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Crisis of Industrialization in Nigeria

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Abstract
This paper explores the industrial crisis facing Nigeria. This crisis has been a consistent theme in the underdevelopment challenges confronting the nation. The paper made in-road into the persistent electricity problem and argues that institutional inadequacies and pervasive corruption have colluded to crippled the attempt at industrialization. It also identified several challenges bedeviling the quest for industrialization. To fix these problems, the paper calls for strong political commitment, increase in investment in science and technology, improvement in the infrastructure base and encouragement of the private sector.

INTRODUCTION

Industrialization is a term that is mostly associated with the development experience of countries in Western Europe and North America during the 19th and 20th centuries. In this early sense, it referred to a marked departure from a subsistence economy that is largely agricultural towards a more mechanized system of product that entails more efficient and highly technical exploitation of natural resources in a highly formal and commercialized economic setting. (Samita, 2001: 84 – 85, Rapley, 1997:27 – 53). As such, industrialization was understood purely in economic terms particularly the physical presence of industrial plants, that was involved in manufacturing capital goods either for further use of purposes. By the beginning of early 20th century therefore, a country's industrialization was measured by the percentage of plants and or industries involved in manufacturing as well as the volume of labour within such industries. (Todaro, 1989:62 – 63).

In recognition of the importance of industrialization to economic growth and development Nigeria, since independence has adopted various policies, incentives and schemes to promote industrialization. Some of these policies include the import substitution that gained currency in 1960s, indigenization policy that started in 1972. Structural Adjustment Programme (SAP) of the late 1980; in 2000, the Bank of Industry and small and medium equity investment scheme were established to reduce credit constraint faced by entrepreneurs. And recently in 2007, the Federal government adopted the National Integrated Industrial Development (NIID) blue print.

Despite these policies and incentives available, there are a lot of controversies as to how industrialization is to be achieved. It is against this background therefore that the way forward and the challenges of industrialization in Nigeria are to be analyzed.

CONCEPTUAL CLARIFICATION

CRISIS: Crisis is the situation of a complex system (family, economy, society) when the system functions poorly, an immediate decision is necessary, but the causes of the dysfunction are not known. Crisis has several defining characteristics, Seeger, Sellnow and Ulmer (1998) say that crisis have four defining characteristics that are "specific, unexpected and non – routine events or series of events that create high levels of uncertainty and threat or perceived threat to an organization's high priority goals.

INDUSTRIALISATION: Industrialization which is a deliberate and sustained application and combination of appropriate technology infrastructure, managerial expertise and other important resources have attracted considerable interest in recent times. This is because of the critical role industrialization plays in economic development, industrialization acts as a catalyst that accelerates the pace of structural transformation and diversification of economics; enable a country to fully utilize its factor endowment and to depend less on foreign supply of finished goods and raw materials for its economic growth, development and sustenance (Sanusi, 2001).

THEORETICAL FRAMEWORK

The theory adopted for this study is the dependency which analyses how developed and developing nations interact. According to Abraham Nabhon Thomas (2010) there is only one specific defination of dependency to be found in the literature on dependencies, by Dos Santos who defined dependency as a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is a subject. Dependency theory emphasizes the relationship between two or more economics where some countries are (dominant ones) can expand and be self sustaining, while the others (rependent ones) can do this only as a reflections of that expansion of the (dominant ones) which can have a positive or a negative effects on their development. Dependency theory was first formulated in the 1950s drawing on a Marxian analysis of the global economy and at a direct challenge to the free market economic policies of post war era. The free market ideology holds that open market and trade benefits developing nations, helping them eventually to join the global economy as equal players. The belief is that although some of the methods of market liberalization and often maybe painful for a time in the long run, they help to firmly establish the economy and make the nations competitive at the global level.

In contrast to this view, dependency theory holds that there are a small number of established nations that are continually fed by developing nations; at the expense of developing nations own health. Developing countries are able to use their wealth to further influence developing nations into adopting policies that increases the wealth of the development nations; they are able to protect themselves from being turned on by the developing nations, making their systems more and more secured as time passes. Capital continues to migrate from developing nations to the already developed nations, causing the developing nations to experience a lack of wealth which force them to take larger loans from the developed nations, causing the developing nations to experience a lack of wealth which force them to take larger loans from the developed nations, further plunging them to debt.

The dependency theorist concluded that the crisis of industrialization vis – a – vis development is a product of the distorted development brought about by the dependency relations, the sluggish industrial development is a by product of the relationship between the developed nations and the developing nations.

