POLITICAL ECONOMY OF BACKWARD INTEGRATION IN THE NIGERIAN CEMENT INDUSTRY, 1999-2012

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Abstract

This study explored the impact of backward integration policy and deregulation on manufacturing and importation of cement in Nigeria between 1999 and 2012. We interrogated the following research questions: Did the backward integration policy increase the output of cement in Nigeria between 1999 and 2012? Did the deregulation of cement manufacturing industries increase the contribution of the sub-sector to Nigeria's economic development between 1999 and 2012? Did the restriction of license to import cement in Nigeria lead to the empowerment of the local cement producers between 1999 and 2012? Did importation of cement account for the rising cost of the product in Nigeria between 1999 and 2012? The study was anchored on some basic propositions emanating from the Marxian political economy theory. Data for this study was collected through the triangulation of qualitative methods of data collection which includes primary and secondary data from written descriptions, face-to-face elite interview with a total of thirteen interviewees and indirect observation of the cement market dominance and price fluctuations at different intervals. The study found that; the backward integration policy on cement increased the output of cement tin Nigeria: the deregulation of cement manufacturing industries did not increase the contribution of the sub-sector to Nigeria's economic development; the restriction of license to import cement in Nigeria has led to the empowerment of the local cement producers; and importation of cement did not account for the rising cost of cement in Nigeria. we recommended among others for the review of the backward integration policy and its import licensing system in order to accommodate the interests of both manufacturers and importers in the industry; government should establish Cement Competition Commission to describe trends of competition and punish offenders who brew falsehood about product output and scarcity in the industry and finally, government should set up a 'Modernization Fund' to revamp cement technology and thereby equip the sector to create more jobs and increase standard of living.

Introduction

Though the cement industry is private sector driven in Nigeria, the state also exercises decisive influence and control in the sector. Meanwhile, state interventions in the sector through government policies have both negative and positive effects. For instance, multiple/ high taxation, macroeconomic imbalance and inconsistent government policies have tended to complicate the problems of cement industry; making it difficult for aspiring cement manufacturers/importers and thereby increasing the dominance of a few companies (cement manufacturers and importers) with the requisite political and economic capacities to withstand the storm. Nonetheless, such policies as backward integration policy, government's visions and missions to provide houses for all by 2012 have instilled certain level of efficiency in the sub sector, though the price of cement remains very high in Nigeria.

In 2002, the Federal Government of Nigeria introduced the backward integration policy in the cement industry to stabilize the supply of the product and cut cost. Despite the liberalization of building materials like cement; the commissioning of more cement plants and the use of local materials such as burnt brick, the actual output of cement production in Nigeria remains unknown (Nkwocha, 2012; Momoh,2012; CMAN, 2012and Maxwell-Cook, 2012).

Scholars like Tandon (1980); Desai (1981); Ahluwalia (1985); Osifo (1982); Gilpin (1995); Okolie (2001) and Okoli (2007) examined critically the benefits of backward integration; the linkage between backward integration and import substitution as well as the numerous problems of the policy, but they glossed over the effects of backward integration policy on output of cement in Nigeria. Although Okolie (2001) noted that the Federal Government of Nigeria tried to reduce the cost of building materials in 1975 by liberalization of import materials like cement, his work did not show the effects of backward integration policy of federal government on the output of cement between 1999 and 2012.

President Yar'Adua shortly after assuming office in 2007, licensed six new cement importers to join the already existing seven cement importers to force down the price and stabilized the market supply, yet, as cement demand increases, price remains high. Recently in a media chart, President Goodluck Jonathan directed cement manufacturers and importers in Nigeria to cut down the price of cement to N1500 (One thousand five hundred naira only) without any recourse to dynamics of demand and supply.

Meanwhile, the deregulation of public enterprises hinges on the neo-classical hypothesis and in order to determine how successful it has been with respect to economic development, the answer depends on the country you look at (Todaro and Smith, 2009). Similarly, Balaam and Veseth (2005); Agbu (2007) and Onuoha (2009) corroborated the above that the success of deregulation depends on the country you look at. These scholars reviewed the three countries (Czech Republic, Hungary and Poland) often cited as the most successful post communist countries with liberal economic reforms. However, they glossed over the effects of deregulation on economic development of Czech Republic, Hungary and Poland. Okolie (2000) argued that privatization is an aspect of deregulation.

Although Okolie was both logical in explaining political economy of privatization of public enterprises in Nigeria, he focused on Nigergas. Hence, he was not interested on how deregulation of cement industries affects the economic development of Nigeria.

Cohn (2010) stands out in his analysis of the negative effect of deregulation and liberalization on development. However, he hides under the cloak of world economic output and failed to explain how deregulation of the cement manufacturing sector affects economic development. Indeed, Savas (1971; 1990; 1992) noted that privatization is a pragmatic policy to improve the cost effectiveness of municipal service. He argued that privatization could be by divestment; by delegation or by displacement. Although Savas was canny in his presentations on privatization and its promise for economic development, he glossed over the contributions of deregulation of public enterprises in Nigeria generally and cement subsector in particular to the economic development of Nigeria since the return of democracy in 1999.

