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The Politics of Foreign Direct Investment for Socio-Economic Development in Nigeria: An Assessment of the Fourth Republic Strategies (1999 - 2014)

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***Abstract*—**In the contemporary global political economy, foreign direct investment (FDI) is gaining currency on daily basis. Notably, the end of the Cold War has brought about the dominance of neoliberal ideology with its mantra of private-sector-led economy. As such, nation-states now see FDI attraction as an important element in their approach to national development. Governments and policy makers are preoccupying themselves with unraveling the best strategies to not only attract more FDI but also to attain the desired socio-economic development status. In Nigeria, the perceived development potentials of FDI have brought about aggressive hunt for foreign investors, most especially since transition to civilian rule in May 1999. Series of liberal and market oriented strategies are being adopted not only to attract foreign investors but largely to stimulate private sector participation in the economy. It is on this premise that this study interrogates the politics of FDI attraction for domestic development in Nigeria between 1999 and 2014, with the ultimate aim of examining the nexus between regime type and the ability of a state to attract and benefit from FDI. Building its analysis within the framework of institutional utilitarianism, the study posits that the essential FDI strategies for achieving the greatest happiness for the greatest number of Nigerians are political not economic. Both content analysis and descriptive survey methodology were employed in carrying out the study. Content analysis involves desk review of literatures that culminated in the development of the study's conceptual and theoretical framework of analysis. The study finds no significant relationship between transition to democracy and FDI inflows in Nigeria, as most of the attracted investments during the period of the study were market and resource seeking as was the case during the military regime, thereby contributing minimally to the socio-economic development of the country. It is also found that the country placed much emphasis on liberalization and incentives for FDI attraction at the neglect of improving the domestic investment environment. Consequently, poor state of infrastructure, weak institutional capability and insecurity were identified as the major factors seriously hindering the success of Nigeria in exploiting FDI for domestic development. Given the reality of the currency of FDI as a vector of economic globalization and that Nigeria is trailing the line of private-sector-led approach to development, it is recommended that emphasis should be placed on those measures aimed at improving the infrastructural facilities, building solid institutional framework, enhancing skill and technological transfer and coordinating FDI promotion activities by different agencies and at different levels of government.

***Keywords*—**Foreign capital, politics, socio-economic development, FDI attraction strategies, Redemocratization.

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I. Introduction

TODAY, countries and continents now see attracting FDI as an important element in their strategy for national development. The potential advantages of FDI to the host country include facilitating the maximum utilization and effective exploitation of local raw materials; introduction of modern techniques of management and marketing; easy access to new technologies; facilitating research and development and overall development [1]-[5]. Due to these perceived positive spillovers from inward FDI, the past two decades have witnessed developing and emerging countries changed from a lukewarm view of FDI towards a more friendly posture. Consequently, FDI is considered to be a major means of facilitating the flow of knowledge spillovers and economic growth. However, nation-states differ in their ability and capability to benefit from the promise and prosperity of FDI. Most especially, there is a growing discrepancy between the substantial foreign investment in developing countries and the sparse resources available for domestic development. This is despite the assertion that the expansion of FDI into developing countries offers them the opportunity of deepening their integration into the global market and to develop investment patterns that maximize their possibilities for sustainable development. Consequently, governments in developing countries are increasingly searching for best-practice strategies towards FDI. The renewed confidence in the positive impacts of FDI has led many of these countries that were restricting FDI in the 1960s, 1970s and 1980s to be more open towards FDI in the 2000s. Strategies such as privatization policy, tax incentives, industrial free-trade zones, investment promotion, import wavers, developing export platforms [6], [7] among others are being adopted by countries to attract FDI.

Governments and policy makers have thus preoccupied themselves with unraveling the best strategies of not only attracting more foreign investors but also benefiting from their investments. This has also gained the attention of scholars. However, the empirical literature on the best approaches to stimulating and attracting FDI in developing countries has mostly biased along economic dimension. Economic variables such as market size; demographics of population; the availability of natural resources; the possibilities of Gross Domestic Products growth among others have been emphasized by many scholars as basic determinants of FDI [8], [6], [9]. While economic factors provide a necessary baseline for the stimulation of FDI inflows, political factors which harness these economic variables have not been given

adequate attention, most especially in the discourse of FDI in Nigeria. In Nigeria, the perceived benefits of FDI had brought about series of economic reforms introduced since the mid-1980s by the successive governments for its attraction. The introduction of the Structural Adjustment Programmes (SAPs), in particular, marked the beginning of an end to the various measures intended to protect domestic industries. As such, emphasis is being shifted from inward-looking development strategies (which are believed to be anti-trade and foreign investment) to outward-looking development strategies, such as foreign loan, aids and FDI. Most especially, the need to revamp the inherited dilapidated by Obasanjo civilian administration in May 1999 made the option of FDI attraction a necessity for the administration. This is coupled with the imperativeness of fulfilling the electoral promise of ensuring greater involvement of private sector in the economy. This has resulted in the adoption of liberal and market-oriented economic policies to stimulate private sector participation and elimination of bureaucratic obstacles which hinder private sector investment in Nigeria. Thus, a distinctive feature of the Nigerian political economy in recent years has been the quest for FDI. Series of policies and measures are being adopted in this regard. These include, political initiatives to bring about a sound and stable polity; the repeal of laws that are believed to be inimical to investment and promulgation of investment-friendly laws; privatization of public enterprises; liberalization and deregulation of some sectors of the economy; introduction of relaxed tax system; strengthening of the Nigerian Investment Promotion Commission (NIPC); conversion of the Ministry of Commerce and Industry to the Federal Ministry of Trade and Investment; constitution of Economic Summit; hosting of the World Economic Summit among others. These are adopted to increase the attractiveness of Nigeria's investment opportunities and to foster the growing confidence in the economy so as to encourage foreign investors to invest in the country.

It is an uncontested fact that, Nigeria, given her natural resources endowment and market size qualifies to be a major recipient of foreign investment in Africa. Indeed, the country is one of the top five leading African countries that have consistently received FDI within the last decade [5]. It must however be noted that the level of FDI attracted by the country is not commensurate with its resource base and market potentials. It is also noteworthy that despite the observed increasing inflows of FDI into Nigeria in recent years, there has not been any satisfactory attempt to assess its contribution to socio-economic development in the country. Moreover, the relationship between the domestic political structure and the inflows of FDI in Nigeria has not been adequately examined; given the fact that most of the studies on FDI in the country have been premised on economic variables. Theoretically, this lack of adequate explanation on the relationship between domestic political structure and FDI in Nigeria suggests an important gap in how scholars explain the interactions between various dimensions of economic globalization and domestic politics. This study fills this gap by assessing the impact of democratic political structure on the inflows of FDI in Nigeria between 1999-2014; with particular emphasis on the various strategies that were adopted in stimulating FDI and the latter's impact on the Nigerian political economy.

Specifically, the study provides answer to the following questions: Is there any significant relationship between democracy and the inflows of FDI in Nigeria during the period of the study? What specific strategies were adopted by the successive administrations in Nigeria from May 1999 to December 2014 in stimulating and attracting FDI? What strategy(ies) was/were most successful in stimulating and attracting FDI during the period? In what way(s) did the inflows of FDI contribute to the Nigerian political economy? What factors hindered the success of Nigeria in utilizing FDI to promote domestic development? How can Nigeria get the best out of her FDI policies? The paper is structured into six sections. Following this introduction is a brief description of the methodology adopted in carrying out the study. The third section is the conceptual and theoretical framework of analysis while the fourth section examines the background to FDI in Nigeria and policy shift since colonial period. Section V analyses the relationship between democracy and FDI attraction for socio-economic development in the Nigerian fourth republic. The sixth section suggests the measures towards effective FDI attraction for socio-economic development in Nigeria.

II. Methodology

The study is both contextual and survey as it involves both content analysis and descriptive survey field research. Content analysis includes desk review that culminated in the development of the study's theoretical framework. This is later backed up with empirical data on FDI inflows and value added to the Nigerian economy during the period under assessment as released by the National Bureau of Statistics (NBS), Central Bank of Nigeria (CBN), NIPC, Ministry of Trade and Investment, United Nations Conference on Trade and Development (UNCTAD), and statistical bulletins from other relevant agencies. The core of the study is, however, involved a detailed field survey. The survey covers 1649 foreign companies that were registered by the NIPC as of December 2014. This figure cuts across different sectors of the economy. In order to ensure that the study's sample fulfills the requirements of efficiency, representativeness, reliability and flexibility, Krejcie and Morgan's [10] sample size determination was adopted in determining the sample size for the study. Adopting this table, 310 companies were sampled using proportional stratified sampling technique. The strata consist of the main sectors of the Nigerian economy i.e. Agriculture, Building and Construction, Hospitality and Tourism, Information Communication Technology (ICT), Manufacturing, Mining and Quarrying, Oil and Gas, Services and Transport. Out of the 310 administered questionnaires, 278 were responded to and retrieved giving a response rate of 89.7%. In addition, some senior members of staff of the Ministry of Trade and Investment, Ministry of Foreign Affairs and NIPC were purposively selected for a specialized

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interview. SPSS is used in analyzing the data generated from the response of the responding companies. Frequency count and percentage, table, and figure were used to present data generated thereof. The responses of the interviewee on the various questions asked were used to buttress or dispute the arguments advanced by the study. They also corroborate the views of the responding companies and the previous findings on the subject matter.

