Indigenisation and Foreign Capital: Industrialisation in Nigeria

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A survey of Kano-based industries affected by the indigenisation programme reveals a very high concentration of indigenous equity ownership, and partly because of this, sheds doubts on the success of the programme to achieve its stated objective: independent capitalist development. Such an objective is furthermore thought to be an unlikely outcome because of the emerging patterns of collaboration between the new industrial (though still largely mercantile oriented) elite and the foreign owners of capital who compensate for their loss of direct economic control through increased technological control. Such increased technological control encourages also a pattern of production unlikely to expand the labour absorption rate of industry.

Indigenisation policies in Nigeria
The history of Nigerian indigenisation policies stretches well back into the colonial period when, as early as 1946, the government set up the Nigerian Local Development Board with a view to granting direct loans to Nigerian owned enterprises. The extensive monopolistic trading interests of giants such as UAC (United Africa Company) and John Holt soon created conflicts with aspirant local businessmen which forced the government time and again to intervene and protect local interests. A national committee on the ‘Nigerianization of Business Enterprises’ was set up in 1956 and its recommendations barring aliens from the distributive trade was accepted in the early sixties, though never properly implemented due to the political upheavals in the mid-sixties. Whilst the Gowon government continued to pursue an ‘accommodation’ policy toward foreign capital, it became more and more concerned with the harmonization of foreign with local interests. In 1968 an Expatriate Quota Allocation Board was established in an effort to maximise Nigerian participation in senior management of foreign businesses. In line with this policy, the second National Development Plan, 1970-1974 introduced measures for the ‘accelerated training of local businessmen, the provision of advisory and training services and the improved flow of capital, technical and market information’.

The climax of this long-winded process came with the Nigerian Enterprises Promotion Decrees of 1972 and 1977. Announcing itself as ‘the first real scientific approach’ to the complex problem of how to encourage and protect private Nigerian participation in the foreign dominated domestic economy, the NEPD of 1972 decreed the transfer of those businesses in the private sector which were believed to be within the competence of indigenous expertise (Schedule I, 21
enterprises), and required a minimum Nigerian interest of 40 per cent equity in
other businesses where joint participation was still considered necessary (Schedule
II, 35 enterprises). The remainder (80 enterprises) were allowed to continue to
operate under full foreign control.

This classification into schedules corresponded to a perceived hierarchy of
economic activities based upon the twin principles of size and sophistication.
Thus, Schedule I comprised the commercial and servicing sector of the economy,
Schedule II included light manufacturers and primary processing industries,
leaving the more difficult and capital intensive industrial processes to foreigners.
Also, enterprises belonging to Schedule I could escape to Schedule II if their
share capital exceeded N400,000 or their annual turnover N1,000,000. It was
indeed one of the goals of the indigenisation decrees to encourage foreign
investors to abandon their traditional activities and move into new ventures
with high technology, management and risk.

Such classification, as unimaginative as it is realistic, merely follows and thus
endorses, an already existing trend in the international division of labour which,
because of already firmly established technical and monopolistic vertical linkages
between the various sectors, can well defeat the very object of the indigenisation
exercise.

Despite its claims to scientificity, the 1972 decree was remarkably (or sus-
piciously?) careless in design and sloppy in implementation. It was careless in
design because it had omitted to consider the small matter of whether there was
indeed a sufficiently broadly based class of Nigerian capitalists with the cash
ready to absorb the sudden flush of assets. As it happened there wasn’t and,
consequently, ‘severe concentration of ownership was the “unintended” result
of the decree, frequently accompanied by “fronting”’. This was the conclusion
of the Industrial Enterprises Promotion Panel of Inquiry set up by the new
Military Government in 1975. The decree was sloppy in implementation because
of the lack of adequate government machinery to supervise the transfers. To be
sure, a National Enterprises Promotion Board had been set up at Federal level to
oversee the implementation of the decree, but it had few guidelines other than
its own discretion which apparently, according to the Panel, it used freely to
provide for ‘exemptions on flimsy grounds’. Also, decisions as to the schedule
classification of individual enterprises were left to officials from the State
Ministries of Trade, whilst the delicate matter of naturalisation of foreign
owners was left to the Federal Ministry of Internal Affairs, both outside the
immediate jurisdiction of the NEPB. Small wonder that the aforementioned
Panel of Inquiry observed that by June 1975 (well after the ‘deadline’ of
December 1974) the success of the first decree was limited, the number of
confirmed cases of compliance being only 314, or 33 per cent of all affected
foreign enterprises. And it adds the honest rider: ‘in almost all instances, the
devices employed by the foreign owners could not have worked without the
active support and connivance of some misguided Nigerians’. Nevertheless, a
report in the Daily Times (18 November 1978) suggested that there were no less
than two dozen ‘legitimate’ ways by which the 1972 decree could be conveniently
avoided or evaded altogether.

