



## **LOCALIZATION OF TEXTILE INDUSTRY IN NIGERIA**

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### **Abstract**

*Petroleum resource dependent Nigerian economy along with poor governance, challenges the Nigerian textile industry. Moreover, there is a sheer lack of political will to formulate policies directed at industrial growth by the Nigerian political class. The growth of textile industry is essential if Nigeria is to foster structural change and translate its potentials. This article examines how poor policy implementation stunted the development of the Nigerian textile industry from 1985 to 2015. The textile industry's decline reflects internal challenges and the failure to provide supportive policy measures and critical infrastructure for the growth of the sector. This is also related to Nigeria's overreliance on petroleum at the expense of other economic sectors. This article focuses on the neglect faced by the textile industry. Our findings indicate that overreliance on petroleum resources emboldened imports of foreign made products especially from China. It calls for the application of an industrial policy to increase the competitiveness of the Nigerian textile industry globally. The article provides an understanding into the reasons for the collapse of the textile industry. It also contributes to the need for industrial policy consideration for resource dependent economies.*

**Keywords:** *Industrial policy, Dutch disease, Manufacturing, Petroleum, Textile, Infrastructure*

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### **Introduction**

For decades Nigeria has experienced an upsurge in the global production of petroleum resources. Petroleum resources have become the mainstay of the economy while manufacturing and other sectors suffer (Odularu 2008). The opportunities provided by an increase in oil revenues to transform the economy came to nought. Government effort to diversify the industrial sector of the economy is relatively weak. The neglect of the textile subsector is due to the government's overreliance on the oil sector. The manufacturing sector on the whole suffered as the country shifted attention and focussed on oil as the main

revenue source. The non-oil export industry (manufacturing) stagnated while the dominantly export-oriented petroleum sector thrived (Otaha 2012; Ilegbinosa, Uzomba and Somiari 2012). Dependence on the petroleum resources increasingly became stronger by the day as the world experienced an oil shock that triggered a sharp upsurge in oil prices. Huge petroleum earnings made the government ignore other buoyant sectors in preference to the petroleum industry. This phenomenon is encouraged by the government's concern in developing the petroleum sector that is seen as a more lucrative sector compared to the manufacturing sector (Luqman and Lawal 2011) which requires heavy investment in infrastructure development. Although many countries around the world continue to provide direct support to their manufacturing industries, it is believed that the best form of defence against global competition is efficient infrastructure facilities and result oriented government policies.

Worthy of note, textile factories in Nigeria are increasingly stripped of government support. Thus, the defining challenge for the sector to remain competitive has shifted, especially in the wave of continued shrinkage of international borders from comparative advantage to competitive disadvantage (Porter 1990). In this context, the motivating questions for the article are how can textile manufacturing in Nigeria improve its position in the global textile sector? In particular, the recent developments notwithstanding, is there a policy gap in the development of the Nigerian textile sector? Is the major development challenge in the country the result of overreliance on the petroleum sector, the financial crisis, or infrastructure deficiency? These questions are important because of the policy linkages between supporting the manufacturing sector (textile production) and economic development. The article therefore focuses on the failure of policy to contribute to economic development due to the neglect of the textile sub-sector. UNIDO (2003) report shows how many developed and developing countries have announced varying stimulus plans to reinvent the manufacturing industries. Those are countries without power failure and exorbitant interest rate regimes. Loans from the Bank of Industry and other similar institutions are not forthcoming. Where they are obliging, the interest rate is always very high. The high cost of transporting industrial goods and other materials from the Lagos port to Kano is of equal importance. In addition to that, it is evidently clear that lack of good governance and political will to redress the situation of the dwindling manufacturing activities had adverse effects on textile production and commerce. This assertion is substantiated in the statement of Budina, Pang and van Wijnbergen (2007),

which contends that Nigeria's petroleum resources failed to enhanced growth and development in the country's non-oil sector.

There are diverse empirical literature that discusses the Dutch Disease phenomenon and the neglect of the manufacturing sector (Fardmanesh 1991); poor governance (Otaha 2012) and immiserizing growth syndrome (Hassan 2015; Onyeiwu 2015). Humphreys, Sachs and Stiglitz (2007); Onyeukwu (2007); Van der Ploeg (2011); and Frankel (2010) identified oil and other natural resources as a source of riches, which often crowd out other economic sectors especially manufacturing and cause job loss. Inflow of oil revenue often leads to currency appreciation, a phenomenon that encourages corruption. Earlier studies including that of Otaha (2012); Budina, Pang, and van Wijnbergen (2007); Ucha (2010) identified abundance of natural resources as the primary reason for poor governance and conflicts in Nigeria. Nevertheless, Sanusi (2010); Luqman and Lawal (2011) claimed that the government failed to implement growth-enhancing reforms that will ensure the provision of critical infrastructure for industrial development. They pointed out that the phenomena persist because of corruption; rent-seeking enterprises, recurrent unrest, and erosion of social capital as some of the reasons associated with it (Stevens and Dietsche 2008). Greater emphasis on government accountability and institution-building is the possible way out of the resource curse.

Another argument from Balogun (1997) and Remi Aiyede (2003) indicated that Nigeria is experiencing imperious governance from the colonial period to date. They argued that colonial rule dislocated the economic system by reorganising the economy to suit the economic interests of the colonial power. Thus, the previously prosperous textile industry was stifled by colonial economic policies. This provided avenue for foreign merchants to take full control of economic activities. Britain undoubtedly dominated the economy with resource extraction and local industries suffered due to imports of British goods especially textile. At independence with the discovery of oil in commercial quantity, governance continued as it was during the colonial period (Omeje 2001). The manufacturing sector was ignored by the government in preference for easy money from petroleum resources. Scholars including Ojameruaye (2004), Fardmanesh (1991), Ezeala and Harrison (1993), and Davis (1995) argued that the best possible explanation for the neglect of the manufacturing sector was the deindustrialization process. The outcompeted sectors include textile, rubber, cocoa and other manufacturing industries. Ilegbinosa, Uzomba, and Somiari (2012) maintain that the value and quantum of non-oil exports drastically declined. It has been established that the traditional manufacturing

sector provides more efficient growth opportunities better than the extractive industry.