HISTORICAL BACKGROUND

Nigeria had numerous small scale industries and handicraft enterprises that rely on the available raw material whose products are met for local and regional demands. Before, the advent of colonialism in Nigeria, various ethnic groups such as the Hausa, Yoruba and Bini developed significant small scale industries centered on the manufacturing of goods for a variety of trade, social and religious purposed. The West African (including present day Nigeria) manufacturing sector was based on clothing, metal works, ceramics, construction and food processing, while Kano produced textiles and leather goods, iron was being smelted at Nok in Benue Plateau region. This traditional method of manufacturing survived well into the colonial period, which understandably failed to produce sustainable basis for industrial change of investment (Synge, 1993). Hence, from 1962 – 1986 National Plan, tried to correct past deficiencies in the nation's industrial programme,

Hence, there was the need for an increase in the direct government investment and promotional measures and coupled with an ever increasing demand for manufactured goods from abroad, the strategy of import substitution industrialization (I.S.I) was adopted in the years 1960. The original aim was to promote growth and economic diversification as a means of reducing the dependence of the economy on the agricultural sector as the principal earner of foreign exchange. The strategy was adopted also because it was aligned to the potential as well as at other known requirements of ready made markets. It was limited at its early stage to the replacement of non durable consumer goods which generally called for the services of unskilled and semi – skilled labour and less application of advanced technological method (Oyejide 1974).

In the 1970s, particularly within the context of the 1970 – 1974 plan, the Federal Government did not only emphasize the need to maximize value added to the Gross Domestic Product but initiated the establishment of heavily industries in the intermediate and capital goods sectors, while it could be said that the first stage of the import substitution industrialization (ISI) strategy (which involved the replacement of imported non - durable. Consumer goods and their inputs with domestic production) was fairly successful, the second stage (which involved the replacement of imported intermediate inputs and producer and consumer durables) was a failure. The industrial policies (especially the credit incentive and tariff protection measures) pursued in 1970s and early 80s were not conducive to generating the intermediate and capital goods production (Oyejide 1974, Ekhuejare, 1983).

The indigenization decrees were promulgated in 1972 and 1977. The Abeson Taku (2007) principles aim of the decree was undoubtedly laudable, but its implementation was sloppy. Besides creating a class of rich Nigerians, the greatest hindrance to the decree was Nigeria's high level of technological dependence.

Under the 1985 – 1980 National plan, public investments were allocated to large capital and skill intensive projects, particularly heavy and intermediate industries like steel, oil refineries and fertilizer. However, besides suffering from protracted and cost increasing construction period and low capacity utilization, the Ajaokuta and Delta steel companies and the various steel mills have constituted a burden to the annual budgets due to recurrent losses and the supply of expensive industrial input into the downstream sectors. For instance, by 1999, the capacity utilization in the Delta Steel Company (DSC), had fallen below 0.04 percent. This inability of the steel mills to produce investment also led to a failure to provide the basis of technical skills and knowledge necessary to the development of capital saving techniques and therefore reinforced a "state of technical backwardness" (Rosenberg 1981).

It must also be recognized that while government policy encouraged public ownership of heavy industries through protection and subsidies, no particular attention was paid during pre – SAP era, to the huge sector of small – scale manufacturing which employed 875, 000 person in 1987 as against modern manufacturing which employed 48, 000 persons in 1985, (Ikpeze, 1992) yet, the small scale manufacturing was expected to mitigate various adverse effect militating against industrial growth, especially in the areas of employment mobilization of local resources, region dispersion and linking up with other domestic sectors, especially agriculture.

Generally, it can be said that Nigeria witnessed the most sustained and severe economic crisis for about two (2) decade (1978 – 1999). Several policy packages under Obasanjo (First coming), Shagari and Buhari, Babangida and Abarcha regimes were articulated with a view to engendering economy recovery within dependent state capitalist model of accumulation rather than encouraging growth through a fundamental transformation of the structure. For instance, the reduced supply of raw materials and spare – parts to the import dependent industrial sector culminate in plant closures and low capacity utilization. The Structural Adjustment Programme (SAP) was launched in 1986. In 1989, new industrial policy for Nigeria was launched. However, in terms of emphasis, the small and medium scale enterprise (SME) projects, contained in the 1989 industrial policy stood out. After two decades of Nigeria's pursuit of an industrialization strategy based on input substitution the weight of the burden on the economy by the import manufacturing came to light by the early 1980s as the country's foreign exchange earnings declined significantly and unemployment rate soared. The social and political repercussions of this high rate of unemployment made it inevitable for the industrial sector to aim at creating job opportunities. (Adegbamide, 2007).