Having digested the Panel’s observations and recommendations, the new Military
Government in 1977 promulgated the second NEP decree, to come into effect
by December 1978. This decree was meant as both an extension of, and an
improvement upon, the first decree. Instead of two schedules, it now listed three, providing for whole or part indigenisation of all foreign enterprises. Enterprises listed under Schedule II in the 1972 decree (i.e. 40 per cent Nigerian participation) now had to divest another 20 per cent equity, whilst companies previously not affected were now required to have at least 40 per cent Nigerian participation. A few enterprises were re-classified from Schedule II to Schedule I (e.g. Department Stores with an annual turnover of less than N2m.).

The Second decree was also meant to redress some of the anomalies arising out of the first decree. For example, and most importantly, it aimed at ‘Socialisation of Indigenisation’ by limiting individual Nigerian participation to 5 per cent or N50,000 whichever is the higher. However genuine the intent of this particular article of the 1977 decree, it may well come as mustard after the meal. The bulk of private enterprises affected by the second decree were already in whole or in part (up to 40 per cent) affected by the first decree when limitation of Nigerian ownership did not apply, so that concentration of ownership was already established. Moreover, for private companies, the problems of having to find many rather than a few buyers has become so enormous that by June 1978, the deadline for submission of applications, only about half of the companies had been able or willing to comply despite a very much more pugnacious attitude of the NEPB. Consequently, under the pressure of haste applied by the NEPB, ‘fronting’, this time not for the foreigner but for the already share-owning Nigerian businessman, has become an established routine.

It is only in respect of the sale of public companies that the socializing intent of the 1977 decree has been appreciably effective. At the time of the first decree it had been a policy of the NEPB to encourage the public issue of shares of the largest companies and, after the second decree, this policy has become more aggressive, ‘coercing’ companies with a share capital near the N1m mark to go public. The number of public companies in Nigeria rose from 4 in 1971 to 18 in 1975, and to 45 in August 1978 with the expectation of another 50 to follow. Although the frequently oversubscribed issue of shares of these companies reflects a broader capitalist participation by the Nigerian public generally (there are now an estimated one million shareholders with between N100 and N200 worth of shares each) it cannot properly be described as a ‘socialization’ programme. For, although banks have been ordered to allocate individual loans for the purpose of buying shares, only cheques are acceptable for the purchase of such shares and of course the vast majority of Nigerians do not operate current accounts. Under the new decree, the valuation of all shares, private and public, is done by the Capital Issues Commission which, it was generally believed by the foreign business community, undervalues the shares by some 30 per cent. Companies that fail to comply in time are ‘threatened’ with even lower valuations. Given that, so far, indigenisation has not reached the masses, the ethics of such valuations may well be questioned.

The second decree also provided for ‘Worker Participation’, stipulating that 10 per cent of stock divested under the second decree, should be allocated to the firm’s personnel, such that at least half would come to the junior staff. For companies that were to be indigenised for the first time this came to 6 per cent of equity, whilst for those that graduated from 40 per cent to 60 per cent participation, it only amounted to 2 per cent of total equity. The part allocated to the individual workers most frequently turned out to be too insignificant to be
spread evenly, and moreover, technical difficulties of allocation arose because of
the rapid turnover of the labour force. At the time of my survey, most companies
were, consequently, looking into the possibility of a Worker Participation Fund
to hold the shares in trust. Many companies did not bother with this aspect of
the decree at all.

Indigenisation and Independent Capitalist Development: Some theoretical issues
The ultimate success of the indigenisation programme, however, must not be
assessed in terms of its ability to involve the masses of the population. That was
never its prime intention. 'Socialisation of indigenisation' only arose out of a
desire to redress the extreme imbalances generated by the implementation of the
first half of the programme.