Previous studies have not provided a detailed rundown on the multivariate evidence that spurs the wanton neglect of the textile manufacturing industry. Moreover, little attention has been paid to the dominance of the petroleum industry and its concomitant effects contributing to the poor performance of the textile industry. Certainly, many a times and in different circumstances, natural resource affluence has unleashed economic disorder. Our article seeks to reposition the textile industry by making recommendations to the government on a number of measures that could be carried out. It is about consistency in policy implementation by government agencies, reduction in an influx of smuggled goods, adequate supply of energy and LPFO, fiscal policy incentives, support to cotton production and revamping the textile industry. The article is also of value to academia and to policy makers who are interested in studying China-Africa relation.

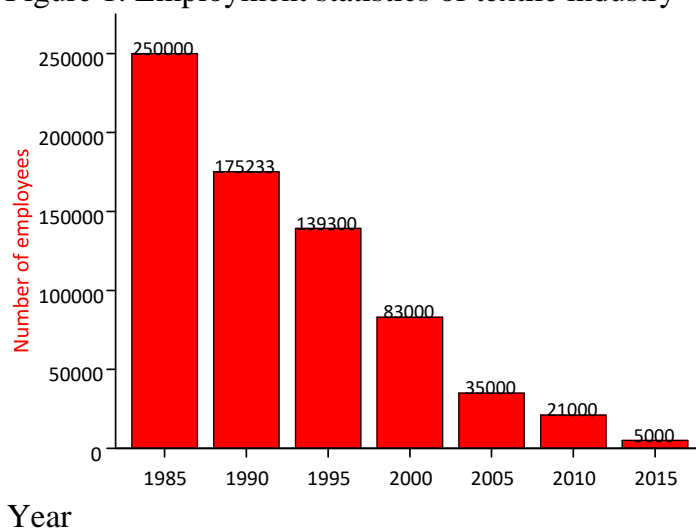
### **The Nigerian Textile Industry**

Nigeria, Africa's second biggest economy had once a prosperous textile industry till the mid 1980's. Before 1985, the export of textile products, just as other manufactured exports in Nigeria was remarkable. The textile sector had an annual growth rate of 67 percent. Its labour force in 1985 was 25 per cent in the manufacturing sector (NTMA 2009). The inability of the Nigerian textile industry to compete is chiefly due to its failure to produce at lower cost. The causes of the textile industry's decline are predominantly caused by policy neglect besides that a range of local and global policy measures also contributed to the situation it is in today. Neoliberal reforms and changing trade agreements, inadequate infrastructure for providing electricity and water, reduced cotton production and increased textile imports have all contributed to the industry's decline.

The early independence years of the 1960s to the mid-1970s came to be known as the industrial development period aimed at converting abundant raw materials to manufactured goods. Encouraging traders to convert and become manufacturers was the single most significant impetus to the growth of the textile industry in the country. 112 factories were involved in spinning, weaving and garment production by 1980. The domestic manufacturing sector could have surged if not for the impediment experienced because of the introduction of Structural Adjustment Programmes in the mid-1980s. It is irrefutable that when right policies are implemented the textile sector has the potential to contribute to economic growth for Nigeria's development.

By 1985, the textile industry had become the largest employer of labour after the government. These factories have a direct 250,000 unionised workers, millions of cotton farmers as well as suppliers and traders (Aremu 2005). Direct employment afterwards declined to 175,233 in 1990, 83,000 in 2000 and 21,000 in 2010 respectively (see Fig. 1). The industry's share of jobs and value addition was placed at 20 per cent in the mid 1980's. Textile and weaving apparel was the leading industry contributing 19 per cent of total consumer commodity industry employment in 1983. The textile industry is followed by beverages, food, as well as the tobacco industry (Brandell 1991).

Figure 1: Employment statistics of textile industry



Source: Central Bank of Nigeria and Field Survey

Considerably, the industry's turnover has been placed at N8 billion meters per year. On replacement basis, the installed textile manufacturing capacity was set at N420 billion, and US\$3 billion investments in 1990 (UNIDO 2003). With a population over 180 million, Nigeria has the prospect of generating 1.2 billion meters of cloth per annum.

When the ECOWAS sub-regional market is factored, Nigeria is a strategic textile location in the world. The industry can engage 3 million people. 26 out of the 36 Nigerian federating units grow cotton of long and short staple lengths. From this sound and solid context, the textile industry in Nigeria began to decline since the mid-1980s.