A. Conceptual, Theoretical and Historical Framework of Analysis

Conceptual Framework of Analysis

FDI is traditionally conceived as "funds transferred by a multinational corporation from a source country to a 'host' country in order to finance the setting-up and operating of a subsidiary or an affiliate there" [11, p.635]. It embodies investments made to acquire a lasting management interest (usually at least 10% of voting stock) and acquiring at least 10% of equity share in an enterprises operating in a country other than the home country of the investor [12]. It can take the form of either greenfield investment (i.e. establishing virgin business in the host country) or merger and acquisition (M&A) which entails the taking over of the existing interest rather than new investment. Direct investment differs from portfolio investment as it involves the investors in actually operating a production facility in which they have a lasting interest whereas portfolio investment refers to the purchasing of shares or other financial assets and does not entail any management role for the investors [13]. FDI thus entails an investor acquiring substantial controlling interest in a foreign firm or setting up a subsidiary in a foreign country.

FDI is mostly made by Multinational Corporations (MNCs) and thus serves as the vector through which these companies expand across the world. Many MNCs with thousands of outlets engage in production activities across the globe and most of them got their international spread through FDI. It is therefore not surprising that MNCs now constitute important actors in international system as they represent the main movers of private foreign capital through FDI. Although there are many definitions of MNCs, the paper adopts Gilpin's definition. Gilpin defines a MNC as "a firm of a particular nationality with partially or wholly owned subsidiaries within at least one other national economy" [14, p. 278]. MNCs are large firms which are incorporated in one country but which own, control or manage production and distribution facilities in several countries. MNCs are, therefore, very large firms with widespread operations which are clearly international in character with corporate philosophy and motivation in laying down criteria for multi-nationality. True multi-nationalism, as explained by Jhingan, is indicated by a lack of nationalism or a concern with the firm as a whole rather than with any of its constituent units or any country of its operation [15]. On the adherence to this principle, MNCs are distinguished between ethnocentric (home-oriented), polycentric (host-oriented) and geocentric (world-oriented). Two central characteristics of MNCs, as identified by Todaro and Smith, are their large size and the fact that their worldwide operations and activities tend to be centrally controlled by the parent companies [16]. MNCs are major force in the rapid globalization of world economy as they have become "global factories" searching for opportunities anywhere in the world [14 p. 687]. Of particular interest to this paper is the fact that these MNCs expand overseas primarily through FDI. However, FDI is herein conceived as the totality of investments that enters into a country from both private and public external sources. Private sources of investment are investments being owned by global citizens in their individual capacities while public sources of investment are state-owned enterprises (SOEs) operating in another countries.

Theoretical Framework of Analysis

Most of the existing studies on FDI are built within the framework of the classical and neoclassical economic theory of firm behaviour [8], [17]-[19]. Employing the framework of the perspective of economic rationality, these scholars tried to explain why firms, in particular the MNCs, seek economic operations all over the world. Building their works on the rigorous theoretical articulation of Keynesian and neoclassical liberal theorists, they postulate that MNCs seek to invest abroad in order to exploit some locational advantages such as market and raw materials. It is also opined that the best approach to economic development is market capitalism i.e. ensuring that national economies are regulated by the invisible hands of the demand and supply. As regard to the quest for development, most especially in the developing countries, they are of the belief that open trade in the market and FDI remain the most realistic options of attaining sustainable development. They argued that, open and competitive economy brings about equilibrium i.e. harmonization of demand and supply. Equilibrium, to them, is a desirable trait of the market that provide for coordination, freedom and efficiency, and leads to optimum allocation of resources [19]. This is often accompanied by econometric techniques of using macroeconomic data to estimate the parameters of key aggregate economic relationship between variables, for instance FDI and economic growth. These empirical relationships are in turn used to create large macroeconomic models to assist in making predictions, for instance on the availability of FDI and the level of economic growth.

There is no doubt that neoclassical economic perspectives have been extremely important in explaining the behavoiur of MNCs from both an intellectual and a practical perspectives and have buttressed the strategic importance of private capital in economic development. Some analytical tools that have been developed by neoclassical theorists are also widely used in government policy making on FDI and MNCs decision making. However, neoclassical economists' explanations on FDI attraction and development have been less than fully satisfactory, as they provide an incomplete framework for understanding many important phenomena surrounding FDI, most especially in the developing countries. For instance, the basic underlying political institutional framework that is necessary for the conversion of FDI inflows to sustainable development is ignored by the analysis of neoclassical

economists. Also, technological transfer that leads to knowledge spillover is understood to represent important way of achieving economic growth in the host countries but the theoretical and empirical foundation for understanding the rate and direction of technology transfer and spillover and how they are influenced by institutional and policy considerations was ignored by this perspective. Moreover, the nature of choices between different governance arrangements and FDI attraction and effectiveness is also ignored. Neoclassical economic perspectives on FDI and development is also generic in the sense that it is thought to be applicable to any economy, it is however difficult to apply generically. It is particularly problematic in application to developing countries, without somehow taking into account the idiosyncratic and unmeasured attributes of social, political and economic in different countries. There is little progress in understanding these idiosyncratic attributes that characterize institutions in different countries, how and why they matter in the issue of FDI, their linkages to historical and cultural attributes, and how they change over time in response to changes in the economy and economic growth. These inadequacies of neoclassical economic theory show that it cannot be used to insufficiently analyze the issue of FDI attraction for development most especially in the third world countries.

To have a comprehensive view of the issues surrounding the attraction of FDI and its developmental impacts, one therefore needs to look beyond explicit economic variables. To this end, the argument of this paper is built within the framework of institutional utilitarianism. Institutional analysis has long been a major perspective in political studies. Broadly defined, institutions are the rules of the game of a society or more bluntly “the humanly devised constraints that shape human actions” [20]. They are "the formal or informal procedures, routines, norms and conventions embedded in the organisation structure of the polity or political economy” [21 p. 938]. Following this definition, institutions can range from constitutional order or standard operating procedures to conventions. They are composed of formal rules (statute law, common law, and regulations), informal constraints (conventions, norms of behaviour, and self-imposed codes of conduct), and the enforcement characteristics of both [22], [23]. Institutions are the rules of game in the political system and organizations in response to the institutional structures. Organizations are the players of the game. They are groups of individuals bound by a common purpose to achieve objectives. They include political bodies (political parties, the parliament, the executive council, the court and regulatory agencies), economic bodies (firms, trade unions, farms and cooperatives), social bodies (churches, clubs, sport association among others) and educational bodies (schools, colleges, vocational training centers etc.) [20].

The interaction between the rule of the game (institutions) and the players of the game determines the course of development within a polity. The centrality of institutions to the socio-economic development of a political system is particularly seen in the logic that institutions are made of formal rules, informal norms and the enforcement characteristics of both, and it is the admixture of rules, norms and enforcement characteristic that determines socio-economic performance [24]. Based on this logic, societies that adopt the rules of another society may have very different performance characteristics than the original country because both the formal and informal norms and the enforcement characteristics will be different. The implication of this is that transferring the formal political and economic rules of ‘successful’ Western market economies to developing economies might not be a guarantee of socio-economic development in the latter. As such, liberalization and privatization might not be a panacea for resolving underdevelopment issues in the developing countries. As observed by Todaro and Smith, “… a well-functioning market system requires special social, institutional, legal and cultural conditions often very limited if not absent in developing nations” [16 p 528], as fraud, corruption, monopoly, and other market failures do not disappear in most of these countries with the wave of a magic neoclassical wand.

Utilitarianism is a political theory based upon the psychological doctrine of Hedonism i.e. a doctrine which affirms that every man, as a matter of fact, seeks pleasure and avoids pain. It is based on the altruistic aspect of Hedonism which emphasizes the greatest happiness of the greatest number [25]. Prominent among Utilitarian theorists are Jeremy Bentham, John Austin and John Stuart Mill. In sum, utilitarianism represents interest in the welfare of mankind. With this interest, it combines practical efforts to improve the conditions of human life on rational principles [Bentham, 1891 cited in [26]; [25]. To the Utilitarians:

> Political institutions and public policies were not to be rated as good or bad relative to some visionary, and always arbitrary, conjecture of human rights and obligations, but as more or less beneficial according to some fixed standard of utility in human affairs. By their fruit, not by their ideality should they be judged…the satisfaction of the individual should furnish the yardstick of utility, and that for the whole of society the controlling principle should be ‘the greatest happiness of the greatest number’ [25 p. 456].

