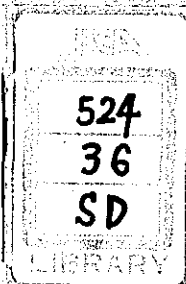


**A SURVEY REPORT ON ECONOMIC  
COOPERATION TO THE MEDIUM AND  
SMALL SCALE INDUSTRIES IN  
NIGERIA**

**MARCH 1970**

**GOVERNMENT OF JAPAN**



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## P R E F A C E


The Government of Japan, with the view to establishing a concrete measure on its future cooperation in the economic development of African countries, particularly in their most desired development of medium and small scale industries decided to carry out a survey in Nigeria and entrusted the Overseas Technical Cooperation Agency with its execution.

The Agency organized a survey team consisting of eight experts headed by Mr. Juzaburo Hasegawa, advisor to the Daiichi Bank, Ltd. and dispatched it to Nigeria in November 1964.

The team carried out the survey on the existing factories, exchanged opinions with the officials of the Imperial Government of Nigeria and competent authorities concerned, and, after the return to Japan, compiled results of the survey into a report as presented herewith.

On this occasion, I would like to express my sincere gratitude to the kind hospitality extended to the team by the Government of Nigeria and the competent authorities and hope that this report would contribute to the development of medium and small scale industries and the promotion of economic cooperation between our two countries.

March 1970



Keiichi Tatsuke  
Director General  
Overseas Technical Cooperation Agency

## C O N T E N T S

### PREFACE

I.	SUMMARY .....	1
II.	OUTLINE OF NIGERIAN ECONOMY .....	3
III.	FOREIGN TRADE OF NIGERIA .....	7
IV.	INVESTMENT ENVIRONMENTS IN NIGERIA .....	9
V.	GENERAL VIEW OF THE TEAM .....	15

## I SUMMARY

Japanese survey team wishes to express its hearty thanks to the king hospitality extended to the team by the governmental organizations and private companies during its stay in Nigeria.

Through the explanations given by the officials concerned and the observations made by the team, most informative data were obtained on the actual situation of industries and the nations efforts for industrialization.

In this respect, it is earnestly hoped that findings obtained during the survey will be widely publisized to all quarters concerned in Japan so that the survey may contribute to the future economic and industrial development of Nigeria.

As regards the request, which were made to the team during its survey, including the dispatch of a mission to Japan to carry out a detailed survey on specific items, the team will direct its efforts to comply with such requests for the future prosperity of Nigeria.

In respect to the explanations given to the team and the findings obtained during the stay in Nigeria, view of the team are summarized as follows:

### 1. Infrastructure

For the industrial development, needless to mention, it is essential to provide efficient transportation means of raw materials and products, and to secure energy for the operation of factories.

It is therefore very important that accelerated efforts be made for further promotion and development of roads, railways, harbors, airports, power stations, etc. The team will spare no efforts in assisting your country.

### 2. Technique

Japan has many years of experience of providing technical service, technical assistance and worker's education or training to many developing countries.

For the latter, Japan has a government organization under the name of Overseas Technical Cooperation Agency through which many technical experts from various developing countries visit Japan to receive training.

It is believed and hoped that Japan will, with its high level of techniques in various industrial fields, be able to provide further technical assistance abroad.

### 3. Marketability

The effective development of enterprises naturally depends upon the broad and stable market. It is therefore recommended that Nigeria, already entered into the preferential treaties with the neighbouring countries, exert its efforts to realize a mass production system through the substantiation and expansion of such treaties.

### 4. Establishment of Official Service Organ for Inducement of Japanese Japanese Capitals

Since the business intercourse between Nigeria and Japan has been rather limited in the past, it is expected that Japanese enterprises wishing to invest in Nigeria will be confronted with substantial difficulties arising from their lack of information.

The Japanese Government therefore finds it necessary and is planning to establish a suitable service organization which would assist enterprises in their capital investment in Nigeria.

## II The Outline of Nigerian Economy

As shown in Table 1, so-called GDP (Gross Domestic Products) of Nigeria is \$3,450,000,000 as of 1964 (It has not been announced since 1965) and has increased by about five per cent yearly since 1958.

