

INCOME TAX RELIEF LEGISLATION'S CONTRIBUTIONS TO FOREIGN DIRECT INVESTMENT INFLOW AND FAILURE OF NIGERIA'S IRON AND STEEL INDUSTRY: DISCOURSES ON INDUSTRIAL DEVELOPMENT IN AFRICA'S SECOND LARGEST ECONOMY (NIGERIA)

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Abstract

The quest for industrial development in the post-independent era of Nigeria is considered a priority for achieving economic growth and social development. This article examines two aspects of Nigeria's industrial/ economic development: the industrial development income tax relief of 1971 and foreign direct investment (FDI) inflow into Nigeria over decades preceding and after the introduction of the former legislation. Framing the analysis on the growth pole theoretical conceptualization and using methods of description and case study we obtained and analysed secondary data to show the trend of Nigeria's manufacturing sector's poor performance after the industrial development income tax relief was promulgated and administered in 1971. Nigeria's manufacturing has been blighted by poor industrial capacity utilization, slow growth rate of manufacturing and low contribution of manufacturing sector to the total national gross domestic product (compared to other sectors of the economy such as peasant agriculture). FDI inflow into Nigeria increased sharply from a lower level in the 1960s to higher levels in the post-civil war decade (1971-1980). The low levels of industrial development and variation in FDI inflow prior to and after the industrial development tax legislation as well as the failure of Nigeria's iron and steel industrial development programme are explicated. The policy implications of the findings of this study underline the urgency of tackling corruption perpetrated by Nigeria's parasitic elite who

have abused legal and other incentives provided industrialists by governments they dominate and influence since independence in 1960.

Keywords: Industrial development, Nigeria, iron and steel, post-independence, external debt, elite.

1. Introduction

British achievement of “industrial revolution” (pioneering transformation of its craft and cottage industries into the factory form of production- between eighteenth and twentieth Centuries (Bythell, 1983) and later accomplishment of socio-economic prosperity –through implementation of social and institutional innovations, led to improved living standards and consumerist society. To properly situate and understand the crises of development generally and crisis of industrial development in Africa and Nigeria, it is important to draw attention to the knowledge that what is popularly known as industrial revolution is not as monolithic and based in Britain as has been commonly presented in the literature. Although, its second phase (involving iron and steel development -1840-1900) also happened in England, like its initial counterpart, it extended to Germany and France and was founded on achievements in the nexus of the electric engine and steel industry. This must be distinguished from the first industrial revolution that pertained to the advent of the steam engine, textile industry or the industrial loom and mechanical engineering: all concentrated in the United Kingdom, between 1780-1840 (Agbu, 2007: 8, citing Mudenda, 1995). Some achievements of the United States of America (USA)-based third industrial revolution (1900-1950) include also the electric engine but extended to manufacturing of goods such as heavy chemicals, automobiles, and durable consumption goods/services. From the middle to the end of the 20th Century (1950-2000), the fourth industrial revolution is distinguished or characterized by advancement in manufacturing of synthetic –contrasted to naturally formed- fuels (petroleum) among other synthetically generated materials, information and communication technologies and electronics within the Asia-Pacific Basin of South-East Asia including Japan, China, and Hong Kong (Mudenda, 1995).

Owing to its centrality in stimulating manufacturing of various goods (including those used in further production processes i.e. capital goods and those that are readily used by people or consumer) goods and their distinctive contributions to economic growth and socio-economic development of those nations that pioneered it, the industrial revolution (comprising the foregoing phases) provided a socio-economic development model to be replicated, to varying degrees, by most countries including the United States of America, and others in the membership of the Organisation of Economic Cooperation and Development (OECD). Recently, Developing countries have been challenged to replicate these revolutions (Demeny and McNicoll, 2006). Nigeria’s last years of colonial rule by Britain, from 1954 to 1960 (the year she gained flag independence), the colonial government selfishly served British interests by adopting rudimentary policy changes aimed at attempting to demonstrate its genuine interests in Nigerians. First, the colonial rulers embarked on valorizing agricultural raw materials before their export abroad: mainly to the metropolitan capitals of Britain. As explained later in this paper, valorization made economic sense because it reduced the weight of the raw materials before their transport over long distances at a time that transport was a major impediment to development. Second, the colonialists, like their indigenous successors, adopted another industrial development policy that promoted the creation of what is called: “import substitution industries, ISI” (Adejumo and Olaoye, 2012: 1). The foregoing were aspects of the national industrial landscape on which the Nigerian Industrial Income Relief Act was promulgated in 1971. That was about eleven years after Nigeria gained flag (political) independence from its British colonial overlords, and two years after the cessation of the

Nigerian civil war waged by secessionist Biafra (an independent Republic declared by the Ibo ethnic nationality of Nigeria's south-eastern geo-political region from 1967 to 1970 arising from charges of injustice and marginalization against the Federal Republic of Nigeria), the Federal Military Government of Nigeria –led by General Yakubu Gowon- promulgated a special law aimed at promoting industrial development in Nigeria.

Entitled “the Industrial Income Relief Act No. 22 of 1971”, this law represents a pioneering step taken by the newly politically independent (but economically dependent) Nigerian dictatorship aiming to strengthen the economy that had for long been belaboured by external forces: from oppressive unequal trade with merchandising and mercantilist European countries, transatlantic slave trade; colonialism; post-colonialism/imperialism and neoliberalism. Shortly after independence in 1960, Nigeria's industries suffered a battering by internal forces manifesting as conflicts between and among diverse ethnic nationalities resulting from mutual distrust that culminated in a tragic 30-month-long civil war as the Ibo (ethnic nationality of southeastern Nigeria) struggled to secede from the rest of Nigeria's federation. However, the dictators promulgated this Act as a legal instrument aimed to enhance economic growth and socio-economic development in a developing country-an economic category that Nigeria belonged then and presently. This followed the preceding (international conference on post-war reconstruction and development organized under the auspices of the Nigerian Institute of Social and Economic Research (NISER), Ibadan, between 1968 and 1970 (Ayida and Onitiri, 1971). Attracting as much foreign direct investment (FDI) as possible has been viewed a popular economic planning/management strategy that effectively increases investment capital required for several purposes –including generation of employment opportunities, enhancing managerial skills and transferring technology (Wafure & Abu, 2010: 26). Increasing FDI is necessary for up-scaling industrial manufacturing, among other needs for achieving socio-economic development and progress. The Industrial Development Income Tax can easily be viewed as one of the follow on actions aimed at consolidating on the plan for national economic resuscitation and development that was previously initiated in the foregoing post-war conference. In 2012, nearly four decades after these phenomena (civil war, post war reconstruction, rehabilitation and development conference, and several national development plans, among others), it is high time to assess the gains or otherwise that might have accrued from these general and/or specific aspects of initiatives that were degree to which the goal(s) of the 1971 industrial development income relief tax have either been achieved or otherwise.