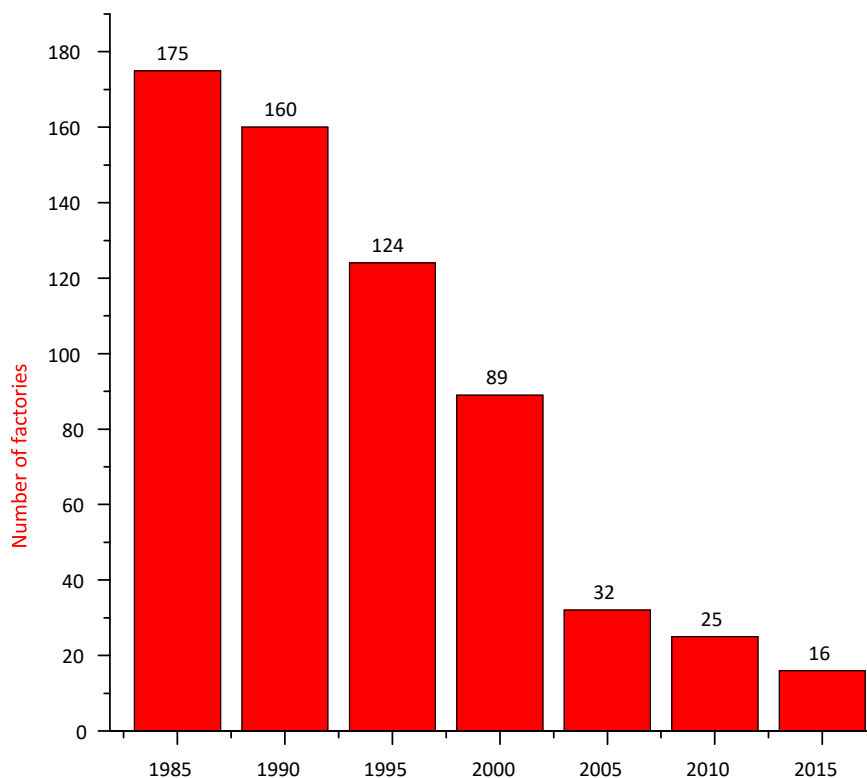
As Nigeria takes on more economic liberalisation, the manufacturing industries got weakened with a reduction in aggregate demand, which dampens domestic production and manufacturing output. It also reduces the level of income and the level of employment. The rapid decline in government expenditures has

continuously reduced aggregate demand within the economy. It has created serious underutilisation of industrial capacity in the economy. Gross Domestic Product increased by only 1.3% with the annual population growth rate at 2.1%. Aggregate index of industrial production declined by 5.1%, which was more severe in the manufacturing sub-sector that fell by 8.1% as it contributed only 0.9% to the GDP from its 0.5% contribution of 1991 (CBN 2000).

The Central Bank of Nigeria in its annual statement for 1999 reported that the local textile industry suffered from cheaper foreign textile dumping and the sector recorded persistent output contraction or outright closure (CBN 2000). As at April 2000, President Obasanjo observed that the characteristics of the Nigerian industrial sector include low capacity utilisation, which averages 30% in the last decade. The industrial sector had a low and declining contribution to national output, which averages 6% from 1997-1999. This contributed to declining growth rates; dominance of light assembly type consumer goods, low value-added production due to high import dependence for inputs and the prevalence of unviable state-owned enterprises. Overall, the fiscal narratives of the year 2000 showed that the country's economic performance was largely below average (OPS 2001). The long-standing constraints to manufacturing activities have not abated. Thus, the sector was still characterised by the crippling effects of past policy mistakes and undue competitive pressures due to the economic liberalisation policies of the country.

1985 was the most boisterous year in textile production with over 175 big, medium and small textile factories. By the year 2000 three years into the endorsement of the liberalisation policy, thirty-five textile factories closed down leaving behind 89 factories. Within the span of five years by 2005 the number of factories fell to 32. The effect eventually manifested itself in continued unabated dumping reducing the factories to 25 and 16 in 2010 and 2015 respectively (see Fig. 2). Other challenges include reduction in capacity utilisation; absence of investment in the industry and the situation deteriorated by the day. The factories could not compete with comparatively affordable materials from East Asia. The challenge was further worsened by increased smuggling as the government did nothing to stop the illegal imports. There was also a problem of undeclared products and non-payment of duties even by legitimate importers. Nigerian market was flooded with imported textiles. Total textile imports into Nigeria were estimated at USD 1.7 billion most of which entered through porous borders. All these denied the local manufacturers the essential competitive advantage (NUTGWTN 2005).

Figure2: Number of textile factories in Nigeria1985-2015



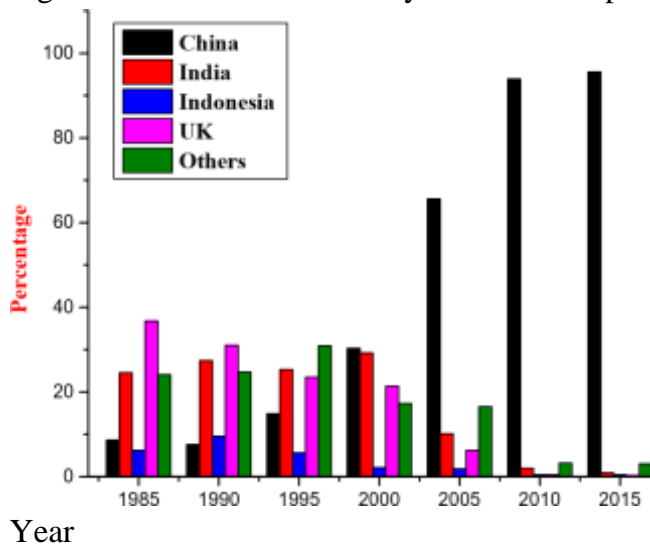
Year

Source: Central Bank of Nigeria and Field Survey

The overall performance of the textile industry in Nigeria is in a state of crises. Average capacity utilisation rates fell from 79.7 percent in 1976 to an all-time low of 48.0 percent in 2005 (CBN 2005). By 2008, over 160 textile companies were closed. Capacity utilisation was estimated at less than 20% with ten factories employing barely 18,000 workers. Senator Walid Jibrin asserted that over two million Nigerians whose jobs were attached to the industry, such as traders, contractors, cotton farmers and the textile workers lost their means of livelihood due to the challenges facing the industry (Muhammad 2011). As of 2010, there were less than forty textile units in Nigeria out of the close to 200 in existence formerly (Aremu 2015). The distress the closures caused in the communities where the factories were located are enormous. According to NUTGTWN, more than one million persons whose means of livelihood are tied to the industry were adversely affected including traders and cotton farmers. The socio-economic consequences were colossal.

