

## Foreign Private Investment and Agricultural Production in Nigeria (1986-2006)

G.A.Abu\*, I. D. Ekpebu\*\* and J. I. Okpe\*\*\*

\**Department of Agricultural Economics, University of Agriculture, Makurdi, Nigeria*  
*E-mail: goddy\_master@yahoo.co.uk*

\*\**Department of Agricultural Economics, Niger Delta University, Wilberforce Island,  
Bayelsa state, Nigeria*

\*\*\**Department of Economics, Benue State University, Makurdi, Nigeria*

**KEYWORDS** Foreign. Private. Investment. Agricultural. Production. Nigeria

**ABSTRACT** This study seeks to establish the relationship between Foreign Private Investment (FPI) and agricultural production in Nigeria. Secondary data were collected for this purpose from the Central Bank of Nigeria. Data collected were analyzed using both descriptive statistics and regression analysis. The results of the study show a strong positive relationship between FPI and agricultural production. This implies that increase in the inflow of FPI to the agricultural sector will cause 86% change in total agricultural output. The research also revealed that exports of agricultural products will exhibit a positive effect on the level of agricultural productivity. Meaning that commodity prices will rise and agriculture will be made attractive to many farmers to invest into it for enhance large-scale production. Domestic investment has been found from findings to exert positive effects on agriculture production. The coefficient of government expenditure was found to be negative. By implication, increased government expenditure like subsidies and other unnecessary spending constitute leakages from the agriculture sector and will lead to a decline in agriculture output. The study recommends that the government should create a stable macroeconomic environment for investors in the agricultural sector.

### INTRODUCTION

Despite the importance of agriculture such as production of food for population, provision of raw materials for industries and a source of employment, agriculture has not contributed significantly to the development of the economy. It is believed that more than 70% of the Nigerian population is engaged in agriculture, and if agriculture is developed, the country will experience reasonable economic growth and development.

Foreign Private Investment (FPI) has been known to influence economic growth and development of many countries. This is known to provide financial, managerial, administrative and technical personnel, new technology, research and innovations in products and techniques of production. These are particularly in short supply in the Less Developed Countries (LDC) (Aphion 1990).

The greatest concern of many people in Nigeria, including the leaders, is the food insecurity problem that presents itself in the face of declined agricultural productivity and increased population pressure. This explains why New Partnership for Africa's Development (NEPAD) in July 2003 resolved that agriculture should be made a top priority and budget

allocations for this sector was raised to a minimum of 10% of total public expenditure within five years (NEPAD News #36, 2007). Hence, issues that relate to agricultural development are not treated without seriousness.

Foreign Private Investment is very important as a basis for economic development of LDCs and even those countries that are already developed and industrialized. This explains why USA had the highest amount of Foreign Private Investment outside yet still receives the highest amount of inflow of same (Aikten 1997).

In Nigeria, FPI can help to bridge the resource gap by developing the manufacturing, agriculture, mining and even the financial sector through portfolio investment. Despite the efforts made to bridge this resource gap, the contribution of FPI to agricultural production has not been encouraging. It is against this background that this study investigates the effects of FPI on agricultural production in Nigeria.

### Objectives of the Study

The main objective of this research is to investigate the effect of Foreign Private Investment on agricultural production in Nigeria. But more specifically, the study seeks to:

- i. assess the level of inflow of foreign private investment into the Nigerian economy,
- ii. examine the role of FPI in economic development of Nigeria.
- iii. examine the role of the agricultural sector to the economic development of Nigeria.

### Research Hypothesis

It is hypothesized in this study that:

There is no significant relationship between Foreign Private Investment and Agricultural Production in Nigeria.

## METHODOLOGY

### Sources of Data

Data were obtained from primary and secondary sources. Personal observation was used as a primary source of data for this research work.

Secondary data was obtained from the CBN statistical bulletins for various years, National Bureau of Statistics (NBS) and other Agencies deemed appropriate.

Specifically, the following data were obtained for this study: agricultural output (contribution of agriculture to GDP for various years). Inflow of cumulative FPI to agriculture for various years, government expenditure, domestic investment within the period under study.