This (industrial development) law also roughly coincided with the launching of Nigeria's Second National Development Plan (1970-1974). Having exhausted the possibilities of the nation's First National Development Plan, which covered the period of six years (from 1962-1968), this Second Plan, appreciated the challenges posed by the civil war and set out objectives that were to be achieved in bid to cause improvement in the most important national development goals and aspiration. These goals included achieving rapid industrialization and sharing same equally to various regions of Nigeria; diversifying the industrial sector, strengthening Nigerian industries to cater for foreign markets; increasing incomes generated from manufacturing; improve upon capital goods production while sustaining import substitution; and to raise the level of indigenous ownership of industries by Nigerians (Nigeria, 1970/1). As usual, governments employ taxation or tax policies as an instrument of promoting the achievement of their goals and objectives in this case of the Nigerian government industrial as well as national development.

Is industrial development in Nigeria an oxymoron or elitist sabotage of public incentives? Untangling a puzzle

Nigeria's industrial geographers have tended to restrict their studies to analyzing spatial disparity of manufacturing in the country and the emergence of a few urban manufacturing conurbations in various parts of the country. Being a developing country characterized by the nearly mass failure of development policies, strategies and approaches—including the 1971 industrial development tax, among others—; policy analysts are tending to (or becoming increasingly inclined to viewing development policies, and strategies as failures arising from what some view as the oxymoron of the development process they consider to be universally applicable. The paradox associated with the concept or hypothesis of “(natural) resource curse” afflicting some countries—such as Nigeria, which despite being natural resources wealthy yet present scandalously poor socio-economic development conditions have been documented (e.g., Ingwe, Otu, Agi, Eja, Ukwai, 2008). Under such circumstances, it seems as if all policies were eternally doomed to failure in some “cursed areas” or were meaningless antics of governments of all countries and dramatic things done to deceive without bearing any tangible benefits or consequences. Like most policies formulated and implemented by Nigeria's post-independent administrations, the 1971 industrial development (income relief) tax is poorly understood by citizens. Most Nigerians and friends of the country do not understand issues surrounding its creation as well as successes or otherwise resulting from its implementation. To what extent did the 1971 industrial development income tax relief Act succeed? What reasons account for the success or failure of the 1971 industrial development Act? To what did the industrial development income tax relief Act contribute towards stimulating FDI inflow into Nigeria's economy? What could be done currently in order to make progress beyond what has either been achieved or otherwise?

Objectives

The objective of this paper is to highlight matters (issues) arising from the promulgation of the 1971 industrial development income tax as they associate with other related socio-economic-political factors. The specific objectives of the paper are: To clarify the nature of the 1971 industrial development income tax relief Act; To relate this law to some of the subsequent political-economic-social developments and industrial development trends and related factors in Nigeria; To show how the industrial development income tax relief Act contributed towards stimulating FDI inflow into Nigeria's economy? In the rest of this paper, we organize our discussion in sections. We present some contextual issues in Nigeria's industrial development to clarify the urgency of achieving industrial development and related matters. Here, we show some basic features of Nigeria's society and economy including revenue generation, poverty level, (un)employment, among others. Next, we frame the discussion on the famous growth pole theory. Next, we show how useful the method of description is in highlighting the problematic downplaying aspects of industrial development policies and external debt financing of industrial development in the literature. Elsewhere, we explicate the nature of the 1971 industrial development (income tax relief) Act and debt-financing of industrial development with particular example of Nigeria's iron and steel plant. Then we present some background to Nigeria's basic industrial development status, among other socio-economic-political development indicators. In doing this, we draw from two essential public documents: first, Nigeria's Second National Development Plan (Second Plan) covering the years 1970 to 1974; second, Nigeria's industrial development (income tax relief) Act, No. 22 of 1971. Thereafter, we present the study's findings representing an assessment of recent dismal performance of Nigeria's manufacturing sector nearly 40 years after the promulgation of the 1971 industrial development tax Act and launching of the Second Plan. To buttress this point, we show how the proposed industrialization Plans emphasized ubiquitous involvement of the State (government) in

creating and managing manufacturing establishments. We also recall the failure of external debt financing as a strategy of invigorating Nigeria's industrial development, similar to failures of several other related development sector policies that have been contrived and implemented by the elite, who are the local agency for promoting external neoliberalism in Developing Countries (DCs). To underscore the phenomenalisation (i.e., syndromic manifestation) of the latter in Nigeria, we briefly tell Nigeria's sob story of the failure of the nation's integrated iron and steel industry since its conception and de-conception or "death". Finally, we conclude the paper and recommend strategies that might be applied to achieve the desired goals/objectives of industrial development as were outlined about four decades ago in Nigeria's 1971 industrial income relief tax Act and the Second Plan.

Some clarifications relevant to the justification of this study are apposite at this juncture. In framing this study, we note temptations to resort to the well trodden concepts of neoliberalism, rational choice theory and parasitic elitism. However, this temptation was resisted by bringing on the geographical growth pole theory (applied here) for good reasons. Although the growth pole concept of concentrating investment in selected places (as has been the case in the rather few government facilitated urban-industrial conurbations in Nigeria –as shown elsewhere in this article) and the famous *Mezzogiomo* project in Italy (Mayhew, 2009: 228-9), the nearly phenomenal success of the same strategy elsewhere makes interrogation of the failure of the policy urgent here. Moreover, the concepts of neoliberalism, rational choice theory and parasitic elitism were recently integrated to the rational choice theory to frame analysis of attempts by Nigeria's federal legislators to de-autonomise (reverse the independence/autonomy) of the Central Bank of Nigeria (CBN). The latter study highlights the way the CBN leadership has through policies and operations obstructed, resisted and prevented corrupt self-enrichment schemes of the nation's elite within the last decade characterized by serial commercial bank restructuring and/or consolidation and critical reviews of national development policies (Ingwe, 2012). Perhaps, more relevant to Nigeria's socio-economic development is that the failure of industrial development in Nigeria is challenges and hampers the national aspirations including job creation, increased productivity, among other goals/objectives –that were parts of the plans of the 1970s (Second Plan and the industrial development income tax relief Act). Additionally, unemployment has increased to scandalous levels in Nigeria's urban centres in the same proportion as industrial development policies failed: indicating the absence of urban-based growth poles in the country.