When the GDP is viewed from the standpoint of each industrial sector, it is known that agriculture lies in the center of Nigerian economy. If the change from 1958 to 1964 is observed, however, the rate of agriculture in the GDP decreased from 60.3 per cent to 53.5 per cent and the increase rate during the six years was 22 per cent.

On the other hand, the constitution rate of manufacturing industry in the GDP was comparatively low, that is, 2.8 per cent in 1958 and 4.7 per cent in 1964. But the increase rate during the years was very high or 130 per cent. The increase rate of non-agricultural industries was 151 per cent; especially the growth of mining, manufacturing and transportation industries is high or 394, 130 and 81 per cent respectively.

Thus we may say that while the rate of agriculture in the gross domestic product is still high in Nigeria, the growth rate of agriculture is low compared with those of other industries especially mining and manufacturing industries, that the structure of Nigerian economy is leaving from its dependence on agriculture and that non-agricultural economic activities are becoming more positive there.

The gross capital formation in 1958-1962 was 13 per cent of the GDP. Out of the total capital, about 34 per cent was used for construction, 24 per cent for mechanical facilities and 22 per cent for public works. The investment of capital to non-official sectors became higher than that to public sectors in 1960's; the former accounted for 60 per cent of the gross domestic investment in 1962 while the latter has the tendency of becoming lower and lower.



Table 1 Nigeria's Gross Domestic Product (GDP)

(Unit: one million dollars, prices in 1957)

	1958		1961		1964	
	Sum	%	Sum	%	Sum	%
Agriculture (including land development)	1,518.2	60.3	1,605.8	56.3	1,848.0	53.5
Stock-raising	146.4	5.8	179.6	6.3	192.9	5.6
Fishery	42.0	1.7	42.0	1.5	62.2	1.8
Forestry	29.1	1.2	37.2	1.3	32.2	0.9
Mining (including petroleum)	19.6	0.8	38.6	1.3	96.9	2.8
Manufacturing, public works	71.1	2.8	110.3	3.9	163.5	4.7
Communication	8.1	0.3	9.8	0.3	10.6	0.3
Construction, civil engineering	64.1	2.5	77.0	2.7	109.5	3.2
Architecture	22.1	0.9	28.0	1.0	33.0	1.0
Transportation	81.5	3.2	120.4	4.2	147.6	4.3
Crafts	57.1	2.3	57.1	2.0	83.7	2.4
Mission	50.7	2.0	68.9	2.4	73.9	2.1
Government	81.5	3.2	106.4	3.7	119.8	3.5
Marketing boards	2.0	0.1	-14.3	-	17.6	0.5
Finance, Insurance, etc.	8.7	0.3	11.2	0.4	14.8	0.4
Domestic service	10.4	0.4	11.2	0.4	14.8	0.4
Other services	0.5	0.2	10.1	0.4	13.4	0.4
Circulation, errors, omissions	302.4	12.0	340.8	11.9	419.7	12.2
Total of GDP	2,520.0	100.0	2,853.3	100.0	3,453.9	100.0

Remarks: (1) "Mission" includes private doctors.

(2) "Government" includes universities and research institutes.

(3) The GDP's in and after 1965 are not published.

(4) The fiscal years begin in April.

(5) Source: Federal Office of Statistics, "Economic Indicator" April, 1968.

Because of the civil war which lasted for two and a half years, the Nigerian economy is deteriorated as a whole. Especially the decline of petroleum production, which is the important factor of Nigerian economy, and the stagnation of agricultural products have given a great influence to the obtaining of foreign money. Besides, the expansion of the war expenses brought about the consumption of foreign money and fiscal difficulties.

At the same time, the inflow of foreign capital, which is an important stimulus for the activities of enterprises, has decreased so that the development program in 1962-1968 has been abandoned.

However, the civil war is now over. It seems, therefore, that the investment of foreign capital and the technical assistance by foreign countries will become active again in the near future, and that Nigerian economy will recover its strength rapidly through its latent economic capacity with petroleum resources as its center.

