Structural Adjustment and De-industrialisation in Nigeria: 1986-1988

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***Résumé:** Le Programme d'Ajustement Structurel du Nigeria a beaucoup affecté le secteur industriel du pays. La raison fondamentale avancée pour justifier les PAS est qu'il fallait profondement restructurer ce secteur pour corriger les distortions constatées dans le taux d'échange, du regime tarrifaire et de la structure des prix. Il fallait également promouvoir l'exportation, attirer les investissements étrangers et liberaliser les politiques de revenue. L'application de mesures destinées à atteindre ces objectifs a fait disparaître un certain nombre d'industries. Celles qui ont pu resisté au choc de l'ajustement sont surtout les industries agro-alimentaires. L'application de ces mesures a également donné un serieux coup au niveau de vie des travailleurs et à la performance des industries. Face à cette situation nouvelle, les syndicats et les ouvriers ont eu des réactions diverses. Même si certains leaders syndicalists ont pu être corrompus jusqu'au point d'accepter de collaborer, la plupart d'entre eux ont plutôt résisté et ont préferé garder leur independance d'action.*

Introduction

Nigeria's structural adjustment program has had a profound impact on the country's manufacturing sector. The program itself is anchored on the premise that the industrial sector needs a fundamental restructuring to correct the distortions in the exchange rate, tariff regime and domestic price structure which became acute in the 1970s and early 1980s leading to a major balance of payments and budgetary crisis in 1981/82.

The industrial cost of most companies have gone up dramatically as a result of the massive devaluation of the Naira, the deregulated interest rates and the discriminatory interim tariff regime. Many industries have had to fold up, introduce various rationalisation schemes and retrench workers. The rigorous liquidity squeeze and consumer resistance have further compounded the problem. Capacity utilisation was 25% in 1987, compared to 30% in 1986. According to the Manufacturers Association of Nigeria's estimates for 1987, there was a huge stock of finished goods valued at over ₦70m, representing about 15% of total production from a sample of only 31 companies. The relationship between industry and the state remains tense. Serious campaigns have been waged by industrial firms for a review of the tariff and interest rates and for proper funding of the foreign exchange

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market to stabilise the market and reduce the rate to "realistic" levels. The level of performance of the industries has been uneven; those that can easily find local substitutes such as the agro-allied industries have less problems of adjustment compared to those that are heavily dependent on imports for raw materials such as the metal and engineering industries.

The adjustment program itself has affected workers considerably, in terms of retrenchment, reduced incomes, uncertain work schedules, collapse of industrial facilities and high commodity prices. Several unions have tried to protect the threatened gains of their members but the bargaining strength of the unions has been eroded. Union responses have been combined in some cases with individual workers' initiatives and, in other cases, with the more comprehensive approach of the Nigeria Labour Congress which has been trying to work out a political response to the adjustment program.

The National Industrial Crisis

Nigeria's industrialisation has been rather sluggish and uneven despite the huge petro-dollars and agricultural surpluses that have been sunk into projects that are connected with manufacturing activities. Studies have drawn attention to the structural defects of the early phase of industrialisation which relied on trading companies as the pioneers of Nigerian capitalism. The local raw material base of the precolonial economies was severed from many of the local cottage industries, leaving the latter to either atrophy or play a subordinate role in the new colonial economy[1]. Merchant capital, as Kay has argued, imposes serious constraints on the development of balanced and self-reliant industrialisation in the epoch of advanced capitalism[2].

There was an inherent self-interest by the trading firms, conditioned by the changing context of world politics, the agitation by nationalist forces to participate in local business and the profound concern by the companies to defend profit margins, to move into import-substitution industrialisation. The choice of light industrial products such as detergents, soft drinks, leather works, textiles, confectionery and alcoholic products suggested that no new research would be undertaken since the technology for these goods had been standardised. The parent firms of the trading companies would simply transfer some of the production techniques, in a packaged form, to beat the tariff walls and enjoy the incentives provided by the state[3].

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1 See for instance, A. Olukoshi, "The Multinational Corporation and Industrialisation in Nigeria: A Case Study of Kano, 1903-1986", (Ph.D. thesis, University of Leeds) 1986.

2 G. Kay, *Development and Underdevelopment: A Marxist Critique.*

3 Y. Bangura, The Recession and Workers Struggles in Nigeria's Vehicle Assembly Plants: Case Study of Steyr-Nigeria (mimeo, Zaria) 1986.

The seeds of the current industrial crisis were planted in the early structures of manufacturing activities. Local raw materials provided the foreign exchange for the importation of necessary industrial inputs such as machinery, spare parts and raw materials. There was no meaningful attempt to source the raw material base of the new industries locally. Peasant agriculture fed industrialisation through the external sector, rather than directly, thus denying the agricultural sector the benefits of industrialisation, since the industrial sector itself relied on the external sector for its own raw materials. This is a major contradiction in peripheral import substitution. The Manufacturers Association of Nigeria has shown that although the late 1950s witnessed an attempt at systematic planning of the economy not much emphasis was laid on the maximum utilisation of local resources and transfer of technology. The primary concern was to attract sufficient foreign capital to set up import substitution industries[4].

The oil boom of the 1970s deepened the structures of import-dependent industrialisation. Studies by Ekuerhare and Okigbo have underlined the central role of the state in the post-civil war economy, indicating figures for the rate of gross investments as high as 68% and 60% in 1977 and 1978 respectively. The financial basis for the expansion of the state sector was provided by the exponential growth of the revenues derived from the oil industry. These jumped from ₦4.733b in 1978 to ₦10.00b in 1979.

Petroleum revenue was used to pursue very exorbitant capital projects, pay very expensive foreign consultancy fees, support the external commercial needs of industry and repatriate companies profits. These projects were to be executed within the context of the policy of indigenisation which was championed by the fledgling domestic business class. Indigenisation further strengthened the role of the state in the economy. Given the weak bargaining position of the local business groups, the state had to play a central role in equity participation and regulation by setting up institutions such as the Nigerian Enterprises Promotion Board, the Nigerian Industrial Development Bank, the Bank of Commerce and Industry, the Security Exchange Commission and several joint venture schemes.

A definite pattern of state capitalist accumulation was laid which was to form the basis of attack by the IMF and the World Bank. The latter were to argue that the state sector was over extended and unproductive and that industries were unduly protected and inefficient. There was quite a lot of over-invoicing of international trade transactions, inflation of contracts and misappropriation of public expenditure funds. Thus, although the gross fixed capital formation and the net fixed capital formation jumped from 22.8% and 18.2% in 1973/74 to 40.1% and 35.7% in 1978/79 respectively, the

4 Manufacturers Association of Nigeria, "Review of Industrial Policy and Strategy".

contribution of the manufacturing sector in the 1970s to the gross domestic product was just about 6 to 8%[5]. The manufacturing sector continued to be dominated by a handful of light industrial consumer goods. Kirkpatrick and Nixson have shown the structural differences between the manufacturing sector in LDCs and those in the advanced economies. Food, textiles, petroleum refineries, transportation equipment and chemicals accounted for nearly 45% of total manufacturing value added in developing countries in 1970. In the case of the developed Western economies, non-electrical machinery, transport equipment, electrical machinery and metal products accounted for 47% of manufacturing value added in the same year[6]. Engineering activities are generally under-represented in the manufacturing sector of LDCs, except for Argentina and Brazil which have made progress in non-electrical machinery and Hong Kong and Singapore in electrical machinery.