2. Context for industrial development in Nigeria

With a rapidly growing population –increasing from 55.6 million people in 1963 to over 161 million in 2011, i.e. projected from the 2006 census (BusinessDay, 2011, National Population Commission 1990, Nigeria 2007) and poor socio-economic and political conditions, Nigeria urgently requires a more vibrant industrial manufacturing sector than its current/recent rather poor status described here and later in this article (*section 5*). The country's 2006 population, was nearly 20% of Sub-Saharan Africa's total population in 2005 (WRI UNDP, UNEP, and World Bank, 2005), projected to rise to over 151.3 million people in 2009 (World Bank 2009) made her retain her existing rating as Africa's most populous country. With an area of 909,890 square kilometers, Nigeria is one of Africa's largest countries (Nigeria, 2006) and the largest country in the West African sub-region. Nigeria's possession of huge human and natural resources capable of supporting her rise to a more respectable position on the development ladder is a frequently stated point. Nigeria is especially known for her large proven deposits of fossil fuels including, (in million metric tones of oil equivalent (*mtoe*)) as follows: (oil: 4635; natural gas: 4497 (WRI, UNDP, UNEP, and World Bank, 2005) as well as coal: about four billion *toe* (Adekeye, 2008). It is location within the tropics and posses two major vegetation zones: rain forest and Savannah; reflecting the amount of rainfall and its spatial distribution, received by each of the zones. Irrespective of Nigeria's

reputation for earning huge revenue from being one of the world's leading exporters of oil since the 1970s (and more recently one of the leading exporters of natural gas), high levels of corruption, frequent stealing of public funds by the country's parasitic elite (has added to mediocre management of socio-economic and ecological sub-systems) to make the country to present one of the highest levels of poverty in the world (Adams, 1991, Ribadu 2009, Omojola, 2007). Based on surveys undertaken in the late 1990s, about 70% to 90.8 percent of Nigeria's population was classified as poor-unable to earn and spend US\$1 per day and US\$2 per day (WRI, UNDP, UNEP, and World Bank, 2005). Although Nigeria possessed the second largest total gross domestic product in Sub-Saharan Africa in 2002, the country was one of those with the least (37th position overall) per capita government spending on health care in the rather poor region.

Unemployment, youth-bulge and rebellious tendencies

Analyses of Nigeria's burgeoning population reveal its content of larger strata of youthful people (WRI, UNDP, UNEP, and World Bank, 2005). With recent reports revealing worsening unemployment presenting over 40 million youth being un-/under-employed (Nigerian Tribune), 2009/25 February: 20), it is feared that youth bulging is plausible. Historical youth unemployment has been explicated as one of the legacies of nearly 50 years implementation (since the 1960) of neoliberal policies implemented by Nigeria's successive post-independent administrations whose ruling class has implemented this in a fundamentalist manner (Ingwe, Okoro and Ijim-Agbor, 2012).

Wolfgang Stolper, an economist lamented in the early 1970s that "it does not make sense (for Nigeria's economic planners) to spend so much on education that you (i.e., Nigeria's government) have nothing left to employ the educated" (Stolper, 1971: 78). Nigeria's government failure to employ the nation's youth could not be attributed to having nothing left from spending on their education but the result of annihilative corruption perpetrated by the nation's parasitic elite (Ribadu, 2009, Olomola, 2007, Smith, 2006). Instead of adopting original development strategies that facilitate social inclusion as practiced by the 13 Sustainable Growth Economies (Spence, 2008), Nigeria's ruling class has implemented policies emphasizing socio-economic exclusion received from the Washington Consensus (WC) (Ingwe, Ikeji and Ojong, 2010). Youth unemployment in the Niger Delta has been one of the several factors hampering development in the fossil-fuel-rich region since production of hydrocarbons started there in the late 1950s. Other challenges faced by the region (or the South-South part of it) have been attributed to the ruling class' implementation of marginalization policies (Ingwe 2009, Omojola, 2007, Mitee, 2006).

Figure 1. Nigeria's 36 states and Federal Capital Territory projected from Africa



Sources: (1) <http://www.worldofcultures.org/1024/africa/AfricaMaps/nigeria.gif> ; (2) <http://www.world-gazetteer.com>.

3. The growth pole theoretical conceptualization of industrial (manufacturing) development legislation in Nigeria: From origin, nature, to the substance

The relevance of this concept to industrial development and FDI (themes of this study) is underscored by its conscious incorporation over the post-independent history into Nigeria's various development agenda: from industrialization, urbanization (or creation and management of metropolises) as well as their regions; through the contributions of the nation's eminent geographer (Mabogunje, 1974; Mabogunje, 1971) assisted by others. Although profusely discussed in the literature of economics, regional planners, public administration, policy, political science, among others such as development studies, the growth pole theory can be adapted for discussing business issues and topics such as the present one. Would be explained below, this concept is being applied here (i.e., in this paper) because of its emphasis on the contribution of industrial plant(s) to the catalysation of economic growth in either a city, region or both. Despite its use in the considerably wide breadth and length across multiple disciplines, it is by and large one of the most popular concepts or theories in regional

development. As the latter field is concerned with national development, including Nigeria, it is appropriate to borrow one of the concepts of the field (regional planning) for discussing legal aspects of industrial development policy in Nigeria within business education. Several aspects of this concept or theory, including its origin are interesting. Its formalization and elaboration in ways that increased its viability as an academic and professional concept is popularly credited to the French economist called Francois Perroux (1903-1987). Afterwards, the growth pole concept became subject to various definitions and interpretations, and experienced increased application and diffusion across the world. Some scholars such as Monsted (1974) and Parr (1999) suggest that the widespread use of the growth pole concept is easily confirmed in its frequent mention or adoption in papers/articles presented in conferences, published in journals, books and monographs on the various subjects listed above. Moreover, professional its application has apparently led to positive outcomes in developed countries in Western Europe, particularly in Great Britain, France, Italy, among other nations.