Rather, we should evaluate the indigenisation programme in terms of its potential
success in achieving its own defined objectives, which are, as the government is
at pains to point out time and again, not to drive away foreign technology and
capital, but to give Nigerians the opportunity to demonstrate their ability to
assume ownership, control, and management of the nation's economy and to
make foreign participation complementary to indigenous efforts rather than
compete with it.

In response to indigenisation (and often in anticipation of it), for the winds of
change have been long since blowing) transnational corporations have tended to
organize the production process of their overseas subsidiaries in such a manner
as to maximise the technical dependency of the overseas plant upon techno-
logical, intermediate and frequently also raw material inputs from the parent
company or any of its other home subsidiaries. Patented protection of the final
product brands permits the detailing of technical agreements, most often
involving a management contract as part of the agreement, which sets real limits
to the ability of Nigerians to control and manage their newly acquired industrial
establishments. Such vertical linkage reduces Nigerian industrial activity to a
form of market access necessary to valorize production in the higher industrial
enterprises of the metropolitan centre countries. Here we have a novel form of
surplus extraction whereby capital accommodation occurs in the centre as a result
of manufacturing activities overseas. This surplus is realized in the collection of
monopolistic technological rents and, it should be noted, irrespective of the
much decried practice of transfer pricing. Transfer pricing, in the sense of fixing
prices above an 'arms length' administrative price, is merely a further abuse of
what is already a technologically determined unequal system of economic
interaction, and many companies, so I was told, have become careful to steer
clear of it.

Paradoxically, indigenous ownership (or joint ownership) of the foreign industrial
companies may serve to secure still further the parent company's monopolistic
control through vertical linkage: for the financial involvement that such owner-
ship entails for the Nigerian entrepreneur reduces his willingness to redirect or
reorganize the production process along more independent lines. This co-optation
of the Nigerian new industrial elite is especially successful, because of the
relatively small size of this elite and the consequent limits to competition, and
also because of the historically mercantile orientation of this elite.

The Indigenisation of Industrial Enterprises in Kano: Report of a Survey
At the time of my fieldwork (July/August 1978) there were 133 manufacturing
establishments in Kano, one hundred of which had a paid-up share capital of N200,000 or over. Very few had a paid-up capital of over N1 million. Excluding the 33 smaller companies from consideration, we find that, of the 100 companies, 86 had been established since before the 1976 decree, and of these 10 had been all Nigerian from inception and were therefore not immediately relevant for our study. Another six companies were wholly owned subsidiaries of (foreign) public companies located in Lagos and had therefore no information on patterns of ownership or control, since they were themselves entirely directed from Lagos. Of the remaining 70 companies, I excluded the entire food and vegetable oil industry (thirteen companies) as well as eight leather firms that had erroneously been classified as manufacturing establishments when in fact they were trading companies only, exporting dried hides and skins. Fourteen companies had been set up since the 1976 decree as joint-ventures and according to the specifications of the decree. Five of these companies were surveyed to see if they exhibited patterns of ownership and control strikingly different from those companies that had gone through the experience of the NEPD. As this was not the case I have simply included the five in the analysis of the total sample.

Data collection for the survey on these 54 industrial companies was largely done by personal interviews with their (foreign) managing director, or their (foreign) general manager, as the case may be. I have no reason to doubt the validity of the responses since the questions appeared as harmless, concentrating on patterns of ownership and control, and staying well clear of the more sensitive issues of methods of transfer (e.g. fronting, payment out of future dividends, or loaning to candidate purchasers, etc.). Also, many of the foreign business community in Kano, whilst agreeing with the philosophy behind indigenisation, felt harassed by the officials and methods of the NEPD (its hurried deadlines and its methods of valuation especially) and welcomed an opportunity to air their views in front of another foreigner who was only gathering information for some 'obscure academic journal'. In only three cases, all involved in the KSIC scandal discussed below, did I meet with a refusal to co-operate, and in these cases and wherever else if necessary, I supplemented the information with data very helpfully given to me by the NEPB officials in Kano State.

