

## CORRUPTION, GOVERNANCE AND THE POLITICS OF DE-INDUSTRIALIZATION IN NIGERIA

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### **Abstract**

*This paper intends a discourse about relationship between corruption and de-industrialization in Nigeria. It seeks to do this by offering a critical narrative of how corruption forged an identity of interests among political and administrative office-holders in adopting and implementing policy measures which tended to de-industrialize the country. The overall effect of all this is not only the closure of many factories and consequent loss of industrial jobs but also dependence of the country on foreign goods of poor industrial quality. Consequently, the Nigerian state embarked on neo-liberal reforms to reverse this ugly trend. Regrettably, these policies would only further add to de-industrialization of the manufacturing sector of the state. In this regard, the study posits that the crisis of development and corruption that ravaged the Nigeria's political economy could be located within the context of these neo-liberal policies. Thus, such policies could be said to be an exercise in futility and has further compounded the problems of corruption and development in the country.*

**KEY WORDS:** corruption, governance, manufacturing sector and industrialization

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## Introduction

Industrialization is one of the major components that play a significant role in any country's drive for sustainable development. It is the sector that serves as the engine room for the development of all other sectors of an economy. Therefore, it affects all facets of life including employment generation, poverty reduction, quality education, health provision. In short, it generates revenues for running the government. More fundamentally, industrialization guards the state against total dependence on other state which tends to perpetuate the problems of underdevelopment and exacerbates insecurity of life and property in the country. Presumably, the above assertion suggests that industrialization is linked to economic growth and sustainable development at local, national and international levels. This may help to explain why the Nigerian state since independence had emphasized industrialization in all its development plans/programs. This effort had manifested itself in the country's commitment to putting in place institutional mechanism and regulatory frameworks for the implementation of a number of industrial policies. The establishment of manufacturing companies in Ajakuata, Katsina and Jos could further attest to the foregoing argument. They are essentially established to achieve sustainable growth and development.

However, some of these developments ended up as a white elephant projects due to systemic fragility of state institutions, political corruption and poor governance among others. The problem of corruption and bad governance did not only affect industrialization process but also raised a number of questions regarding the capacity of the various government policies to address some of the lingering problems affecting industrial sector and the nation at large. This paper sets out to describe and analyze some patterns of corruption in governance process in Nigeria and elicit what bearing if any, they may have on industrial growth and development of the country. The capacity of corruption to preclude creating governance environment truly responsive to the achievement of industrial development is never in doubt. What is in doubt is whether the Nigerian state has the capacity to stamp out corruption and find its way out of total state of dependence on foreign industrialized goods. For even a cursory survey of Nigerian politics and administration can attest to the fact that the Nigerian state had become accustomed to implementing policies and programs in a way that undermines their success. Consequently, there is now widespread belief in the public and academic realm that corruption had played and

continued to play a major role in subverting developmental objectives of the country. More specifically, it is generally believed that prevalence of corruption in governance process is a factor of the highest potency in littering the industrial landscape of the country with the corpses of different types of industrial enterprises. The questions that suggest themselves here are: What does the prevalence of corruption in governance process explain about the lack of correspondence between policy intentions and policy outcomes in Nigeria? Does such a prevalence of corruption necessarily lead to serious loss of productive capacity of our industrial sector? Does it really constitute formidable obstacles to the industrial development of the country? More fundamentally, what are the various interests and stakes at play in the progressive deterioration of the country's industrial sector? These and many other questions increasingly demand scholarly attention. The study therefore intends to answer the questions by exploring the experience of manufacturing subsector in North-Western part of Nigeria.

### **State and Industrialization Process in Nigeria**

Every state has certain responsibilities to discharge in the conduct of government relations with industry and it is expected to discharge them fairly, rationally and predictably. In other words, it has to discharge its responsibility within the framework of good governance. More specifically, a government that concerns itself with industrial development must formulate and implement industrial policy. By industrial policy, we mean "a collection of varied responses to different kinds of political responsibility imposed on government by the changing requirements and circumstances of industry". Industrial policy is designed to support domestic industry and encourage the location of mobile investments in one's own territory rather than that of foreigners. The interests of foreigners were entirely secondary and were considered only to the extent that it was necessary to do so to promote the national interest (Dell, 1973:32).