The commodity composition of Nigeria's industrial output is not even representative of the average Third World pattern. Transport equipment, chemicals and engineering are almost completely absent in the country's manufacturing sector. Ninety per cent of the total output is accounted for by consumer goods, with hardly any production of capital or intermediate goods. As Kirkpatrick and Nixson note, little progress has been made in the field of capital goods, "where most LDCs are heavily reliant on imports which represent anything between 30 and 60% of fixed investment", even though India, Brazil, Argentina and Mexico have made substantial strides towards self-reliance[7].

In a study conducted by Ekuerhare and Ihuoma on the capital goods sector in Nigeria, serious concern was raised about the very low contribution to manufacturing from the real engineering industries, such as machinery and transport equipment[8]. The degree of dependence on the foreign supply of industrial and agricultural machinery and equipment is as high as 98.8% and 93.9% respectively. Despite the 16.4% of value added in manufacturing attributed to it, the engineering sector of industry is heavily dominated by metal, furniture and fixtures, structural metal products and fabricated metal - usually regarded as very elementary engineering sub-sectors. The primary engineering sub-groups viz. the manufacturing of agricultural and industrial

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5 O. Teriba et al., *The Structure of Manufacturing Industry in Nigeria.*

6 C. H. Kirkpatrick and F. Nixson (ed.), *The Industrialization of Less Developed Countries* (Manchester University Press), 1983.

7 Ibid.

8 B. Ekuerhare and A. Ihuoma, "Capital goods industry as essential ingredient in Nigeria's self-reliant industrialization strategy", Paper to the Nigerian Economic Society Association Conference: May 1984.

machinery and equipment, household electrical apparatuses and transport equipment, account only for 2.3% of value added in manufacturing[9].

The advent of the civilian administration of between 1979 and 1983 coincided with a dramatic increase in the international price of oil from $14.9 a barrel in 1978 to $33 in 1979 and $44.4 in 1980. The deflationary measures of 1978, following the tumbling of oil revenues by 16% in 1977, were reversed. Imports were liberalised, tariffs were reduced, public expenditure was increased and various fiscal measures such as the approved user scheme were introduced, thus deepening the dependence of Nigerian industries on foreign inputs. As the World Bank mission of 1983 observed,

> *the focus of economic activity in the country shifted sharply to international trade, international and domestic finance, services, construction and real estate*[10].

The importation of consumer goods rose from ₦240m in 1974 to ₦2.136b in 1978 and ₦3.897b in 1981; that of capital goods increased from ₦670m in 1974 to ₦3.968b in 1978 and ₦4.667b in 1979; and raw material imports jumped from ₦519.3m in 1974 to ₦1.880b in 1978 and ₦3.038b in 1981[11].

Investment and trade credits obtained from the international capital market, the World Bank and foreign governments also rose dramatically. The total external loans received by the public sector more than doubled from 1982 to 1983. The cumulative external loans commitment was estimated at ₦18.5b at the end of 1983. This contrasted sharply with the total outstanding debt of US$2.35b in 1978. The level of aggregate capital inflow of ₦5.5bn declined by 7.7% between 1982 and 1983, whereas the level of capital outflow which stood at ₦2.2b in 1983 represented a 7.6% increase over that of 1982. The economy entered a very serious debt crisis. In 1983, the repayment of principal and interest on the public debt rose to ₦1.3b, an increase of 72.2% when compared with payments in 1982. The public debt service ratio jumped from 8.9% in 1982 to 17.4% in 1983[12].

The dramatic drop in oil revenues from $22.4b in 1980 to $16.7b in 1981, $12.8b in 1982 and $10b in 1983 seriously affected the balance of payments, public finances and industrial performance. The state had to ration the limited foreign exchange through a highly bureaucratised and corrupt import licence system. Capacity utilisation dropped to about 40% in

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9 Ibid.

10 The World Bank, *Nigeria: Macro-Economic Policies for Structural Change*, Report No. 4506 - UNI, 15th August 1983.

11 National Economic Council, Expert Committee Report on *The State of the Nigerian Economy* (Lagos), 1983.

12 Central Bank of Nigeria, *Annual Report and Statement of Accounts*, 1983.

1984/85, many industrial establishments folded up and the general turn over of companies and value added came under considerable strain. As Table 1 shows, the number of people employed in the industrial sector declined from 453,632 in 1980 to 322,396 in 1983, a drop of almost 25%.

Table 1 : Survey of Manufacturing Industry 1980-1983 (Revised Estimates)

Year	No. of Establishments	No. of employed	₦'000 Gross Output	₦'000 Value Added
1980	2,315	453,632	10,246,438	5,340,741
1981	2,342	449,093	12,621,228	4,810,346
1982	2,120	329,704	8,886,306	3,957,235
1983	2,112	322,396	10,156,186	5,225,470

Source: Federal Office of Statistics: *Industrial Survey of Nigeria, 1980-83.*

The Structural Adjustment Program

The industrial crisis and poor performance of the other sectors of the economy necessitated a structural adjustment program. The adoption of the current World Bank-supported program was fraught with difficulties. Vested interests had developed around the allocation of import licences, the contract-content of public expenditure, the regulated interest rates, subsidies and tariff regimes. Even though the state had applied for an IMF stand-by agreement as early as April 1983, it was not until 1985, under the current administration, that an adjustment program acceptable to the IMF and World Bank was adopted. Harris has emphasised the structural imperatives of the Bretton Woods institutions which aim to,

> *construct, regulate and support a world system where multinational corporations trade and move capital without restrictions from national states*[13].

Central to the logic of this position is the allocation of world resources according to comparative advantage and market forces leading to the global equalisation of the returns to the factors of production.

The stabilisation programs of the Buhari and Shagari administrations placed considerable emphasis on state regulation even though both regimes

13 L. Harris, "The Bretton Woods System in Africa", paper delivered to the *IFAA Conference* in London on "Africa, the IMF and the World Bank" 9th September 1987.

agreed with the IMF on the need to control budgetary expenditure. The Buhari administration refused to accept an adjustment program that is pivoted around domestic state deregulation and a market-determined exchange rate. But the difficulties encountered with debt rescheduling, the refusal of the London and Paris clubs to sustain Nigeria's credit lines and the collapse of oil prices, undermined the effectiveness of Buhari's alternative program and allowed the IMF/World Bank solution to emerge triumphant among the policy makers that seized power in August 1985, despite an emphatic and overwhelming rejection of the IMF solution by the Nigerian people in an unprecedented national debate[14].

The public's rejection of an IMF-support program meant that the implementation of the adjustment policy will be done in stages, if only to give it a national flavour and legitimacy. A one year national economic emergency was first declared in October 1985, followed by a national economic recovery fund (a product of salary and incomes cuts) in November which was to prepare the way for 'national' belt tightening, and the January 1986 budget which provided a clear picture of the intentions of government in deregulating exchange rates and prices, cutting public expenditure and subsidies, reviewing the tariff regime, divesting the state of some of its business holdings and liberalising the economy. Most of the developments were to form part of the comprehensive package of structural adjustment which was to last from June 1986 to June 1988. The June 1986 package was unequivocal in its commitment to a market-determined exchange rate to be mediated through a two-tier exchange rate system launched on 29th September 1986.

The adjustment program has several important elements such as (a) exchange rate adjustment and restructuring of custom tariffs; (b) interest rate deregulation and credit policies; (c) an appropriate pricing policy in all sectors of the economy with greater reliance on market forces and the reduction of complex administrative controls; (d) privatisation; (e) trade liberalisation and (f) control of public expenditure. We shall be concerned only with those aspects of the program that have a direct bearing on industry.

First we take exchange rate adjustment. This is actually the pivot of the program. The IMF and World Bank hold the view that the Naira is grossly over valued and argue that over-valuation leads to a high import profile, capital flight and shifts in relative prices unfavourable to the manufacturing sector. The Naira, for instance, appreciated by 87% in effective terms in the period between 1973 and 1981 on the basis of purchasing power parities.