Nevertheless, the data may appear as unreliable in one important respect. At the time of the survey, the deadline for submission to the NEPB (with names of candidate purchasers and companies' stock valuations) had only just expired, and the replies of the NEPB containing approvals or rejections and share valuations had not yet been received in all cases. Since most interviewees, however, seemed to be confident about the NEPB's final approval and had reason to be so on grounds of prior communications with the NEPB and since, moreover, the great majority of companies affected had already got 40 per cent Nigerian participation since the 1st decree, I feel justified in assuming that my conclusions on patterns of Nigerian ownership in Kano are subject to only a slight marginal error. As for the data relating to patterns of control, there is no reason to believe that a possible NEPB intervention would alter the pattern already taking shape.

In line with the theoretical hypothesis elaborated before, the interview schedules contained four main question areas: First, I wanted to know in how far the decrees had effectuated a genuine transfer of ownership of foreign assets. Second, which and how many individuals had benefited from the decrees. What was their socio-economic and/or political background and orientation? More to the
point: had the decrees been successful in promoting an indigenous industrial class as distinct from a mere wealthy commercial and bureaucratic elite? Third, to what extent had transfer of ownership also implied a transfer of control. Four, to what extent had the decrees promoted or inhibited capital accumulation in industry in Kano?

Patterns of Nigerian Participation
a. The Naturalisation of Aliens
Of the 49 companies that had been affected by the decrees no less than 14 managed to escape the provisions of the decree in part or in full because of the foreign owner’s successful bid for Nigerian citizenship or for the official recognition of his status as citizen of a OAU membership state, with which Nigerian has friendly relations. The number of Lebanese owned business in Kano was and still is large. Of the 49 companies in our survey 32 had been Lebanese before implementation of the decrees, even though some of these Lebanese held British passports and the companies were therefore officially registered to be British.

At the time of the first decree Nigerian nationalisation laws were quite liberal, permitting anybody who had been in Nigeria for 15 years, who spoke at least one of the local languages and who had a clean tax and criminal record, to apply. Liberal though the naturalisation laws were, many Lebanese failed to get the required official recognition and, disgruntled, they put the success of others down to massive bribes. In some cases naturalisation came through at the eleventh hour, only in time to save the owner from the clutches of the second decree. In other cases, naturalised owners decided to go along with the changing times in any case, and invite Nigerian participation if only to an extent more limited than that laid down by the decree. In only three cases was there no Nigerian participation at all. Most Lebanese firms were traditionally family firms and it became practice for these families to have at least one member obtain Nigerian citizenship, thus securing the required Nigerian equity, whilst the remaining members would keep their foreign status and along with it the opportunity to remit income abroad.

b. Institutional Nigerian Participatants: the Kano State Investment Corporation
State, or institutional participation resulting from the decrees occurred in no less than 13 cases, and in two of these the Kano State Investment Company in fact took over 100% of the foreign equity. The Kano State Investment Company is a financial corporation now statutorily independent though originally funded by the Kano State Military Government and, at the time of the first decree, also controlled by the KSMG. It is today easily the largest single investor in Kano industry. Its equity interest in foreign companies rarely drops below 25 per cent.

The deep involvement of the KSIC in Kano industry does not necessarily reflect a deliberate industrial policy on the part of the State nor even good economic sense. Rather, it is the outcome of two historical conditions, namely, firstly, the nature of corruption pressed upon the KSMG during the first decree when a few influential Lebanese managed to bribe the governor and his secretary to instruct the KSIC to take over shares in their loss-making companies at very inflated prices, and, secondly, the fact that at the time of the first decree there was simply not sufficient private capital around to soak up all the divested shares. State finance institutions were encouraged to perform the role of transitional
purchasers with a view to selling the shares to individuals later, in order to permit alien companies to comply with the decrees. But here again, it would be the less healthy companies that would have to turn to the State to meet the requirements of the decrees, and, consequently, one major effect of the decrees was an inflated State participation, particularly in less profitable businesses. The accounts of the KSIC between 1972-1978 show zero or negative returns when everybody else, profiting from the Nigerian boom, has been able to make a 20% return on capital at the least.