### Method of Data Analysis

The analysis of the data was based on descriptive and analytical methods. As for the descriptive method, percentages and tables were used to illustrate and show different issues on the topic. The regression analysis was employed to measure the relationship between Foreign Private Investment and Agricultural Production in Nigeria. The functional form of the regression was specified as;

$$AQ = f(FPI, GX, EX, DI, e)$$

A mathematical form of above takes the form;

Where

AQ = Agricultural output

FPI = Foreign private investment

Gx = Government Expenditure

Ex = Export

DI = Domestic investment

e = error term

### Decision Rule

The decision rule for this research work was based on the use of coefficient of multiple determination ( $R^2$ ) and t-value.

Coefficient of correlation (R) was used to establish the relationship between agriculture output and foreign private investment in the Nigerian economy.

If R lies between 0 and 1 i.e  $0 < R < 1$  the closer the data point are related, the greater the confidence.

If t-calculated is greater than t-tabulated,  $H_0$  is rejected while  $H_1$  is accepted. But t-calculated is less than tabulated;  $H_0$  is accepted while its alternative is rejected. The t statistic was used to test the confidence of the model at 5% level of significance. In this case, it was used to provide the confidence of the parameter estimate at 5% significance level

### Theoretical Framework of Foreign Private Investment

The theoretical explanations of FPI largely stems from traditional theories of international trade that are based on the theory of comparative advantage that are usually attracted to a particular country by the comparative advantage that the country or region offers. For instance, multinational companies may establish foreign subsidiaries in one country to take advantage of its lower labour costs or its large market size. Thus, in their basic form, traditional theories of international trade do offer some explanation of FPI. Nonetheless, the traditional trade theories do not provide full answers as to why multinational companies prefer to operate in a foreign country rather engaging in exporting or licensing, which are alternatives to FPI. This has led to the development of alternative explanations of FPI.

The portfolio investment (the neoclassical financial theory of portfolio flows), is one of the earliest explanations of FPI. The basis for this explanation lies in interest rate differentials between countries.

**Capital:** According to this explanation, moves in response to changes in interest rate differentials between countries/ regions and

multinational companies which are simply viewed as arbitrageur of capital from countries where its return is low to countries where it is high. This explanation, however, fails to account for the cross movements of capital between and across countries. In practice, capital moves in both directions between countries. In addition, that capital is only a complementary factor in direct investment. This shortcoming contributed to the criticism of the neoclassical theory of portfolio investment (Harrison et al. 2000).

Vernon's product life cycle theory of 1966 is another explanation of FPI worthy of some discussion. This theory focuses on the role of innovation and economy of scale in determining trade patterns. It states that FPI is a stage in the life of a new product from its invention to maturity. A new product is first manufactured in the home country for the home market. When the home market is saturated, the product is exported to other countries. At later stages, when the new product reaches maturity and loses its uniqueness, competition from similar rival products becomes more intense. At this stage, producers would then look for lower cost foreign locations. This theory shows how market seeking and cost reduction motives of companies lead to FPI. It also explains the behaviors of multinational companies and how they take advantage of different countries that are at different levels of development. Additionally, it has been noted that Vernon's theory perceives Foreign Direct Investment as a defensive strategy by firms to protect their existing market position. Amin (1976), following Vernon's theory, argues that there is follow the leader type of defensive FPI especially in industries characterized by oligopoly.

His argument relies on certainty and risk aversion behaviour of oligopolist.

This theory suggests that firms go abroad because of oligopolistic reaction, which is "an interactive kind of corporate behaviour by which rivals in industries composed of a few large firms counter one another's moves by making similar moves themselves" (Caves 1971). However, this theory does not explain why FPI is more efficient than exporting or licensing for expanding abroad.

Caves (1971) pioneering study on multinational companies' draws attention to the role of multinational companies as global industrial organizations.

Hymer's major contribution was to shift attention away from neoclassical financial theory. He argued that the need to exercise control over operation is the main motive for FPI than the mere flow of capital. Capital is to facilitate establishment of FPI rather than an end itself. He stated that for firms to engage in cross-border activities, they must possess some kind of monopolistic advantages. The advantages result from a foreign company's ownership of patents, know-how, managerial skills and so on and these advantages are unavailable to local companies. His argument relied on the existence market imperfections, such as difficulty of marketing and pricing know-how, or in some cases markets may not exist for such product, or if they exist, they may involve huge transaction costs or time lags. In such cases, it would be more efficient for the company to engage in direct investment than exporting or licensing. FPI will allow the companies to control and exploit their monopoly power to the full. Hymer's argument led the way to the development of internationalization theory. The idea of internationalizing a market was first touched upon by Kaldor (1934), fully developed by DeMello (1997), and further discussed by Dunning (1981). A systematic attempt to incorporate this idea theory of Foreign Direct Investment was made by Buckley and Caves (1976). According to this theory, the firm internalizes their activities whenever there are inefficiencies in dealing with the external market and FPI would occur when this internalization involves operation across countries (Harrison et al. 2000).