By virtue of this fact, industrial policy tends to be nationalistic in its intent and activation. This is because it places high premium on promoting the national interest and enhancing the capacity of the nation to widen and intensify its position in industrial development. More often than not, industrial policy is informed by a coherent and articulate strategy to localize the ownership and control of the economy in order to guard against distortion or frustration of the national objectives and priorities by the manipulations of powerful foreign interests. This demands both

explicit and implicit policy measures designed to foster domestic enterprise by restricting the scope of foreign entry both by industry and in terms of percentage of equity participation. In essence, such an industrial policy recognizes the need for a greater indigenization of ownership and control of the economy. As an instrument for promoting national interest, industrial policy shall be designed to counteract the factors and forces which gave the country an unenviable position for exporting raw materials and importing manufactured goods. To one's utter surprise, however, throughout the first decade of the country's independence "techno-industrial development was not even a subject of serious debate in government circle". It was in the early 1970's that the country developed some policy measures designed to acquire and develop the critical technology within the various industrial subsectors of the national economy (Gusau, 1988:193-4). It was also at this point in time the Nigerian state came in with policy measures designed to indigenize the ownership and control of the economy with a view to guarding against allowing its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors (Ake, 1981:114).

What is clear from the foregoing is that industrial policy is an important aspect of public policy. By public policy we mean "whatever governments choose to do or not to do" (Dye, 1981:5). As Abdussalami had rightly noted:

Public policy refers to hard patterns of resource allocation represented by projects and programs designed to respond to perceived public problems or challenges requiring governmental action for their solution. That is to say that mere declaration of intentions, wishes, principles or expression of desires cannot be called public policy.

The questions that suggested themselves and which should be considered here are: is the conduct of industrial policy in Nigeria consistent with the national interest? What causes the country to lose its industrial infrastructure, capability and potentials? In short, to what extent the conduct of industrial policy in Nigeria has the capacity to ensure a suitable pattern of industrial development in the country? However, answering these questions requires a close examination of government policy initiatives in the industrial sector.

It is a well-known fact that there is an intimate relationship between a nation's interest and by extension its sovereignty and industrial development. This is because the capability of any nations domestically and internationally in terms of its influence at global level is determined by its industrial capacity. Perhaps, this explains why Yakub (1989) observed that industrialization is the commonest yardstick through which the health of any modern economy and its capability are measured. Thus, nations strive hard to build their industrial bases to boost their economies and guard against undue interference from other nation-states. It is in recognition of significance of industrial sector in the overall national development that, the Nigerian state put in place a number of industrial policies. These include attempts to increase utilization of local raw materials and establish agro-based industries as well as creating synergy between producers of semi-processed and finished products, backward integration of importers of semi-finished products not found in the country and contribution to manpower and technological development.

Principally, there are two broad policy instruments adopted by Nigerian government for the development of industrial sector. The first set of policy instruments is the system of industrial incentives while the second one is the system of protection (Bello, 2002). The two instruments were however supported by direct government involvement in industrial activities. The first instrument which is industrial incentive system is to encourage investment by both local and foreign entrepreneurs to enable them participate more vigorously in the development of the industrial sector. Industrial companies were granted incentives such as tax incentives, infrastructural incentives, investment information and credit incentives in order to have enabling environment to boost production.

The second mode of incentives is the infrastructural incentives where by industrial lay out were provided by the government to would be investors in the sector. The layouts are provided with essential services such as roads, walkways, transportation facilities, water, electricity and drainage, bank services and other infrastructural requirements needed for development. All these incentives contributed to the development of industrial estates in some major cities and towns across the country. Indeed, such estates were offered to prospective industrialists and were meant to reduce cost of operation (Bello, 2002). Consequently, Yaba industrial estate was established in



1958 and several others were subsequently constructed in Apapa, Ijora, Iganmu, Ilupeju, Ikeja all in Lagos, Kaduna, Enugu, Port Harcourt, Kano, Ibadan, Maiduguri, Jos and Zaria (Brado, 1960).