Examining the beneficiaries of the restriction of cement import license, Pugh and Ajayi, (1990) and Echenim (2011) noted that between 1960 and 1978 the federal government built some cement plants, which drove local production to meet almost 50 per cent of local demand. However, as the plants faced poor management, which unfortunately is the norm in the public sector, the production capacity of the plants dropped drastically, making government to allow greater measure of importation to meet up with the market demand. By the 80s and 90s, importation became the major source of cement in the country. Again, Subair (2012) argued that restriction of cement import license by government is an important aspect of the backward integration policy and praised the leading role being played by Dangote Cement Plc. Meanwhile, Proshare Investment (2012) remarked that cement manufacturers and recently-licensed importers are in disagreement over the ban by the Federal Government of the importation of bagged cement and the granting of wide ranging concessions to manufacturers. Although these scholars and organizations were apt in discussing restriction of import license of cement and empowerment of the local cement producers, they glossed the interface between restriction of import license of cement and empowerment of the local cement producers in Nigeria between 1999 and 2012.

Varieties of reasons exist to explain the rising cost of cement. Bhatia (1978) relates the price of a commodity to marginal cost of the amount of commodity needed by the community and Ray (2004) argued that cement is an international commodity and price in the market must be high enough to attract that last increment of supply. Conor (2011) and Kowalski (2011) reported that prices for imported goods are rising faster than overall prices. Baloch (2011) remarked that fears of increase in coal price, high production costs and unimpressive figures for dispatches in recent month are the factors driving cement prices upward in Pakistan, while, Coosal (2012) insists on the probe of increase in the price of cement by Trinidad Cement Limited (TCL). Udeme (2011); Maduako and Owonibi (2011); Akaigwe (2011) and Anagor (2012) attempted to explain the reason for rising cost of cement in Nigeria, they failed to adopt systematic methods to collect and analyze data to validate their conclusions. These scholars glossed over the interface between importation of cement and rising cost of the product in Nigeria between 1999 and 2012. Although these arguments were coherent, logical and canny, the scholars glossed over how the backward integration policy and the ongoing deregulation exercise affect manufacturing and importation of cement in Nigeria between 1999 and 2012.

Backward integration policy and output of cement

Tandon (1980) argued that backward/downward integration is a form of vertical integration that involves the purchase of suppliers. Companies will pursue backward integration when it will result in improved efficiency and cost savings. For example, backward integration might cut transportation costs, improve profit margins and make the firm more competitive. Type of vertical integration in which a consumer of raw materials acquires its suppliers, or sets up its own facilities to ensure a more reliable or cost-effective supply of inputs. Acquiring ownership of one's supply chain, usually in the hope of reducing supplier power and thus reducing input costs. Again, if a bakery business bought a wheat processor and a wheat farm, he is involved in backward integration (http://www.investorwords.com/383/backward). Vertical integration is not inherently good. For many firms, it is more efficient and cost effective to rely on independent distributors and suppliers. For example, backward integration would be undesirable if a supplier could achieve greater economies of scale and provide inputs at a lower cost as an independent business, than if the manufacturer were also the supplier.

Tandon also contrasted forward integration. He argued that it is a type of vertical integration that involves the purchase or control of distributors. An example of forward integration would be if the bakery sold its goods itself at local farmers markets or owned a chain of retail stores, through which it could sell its goods. If the bakery did not own a wheat farm, a wheat processor or a retail outlet, it would not be vertically integrated at all. A good example of forward integration is when a farmer sells his/her crops at the local market rather than to a distribution center. He differentiated between backward integration and forward integration with illustrations and examples. Despite that Tandon examined critically the benefits of both backward integration and forward integration strategies; his work predates the adoption of the backward integration strategy in the cement industry in Nigeria.

Again, two most celebrated works, Desai (1981) and Ahluwalia (1985) observed that backward integration leans more towards import substitution strategy than exports promotion. They noted that technological obsoleteness in industry was directly linked to high trade tariffs and lack of competition in particular industry. They argued that lack of openness in an economy was responsible for the obsoleteness in India. In response to this criticism, imports were liberalized in India and shortly, imports ran ahead of export, so the Indian economy ran out of foreign currency to pay for its imports. According to these Indian scholars, the government leaned towards backward integration to save her infant industries. Several concessions were given: tax reduction, tax holiday and subsidies were introduced in key industrial sectors in India. Cohn (2010) argued that the LDCs did not achieve economic growth because they continue to depend on exports of primary products. According to him, most LDCs looked backwards and adopted the import substitution industrialization policies to replace industrial imports without domestic production. He also noted that with backward looking approach, most LDCs could not actively participate in World Trade Organization. Although Indian scholars tactically linked backward integration to import substitution, they glossed over the effect of the policy on output of the manufacturing sector in general. They failed to explore the effect of the policy on out of cement in Nigeria.