Still on its origin, most are unaware of the fact that the growth pole concept actually originated not from France but from the British Economist, Sir William Petty (1623-1687), whose fascination with high growth in London during the 17th century was persuaded to conjecture that strong urban economies are the backbone and motor of the wealth of nations. The use of this growth pole concept as a regional development strategy became increasingly popular in developing countries mostly Latin America, in the 1960s. This saw increasing optimism of national governments about the benefits - pertaining to economic growth and social progress- derivable from the application of the growth pole concept of regional development (Angotti, 1998). However, this optimism was short lived as the 1970s came with dwindling interest in the growth pole concept in most developing countries due their failure to see or confirm the yield or anticipated outcome of the concept's application in several countries (Gilbert, 1974; Conroy, 1973; Moseley, 1973). Irrespective of this disappointing history, some belief in the efficacy of the growth pole concept still remains till date. This assertion could be confirmed in the literature and various programs designed to expand national development through the creation of viable cities. Currently, the debate continues regarding whether the growth pole is still a viable strategy for strengthening the economies of the African region at various levels: continental scale, national and sub-regional scales.

Definition and substance of the Growth Pole Theory

Growth pole theory, as originally propounded, was based on assumptions that instead of happening ubiquitously and equally so simultaneously, growth (in terms of the economy, infrastructure that yield growth or the things associated with it occur in specific (restricted) "points" or "poles" of growth (Perroux, 1950; 1955). Growth manifests in variable intensities, and spreads through different media and eventually makes its impact felt in the entire economy (Vanneste, 1971). Most readers of Perroux's initial conception of the growth pole theory/hypothesis believe that his argument connoted an individual (industrial) plant; i.e., an industrial plant that occupied space in an abstract economic sense, rather than one that occupied a specific geographical space such as within a city or region (Vanneste, 1971; Monsted, 1974; Mitchell-Weaver, 1991). Vanneste (1971) points out that it was later on that Perroux refined his concept of growth pole to include and connote a dynamic unity within a defined environment. In this latter conception, the unit refers to a simple or complex: (I) a firm, or (ii) group of firms not institutionalized, or (iii) group of institutionalized firms, such as private and semi-public establishments.

Incorporating industrial establishment function into the growth pole proposition

Following the foregoing features of the growth pole concept, other contributors (Davin, et al., 1950) incorporated a functional attribute to the concept. These authors proposed that a growth pole is created when an industry, as a consequence of the flow of goods and incomes generated by it, catalyses the growth and development of other industries that are related to it (technical polarization); or causes the prosperity of the tertiary (services) sector through its incomes generation capability/function (income polarization); or stimulates improvement in the regional economy through the promotion of a progressive concentration of new economic activities (psychological and geographical polarization). The suggestion that the growth pole concept possesses a functional characteristics led to the argument that it would be wrong to neglect the spatial aspect and the geographical implications of the concept (Vanneste, 1971).

The imputation of a local geographical base to the growth pole leads to greater confidence in assuming that its creation is capable of inducing external economies within local firms. This suggests that growth not only results from direct trading among firms located in the same geographic area, but can also be accomplished through a structural change in the region. It is in the latter sense that Monsted (1974) asserted that local trade and business establishments that are not even directly associated with the growth pole are also capable of benefiting from high demand induced by greater or better resources and wages created in the region. Others, e.g., Bhandari (2006) argue that the geographical aspects of growth poles have come to be considered as the most important component of this theory: growth pole (Gantsho, 2008). As suggested in the beginning of this section, it has been demonstrated that the growth pole concept is suitable for discussing industrial development legislation in Nigeria.

4. Methods and data: Using the method of description to highlight hitherto downplayed issues surrounding the industrial development legislation

The methods of description and case study were used here to highlight challenges engendered by industrial development income relief tax and the failure of steel industrial development in Nigeria. Qualitative techniques were applied to interpret data on various dimensions of industrial development over the possible temporal scale for which data was available. Description was preferred because experienced researchers report that their use of the method have yielded profitable results. The method of description is suitable and beneficial for this type of study for several reasons. It has proved to be suitable for: investigating the status of things (in this case, industrial development tax and steel industrial development); highlighting the relationship between this subject matter and the aspiration to achieve sustainable development in Nigeria; investigating and understanding (industrial development tax and steel industrial development in Nigeria), issues which has been ignored and downplayed by academic researchers. Owing to its capability of highlighting factors that underlie most societal conditions thereby exposing clues, and hunches from which hypotheses could be framed for conducting further studies on the same or related themes and topics, description is suitable for highlighting clues about factors underlying issues of industrial development tax and steel industrial development in Nigeria for this and subsequent further studies, policy and action; description facilitates the creation of hypotheses for further studies that might be amenable to the application of experimental research methods.

The case study method of the specific type of description was used. Owing to the existence of numerous industrial sectors as well as thousands of industrial establishment within urban centres in

Nigeria, we had to apply the case study method which involved using purposive sampling to select Nigeria's iron and steel industrial sector as one of the numerous industries in Nigeria for detailed study. This is justified because the latter possesses characteristics that are representative of the huge population of industrial establishments in Nigeria. We used the redemptive-cosmological approach of case study because of its suitability for operationalising our sympathetic and empathetic research commitment which aims to contribute solutions to the problem of inadequacy of health care in urban Nigeria. The data analysis under description involves simple interpretation (Ogunniyi, 1992: 65-66). Description involves a set of essential activities that form the initial steps in the development of most academic disciplinary fragments (industrial development analysis). Therefore, having accomplished the identification of a topic (or the issue of inadequate industrial development in Nigeria) that is yet to be well known and convincing readers about the significance of the topic, we proceeded to collect, record and analyse data based on simple interpretation and the creation of concepts and methods of classification designed to impose some structural refinement on the data (Howard and Sharp, 1983: 106). Secondary sources formed bases for collecting data for this study. These include the records kept by government ministries, departments and agencies (MDAs) in Nigeria, and the literature such as published articles in journals, books, monographs, among others). For instance data for comparing the sectoral contribution of industrial manufacturing to Nigeria's real gross domestic product (GDP) covering the period of seven years counted from 1999 through 2005 were obtained from the National Bureau of Statistics (NBS) which receives same from responsible MDAs. This was also the case for industrial capacity utilization.