### **Foreign Private Investment and Economic Development**

Since the subject of development occurs in several disciplines, it has generated serious debate between social scientists leading to sharp division along different lines of thought and explanations (Eduardo 1996). The word has been used to rank countries as 'highly developed'. Some 'rapidly developing' while others wear derogatory terms and nicknames such as 'third world', 'underdeveloped countries' or 'less developed countries'. Despite these rankings, 'there are no two world', but only one. People in this one world are linked together than we thought. We breathe and pollute the same

air, we have the same health problems and the threat posed by one hundred and thirty million refugees, crime and drugs does not stop at the borders. Louis and Romer (1991) argued that with the above terminologies used to separate countries, the concept of development is a value-loaded notion, expressing western preconceptions about basic values in social life. The lack of consensus with respect to its definition, has called for both the ordinary and technical meaning of the word (that is development), and the term development emerged with different definitions ranging from a gradual advancement through progressive stages in growth from within, a gradual unfolding by bringing into fuller view; evolution or bringing out from a latent or elementary condition; conduct through a succession of stages or changes each of which is preparatory for the next to going through a process of natural growth, differentiation, or evolution by successive changes from a less perfect to a more perfect or more lightly organized state. The dominance of western political scientists on the subject matter had made the definition of the term (development) to be loaded with ideological inclination as they see the achievement of democracy, growth, stability and autonomy (which are Western terminologies), as preconditions of any meaningful development. In addition to the realization of these goals, Lall (2000) maintained that evidence of political development in any economy can be detected from the:

- (a) *degree of adaptability* – in which the chains of leadership of the country would be able to adapt themselves to the emerging challenges within the dynamic institutional complex coming to stage.
- (b) *the presence of complexity* – that the existence of large number of political and economic institutions and agencies especially established to handle peculiar situations;
- (c) *the evidence of autonomy* – or non-existence of intervening political system from outside the system to hinder an economy from doing its primary assignment; and
- (d) *the existence of coherence* - that is, internal unity within a political system that will guarantee stability of policy input. In other words, when there is greater adaptability, complexity, autonomy and coherence, then institutionalization and political development can be said to have taken place.

Implicit in Huntington's definition, accepted by other political scientists is the fact that a society undergoing development (politically) must display the following essential attributes; wealth, justice, democracy, orderliness, and evidence of being in full control of its own affairs. Corollary, a backward society is characterized by poverty, inequality, repressive, violence and dependency (prone to external influences).

Earlier evidence from Latin America and South East Asia (developing countries), suggest however, that there can be development even in the absence of autonomy through the flow of FPI. This is making the decision to turning to Trans National Corporations (TNCs) understandable. In contrast to neoclassical models that stress capital accumulation, the new growth theory emphasizes endogenous technological and the accumulation of human capital, that are easily available from inflow of FPI from the TNCs (Louis and Romer 1999). Several convincing evidences point in the direction that FPI is currently an implement channel of development through international transfer of productive resources. It follows that by encouraging FPI, developing countries (like Nigeria), hope not only to import more efficient foreign technologies (since foreign firms are concentrated in industries that exhibit a high ratio of research and development (R and D) but also able to access technological and managerial spillovers for their domestic firms through:

- (a) demonstration effects (local firms may adopt technologies introduced by TNCs through imitation or reverse engineering);
- (b) labour turnover effects (workers trained or previously employed by the TNCs may transfer important information to local firms by switching employers or may contribute to technology diffusion by starting their own firms); and
- (c) vertical integration effects (TNCs may transfer their technology to domestic firms that are potential suppliers of intermediate goods or buyers of their own products).