As such, Utilitarians believe in the possibility of improving the living standard of masses through effective state legislation and socio-economic policies. The supreme consideration of any state, to them, should be the welfare of people in general. As Maxey opines that, though they demanded free trade, freedom of occupation, unrestricted competition, inviolable private property and other individualistic reforms, they however, emphasized the “furtherance of collectivism; for, when individual liberty was found incompatible with the greatest happiness of the greatest number”, they logically turned to collectivism as a better means of achieving the general welfare [26 p. 488]. Within this background, the overall theoretical perspective of this paper underscores that political institutions can provide credible commitment to the FDI attraction for the creation of greatest happiness to the greatest number of people. This is

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because:

> Political institutions provide incentives and impose constraints on foreign investment. Governments rely on institutions to resolve political problems, coordinate economic activities, and implement strategies to promote development. In the case of FDI, the capacity of developing countries to negotiate generally beneficial investment agreement is contingent on the ability of political institutions to achieve specified goals. Political institutions must be able to manage resources, react to political and economic challenges, predict and prevent crises, and achieve policy results…When governments decide to host foreign investment as part of an economic development strategy, political institutions often determine the success or failure to maximize domestic benefits and minimize externalities. Political institutions moderate competing interests, mediate asymmetric power, develop codes of conduct, and specify the rights and responsibilities of foreign corporations and host governments [4 p. 3].

In essence, the political institutional framework suggests that institutions are central to good economic governance. It reflects the wide spread realization (most especially by the new institutional economists) that a well-functioning market economy presupposes an effective institutional framework to work effectively. On this premise, it can therefore be argued that even a capitalist market economy is not a purely self-regulating system, but is a social system in need of design and supports (e.g. law and order, state governance, fiscal and monetary regulation). In the light of underdevelopment in the Third World, more and more scholars and analysts are now of the belief that an effective state with good political institutions is a prerequisite for economic development [20], [27], [24]. Consequently, governments and policymakers are now emphasizing the role of institutions in economic policies' formulation and implementation by advocating that such policies are tailored to the institutional characteristics of their countries. Ironically, experiences in some of these countries have revealed that these institutional considerations are often jettisoned (mostly on the advice of the Western countries and foremost International Financial Institutions) and policy prescriptions often continue to reflect the application of developed countries' policies [24]. In the contemporary global political economy, however, governments must make adjustments to economic policies according to the domestic economic situations (monetary and fiscal) and at the same time balance their socio-economic policies with that of global community for them to fully exploit the advantages inherent in globalization [3]. For institutions to have value, they must also allow for the policy flexibility required for changing economic conditions. The main thesis of this paper, thus, centers not only on the fact that it is political institutions that provide credibility that are valuable to FDI, but also that these institutions must be analyzed within a dynamic context. Political institutions that can provide the necessary infrastructural facilities for effective operation of businesses, make credible commitments to some levels of policy stability and retain the necessary policy flexibility foster a fertile environment not only for increased inflows of FDI but also its utilization for socio-economic development.

The transition to civilian administration on May 29, 1999 was accompanied by a number of strategic measures to attract foreign investors into Nigeria. These measures were embodied in the fundamental economic policy frameworks of the successive administrations since 1999. During the President Obasanjo's administration, the reform process was re-energized, mainly through the National Economic Empowerment and Development Strategy (NEEDS). In contrast with the previous development plans, NEEDS makes FDI attraction an explicit goal for the government and particular attention to draw investment from wealthy Nigerians abroad and from Africans in Diaspora [28]. Associated strategies were developed at the state and local levels- State Economic Empowerment and Development Strategy (SEEDS) and Local Economic Empowerment and Development Strategy (LEEDS). Their broad agenda of social and economic reforms was based on four key strategies:

a. Reform the way government works in order to improve efficiency in delivering services, eliminate waste and free up resources for investment in infrastructure and social service;
b. Make the private sector the main driver of the economic growth by turning the government into a business regulator and facilitator;
c. Implement a 'social character' including improving security, welfare and participation; and
d. Push a value re-orientation by shrinking the domain of the state and end the pie of distributable rents which have built the haven of public sector on corruption and inefficiency [28].

Late President Yar'Adua and his successor also consistently expressed commitment to removing barriers to FDI, most especially in non-oil sectors. NEEDS was reviewed and harmonized with the policy platform of the administration. President Yar'Adua emphasized that his administration's development strategy would not abandon the focus of private sector-led development and would rely on a 'Seven-Point Agenda' of: Wealth creation; development of physical infrastructures (power, energy and transportation); human capital development (education and health); security, law and order; land tenure changes and home ownership; regional development (Niger Delta); and food security. The ultimate goal of the agenda is to catapult Nigeria to the rank of the 20 most developed economies in the world by 2020. Private sector driven economy was also one of the cardinal principles of President Jonathan's 'Transformation Agenda'. During his tenure i.e. from May 2011 to May 2015, the policies and programmes directed at governance focused on the reform of public service, security, law and order, the legislature, anti-corruption measures and institutions, the judiciary, economic coordination and support for private investment [29]. The return to democracy in 1999 has therefore shifted Nigeria's policy orientation on FDI from guided deregulation to actual seeking. Successive administrations have embraced policy

measures targeted at improving investment climate in the country through the creation of a favourable supportive business environment for investments. This involves removing obstructive and unnecessary regulations of FDI; reinforcing the domestic economy in order to bolster its capacity to provide inputs for the foreign investment and a more dynamic market for the output of market seeking FDI; and improving the quality of governance. Specific initiatives in this direction include: removing the restrictive controls on free movement of capital; continuing the process of liberalizing trading regimes; reinforcing and broadening legal support for business activity; assuring protection of property rights, including intellectual property; and providing long-term macroeconomic stability. Though there is variation in the approach adopted by successive administrations during the period under review, there is commonality in some key strategies adopted by them. A detailed description of some of these policy measures and their effectiveness are analyzed in the next section.

III. Analysis, Results and Discussion

Democracy and FDI in Nigeria: An Analysis of Strategies, Impacts and Impediments (1999-2014)

As stated in the methodology, the study covered 310 FDI outlets in Nigeria that cut across 9 sectors of the economy. Out of this, 278 questionnaires were responded to and retrieved giving a response rate of 89.7%. The sectors include: Agriculture, Building and Construction, Hospitality and Tourism, ICT, Manufacturing, Mining and Quarrying, Oil and Gas, Services and Transport (see Table I).

TABLE I
Distribution of Responding Companies by Sector

Sector	Frequency	Percentage	Cumulative Percentage
Agriculture	12	4.3	4.3
Building and Construction	53	19.1	23.4
Hospitality and Tourism	6	2.2	25.6
ICT	37	13.3	38.9
Manufacturing	54	19.4	58.3
Mining and Quarrying	14	5.0	63.3
Oil and Gas	27	9.7	73.0
Services	55	19.8	92.8
Transport	20	7.2	100.0
Total	278	100	

As shown by Table I, sectors, such as service, manufacturing, and building and construction received the highest percentage of foreign investment. Specifically, these sectors received 19.8%, 19.4% and 19.1% respectively. Service sector was invested in mostly due to the liberalization policy of the successive governments during the period under review. With this policy, some sectors of the Nigerian economy were opened to private investors and this brought about the springing up of business outlets to render supporting services for the operation of some businesses. The transition to civilian rule in May 1999 and the attendant drive by successive governments to revamp and diversify Nigerian economy also led to the growing investment in the small and medium enterprises in the manufacturing sector. However, most of these enterprises are still largely assemblage units. The transition to democratic regime and the need to fulfill electoral promises of improved infrastructures also encouraged the inflow of investment in building, real estate and construction sector. However, sectors, such as agriculture, mining and tourism which are needed for the diversification of the economy are less patronized by foreign investors. As can be seen from Table 1I, foreign investment in agriculture, hospitality & tourism and mining & quarrying constitute 4.3%, 2.2% and 5.0% respectively. This is so paltry for these sectors to contribute significantly to the diversification effort of the Nigeria.

Democracy and FDI Attraction

The responses of the responding companies on the relationship between Nigeria's transition to democracy in May 1999 and FDI attraction (illustrated in Table II) show that there is no significant relationship between the transition from military to civilian regime and FDI inflows in Nigeria. Only 86 (30.9%) rated 'democratization' of the polity as significant factor that motivated their investment decision in Nigeria during this period. But this does not mean that there is no relationship whatsoever as 165 (59.4%) of the responding companies were of the opinion that the 'democratization' of the polity slightly influenced their new investment or expansion of their existing investments in Nigeria during this period.