Temporal scope of data/analysis of sectors' contribution (manufacturing, *et. al.*) to total GDP and FDI inflow into Nigeria's economy

Rather than being restricted to examining the country's manufacturing sector's performance in the years following the enactment/enforcement of the industrial income tax relief Act, we preferred to overview the sector's performance prior to as well as after the legislation in order to enrich a long-term view of manufacturing to facilitate comparison. Therefore, we extracted/examined data on Nigeria's industry performance over several decades: from the 1960s through the first decade of the 21st Century (i.e. 2001-2009). We justified this trend data analysis by thinking that it is possible for an effective legislation to remain relevant, several years after its introduction or administration. Moreover, the trend data should facilitate a long-term comparison of the effect of the legislation on performance over the decades covered by the study. Moreover, the effects of most legislation may not necessarily become evident immediately after their administration because some years may have to pass before their effects become observable. Historical data on **FDI inflow into Nigeria** (from 1960 – 2006) were obtained from the Central Bank of Nigeria (CBN) publications. These reported their sizes by consecutive years covering the years and published as a compendium from 2005 through 2006. Following (see section 6: *findings*), we report results of our computation of averages of the foregoing data by decades (i.e. 10 years), when possible except for those covering 1960-1970, which covered 11 years; and those covering 2001 – 2006, which covered only six years).

5. Nature of the Industrial Development Income Tax Relief Act (Subsidiary legislation), No. 22, 1971

As earlier mentioned in the introduction, this Act was promulgated by the dictatorship of General Yakubu Gowon shortly after the 30-month-long Nigerian civil. A study of the original document reveals

that it might have been prepared on 1st April, 1970 but might have come into force in 1971. Its essence and purpose of the law were stated in the following words:

An Act to repeal and re-enact, with major changes, the Industrial Development (Income Tax Relief) Act and to make provision for tax relief for certain industries that may be issued with pioneer certificates by the Minister and other matters ancillary thereto.

The foregoing notes in this legislation have been interpreted to mean that this law does not directly impose tax but provides tax relief or incentives to firms operating in Nigeria that the Industrial Development Coordinating Committee comprising Ministers and other Nigerian government officials consider qualified to be accorded “pioneer status” thus issued certificates for that purpose (Lawal-Aluko, 2004). The granting of pioneer status to an industrial establishment aims to facilitate its profitability during its formative years such that most of the profit generated could be re-invested in the business. When granted, it conveys a 7-year tax holiday on the benefiting establishment whose qualification to receive it is its operating in a disadvantaged location in an economically backward part of the country to enable the plant increase its profitability. For a Joint venture or wholly-owned companies granted the pioneer status, it is expected to have incurred a capital expenditure of at least five million Naira (Nigeria’s currency, -about 150 =N=GN = US\$1). Additionally, any company interested in being granted this status must strive to avoid being barred by submitting its application within a year of its operation (NIPC. (no year).

Moreover, explanatory notes in this document (as issued by Nigeria’s Federal Military Government in 1970) reveal, among other things, that “the Minister” responsible for issuing the “pioneer certificates” is the Minister for “Industry”. However, it has been traditional in Nigeria that whenever this responsibility is not as specific as in the latter (i.e., industry), the responsibility shifts to any other ministry, department and/or agency of the Nigerian government mandated to promote industrial development. The last section of the law provides a “schedule” listing myriad industrial subheads under which manufacturing was expected to be undertaken by Nigerian companies. These ranged from agricultural raw materials (such as food products, pulp, rubber, etc.) to metal works, pharmaceuticals, medical and dental equipment, among others. Further understanding of this law derived from documents shedding light on it. These documents state that the Act complemented similar existing law of 1952 that aimed to “Aid to Pioneer Industries Act, No. 10. Cap. 87 of 1958 edition). The latter offered tax relief to industrial establishments holding the “pioneer certificates” for a maximum period of five years, no more, (Nigeria, Federal Military Government of, 1970). A very significant aspect of this Act is the elaboration of circumstances and criteria that should be considered for issuing “pioneer certificates” for industrial plants and/or their products. The “pioneer certificate is a category used by government to endorse and by extension; promote any particular industry and/or its product. It is one of eight tax laws that impose tax on individuals and corporate bodies in Nigeria (Lawal-Aluko, no year).

Industrial development policy (income tax relief) in Nigeria: Context and justification

This discussion could have purposely been restricted to industrial development in Nigeria’s post-independent era because of the need to time it to fit the promulgation of the industrial development tax in 1971. Should such an approach be adopted here, certain points relevant for both justifying and understanding the 1971 industrial development legislation –the matter being discussed in this paper– would be lost or remain unclear. At the time of this monumental legislation (i.e., 1970s and thereafter), craft was the subsisting industrial engagement and legacy of the pre-colonial economy (prior to 1900) of various ethnic nationalities located in various areas had given way substantially to much more modern factory-type industrial manufacturing which is more competitive and had accomplished the relegation of the latter to the backwaters of the market. During the pre-independence era of Nigeria, craft

production, by and large formed the traditional and cultural industrial heritage and occupation of the various ethnic nationalities that constitute the current Nigerian federation. The distribution of various key crafts production areas by ethnic nationality and geography (i.e. their location) were as follows: wood and bronze works in the forested areas of Benin Kingdom and pottery, blacksmithing and wood-carved works in the southeastern area of *Awka-Nri-Igbo-Ukwu* of *Igbo* land. Others are: textile production involving weaving and dyeing of cloths and fabrics as well as carving of calabash materials into ornaments in Oyo empire; glass and brass ornaments production was notable in Bida region; production of leather wares was notable in the Hausa-Fulani region; while the Efiks and Ibibios of the southeastern region specialized in cane furniture, woodcarving and raffia embroidery. These crafts specialization by regions conformed mainly to the distribution of raw materials by geographic regions and the perception of the native population of the resource valuation of the various materials (Onyemelukwe, 1983).

The geography of Nigeria's industrial (manufacturing)-urban conurbations earlier defined by (Ajaegbu, 1976 cited in Ajayi, 2007). Here, we reconfigure same by assigning the manufacturing axes to appropriate geographical regions roughly corresponding to fairly familiar north, south, east and western, and subdivisions of them. This reveals the concentration of manufacturing in the following industrial zones: south-western Lagos mega-city (former federal capital and currently commercial capital of Nigeria and most of West Africa) extending to parts of neighbouring Ogun State, Ibadan; mid-western industrial axis (Benin city-Warri-Sapele; south-eastern industrial cities including Port Harcourt-Enugu-Aba-Onitsha axis; northern cities including Kano-Kaduna-Zaria-Jos. It has been suggested that these urban-manufacturing conurbations correspond to their purposeful configuration for achieving the objectives of the strategy of valorizing agricultural produce or raw materials for manufacturing (Ayeni, 1981a).