Nigerian government made the first six years program of economic development, April 1962 - March 1968. Because of the civil war, however, the program was given up and the succeeding plan is not yet made.

The list of the six years program was as follows.

(1) Character

(i) The aim of the program is to realize the economic independence at the end of the third or fourth program. And the development plans of both federal state and each state are put together, and at the same time the program is versatile.

(ii) The federal government stresses the repletion of social indirect capital to realize the arrangement of investment circumstances, while each state government places emphasis on the development of industries taking into account the economic characteristics of its own.

(2) Aims

(i) The growth rate of GDP during the term of program is to be four per cent yearly, the general domestic production of 1,203,300,000 pounds as of 1960 will be raised to 1,464,000,000 pounds by 1967-1968 and thus the modern independent economy will be realized during the term of this program, if possible, or at latest by the end of the second program.

(ii) The increase of food production is expected by the development of agricultural production and thus the dependence on the import of foodstuffs should

be avoided as much as possible. For this purpose, the modern agricultural methods by the plantation of agricultural garden cooperative associations should be introduced.

(iii) It is important to encourage the development of manufacturing production and to prevent the outflow of foreign money. Therefore, the development of basic industries should be aimed at in order to cut the import of steel and other materials.

(iv) The total investment rate shall be 15 per cent yearly.

(v) The domestic saving rate shall be 10.2 per cent.

(vi) The Nigerian workers should be trained to increase the employment. For this purpose, the educations should be made popular and at the same time the training of high and middle class technical experts should be more encouraged.

(vii) The final aim is to realize the drastic elevation of people's incomes and living standards. Besides, actual and wide steps should be taken for the betterment of medical facilities in the villages and the extermination of malaria.

### (3) General Capital Formation

The following goals are shown in the program.

Public sectors	677,000,000 pounds (57.2 per cent)
Private sectors	506,300,000 pounds (42.8 per cent)
Total	1,183,300,000 pounds (100.0 per cent)

By the way, the development program of Nigeria has been revised in 1964 when the first three years in the program passes, taking into consideration the actual results obtained during the three years.

### III Foreign Trade of Nigeria

The principal products in Nigeria are petroleum, cocoa and groundnuts. However, the export in 1967 was \$677,000,000 or remarkable drop of 14 per cent compared with the preceding year, as shown in the Table 2, since the export of crude oil declined drastically and since the export of agricultural products also decreased except in the case of cocoa. In the first half of 1968 too, the export decreased by 32.7 per cent compared with the corresponding term of the preceding year.

As to the import, it was \$626,000,000 in 1967 or 12.7 per cent decline against that in the previous year; and in the first half of 1968, the decrease was 31.5 per cent compared with the counterpart term of the preceding year.

The trade balance went into the black as a result because the import regulating steps were taken several times. After all, however, the trade scale reduced.

Table 2. Trade of Nigeria

(Unit: one million dollars)

	Export (FOB)	Import (CIF)	Balance
1962	472.1	568.9	-96.8
1963	531.2	581.3	-50.1
1964	600.3	710.6	-110.6
1965	751.0	770.3	19.3
1966	795.5	717.9	77.6
1967	677.0	626.1	50.9

(Source: Federal Office of Statistics)

Table 3 and 4 show the actual results of export and import by principal goods.

Table 3. Principal Export Goods of Nigeria

(Unit: \$1,000,000)

	1966	1967	Rate
Total	780.4	666.7	100.0
Cacao beans	79.1	153.1	23.0
Peanut	114.3	99.1	14.9
Palm kernel	62.8	21.8	3.3
Raw rubber	32.0	17.7	2.6
Raw cotton	14.7	18.2	2.7
Petroleum	257.5	201.9	30.3
Peanut oil	27.1	20.1	3.0
Palm oil	30.8	13.7	2.0
Tin	43.2	36.6	5.5

Table 4. Principal Import Goods of Nigeria

(Unit: \$1,000,000)