Although, the foregoing policy instruments were adjudged to be laudable, they were however, manipulated and misused due to political corruption, economic underdevelopment, poor entrepreneurial development and frequent changes in the state leadership. This greatly affects the development of the industrial sector and trenches corruption in the sector. Simply put lack of enabling environment coupled with poor attitude of political leadership combined to halt the process of industrial development in Nigeria. The next section of the paper evaluates the effect of corruption on industrial development in Nigeria.

### **Corruption and the Erosion of Nigeria's Industrial Sector**

The issue of corruption in public service has remained one of the greatest challenges of national development. The severity of corruption in public has to a greater extent affects Nigeria's potentials, capability and sovereignty or/ image at the global level. Indeed, corruption has become institutionalized and recognized as the surest and easiest way of getting rich. The phenomenon of corruption in Nigeria manifests itself in a variety of ways while attempts to stamp it out prove abortive. Persistence of corruption in the country lies in its functionality. In essence, corruption enables the members of governing class to expand their own share of society's benefits and their own share of control over the decisions which govern the distribution of those benefits. Hence, many of the functional alternatives to corruption would be quite dysfunctional to many a member of governing class. This explains why corruption persists despite several attempts to eradicate it. As corruption has become endemic in our national life, its disastrous effects on industrial development cannot be over emphasized.

One of the devastating effects of corruption is that it made for compromising the nationalistic thrust of our industrial policy for the sake of promoting and protecting vested interests. Nigeria's drive for industrial development is not only characterized by poverty of ideas, slavish imitation, dependency syndrome but also corruption of the highest order. Little wonder, Nigeria has

become a byword for absence of industrial development, rising tide of poverty, decaying public utilities and infrastructure, social tensions, political turmoil and premonition of inevitable drive into conflict and violence (Ake, 1995). The members of the governing class are preoccupied with the anarchic struggle for state power and have no time to devote to nation-building and industrial development. Obsessive preoccupation with desire to accommodate the international capital and its variety of needs precludes any genuine attempt to empower the country's industrial base and deepen the opportunities for transfer of advanced technology. Policy measures they advocate are neither well-articulated nor meant to serve the overall interest of the nation. If anything, their sole purpose is to advance the overriding economic interests of influential members of governing class and their external and internal allies. Hence, what guides and informs industrial policy ceases to be national priorities or what the citizenry desire but what global capital and its local allies dictate.

Consequently, as Ake (1995) has rightly noted, well-meaning development projects are regarded with suspicion, indifference or even outright hostility and at best, as an exploitative resource, something to be taken advantage of rather than something to be committed to. This may help to explain why political decision-makers misuse their positions in government to extort commissions on foreign loan contracts, skim foreign aid, inflate contracts to cronies for kickbacks and deposit the loot in foreign banks (Ayittey, 2006). A good case in point is the \$180 million contract scam given to Nigerian officials by Halliburton Company to win a contract for the construction of Bonny Island liquidified natural gas plant in the Niger Delta.

Closely related to the use of state power to obtain illegal payment is ethnicization of politics and politicization of ethnicity as a means to amass personal fortunes. Use of ethnicity as a major feature of political organization is driven by a compulsive preoccupation with primitive accumulation. When a governing class retreats to ethnicity as mode of its political behaviour, it will not hesitate to maximize access to economic and political resources by mobilizing ethno-religious sentiments. Appealing to primordial loyalties is basic to dynamics of power relations in the context of accumulation process among various fractions of governing class. In such a political system the state is the major avenue for capital accumulation. Therefore, those who control the government control the resources of the state (Dunmoye, 2002:5). More often than

not, an extremist culture of ethno-religious violence, which disrupts the pattern of activity that sustains the primary goals of the national community, is the negative fallout of ethnic politics. The anarchic state of insecurity encourages different ethno-religious groups to form their own militias for both defensive and offensive purposes. This sets in motion an orgy of violence and counter-violence that flares up frequently in different parts of the country. The corollary of all this is not only eroding the capacity of the state to minimize conflict and maximize peace but also providing an ample opportunity for the influential members of the governing class to engage in crude and selfish appropriation of public resources. They have a free hand to engage in a seemingly endless spending spree to meet security challenges facing the state. The more funds the state voted for security, the more the influential members of the governing class devised effective ways of siphoning the funds from the treasury.