With the fall of Kano, Kaduna and Lagos textile sector, imported textiles from China and other core trading partners from India, Indonesia and the UK dominate the market (see Fig 3).

Figure 3: Volume and Country of Textile Imports to Nigeria



Source: Central Bank of Nigeria and Field Survey

In a way, textile manufacturing has returned to the condition it was in during colonial times in the 1950s when Nigeria imported finished textiles from the United Kingdom. Chinese textile companies and retail companies with foreign offices in Nigeria now distribute to local wholesale and also retail textiles directly to consumers.

### **Nigerian Industrial Policies**

Industrial and economic development in Nigeria is facing enormous challenges due to the lack of policy and also poor implementation of critical infrastructure development. Several policies including industrial policy, trade policy, export and import policy, fiscal and monetary policy, have been promulgated. Not much success was achieved on policy implementation. Nonetheless, evaluation on the performance of the country's economy by looking at its many policies over the years suggests that the country is still battling to achieve industrial development. These policies are not home-grown policies made to suit the unique traits of the local economy. Industrial policy and development policies in Nigeria are interwoven and carefully knitted from the colonial era to contemporary times. Structural Adjustment Programme (SAP) was introduced in the mid-1980s to the late 1990s. The policy emphasises the role of the private sector and discourages government interventions through subsidy, regulations, restrictions or control. Measures launched include the introduction of foreign currency domiciliary accounts, abolishing of import licensing and the introduction of Second-tier Foreign Exchange Market (SFEM) (Oviemuno 2007). Other measures include scraping commodity boards and the significant



reduction in the items on the list of banned imports. Like most developing countries, Nigeria had encountered severe balance of payment crisis caused by the cumulative consequences of the oil crisis. The country also witnessed a decline in commodity prices and the growing import needs of domestic industries. In response to the crisis, IMF and the World Bank described the crisis and the lack of industrial development mainly as the result of poor national policies. The 1986 - 1994 policy prescription was based on the findings of the Berg Report on Accelerated Development in Sub-Saharan Africa published by the World Bank in 1981. The report contended that Africa's economic and industrial performance was weak because of policy inadequacies. Thus, the policy domain came in contrast to widely accepted view among African policymakers that industry should be promoted through strategic government intervention.

To fully realise SAP objectives, Export Oriented Strategy of Industrialization (EOI) was unveiled to diversify the productive and export base of the economy. However, the EOI has put Nigeria on a low-growth course, crippling the economic diversification attempts. It triggered a crisis in the textile industry especially in northern Nigeria (Tsauni 2009). Specifically, the emphasis on liberalisation of markets coupled with the rapid withdrawal of several forms of interventionist policies promoting manufacturing drove many domestic firms out of contention. Cases of the closure of industries and operation below capacity utilisation become evident. To chart a course and move away from SAP failure, Guided Deregulation Policy also known as Vision 2010 was introduced from 1994 to 1998. The policy was adopted to continue with the neoliberal measures of privatisation, deregulation, and commercialization along with the withdrawal of government intervention in the economy. Specific government interventions were later returned, and a properly designed vision for the growth of the country was enunciated with lessons from the industrialised Asian Tigers. Structural adjustment strategies hampered the development of the manufacturing industry most specifically in the textile sub-sector. The continued weak performance of the economy starting from the 1980s through 1990s along with the WTO entry of both China and Nigeria prepared the ground for China's textile dominance.

On the return to democracy after almost two decades of military intervention, the government re-launched market-oriented reform strategies which was the National Economic Empowerment and Development Strategy (2003 -2007). Others were the 7-point Agenda (2007 – 2010) and the Economic Transformation policy (2011 - 2015). These measures were the reinvention of SAP driven strategies which have impaired sustained growth and development

in Nigeria over the years (Aremu 2015). These policies were promoted with the aim of addressing unstable exchange rate, weak fiscal and monetary policy coordination. It was meant to develop the wherewithal to counter the threats to industrial competitiveness. Most importantly, the past policy measures were not tailored to suit Nigeria's conditions but rather, they adhere to universal approaches which in most cases is not in conformity with the local circumstances. These measures have not focused on the country's distinct economic difficulties that are the main elements to sustained industrial growth. The measures are inappropriate, and typically they do not usually stand the test of time as they were regularly revised, adjusted, or entirely discarded. Additionally, corruption and indiscipline contributed profoundly in the non-implementation of some policies over the years. Others could be due to inadequate institutional capacity, political instability, insufficient energy supply, poor infrastructure and bad governance. To put it succinctly, the overall marginal performance of the Nigerian economy and the lack of industrial and economic development could be attributed to neoliberal policies.