TABLE II
Transition to Democratic Rule and FDI Attraction

Sector	Response			
	Not at All (%)	Slightly (%)	Significantly (%)	Total
Agriculture	1 (0.36)	9 (3.2)	2 (0.72)	12 (4.2)
Building and Construction	3 (1.1)	40 (14.4)	10 (3.6)	53 (19.1)
Hospitality and Tourism	2 (0.72)	3 (1.1)	1 (0.36)	6 (2.1)
ICT	-	21 (7.6)	16 (5.8)	37 (13.4)
Manufacturing	3 (1.1)	33 (11.9)	18 (6.5)	54 (19.5)
Mining and Quarrying	6 (2.2)	3 (1.1)	5 (1.8)	14 (5.1)
Oil and Gas	5 (1.8)	8 (2.9)	14 (5.0)	27 (9.7)
Other Services	4 (1.4)	41 (14.7)	10 (3.6)	55 (19.7)
Transportation	3 (1.1)	7 (2.5)	10 (3.6)	20 (7.2)
Total	**27 (9.7)**	**165 (59.4)**	**86 (30.9)**	**278 (100)**

Juxtaposing this finding with the FDI inflows in pre-May 1999 further proves Nigeria's transition to 'democratic rule' in May 1999 was not the main factor that encouraged foreign investment in the country. A study of inward foreign investment since the introduction of the SAP in 1986 revealed that, there has been increase (but not consistent) in the inflows of FDI into Nigeria (see Table III). As we can see from the table, there had been increase in the volumes of FDI inflows to Nigeria since 1987 though with fluctuations. The opening up of the economy through the SAP led to an increase of 233.4%

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from ₦735.8 million received in 1986 to ₦2452.8 million in 1987. This later fell by 30% in the following year. Since then up till 1999, there had been upward and downward shift in inflows. Paradoxically, Nigeria received the highest volume of FDI in 1996 despite the sanction against her by the international community. From 1999 to 2010, the country also recorded both increase and decrease in FDI inflow. This analysis corroborates the response of the responding companies as presented in Table I that regime change from military to civilian did not significantly influence their decision to open new businesses or expand the existing ones in the country during the period under review. As shown by Table III, FDI inflow increased and decreased both during the military and civilian years. A critical analysis of the FDI inflow during the military years, however, shows that most of the attracted FDI were resource and market seeking investments. According to a Chief Investment Officer in the NIPC, before May 1999, oil and gas sector attracted most of the foreign investments while other sectors were less patronized (Personal Interview, November 18, 2016). The average FDI inflow for oil and non-oil sectors in Nigeria from 1985 to 2013 as presented in Table IV sheds more light on this position.

TABLE III
CHANGES IN FDI INFLOWS IN NIGERIA: 1986-2010 (₦' MILLION)

Year	FDI Inflow	Percentage Change (%)
1986	735.8	
1987	2,452.8	233.4
1988	1,718.2	-30.0
1989	13,877.4	707.7
1990	4,686.0	-66.2
1991	6,916.1	47.6
1992	14,463.1	109.1
1993	29,660.2	105.1
1994	22,229.2	-25.1
1995	75,940.6	241.6
1996	1,112,995.0	1,365.1
1997	110,452.7	-90.1
1998	80,750.4	-26.9
1999	92,792.5	14.9
2000	115,952.2	24.9
2001	132,433.7	14.2
2002	225,036.5	69.9
2003	258,389.0	14.8
2004	248,225.0	-3.9
2005	258,224.6	4.0
2006	248,224.8	-3.9
2007	302,753.0	21.9
2008	573,835.0	89.5
2009	270,723.7	-52.8
2010	750,727.9	177.3

Source: Computed from [30].

From Table IV, oil sector FDI increased progressively all through 1985-2013. On the contrary, non-oil FDI increased moderately until 2000-2004 when there was substantial average increase from ₦74.6 million to ₦235.8 million in 2005-2009. Thereafter, non-oil FDI was relatively stable, although marginal increase was observed in 2010-2013 when it increased to ₦274.3 million.

TABLE IV
AVERAGE FDI INFLOWS FOR OIL AND NON-OIL SECTORS IN NIGERIA: 1985-20134 (₦ MILLION) [31]

Years	FDI Inflows	
	Oil Sector	Non-Oil Sectors
1985-1989	1910.86	7,264.02
1990-1994	12213.4	14,253.68
1995-1999	58317.38	42,577.6
2000-2004	61577.9	74,597.34
2005-2009	99222.7	235,771.9
2010-2013	9999.43	274,326.0

One thing that is worthy of notice in Table III is the improvement in non-oil FDI most especially since 1999. Unlike the earlier years, sectors such as manufacturing, building and construction, ICT and general services received substantial FDI. This is partly due to the liberalization of some sectors and other incentives offered by successive governments since 1999 to attract investments into non-oil sectors, coupled with the opportunities opened by the need to provide basic infrastructural facilities. As a result, sectors, such as building, real estate and construction, manufacturing, trading and general services recorded improvement in inward FDI.

In sum, we can say that the data analyzed show that Nigeria's transition to 'democratic rule' in 1999 is not a significant factor that motivated foreign investors to invest in the country within the period covered by this study. Hence, the first proposition which states that 'there is a significant relationship between democracy and FDI inflows in Nigeria between 1999 and 2014' is therefore invalidated. It must however be emphasized that this does not mean that there is no relationship between the transition to democracy and foreign investment attracted within this period. There is, albeit it is not the main motivating factors to majority of the sampled companies. Implied from the responses of the respondents presented in Table I is that, in as much as transition to democracy may not be the major factor influencing the decision of foreign investors to invest in Nigeria during this period, it nevertheless constitutes an intervening factor by providing enabling environment, incentives and legal protection that further motivated investments in the non-oil sectors of the economy. As affirmed by a Deputy Director in the Investment and Promotion Unit, Ministry of Trade and Investment, before the transition to civil rule in 1999, there was no serious commitment on the part of government to FDI attraction. The transition to democracy, however, brought about series of reforms, incentives and signing of bilateral agreements that are intended towards attracting FDI (Personal Interview, November 15, 2016).

To conclude, we can say there is no watertight relationship between Nigeria's transition to democracy from autocracy in 1999 and her ability to attract FDI. This finding further buttresses the argument that both autocratic and democratic

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

regimes have the potentiality of attracting FDI (see Table III). The finding therefore corroborates some earlier studies which all conclude that both autocratic and democratic regimes have features that protect and threaten foreign investment; the main determining factor being the capability or otherwise to guarantee institutions that protect property rights and lead to relative stability in the polity [2], [3], [32], [33]. Hence, the relationship between democracy and FDI attraction is a complex one. While democracy can yield improved property right protection, which encourages FDI inflows, it can also bring about reduction in its inflow due to periodic change in government and fear of policy reversal [3].

The experience of Nigeria between 1999 and 2014, as found out in this study, proves this complex relationship between democracy and FDI inflows. While democracy was rated by majority of the responding companies not to have significantly influenced their investment decision in the country during the period of the study (see Table II), the transition to democracy, however, brought about some incentives such as 'Freedom to Repatriate Profit', 'Protection against Expropriation' and 'Investment Protection Agreement' which many of the sampled companies rated to be significant investment motivators (see Table V). Li and Resnick argue that democratic regime does not have monopoly of these incentives. As argued by them: "Compared with the more autocratic countries, more democratic host governments have a harder time obtaining the acquiescence of opposing domestic interests to the provision of generous incentives to foreign capital" [2 p. 184]. This explains the reason why, even during the military regime, Nigeria still recorded FDI inflows (see Table III). This study therefore partly agrees with Baird and Goertz that regime type is not a significant determinant of FDI inflows rather; what is important is the institutional and political capability of the regime [32]. This coupled with the availability of mineral resources and large market greatly determines the inflow of FDI in most developing countries (see Table VI).

FDI Attraction Strategies or Policies and Their Effectiveness

As stated earlier, the transition from military rule to civilian rule in 1999 created the opportunity for economic renewal and associated broader base for FDI. Successive administrations, since then, have embraced conscious measures with a view to attracting FDI into the country. Some of the major policy strategies that were adopted between 1999 and 2014 in this regard and the response of the responding companies on their effectiveness are presented in Table V.

TABLE V
FDI STRATEGIES AND THEIR EFFECTIVENESS

	Response: Frequency (Percentage)			
Strategies/Policies	Not at all (%)	Slightly (%)	Significantly (%)	Total (%)
Shuttle Diplomacy	70 (25.2)	147 (52.9)	61 (21.9)	278 (100)
Liberalization and Privatization	-	12 (4.3)	266 (95.7)	278 (100)
Investment Drive through NIPC	159 (57.2)	86 (30.9)	33 (11.9)	278 (100)
Activities of Ministry of Trade and Investment	164 (59.0)	99 (35.6)	15 (5.4)	278 (100)
Easy Incorporation Procedure	49 (17.6)	198 (71.2)	31 (11.2)	278 (100)
Pioneer Status Tax Holiday	112 (40.3)	145 (52.2)	21 (7.6)	278 (100)
BITs Signed between Nigeria and your Country	213 (76.6)	50 (18.0)	15 (5.4)	278 (100)
Freedom to Employ Foreign Staff	147 (52.9)	107 (38.5)	24 (8.6)	278 (100)
Tax Relief for Research and Development	119 (42.8)	143 (51.4)	16 (5.8)	278 (100)
Capital Allowance	125 (45.0)	129 (46.4)	24 (8.6)	278 (100)
Tax Concession for In-plant Training	112 (40.3)	150 (53.4)	16 (5.7)	278 (100)
Re-investment Allowance	20 (7.2)	176 (63.3)	82 (29.5)	278 (100)
Freedom to Repatriate Profit	8 (2.8)	97 (35.0)	173 (62.2)	278 (100)
Protection against Expropriation	14 (5.0)	109 (39.2)	155 (55.8)	278 (100)
Investment Protection Agreement	42 (15.1)	87 (31.3)	149 (53.6)	278 (100)
Double Taxation Agreement	187 (96.3)	70 (25.2)	21 (7.6)	278 (100)
Anti-corruption Crusade	14 (5.0)	200 (71.9)	64 (23.0)	278 (100)

The response of the responding companies, as indicated in Table V, reveals that almost all the policy measures geared toward FDI attraction did not significantly influence the investment decision of most of the foreign investors that invested in the country during the period under review. 'Protection against Expropriation' and 'Freedom to Repatriate Profit' were rated by 155 (55.8%) and 133 (47.8%) of the responding companies respectively to have significantly influenced their investment decisions in the country during the period under assessment. However, other policy measures (i.e. Anti-corruption Crusade, Easy Incorporation Procedures, Re-investment Allowance, Liberalization and Privatization, Tax Concession for In-plant Training, Shuttle Diplomacy, Pioneer Status Tax Holiday, Tax Relief for R&D, and Investment Protection Agreement) were rated by majority of the companies to slightly influence their investment decision in the country during this period. Other policy measures, such as the 'Strengthening of the NIPC, the 'Conversion of the Ministry of Commerce and Industry to Ministry of Trade and Investment', 'Creation of Free Trade Zones', 'Signing of BITs', 'Double Taxation Agreement', and 'Freedom to Employ Foreign Staff' were rated by most of the companies as

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

having no influence on their investment decision in Nigeria during the period under review.