Meanwhile, Osifor (1982) asserted that Nigerian industrial policies have in the main been inward-looking as her strategy has largely been based on import substitution with no industrial export ambition. He argued that given the free lancer attitude of government in Nigeria, the establishments of the majority of medium and large scale industries are undertaken by or with the aid of foreign enterprises. He insists that import substitution is largely unplanned and therefore could not exploit the advantages inherent in the linkages associated with the industries due to the fact that the industries were designed to depend on offshore inputs. He concluded that import substitution do not contribute to output of industries and efficient allocation of industrial development resources in Nigeria. Despite that his analysis was apt and logical; it also predates the introduction of the backward integration policy in the cement manufacturing subsector.

Gilpin (1995) also noted that the specific reasons for the failure of import substitution strategy include the following: the relatively small size of national market which leads to uneconomic plants, excessive protectionism that weakens incentives to improve quality of production and the need to import industrial technology and capital goods which cause massive balance of payment and debt problem. By mid 1985, it had become obvious that the strategy was inadequate. Domestic social transformation was adopted by countries like Cuba, China and Tanzania to minimize what they called western imperialism and achieve desired social and economic development. Gilpin was canny in linking backward integration as a slant of import substitution policy. He also noted the numerous problems of the policy but he failed to discuss the effects of the policy on output of industries.

Meanwhile, Ajakaiye and Bayo (2000) argued that there are two broad categories of import substitution policy which includes industrial incentive and industrial protection. The two categories are aimed at substituting certain imported finished products with locally produced ones. They argued that the industrial incentive consist of generous provision for tax holiday or tax exemption for a specified period, grand of accelerated depreciation allowance, favourable credit policies and other incentives. Again, industrial protection refers to the use tariffs and non-tariffs measures like quotas, import licensing and foreign exchange control to favour local manufacturer and shut-out foreign competitors. Hence, in 1981, the Federal Government of Nigeria in the Fourth National Development Plan consistently noted that these policies have the tendency to expand the output of infant industries and thereby generating more jobs. Although Ajakaiye and Bayo noted the relationship between the implementation of backward integration strategies and output of infant industries, their work predates the adoption of the strategy in the cement subsector in 2002. In fact they did not consider the effect of the backward integration policy on cement on the output of the product in Nigeria from 1999 to 2012.

Nevertheless, Okolie (2001) noted that the Federal Government of Nigeria tried to reduce the cost of building materials in 1975 by liberalization of import materials like cement. This was followed by commissioning of more cement plants and the use of local materials such as burnt brick and clay. Despite that Okolie explained the avowed determination of the federal government to enhance urban housing in the 1st, 2nd and 3rd National Development Plans in Nigeria; he did consider the effects of backward integration policy of federal government on the output of cement between 1999 and 2012.

In a similar vein, Okoli (2007) specifically argued that import substitution policies are designed to encourage local manufactures of imported goods fail to achieve their objective because the existing pattern of demand in developing countries does not augur well for import substitution. Again, the pattern of demand is characterized by local income distribution skewed in favour of a small group of expatriates and partly indigenous bourgeoisie. Also, the population and market are small and the industrial sector tends to be monopolistic. The industries were not vertically integrated; hence they produced things they do not need for each stage of production from processing raw materials to final products. Despite that Okoli struck the nail on the head in his analysis, he glossed over the effect of such condition on the output of cement in Nigeria between 1999 and 2012.

In a more recent analysis, Emeka (2010) reiterated Senator Jubril Martins – Kuye's (the Minister of Commerce and Industry) standpoint about Federal Government commitment to implement a mandatory backward integration policy in order to achieve self sufficiency in cement production. During a meeting with a delegation of Cement New Entrants in Abuja, he noted that unregulated importation of 50kg cement into the country had stifled local cement producing companies resulting in loss of jobs and underutilization of the country's natural resources. According to him, the issue of cement is of priority to the government. The government has been asked to take a second look and make sure that while we are doing that we should be watching the price so that Nigerians who want to build houses have cement at affordable price. The government has also accepted to take a second look at the policy in conjunction with the Ministry of Finance to harvest the views of stakeholders.