The contrivance of factory-type industrial production (manufacturing) of goods in advanced colonizing and imperialist countries (mostly western European countries but especially Britain, which colonized Nigeria politically until 1960 and persists in socio-economic colonization, imperialism and neoliberalism presently) using raw materials obtained from Nigeria was associated with the need for valorization of industrial raw materials in order to enhance manufacturing. Valorization describes the process of raw materials' quality improvement through their initial processing to facilitate manufacturing. Frequently, it involves extraction of components of the raw materials that are not required in the manufacturing process thereby easing further processing (Mabogunje, 1973, Abovade, 1968, Onyemelukwe, 1983, Ayeni, 1981). Most agricultural raw materials that Nigeria exports under the dubious claims of comparative advantage in international trade whereby Nigeria, like most developing countries are "advised" to export and specialize in exporting raw materials for industrial manufacturing in the advanced countries to enable the latter concentrate on specialized manufacturing; have had to be so valorized. A few examples of such agricultural produce were those that made the headlines in Nigeria's hey days of agricultural produce export. This saw various geographical regions of Nigeria exporting different agricultural produce. The western region exported cocoa, while southeastern Nigeria exported palm produce (oil) and northern Nigeria was famous for the conspicuous "groundnut pyramids", where mountains of bagged groundnuts awaited export to Western Europe for the manufacture of consumer –and infrequently- capital goods. This valorization has also been the case in the extraction and export of myriad other raw materials of the nonagricultural category exported from Nigeria.

Raw materials extraction and transport infrastructure (railway and roads) development in colonial Nigeria

It has been shown that the manner in which British colonizers of Nigeria built railway lines in the 19th and 20th Centuries was dictated by their selfish interests in extracting and exporting raw materials from various parts of the country for transfer to their metropolitan region: British economic centres. In this connection, the reason for extending railway line by British colonialists to Jos was to transport Tin and Columbite from that region to Lagos for onward transfer to Britain. Port Harcourt seaport and railway terminus were developed as complementary transportation infrastructure to transfer petroleum oil and palm produce from there and from elsewhere in wider southeastern region through Lagos, if necessary, onwards to Britain. Roads developed during the colonial days were designed to complement the railway and to meet the economic interests and goals of colonial Britain (Akinwale, 2010).

6. Findings and discussion: effectiveness of the 1971 industrial development tax act and inflow of foreign direct investment into Nigeria

Comparing contribution of manufacturing and selected sectors of Nigeria's economy to total gross domestic product (GDP), 1960 -2009

To explicate the performance of Nigeria's industrial sector, we draw a few points or explanations by Central Bank of Nigeria (CBN)'s Governor –appointed to a five-year term since 2007, Sanusi L. Sanusi, who recently elucidated on Nigeria's economy, generally and the manufacturing sector in particular concerning connotations of manufacturing in Nigeria's official statistical system. He defines sub-divisions within Nigeria's industrial sector as comprising manufacturing, mining (including crude petroleum and gas) and electricity generation. In terms of structure and organization, the Nigerian manufacturing sub-sector comprises establishments (enterprises) of three main categories: large, medium and small, while the headings (categories) that existing cottage industries and hand-craft units remains unspecified. Nigeria's mining sub sector is composed of crude petroleum, gas and solid minerals. Prior to the advent of fossil fuels (including petroleum and hydro-carbon-based minerals such as coal, tin was the major mineral exported in Nigeria's era of colonial rule by Britain. After the advent (or discovery of commercially viable deposits of petroleum and natural gas in 1956/7 in the South-South geo-political zone or geographical south-east of Nigeria; crude oil export assumed relative importance compared to solid minerals, which faded into insignificance in the reckoning of policy-makers. For the avoidance of doubt, the largest mining activity in Nigeria has been crude oil production, (the latter's sudden dominant position -in terms of government revenue and export earnings- since the 1970s), is indubitably the result of ineptitude of Nigeria's thieving parasitic elite. More recently, natural gas production has increasingly attracted attention, as another alternative export commodity/product whose huge potential, in terms of its vast deposit is tending to reduce the pathological dominance of crude oil in Nigeria's economy (Sanusi, 2011).

While Nigeria's ruling class on attainment of independence on 1st April, 1960 claimed that a programme of transforming the country's agrarian economy of that time into an industrial one was a top priority of the government, the outcome –as revealed by statistics- has been disappointing (see table 1). This poor outcome has happened in spite of spirited efforts made by successive post-independent administrations/governments to boost manufacturing output by enunciating various policy regimes. One main indicator of this assertion that the performance of manufacturing has been poor is the sector's failure to make significant contribution to the growth of the economy compared to other

sectors as well as compared to the performance of manufacturing in other developing countries/economies in Asia and Latin America.

Data analysis informs that manufacturing, -as a whole- contributed only 11.3 per cent of the GDP in 1960-70, afterwards grew significantly in the next two decades: from 29.1 per cent between 1971-1980, to a high of 41.0 per cent between 1981-1990. The latter growth is attributable largely to the crude petroleum and gas production during those decades. Manufacturing's contribution declined to 38.6 per cent in the 1990s and further to 29.4 per cent during the first decade of the 21st Century: 2001-2009. The contribution of Nigeria's manufacturing sector was on average below 5.0 per cent in the last two decades. It is important to enhance understanding of this title by clarifying that the relatively high contribution of oil sector to the industrial sector contribution has resulted largely from crude production contrasted to the associated 'core industrial' components of that sub-sector such as refining and petrochemicals. While the contribution of wholesale and retail trade and services has more or less remained stable during the study period the contribution of building increased steadily: from 5.3 per cent in the 1960s to 8.3 per cent in the 1970s, but declined consistently, afterwards, to 1.8 per cent during 2001-2009. The country's manufacturing sector performance improved slightly during and a few years after Nigeria's era of violent enforcement of the structural adjustment programme (SAP), a policy imposed by the Washington Consensus (WC) and adopted by IB Babangida's dictatorship from 1985-1993 (see, Ingwe, Ikeji & Ojong, 2010; Ekpo & Umoh, no year). This was indicated by increases in manufactured exports (textiles, beer and stout, cocoa butter, plastic products, processed timber, tyres, bottled water, soap and detergents as well as iron rods) during the period mentioned. Ruefully, some of these products disappeared from the export list afterwards due to deterioration of the manufacturing environment such as sharp decline in public electricity supply.