It can be inferred from the response presented in Table V that majority of the attracted foreign companies in Nigeria between 1999 and 2014 invested in the country primarily due to other reason(s) rather than the strategies/policies adopted by successive governments in this regard being the primary motivating factors. An analysis of the responding companies' response on the major determining factors of locating business in Nigeria presented in Table VI sheds more light on this.

TABLE VI
DETERMINING FACTORS OF LOCATING BUSINESS IN NIGERIA

Determinants	**Response: Frequency (Percentage)**			
	Not at all (%)	**Slightly (%)**	**Significantly (%)**	**Total (%)**
Market Size	23 (8.3)	64 (23.0)	191 (68.7)	278 (100)
Availability of Natural Resources	46 (16.5)	86 (30.9)	146 (52.5)	278 (100)
Openness to International Market	65 (23.4)	131 (47.1)	82 (29.5)	278 (100)
Level of Infrastructural Development	102 (36.7)	79 (28.4)	97 (34.9)	278 (100)
Availability of Cheap Labour	36 (12.9)	174 (62.6)	68 (24.5)	278 (100)
Institutional and Political Stability	17 (6.1)	98 (35.3)	163 (58.6)	278 (100)

The analysis of the response of the responding companies on the major determining factors in locating their businesses in Nigeria, presented in Table V, corroborates the observation that most of the FDI attracted during the period under review were market and resource seeking investments. 191 (68.7%) and 146 (52.5%) of the companies rated market size and availability of natural resources as significant factors determining their location of business in Nigeria respectively. However, institutional and political stability was also rated by majority of the companies, 163 (58.6%) as a major factor considered in locating their business in the country.

A deep reflection on these policy strategies and the response of the respondents would lead one to conclude that successive regimes during the period of the study prioritized privatization of public assets, liberalization of the economy and investment promotion. These are part of the neo-liberal prescriptions for rolling back of the state and enthrone the private sector as the engine of economic growth in developing countries. The implication of this is that these strategies mainly focus on economic performance objectives at the neglect of real development. Incentives such as import waiver, tax holiday, capital allowances etc. were used by governments to attract FDI despite persistent criticism that they are economically inefficient and lead to misallocation of public funds. It is therefore argued that Nigeria is adopting inappropriate strategies towards FDI attraction. The country is enchanted by the one-size-fits-all prescription of the proponents of liberal economy, forgetting that countries at different stages of development need different type of FDI policies. At her current level of development, the country does not need to transfer resources to attract FDI rather; the domestic socio-economic fundamentals need to be improved first. While the dominant approach in the country, since transition to democracy in 1999, is in the direction of liberalization of the economy and investment promotion, simply opening up the economy and offering incentives is not enough to attract sustained flows of FDI and to ensure that the attracted FDI brings the expected developmental benefits. Dunning's OLI framework suffices here. Dunning posits that firms invest abroad to exploit advantages of ownership, location and internationalization [8]. After ownership advantage, firms' investment decisions are driven by location factors such as the level of infrastructural development, the cost and efficiency of production and political stability. In other words, the success of FDI strategies depends on the domestic pre-conditions. Nigeria, given her weak local capabilities and infrastructural base, has not been able to attract and benefit significantly from FDI despite opening up her economy and heavy spending on foreign trips (to woo investors) and incentives. The reason for this is not farfetched. As observed by Kokko, while major international financial institutions emphasized liberalization and incentives for attracting FDI, local content requirements, export promotion and policies to ensure profit retention in the host country have been prohibited [34]. Consequently,

> …it has become more difficult to design policy packages that optimize the joint objectives of both FDI inflows and the beneficial development effects of the incoming FDI. There are question marks regarding the effects of incentives… Incentives transfer surplus and profits from the host country to TNCs, and it is not clear whether the benefits generated by foreign investments are large enough to justify the very substantial costs involved – in many cases, the subsidy per job created has amounted to tens of thousands of United States dollars. There is also concern that the competition between host countries will lead to increasingly generous subsidies, to the benefit of foreign investors but at the expense of the host countries [34 p. 30].

Liberalization and incentives should therefore be complemented with other measures which aim at improving the infrastructural facilities of the country and enhancing skill and technological transfer. As such, improving investment environment should have been an upmost strategy at the country's level of development rather than liberalization and investment promotion. If the business environment is not made more conducive to investment, upgrading and linkages, the risk increases that investors will leave once the motivating incentives expire. Hence, consequent upon the prevailing non-conducive investment environment in the country, many hitherto attracted companies have either disinvested or relocated out of the country.

The fact that these strategies were not geared towards

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

attracting FDI for domestic development is affirmed by the response of the responding companies. Giving the fact that it is only incentives such as 'Protection against Expropriation' and 'Freedom to Repatriate Profit' that were rated by most of the companies to significantly motivated their investment decision in Nigeria during this period, it can be argued that the attracted investments were not really inclined towards domestic development. This is not surprising as the primary motive of these foreign investments, as observed in Section IV, is capital accumulation in host countries for home countries' development. As observed by Todaro and Smith, despite the fact that most FDI raise a large fraction of their capital in the host country, they do not invest most of their profit there [16]. This study further confirms UNCTAD's World Investment Report which stated that most countries' measures towards FDI attraction were not geared towards investment in sectors important for sustainable development. According to the report, only 8% of FDI attraction measures between 2010 and 2014 were specifically targeted at private sector participation in key sustainable development sectors such as infrastructure, health, education, climate-change mitigation etc. [35].

Impact FDI on Nigerian Economy

To determine the impact of FDI on Nigeria's economy within the period of the study, time series data on the yearly FDI inflow and its contribution to GDP from the CBN Statistical Bulletins are utilized.

TABLE VII
FDI INFLOW AS PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP): 1999 – 2014

Year	FDI Inflow (₦'Million)	GDP at Current Basic Prices (₦'Billion)	Contribution of FDI to GDP (%)
1999	92,792.5	5,307,361,516.80	0.0017
2000	115,952	6,897,482,480.97	0.0017
2001	132,481	8,134,141,808.21	0.0016
2002	225,225	11,332,252,815.60	0.0020
2003	258,389	13,301,558,863.2	0.0019
2004	248,225	17,321,295,244.33	0.0014
2005	258,389	22,269,977,831.01	0.0012
2006	248,225	28,662,468,773.84	0.0008
2007	302,753	32,995,384,349.77	0.0009
2008	573,835	39,157,884,386.23	0.0015
2009	270,724	44,285,560,502.24	0.0006
2010	750,728	54,612,264,176.58	0.0014
2011	1,753,346.3	62,980,397,224.98	0.0028
2012	1,120,248.5	71,713,935,062.17	0.0016
2013	1,279,430.2	80,092,563,380.12	0.0016
2014	2,276,013.7	89,043,615,256.19	0.0026

Source: Computed from [30], [36], [37].