Unfortunately, Lall (2000) remarked that "today's policy literature is filled with extravagant claims about positive spillovers from FPI but the evidence is sobering". In addition to his claim, the difficulties associated with disentangling different effects (described above) at play as well as the statistical limitations, particularly

in developing countries, have prevented researchers from emerging with conclusive evidence of positive externalities (in terms of speeding up economic development aspirations of developing countries) arising from inflow of FPI.

In addition is the preference of TNCs at preventing information leakage that would enhance the performance of their local competitors. It is for this reason that it becomes customary for researchers to shape the economic impact of FPI on each recipient economy with respect to whether the subject of analysis is the TNCs and its affiliates, or FPI as a category within the balance of payments (BOP) calculation. For instance, when the focus of the researcher is on employment, technology transfer, competition, or taxation, he tends to concentrate on the TNCs and on specific microeconomic channels of transmission such as technology and human capital spillovers, economies of scale and agglomeration, industrial structure and foreign market access. In such instance, FPI is seen as a bundle of capital, technology and skill (Demello 1997). On the other hand, the open economy macroeconomics literature tends to merge FPI with other components of capital account so as to explore their effects on aggregate spending of a particular economy. For this purpose, FPI is treated as un-embodied or unattached financial flow (White 1986). While the theoretical benefits for developing countries hosting FPI have been acknowledged (since an inflow of FPI usually increases the welfare of the recipient economies via higher productivity of labour and consequently wages), crises are triggered by the sudden reversal of volatile capital flows (Particularly, Foreign Portfolio Investment FPI) during the 1990s in South East Asia. This informed why many macroeconomists and policy makers have registered their support stronger than hitherto for FPI as a comparatively beneficial channel of securing external financing.

No doubt, the total impact of TNCs can only be adequately perceived in the context of past and present international economic and political relationships. From the onset, FPI inflow through TNCs is not a substitute for domestic effort; however, it can only access tangible as well as, intangible assets capable of complementing and catalyzing domestic investment and capabilities. Before analyzing the various

angles through which FPI contributes towards development, it is therefore important to know that FPI transaction is a triangular relationship involving the following main three actors: a TNC (large or small) investing its assets through its affiliates; the capital-importing host country; and the capital exporting home country of the TNC. With these actors, the home country measures (aimed at promoting outward investment and technology transfer) should be matched with an enabling environment in the prospective host economy for increasing FPI to occur.

The strategy of using FPI as an instrument of development policy raises two fundamental issues: (a) whether and under what circumstances can FPI contribute to the achievement of the economic and social goals of a host economy, (i.e. under what conditions will the benefits of FPI exceed the cost of the host economy); and (b) whether and how policies about the contribution of FPI should be differentiated according to the needs of differing groups of developing countries. A caveat is that the existing knowledge about the contributions of FPI to the achievement of development objectives, though very important, but it is again not sufficient for an unequivocal generalization. This is because the effects of FPI in a host economy largely depend on the circumstances under which foreign investors conduct their business. This is another concern of this study. In the past, excessively protectionist environments have led to high costs of private investment for developing countries.

### **Performance of Foreign Private Investment in Nigeria: An Overview**

As in many developing countries, inflow of FPI into Nigeria economy dates back to the 19<sup>th</sup> century. Many foreign investors that came into the country at that time concentrated their attention towards export-oriented mineral and agricultural production as well as on public utilities. Initially, most of these investors were from Britain, but the large internal market of the economy soon attracted other foreign investors from France (e.g. CFAO, SCOA) to come and compete with the British firms (i.e. Royal Niger Company, John Holts). At this period, it was customary to see mines and plantations as enclaves with little overall impact on the growth

of largely subsistence agricultural economy of Nigeria. Their home governments, to appropriate most of the economy rents in the country often supported foreign investors. For instance, the railway line that was constructed in the south and extended northwards in the country to Kano by 1914 was mainly financed by pressures on the colonial administration by the Royal Nigeria Company (later known as UAC), a famous Liverpool merchant (Mr. John Holt) and the Association of West African Merchants (AWAM) a cartel organization as a monopsony to buy Nigerian products under a price understanding arrangement. The British positively responded by funding the project through both the Colonial Loans Bond raised on the London Capital Market and the Colonial Treasury Loans.