Table 1. Contributions by various Sectors to GDP

Activity Sector	1960-1970	1971-1980	1981-1990	1991-2000	2001-2009
1. Agriculture	55.8	28.4	32.3	34.2	40.3
2. Industry	11.3	29.1	41.0	38.6	28.4
3. Manufacturing	6.6	7.3	6.1	4.9	3.9
4. Building & Construction	4.8	8.3	2.3	1.8	1.8
5. Wholesale & Retail Trade	12.8	17.6	14.5	13.8	14.0
6. Services	15.3	16.5	9.8	11.5	15.5
TOTAL Value Added	100.0	100.0	100.0	100.0	100.0
Diversification Index	0.2	0.4	0.4	0.4	0.3

Source: Sanusi, 2011 citing National Bureau of Statistics

Inflow of Foreign Direct Investment (FDI) into Nigeria, 1960-2009

As shown in table 2, change in FDI inflow consisted of increase by 727.31 per cent during the decade coinciding with the administration of the industrial development income tax relief (i.e. 1971-1980) and also by 52.20 per cent during the following decade 1981-1990. By virtue of the FDI inflow's stagnation during the subsequent decade, it was unchanged between 1991 and 2000 before rising by 28.64 percent between 2001 and 2006. However, one question beckoning for answer here is whether the industrial development income tax legislation solely accounts for the sharp increase in FDI inflow into Nigeria in the 1970s? In subscribing to the plausibility of multi-variable influences on FDI inflow to Nigeria, we

argue that other factors were also influential at the time. For example, we draw attention to the historical fact that the 1970s (1971-1980) coincides with the immediate post-Nigeria's civil war era. The attempt by Ibo ethnic nationality of southeastern part of Nigeria to secede from the Nigerian federation led to the civil war between the Ibos and Nigeria's armed forces: this hostility lasted about three years officially beginning in 1967 and ending in 1970. Therefore, it might be that the sheer end of the war also contributed to the increased inflow of FDI into Nigeria while acknowledging the potent significance of the legislation aimed at facilitating industrial development through income tax relief in 1971.

Table 2. FDI inflow between 1960 and 2006

<i>Decade (10 year-interval)</i>	<i>Average FDI inflow (in =N= million)</i>	<i>% change in FDI inflow</i>
1960-1970	983.24	Baseline year
1971-1980	3,777.51	727.31
1981-1990	17,595.35	52.20
1991-2000	17,595.35	0
2001-2006	19,223.13	28.64

Sources: Averages of decadal FDI computed by authors using data compiled by Wafure, & Alao, 2010 from Central Bank of Nigeria (CBN), 2005-2006

How does the foregoing scenario of FDI inflow into Nigeria map with the situation for other sub-Saharan African (SSA) countries? Computations of data obtained from the UNCTAD Handbook of Statistics and UNCTAD World Investment Report, 2009 reveal that of the total FDI to SSA from 1970-2008, Nigeria nearly received some of the largest shares. Of the total FDI inflow to SSA received by Nigeria (in percent), by decade, were as follows: 35.3 (1970-79); 3.9 (1980-89); 40.3 (1990-99); 20.1 (2000-08). FDI inflow to Nigeria between 197 and 1979 –corresponding roughly with the decade of the administration of the industrial development income tax relief - (at 35.3%) was the highest in SSA: followed by South Africa (7.1); Côte d'Ivoire (4.7%); Zambia (3.3%) and Congo (3.2%) (Sundaram, Schwank & Arnim, 2011). That these SSA countries that received the highest proportions of FDI were mostly those most endowed with minerals is not just a footnote useful for further research on inter-relationships between FDI inflow and mineral resource endowment and not outside the scope of this present study. It shows that rapid inflow of FDI into Nigeria after the civil war resulted from investors' pursuit of Nigeria's quality (Bonny Light, among other preferred) petroleum oil extracted from the Niger Delta region.

7. The Nigerian iron and steel industry example

The conception of Nigeria's iron and steel programme happened on the eve of the country's political independence (1958) as a means of stimulating economic growth through industrial manufacturing for the African country seething with potentials to lead Africa. Nigeria's (Second) National Development Plan (1970-1975) envisaged the establishment of a 750,000 tonnes/year capacity steel plant. After establishing an extra-ministerial agency (the Nigerian Steel Development Agency (NSDA), in 1971, this agency commissioned a defunct USSR's state-owned firm (*TiajPromExport*) to undertake a study focusing on identification of steel feedstock, quantity and quality of raw materials required for running the proposed integrated iron and steel plant (Mohammed, 2002), a prolonged and involving course of deliberations and consultations ensued between Nigeria's team charged with programming iron and steel development and their public and private sector counterparts in the advanced nations concerning

how Nigeria's steel industry should be realized. Nigeria's iron and steel plant was proposed to make use of good grade (not really high grade) iron ore deposits discovered through geological Surveys in Itakpe, a community in Kogi (formerly in old Kwara) State. That the site of the plant was shifted to Ajaokuta is the result of political manoeuvres of the elite –a matter that is beyond the scope of this article. Thus, the plan to establish Nigeria's "integrated iron and steel complex" was aimed at boosting industrial development.