### **Evidence of Policy Neglect of the Nigerian Textile Industry**

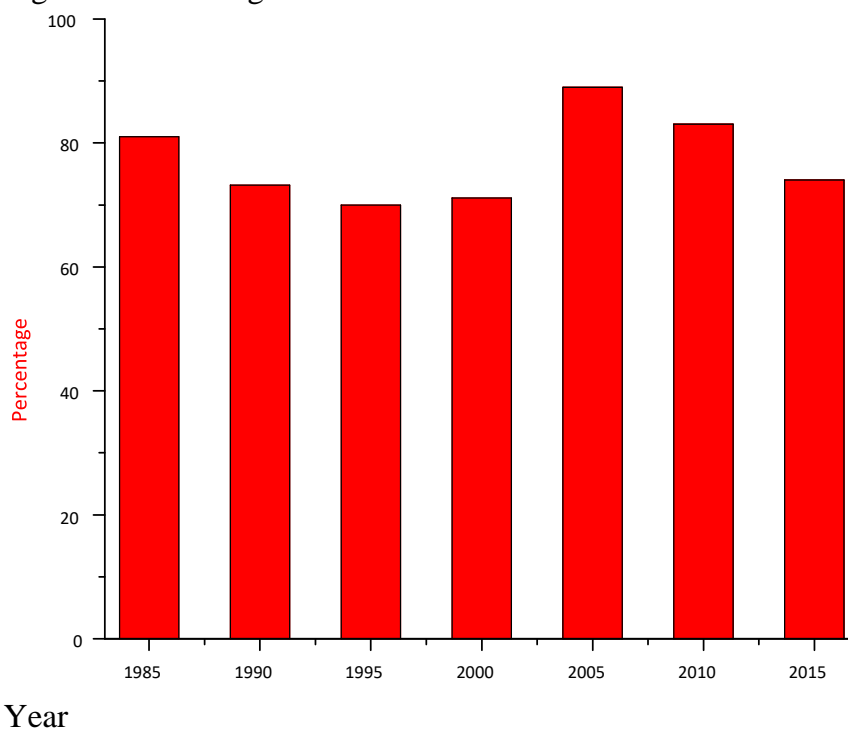
Nigerian textile industry has experienced and is witnessing major challenges coming as a result of neglect. Concisely, for lack of policy direction to attain industrial and sustainable economic development to overcome global competitiveness the economy has been slowly turned into a mono-cultural economy by successive regimes. Despite abundant resources to gain the desired goal of manufacturing development easy revenue is sought from oil. The general performance of the government to transform the textile industry is very poor. Moreover, key infrastructural provision is neglected. On the whole, industrial, trade, fiscal and monetary policies promulgated suffer from government inaction (Harvey 2005).

### **Overreliance on the Petroleum Sector**

The phenomenon of overreliance on the Petroleum sector causes the manufacturing sector to fall from a towering 7% and 10% in 1967 and 1970 to a mere 3.8% and 3.4% in 2002 and 2006 respectively in terms of its contribution to the nation's GDP (World Bank 2000). By 1975, the manufacturing sector's contribution to the GDP was 9.5% which decreased in 2007 to 3.52% and rose in 2009 to 4.0%. From a huge 80.0% capacity utilization in 1975, it declined to 47% in 2009 (MAN 2011). In contrast, the petroleum sector's contribution to GDP increased from 2% to 29.1% in 1960 and 1980 (Utomi 2008). The growth and the increased revenue from the oil industry caused manufacturing's GDP

share to decline. However, the oil revenue is never stable from the 1980s (Ross 2003). In addition, petroleum seriously dominated government revenue and export earnings. Summarily, in 1970 and 1975 oil revenue accounted for 63% and 83% of total revenue earned. Moreover, it was 96%, 73.2%, 71.1% and 83% in 1980, 1990, 2000 and 2010 respectively (see Fig. 4). The macroeconomic challenges were so damming that structural adjustment strategy was reintroduced to overturn it (Interview Ismail 2015; Ezeala and Harrison 1993). This measure did not arrest the dwindling growth in the industry instead it stifled growth and development of the textile industry (Interview Kano 2015). The economy instead of recovering further returned to a descending spiral.

Figure 4: Percentage of Oil Revenue to Total Revenue Earned



Source: Statista (2016)

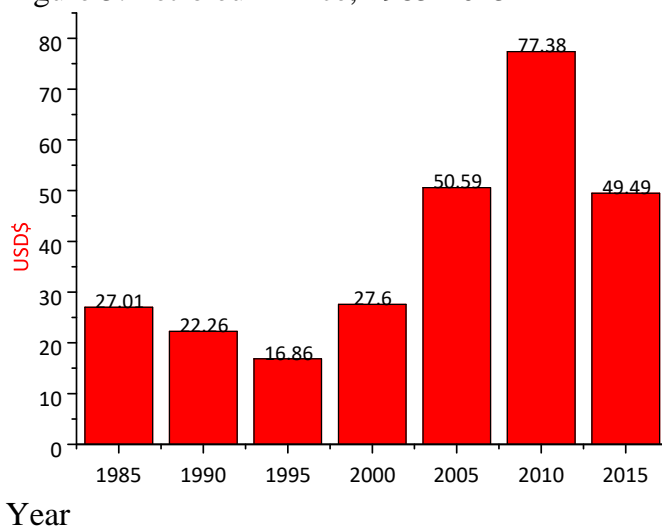
Evidently, heavy reliance on the petroleum sector at the expense of critical manufacturing sector did not augur well on the economy (Ross 1999). It harmed employment in the textile industry. Moreover, it gave room for mismanagement and misapplication of resources to fester. Investment in critical infrastructure was not made to push the textile industry to grow. These elements wrecked the growth potential of the local textile industry while fuelling the dominance of imported Chinese textile (Interview Sagagi 2015). Despite the promised

diversification of the economy, more focus was put on the petroleum sector to bolster the oil reserves and to earn more from the sector.

### **The Manufacturing Sector and the Financial Crisis**

Nigeria found itself in a financial crisis forcing the government to borrow from the international financial market. This is as a result of the spending spree of the government and the consumption habit for foreign manufactured goods, which led to mounting import bills. Additionally, the government sourced for foreign loans pushing the economy into the abyss of external borrowing whenever the oil revenue falls short of earmarked output or price. The administration of President Goodluck Jonathan (2010-2015) and Muhammadu Buhari (2015-Date) did not pursue a strategy of an exchange rate that could have improved the competitiveness of the manufacturing sector (Sala-i-Martin and Subramanian 2012; Interview Adhama 2015). Furthermore, the government allowed the local currency to depreciate thereby wrecking the manufacturing sector competing for space in the domestic economic landscape with the petroleum sector. Petroleum prices were at \$27.01, \$16.86 and \$49.49 in 1985, 1995 and 2015 respectively (see Fig. 5). The price was the highest in 2010.