Table VII shows that the contribution of FDI to Nigeria's GDP within the period of the study was statistically insignificant. From 1999 to 2014, the contribution of FDI to GDP was far below a figure that could make any significant impact on the economy. This shows that despite the fact that Nigeria was one of the topmost FDI recipient countries in sub-Saharan Africa, the amount of FDI inflow into the country was insignificant compared to her human and resource potentials. For instance, in 2014 it was reported that FDI inflow to Nigeria stood at $7.03 billion and that of South Africa was $4.572 billion [5]. However, compared to South Africa, Nigeria's surge in FDI did not commensurate with her human and natural resources. The 2014 estimated population of Nigeria and South Africa stood at 178,516,904 and 53,139,528 respectively [38]. This shows that the population of Nigeria is more than 3 times of that of South Africa. Likewise in terms of resource endowment, South Africa is not as endowed as Nigeria. The implication is that Nigeria's GDP per capita of 493.831 (as at the end of 2014) was still not commensurate with her human and natural resources when compared with South Africa's GDP per capita of 330.159 [39]. This explains the reason why despite Nigeria being the country with best economy in Africa, it is still ranked among countries with low standard of living [40], [41]. This scenario is not unconnected with the Nigeria's image burden and the absence of investment friendly environment in the country. As such, despite her potentials, investors discount Nigeria as a location for investment. Hence, the country's image abroad conceals the complex diversity of economic potentials and the existence of investment opportunities in various parts of the country. This is worsened by the lack of basic facilities that are prerequisites for successful business operations. Conversely, the business terrain in South Africa is more advanced, conducive and attractive. Also, though Nigeria is more populated than South Africa, there is sophistication of human resources in South Africa as against the lack of such vital resources in Nigeria. These, among other factors account for the low contribution of FDI to GDP in Nigeria in spite of the measures adopted by successive governments since 1999 to attract and exploit FDI for domestic development. As a result, for instance, while the percentage of FDI's contribution to South Africa's GDP in 2014 was 0.4836 [42], that of Nigeria was 0.0026 (see Table VII). Furthermore, in terms of outward investment in Africa, South Africa surpasses Nigeria. This is in spite of the latter's potential and her status as 'giant of Africa'. South Africa is ranked at 3rd position behind the United Kingdom and United States in terms investment in Africa. Her FDI outflow, as reported by UNCTAD, was $5.6 billion with companies such as Bidvest, Anglo Gold Ashanti, MTN, Shoprite, Pick 'n' Pay, Aspen, Phramacare, Multichoice, Naspers among others having branches in most African countries [5]. Ironically, the largest FDI investments of South Africa are located in Nigeria. The business registration document obtained from the NIPC shows that, as of December 2014, about 30 of South Africa's most prominent firms have physical presence in Nigeria. Prominent among these companies are Mobile Telecommunication Network (MTN), Eskom Nigeria, South African Airway, Multichoice, Shoprite, Oracle, Protea Hotel, Umgeni Water, LTA construction and Power Giant. Conversely, Nigeria's outflow investment was about $1.2 billion [5]. This was mainly concentrated in building materials, cement and concrete products, with Dangote Groups of Company having the highest percentage. This is not surprising as a country cannot give what it does not have. The magnitude of South African

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

companies across Africa showcases the level of industrialization in the country. Although the economies of both countries are still relying on commodity exports, there are variances in the magnitude of reliance. While crude oil makes up the largest percentage of Nigeria's exports, a diversified set of commodities make up the largest percentage of South Africa's exports.

It is obvious from this analysis that despite the plethora of policies and measures by successive governments in Nigeria since May 1999 towards attracting FDI for domestic development, the contribution of FDI so attracted to GDP was so insignificant for any meaningful impact on the economy. The Nigerian experience over the last decade regrettably shows a situation where foreign companies are busy making profits in millions of dollars which they repatriate back to their home countries for re-investment. This explains the reasons why despite being one of the top FDI recipients in Africa in recent years, the poverty rate in the country keeps increasing, while life expectancy keeps dropping on yearly basis [43]. This shows that rather than acting as a catalyst for domestic development, FDI inflow to Nigeria during this period further worsened the deplorable socio-economic status of average Nigerians. It intensified the process of capital accumulation by foreign entrepreneurs with its attendant problems of unemployment (due to mass retrenchment by privatized companies), high cost of goods and services and falling standard of living.

IV. Impediments against FDI Attraction for Socio-Economic Development in Nigeria

A survey of literature and interview granted to officers of selected investment attraction and promotion agencies reveal the following factors as major impediments to FDI attraction in Nigeria and the country's ability to exploit the developmental potentials of the attracted FDI. Given the fact that, it is somehow difficult to empirically establish the extent by which the identified factors impeded FDI attraction and utilization, we premise our analysis on documentary records, opinion of the officers interviewed and the response of the sampled companies.

Nigeria's Image Crisis in the International System

One important impediment against FDI attraction in Nigeria is the bad perception of the country in the international community. The image of Nigeria as a location of business has not been favourable. Too often, the country has been associated with pictures of militancy, communal crisis, insurgency, terrorism, civil unrest, corruption and economic disorder. These are mostly broadcast on international television channels, in newspapers, online blogs and magazines about the country (Personal Interview with a Deputy Director in the Ministry of Trade and Investment, November 17, 2016). This bad perception was initially fed by the frequent disruption of oil exploration and production, vandalization of MNCs' asset and kidnapping of oil expatriates in the oil-producing area. The country grapples with the problem of armed insurgency in the genies of ethno-nationalist movements [44]. Due to militant activities of various movements such as Oodua People's Congress (OPC), Movement for the Actualization of the Sovereign State of Biafra (MASSOB), Movement for the Survival of Ogoni People (MOSOP), Egbesu Boys, Movement for the Emancipation of the Niger Delta (MEND), etc., Nigeria is perceived both at home and abroad as an unsafe place to do business. This is recently compounded by the activities of the *Boko Haram* insurgents.

Though, as observed by a Councilor in the Ministry of Foreign Affairs, the security situation in the country is often overblown and exaggerated, the painted bastardized image of the country jaundices the view of prospective investors who perceive the country to be violent-prone and unstable, and hence the risks of investing in it are perceived to be high (Personal Interview, November 21, 2016). However, bad international image was not considered by majority of the sampled companies as hindrance to their investment. Of the 278 respondents, only 79 (28.4%) were of the opinion that bad international image impede their operations, 99 (35.6%) rated it not to affect their operations at all while 100 (36.0%) opined that it slightly affected their operation (see Table VII). The response of the companies on Nigeria's international image can be understood bearing it in mind that most of these companies invested in the country to exploit the advantage of market and resources, they were not producing for exports. As such, the image of the country would not affect their sales. It is on this reasoning that one would understand the reason why majority of them (167/60.1%) rated insecurity as significantly affected their operations (see Table VIII). Since most of them are producing for local consumption, insecurity in any part of the country would definitely affect their sales. Paradoxically, the bad international image of the country is partly attributed to insecurity.

TABLE VIII
FACTORS IMPEDING INVESTMENT IN NIGERIA

Impediments	**Response: Frequency (Percentage)**			
	Not at all (%)	**Slightly (%)**	**Significantly (%)**	**Total (%)**
Insecurity	8 (2.9)	103 (37.1)	167 (60.1)	278 (100)
Bad international image	99 (35.6)	100 (36.0)	79 (28.4)	278 (100)
Poor infrastructural development	3 (1.1)	69 (24.8)	206 (74.1)	278 (100)
Scarcity of skilled human capital	15 (5.4)	153 (55.0)	110 (39.6)	278 (100)
Weak intellectual and property protection	23 (8.2)	53(19.1)	202 (72.7)	278 (100)
Bureaucracy	40 (14.4)	208 (74.8)	30 (10.8)	278 (100)
Corruption	31 (11.2)	164 (59.0)	83 (29.9)	278 (100)
Non-transparent justice system	87 (31.3)	173 (62.2)	18 (6.5)	278 (100)
Weak institutional capability	6 (2.1)	97 (35.0)	175 (62.9)	278 (100)
Problem of sourcing finance	33 (11.9)	141 (50.7)	104 (37.4)	278 (100)
Language barrier	204 (73.4)	52 (18.7)	22 (7.9)	278 (100)
Getting work permit for expatriates	94 (33.8)	154 (55.4)	30 (10.8)	278 (100)
Trade union activities	23 (8.3)	131 (47.1)	124 (44.6)	278 (100)

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

Poor Infrastructures

The poor state of infrastructures in Nigeria is identified by all the officers interviewed and majority of the sampled companies as a major impediment against FDI inflows in the country. As illustrated in Table VIII, 206 (74.1%) of the companies identified poor infrastructural development as a significant impediment to their operation. 69 (24.8%) affirmed that it slightly affect their operation while only 3 (1.1%) ranked it not to have effect on their operations. It is an obvious fact that physical, financial and institutional infrastructures in general are less developed in Nigeria. In spite of the billions of dollar expended on power sector, for instance, there is still no significant improvement in power generation, distribution and transmission. Even the unbundling of the Power Holding Company (PHCN), which succeeded the National Electric Power Authority (NEPA) in 2005, has not brought about the expected regular and uninterrupted power supply in the country. Businesses thus rely on generator thereby increasing the cost of production.

Roads, ports and airports are also underdeveloped while telecommunication service networks are in a permanent state of fluctuation. Road transport in the country accounts for 80 – 90% of passenger and freight movements. But due to years of neglect, on one hand, and the sharp practices in the issue of road construction and maintenance, on the other, most of these roads are in despair situation. This situation hampers transportation of inputs as well as finished goods. Air transportation is also not developed and its disrepute state has led to series of plane crashes recorded in the country in the recent years. Most of the telecommunication operator's services in the country are also poor; most of the time not operational. In the current global political economy, however, a good infrastructure is one of the major determining factors of business location and prosperity. Investors and their foreign experts would like to get in touch with their respective head-offices and families with ease when they are abroad, check their e-mail and undertake other transactions from their mobile phones, palm-top, laptop or desktop computers. This is difficult to do in areas with poor telecommunication network as it the case in most parts of Nigeria.

The unfriendly investment climate created by the poor infrastructural base of Nigeria (most especially power supply) has led to exodus of companies out of the country to neighbouring countries. Recent years have witnessed the relocation of companies such as Dunlop, Michelin, Paterson Zochonus (PZ), Prilleri, Uniliver, Swiss Pharma, Sun International, Truworths International Limited, Woolworths Holdings Limited, Clover Industries, Tiger Brand, Mitsui O.S.K Line, Nippon Yusen Kasha, Taiwan Evergreen Line, Gold Star Line, Maersk Nigeria Limited, Prosafe Production Nigeria Limited, Capita Norman and Dawbarn, Hyson Nigeria Limited, Nexus for Life Limited, The Tourist Company of Nigeria etc. out of Nigeria. Most of these companies moved to Ghana. A survey conducted by Bank of Ghana in 2008 revealed that Nigeria was one of the 10 sources of FDI in the country [45]. As a result, economy of Ghana has suddenly picked up. The loss of Nigeria has therefore turned to gains for countries like Ghana, Sierra Leone and Gambia which have offered safe haven for the retreating companies.