A second institutional investor which appears to have selected its interests more carefully is the NNIL (Northern Nigerian Investment Limited). It and its parent NNDC (Northern Nigeria Development Corporation), both offshoots of the CDF (Colonial Development Fund) and located in Kaduna, acquired two interests as a result of the decrees.

c. Individual Nigerian Investors
The total value of divested equity of all companies in our survey (i.e. 54, including the five companies set up since 1976) comes to N22,573,176. Excluding the equity acquired by KSIC (= N5,491,750) and that by NNIL/MMDC (N284,135) leaves N15,227,179 which was received by 291 individuals. N520,112 went into Workers Participation Funds. Distribution of shares amongst individuals, however, was extremely unequal as the table shows.

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<th>Number of individuals (cumulative)</th>
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In their selection criteria, alien divestors who in most cases (31) admitted to having selected their shareholders rather than being approached by them (10) or having been introduced to them by a third party (6), seem to have been guided by two equally attractive options. On the one hand there was a preference for selecting one, two or at most three ‘big’ Alhajis who had either cash, or influence, or both. Until the military coup of 1975 business and politics were very close in Kano and this clearly affected choices after the first decree. Out of the top six Alhajis who between them received 50 per cent of all shares divested to individuals, no less than three held important political positions at the time of their selection. Another was a brother of one of the three and one was the son of a past and influential politician. The first prize for equity participation easily goes to Alhaji Aminu Dantata, a distinguished and wealthy trader in his own right but also State Commissioner of Trade and Industry at the time of the first decree. Actually, all of the big Alhajis were well-established traders with business interests going far back into the colonial days and their own fathers’ time. All but three of these businessmen were classified by their foreign partners as traders only, the three being reputed to have become industrialists. Not only do the business interests of the Nigerian partners go a long way back, so do their business connections with the Lebanese whose companies they are now buying.

The ‘Big Alhaji’ approach was adopted exclusively in thirteen cases. The first decree had omitted to limit individual participation. This was later amended by the second decree, but since most of our companies were classified under Schedule II (i.e. 40 per cent divestment in 1972 and another 20 per cent in
1977) we encounter another nine instances where, by 1977, the bulk of equity had already passed into the hands of the big Alhajis, leaving the remaining 20 per cent to be fragmented amongst smaller fry, some of whom it was alleged were in their turn fronting for the big guns.

Whilst having one or two big guys as counterparts has certain advantages, namely they are thought to be able to afford the cash and they can throw their weight around, it also has disadvantages of potential interference with management, hence the alternative adopted in eight instances where alien owners chose to scatter their shares amongst many small holders. This option seems to have been marginally preferred by British and French companies, whilst Lebanese firms felt more comfortable in tying their fate to Big Men.

Both strategies were often (20) accompanied by selection on the basis of prior mercantile links between company and shareholder candidates. The customer/shareholders pattern has a clear advantage which was recognized by all interviewees. Whilst the company has loyal vendors for its products and a collateral (e.g. stock) for credit as they have never had before, the customers are guaranteed preferential treatment in allocations and credit facilities. Moreover, the shareholders’ continued preoccupation with the distribution of the firm’s product is the strongest weapon in the alien owner’s arsenal of control retention. For, even when outnumbered by Nigerian directors, the fact that the latter are thrown into direct competition with one another makes it unlikely that they will gang up at board meetings to change company policy.

From Ownership to Control
Generally speaking, the foreign business community in Kano seems to have accommodated the indigenisation movement without too much fuss or withdrawal symptoms. Of all the companies visited, there was only one where the foreign owner admitted to putting up the company for sale with the intent of leaving the country for good. Two of the three companies which have been taken over completely by Nigerian interests had previously been owned by Lebanese who are still in Kano continuing with other business and industrial interests, whilst the whereabouts of one ex-owner could not be traced.

The over-great majority stayed on despite their, almost ritual, complaints about the unfair price obtained for their equity and despite their grumblings about expropriation and theft. From the interviews I concluded that there are three reasons for this behaviour. The majority of Lebanese literally do not have anywhere else to go and to build up an economic existence. Indigenisation came at a time of rapidly growing demand for substitute manufactures and, however adverse national legislation, as most managing directors admitted, one can still make a lot of money, a 20 per cent return of capital being the norm rather than the exception. Most importantly, most alien owners were confident that they could retain control over the business and especially over their sources of profit which need not be the conventional ones declared in the accounts, despite Nigerian ownership. This was true for Lebanese and other firms, but more especially for those that were tied to a parent company abroad.