14 Y. Bangura, "Crisis and Adjustment: The Experience of Nigerian Workers", paper delivered to the *IFAA Conference*, 1987.

The appreciation was due mainly to the large foreign exchange surpluses accumulated in the 1970s. There was also a shift in relative prices unfavourable to the manufacturing sector during this period.

Table 2 : Movement of Relative Prices

	1973	1975	1977	1979	1981
Agriculture	100	175.9	228.8	282.2	332.8
(Food crops)	(100)	(130.8)	(215.7)	(283.0)	(373.3)
(Export crops (1)	(100)	(94.7)	(235.3)	(216.0)	(157.2)
Manufecturing	(100)	196.8	199.6	213.0	210.8
Trade and Commerce	(100)	152.1	214.1	270.2	323.3
Government services	(100)	114.4	133.7	256.0	291.6
Exchange Rate (2)	(100)	134.6	156.5	161.9	187.0

(1). Export prices. Domestic prices higher in individual years through support programs.
(2). Adjusted for purchasing power parity.
Source: World Bank: *Nigeria, Macro-Economics Policies for Structural Change*, Report No. 4506-UNJ, August 15, 1983.

The IMF and World Bank insisted that since the Naira was over valued by about 60% in 1983,

> *there should be a 25 to 30% initial devaluation to be followed by a quarterly review until the element of over-valuation was eliminated*[15].

The government's structural adjustment program deviated from this gradualist approach even though it embraced the fundamentals of the IMF's objectives. The Naira was instead to be determined by "market forces" at a second tier foreign exchange market. Funds for the market were to come from the oil revenues, foreign investment, the domiciliary account and a special World Bank Trade Policy and Export Development loan of $450m, signed on October 16, 1986[16].

The foreign exchange market became operational on 29 September 1986. All private and government transactions, except debt service obligations and international subscriptions were undertaken on the SFEM. The exceptions were funded in the first tier market which was allowed to depreciate until it

15 Statement issued by the Presidential Committee on the IMF Debate.
16 World Bank, *Nigeria: Trade Policy and Export Development Loan*, October 16, 1986.

converged with the second tier market on 2nd June 1987 and came to be known simply as foreign exchange market.

We have argued elsewhere that the SFEM is not a free market[17]. Apart from the fact that the Central Bank controls funds in the market, the former has had to intervene on several occasions to fix the exchange rate. The most celebrated of these interventions were: (a) the sixth session when the Central Bank of Nigeria (CBN) announced an additional US$11m to the original US$75m to reduce the marginal rate from US$4.2062 to ₦3.8525; (b) and during the twelfth session when the CBN unilaterally fixed the marginal rate at ₦3.2 instead of the ₦2.9990 recorded by the banks.

Was a realistic exchange rate for the Naira established between 1986 and 1988? Even though the CBN and government officials were confident that an effective rate of exchange was achieved[18], there was considerable unease among bankers and industrialists about what constituted an appropriate rate. Small and medium scale industrialists and traders complained about the undervalued Naira and big companies were worried about some of the wild fluctuations which made business planning difficult. As the assistant general manager (credit and marketing) of NAL Merchant Bank, Atedo Peterside, observed government policy was torn between acceptance of a market determined rate and the political considerations of having a "strong" currency[19]. In 1987 government was worried, for instance, when the Naira fell below ₦3 to $1 (which it interprets as defeating the structural adjustment objectives) and when it rose above ₦4.5 to the dollar (which may have raised political questions about the program). This explains the frequent interventions and central bank intimidations to get a reasonable rate of exchange.

The IMF and World Bank have always argued that an appropriate exchange rate could only be established with a policy of tight money supply. There is no doubt that the government between 1986 and 1988 pursued a tight monetary policy. Coupled with the general consumer resistance, this actually helped to keep the exchange rate within official bounds. The rate of growth of the M_1 money supply declined from ₦13.105b in 1986 to ₦12.931b in January 1987, ₦12.960b in February 1987, ₦12.856b in March

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17 Y. Bangura, "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Program", in K. Havnerick (ed), *The IMF and the World Bank in Africa: Conditionality*, (Scandinavian Institute of African Studies) 1987.

18 Chu Okongwu, Finance Minister, "Review and Appraisal of the Structural Adjustment Program", September 1987.

19 A.N.A. Peterside, "The Central Bank of Nigeria, Commercial Banks and the Management of the Second Tier Foreign Exchange Market", paper presented to the one day seminar on Structural Adjustment in Nigeria: The Impact of AFEM on the Economy" held at the Nigerian Institute of International Affairs, Lagos, 30th June 1987.

1987, ₦12.930b in April 1987 and ₦12.%752b in May 1987[20]. We should, however, also recognise the central role of government intimidation and controls in pushing banks to accept an official value for the Naira. We are not sure, therefore, whether what emerged as stability was as a result of CBN political conditioning or a genuine reflection of what the market demanded.

As Table Three shows, the value of the Naira fluctuated between ₦5.05 to the dollar on 2nd October 1986 to ₦4.2 to the dollar on 24th September 1987. But since the 34th bid session the rate gravitated around ₦4.2 to the dollar. This is what prompted the government to believe that a stable rate of exchange was achieved. Attention ought to be drawn, however, to the discrepancy between the demand for foreign exchange and the amount supplied. For the total 37 bids, $2,669.00m was supplied as opposed to $3,108.03m demanded, representing a shortfall of 15%. The 1987 rate of ₦4.22 to the dollar represented a four fold devaluation of the Naira when set against the parity rates of January 1986.

The adjustment of the exchange rate is closely related with the review of the tariff structure. According to World Bank estimates, tariffs were generally low between 1973 and 1980, amounting to between 5 to 10% for intermediate and capital goods and about 50% for non-food consumer goods. Weighted tariffs were estimated at about 13 to 5% in 1981. As argued by the World Bank, "the exchange rate and tariff policies pursued placed serious pressures on the domestic production sectors"[21]. It encouraged industries to look outwards for their raw materials rather than sourcing them locally.

Although the stabilisation program of Shagari's government extended the tariff net to all imports and tightened customs procedures, the new levels of tariffs were not considered adequate to provide incentives to the productive sectors. There were substantial variations in tariffs between individual commodities, and the application of quotas and quantative restrictions led to a distorted structure of industrial protection. The World Bank maintained that,

> *effective protection for industrial commodities ranges from negative protection levels for export industries to positive protection in excess of 200% for assembly industries*[22].

The IMF recommended, during the negotiations with the government, a review of the customs tariff structure in order to simplify and rationalise it.

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20 For a different position see Peterside, ibid.
21 World Bank, *Nigeria: Macro-Economic Policies for Structural Change* op. cit. p. 2.
22 Ibid, p. 10.