Consequently, upon the above, the Nigerian government had no choice than to enhance employment generation through the promotion of small – scale industries at the inception of the structural adjustment programme (SAP) in 1986; a direct product of SAP was the 1986 industrial policy. The enthusiasm that greeted the 1989 industrial policy was to the extent that the policy was often described at representing the beginning of a comprehensive and systematic approach to Nigeria industrial development (Osesterdidchoft, 1991; Ikpeze; 1992). It thus seemed as if Nigeria's was set to achieve the kind of dynamic industrial success registered by the East Asian newly industrializing country (NIC). After all, Van Dijik (1991) did posit that a number of factors outside the neo – classical orthodoxy contributed to the relative success of the NIC's. these factors include heavy state intervention in both the capital and labour markets and the formulation of sectoral priorities.

Previous initiatives designed to assist small and medium scale industries in Nigeria include:

a. Mandatory minimum credit allocation by banks to small scale enterprises (SMEs).
b. Introduction of other specialized schemes, including the World Bank SME I and SME II loan programmes, family economic Advancement Programme (FEAP) and the Agricultural credit Quarantee Scheme Fund (ACGSF). The financial schemes performed poorly due to inadequate and inefficient administration of fiscal incentives, unstable macroeconomic environment and bad management (Sanusi 2001).

The scheme is said to be the bearing industry's contrition to the Federal Government's efforts towards stimulating economic growth, developing local technology and generating employment.

AN OVERVIEW OF INDUSTRIAL POLICIES INCENTIVES AND INSTITUTIONAL SUPPORT

Given the importance and relevance of industrialization to economic growth and development, Nigeria since independence has put in place various policies, incentives and institutions to drive industrial development.

The policies and strategies embarked upon by the Nigerian government immediately after independence are import substitution industrialization policy which was the first industrial strategy embarked upon by the Nigerian, government. Its objectives among others include the lesson overdependence on foreign trade and to save foreign exchange by producing those items that were formerly imported. For example detergents, food, textiles, household appliance etc. the import substitute industrialization policy could not meet the test of time due to the lack of technical – know – how, lack of spare parts for the continuing running of such industries, different government policies and incessant change in government and non stability of prices in the international markets among others.

In 1972, the Nigeria indigenization, policy was adopted following the obvious failure of the important substitution strategy. The major objectives of the policy was to strengthen the Nigeria economy, others include the transfer of ownership and control of Nigerians in respect of those enterprises formally wholly or mainly owned and controlled by foreigners, fostering widespread ownership of enterprises among Nigeria citizens, the creation of opportunities for Nigeria indigenous businessmen, the encouragement of foreign businessmen and investors to move from the unsophisticated area of economy tot eh area where large investment are more needed.

The Structural Adjustment Programme (SAP) was adopted in June, 1986 and was regarded as the universal recipe that would bring the desired transformation of the economy from agrarian to industrial. In particular, this policy came to bring in the weaknesses, and ineffective of earlier policies. It aims and objectives include promoting investment, stimulating non oil exports and providing a base for private sector and development, promote efficiency of Nigeria's industrial sector. Privatization and commercialization of public investment develop and utilize local technology by encouraging accelerated development and the use of local raw materials and intermediate inputs rather than depend on imported ones. The sap induced industrial policies include interest rate deregulation, debt conversion, and privatization and commercialization policy and the new export policy incentive. The Bank of Industry (BOI) was established in 2000, was introduced as a development institution to accelerate industrial development through the provision of long term loans, equity finances and technical assistance to industrial enterprises.

In pursuance of these objectives, the government has experimented with a number of incentives aimed at positively influencing the performance and productivity of the industrial sector. Some of these incentives include tax holiday's, tariff protection, outright ban on certain commodities to encourage domestic production, building of industrial estates (exports processing zones) etc.

CHALLENGES TO INDUSTRIALIZATION

Nigeria industrialization process experienced fresh challenges that acted rather negatively in shaping the industrialization process. Earlier in the decades of 1970s, 1980s and beyond, Nigeria sought to borrow from various bilateral and multinational donors in order to finance wealth creation and to promote the industrialization process. It so happened that Nigeria economics accumulated a lot of debt to the tune of tens of billions of dollars. It is in mid 1980s that the reality started to dawn that they were spending much more on servicing foreign loans that for their domestic growth (Stephen, 1996).

It is this state of affair that came to be know as the Nigeria debt crisis. An indebted country cannot industrialize since most of its GDP/GNP proceeds go to servicing foreign debt. Essence therefore, this debt crisis was identified as a major impending factor to the industrialization process in Nigeria.

As such, the country suffered huge balance of payments deficits. This meant that they lack international hard currencies that were vital for the important of capital good which were necessary for the manufacturing and processing industries. As a result of this state of affairs, Nigeria lacked the capacity to exploit the necessary natural resource for manufacturing purposes in addition to the relevant technology, as well as liquid capital that is needed to sustain this process. This forced Nigeria to be dependent on more developed countries of the west for capital goods, industrial inputs, technology and liquid capital. This weak capital base has acted as a major impediment to industrialization process in Nigeria.