Figure 5: Petroleum Price, 1985-2015



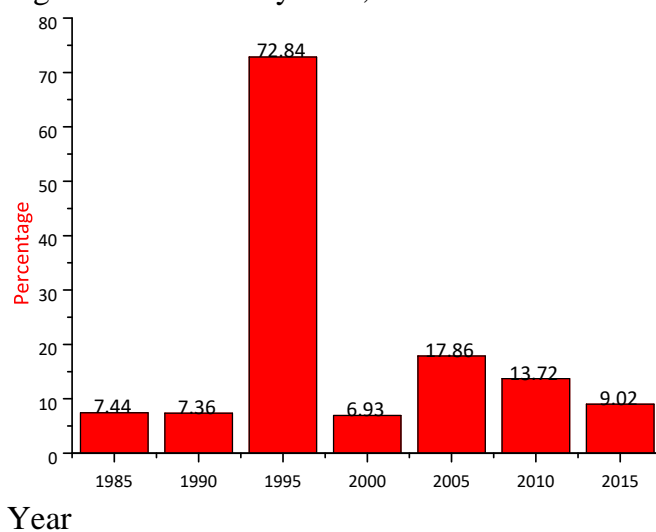
Year  
Source: Statista 2016

Trade liberalisation altered the operating conditions of the manufacturing sector. The implications were massive shut down of factories from across the country. Factories could not cover average variable costs. Factories could not afford high lending rates from banks resulting from the liberalisation of interest rates leading to high production cost, higher consumer prices and weak demand.

Most factories experienced a financial squeeze. Indeed, the market-based economic reforms planned to promote domestic production proved incongruous for the nascent industrialisation in the country. Moreover, given the raw materials import dependent nature of most manufacturing industries, the huge depreciation of the local currency affected the cost of imported raw materials, which contributed to an increase in the cost of production (Obansa et. al. 2013). This directly affected the levels of production, capacity utilisation and employment in the sector. Hence, unless the national macroeconomic structure is corrected, the economy was generally affected.

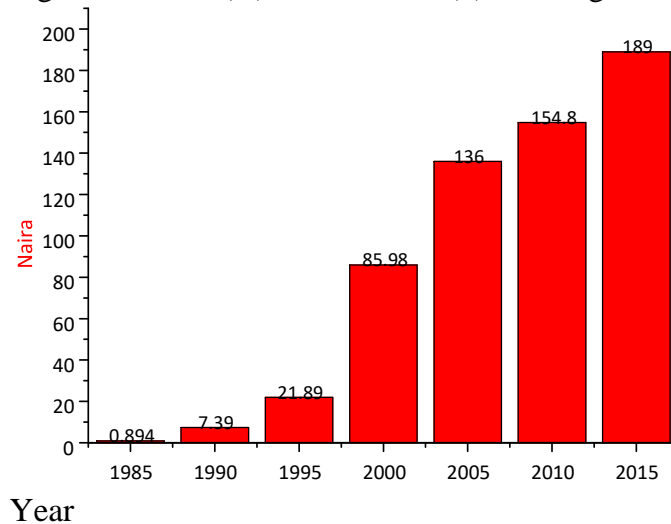
Furthermore, the exchange rate was fixed at N21.8861 between 1994 and 1998 despite the fact that the country was witnessing soaring inflation rates (see Fig. 6). In most of these periods, the petroleum prices were at its low ebb. High inflation is typical of Dutch Disease troubled countries. Large capital inflows raise the money supply and therefore cause inflation as more money will increase demand and consequently prices. Another inflation causing factor is the increase in liquidity which is as a result of the increase in petroleum earning (Joseph 1978; Odularu 2008). For example, the price of petroleum was \$17.89, \$16.21, \$17.34, \$20.7, \$19.4 and \$12.77 per barrel in 1993, 1994, 1995, 1996, 1997 and 1998 respectively. By the turn of the century when democracy was restored the country enjoyed yet again increase in the price of oil which was not adequately managed. The oil price was \$18.07, \$27.6, \$24.50, \$25.15 and \$28.67 in 1999, 2000, 2001, 2002 and 2003 while the official exchange rate fell greatly from 0.894 in 1985 and 7.39 in 1990. The exchange rate too fell further from 1995 to 2015 (see Fig. 7).

Figure 6: Inflationary Rate, 1985-2015



Source: Central Bank of Nigeria, World Bank, OECD

Figure 7: Naira (N) to US dollar (\$) exchange rate



Source: Central Bank of Nigeria

### **Policy Inconsistencies and the Nigerian Textile Industry**

Manufacturers in Nigeria saw government policies as punitive and constituting the bulk of factors responsible for de-industrialization (Interview with respondents Tofa 2015; Adhama 2015; Sani 2015). Neoliberal policies forced factories to source for inputs including machinery and raw materials. These inputs were non-existent locally as the local factories are import-dependent. Moreover, the low exchange rate of the local currency made it difficult to replace obsolete plants as a result of the exorbitant cost of imports. This made several factories to fail throughout the country. Washington consensus influenced liberalisation policies such as deregulation and the relaxation of government restrictions, and the high-interest rate had adversely affected the growth and competitiveness of the textile industry. Sadly, some banks gave the scarce foreign exchange for use in unproductive ventures. The lack of banking and financial support to manufacturers also led to many withdrawing from manufacturing and partaking in trading in foreign made goods (Interview with respondent Nabegu 2015).

It is common knowledge that privatisation, deregulation and liberalisation of the economy are central in the economic policy landscape. Market forces determine production, supply and purchase in the industry. These policies triggered other challenges (Interview Ismail 2015; Tsauni 2015) where

businesses could only thrive in an environment where there are fewer policy challenges (Interview Solomon 2015). Unsteady policies and deregulation also encourage smuggling and dumping of cheap goods. The only thing constant about industrial policies in Nigeria are frequent policy changes which in turn discourages long-term planning for industrial and business development. For example, between the late 1980s and 2004, industrial policies have been altered more than five times (Tsauni 2009; Interview Tsauni 2015; Nabegu 2015). In 2003, based on recommendations made by UNIDO the government announced certain key fiscal measures to boost fresh investment in textiles and encourage exports. These measures include an export incentive in the form of Export Expansion Grant (EEG) and a prohibition on the import of all textiles. These measures were to be sustained for four years from 2003 till 2007. However, there were several policy changes in the next two years, ranging from suspension of export incentives to waivers.

