percent. Further, in order to remove the disadvantage imposed by the excise duty on locally produced good all imported commodities with local substitutes were to attract extra landing charges equivalent to the excise duty on such local substitutes.

The 1988 tariff review also failed to accomodate the various interests it sought to. Another review was made in 1989; import duty on parts of commercial vehicles and tractors was reduced from 25 percent to 5 percent; the import duty on Battery parts; and on cold rolled and hot rolled sheets were reduced from 45 to 25 percent and from 20 to 10 percent respectively. However, for syringes/needles, enamel wares, motorcycles, bicycles, mosequito repellent coils, ciggarrettes, jewelleries and precious metals import duties were increased (see Alhaji, statement on 1989 budget: 6). Even with this review there continued to be complaints of 'unfair and illegal competition'. Six manufacturers of drycell batteries for example complained of dumping of 26 million Chinese Batteries in the country (See Sunday Concord, October, 29th, 1989: 8). While some of these complaints might be genuine, as was found in the case of dumped corrugated iron/steel, roofing sheets, tomato paste and pure aluminum coils, batteries, especially the R 20 tyre and alkyd resins, (Okongwu, Statement on 1988 budget). Some of them might be firms seeking protection to reap monopoly profits through tariff protection. At the same time this suggests some of the intricacies of selective liberalization and the high possibilities that ability to impress on the state rather than economic efficiency determines which industries or sub-sectors to be liberalized and to what extent.

4.2.7 Balance of Trade:

We now consider briefly the impact of the SAP on the value and structure of manufacturing imports and exports over the period; 1986 and 1988. It could be recalled that a major objective of the SAP with regards to the manufacturing sector is to achieve favourable balance on current account, by reducing unessential imports and boosting exports, especially of manufactured goods.

The total value of Nigeria's merchandise trade in 1988 was ₦48,837.9m. This represented an increase of 7.9 percent or ₦561.9m over the corresponding figure of ₦45,276.0 million for 1987. Total imports rose by 12.4 percent from ₦15,698.1 million in 1987 to ₦17,645.1 million in 1988. Total exports on the other hand rose by 5.5 percent from ₦29,577.9 million in 1987 to ₦31,195.8 million in 1988. The efforts at deliberate improvement in the trade balance thus resulted in a surplus of ₦13,879.8 million in 1987 and ₦13,547.7 million in 1988, (see table 24).

TABLE 24 NIGERIA: VALUE OF MERCHANDISE TRADE, 1984-1988 (MILLION ₦)

TRADE	1984	1985	1986	1987	1988
Imports (C.I.F)	4,484.5	5,536.9	5,974.6	15,698.1	17,645.1
Domestic Exports[a] (f.o.b)	9,138.8	11,720.8	9,047.5	29,577.9	31,192.8
Trade Balance	4,654.3	6,183.9	3,072.8	13,879.8	13,547.7

Note: (a) Indicates Domestic Exports plus Re-Exports.

Source: FOS, 1988, Review of External Trade, pp7.

The structure of manufacturing imports remains dominated by the import of capital equipment and raw materials which fluctuated between 60.5 percent and 67.8, between 1985 and 1988. The value of imports of capital and raw materials in total imports rose by about 10 percent, from ₦3341.7 million (about 61% of imports) in 1985 to ₦3686.6 million (or 62% of imports) in 1986. Since the SAP, especially because of the depreciation of the naira exchange rate, the value of import increased by about 208 percent from its 1986 level, to ₦11,344.4 million (about 64.3% of imports) in 1988. The imports of consumer goods both durable and non-durable declined consistently from 30.7 percent in 1984, to 29 percent, 27.3 percent and 23.9 percent in 1985, 1986 and 1987, respectively, but increased to 25.2 percent in 1988. Thus although the import of consumer goods was reduced by 2.1 percent, imports of capital equipment and raw materials increased by about 3 percent over the same period. Moreover, the trend in import reduction was there well before the SAP, the SAP only exacerbated the trend, (See table 25).

The commodity structure of Nigeria's export trade continued to be dominated by mineral fuels, lubricants and related materials. For example, between 1984 and 1988 the share of this section in total exports fluctuated between 91.2 percent and 96.7 percent. Although the share of non-oil exports increased from 4.6% in 1987 to 8.8% in 1988, most of this was accounted for by cash crops like cocoa, rubber and palm kernel. The contribution of the manufacturing sector to export was negligible, (see table 26).