	1966	1967	Rate
Total	717.8	625.9	100
Food, tobacco	78.6	64.7	10.3
Fish	20.9	13.7	2.2
Sugar	8.3	9.4	1.5
Mineral fuel	10.7	24.6	3.9
Chemical goods	58.2	59.6	9.5
Cotton fabrics	34.7	11.9	6.7
Artificial textiles	8.0	6.6	1.1
Cement, building materials	9.4	6.5	1.0
Steel and iron	53.4	45.6	7.3
Metal treating machinery	2.3	1.6	0.3
Passenger car	14.8	23.0	3.7

As to the trade between Nigeria and Japan, the excess of exports of Japan's side had been seen till 1967, as shown in Table 5, but the exports from Japan decreased remarkably later and some excess of imports of Japan's side was seen conversely in 1968.

Table 5. Trade Between Japan and Nigeria

(Unit: \$1,000)

Year	Export	Import	Balance	Rate
1962	63,982	5,211	+ 58,771	12.2 : 1
1963	74,109	6,760	+ 68,349	10.9 : 1
1964	79,514	7,351	+ 72,163	10.8 : 1
1965	58,984	9,285	+ 49,699	6.4 : 1
1966	39,573	13,671	+ 25,902	2.9 : 1
1967	38,335	16,163	+ 22,172	2.4 : 1
1968	13,094	14,502	- 1,408	1 : 1.1

By the way, yen credit of \$30,000,000 in total was given to Nigeria by Japan as a mean of economic cooperation, and the sum has been almost all consumed.

#### IV Investment Environments in Nigeria

According to the six years development program, the economic growth rate is estimated as at least four per cent yearly; and while the funds of the federal government is used mainly for the infrastructure sectors, the commercial and industrial sectors are regarded as the important activity fields for private enterprisers.

Foreign investors are expected to shoulder most of private investments and the federal government is positively encouraging them to invest in all the economic fields for the economic prosperity and industrialization of Nigeria. As the steps for the encouragement, the following laws have been established.

- (i) The Industrial Development (Income Tax Relief) Act, 1958
- (ii) The Industrial Development (Import Duties Relief) Act, 1957
- (iii) The Custom Duties (Dumped and Subsidized Goods) Act, 1958
- (iv) The Customs (Drawback) Regulations, 1958
- (v) Income Tax (Amendment) Act, 1958

##### 1. Raw Materials and Resources

###### (1) Underground Resources

Among the mineral products in Nigeria, the most noteworthy is petroleum. Today when the civil war has been over, the oil production must be remarkable through the recovery of oil wells. The economy of Nigeria depends much on the oil production. Next to petroleum, there are tin, columbite, coal, lime stone, natural gas. Further, there are small quantity of gold, permanganic scheelite, lead, zinc, considerable quantity of uranium, iron ore and brown coal, but their production is not yet economical. With some exceptions, almost all the enterprises concerning mining are governed by foreign capital.

###### (a) Petroleum

Since the first oil field was discovered in January, 1956, a number of oil fields and natural gases have been developed.

The oil producing places are mostly in the coastal area of eastern states. The first production of crude oil began in 1958 and then production increased rapidly; the daily production was 500,000 barrels in 1966, and the petroleum accounted for one-third of the total exports. Because of the civil war, however, the daily production fell down to 30,000 barrels in January, 1968.

When we members of Japanese investigation commission visited the country, it was Shell-B P Petroleum Development Co. of Nigeria, Ltd. and

Nigerian Gulf Oil Company that were carrying out their production fully. And Mobil Exploration Nigeria Inc., American Overseas Petroleum Ltd., Tennessee Nigeria Inc., Phillips Petroleum Co. (American companies), SAFRAP (Nigeria) Ltd. (French company), Nigerian AGIP OIL Co., Ltd. (Italian company) were respectively preparing for the operations.

The total incomes consisting of royalties, premiums, taxes, compensations concerning petroleum were 13,000,000 pounds in 1963, which accounted for 65 per cent of the total financial incomes of the government.

The crude oil of Nigeria is of high quality including very little sulfur. In the suburbs of Port Harcourt, a refinery factory of 1,500,000 tons is now being constructed.