Security sector becomes a bottomless pit into which millions of naira are sunk daily. The 2012 budget shows that the security sector got the highest allocation of ₦921.9 Billion. This allocation is more than what was allocated to Power, Works, Health, Agriculture, and Education. In fact, security budget as observed from the budget document is more than that of twelve ministries. Yet and in spite of the huge allocation to security sector, the security dilemma in which the country finds itself persists as the state promises more security and delivers little. The bombing and killings of innocent citizens across the country could be cited as a case in point. This is a factor of the highest potency not only in scaring investors but also in forcing the existing factories to close down or relocate to other places such as Ghana and South Africa. Certainly, this caused the country to lose its industrial infrastructure and productive source of employment for its citizens.

Dependence of the manufacturing sector on importation of raw materials was the basis of industrial policy in Nigeria. To be sure, the Nigerian state had for sometimes toyed with the idea of promotion of industries based on raw materials available locally, but such a scheme for general reduction of raw material import was abandoned when structural adjustment programme (SAP) was introduced in the 1980's. This contributed to industrial decline in the country from the early 1980's when the price of oil collapsed and foreign exchange vital for importation of raw materials became scarce. Interestingly, SAP made for complete reliance on neoliberal



conception and conduct of industrial policy. By virtue of this, the industrial policy took on most of the fundamental elements of neoliberal project. These include among others, cutting social expenditure, devaluation of currency, lifting of import and export restrictions, removing price controls and state subsidies and privatization of public enterprises.

SAP has a number of adverse effects on the societal wellbeing and transformed the political economy of the country in a way, which facilitates external control over productive forces. First, it worsened the unemployment problem. Second, it caused rapid deterioration in the foreign exchange value of the naira. Third, it pushed up the prices of basic goods and services beyond the reach of many citizens. Fourth, it made for influx of goods of dubious quality into the market. Pushing neoliberal project to its logical conclusion enhances the capacity of the forces, which gave Nigeria its unenviable position for exporting raw materials and importing manufactured goods. This serves not only the interests of international capital but also perpetuates dependency relations its favour. Cutting of social spending entails less funding for education and scientific research. Sound education and science policy are a necessary component of industrial policy. Scientific development fuels invention, this is because it spurs experimentation, innovation and rapid technological change. Moreover, the state must intervene by providing necessary funds in order to establish a solid technological base for R&D required for innovative industrial processes and products. At the core of neoliberal policy framework is 'privatize everything mantra', the ultimate purpose of which is to allow capitalist interests to overwhelm the common. Under such circumstances, the state cannot invest in education let alone in R&D. This ruled out even a semblance of a proper linkage between the industrial sector and centres of learning. Hence, the process of industrialization can hardly be infused with new ideas and technology that sustains them. The overall effect of all this is not only inhibiting local R&D as well as stifling any potential for discovering technologies that are more appropriate but also entrenching dependence on foreign capital and technology.

Whenever neoliberal agenda informs and guides industrial policy, the state cannot initiate and sustain an efficient and effective industrial sector. This is because the state is barred against any meaningful participation in the sector. Erratic electric power supply and comatose transport

system attest to adverse effects of SAP and primitive accumulation on infrastructural development in Nigeria. Corruption has deprived the country of electricity to power its industrial development. For instance, Obasanjo's government was said to have spent 10 billion naira in its bid to resuscitate electric power sector. In addition, 13.5 billion was expended for Independent National Power Project (INPP) to boost electricity supply in the country. Yet, the crisis in the sector deepens and seems to be endless. Much the same can be said about Yar'adua's attempt and that of Jonathon to revitalize the sector. In reality huge sum of money voted to develop electric power sector were deployed through contract awards and outright misappropriation on the part of the governing class. Withdrawal of fuel subsidy deprived industrial sector of alternative sources of energy. Frequent power failures and prohibitive cost of alternative energy forced many factories to close down. The fact that all the state governors supported the fuel subsidy removal implies they do not identify with the needs, choices, and preferences of the local manufacturers.