TABLE 25: NIGERIA: IMPORTS BY END-USE (AT CURRENT PRICES): 1984 - 1988

COMMODITY	VALUE (₦ MILLION)					PERCENTAGE OF IMPORT				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Consumer Goods:										
(a) Non-Durables:										
(i) Foods	1,646.4	1,710.7	935.4	795.2	946.4	9.8	10.9	15.7	18.0	21.1
(ii) Textiles	106.8	13.5	14.3	11.5	7.3	0.6	0.1	0.3	0.2	0.1
(iii) Others	1,732.5	1,527.5	539.5	468.0	322.1	11.0	9.7	9.1	8.5	7.2
(b) Durables:	761.1	499.7	130.8	127.3	102.1	4.3	3.2	2.2	2.3	2.3
Total	4,446.8	3,751.4	1,620.0	1,602.0	1,377.9	25.2	23.7	27.3	29.0	30.7
Capital Goods:										
(i) Capital Equipment	5,685.5	5,678.0	1,924.2	1,546.5	1,184.5	32.2	36.2	32.3	28.0	26.4
(ii) Transport Equipment	1,100.4	862.7	367.9	426.6	475.0	6.3	5.5	6.2	7.7	10.0
Total	6,785.9	6,540.7	2,292.1	1,973.1	1,657.5	38.5	41.7	38.5	35.7	37.0
Fuel	164.0	67.2	31.7	47.9	60.3	0.9	0.4	0.5	0.8	1.4
Raw materials	5,658.9	4,954.5	1,762.4	1,795.2	1,310.8	32.1	31.6	29.3	32.5	29.4
Passenger Cars	579.6	374.3	261.2	109.5	66.6	3.3	2.4	4.4	2.0	1.5
Grand Total	17,635.2	15,688.1	5,767.6	5,527.7	4,481.1	100.0	100.0	100.0	100.0	100.0

Notes (i) Value C.I.F. (ii) Figures exclude section 9 Commodities and Transaction not classified according to kinds. (iii) Figures exclude Passenger cars, Bicycles, Motorised cycles, scooters and parts thereof invalid carriage all kind of which except passenger cars and classified under durable goods.

TABLE 26: NIGERIA: EXPORTS BY COMMODITY SECTIONS, 1984 - 1988

COMMODITY SECTION S.I.T.C	VALUE IN (₦'MILLION)					PERCENTAGE OF TOTAL EXPORTS				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Food & Live Animals	1,679.7	850.9	442.6	243.8	234.7	5.4	2.9	4.9	2.1	2.6
Beverages & Tobacco	6.6	11.7	0.5	-	-	*	*	-	-	*
Crude Materials Inedible Except Fuels	396.3	227.9	55.8	15.4	15.4	1.3	0.8	0.6	0.1	0.2
Mineral Fuels Lubricants & Related Materials	28,435.4	28,208.6	8,425.7	11,335.8	8,685.8	91.2	95.4	93.2	96.7	95.2
Animals & Vegetable Oils and Fats	7.3	2.1	1.0	3.3	4.7	*	*	*	*	*
Chemicals	201.6	64.7	1.6	1.4	0.9	0.6	0.2	*	*	*
Manufactured Goods Classified Chiefly by Materials	91.5	70.1	1.9	6.3	12.4	0.3	0.2	*	0.1	0.1
Machinery & Transport Equipment	51.7	2.3	*	0.8	*	0.2	*	*	*	*
Miscellaneous Manufactured Articles	8.9	0.6	*	*	*	*	*	*	*	*
Commodity and Transactions not Classified According to Kind	313.7	138.8	118.4	114.2	174.3	1.0	0.5	1.3	1.0	1.9
Total All Sections	31,192.8	29,577.9	9,047.5	11,720.8	9,127.8	100.0	100.0	100.0	100.0	100.0

Notes: (a) Exports include Re-exports

(b) * Indicates Negligible

4.3.0 CONCLUSION

The SAP has yet to run its full course. Preliminary evidence, however, of its impact on the manufacturing sector, as shown in this chapter, shows that the various sub-sectors and categories of manufacturing enterprises have been affected differently. While g generally the consumer goods, and especially the agro-allied sub-sectors have considerably performed better in terms of capacity utilization rates, local sourcing of raw materials and employment, the capital and intermediate goods, especially the heavy engineering, electrical and electronics, Basic metal products and automobile subsectors have continued to experience serious problems of adjustment.

Also, while the big companies, especially the subsidiaries of the TNCs have continued to strengthen and expand their control and dominance over the manufacturing sector, most of the small and medium scale enterprises; the supposed focus of the SAP, have generally performed poorly. A number of them had to close-down, while most of those in operation are increasingly threatened by bankruptcies, reduced market shares and take overs.