Table 3 : Schedule of Exchange Rate Developments in SFEM (26th September 1986 - 30th June 1987)

Session	Date	Amount supplied $	Demand $	SFEM Rate ₦	First Tier ₦
1	26/1/86	50m	84.37m	4.6174	1.5691
2	2/10/86	50m	99.11m	5.0585	1.6171
3	9/10/86	73m	75.52m	3.4999	1.7004
4	16/10/86	80m	93.55m	3.9191	1.8064
5	23/10/86	75m	88.00m	4.1775	1.9384
6	30/10/86	86m	90.55m	3.8525	2.0387
7	6/11/86	75m	69.25m	3.6000	2.1441
8	13/11/86	75m	76.65m	3.4993	2.2548
9	20/11/86	75m	81.34m	3.4599	2.3469
10	27/11/86	75m	79.68m	3.4945	2.4679
11	4/12/86	75m	60.86m	3.0005	2.5954
12	11/12/86	75m	75.29m	3.2000	2.5954
13	18/12/86	50m	52.25m	3.3000	2.5954
14	8/1/87	50m	55.41m	3.4422	2.5954
15	15/1/87	50m	61.51m	3.5547	2.5954
16	22/1/87	50m	64.60m	3.7002	2.5954
17	29/1/87	55m	64.10m	3.0914	2.6752
18	5/2/87	75m	94.04m	3.9412	2.8129
19	12/2/87	75m	74.97m	3.000	2.9577
20	19/2/87	50m	66.96m	3.9246	2.9577
21	26/2/87	53m	63.40m	3.9242	3.0479
22	5/3/87	50m	38.39m	3.8241	3.1407
23	12/3/87	50m	46.40m	3.9195	3.2051
24	19/3/87	50m	65.80m	4.0203	3.3036
25	2/4/87	80m	102.18m	3.7001	
26	16/4/87	70m	95.96m	3.8990	
27	30/4/87	70m	100.70m	3.9999	
28	14/5/87	85m	120.70m	4.1617	3.5088
29	4/6/87	100m	150.00m	4.3637	3.5088
30	18/6/87	70m	64.39m	3.7375	3.6887
31	2/7/87	70m	78.74m	3.9899	
32	16/7/87	100m	97.20m	3.5354	
33	30/7/87	100m	110.00m	3.8991	
34	13/8/87	100m	109.63m	4.0405	
35	27/8/87	100m	117.35m	4.1211	
36	10/9/87	100m	116.39m	4.1916	
37	24/9/87	100m	118.84m	4.2227	
Total		2,669.00m	3,108.03m		

This was necessary, they argued, to protect local industries, discourage the importation of raw materials and unessential commodities and generate additional revenue for the government. The Buhari administration worked closely with the World Bank, as recommended by the IMF, in reviewing the tariff[23]. The review was incorporated in the 1984 budget. Both the World Bank and IMF insisted that exchange rate adjustment and tariff rationalisation should be pursued simultaneously. Buhari's government insisted on their separation. The fundamental tariff review was made only after the current government had accepted the need for an exchange rate - centred structural adjustment program.

The revised tariff, announced in September 1986, put the duty on raw materials in the range of 10 to 18%; intermediate inputs at 5 to 30% and final capital goods, at 5 to 20%. The duty for final consumer goods ranged from 20 to 30% for durable goods and 100-120% for non-durable non-basic goods.

The other vital component of the adjustment program of relevance to industry is the deregulation of interest rates. Up to July 1987, the government had resisted the pressures from the World Bank and the IMF to allow the market to determine the rates of interest. Interest rates had remained fixed, under the tight control of the Central Bank. Indeed, the 1987 budget provided that the minimum interest rate payable on banks savings deposits should be 11%; and the maximum bank lending rate was raised from 13% to 15%. The IMF and the World Bank, supported by many big banks, stressed the need for a deregulation of the rates to fall in line with the floating exchange rates, general realignment of prices in the domestic economy and to mop up excess liquidity. The Union Bank (one of the three largest banks), for instance, in its Economic Newsletter of January 1987, called on the government to deregulate the rates because

> *fixing the highest interest rates on credit at 15% ... succeeded in continued encouragement of consumption and trading activities".*

On July 31st 1987, the Central Bank 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; but the CBN raised its minimum rediscount rate from 11% to 15%. In effect commercial banks were prevented from charging any profitable interest rate below 15%. The CBN also raised interest rates on treasury bills from 10% to 14% and raised the liquidity ratio of commercial banks from 25% to 30%, thus reducing the commercial banks ability to lend. The circular further reduced the rate of credit expansion to the private sector from 8% to 7.4% for the remaining part of 1987. The

23 Cabinet office, "Guidelines for the Debate: The Negotiation So Far", Lagos, 1985.

aggregate credit ceiling was also reduced from 4.4% to 3% for the rest of the year. As Aluko has noted, the new monetary policies were in line with the government's objectives to deflate the economy by restricting the amount of money in circulation[24]. By 1987 interest rates were averaging 18%, computed to be about the highest in the world, and there are possibilities of these rates shooting beyond 20%!

Table 4 : Interest Rates Monitor
(per cent per annum)

Financial Institution	Prime lending Rate	Savings Deposit	7-day Deposit	3-month Deposit	6-month Deposit	12-month Deposit
Internat. Merchant Bank	18.0	12.75	13.5	14.5	15.25	15.5
Federal Savings Bank	18.5	15.5	17.0	15.0	16.25	16.5
Allied Bank	17.0	15.0	14.0	14.0	16.0	16.75
First Bank	17.5	15.0	N.A.	16.0	16.5	16.75
Union Bank	17.5	13.0	N.A.	14.5	N.A.	15.0
Finan. Merchant Bank	N.A.	N.A.	13.5	15.0	16.0	17.0

The other major components of SAP of interest to industry are export promotion, the establishment of a domiciliary account, the attraction of foreign investment, liberalisation and incomes policy. The SAP was anchored on the premise that the various cost rationalisation measures, particularly the devaluation of the Naira and wage rates, the raising of the interest rates and adjustment of the tariff regime would attract sufficient foreign capital to boost industrial production. The establishment of domiciliary accounts in foreign exchange was expected to assist in this process. The adjustment program also attempted to shift the manufacturing system away from import substitution towards export recovery. Incentives were offered, ranging from favourable tariffs for raw materials imported for export production, exemption from the 30% import levy, refund of excise duty paid on export items to the granting of generous import licences for raw materials needed for export products, the provision of support services to entrepreneurs looking for export markets, the retention by exporters of 25% of export proceeds and a declaration of intent to establish an export credit guarantee and insurance scheme[25]. How did industries respond to the structural adjustment program?

24 S. Aluko, *Daily Times*, 4/9/87.
25 Central Bank of Nigeria, *Annual Report and Statement of Accounts*, 1986, p. 9.

Table 5: Domestic Production of Selected Items in Nigeria 1981-1987

Products	1981	1982	1983	1984	1985	1st Qt. 1986	2nd Qt. 1986	3rd Qt. 1986	4th Qt. 1986	Total 1986	1st Qt. 1987
Flour (M.tons)	1,197,189	1,335,351	812,965	526,412	843,530	76,948	84,737	110,338	79,637	351,658	n.a.
Beer (hectolitres)	8,185,170	8,375,970	7,515,676	7,554,740	8,052,252	3,571,839	2,568,422	2,034,391	2,421,021	10,595,673	3,766,140
Soft drinks (hect)	5,151,000	5,381,340	5,527,615	5,799,733	4,942,840	1,189,337	1,019,923	822,132	488,960	3,521,352	594,402
Refrigerators	272,660	173,282	186,898	141,908	93,145	22,036	18,962	21,769	15,921	78,688	17,546
Passenger Cars	90.823	74,884	61,521	n.a.	51,945	9,287	7,624	602	441	17,954	n.a.
Roofing sheets (m.tons)	118,838	194,295	92,148	90,512	228,037	68,408	90,652	67,965	193,667	420,692	n.a.
Soap & Deterg. (M.tons)	201,584	300,192	249,588	143,173	157,667	18,400	11,006	23,564	24,732	77,702	25,066
Safety matches '000 boxes)	896,285	974,295	866,344	434,696	597,157	108,816	131,287	147,019	139,966	527,088	120,022
Cotton textiles '000 Sq.m)	491,252	596,875	337,659	239,785	267,824	43,163	31,782	10,306	16,347	101,578	23,850
Exercise backs (Gross)	n.a.	120,023	58,805	31,268	563,876	95,183	90,826	106,786	169,829	462,624	101,677
Foot wear (elas'000 pairs)	16,733	18,185	21,105	14,109	24,573	6,648	6,713	7,093	6,376	26,830	5,704
Elastic products (metric Hons)	n.a.	n.a.	33,070	61,687	62,862	21,601	19,375	18,897	15,754	75,627	7,742

Source: Federal Office of Statistics. Survey of Industrial Production and Custom Form Sale 93.