As nationalist movements emerged, these foreign investors came to be regarded as exploiters. It must be noted that economic and political opposition to foreign investors was not limited to the colonized countries alone. There was growing opposition to their investment from Canada and Australia in the 1920s and 1930s respectively. The same was true in Europe in the 1950s when Americans' inflows were at their peak and European outflows were still negligible. In fact, Japan simply kept foreign investors out of its economy. For developing countries however, their attitudes towards FPI was cautious to prohibitive. Many of these countries followed Mexico's Pre-World War II attitudes by nationalizing the assets of TNCs, particularly in mining where large rents were the issue. In Nigeria, the first National Development Plan (1962-1968) was launched and called 'open door plan' to foreign investors. Immediately in the same year, the Exchange Control Act of 1962 was put in place while the Immigration act of 1963 was added later. The reasons for this sudden turnaround were premised on the fact that the high degree of protection accorded foreign investors as well as the generous incentives accorded then led to new opportunities for monopoly profits by them. Many of these foreign investors aggravated the opposition through their insisting that they prefer absolute control of their subsidiaries in Nigeria. Emerging political class started to fear foreign investors' excessive intrusiveness into Nigeria as they viewed then as a danger to the newly acquired independence because they possess some neo-imperialist connotations. TNCs are able to wield extensive political power.

Not minding the ambition of Nigerian leaders to industrialize the economy as fast as possible, the desire of the foreign investors were mainly to:

- (a) Safeguard their supplies of raw materials from Nigeria economy through mining operations, agricultural production, as well as light processing activities;
- (b) Maintain or enlarge their market share in the country with a policy of import substitution strategy through manufacturing and processing activities;
- (c) Take the advantage of relatively low labour cost equations and combine them with other favourable conditions of productions through their export oriented manufacturing activities; and to undertake, where profitable, activities that support their home countries firms in developing countries through banking, insurance and other trading and business services. To achieve these objectives, foreign investors believed that they needed to have firm control of their investments in Nigeria. In addition, they argued that such control would prevent faulty products or wrong marketing decisions that could damage their international reputation or delays in the delivery of raw materials components that could interrupt the flow of essential inputs and outputs within their systemic TNCs network.

## RESULTS AND DISCUSSIONS

### Trends and Pattern of Nigeria's Agricultural Sector FPI

With the aid of descriptive statistics, the inflow of foreign investment is analyzed using available data, especially as published in the CBN statistical bulletin. The trend, direction and pattern of flow beginning with the aggregate flow to the structure and composition of agricultural sector inflow are discussed with a view to deduce performance in 1986 to 2001.

Table 1 shows that in terms of size, agricultural sector accounted for between 1.6 per cent of cumulative flow in 1986-1990 and as high as 3.1 per cent in 1991-95. From the table it is clear that when the total of cumulative inflow reached an increased stage of about N143, 013 m in 1996-2000, the flow to agriculture in

**Table 1: Flow of FPI in Nigeria**

Year	Net flow		Cumulative flow		
	Total net flow of FPI	Agric	Total flow of cumulative FPI	Agric	AG as % of total
76-80	266.5	20.3	2901.4	91.2	3.0
81-85	636.8	1.1	5662.5	124.7	2.3
86-90	724.3	41.7	10396.3	168.8	1.6
91-95	1808.0	48.1	12243.5	382.8	3.1
96-2000	7533.4	0.0	14301.3	1209.0	0.9
2001	3377.0	0.0	160882.2	1209.0	0.8

Source: CBN Statistical Bulletin 2001

percent declined rather very sharply from 3.1 to 0.9 and when in 2001 it moved to N160,882.2 it fell to 0.8%, while net inflow between these periods stood completely at zero for the agricultural sector. This means that the agricultural does not benefit maximally from the FPI that cumulatively flow into the national economy. Hence, we can conclude that agriculture benefits deficiently from FPI as compared to other sectors of the economy.

Table 2 shows the annual growth rates of cumulative total and agricultural sector flow of FPI into Nigeria. The table indicates that between the periods of 1976-80 when agriculture had not received a turn away from, the average flow of FPI to this sector stood at 63.2%. This means that a greater part of the cumulative total inflow of FPI was moved to this sector. It dropped sharply in 1981-85 to 0.9 and finally to zero from 1996 to 2001, meaning that no form of increment in the flow of cumulative FPI into the Nigeria economy went to the agriculture sector.