The general levels of manufacturing investment: production, employment and capacity utilization rates have remained very low, with insignificant levels of domestic sourcing of raw materials. Inflation has remained very high as evidenced by the spiralling cost of domestic production, higher prices of finished products of yet poor quality. There has been increased dependence on the importation of machinery, raw materials and production technologies. The SAP far from enhancing industrial self reliance, it infact diminishes the prospect of self-sustaining, resourced based industrialization. The structural inequalities and dependence of the economy have been exacerbated.

CHAPTER FIVE

DENYING SAP A FUTURE?

This study has established that pre-SAP Nigerian manufacturing, like the other sectors of the economy was crisis - ridden. The sector was characterized inter alia by high import intensity, low labour absorption; TNCS dominance especially on the more capital and intermediate goods subsectors; low capacity utilization rates; production of luxury goods of poor quality, at high prices; and a general discordance between available domestic resources and existing industrial structure and production technologies.

In response to the worsening crises in the manufacturing and other sectors of the economy various policies were introduced culminating in the structural adjustment programme. The programme has several important elements with a clearly defined philosophical framework based on the market mechanism and inherent superiority of private enterprise. The programme although opening some opportunities and challenges to the various manufacturing enterprises especially the big TNCS and their allies portends great problems for the small and medium enterprises. Preliminary empirical evidence in this study revealed variations in the performance of the various manufacturing sub-sectors. The general performance of the sector has been very poor. For most small and medium scale industries the impact has been disasterous.

The future prospects of the manufacturing sector under the current market-oriented SAP, especially for the small and medium scale enterprises, look bleak. Most of these industries would be marginalised and or ruined completely. Manufacturing investment, employment and output would likely remain low. Cost-push inflation would escalate as pressures for more devaluation of the naira exchange rate intensify. While domestic manufacturing value added in few agro-allied manufacturing sub-sectors may considerably increase thereby generating some backward linkages, the propensity to import foreign production technologies and inputs especially in the intermediate and capital goods sub-sectors is likely to be entrenched at a more permanent level. The discordance between available domestic resources and existing production technologies would be reproduced at a higher and more permanent level.

The market - oriented SAP, far from providing opportunities for the development of indigeneous, resource - based industrialization, capable of providing greater employment, market and transforming the material conditions of the vast majority, it progressively diminishes these. Some sections of the civil society are also increasingly threatened with marginalisation and ruination. Consequently, there, are popular calls for adjustment with 'human face'; finetuning, modifications, squencing and phasing of adjustment measures to reflect the realities and peculiarities of the Nigerian situation. The implementation of some of the suggestions could mitigate some of the harsh conditions created by the adjustment measures. It is likely that the programme would be substantially modified under a popular, democratic regime. However, the very axiom of neo-classicism expressed in the erraneous conception that the resolution of the crises centres on the degree/or forms of market forces or state intervention, must be fundamentally unearthed and rejected.

In my view, the crises are not restricted to sectors or the economic sphere but also encapsulate other social, political and cultural spheres. The complex interaction and simultaneity of the crises in the various spheres necessarily demand a holistic approach to their resolution. The crises in the manufacturing sphere are also linked to those in the agricultural sphere and the specific policies proferred to attenuate or reverse the crises. Policies are in turn, not conceived or implemented in a political vacuum. In a class - divided society like Nigeria, a certain social consensus is needed to achieve some degree of success in resolving some of the complex, and manifold crises. A major problem of the current SAP has been that while promoting capitalist accumulation through privatization, foreign exchange speculation and subsidies to capital, it has attacked the basic interests and aspirations of the popular classes; workers organisations have been smashed, unionists arrested, employers arbitrarily dismissed workers and reduced wages. The programme has left behind increased suffering, repression, hardships, deepseated frustrations and despair on the part of the majority working classes and other poor sections of the society. Under these conditions, social consesus could hardly be achieved unless by repression, which is bound to undermine the effectiveness of the consesus in the medium to long term, if not in the short-run.

The solution therefore lies not in proferring alternative(s) however technically sound, for these are to be implemented only within a certain social consesus by a certain category of classes in a specific form of alliances as dictated by the circumstance. Consequently, rather than jumping from the frying pan of state intervention to the scoulding fire of the market as Mamdhani observed, it is contended here that mass democratic control, ownership and organisation of societal resources to deliver rewards to actual producers, eliminate prasitism and increase productivity would greatly facilitate the materialisation of a more humane society.

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