(b) Natural Gas

The development of natural gas is also carried out by Shell-BP; the gas is sent through the pipe lines from Afam and Apala near Port Harcourt and supplied to Nigeria Electric Power Public Corporation and Trans Amadie industrial area. Moreover, it is now known that a lot of natural gas and petroleum exist in Auka situated in eastern state.

(c) Tin and Columbite

More than 90 per cent of tin and columbite is produced in Pauch area, especially Shosplato in Northern Nigeria.

Since 1962 the tin ores have been refined near the mines and exported at present.

The output of columbite in Nigeria is 80 per cent of the total in the world. It is important as heat-proof metal but its production and export are now decreased remarkably since America's imports for store is stopped.

(d) Coal

Nigeria is the only coal-producing country in West Africa, and it is mainly produced near Enugu. The coal mines have been controlled by the coal public corporation since 1950.

The demand of coal has decreased, however, since the railways of Ghana and Nigeria, users of the coal, are now adopting the Diesel locomotives. Thus the production goes down from 930,000 tons in 1958 to about 600,000 tons recently, and the export also has declined sharply. The quality is not good.

(e) Lime Stone

The estimated amount of lime stone deposits is rich and its production has increased by 20 per cent yearly for the past four years. This increase is perhaps because the productive capacity of cement factories in Nigeria has grown rapidly.

(f) Iron Ores

The iron ores containing 40 - 50 per cent of iron on an average were discovered in Lokoja and Enugu, and the amount is estimated to be 30,000,000 - 45,000,000 tons. It will be necessary to examine the possibility of development plan connecting these ores with the lime stone and petroleum which are produced in the area.

(2) Agricultural Products

The kinds of agricultural products in Nigeria are many -- peanut in northern states, cocoa in western states and palm in eastern states. These three products are called three major agricultural products for exports. Besides, there are raw cotton, rice, sugar cane, spicery, beans, tobacco, rubber, etc. However, there are few large plantations; most of these products are produced in the small farms. It will be necessary hereafter to consider the production in large plantations and the development of agricultural machinery manufacturing industry in relation to the production.

(a) Cocoa

Nigeria is No. 2 cocoa producing country in the world, and it is produced only for exports. Most of the cocoa trees are more than twenty years old, and it will be necessary to construct new plantations and to carry out the reforestation.

(b) Peanut

This country is No. 1 peanut exporting country in the world and accounts for about 30 per cent of the world trade quantity concerning the peanut. Most of peanuts are exported without any treatment or processing. So it will be important to consider the acquisition of worth by processing.

(c) Palm

Nigeria is the largest export country in the world concerning palm. The palm oil is used for the production of soap and margarine and also consumed as food by the people of Nigeria. It is desirable to carry out further industrialization before it is exported.



(d) Raw Cotton

Cotton is produced mostly in northern states and is the important export product next to peanut. Recently, however, the domestic consumption of cotton is increasing rapidly as the textile industry is enlarged.

The land of Nigeria is suitable for the cultivation of cotton. But the textile is one inch to 1-1/16 inches and is in the sphere in which the string from 30 S to 36 S can be made.

(e) Rubber

Rubber is now an important export goods which can be a match for cotton. The large plantations cover 12 per cent of the whole rubber producing area and the remaining land is utilized by minor farmers. The rubber produced by these farmers is poor in quality and it is perhaps necessary to carry out the reforestation.

(3) Forestry

We can say that one third of land in Nigeria is a wooded region. However, it is the belt-like land of about 18,000 square miles in western states and that of about 2,000 square miles in eastern states that can produce lumber as raw material.

Almost all the lumbers produced are the first class hard wood. The logs and lumbers in Nigeria are exported mainly by UAC Inc. It will be more advantageous if the processing is further carried out as in case of the factory of UAC Inc. in Sapele where plywood is produced with the first class technique in a world-wide sense.

(4) Fishery

The fresh-water fishery has long been carried out in this country, but it is rather recently that the coastal fishery began actually. The government is encouraging the fishery to catch fish as source of protein. It should give encouragement to the foreign and domestic fishing companies which have several fishing boats of 30 to 40 tons.