**Table 2: Average annual growth rates of cumulative total and agricultural FPI**

Year	Agric	Total
76-80	63.2	9.7
81-85	0.9	14.3
86-90	31.2	9.9
91-95	14.4	17.3
96-2000	0.0	5.9
2001	0.0	2.1

Source: Author's own computation

#### *The Effects of Foreign Private Investment on Agriculture in Nigeria*

The regression result is as presented with the variables as explained in the earlier part of the work.

$$AQ = 94919.606 + 31.834FPI - 0.022GX + 0.392Exp + 0.035D1$$

$$\begin{aligned} \text{Standard errors} &= (8212.281) \\ (11.819) \quad (0.120) \quad (0.152) \quad (0.208) \\ [S(Bi)] \\ \text{t-values} &= (11.558) \\ (2.693) \quad (-0.182) \quad (2.582) \quad (0.167) \\ R &= 0.866 \\ R^2 &= 0.750 \\ R^{-2} &= 0.684 \\ \text{Standard error} &= 17196.15 \\ \text{F-statistic} &= 11.266 \\ \text{Durbin Watson} &= 0.841 \end{aligned}$$

Note: (t-values and S (Bi) values are in parenthesis); the test is at 5%

The t-values in parenthesis are critical values.

The results show that there exist a positive relationship between Foreign Private Investment (FPI) and Agricultural output. This is shown in the FPI parameter value of 31.834 and a t-value of 2.693. FPI is therefore, statistically significant at 5% level in explaining the changes in agricultural output. Government expenditure is shown to have a negative relationship with a parameter value of -0.022 and a t-value of -0.182. Government expenditure therefore, is statistically insignificant in explaining the changes in agricultural output. Exports show a positive relationship with a parameter value of 0.392 and a t-value of 2.582. Exports are therefore significant in explaining the changes in agricultural output. Domestic investment shows positive relationship with a parameter value of 0.035 and a t-value of 0.167. It is, however, statistically insignificant in explaining the changes in agricultural output. The F-statistic of the model is 11.266, which shows a significant difference between the variance of the estimate and that of the independent variables. This means that the parameter estimates are statistically significant in explaining the changes in the dependent variable.

From the results obtained, the multiple correlation coefficients (multiple R) was 0.866 showing the strength of the model, which is about 87%. This then suggests a positive and strong degree of correlation between the dependent variable and the explanatory variables. The coefficient of determination ( $R^2$ ) was estimated to be 0.75 indicating that the explanatory variables accounted 75% variation in the dependent variable.

$R^2$  adjusted is 0.684 meaning that even with an adjustment in the explanatory variables; they can still explain about 64% of the changes in the explained variable. The parameter estimate for Gx shows a negative relationship of -0.022, meaning that increased government expenditure could show a declining agricultural output. This does not agree with the *a priori* expectations. It may have been due to withdrawal of subsidies from the agricultural sector leading to smaller government expenditure in the sector between 2000 and 2005 under review. However, Exports and Domestic Investment show a positive relationship with agricultural output. This implies that more exports of agricultural commodities will increase agricultural output by over 39% of the total increases. In the same manner, increase in domestic investment will also increase agricultural output in the Nigerian economy is explained by the model during the period 1986-2006. The remaining 25% could be explained by other variables not included in the model. It therefore means that apart from government expenditure, whose regression coefficient does not agree with our *a priori* expectations, the model explains adequately changes in agricultural out in Nigeria (see Appendix I).

### CONCLUSION

This study concludes that the inflow of FPI into the Nigerian agricultural sector will increase the productivity of this sector a great deal. It has been discovered that the flow of FPI into the agricultural sector has declined over the years. It is as a result of this that the agricultural sector remains unchanged. The domestic investment in and exports from agriculture will also increase the yield in this sector.

### RECOMMENDATIONS

Both domestic and foreign investments are responsive factors reflected mainly in the qual-

ity of policies and institutions put in place. In particular, there is the need to get incentives and supportive institutions right for agriculture as well as upgrade the physical and financial infrastructure in order to reduce the transaction costs and risk of doing business in Nigeria. Among the actions needed are:

*Reducing Political Risk* This could be achieved through establishment of stable and credible governments that would stay committed to policy reforms, avoiding frequent reversals. This could be supported by a political reform that guarantees enhanced public participation in the political process and reduces political disorder to the barest minimum. The country can also sign bilateral or multilateral investment treaties that have legally binding elements establishing the obligations of the host country towards the foreign investors from other signatory countries.