He observed that, cement production is one of the areas which Nigeria has comparative advantage. According to Emeka (2010), Nigeria has a huge deposit of limestone across the country. There is no reason why Nigeria should not supply cement to countries within Africa. This explains why the federal government initiated the backward integration policy by encouraging local manufacturers of cement to utilize limestone across the country; total cancellation of bulk cement, import license regime for cement. He also observed that the practice in other countries such as Iran is that government should set up a cement development fund with 7 per cent interest rate and four years moratorium with repayment period of 15-20 years. He argued that cement manufacturers should take advantage of government incentives such as N500bn intervention funds, low duty machinery and spare parts as well as access to LFPO/gas, to key into the government support for backward integration. He noted that the current gap that existed between the demand and supply in the cement sub-sector was as a result of the monopolistic market, adding that over 65 per cent of annual cement import was done by a single company. The views of Emeka (2010) compared the process and procedure in adoption of such policy as backward integration in Nigeria and Iran. He also argued that the policy of backward integration like every other economic policies cannot be error proof; that room for improvement always exist. Although his position was interesting and attractive, he was more involved in political journalism than academic analysis. He totally glossed over the imports of the policy slant in the cement sector to the output of the product in Nigeria between 1999 and 2012.

Manufacturers Association of Nigeria (2011) has lauded the decision of the Federal Government to reintroduce the cement backward integration policy. The association's Director-General, Jide Mike, described the move as positive and that it would enhance local capacity production and, eventually, significantly reduce the price of cement. By this step, the Federal Government had displayed its commitment to the survival of the real sector of the economy, which had almost been extinguished by faulty policies and the harsh environment of the past years. The intervention also stipulates that importers without operational land terminals will no longer be considered for cement import licenses. The new policy cancels all unutilized cement imports licenses issued from 2002 to 2008 and will enforce yearly review of local production to determine the need of cement import licenses or otherwise.

According to MAN, the government with the new policy will curb the influx of cement from Asia into the country, save the nation's massive local investment in cement manufacturing and propel the nation to the status of a net exporter of cement. The new policy also stated that the re-instatement of 20 per cent import duty on bulk cement, as applicable to other finished products in line with the ECOWAS Common External Tariff (CET), is now in place. The policy was designed to provide leverage for locally produced cement to compete with imported ones. The backward integration policy imposes a 15 per cent levy on the cost, insurance and freight price of bulk cement to substitute the imported cement. The association also noted that the policy would accelerate the growth of local capacity in cement production and provide the possibility for eventual export of the product to other African nations and beyond. A decade after the reintroduction of the policy of backward integration in the cement industry, MAN has not considered the effect of the policy on output of cement from 1999 to 2012. MAN still considers the prospects of the policy instead of recounting its benefits.

Again, Osagie (2012) noted that the Federal Ministry of Trade and Investment are focused on areas where the country had comparative and competitive advantage, link research, development and innovation as part of enhancing productivity, while institutionalizing industrial skills development. He noted that the government of Nigeria is removing the barriers that hinder productivity based on a research of failed/ailing industries already carried out by ministries and industries. According to him, since the inception of the administration of President Jonathan Goodluck, the thrust has been improving the investment climate and business environment through the Investment Climate Reform Programme. Despite that he was coherent and canny in his analysis, the writer did not consider the relationship between the backward integration policy and output of cement in Nigeria from 1999 to 2012.

Cement Industry in Nigeria and the Backward Integration Policy: 1957-2002

Manufacturing is a critical aspect of industrialization. According to Agbu (2006), manufacturing is the aspect of industrialization which deals with the process by which materials are transformed by means of specified skills and technology into the intermediate or final stage of development. Jean Baptise Says, an expositor of Smithian economics, noted the importance of industries in economies of Britain and France and argued that industry is an important source of national product (Bhatia, 1978). Again, the centrality of the manufacturing sector to the industrialization of Western European and North American states including China had been emphasized by scholars (see, Stiglitz, 2002; Schiller, 2003; Balaam and Veseth, 2005). In fact, the economic development and underdevelopment associated with 1st and 3rd world countries respectively is largely a function of the level of development of the manufacturing sector (Bade and Parkin, 2011).

In practical terms however, development to most 3rd world countries including Nigeria, means building pipe- borne water, roads, schools, markets, hospitals, post – offices, industries and residential homes. Hence, infrastructural development remained at the centre of various development programmes and projects in Nigeria since 1960. To a large extent, therefore, development implies building and building involves cement. In fact, Pugh and Ajayi (1990) observed that the rate of consumption of cement is an indicator of development. Meanwhile, cement is an adhesive binder and both developed and developing countries strive to produce the commodity to control their development trend. In Nigeria, cement manufacture is a sub-sector of non-metallic mineral manufactures with the others being glass manufacture, ceramics manufacture, asbestos manufacture, school chalks and crayons (CMAN, 2011). Limestone and gypsum are the principal raw materials for cement manufacturing. While limestone abound in Nigeria more than in any other West African country, gypsum have not been found in commercial quantity. The nearest potential source of gypsum for Nigeria is Mali Republic, where millions of tones of mineable salts occur.