(5) Manufacturing Industry

In Nigeria before independence, the manufacturing industry was principally the processing industry of agricultural products. Since 1960, however, manufacturing industry has been developed and diversified in kind; at present, not only food processing industry and cotton spinning industry using the domestic cotton, but also the manufacturing of some capital or intermediate goods is seen.

In 1964, twenty seven new factories including those of metal and chemical industries began their operations, while in 1965 many factories of processing industries for coffee and cocoa, textile industry, metal industry and of assemblies of cars and of manufacturing the batteries, nails, etc. began to operate.

Such development of manufacturing industries as mentioned above is now contributing to the decrease of import goods. Today when the civil war was over, there are many questions in this country including the shortage of foreign money and the necessity for arranging the infrastructure. But more efforts should be made for developing the manufacturing industries with petroleum as their base.

## 2. Electric Power

Nigeria Electric Power Corporation is carrying out the work for generation of electric power and almost all the works for supply of the power. Besides, Nigeria Power Distribution Company is supplying it to most of main cities and towns.

The questions to be solved hereafter are that the supply of electric power to the users who are isolated respectively should be stabilized and that the isolated users should be connected with each other.

## 3. Transportation

The system of transportation is well organized and in the important collecting and distributing points, two or more kinds of transportation means can be utilized. For instance, the principal sea ports of Nigeria are Lagos and Port Harcourt, and they are at the same time the terminal points of railways and high-ways. In the inland area, Jebba and Baro along the Niger River and Makurdi along the Benue River -- these three towns are the turning point of waterways, railways and roads. But there still remain many problems to be solved concerning the arrangement and recovery of these ports and the arrangement of the roads to these ports in order to make them dependable.

As to rivers, such rivers as Niger River, Benue River and rivers in the delta of Niger River are utilized mainly and the transportation capacity was 311,000 tons in 1960. This is only 6 per cent of the domestic transportation of Nigeria. So it will be necessary to increase the utilization degree further.

Besides, the ports which are open to the foreign ships are Lagos, Apapa, Port Harcourt, Brut, Sapele, Warri, Degema, Carabacoo and Bonny.

Load Quantity of Foreign Ships: 14,473,000 tons (1965)

Discharge Quantity " : 358,800 tons ( " )

As to the forwarding rates by port, the rate of Lagos is 28 per cent in export and 70 per cent in import while that of Port Harcourt is 55 and 21 per cent respectively. That is, most of foreign freight are treated in these two ports. It will be necessary to enlarge the functions of these ports.

Number of cities with the telephone facilities: 148 (as of July, 1961)

(47 in eastern area, 74 in wester area and 27 in northern area)

There are telephone lines connecting Lagos with Dahomey and Togo.

#### 4. Water

Waterworks for supplying water to factories and homes exist in most of cities with large population. There are, however, no ample water resources in many northern cities, so it is necessary to carry out the investigations thoroughly in case the factories which need much water are to be established in the northern states.

#### 5. Labor and Employment Conditions

##### Demand and Supply of Labor

The demand of labor is becoming higher recently due to the industrialization. The ordinary workers can be collected easily but the number of skillful workers is not enough. The government has established the technical training centers here and there in the country to train workers, and this is very advantageous for the developments in the future.

## V General View of the Team

Since the civil war was over, it is expected that the remarkable industrialization will be seen in the near future by carrying out the recovery and arrangement of infrastructure and oil refineries.

As mentioned above, the entry of foreign capital into the country is remarkable, and fairly much capital has been invested by Japan too.

Many days have not yet passed after the termination of civil war, so the country has little foreign money. Moreover, there are at present such problems as the prohibition of profit and dividend and the difficulties in the import of raw materials. It seems, however, that these problematic point will be settled sooner or later.

We hear that the Economic Development Ministry is planning the establishment of the companies of cement, plastic processing, tobacco, beer utilizing the resources in the country. It is desirable for Japan to carry out the capital participation including the technical cooperation such as the supply of technique, dispatch of technical experts and the training of technical workers there.