Comatose railway system is one of the major factors, which inhibit the growth and development of industrial sector in Nigeria. Railway is the cheapest means of transport for moving heavy industrial machinery and raw materials from the port to the user points. Unfortunately, railway is still in its colonial stage of development. Water transport as alternative is a non-starter since dredging of the River Niger is yet to commence in earnest. Consequently, industrialists were left with no option but to use road transport, which is not only very expensive but also time-consuming. For example, to convey 2000 tonnes of raw materials from Lagos to Kano, one needs at least 150 trucks while a single train can convey that within a day at much lower cost. One can hardly break even in a situation in which transport constitutes 50% of the total cost of production. Given such high operating costs, domestic industries cannot compete with the foreign ones. The problem is further compounded by the porosity of the country's borders, which makes Nigeria a dumping ground for all sorts of products.

According to the Daily Trust (December 2 2011) 95% of fabrics in the country are smuggled. Kano provides one of the best examples of effect of frequent power failures, poor transport and smuggling on the industrial sector. It once housed four hundred (400) factories but less than half

of them are operational today. Much the same could be said about Kaduna, which once housed the leading textile industries in West Africa. The pity of it all is that large-scale smuggling is aided and abetted by state officials. Influx of Chinese fabrics into our markets is a good case in point. More fundamentally, Chinese are not only flooding the markets with cheap products of poor quality, but are also busy taking over the retail sector of the economy. Chinese retail shops, bakeries and restaurants are springing up all over the major cities. This not only contributed to closure of many textile factories but also deprived many Nigerians of their legitimate means of livelihood. One of the harmful effects of this process of de-industrialization is the emergence of a large mass of dispossessed belonging to the marginal sections of the economy. Such a mass army of dispossessed had become increasingly alienated from the government and political processes in the country. As their alienation from the existing arrangement of the state and society deepened, many of them become available for induction into extremist movements. The recent attacks against the police, military, politicians and traditional leaders are not only a rejection of the state policies but also a clear expression of class antagonism.

### Concluding Remarks

In this paper an attempt has been made to identify and explain the various interests and stakes at play in the progressive deterioration of the productive capacity of the industrial sector in Nigeria. The general thrust of our argument is that the antecedents of factors and forces that deprived the country of its capacity to industrialize the economy can be located within the context of the structural contradictions and crises of capitalist accumulation at global and local levels. More specifically, primitive accumulation and slavish adherence to the fundamentals of neoliberal projects are central to the complex strands that went into causing Nigeria to lose its industrial capability and infrastructures.

By allowing neoliberal agenda to shape its industrial policy, Nigeria ceases to act in the interest of its own industrial sector. What the implementation of neoliberal project has succeeded in doing is preserving intact the essential features of the colonial political economy. Consequently, fifty years of its nationhood marked not so much a moving out of the colonial relationship, as enlarging and enhancing of dependency with the colonial patterns relatively unscathed. A

number of conclusions flow from our discussion and analysis: First is that, when narrow class based interests are allowed to inform and guide industrial policy, it cannot live up to its industrial development promises. Second is that, identifying with the needs, choices and preferences of the international capital on the part of the governing class, precludes creating policy environment truly responsive to achievement of industrial development. Third is that, SAP is an integral part of neoliberal project at core of which is 'privatize everything mantra' whose ultimate goal is to allow capitalist interests to overwhelm the common good.

Fourth is that, manipulation of ethno-religious sentiments is not only an avenue for selfish accumulation of public resources but also a factor of high potency in eroding the capacity of the state to sustain peaceful order and provide adequate public goods and services. Fifth is that, compulsive urge to accommodate the interests of international capital is at the core of non-productive approach to capitalism adopted by the governing class in Nigeria. Sixth is that, extensive smuggling activity, which the government has so far failed to stop or diminish, is aided and abetted by its very officials. Seventh is that, influential members of the governing class in Nigeria today, regardless of their ideological orientation and party affiliations have always acted in their own interests in accord with the needs of the international capital rather than citizens' needs and demands for a better life. This explains why they pursue policy measures, which deprive the country of electricity to power its industrial development, sound education and efficient infrastructure. The overall effect of all this is to cause Nigeria to lose its industrial capability. This sum up the crux of the matter: the simultaneity of local and global forces in deindustrializing the economy is beyond any reasonable doubt. What is in doubt is whether the Nigerian state has the capacity to eradicate corruption, resist harmful foreign influences and reverse the ugly process of de-industrialization.

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