Meanwhile, cement manufactures in Nigeria, dates back to the twilight years of the colonial period in 1957 when the first cement industry, Nigerian Cement Company (NIGERCEM) was established in Nkalagu. NIGERCEM was one of the earliest attempts of government to introduce the Import substitution Industrialization (ISI) strategy. Prior to this time, all cement consumed in Nigeria was imported. Recall that during the colonial period, local manufactures was discouraged and production of raw material for export was encouraged. Thus Nigerians were encouraged to produce what they did not consume, such as cocoa and cotton and import much of what they needed to consume such as flour and cement.

Again, West African Portland Cement Company was establishment at Ewekoro in 1960. As demand increased with growing economic prosperity following the oil boom, there was incentive for more manufacturers to come into the cement business. Accordingly, Benue Cement Company Plc was set up in 1980. Thereafter, there was a lull in setting up such plants as no new plant came on stream until 2006 when the Dangote Group commissioned the 5mmt Obajana Cement Plant. Several other cement plants came into being subsequently but due to various political, economic and social problems, many of the plants either shut down or were acquired by others. The Dangote Group and Lafarge remain the dominant operators and highest investors in the cement production in Nigeria. Today, Nigeria is the third largest importer of cement and clinker and the cement market is shared between manufacturing and importing /bagging plants (http://www.proshareng.com/articles/1560). Like other states, Nigeria is saddled with the responsibility of regulating and mediating class or group relations. Okolie (2012) noted that the regulatory, productive and distributive capacities of the state are largely influenced by the sophistication of the instrument of production, objects of labour and labour power.

At Nigeria's independence in 1960, the heavy hand of the state was visible in almost every sector of Nigeria's economy including the private sector (Anyanwu, 1997). Ake (1981:96) succinctly noted that "the rationale behind state intervention in the economy of Nigeria was to promote export and realize import substitution". The monopoly privileges were expected to help the industries to survive and become competitive and profitable. Notably, the manufacturing sector in Nigeria performed well in 1960s and 1970s but stagnated, beginning from the 1980s onward to date as a result of such factors as lack of access to foreign exchange and poor infrastructural base. Since the 1980s, the manufacturing sector in Nigeria has been operating below installed capacity and this has continued until today (Agbu, 2006).

By mid -1980's, it had become clear that state capitalism can no longer thrive in Nigeria. The manufacturing sector in Nigeria has grown from a small number of assembling and processing plants to more number of such plants. The actual contribution of the sector to the productivity of the country remained low. The dependence of this sector on imports was worsened. The import substitution strategy adopted by various governments since independence was based on imports and consumption pattern of the elites. Poverty and general economic backwardness became pronounced (Abba, *et. al.* 1985). Today, the situation has not changed as can be seen from recent reports in the wake of 2007 global recession in which old industrial establishments are winding down or working at less than full capacity and the newly established industries are not different (Obianyo, 2009). Mkandawire and Soludo (1999) attributed the failure of the post-colonial Nigerian state to industrialize to the low level of development at independence and their vulnerability to the global economic changes rather than to leadership failure (Achebe, 1983). In order to counteract these teething economic problems, the International Financial Institutions (IFIs) have called for state withdrawing from the economy. Hence, deregulation, privatization and commercialization became dominant concepts used by government officials in most power point slide talks in Nigeria and as a result, the cement manufacturing sub-sector hitherto under the control of the government was opened –up for private investors.

Unlike the previous administrations in Nigeria from 1960 to 1998, President Olusegun Obasanjo's administration (1999-2007), characterized by massive economic reforms and privatization, banned the importation of bagged cement in order to enhance market competition, encourage new investments, and stem the continuous rise in the price of cement. Yet, such efforts did not yield any benefits as the price of cement increased by over 300% since 1999 and the problem of supply insufficiency still exists (http://www.proshareng.com/articles/1560).

At the dawn of President Musa Yar'Adua's administration in Nigeria, it had become obvious that the local manufacturers of cement could not satisfy local demand. In other words, available supply has not been able to meet the ever growing demand for cement. Local production has remained at 50% of installed capacity. Even in the 2008 global economic recessions, which witnessed a decline in the demand for cement, these supply gaps were still very much evident. President Yar'Adua reversed the ban on cement importation and licensed more importers of cement to stabilize the market price of the commodity. Similarly, President Goodluck Jonathan has at different situations favoured both Presidents Obasanjo and Yar'Adua's approaches to stem the crisis in Nigeria's cement industry.

Despite these efforts by the previous administrations to stabilize cement manufacturing and importation in Nigeria, the sub-sector continues to be one of the most volatile in the manufacturing sector. Nigeria remains one of the highest importers of cement in the world where shortage in supply and hike in price have become the normative character of the sub-sector. This study explores how the backward integration policy and the ongoing deregulation exercise affect manufacturing and importation of cement in Nigeria between 1999 and 2012.