Three sets of questions dealt with the relationship between alien owners and their new Nigerian shareholders who nearly always became directors of the board. It was customary to appoint a Nigerian Chairman of the Board of Directors. The organisational structure and culture of the companies varied
enormously but these variations bore little relation to size of capital or turnover. Companies of comparable size and activities could as easily be found to be run from a poky little shed in a backyard as from a two-storey glass panned modern building with wall-to-wall carpets, electric typewriters, etc. The former would always be Lebanese, the latter both Lebanese and other foreign-owned. In the former case there would often be little division of management functions nor any formal structure of control. Board meetings would be called ‘whenever it is necessary’, which after a little promoting from me was translated into ‘once or twice a year’. In the latter case a formal organizational structure always accompanied the modern appearance of the buildings. There would be an AGM once a year, regular board meetings every three of four months, and management functions would be clearly distinguished.

I assumed that foreign owners having to divest 40, or even 60 per cent of their shares would try and find alternative ways of control retention. Partly the answer was already discovered in the selection procedure of shareholders. Alien owners often openly admitted to handpicking their shareholders from such backgrounds as would minimize their future meddling: ‘They have been friends of the family for a long time; my father used to do business with them’. ‘They trust us’ would be a typical reply of the Lebanese, or ‘They are too busy with their trading interests. We each do our own jobs and leave each other alone’.

One set of questions dealt with the degree of involvement of the Nigerian director/shareholder(s), the nature of their activity on the board and their display of interest in the company. In eleven cases, at least one Nigerian director was actively involved on more than a board meeting basis. In twelve, Nigerian directors were only active at Board meetings. In eighteen, Nigerian directors were not involved at all, and regarded as sleeping partners.

The degree of active involvement of Nigerian shareholder/directors was in fact higher than I had anticipated. I had thought that the high degree of concentration of share ownership would mitigate against active involvement. The big Alhaji’s with the largest amounts of stock were reported to be the most active. However, I had also supplied the interviewees with a list of ‘areas of involvement’. These were: choice of production technique; expansion or contraction; choice of suppliers; choice of customers; costing and pricing; payment of dividends; labour policies; and back borrowings. Even in cases of reported ‘active involvement’ decisions concerning production techniques and supplies (e.g. of inputs) are never discussed with the Nigerian directors.

As suggested earlier, in developing countries control over the direction of industrial development and the rate of capital accumulation hinges really on control over production techniques and supplies. As long as foreigners decide what technology shall be used, where it shall come from and how much shall be paid for it, one can’t really maintain that the Nigerians acquired control along with their ownership of foreign enterprises. Such separation of ownership and control, whilst relevant in all cases, is more pertinent and irreversible in cases of subsidiaries of overseas parent companies (fourteen in our sample) who tie up foreign management control in so-called technical agreements. For such companies, indigenisation is a welcome development. The interest of the contemporary transnational company is in control of markets rather than in immediate profits. Control of markets is obtained through transfer of product specific technology. Increasingly, these parent companies themselves graduate
from making consumer goods to making producer goods that are patently specific for their brand of consumer goods. Equity involvement by Nigerians, who in a preceding period were their main distributors, is seen as a welcome development in the stabilisation of market outlets.

The Comprador Role of the Nigerian Shareholder
The interviewees were presented with a list of comprador activities or forms of assistance that they might or might not expect and get from their Nigerian directors. Naturally, the word ‘comprador’ was not used. Interviewees were simply asked what they, on their part, expected from their Nigerian directors, and how they thought their Nigerian directors could contribute to the interests of the Company. This question usually prompted a general reply such as: ‘We don’t ask them to do anything’, or: ‘For everything that has to do with government we use them’. It was only after this that I would produce a list of specific activities asking the interviewees to tick off which of these things they ever asked their Nigerian directors to do for the company, e.g., expatriate quota facilitation, acquisition of land, government contract broking, contract broking, wholesale distribution, facilitation of bank overdrafts, facilitation of import licences, lifting of export duties, general influence on government, price control and other general policies.