Nigeria's dictatorship contracted *TiajPromExport* in July 1979 to construct an integrated steel plant capacity of 1.3 million tones of long products (with later expansions in second and third phases into to a 2.1 million tones and 5.2 million tones, respectively of flat or other products) in Ajaokuta (after other alternative sites proposed for the programme in Onitsha, Warri, were rejected. The first plant planned for completion in 1981 was designed to employ the traditional blast furnace/basic oxygen furnace steel manufacturing technology. The NSDA established related companies and contracted foreign firms to construct same in other parts of Nigeria as follows: Aladja; and three Steel Rolling Mills located in Jos (Plateau State), Oshogbo (Osun State); -both constructed by German firms- while that of Katsina (Katsina State) was constructed in partnership with a Japanese firm (Kobe Steel). The Delta Steel Company was designed to produce billets for feeding the three Steel Rolling Mills which were designed with a capacity for producing wire rods and bars at 2.1×10^5 tonnes/year. Apart from complications associated with site selection and sourcing of raw materials, among others, the failure of the iron and steel industry at inception (e.g. the Aladja Steel Company's construction) its enmeshment in contractual complications involving at least 21 separate companies in the process. Although, Ajaokuta plant was technically successful, its main failure arose from poor remuneration which provoked mass resignation of its staff – most of whom had been trained abroad and also gained substantial experience. After its grounding, the Obasanjo administration in 1999 decision to spend US\$1.3 million to have Messrs *V/O Tiajpromexport TPE* (of Russia) to undertake an evaluation of the plant culminated in the latter's estimation that it could complete, rehabilitate and commission the plant at the cost of US\$640 million (Federal Ministry of Power and Steel, 2002, Mohammed, 2002). Despite the defunct USSR's discovery of the viability of Nigeria's steel sector, European governments –which had earlier advised Nigeria to downplay or ignore this sector and concentrate on agricultural development suddenly bombarded Nigeria's federal government with myriad proposals of various new-breed steel manufacturing technologies. This culminated in Nigeria's government "turn-key" contracting of German-Austrian consortium to undertake the "direct-reduction (DR) process" technology in Aladja Steel Company, in Warri (Delta State) based on a guaranteed loan from Germany's Deutsche Bank. Originally conceived to utilize low grade iron ore that was to be extracted on-site, German negotiators tricked their gullible Nigerian counterparts into accepting to switch the plant's philosophy towards an unnecessarily sophisticated one based on utilization of imported iron ore. Excluding the cost of importing the higher-grade iron ore, the steel plant's cost alone based on the loan principal exceeded US\$ 1 billion! At the time, this cost translated into approximately US\$ 12 *per* Nigerian (about one-tenth of Nigerians average income). This cost exploded into a much greater figure by including other costs: interests, commissions, front-end fees, and refinancing fees (Adams, 1991, Lombardi, 1985). Specifically, to what extent of operational efficiency did industrial manufacturing firms in Nigeria perform after the 1971 industrial development (income tax relief) Act? Space and time constraints forbid answering this question here. Nigeria's steel programme failed due to several factors. Apart from the challenges posed by competitive bidding for contracts by European nations, these projects remained mired by executive-bureaucratic ineptitude as Nigeria's government dissolution and replacement of the NSDA with politicians in 1979 thereby throwing away precious technically competent human-power endowed in several staff who were earlier trained in advanced nations on steel technologies. Moreover, Nigeria's government defaulted severally in paying Russian and other European contractors until the programme entered the quagmire of structural

adjustment programme viciously implemented by the IB Babangida dictatorship between 1986 and 1993 (Agbu, 2007: 46-52; Mohammed, 2002).

Discussion

Related to this study is the fact that huge investment of funds both local and external that were applied under claims of electricity sector development in Nigeria ended up with very poor outcomes. The vigorous debate and even lower federal legislature investigation of the expenditure of the huge but dispute spending (whether US\$10 billion or US\$16 billion) on the sector without any improvement in electricity supply in the country under the Obasanjo administration (1999-2007) has been documented - in the nations popular literature and elsewhere (Okafor, 2008). However, a longer discussion of this matter is outside the scope of this article and is forbidden due to constraints of space and other resources. It suffices to state that the industrial development income relief tax (and of course external borrowing for financing industrialisation) could never be the only factors that caused Nigeria's mediocre industrial sector. The foregoing demonstrates how the electricity sector plays a big role in Nigeria's industrial development.

It is worth mention that the poor contribution of the manufacturing sub-sector to aggregate output in Nigeria compared with its peers in Asia and Latin America that perform better reveals enormous challenges facing Nigeria's society and economy. There is need to interrogate the extent to which this industrial development tax might have been bastardized (as was the case with import licenses through acts of corruption, nepotism, bribery. Put differently, there is need to know the extent to which this industrial income relief tax might have been open to scandalous politicization and abuse as has happened frequently with most of Nigeria's policies whose origin were based on very good intentions but came under the overwhelming pressure of corruption and other bad habits of abuse due to irresponsible politicisation. One example of this was the National Party of Nigeria's controlled "import licensing" scheme of Nigeria's which was a notorious instrument used by Nigeria's Second Republic politicians to profiteer from the licenses issued them to import items that became popularly known as "essential commodities" (rice, detergent, cosmetics and provisions, etc., that were mostly promoted by corrupt politicians to the status of inaccessibility in the country. This was one of the reasons that provoked the military junta led by the duo of Generals Mohammedu Buhari and Tunde Idiagbon to abort the ruling National Party of Nigeria (NPN)-dominated Second Republic on the eve of the new Year's day in 1983.

8. Conclusions

This paper examines two issues: the relevance of the 1971 legislation aimed to promote industrial development in Nigeria by implementing an income tax relief for the benefit of pioneer industries considered and determined to be significant industries or product to the nation's economy; and FDI inflow into Nigeria economy over nearly all post-civil war decades. It likens this legislation to the import licensing in the Second Republic when the ruling National Party of Nigeria (NPN)'s politicians misapplied the policy for self-enrichment. It is argued that the manner in which state enterprises that predominated Nigeria's economy at the time were likely to have also misapplied the industrial development income tax relief policy in the same way. Evidence of this was supplied in form an even larger financial windfall that was available to state corporate enterprises as well as private industrial investors, who of course were almost always going in and out of both public and private sectors in form

of external borrowing under claims of pursuing industrial development in Nigeria, like other Developing Countries.

While FDI inflow into Nigeria increased sharply in the immediate post-civil war decade (1971-1980), we conclude that rather than resulting solely from the introduction/administration of the industrial development income tax relief legislation, it is likely to be the result of multiple factors/variables. A significant factor being the general cessation of the civil war fought between 1967 and 1970. There is need to research further to identify and use data on accurate amounts lost by governments to the industrial development income tax relief and compare same to the gains in terms of actual industrial development. Since the latter proposed study is beyond the scope of this present paper, it has to be undertaken separately. The implications of the findings of this study for industrial development policy includes strengthening state institutions charged with anti-corruption to identify and deal ruthlessly with persons specializing in a living professionally on abusing public incentives for self-enrichment by applying appropriate and commensurate penalties. This must be done in collaboration with appropriate monitoring and evaluation of industrial development programmes and projects.

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