Theoretical Framework of Analysis

Soludo (1998) observed that scholars of industrialization and manufacturing in Africa have generally anchored their explanations on one or combination of the neoclassical; Keynesian; structuralist; post colonial state; dependency persuasion; modernization and general systems analysis. Although these frameworks can explain aspects of the manufacturing sector, they often do not help to explore the dynamic interactions and parallel existence between the state and the economy in a developing country like Nigeria. These analytic frameworks either employ exogenous variables or treat the state and the economy as though they exist independent of each other. This predisposes them to deviate from the basic activities/roles of the state in production enterprise in a given socio-formation (Okolie, 2012). Meanwhile, Akinboye and Otto (2007:94) corroborated the above and noted that "any meaningful analysis of the state and the economy must take into cognizance the direct relationship between the two".

In this study, we anchored our analysis on some basic propositions emanating from the Marxian political economy theory. Specifically, we shall predicate the exposition on the analysis of social production and reproduction of material values. This is akin to what Marxian scholarships refer to as socio-economic system (Abalkin, Dzarasov and Kulijov, 1983). Nikitin (1983:24) noted that "political economy studies the basis of development of society. That is the production of material wealth and mode of production". The major proponents of this theory include Lenin (1975); Nnoli (1981); Ake (1981); Ogban-Iyam (2005) and Stavrou (2011). The basic proposition of this theory is that:

> To ensure his subsistence man must provide himself with food, clothing, shelter and so on. He cannot get all these ready made from nature…Man cannot eat raw meat, it must be cooked first. Even primitive men, before he could wrap himself in an animal's skin, he had to kill the animal, skin it and cure the skin. Thus to subsist, man must produce material goods from objects found in nature. As history matches on, production undergoes changes and develops its forms and means… Lenin, (1978:330-331)

Similarly, Nnoli (1981) remarked that it is this social production and reproduction that give character to other human values. Meanwhile, no country can possibly develop without a high-technology industry. In fact, it is the industrial sector that produces most of the goods and services in developed countries. This is because the secondary sector is highly mechanized and adapts easily to technological changes. According to Ake (1981), despite that capitalism has generated great wealth and knowledge unlike any other system of social production hitherto known to man, it has also generated greater disparity and inequality. Ogban-Iyam (2005:16-17) aptly noted that:

> those who decide what to produce, when, how and where , by whom and for whom , also control the social production system. They generally have most of what is produced and they are often more satisfied than others within the production system… those who do not decide what to produce, are generally at the end of social production system… they are often not satisfies and they tend to desire to change the system in their own favor… those who chose what to produce also determines who rule.

Stavrou (2011) dealt with the general nature of production and distribution relationship. He refuted the fallacy of economists to separate production from distribution, since according to him those two are interconnected and one cannot exist without the other. The implication of disconnecting production from distribution according to Tepperman and Curtis, (2006) is that individuals and industries become pressured in the process of securing monetary rewards.

Specifically, Okolie (2012) argued that production system in Nigeria is characterized by the following : critically low production potentials; counteracting relationship between the social relations of production and productive forces; and low social atomization and lack of creativity, development strategies adopted by the political leadership are generally manipulative, personalized, regimented and as well aimed at unbridled and wanton accumulation, group reproduction and group differentiation. Against this backdrop we apply the theory below.

Application of the theory

Despite that Nigerian has a large deposit of limestone and other natural gases, the costs of cement and other essential commodities remain high. The costs of these products remain higher than in most countries without natural resources as the state rarely create a favourable environment for industries to thrive. The centrality of manufacturing to economic growth is relegated by the Nigerian state and dependence on oil and gas hold sway. The people suffer, unemployment, poverty and inflation hold sway for majority of her population. This is typical of what Tepperman and Curtis, (2006) refer to as disconnecting production from distribution. The local industries become structurally pressured as they try to survive in the system that does not provide the requisite infrastructure, policies and a functionally educated labour force for production of their means of livelihood. Monopolies begin to outsource production of basic products like cement and this in-turn doubles the price of cement in Nigeria.

An expository analysis of African production process revealed that the state is a major means of production as the dominant class relies on acquisition of state power to survive and reproduce material wealth (Miliband, 1977). The extractive and unproductive dispositions of most African states are largely consequences of colonial forces (Okolie, 2009). The effects include low level of development of productive forces, decline in output, inflation, and decline in volume of GDP and FDI. Hence, all the development strategies adopted by Africans after independence were rooted on liberal and neo-liberal persuasions and these policy slants are driven by the principles of privatization which concentrates resources in the hands of a few, as the expense of the vast majority (Okolie, 2007).

Meanwhile, value and surplus can be realized only by sale of the commodity which embodies them (Sekine, 1997). When production does not take place, value cannot be realized and economic development cannot take place. Nigeria is a commercial capitalist economy and the economy is inherently unstable for production. Notably, production takes the form of assembling and processing of imported products (Turner, 1982). This is evident in the cement sub-sector where bulk of the product purported to have been produced in Nigeria are indeed imported by a few and only re-bagged in Nigerian seaports and local cement depots.