Answers again were divided into three categories. Twenty interviewees stated firmly that their Nigerian directors never did anything for the company, although some of them admitted that it would be nice if they would. Nineteen out of these twenty were the same companies that had reported non-active directors in terms of business decisions. Lebanese owners would often say ‘We have better relations with the bureaucracy than they have’, and ‘We don’t need them to do anything for us’. Twelve interviewees admitted that their Nigerian directors helped them a great deal, in pleading on their behalf for expatriate quotas, in lifting government restrictions and in obtaining import licences. Four interviewees ‘used’ their Nigerian directors sometimes, when they had explored every other avenue. Some in these latter two categories were alien owners who had never used Nigerian shareholders before, but who now claimed that since the latest decrees ‘everybody has to do his own bit’. Again, the biggest Alhajis with the largest investments were also the most active on behalf of their companies but only when they had a sizeable stake in them. Where their interests were relatively small, the company management would complain that these Alhajis were ‘too big to bother’.

On the whole, there was a tendency amongst the foreign community to think that now that the Nigerians had such a large stake in the firm it was time they did something to earn their living. The comprador activities listed were not regarded as other than ‘fair’ forms of co-operation from Nigerian shareholders of whom many complained that ‘all they are interested in is dividends’. Indeed, it may well be that ‘comprador’ activities, for many years condemned as corrupt and unpatriotic practices, have finally obtained new legal status. One German industrialist who had just signed a joint venture contract with a big Alhaji in Kano showed me the Memorandum of Association of the Company which stipulated the contributions of both parties. Forty per cent of the capital in the form of equipment was to be supplied by the Germans as well as servicing and management at an agreed price, 60 per cent of capital in the form of cash to be contributed by the Nigerian. Also the Nigerian partner would ‘undertake’
to obtain all necessary permits, licences, land, and expatriate quotas needed to make the venture operational. Indigenisation definitely seems to have oiled relations between international capital and local elites.

Indigenisation and Industrialisation
Lastly, we turn to the effects of indigenisation on capital accumulation in industry and its labour absorption rate. A number of questions in the interview schedule dealt with the size of paid-up share capital before 1973 and to date. Where increases had occurred in the size of equity, interviewees were asked to indicate the method of these increases, namely, revaluation of assets (20); capitalisation of reserves (9); fresh capital injections from abroad (5). The decrees have had a tremendous effect on the size of reported equity. Before the promulgation of the decrees, companies used to minimize their reserves, paying for expansion out of profits without adjusting the book value of their assets, in order to facilitate tax evasion. This strategy obviously boomeranged with the announcement of the decrees which pegged the sale value of a company to the book value of its assets. Hence, the sudden rush of revaluations and capitalisations most of which were indeed accepted by the authorities. In all, twenty seven companies admitted to practices of revaluation and capitalisation as a result of the decree; their total paid up capital was revised upwards by over 100 per cent from a combined N7m to N15m.

Of course, revaluation of assets and capitalisation of reserves are only book-exercises and do not by themselves reflect a form of capital accumulation. However, one may be excused for concluding that real capital accumulation nonetheless occurred for, most often, and certainly since the second decree which insisted on the practice, companies would instead of selling a percentage of existing stock, use the revaluation exercise to issue new shares up to a level needed to comply with the decree. Assuming that Nigerians did pay for this new issue, although it was rumoured that they often did not, the cash inflow from this new issue would have to go into the company's reserves since the owner did not in effect sell his existing stock and could therefore not remit abroad where presumably it would be available for new expansion. One possibility which technically speaking is not illegal would be for the company to 'loan' the cash flowing into reserves back to the Nigerian purchaser. Since this would be an issue regarded as sensitive by the interviewees, my research data are insufficient to give a satisfactory answer.

More importantly, and less ambiguously, we may assess the positive effect of indigenisation on industrialisation if we look at its selective pressures. The first decree had placed all trading and transport firms under schedule I (100 per cent Nigerian) and consequently, foreign capital that was traditionally involved in this sector (especially Lebanese) if it were to stay in Nigeria at all had to concentrate on industry. This did indeed happen. All five companies included in the survey that were set up since 1976 were formed with this 'transported' capital. A more comprehensive survey of all post-1976 companies would undoubtedly affirm this trend.