Ironically, while multinational manufacturing operations are moving out of Nigeria to smaller countries with more reliable infrastructures, Nigeria with her huge consumer population still remains the target for their finished goods. The country tragically becomes a net importer of the consumer goods hitherto manufactured 'by' her. The country is therefore turning to a cemetery for big businesses, particularly those in the real sector of the economy.

Corruption and Non-transparent Justice System

One major bane of Nigeria's FDI attraction for development effort is corruption. It also contributes to image problem of the country as it has always been rated highly in the corruption perception index. Corruption in the public and private arenas hampers development and affects both the cost of doing business in the country and its international image. It therefore constitutes a serious impeding factor in the country's capacity to diversify foreign investment away from oil and in efficiently utilize the proceeds from the FDI for developmental projects. Recognizing the damaging role of corruption on Nigeria's development effort, the government, since 1999, has created a series of anti-corruption agencies and introduced some measures that are believed to have the potency of reducing corrupt practices. The notable ones include:

i. The Independent Corrupt Practices and Other Related Offences Commission (ICPC) established by the Corrupt Practices and Other Related Offences Act of 2000, to investigate and prosecute corruption cases; correct corruption-prone systems and procedures of public bodies; and to educate the public on and against corruption and enlist and foster public support in combating corruption.
ii. The Economic and Financial Crime Commission (EFCC) established by Economic and Financial Crime Commission Act of 2002, to prevent, investigate, prosecute and penalize economic and financial crimes; and enforce the provisions of other laws and regulations relating to economic crimes.
iii. The Due Process Office, which oversees the procedures to be followed in carrying out governance activities.
iv. The Extractive Industries Transparency Initiative (EITI)
v. Money Laundering Act of 2004
vi. Publication of Monthly revenue allocations to all tiers of government since 2004 [46].

Although some improvements were recorded, most especially at the onset of the Fourth Republic, the lackadaisical disposition of the successive administrations to corruption and the politicization of the exercise tend to have eroded any gain recorded in the crusade against corruption. For instance, President Jonathan's disposition towards corruption seems to have further endorsed the menace as an indelible feature of the Nigerian political system. As such, during the tail end of his administration the international perception is that Nigeria is irretrievably mired in corruption.

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

This scares away potential foreign investors. The activities of those who invested are also obstructed by corrupt practices. As the responses of the sampled companies show, corruption was identified by majority of the companies (164/59.0%) as impeding factor, albeit slightly while 83 (29.9%) of them were of the opinion that corruption significantly impede their activities (see Table VIII).

Another key issue for foreign investors is the ability of the judicial system to deliver commercial justice impartially, promptly and consistently. Regrettably on this issue, Nigeria's record is not encouraging. Though, the country has a good legal framework for addressing industrial disputes, and it is a signatory to major international treaties on investment dispute administration, some foreign investors in the country are dissatisfied with the Nigerian justice dispensation system in respect to the fairness and impartiality, honesty and absence of corruption, and consistency of judgments [47]. Corroborating this, 173 (62.2%) of the sampled companies affirmed that Nigeria's non-transparent justice system slightly impedes their operations (see Table VIII). Another area where administrative backlogs and rent-seeking constitutes a major obstacle to business development is custom administration. Import clearance procedures are lengthy and irregular payments (i.e. undocumented extra payments or bribes connected to export and import permits) are rife (Personal Interview with a Director in the Ministry of Foreign Affairs, November 14, 2016).

Weak Intellectual Property Protection

This is another factor identified by the majority of the sampled companies (202/72.7%) to significantly impede their business operation (see Table VIII). This is in spite of the measures put in place to protect intellectual property. The national framework for intellectual property protection in Nigeria is characterized by a multiplicity of legal instruments – the Patent and Design Act of 1970, the Trademarks Act of 1967 and Copyright Act of 1988 (revised in 1999) – matched by a number of implementing agencies such as the Ministry of Commerce (industrial property protection through the Registry of Trademarks, Patents and Designs); Ministry of Justice (administration of copyright through the National Copyright Commission [NCC]); and Ministry of Health (registration of foods and drugs and for combating counterfeit foods and drugs through the National Agency for Food and Drug Administration and Control [NAFDAC]). Nigeria is also a member of the World Intellectual Property Organization (WIPO) and a signatory to, or a member of the Universal Copyright Convention, the Berlin Convention, the Paris Convention and the Rome Convention on intellectual property protection [47].

In 1999, in response to widespread copyright infringement in Nigeria, affecting both local and foreign products, a series of amendments to the Copyright Act of 1988 gave the Nigerian Copyright Commission (NCC) new powers shifting its focus from administration to enforcement. The Commission is empowered to impose the use of anti-piracy devices (such as holograms, labels, marks etc.) in connection with any copyrighted material, including factories and rental outlets. In 2005, the NCC launched Strategic Action against Piracy (STRAP) campaign. By this, the NCC aims to create a copyright environment, which will not only benefit local investors in the copyright-based industries but also act as an incentive to foreign investors. STRAP is supported by Microsoft and other foreign and domestic businesses. It has three components of: an anti-piracy enforcement with a zero tolerance approach; a public education programme (mass enlightenment); and the introduction of hologram scheme, a video rental scheme, optical disc manufacturing plant schemes and a database of copyright works. Although progress is being achieved, law enforcement is still very weak, particularly for patents and trademarks. Companies rarely seek official help in trademark or patent protection as the judicial process is slow and far from transparent. Shortage of fund, IT facilities, inexperienced and inadequate staffing and low awareness of intellectual property issues further contribute to a weak intellectual property climate in Nigeria [48].

Stringent Criteria for Technology Transfer

The greatest prospect of development in FDI is seen in the possibility of knowledge and technology spillover. However, technology transfer requirements in Nigeria are working against this possibility. This is in addition to the fact that, by their nature, most of the attracted companies are predisposed to technological transfer. With the promulgation of the National Office of Industrial Property (NOIP) Act of 1979, all commercial contracts and agreements dealing with the transfer of foreign technology must be registered and approved by the National Office for Technology Acquisition and Promotion (NOTAP), an agency within the Ministry of Science and Technology. For approval to be granted, such contracts must pass a number of criteria concerning among others their financial terms, the quality of the technology to be transferred, the existence of similar technology in Nigeria, the training embodied and the avoidance of monopolistic practices. The Act also assigns NOTAP a monitoring role concerning the implementation of Technology Transfer Agreements. The objective is to ensure respect of the law, correspondence of the technology with Nigeria's long terms development objectives, to assess its diffusion and identify solutions to absorption constraints [49].

According to a Deputy Director in the Ministry of Trade and Investment, up till now, Nigeria still retains this age-long approach of regulating entry and acquisition of foreign technology. Though, as stated by her, the approach may have worthy objectives, but its criteria are far too sweeping and cumbersome to be effectively enforced (Personal Interview, November 15, 2016). Regrettably, the registration process and subsequent monitoring do not appear to have resulted in any assessment of impact of foreign technology on Nigerian technological competence as no impact study has been published, as required by the 2003 Revised Guidelines for the Operation of NOTAP [48]. It must be noted, however, that NOTAP has recently shifted its focus from regulatory control and technology transfer to promotion and development of

technology, although its original functions are still maintained.

Other factors identified as impediments to FDI attraction for domestic development include weak institutional capability, bureaucracy, lack of source of finance, language barrier, getting work permit for expatriates and trade union activities. While majority of the sampled companies (175/62.9%) rated weak institutional capability as a significant hindrance, majority rated bureaucracy (208/74.8%), problem of sourcing finance (141/50.7%), and getting work permit for expatriates (154/55.4%) as slightly impeded their investment activities. However, language barrier was rated by majority of the companies as having no hindrance on their investment process and operation in the country (see Table VIII). Based on this and the response of the sampled companies on insecurity, poor infrastructural development, weak intellectual and property protection, bad international image, scarcity of skilled manpower and corruption, we can say that our last proposition, which states that 'The success of Nigeria in utilizing FDI to promote domestic development is hindered by some endogenous and exogenous factors', is validated.