The Impact of the Structural Adjustment Program on Industry

The structural adjustment program had considerable effects on industry. The major objective of the program, as we have seen, was to reduce dependence on the oil sector and on imports, lay the basis for a sustainable non-inflationary growth, force industrialists to look inwards for their raw materials and encourage the growth of export industries and foreign private investment. What was the nature of industrial adjustment? Which industries adjusted and at what rate and cost? What happened to small scale industries? Is there a process of deindustrialisation going on or are industries already responding positively? Can we instead talk about a temporary industrial decline leading to full adjustment and growth in the long run? Authoritative answers may be difficult to provide given the fact that we are assisting the program on the basis of its first two years of existence. Comprehensive data on many industries is just being compiled; and some of the current problems are directly related to policies pursued under the previous regimes, coupled with the actual pains of the industrial crisis itself.

Even with the first two years of existence of SAP certain facts had already emerged: (a) SFEM increased the industrial cost of production, even though the bureaucratic delays associated with the import licence regime were minimised; (b) the liquidity squeeze and the high cost of goods generated a consumer resistance and resulted in a major stockpile of goods in warehouses; (c) the interim tariff system encouraged dumping and exposed local industries to major competition with foreign transnational corporations; (d) the deregulation of interest rates and other restrictive monetary policies had adverse effects on industrial investments; (e) there was no noticeable development in the export sector of manufacturing industries and the anticipated large foreign investment did not materialise.

Industrial production has considerably declined since 1981. The most seriously affected industries are those that have a high import content such as automobiles, pharmaceuticals, electrical equipment and flour; the more stable are roofing sheets, safety matches, footwear, plastics and the food and drink products such as beer and soft drinks; then there are the industries which still depend upon foreign inputs to supplement local raw materials such as textiles, soap and detergent, sugar and exercise books; their performance tended to be average. We shall take the automobile and beer industries to illustrate our point.

The financial and technical memoranda which established the eight assembly plants in the 1970s (Peugeot Automobile of Nigeria, Volkswagen of Nigeria; Leyland; Steyr; National Truck Manufacturers; Anambra Automobile Manufacturing Company; Federated Motor Industry and SCO Assembly) called for progressive backward integration leading to the production of a full car and truck by the 1990s. The assembly plants failed to stick to the foreign content delition program. When the crisis struck and the rationing of import licences was introduced, local content supply for the industry as a whole was a mere 15%. Most of what is considered as local content is in fact provided by companies that are dependent on foreign inputs. Even before the structural adjustment program was introduced, industrial production had dramatically declined leading to the retrenchment of thousands of workers[26].

The introduction of the second tier foreign exchange market directly affected the cost of production of the assembly plants by more than 200%. Vehicle prices rose rapidly and negatively affected consumer demand. Capacity utilisation dropped to about 10%. Volkswagen's production, for instance, dropped by over 92%, producing only 60 out of 768 cars a month. Leyland 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.

Table 6 : Prices of Selected Vehicles, 1981-1987 (Naira)

Vehicle	1981	1981	1983	1984	Ma 1986	January 1987
Peugeot 504 GR	6,691	8,630	9,825	10,780	13,385	33,432
Peugeot 504 SR	11,250	11,250	2,800	14,300	19,500	40,162
VW Beetle		4,395	5,295	5,745	6,695	26,000
Mercedes Truck 911		24,100	25,256	35,080	35,469	

Some of the plants have relied upon their parent companies to bail them out of the crisis. PAN, for instance, received a structural adjustment loan of ₦1 billion from the French government in 1986 to enable the company to overhaul its production system, develop a press shop and embark upon the development of local content industries. (*Business Concord* 24/2/87). ANAMCO also received DM 150m from its technical partner in Germany while Steyr obtained $100m from Steyr Daimler Puch of Austria. Volkswagen is indebted to its overseas technical partner by DM100m as at 1986.

The structural adjustment programs of these companies are at best long term. About 65% of the components of a car require flat steel which is not produced by the basic steel plants in the country. The assembly plants have, therefore, introduced short term adjustment measures such as trade-in schemes, hire purchase, production for export and specialisation in

26 Y. Bangura, "The recession and Workers Struggles in the Vehicle Assembly Plants of Nigeria", op. cit.

commercial vehicles. PAN introduced a trade-in scheme in March 1987. Sixty eight organisations which consist of fleet owners, semi-government enterprises and large private firms have benefited from the scheme. These organisations are allowed to trade-in their used cars for new ones after paying the difference between both prices. It has been estimated that the beneficiaries pay up to 60% of the cost of a new car after an evaluation by PAN.

Volkswagen has introduced the hire purchase scheme. The company persuades the commercial banks to provide its distributors with loans to buy large stocks of vehicles for reselling to individual buyers who are required to deposit some amount of money. (*Business Concord* 17/3/87). Peugeot and Volkswagen are also experimenting with export trade in a bid to open up new markets for their products in some neighbouring African states. A Congolese vehicle firm, Cornossierie Comptoir Antos Assesscines Rounis, bought thirteen Santana GX cars at the cost of $9,148 each, early in 1987. (*Business Concord* 24/4/87). Even with all these innovations it is doubtful whether the auto industry has a bright future in the absence of a major rationalisation of the plants and significant strides in the iron and steel, machine tool and petrochemical industries.

The beer industry contrasts sharply with the automobile plants. The former ranks among the most successful industries in the country. The capital reserve in the entire industry is fair. It can adequately support far reaching research and development programs; it also has a guaranteed home market. There are currently about 35 breweries in the country, the largest of them being the Nigerian Brewery Limited (NBL). The industry has witnessed rapid growth in the last five years. The total operating capacity of the breweries as at 1985 is put at 18.3m hectolitres yearly. This is about 18 million cartons of about 12 bottles each per month[27].

The industry has consistently recorded handsome profits since the crisis started. Even with the tight foreign exchange allocation, turnover and profit levels have not been seriously affected. In fact, production has risen steadily from 7,467,870 hectolitres in 1980 to 8,185,170 in 1981 and 8,375,970 in 1982, except in 1983 when production declined to 7,515,676; but it picked up again to 7,554,740 in 1984; 8,052,252 in 1985 and 10,595,673 in 1986. Even after SFEM was introduced, the first quarter of production in 1987 which was 3,766,140 hectolitres surpassed that of the first, second, third and fourth quarters individually for 1986. NBL recorded a growth rate of 14.5% in sales at the end of its 1986 financial year, has two distributors and 140

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27 Supplement on Brewing Industry, *Sunday Times* 21/12/86.

sales outlets in Britain, and has realised £45,588 from the export of star beer[28].

Recent policy decisions are, however, creating problems for the industry. The industry is expected to produce a 100% 'made in Nigeria' beer from January 1988, using the SK 5912 specie of sorghum as a substitute to imported barley. This has precipitated a major rush to the land. Northern Breweries Ltd., for instance, has a 9,000 hectare farm in Keffi; the Cross River Breweries has a 3 year-old 4,000 hectare farmland in Bansara, near Ogoja; and the NBL has acquired 8,000 hectares of farmland in Niger State for its grain farming[29].