Again, production activities in Nigerian are heavily dependent on technologies and capital of the advanced countries. Decision-making power however, still lies with the foreign partners who provide the means of production in the form of material and knowledge technology. Hence, the indigenous business elite remain peripheral and unable to revolutionize production. Ukaegbu (1991) noted that privatization has the potential to produce quick financial profit, but stifle local ingenuity. So long as Nigerian entrepreneurs lack interest in the application of results of local scientific research to production, dependence and outsourcing of production will continue. This is because the private investor justifies economic rationality as the use of packaged technology for quick profit. The major matters beyond anteriority of investments are the simultaneity and the synergy of investments.

Despite that Nigeria responded positively to liberalization from 1995 onward, it has not translated into sustainable development. Virtually all the indicators of economic development are on red and continue to record disappointing results while underdevelopment deepens (Okolie, 2003). Osifo, (1982) noted that (i) location, (ii) plant capacity, (iii) raw materials requirements and (iv) other such factors as availability of required professional, technicians and workers should inform the location of industries but these factors are often neglected in Nigeria. Meanwhile, the culture of unmerited favouritism, discredits the government and its capacity to take control of essential fundamentals that enable the economy to function. Undue and frequent interventions by the state serve the interest of Dangote and Lafarge who seem to be the major local producers of cement in Nigeria.

Cement market in Nigeria is characterized by significant behavioural complexity and strategic self-positioning by major stakeholders to manipulate the market to their own advantage at the expense of the helpless cement importers and consumers. Hence, the price trend of the product follows a usual historical cycle annually, which when it eventually settles, leaves consumers usually worse off as it never really reverts to the original pre-price hike level. This price hike is however, permitted by the government in place. This is embarrassment to Nigeria where cement consumption is in fact far below the world average, yet unable to craft sustainable strategy to tackle the problem.

The irony remains that, there are cartels in every sector of the economy including the cement subsector. Dangote and Lafarge are the cement cartels and they are keeping the price high for their gains. This is because they often capture the leadership class in Nigeria by funding their political campaigns. For instance, Dangote played a prominent role in the funding of Obasanjo's re-election campaign in 2003, to which he contributed over N200 million (US$2M). He gave N50 million (US$0.5M) to the National Mosque under the aegis of Friends of Obasanjo and Atiku and contributed N200 million to the Presidential Library (Kura, 2011). These controversial gifts to members of the ruling People's Democratic Party goes to buttress the argument above. This explains why President Jonathan and his Ministers removed the names of the small but vital credible cement importers with investments to produce locally from the import allocation list. These are the same organizations that President Yar Adua used to crash the high price between 2007 and first quarter of 2010.

Hence, political actors who make choices in the world of scare resource are influenced by each other, foreign officials, unions, and businesses that have direct or indirect stake in public policies. Governments only introduce reform policies after consulting these cartels and pay lip service to issues affecting the majority and the economy of the nation. Dangote therefore conquered many business sectors and bought over many faltering industries with little or no contribution to the national pool beginning from 19999. Behind the industrial policy reforms in Nigerian cement industry namely backward integration and ongoing deregulation, to engender healthy competition and enhance investments lies the self interest of government officials and major cement players who design, monitor and modify these programmes to their favour (Balogun, 2007).

CMAN had consistently expressed its support for the import needed to bridge the gap between national demand and what the local manufacturers can supply to the market at any point in time. They championed the Federal Government adoption of the 2002 backward integration policy that required that cement import licenses should be issued to only importers who show proof of building factories for local cement manufacturing in Nigeria (Salako, 2012). At no time did cement manufacturer requested for a ban on importation of cement until recently when local producers of cement especially Dangote began to pressure the Federal government to ban cement importation because the output of Dangote cement alone has exceeded local demand of the product in Nigeria. Contrarily, the major cement importers such as Ibeto cement accuse these local producers of falsifying figures. Dangote Cement (the fastest growing cement company in the world) and Lafarge (one of the top five cement producing companies in the world) who together account for more than 80 percent of cement supplies in Nigeria continue to furnish Nigerians with falsehood which serves as palliative (suffer today and enjoy tomorrow) and the state policies are used to holds back the majority (http://tribune.com.ng/index.php). Of course, the ban on importation of cement in Nigeria has always been to the detriment of the masses. The experiences from neighboring West African states where the state play central role show that the prices of cement per 50 kilograms have remained stable between 2005 and end of second quarter of 2012. For instance, in Benin, Togo and Ghana, 50 kilograms of cement is sold at ₦ 1500, ₦ 1250 and ₦ 1200 naira respectively while in Nigeria and the price of the same volume of product varies from North to South and Dangote to Ibeto cement between ₦2300 and ₦2500.