*Ensuring Macro-economic Stability* Steady economic growth and low inflation, coupled with a favorable balanced of payments positions are some of the preconditions for attracting foreign investors.

*Reducing the Burden of External Debt and Fostering Capital Account Convertibility* This can be achieved through debt restructuring as well as debt buyback: Related to this is the need to eliminate capital account restrictions especially those relating to long-term capital inflows. This can send positive signal to the investment community about the seriousness of attracting foreign capital inflow.

### REFERENCES

- Aikten BA, Hanson H, Harrison A 1997. Foreign investment export behaviour and spillovers. *Journal of International Economics*, 43: 103-132.
- Aitken BA, Harrison A 1999. Do domestic firms benefit from direct foreign investment? *American Economic Review*, 3: 605- 618.
- Aphion P, Howit P 1990. A model of growth through creative destruction. *Econometrics*, 60: 323- 351.
- Amin S 1976. *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism*. New York: Monthly Review Press.
- Caves RE 1971. International corporation: The industrial economics of foreign investment. *Economica*, 38: 1-27.
- Caves RE 1971. Multinational firms, competition and productivity in host country markets. *Economica*, 41: 176-193.
- CBN 2001. *Annual Bulletin of Statistics*, 3: 23.
- DeMello J, Luiz R 1997. Foreign direct investment in developing countries and growth: A selective survey. *Journal of Development Studies*, 34: 1-34.
- Dunning JH 1981. Explaining the international direct

- investment position of countries: Towards a dynamic or development approach. *Weltwirtschaftliches Archiv*, 117: 30-64.
- Dunning JH 1998. The changing nature of firms and government in a knowledge based globalizing economy. *Centre for International Business Education and Research, Working Paper No.98007* (Network: Rutgers University).
- Eduardo EA 1996. The surge in capital flows to developing countries. *World Bank Economic Review*, 10: 60- 67.
- Lall S 2000. Linking FDI and technology development for capacity building and strategic competitiveness. *Transnational Corporations*, 11: 3
- Louis AR, Romer R 1991. Economic integration and endogenous growth. *Quarterly Journal of Economics*, 106: 531-556.
- Morissef J 2000. Foreign direct investment in Africa: Policy also matters. *Transnational Corporations*, 3: 14-19.
- Tsai P 1994. Determinants of FDI and its impact on economic growth. In: *Journal of Economic Development*, 19: 137- 163.
- Vernon R 1977 Storm over the multinational: Problems and prospects. *Foreign affairs*, 55: 250-251.

## APPENDIX I

Year	Agricultural output (AQ)	FPI N' Million	Domestic investment N' Million	Export N' Million	Government expenditure N' Million
1986	93,203.2	128.2	8,526.8	552.1	16,223.7
1987	89,474.3	117.3	6,372.5	2,152.0	22,018.7
1988	99,135.9	128.9	8,340.1	2,757.4	27,749.5
1989	104,092.7	134.8	15,034.1	2,954.4	41,028.3
1990	108,647.3	334.7	24,048.6	3,259.6	60,268.2
1991	113,508.7	382.8	28,340.9	4,677.3	66,584.4
1992	116,140	386.4	39,763.3	4,227.8	92,797.4
1993	120,304.5	1,214.9	54,501.8	4,991.3	191,228.9
1994	123,913.6	1,208.5	70,918.3	5,349.0	160,893.2
1995	128,126.7	1,209.0	121,138.3	23,096.1	248,768.1
1996	132,982.6	1,209.0	212,926.3	23,327.5	337,217.6
1997	138,700.9	1,209.0	269,651.7	29,163.3	428,215.2
1998	144,110.3	1,209.0	309,015.7	34,070.2	487,113.4
1999	151,661.6	1,209.0	498,027.6	19,492.9	947,690.0
2000	156,211.5	1,209.0	239.5	24,822.9	701.1
2001	162,147.52	1,209.0	438.7	28,008.6	1,018.0
2002	168,884.33	1,209.0	321.4	95,046.1	1,018.0
2003	180,706.23	1,209.0	241.7	95,092.5	1,226.0
2004	139,452.16	1,209.0	351.3	113,735.3	1,426.2
2005	205,938.17	1,209.0	519.5	92,310.8	1,822.1

Source: CBN Bulletin 2005