As the manufacturers' Association of Nigeria's report on raw materials shows, backward integration is easier in the agro-allied industries than in the electrical, engineering, chemicals and metal industries[30]. But agriculture has not grown to the level where it can steadily support industry. Even when the local products are available, usually, these dry up very quickly[31].

The breweries have complained about what they considered to be a rushed and impractical program for local sourcing. They argue that the full capacity requirement of the breweries at around 1,000,000 tons of raw sorghum per annum cannot be obtained by the brewing industry within the time schedule; that the one million tons of raw sorghum have to undergo a malting process and sorghum malting plants are currently not available in the country; that investors interested in importing the plants at a cost of ₦2.5b are yet to be found; that it will take between 18 and 24 months to commission these plants; that so far 100% malted sorghum beer has not been produced in Nigeria on a commercial basis; and that even if it is possible to produce this beer on a profitable basis, the capital investment involved should be taken into consideration in establishing an appropriate delition program, especially at a time when the companies are faced with a liquidity squeeze[32].

The industry prepared a list of several options and cost implications of each option which it presented to the tripartite committee set up by the government to work out a smooth transition program from barley to sorghum malting plants to produce 60,000 tons of malt a year, to the importation of the enzymes needed to produce 18 million hectolitres of beer

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28 T. Olomu, *Business Concord* 11/8/87.

29 N. Essien, *Business Concord*, 8/5/87.

30 Manufacturers' Association of Nigeria, "Interim Report of the Raw Materials Committee of MAN" ref. No. EC/S/RMOC/O.16/Vol.11/31.

31 Manufacturer's Association of Nigeria, *The Raw Materials Question*, report of a conference on raw materials, 1983.

32 Address by C.E. Adebe, Chairman of Nigerian Brewery Limited to the shareholders of NBL, 1st July 1987.

(*Business Concord* 19/6/87). A consortium of five Nigerian breweries viz International Breweries Ltd., Cross River Breweries Ltd., Paboal Breweries Ltd., Kwara Breweries and Premier Breweries, have plans to establish a sorghum malting plant. Some of the breweries, such as Guiness, have made remarkable strides in the use of local maize to produce beer. But the problems of steady supplies of grains are likely to persist for some time.

The situation in the breweries, though better than what obtains in the automobiles, is still very fluid. There is a major process of adjustment going on. The industry seems to have the capacity for drastic restructuring and adjustment. But the liquidity squeeze and poor purchasing power of the consumers have recently started to affect sales and production. Sales were down by about 40% in the second quarter of 1987. This is likely to affect the major investments which the industry intends to undertake to beat the ban on the importation of barley.

Despite the fact that some companies are positively adjusting to the structural adjustment program, several difficulties stand in the way of most industries. Many industries are likely to fold up. In fact, the returns per share of most industries have declined considerably, even though absolute profits are still very high. The Manufacturing Association of Nigeria's (MAN) half yearly report for 1987 put the capacity utilisation at 25%, compared to 30% for 1986[33]. Even though the industrial sector received about 84% and 80% respectively of the total foreign exchange allocations in SFEM for the months of October and November 1986, the Finance Minister's review of SAP in its first year showed that;

> *the share of the industrial sector declined in subsequent months, reaching the lowest level of 47.59% in February 1987. On the other hand, the allocation of the finished goods sector increased progressively, rising to a peak of 39.9% in February 1987*[34].

Furthermore there has not been any dramatic increase in the flow of foreign investment. The net balances of the domiciliary accounts stood at a mere $68.09m at the end of June 1987 and the modest success registered in the non-oil exports which stood at $269.75m at the end of June 1987 was due mainly to cocoa. Manufacturing exports were poorly represented[35].

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33 Manufacturers' Association of Nigeria, *MAN Half Yearly Economic Review*, January to June 1987, (37 Marina) 1987.

34 C. Okongwu, "Review and Appraisal of the Structural Adjustment Program", op. cit.

35 Ibid.

Table 7 : Earnings as Percentage of Shares 1986 and 1987: Industrial Group Averages for Publicly Quoted Companies

	Average for the Groups (%)	
	1986	1987
Automobile	17.1	12.5
Banking	77.6	53.5
Breweries	16.7	11.6
Building materials	17.7	10.1
Chemical and Allied	21.81	17.6
Commercial	10.2	24.4
Computer and office equipment	48.4	28.2
Conglomerates	22.2	19.4
Construction	6.4	5.7
Cosmetics and Toiletries	36.0	37.0
Food/Beverages/Tobacco	34.7	24.3
Foot wear	23.2	19.3
Industrial/Domestic Products	9.0	13.3
Investment companies	21.0	15.6
Machinery marketing	23.2	0.0
Packaging	15.65	12.1
Petroleum marketing	26.0	22.5
Pharmaceutical and Animal Feeds	24.1	23.2
Publishing	9.1	20.2
Textiles	33.2	31.5

Source: M.O. Kayode, "The Structural Adjustment Program and the Industrial Sector", in A.O. Phillips and E.C. Ndekwu (ed) *Structural Adjustment Program in a Developing Economy: The Case of Nigeria* (NISER, Ibadan 1987).

One thorny issue which affected industry was the interim tariff regime. Tariffs have been organised to protect domestic industries, encourage the sourcing of local raw materials and liberalise the economy. The government has not succeeded in balancing these seemingly irreconcilable objectives. Manufacturers complained that the tariff regime was skewed in favour of liberalisation and had harshly penalised local industries. It had become much more profitable to import the finished goods rather than producing them at home. No wonder even some of the industrialists such as the automobiles, detergents, and chemical industries resorted to massive importation of the finished goods. This practice has posed a very serious danger to the survival of industries.

An unprecedented campaign against the tariff regime was waged by the various industrial groups, the Manufacturers Association of Nigeria and the Nigerian Chamber of Commerce and Industry. The most prominent among the industrial groups in this campaign were the Battery Manufacturers Association, the Enamelware Manufacturers Association, the fishing net industries and the automobile plants. The fishing net industries tried to show that the local manufacturers lost about 30% of their market as a result of the interim tariff. They alleged that the four fishing net companies in the country, with an installed capacity of over 200 machines, are capable of producing over 1.2 million fishing nets annually, which is sufficient to satisfy the national demand. But the total landed cost per kilogramme of complete fishing net is ₦28.73 whereas that for locally manufactured nets is ₦33.06. This is because the duty on raw materials was 20% while duty on imported fishing nets was 5%, placing the local manufacturers at a serious disadvantage. A similar problem was observed in the automobile plants. Cars with unclassified cubic capacity had their tariff reduced from 70% to 30%, a difference of 10%. For cars between 1600 cc and 1800 cc the tariff was cut from 70% to 40% and cars between 1801 cc and 2000 cc attracted 50% tariff instead of the previous 200%. Tariffs for imported completely knocked down parts on the other hand show a marginal difference between the former and new structure. Importation of CKD components up to 1600 cc which attracted 15% tariff showed only 15% difference with the duty paid for the fully built-up cars of the same capacity. Similarly, the customs duty for CKD parts between 1801 cc and 2000 cc was reduced from 40% to only 33%. As Kayode and Mogaha have observed, the new tariff failed to protect the local automobile industry[36]. MAN's half yearly report for 1987 maintained that the tariff and tight fiscal and monetary policy led to consumer resistance and low sales. There was an excess stock of finished goods valued at over ₦70 million, representing about 15% of the total production of 31 sampled companies.