The political instability regimes, changes and the re – adjustments in the body politics, the country has continued to suffer a crisis of legitimacy with multiple partism failing to deliver "the democratic dreams. These political maladies that facing Nigeria have acted as the major impediments to industrialization process.

In another line of argument, it may be observed that for most of Africa's post independence period the continent in general appeared to be a late corner as well as an inferior actor in the international political economy. One area of weakness is the continent's inability to play a leading role at far as international trade and international trading regimes are concerned. Through out the 1960s through to the 1990s, the international trading system was under the control of the developed countries of the North under the General Agreement on Tariffs and Trade (GATT) arrangement. This system generally failed to create a governable environment at far as the place of Africa and the rest of the Third World are concerned. The World Trade Organisation (WTO) formed in 1994 also failed which replaces (GATT). International market shocks, as well as an international trade regimes beyond Africa's control have continued to act as a major set back to Africa's industrialization process (Bach, 1988).

But Africa's industrialization woes cannot entirely be blamed on the North, African regional integration of which Nigeria is a member seemed compromised right from the start. Towards, the end of the decades of the 1990s, otherwise known as Africa's fourth development decades; African statesmen and general academia expressed the reelings that African regionalism and sub – regional economic integration under the umbrella of organization of Africa Unity (OAU) has largely failed to deliver the industrialization dream for Africa. Infact, the African industrialization process seemed more than ever before on financial aid as well as the importation of capital goods; while at the same time being conditioned by the World Bank and other international financial institutions.

Since 2001, the African Union (AU) sought to rejuvenate African's industrialization through a number of initiatives, the most outstanding was the new partnership for Africa's Development. Otherwise known at (NEPAD) which is a product of the millennium partnership for the Africa Recovery Programme (MAP) and the OMEGA plan. It appeared at though NEPAD was open to combine the African bred industrialization political economy at the beginning of the 21st Century (Henning Nelber et al, 2002).

Crisis of Industrialization: Policy Option

There are no single approach to the problem associated to the crisis of industrialization in Nigeria, while not advocating for a protectionist policy, but it is vital to craft new industrial development policies within the context of the present realities in the global economy of support local industries in the face of crisis as was done in the United States of America, during the so called financial crisis.

There should be a strong political commitment for (agriculture led industrialization as was the case in Malaysia (structural change). Targeted policies should be formulated to promote the transformation of an economy dependent on natural resources, high value manufacturing industries such as consumer electronics, industrial automation and services.

An intra – industry structural change be put in place. That is, upgrading within the same industry and improving the industry's domestic and international position and building on what they have and moving up the value chair. As was in Mauritius.

In addition, we must apply science and technology, in the transformation process we must create synergetic linkage between research and industry and challenge our scientists and universities to prove themselves as their counterpart in Brazil, China and India have done over the past 40 years. However, we must be ready/committed to provide similar research facilities and working environment as done in those countries or elsewhere.

To make this approach a reality, we also need to work on lowering the cost of doing business Nigeria has an ease of doing business index of 137, fighting corruption, improving the rule of law, investment in infrastructure and energy and investing natural resources revenues in enhancing competitiveness and diversifying the economy.

Investment in education to provide a solid foundation for industrial modernization and economic growth. In particular, investment in engineering, vocational sub – sector development.

This should be done in tenders with a programme for the modernization of industries and infrastructure such as power supply, water, modern road networks, improves communications networks, without a well educated work force (for industry) and modern infrastructure our hope for industrialization would be delayed.

A strong support to the private sector through targeted and result oriented incentives. This requires supporting and strengthening public institutions and private sector industrial/business service associations to support an industrial modernization and trade promotion programmes. Which must be geared on public private partnerships, within a free enterprises development environment.

CONCLUSION

Industrialization is not a very current term or phenomenon at recent literatures have it to be, over the years, in its recent usage the term has been applied to refer to a wave of changes: the beginning of which was marked by the end of the mid – war thereby opening the new era of global inter – relationship characterized by advanced telecommunication, air and sea, transport and technology. It is characterized by a digital age which was made global financial transaction faster and far much efficient (Musa, 2004).

It is important to note that the entire industrialization and its attendant processes may be nothing but a more conduit for further domination of the world economy by the developed countries of the world. The may others around the country have expressed the contention that industrialization presents the greatest opportunities for Nigeria to industrialize through the wealth of investment opportunities, creates markets, more efficient access to advanced technology and international capital flow. In this light industrialization could be viewed either at a catalyst or an impediment to the country's developmental process. This is dependent on the side taken by those who support a criticize it.

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