There have also been a series of waivers even after the official ban. Policy inconsistency facilitated the collapse of many textile factories, as it undermined planning by investors. For instance, the waiver was given to lace manufacturers to import polyester filament yarn, viscose yarn and base fabric (Interview Bello 2015). Earlier a government committee set up by the Minister of State of Finance to assess the capacity of various textile mills at Lagos and Kano had discovered that there was adequate local capacity for polyester filament yarn. Given the importance of policy stability, it must go *pari passu* with economic discipline. It is equally important to note that adopting result oriented policies to changing circumstances is vital to sustained industrial growth and development. Nigerian policy makers must be aware that no single economic path is appropriate to all economies irrespective of their location, and level of development. Economic policies must take cognizance of the history, politics and culture of the country. The careful design and implementation of specific economic policies must be context appropriate. That is why it is wrong to design World Bank/IMF medium-to-long-term economic packages for all of Africa from Cape to Cairo, from Swaziland to Zanzibar, or even from Lagos to Kebbi (LaRouche 2001). The problems of poor leadership in all its ramifications and lack of patriotism contribute significantly to policy inconsistency and this should be researched and understood in order to address the economic problems faced by Nigeria. Furthermore, the policy of the government is being dwarfed and undermined by the internal collaborators who believe that they earn more

by undermining the country through shortcuts rather than to follow the rules (Interview Kwaru 2015).

The relationship between policy consistency and industrial growth is very easily identifiable. Where there are consistent policy guidelines, industries can plan production and enhance efficiency. Where consistency is absent, industries cannot plan production and where they do, implementation becomes a serious problem. In the last three decades or so, Nigeria's import procedure guidelines have been changed about five times from Pre-Shipment Inspection to Destination Inspection or 100% Examination. Even though ports are concessioned, but instead to bring infrastructure and equipment to bear on cost and efficiency, importers, especially manufacturers are trapped in the midst of these sudden and frequent policy shifts – thereby putting them in tight corners. This has seriously affected industrial production; some of these industries had to close down. In addition to import policy, multiple taxations on raw material imports and infrastructural deficit are the major challenges facing the industry.

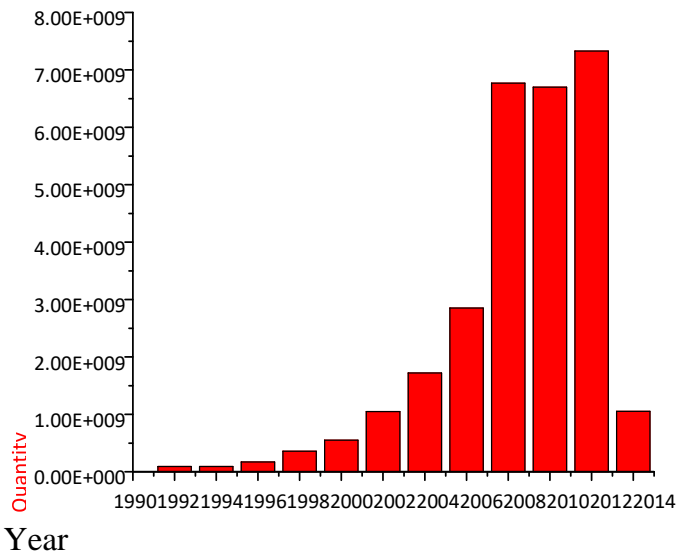
### **Unfavourable Import Policies**

The deregulation of the economy has made a maw out of the country for huge capital flight through imports, thereby wielding pressure on the local currency. Many local producers discard production activities for imports (Aremu 2005). Exports of textile products became difficult because of the high selling price as a result of high cost of production. Capacity utilisation remains very low in the manufacturing sector while being import dependent. On import waivers, Nigeria has forfeited a huge sum of N1.4 trillion in the last three years (Aremu 2015). Moreover, more than 65 per cent of stimuli on export were for non-productive ventures. Hundreds of billions of naira that will accrue to the government account are being lost as government carelessly grant import and export stimuli on the unproductive venture, with no significant bearing on the economy (Interview Tofa 2015; Nabegu 2015). Nigeria has for a decade, and a half become a “container economy” with the manufacturing sector contributing less than four percent in value addition (Aremu 2015). The country has become textile imports hub rather than an investment destination. As indicated in Figure 8 from the data obtained from harmonized commodity description and coding system UN Comtrade, China has substantially increased its textile exports on annual basis to the Nigerian market. This mass influx of textile products deprive the local industry its competitive advantage. Moreover, imports from China to Nigeria dominate the trade relations between the two countries when compared



with meagre or nonexistent exports from Nigeria to China in the 1980s and throughout the 1990s. The volume of trade between the two countries increased substantially from the year 2000 to 2006 as indicated in Figure. 9.