The situation in the small scale industry sector was equally gloomy. Proponents have argued that small scale industries will benefit from the adjustment program because of their reliance on domestic raw materials. This thesis is premised on the fallacy that all small-scale industries (SSI) are local raw material-intensive. The empirical situation is much more complex. Capitalism has generated different levels and degrees of development among the SSIs. There are traditional industries that largely depend upon local raw materials which have not been adversely affected by SAP, except for the

36 P. Mogaha, *Business Times* 15/12/86; M. Kayode, Structural Adjustment and the Industrial Sector in A. Phillips and E. C. Ndekwu, *Structural Adjustment in a Developing Economy: The Case of Nigeria*, (NISER) 1987, pp. 152-3.

liquidity squeeze which may also restrict the expansion of these industries. Examples are local garments, basket weaving, leather works, rice husking, woodwork, local farming and construction implements, and traditional soap and cosmetics. There is a noticeable shift by the urban poor and some members of the middle classes towards the use of these products which used to be the preserve of the rural community. The case of soap is quite revealing. Various types of unrefined soap have sprung up to fill the vacuum created by the highly priced modern soap and detergent manufactured by the transnationals. Lever Brothers has had to work out special arrangements with its distributors to control the retail price of its commodities.

Table 8 : Comparative Cost Between Local and Imported Fishing Nets

Imported Fishing Nets		Locally Manufectured Fishing Nets	
Cost of Raw materials	$5.00	Cost of Raw materials	$5.00
Manufacturing cost at 20%	$1.00	Manufacturing cost	-
Profit at 10%	$0.60	Profit at 10%	$0.50
Freight cost per kg.	$0.24	Freight cost per kg.	$0.24
Total C & F cost of Fishing Net	$6.84	Total C & F Raw materials cost	$5.74
At SFEM rate N4 equals	₦27.36	At SFEM rate N4 equals	N22.96
Import duty 5%	₦ 1.37	Local duty on twine 20%	N 4.59
Local manufacturing cost	-	Local manufacturing cost	N 5.51
Total landed cost net kg. of complete fishing net	₦28.73	Total landed cost per kg. of complete fishing net manufactured locally	₦33.06

Source: Nigerian Fishing Net Industries Ltd - Lagos; Wabtery (Nigeria) Ltd. Lagos; Stretch Fibres (Nigeria) Ltd. Port Harcourt; Gisango International (Nigeria) Ltd. Abba. *Business Corncord* (Nigeria) 1987.

Then there are commodities that are a direct product of modern capitalism but which are also local content-intensive. Examples are modern snacks like packaged cocoa nut cakes, chin chin, plantains, popcorn, petroleum vaseline, sand paper, starch, modern shoes, handkerchiefs, and polythene bags. Most of these commodities seem to be making great strides in capturing the local market. Like the first set of SSIs, these have not been adversely affected by SAP. There are, however, thousands of small scale industries hat have been integrated into the system of import dependence either 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. Examples are battery acid, glue, modern cosmetics, baby oil, crayons, socks, ink manufacturing, exercise books, crown corks, candles, shoe polish, nails, screws, wire galvanising, aluminium utensils, PCV pipes, bolts and nuts. Their low capital base does not allow them to compete effectively with the big companies in the acquisition of foreign exchange at SFEM rates, and in obtaining credits at the current high interest rates. A good number of these industries have folded up; a point which has been underlined by the Manufacturers Association of Nigeria[37].

Labour and the Structural Adjustment Program

The adjustment process in the industries is having very serious effects on the standard of living of the Nigerian workers and the bargaining strength of their unions. Industries have introduced several rationalisation strategies which have tended to strain capital/labour relations. These strategies have varied among industries depending, as we have seen, on their foreign exchange content. Rationalisation has been more rigorous in industries with a high import content such as the automobile plants, pharmaceuticals, flour mills, poultry, milk, paper product and textiles. Previous sections have shown that retrenchment in these industries has tended to be high. Retrenchment has been linked with other methods of cost control such as compulsory leaves, cuts in facilities, bonuses, promotions and annual increments and the introduction of limited work schedules. These rationalisation measures have been compounded by the general liquidity squeeze, the wage freeze which has been in existence since 1982[38], the salary cuts ranging from 2% to 15% announced in November 1985, and the devaluation of wage rates that accompanied the SFEM. Indeed, studies by Ekuerhare have shown the lopsided nature of the factoral distribution of income in Nigeria, with labour incomes accounting for only 30.7% of the gross domestic factor income and declining to 22.3% in 1982[39]. The Pay Research Unit of the Office of the Head of the Civil Service has confirmed that there has been a general downward trend in workers wages and salaries and that the minimum wage of ₦125 a month was obsolete.

Yet, acting on the belief that lower wage rates would attract foreign investment, a view which was shared by the ex-World Bank representative in the country, Hussain[40], the government proceeded to abrogate the minimum wage act in December 1986 by exempting persons or companies employing less than 500 workers and persons employed in agricultural

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37 Manufacturers' Association of Nigeria, *Half Yearly Report* op. cit. p. 2.

38 "Nigeria Labour Congress, A Case for Wage Adjustment for Workers". A memo presented to the federal military government (1987).

39 B. Ekuerhare, "Recent Pattern of Accumulation in the Nigerian Economy", *Journal of Political Science* 1985.

40 I. Hussain, *Perspectives on the Nigerian Economy*, (NIIA) 1987.

projects from the operation of the Act[41]. How have workers and their unions responded to the structural adjustment programs of the state and industry?

We have shown elsewhere that although the recession has eroded the bargaining strength of the unions, courageous attempts have been made by many unions to defend threatened gains[42]. Unions have been more effective in defending salaries, allowances and bonuses than in stopping retrenchment. The capital/labour relationship which gives implicit recognition to the right of capitalists to own factories and make profit, the ununionised character of the reserve labour force and the existence of a very large non-wage sector which can cushion some of the workers against the adverse effects of rationalisation, have affected workers' militancy and encouraged individualist solutions.

Militant responses have been common, however, in sections of the automobile, textiles, pharmaceutical and banking industries. Militancy is low among the construction and poultry industrial workers even though they have been exposed to very harsh rationalisation measures. Construction workers are largely ununionised. Firms relied on daily-paid immigrant labour from the neighbouring countries during the boom period. The poultry industrial workers are not only generally ununionised, but are relatively few to make much impact on management's policies.

Union strategies range from persuasion to sit-ins, strikes and demonstrations. All the industrial crises studied usually start with limited protests. For instance, before the Steyr Workers Union embarked on a major confrontation with management on the 10th October 1985 over job security and provision of facilities, there was a limited work to rule in early October. It was the failure of management to discuss with union officials the future status of the company and other outstanding union demands that precipitated the show-down. Workers force-marched the managing director from his office to the factory gates and barred him from re-entering the factory until he had agreed to discuss with union representatives.

The Ministry of Labour usually intervenes to get both labour and management to settle their disputes without resorting to strikes or lockouts. The ministry of employment, for instance, played a crucial role in the industrial dispute at the Glaxo pharmaceutical company in Lagos. The union

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41 G. Adamu, "The National Minimum Wage and the Plight of Nigerian Workers". Paper at Conference on Nigerian Government and Politics in the 21st century, Department of Political Science, Ahmadu Bello University, Zaria, 4th-8th May 1982.

42 See for instance, Y. Bangura; "Crisis and Adjustment: The Experience of Nigerian Workers", op. cit.; Industrial Crisis and the Struggle for National Democracy: Lessons from Kaduna Textiles Limited and the Workers' Demonstration of January 1984 (mimeo Zaria) 1987; "Crisis Management and Union Struggles in Niger State" (mimeo, Zaria) 1987.

had called for the removal of the Managing Director and the Farm Manager, following the raw materials crisis of the company and the continuous retrenchment visited upon the workforce. The Federal Ministry of Employment had to freeze hostilities in February 1987 when negotiations between management and the unions collapsed in January[43].