Finally, a word about the labour absorption rate of Kano Industry. The industrial establishments in the survey varied greatly in the number of workers they employed. Generally, the Lebanese firms were, and still are, the more labour intensive, frequently using relatively simple methods of production and employ-
ing several hundreds of workers with an equity of around N500,000. British, German and French firms are on the whole more likely to be found at the other end of the continuum, e.g. they are highly capital intensive with equities near the N million mark, and they employ very much few labourers. If indigenisation has at all had an effect on the amount of (recorded) capital in industry, its effects on the growth of the labour force are yet to be awaited. In 1973 the total number of labourers employed by the 49 companies of our survey totalled 9,452. By July 1978 these same 49 companies recorded a total of 11,553 labourers.

Conclusions
The indigenisation programme has been effective mainly as a device for harmonising foreign interests with the financial interests of a small class of indigenous entrepreneurs. To the extent that the government has made funds available, through banks, to permit this small class to buy shares and at the same time has implemented its indigenisation programme in a way that depressed the compensation to be paid for the foreign equity, one may speak of a degree of expropriation of foreign interests under state tutelage for the benefit of a small elite. The concentration of indigenous shareholdings in industry in Kano since 1972 confirms this point.

An enquiry into the nature of the relationship between alien owner/manager and the new Nigerian directors reveals firstly, continued control by foreign capital over the productive process and the accumulation of capital arising therefrom, to an extent no longer commensurate with the size of foreign equity. This situation is the combined outcome of the technological determination of the production process and of the continued mercantile orientation of the new Nigerian industrial elite. In the longer run this situation may adversely affect the industrialisation programme as foreign corporations are frequently more interested in re-investment and growth than the few 'big' men who demand large dividends which will be diverted into their more immediately profitable mercantile ventures. Secondly, it reveals a still closer alliance between the Nigerian elites and foreign capital in a manner which suggests official acceptance of the former's 'comprador' roles in assisting foreign dominance. In fact, indigenisation may well adversely affect control over foreign investments by central government.

Finally, whilst indigenisation has helped to redirect foreign investments into industrial activities and has moreover greatly enhanced the reported size of these industrial activities, it has not yet had a corresponding effect on the amount of labour employed in industry.

Notes
The term 'transfer pricing' refers technically to the practice of parent companies to fix 'administrative' prices to regulate their intra-firm transactions. Since Vaittos' (1970) much reproduced study of the negative consequences of such practices in the pharmaceutical industry in Colombia, it is often assumed that these prices can be arbitrarily altered by the parent company in order to compensate for negative local legislation affecting the profits of its overseas subsidiaries. However, national governments in UDC's (including Nigeria) are quite aware of such practices and have sometimes succeeded in establishing efficient trade inspection organs which scrutinize prevailing prices of the patented technology in their foreign owned industries. The more wide flung the trading empire of a multinational is, the more likely it is that the prices of its various intermediate products are catalogued to serve its subsidiaries worldwide. In these circumstances there is ample scope for national governments to intervene when prices for imported technology vary from the recorded price. The
point about surplus-extraction is that this recorded price itself is a monopolistic technological 'rent' and the main source of surplus profit in the period of Late Capitalism (cf. Mandel 1972).

These data were obtained from a list compiled by the State Ministry of Trade and Industry and dated January 1978. The list gave names and addresses of industrial establishments, the nature of their activities, their turnover, paid-up and authorised capital, and the number of workers employed. This list, which is updated every year, is unfortunately not as useful as it seems. Lack of co-operation on the part of the industrial firms means that most figures are merely repeated every year.

'Alhaji' in common parlance refers to ‘businessman’. In the part the term used to confer religious status (he who has been on the Hajj – i.e. to Mecca). Since only the rich could afford to go to Mecca, the term over time came to mean ‘rich man’ or ‘rich businessman’.

The sample of respondents in the later discussion is somewhat similar than before, and may vary with different questions. The reason for this is that a small number of companies were owned by the same foreign owner/manager and, obviously, he would not be asked for his opinion twice when relating to the same material. On the other hand it once occurred that a foreign owner had different Nigerian participants for different companies, in this case he would naturally be asked about his opinion of these different sets of shareholders. Three companies had become 100 per cent Nigerian owned, and therefore fell outside the scope of this part of the survey, whilst three more refused to be asked about their opinions at all.

References