A deeper reflection on these impediments would reveal the centrality of governance institutional framework in the politics of FDI attraction for sustainable development. The finding thus buttresses the argument of Kehl that most developing countries lack the institutional capacity to exploit the advantages of FDI and this inadequacy makes them easily prone to exploitation of foreign investors, thereby betraying their prospect of development through FDI [4]. As observed by Jensen, in the contemporary global political economy, the capacity of a country to negotiate mutually beneficial investment agreement is contingent on the ability of political institutions to achieve specified goals [3]. The inability of Nigeria to exploit the advantages inherent in FDI (as a result of these impediments), despite the plethora of strategies that have been adopted by successive regimes since May 1999 to stimulate FDI for domestic development buttresses the fact that governance institutional capability is strongly essential in determining the success of FDI policy, both in terms of attraction and in catalyzing domestic socio-economic development. While the various policy measures examined are important, the provision of conducive environment for internalizing FDI is lacking. This is as a result of weak political institutional structure. Thus, the quality of governance institution is the most important factor in FDI attraction for domestic development, given its direct impact on: determining the image of a country in the international community; the availability of experienced and skilled manpower; availability of infrastructural facilities; addressing issues emanating from environmental effects of the activities of MNCs; protection of intellectual property; and effective transfer of technology. In other words, effective administrative and legal structure and a welcoming, transparent, and conducive investment environment are a necessity in attracting and benefiting maximally from FDI.

V. Conclusion and Recommendations

The analysis and results in this paper highlight the intricacies and controversies surrounding FDI as a development strategy in Nigeria. As an important dimension of economic globalization, FDI attraction has been prioritized by successive administrations in Nigeria, most especially, since transition to democratic rule in May 1999. Given their confidence in private-sector driven economy and FDI as catalyst for socio-economic development, these administrations have adopted a series of strategies and deployed a lot of efforts in attracting FDI (most especially into the non-oil sector) alongside the reduction of the role of the state in the economy. However, the analysis and findings of this study lead one to conclude that these strategies and efforts deployed towards attracting FDI for domestic development during the period under assessment did not achieve the expected results. In the process of opening up the economy through liberalization and privatization, considerations of profit and freedom to repatriate it overtook that of social welfare and provisioning, equity and access. As a result, the attracted FDI did not contribute much to improving the industrial base of the country and development of material and technical base internally. Rather, Nigeria's economy was (and is still) rendered to always responsive to the interest of the investing companies, and hardly responsive to its internal development needs.

One issue that is reiterated in the study is centrality of the institutional capability of hosting country to its ability to exploit the developmental potentials of FDI. Whereas FDI flow is rapidly growing in developing world, the ability of these countries to attract and benefit from this investment is a direct function the existence of a strong, viable and proactive governance institution. Given the weak and inefficient governance institutions in Nigeria, there is lack of supporting domestic infrastructures for non-oil investment. As a result, most willing investors are resource and market-seekers. The investment in these sectors is, however, generating harmful environmental impact, killing domestic industries and turning the country into a dumping ground for all sorts of goods. The fact that Nigeria is weak in terms of infrastructural development and economic viability is affecting her bargaining power in relations to her ability to regulate the activities of FDI thereby subjecting Nigerians to the exploitation of foreign investors. It is therefore concluded that, weak governance institutions and inappropriate strategies have made Nigeria easily prone to the exploitation of foreign investors thereby betraying her prospect of socio-economic development through FDI. However, the wave of economic globalization is facilitated by the rate of development and the level of intensified interdependence which makes it almost impossible for any state to isolate itself from the system. Thus, economic globalization is the currency of the contemporary global political economy, and FDI remains one of its main vectors. Nigeria (currently promoting private sector-led approach to achieving its development objectives) would, from all indications, continue its prioritization of FDI attraction. In the context of this reality, the question is how can the country minimize the costs and maximize the benefits of FDI attraction? Some suggestions in this regard are

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

presented below.

FDI attraction and its exploit for socio-economic development depend critically on the quality of the host country's institutional environment. This is much so as economic growth and development often spring from the accumulation of physical capital, human capital and technological advancement. The experience of countries such as China, South Korea, India etc. that have recorded rapid economic growth and development in recent years shows the importance of creating necessary conditions conducive for private sector-led economy. Broadly, the minimum preconditions for a country to benefit from economic globalization include strong political institutions that can guarantee relative stability; viable physical and social infrastructures; virile banking system; high premium on enthronement of knowledge, performance and merits; virile private sector, motivated by moderate profits; and vigilant citizenry that keeps the government on its toes.

To this end, there is the need to improve the overall environment for doing business in Nigeria. As private investors are not so willing to invest in social infrastructures, the country should not depend on private investment to secure the required levels of improvement in this sector, though public investment in this sector should benefit from private sector discipline. Thus, the study supports the clamour for public-private partnership (PPP) in this sector. However, in promoting PPP in critical infrastructures, the government needs to lead initial construction with public expenditure and seek private investment in management and operations to impart commercial discipline. This is in line with the United Nations' Sustainable Development Goals (SDGs), which intends to galvanize worldwide action for poverty reduction, food security, human health and education, climate change mitigation, and a range of other objectives across the economic, social and environmental pillars. As UNCTAD asserts, private sector can contribute to the actualization of SDGs mainly through good governance in business practices [5].

There is also the need for adoption of a National Investment Framework based on an FDI strategy that would complement the efforts of governments (at all levels) in diversifying the economy from the oil sector. This strategy needs to be consistent and coherent with the Fundamental Objectives and Directive Principles of State Policy as stated in Chapter II of the 1999 Constitution (as amended). To meet these objectives, Nigeria needs to utilize her comparative advantage in oil exploration. The proceeds from the sales of crude oil (though being dwindling in recent years) should be used in reconstructing and modernizing key infrastructures thereby creating the needed conducive environment for investment in non-oil sectors of the economy. This in return would enhance the competitiveness of Nigerian enterprises and increase their ability to take advantage of market opportunities provided by ECOWAS. The imperativeness of this framework is seen in the fact that the worldwide trend towards liberalized markets has led to the emergence of MNCs as propellers of globalization and regionalization of production networks. As a result, country-level operations within global/regional supply chains are key determinants of investment decisions. Components of the supply chain are therefore located in the country where their activities can best be performed.

To redress the problem of acute human capital deficit, particularly skilled human capital, the policymakers need to overhaul the education system in the country. One of the contradictions inherent in economic globalization is the liberalization, commodification and marketization of education system across the globe. For instance, the process of education liberalization in Nigeria has subjected education institutions to their own survival devices in an ecosystem that is highly constrained and competitive. The implication of this is that Nigerian education system is only rhetorically geared towards human capital development. Since the 1990s, there has been an increase in the number of private school (at all levels of education) in Nigeria. Expectedly, the proprietors and proprietresses of these schools place profit motive ahead of every other thing, thereby churning out 'graduates' that are ill-equipped to contribute meaningfully to the society. This scenario is worsened by the fact that National Curriculum on Education is not so tailored towards producing skilled technologically sound graduates. The mode of operations of both public and private educational institutions portraits them as perfect manifestation of 'academic capitalism', rather than being 'world-class' institutions for academic excellence geared towards meeting societal needs, as professed in their vision statements [50]. Consequently, most Nigerian graduates do not fit-in in the highly competitive global system. Against this unfortunate reality, government needs to take up the challenge of providing quality and up-to-date education to Nigerians for them to operate efficiently in the contemporary global system. Workable measures to attract skills from Diaspora also need to be initiated. In addition, policy measures aimed at fostering linkages between foreign investment and local industries need to be put in place. Sequent to the reality that, foreign companies in Nigeria have little interaction with local enterprises in terms of supply of input; special consideration should be given to policy measures geared towards encouraging foreign investors to assist value chain integration and linkages with the local productive sector. Though previous local sourcing initiatives were confronted with problems relating to local suppliers' inability to meet standards, to be able supply in sufficient volumes and to maintain stable relationships in areas such as pricing policies [46], these problems can be mitigated by designing a supplier linkages programme to stimulate and promote local sourcing and the local supply base. Furthermore, Build, Operate and Transfer (BOT) strategy can also be adopted by the government. With this approach, foreign investors establish investment in the country, operate it for an agreed year and transfer the ownership to either the local collaborators or the government. The key objective of these measures is to broaden foreign investment's integration into the economy rather than allowing them to operate in closed circles as assemblage plants for their parent companies.

Above all, a solid institutional framework is a necessary

Open Science Index, Humanities and Social Sciences Vol:12, No:7, 2018 publications.waset.org/10009226.pdf

condition for exploiting the development potentials of FDI. An interaction with some officials of investment promotion institutions/agencies reveals series of shortcomings associated with the Nigerian institutional framework for FDI promotion and attraction. Central among these shortcomings is the issue of multiplicity of agencies/institutions with lack of coordination as well as unclear division of labour between them. For instance, while the Act establishing the NIPC mandates it to promote, encourage, promote and coordinate investment activities in Nigeria, the Federal Ministry of Commerce and Industry (restructured and renamed Ministry of Trade and Investment in 2011) is also given the same mandate of encouraging, promoting and coordinating investment activities in the country. Similarly, the Multilateral and Economic Division in the Economic, Consular, Legal and Protocol unit of the Ministry of Foreign Affairs also carries out investment promotion activities. This duplication of investment promotion function creates a situation of wastage whereby what is spent in wooing investors does not commensurate with the actual investment attracted. Moreover, there is the need for intergovernmental FDI promotion coordination in the country. Presently, the activities of the various agencies/institutions dealing with the attraction and facilitation of FDI at the state and federal levels are not systematically coordinated. Effective coordination of investment attraction activities should be included in the broad Investment Framework as earlier suggested. Coordinating FDI promotion activities at all levels of government in the country would ensure consistency in promotional message and same quality of treatment for prospective investors in different parts of the country.

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