With the current high cost of cement in Nigeria, government's ability to tackle the infrastructural challenges of the country is reduced. Although cement output appears to have increased since the 2002 with the adoption of the backward integration policy, the contribution of the cement sector to the economic development of Nigeria has remained low as industries and individual seek monetary rewards.

Meanwhile the benefits of promoting a diversified base in the cement industry cannot be overemphasised. India, the second largest producer of cement in the world, can boast of 139 large cement plants and over 365 mini cement plants. These firms helped curtail collusive behaviour amongst cement companies in India. The presence of small players in cement industry helps to checkmate the activities of the cement cartel by taking advantage of falling cost and the demand for cement that is yet to peak. These small players are shut out in the Nigerian cement business at the detriment of the final consumers who pay high for the product.

Recommendations

1. The backward integration policy can no longer subsist so the Federal Government should invite all stakeholders in the cement industry for brainstorming to review the import licensing system in order to accommodate all interest groups (manufacturers and importers) in the industry.

2. Nigerian government should establish Cement Competition Commission to describe trends of competition and punish offenders who brew falsehood about product output and scarcity in the industry. This is because the cement industry has become the second most politicized sector of Nigerian economy after oil. In India, such Commission already exist . In fact on June 20, 2012, the Commission tried a case of Builders Association of India Vs Cement Manufactures (case no. 29/2010). The Commission after trial found the companies guilty of limiting and controlling supplies in the market and determining prices through an anti competitive agreement and imposed a penalty at 0.5 % times of their profit for the year 2009-10 and 2010-11.
3. In order to meaningfully contribute to Nigeria's development, the nation's technological advancement will be better guaranteed through a more energetic participation of the state in the management of production. This is because it will be easier for the state than private capitalists to invest in local industrial innovations. By so doing, the state will be providing industrial leadership, a role which the country's developmental history has assigned to it. Otherwise, we may be operating a socio-economic system in which the scientific and technological endeavours of indigenous manpower will not achieve a cumulative upgrading of our technological base.
4. Government should set up a Modernization Fund to revamp cement technology, create more jobs and increase standard of living.
5. The government should also Introduce financial incentives and other necessary supporting policies to raise productivity, improve quality and make this Nigerian made cement globally competitive.
6. The government should also Introduce attractive incentives and non-bureaucratic and user friendly operating policies to promote foreign investment in cement sector.
7. Nigerian government should formulate a strategy for integrated biomass technology for the cement manufacturers in order to achieve not only economic benefits but also to deliver long-term energy security and sustainable development. Published data confirms that this investment is economically justifiable and environmentally beneficial.
8. The Nigerian Customs should ensure that they address the problem of port congestion so that export-import operation can take place without any delay.
9. The government should also evolve a well-developed national transport system so that transportation of cement from plants to markets could take place without any delay.
10. The Ministry of power should redouble effort to develop measures to ensure uninterrupted power supply.
11. Federal government should detach gas pricing from the benchmarking arrangement most particularly as the country's capacity to produce LPFO locally is greatly impaired

Conclusion

This study explored how the backward integration policy and the ongoing deregulation exercise have impacted on cement manufacturing and importation industries in Nigeria between 1999 and 2012. Specifically this study has the objectives to:

1. Determine whether the backward integration policy has increased the output of cement in Nigeria between 1999 and 2012.
2. Ascertain whether the deregulation of cement manufacturing industries has increased the contribution of the sub-sector to Nigeria's economic development between 1999 and 2012.
3. Ascertain whether the restriction of license to import cement in Nigeria has led to the empowerment of the local cement producers between 1999 and 2012.
4. Determine whether the importation of cement accounts for the rising cost of the product in Nigeria between 1999 and 2012.

We reviewed extant literature with reference to themes emanating from the research questions and noted as that although the arguments were coherent and logical, the scholars glossed over the effect of the backward integration policy and the ongoing deregulation exercise on production of cement, economic development, empowerment of cement producers and rising cost of cement in Nigeria between 1999 and 2012. The study was anchored on some basic propositions emanating from the Marxian political economy theory. Specifically, the study was predicated on the analysis of social production and reproduction of material values. This is akin to what Marxian scholarships refer to as socio-economic system. The major proponents of this theory include Lenina (1975); Nnoli (1981); Ake (1981); Ogban-Iyam (2005) and Stavrou (2011). The basic proposition of this theory is that to ensure his subsistence man must provide himself with food, clothing, and shelter. Man cannot get all these ready made from nature, hence, man cannot eat raw meat, it must be cooked first. Even primitive men, before he could wrap himself in an animal's skin, he had to kill the animal, skin it and cure the skin. Thus to subsist, man must produce material goods from objects found in nature.

We also noted that those who decide what to produce, when, how and where, by whom and for whom, also control the social production system. They generally have most of what is produced and they are often more satisfied than others within the production system, those who do not decide what to produce, are generally at the end of social production system.

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