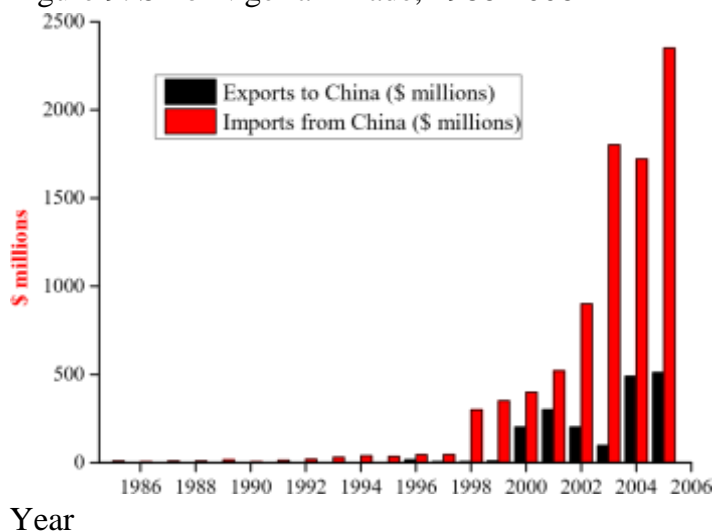
Figure 8: Import of Textile Items to Nigeria from China



Source: UN COMTRADE

Import duties assumed unique influence when neo-liberal deregulation takes centre stage. The industrialisation agenda was abandoned. It is bad enough that productive economy was replaced with an importing economy. The economy is managed in the fashion of the colonial system more than five decades after independence. Huge imports of finished foreign goods are firmly operated while exporting raw materials (Aremu 2015). It is however clearly a disservice that these imports are not taxed under the regime of waivers. These imports are clearly not taxed which gave an advantage to the importers to further wreak havoc to the manufacturing sector operating at a high cost of production (Interview Tofa 2015). The phenomenon of wholesale waivers regime has inadvertently legalised the status of Nigeria as a non-productive corrupt economy that is avoidably losing scarce revenue, jobs and local goods and services to waivers (Sandbakken 2006). One of the policies that undermined most local textile factories apart from wholesale smuggling and lack of electricity is the waivers for imports of finished textile products at a time when local manufacturers could not break even (Akinrinade and Ogen 2008).

Figure 9: Sino-Nigerian Trade, 1986-2006



Source: IMF (2006) Gulliver's Troubles page 348

### **Multiple Taxations**

Taxes have been recognised as impediments to investment growth especially where the taxes are too many.

Unfortunately, from 17 to 40 different taxes are currently being paid by textile factories and commercial outlets (Salami 2011). Uncoordinated tax administration manifested in multiple taxations is one of the major challenge faced by the textile sector (Oduola 2006). The committee set up by Kano state government on industrialisation listed 39 different taxes manufacturers are subjected to (Interview Audu 2015; Tofa 2015; Adhama 2015). Taxes are the most important sources of revenue by the three tiers of government (central, state and local governments). The determinant of multiple taxations in Kano is varied and multiple in nature. These include but not limited to usage of unfair revenue formula by the federal government to generate revenue. There is poor definition of powers of each level of government and attendant overlapping of tax demands on businesses by the three tiers of government. There were even mounting road blocks to collect taxes using hoodlums (Interview Audu 2015; Bello 2015). Tax legislation is never reviewed as at when necessary by retaining obsolete laws which do not reflect realities. There are unhealthy rivalries between the tiers of government. There is an absence of political will to stop multiple taxes by the government. Moreover, there is no laid down procedural guidelines from the tax authorities. Poorly equipped and inadequately trained revenue agencies staff and greed on the part of tax officials are also impediments to investment growth.

Multiple taxes are unfriendly to investments, and as such it reduces economic growth. It does not help business to grow; rather it destroys the image of the country within the international business community. Moreover, it brings about uncoordinated tax systems because each tier of government will be competing with one another to raise a new form of taxation. Anyanwu (2000) submitted that the presence of multiple taxes distorts production, consumption, investment and employment. On the same note, Odusola (2006) insist that multiple taxes are fatal to small, medium and large scale industries. These taxes are also collected by many government departments including NAFDAC, NESREA, CPA, SON, and others. This is in addition to corrupt and embarrassing treatment against industries by various levels of revenue collectors. Too many taxes force manufacturers to increase prices of the manufactured goods which have the effect of discouraging consumption. In addition, too many taxes lead to lean profits and sometimes even loss (Interview Kwaru 2015). The end result was that some industries found it unbearable and therefore moved out. In other words, multiple taxes are a disincentive to industries.

### **Conclusion**

Our study succinctly presented an in-depth analysis of the neglect experienced by the Nigerian textile industry. This is as a result of huge reliance on the petroleum sector and the total disregard of the manufacturing sector. Consequently, this phenomenon is also related to the lack of investment in critical infrastructure, poor governance and corruption.

Our results show that there is complete policy neglect for the growth and competitive ability of the Nigerian textile industry. We discussed critical elements that are neglected including the absence of a diversified economy away from over-reliance on petroleum resources. The overreliance on the petroleum sector is manifested in the neglect of the manufacturing sector which breeds corruption and frivolous spending attracting spontaneous financial crisis. There is a lack of good support and sound government policy on the development and maintenance of infrastructures which are vital for the success of the industry. Other inadequacies that are as a result of poor governance include lack of long-term finance; high interest rates on short-term loans; lack of adequate electric power supply; rampant smuggling; wrong policies adopted by the government on import of foreign goods; non-availability of petroleum products; shortage of water to the industrial estates; poor road networks in industrial areas; high cost of transportation due to lack of railway service; multiple taxation by different tiers of government; high cost of importation of machineries, spare parts and chemicals and high foreign exchange rate.

By and large, there are remarkable evidence of neglect to the industry. This makes it unprofitable for manufacturers to invest in the industry. Other challenges encountered include raw material crisis, shortages and outages of the power supply, high cost and non-availability of LPFO, AGO, HPFO and an efficient transport system. This study is a call on the government to develop a policy framework to allow the industry to compete. However, this work has explained some of the challenges confronting the industry. Nigerian textile industry will succeed if right decisions and policies are put in place. The revival of the industry will go a long way in revamping the ailing economy in job creation and improved Gross Domestic Product. The article discussed elements which would stand on their own as areas of further extensive study.

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