The state and management have shown total opposition towards strikes and demonstrations and have descended quite heavily on the union leaders and other militants. In the case of Steyr, for instance, sixteen workers, including present and past executive members of the union, were sacked and some of the activists charged to court for disturbance of public peace and causing grievous hurt and assault. The union was also suspended for more than 12 months. A similar situation was experienced in Kaduna Textiles Ltd. where 3,600 workers staged a demonstration against the managing director of the company after the latter had reneged on an earlier promise to restore full salaries in January 1984. Workers had agreed to accept 50% wages in October and 75% wages in November and December 1983. Workers were beaten up and several activists charged to court on the grounds of assaulting the managing director who was seized by the workers and asked to lead the demonstration to Government House in Kaduna.

In some cases, the union responses are combined with individualist worker initiatives, in others the unions define their strategies independently. In the Kaduna Textiles crisis, for instance, the company was unable to pay retrenchment benefits, particularly as many workers declared their intention to retire voluntarily, disengage from the uncertainties of wage labour and use their gratuity to set up private businesses. Many of these workers had put in more than 20 years of service. The National Union of Textiles, Garment and Tailoring Workers of Nigeria used this individual workers strategy, which was a constraint on management, to stop the mass retrenchment that the company had mapped out in 1983 and 1984 by insisting that all benefits of retrenched workers should be paid immediately.

Some of the militant actions have yielded positive results whereas others have led to new problems for workers and union officials. But all militant cases have exposed the fragility of industrial relations and underscored the independence of unions. The Nation Union of Banks, Insurance and Financial Employees was able to use its strategic position in the adjustment program to prevent the retrenchment that was inflicted upon the public and private sectors in 1984 and 1985 from affecting its members. The Union insisted that banks had made substantial profit to justify job security for its employees. When the SFEM was introduced management also tried to terminate about 30 of the Union's employees and withdraw some of the

43 I. Aremu (NLC) "GLAXO Workers", a report.

social benefits in December 1986. The union mobilised its members for what looked at the time like a total attack on the structural adjustment program. Despite the Minister of Labour's invocation of the essential services decree which barred bank workers from going on strike the leadership and rank and file refused to be intimidated and threatened to disrupt the operations of SFEM if their demands were ignored. They eventually forced the government and management to an acceptable settlement. There is no doubt that the bank workers union has been one of the most effective in the struggle against the adjustment program. It is not surprising, therefore, that the state had been looking for ways to clip its wings. The state intervened in an internal leadership dispute between radicals and moderates of the union by throwing its weight behind the moderates and giving political protection to the latter's impeachment of their radical president.

Indeed, there are several cases of the state and management trying to coopt sections of the trade union movement to frustrate the militant objectives of radicals. In Steyr, for instance, after more than twelve months without a union, the management succeeded in working out arrangements with sections of the workforce to ignore the long standing disputes between the union and management and cooperate with the management in finding solutions to the problems of the company. There is also the case of the unions that belong to the so-called "democrat organisation" which has been trying to obstruct the plans of the Nigeria Labour Congress.

In some situations, union objectives converge with those of management, particularly over the granting of foreign exchange to import raw materials, the protest against the interim tariff which has undermined jobs and the demand for a relaxation of the liquidity squeeze and reflation of the economy. There was the celebrated case of Volkswagen workers marching to the House of Assembly during the Second Republic to protest the dumping of the Datsun Panel van in Nigeria. Despite these situations, the state and capital have not co-opted the workers/trade union movement. The latter may, of course, have been weak in effecting positive changes in many areas of labour relations but the general movement stands opposed to the basic elements of the adjustment program. Every May Day since 1984, where state functionaries and at times union officials are heckled, has shown the disdain of the working class for the adjustment program.

Individual union reactions have been combined with the coordinated responses of the Nigeria Labour Congress. Even though the congress itself has been unable to stop retrenchment, it has been at the forefront of the popular opposition to the adjustment program. Several alternative solutions have also been advanced by the congress[44]. It has called for a general wage adjustment for workers and the restoration of the principles of free collective bargaining. As it argued, market forces should also be allowed to operate in wage determination:

> *Why has the "wage" not found its "realistic level" given the fact that prices and profits are prohibitively on the increase? Could it be the understanding of the so-called market forces does not apply to the working class and their dependants? We need to find answers to these crucial questions if we are to fully appreciate the double standard that characterises the structural adjustment program*[45].

A very effective campaign was waged against the abrogation of the minimum wage act of 1981. As the Congress argued, "under SFEM the real purchasing power of the ₦125 minimum wage is no more than ₦35". A state of emergency was declared within the labour movement. Workers in big cities such as Enugu, Ibadan, Lagos, Benin and Kaduna were effectively mobilised for an industrial action with the government. Even sections of the manufacturing associations were opposed to the revision of the minimum wage act as it would further affect their depressed sales. The amendment order was revoked on April 24th 1987.

The Congress has also tried to link its traditional unionist struggles with the question of political power. The leadership has realised that the structural adjustment program itself is buttressed by strong political structures. Indeed, the current administration has tried to map out a political program that will consolidate the "gains" of the structural adjustment program[46]. It appointed a political bureau in 1986 to conduct a nation-wide debate on an appropriate political order. Following the submission of the report of the bureau it issued a white paper which gave strict guidelines on the kinds of politics that would be tolerated in the transition program. The timetable itself is quite unequivocal in linking the stages for the acquisition of political power in 1992 with the consolidation of the structural adjustment program.

It is against this background that one understands the efforts being made by the Congress to forge democratic links with professional groups and other popular organisations. Debates among labour circles have shifted towards the need for workers to fight for political power and govern the country along socialist lines. The Congress not only canvassed for these

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44 Nigeria Labour Congress, *Towards National Recovery: Nigeria Labour Congress Alternatives* (Lagos).

45 Nigeria Labour Congress, "A Case for Wage Adjustment for Workers", op. cit.

46 Y. Bangura, "Structural Adjustment and the Political Question", *Review of* African Political Economy, No. 37, 1986.

views during the "political debate", but included them in a memo presented to the government and widely circulated among the rank and file workers[47]. The Central Working Committee of the Congress resolved to form a labour party and fight for political power in the transition to civil rule.

Conclusion

Even though the structural adjustment program has dealt a blow to the living standards of workers and the general performance of industries, unions and industrial associations are both responding to the challenges of adjustment. Our discussion has shown that not all industries are likely to adjust even in the long run; many will collapse. The agro-allied industries stand a better chance of absorbing the shocks of drastic adjustment. Government continues to insist that the less efficient ones, i.e. those that cannot break even with the current rate of exchange and tariff structure, will die and others that are more self-reliant will survive. But as Pat Utomi, deputy general manager of Volkswagen, has argued there is no guarantee that a sufficient number of new industries will spring up to take the place of the dead ones. Recovery may well turn out to be very long term and disjointed. Even the World Bank talks of growth in terms of a seven to ten year-period of adjustment[48].

Workers and union responses have also been uneven, even though their opposition to the adjustment program is unmistakeable. Some trade union leaders may well have been bought over by the state and capital but the general trade movement still cherishes its traditional independence. The decision of the NLC to link union struggles with the question of political power is likely to give a qualitative character to the politics of labour relations. The structural adjustment program will have to reckon with a labour movement that is becoming more politically sophisticated and conscious.

47 Nigeria Labour Congress, The Position of the NLC on the Government White Paper on the Political Bureau Report (presented to the federal military government) Wednesday, 29th July 1987.

48 World Bank, "Nigeria: Trade Policy and Export Development Loan", October 16th 1986.