Economic and Financial Review

Volume 18 | Number 1 Article 1

6-1980

Policies and Strategies Towards Foreign Investment in Nigeria

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Policies And Strategies Towards Foreign Investment In Nigeria

In the Less Developed Countries (LDCs), policies and strategies towards foreign investment are shaped by two principal objectives, namely, the desire for economic independence (economic nationalism) and the demand for economic development. In general, the greater the emphasis on economic nationalism, the less generous the government will be in its system of incentives designed to promote private foreign capital investment, while emphasis on accelerated economic development would dictate a wider opening of the door for foreign investors to come in. The simultaneous pursuit of rapid economic development and economic independence calls for a careful resolution of a great deal of conflicts.

In what follows, a review and appraisal of foreign investment policies and strategies in Nigeria is undertaken in three sections. Section one presents the historical evolution of the policies under three different types of political administration, namely, the colonial era, the civilian administration of the first republic (1960–1965), and the military regime which held the reigns of political power for thirteen years (1966–1979). Section two analyses data on private foreign investment in Nigeria. The third section rounds up the discussions with an appraisal of the existing approaches and the concluding observations.

THE UNFOLDING OF POLICIES AND STRATEGIES

THE COLONIAL ERA

The colonial administration adopted a *laisse-faire* policy towards the operations of multinational enterprises in the country. Although these enterprises were to operate "within the framework of government regulations", in actual practice government regulation of business activities were virtually absent.[1] Economic power was concentrated in large expatriate enterprises, the biggest of which was the United African Company Limited (U.A.C.), itself a subsidiary of the giant Uniliver Company with Headquarters in the United Kingdom. By late 1930s, the U.A.C. controlled over 40 per cent of Nigeria's import-export trade; and by 1949, it controlled 34 per cent of merchandise imports into Nigeria and purchased on behalf of Nigerian Marketing Boards, 43 per cent of all Nigerian non-mineral exports. Expatriate dominance was also evident in the fields of banking, shipping and mining. It is therefore no wonder that the nationalist leaders of the 1950's had the impression of alien collusion and exploitation of the economy, which the more militant among them crystallised into a demand for a broadly based nationalisation policy following the attainment of political independence in 1960.

However, pronouncements or statements from both the national and regional governments indicated some realisation that in order to exploit the full potentialities of the country and raise the standard of living of the people, overseas capital and skills would be required. Thus at the constitutional conference of 1957 the Nigerian governments submitted a declaration affirming their readiness to accord foreign investors very attractive inducements to invest in Nigeria. In 1958, they issued a joint statement unequivocally welcoming outside participation in the country's development. The Federal Government in another statement in the same year pointed out that overseas capital and skills would be encouraged in every form of industrial enterprise with the exception of certain public utilities.[1]

By the time the country attained political independence in 1960, a system of incentives described by many observers as very generous had been provided to foster rapid industrialisation of the economy through liberal foreign capital participation. Freedom by expatriate investors to repatriate at will, profits, dividend and capital owned by them was assured.[2] Assurances were also given that no government in Nigeria was interested in wholesale nationalisation of industries and that where nationalisation of any industry became necessary in the future, a fair compensation, determined by independent arbitration would be paid. In this connection the Federal Government became a signatory to the Convention on the Settlement of Investment Disputes between states and nationals of other states under the sponsorship of the International Bank for Reconstruction and Development (I.B.R.D.). This convention enables disputes between foreign investors and host states to be submitted to international conciliation and arbitration.

Other attractions offered to foreign investors included, the availability of government assistance in obtaining land and factory site and the provision of industrial estates and public utilities or basic infrastructural facilities. The principle of granting tariff protection to local industries was accepted by the governments where it was found economically necessary and justifiable. As a major strategy the governments of the Federation solicited partnership where ever possible between foreign and indigenous entrepreneurs.[3]

Legislative Incentives to Foreign Investors

Special incentives embodied in five Acts provided a significant package of policies towards foreign investment on the eve of Nigeria's political independence. The Industrial Development (Income Tax Relief) Act, 1958; the Industrial Development (Import Duties Relief) Act, 1957; the Customs Duties (Dumped and Subsidized Goods) Act, 1958; the Customs (Drawback) Regulations, 1959; and the Income Tax (Amendment) Act, 1959; together accorded foreign investors wide ranging incentives which

1 David R. Mummery, ***The Protection of International Private Investment, Nigeria and the World Community;*** **(Praeger Special studies in International Economic and Development), Chapter 2 Pages 18–31.**

1 Ibid Chapter 1.

2 Dr. Samuel Suclcow. *Nigerian Law and Foreign Investment* (Studies and Research of the Geneva, African Institute) pp. 8–11.

3 See Mummery, op. cit. p. 10 and Nigeria National Economic Council, *Economic Survey of Nigeria* 1959, (Lagos 1959)

include protracted tax holidays, accelerated depreciation of capital, some market protection, and the creation of a more competitive business environment.

Under the Industrial Development (Income Tax Relief) Act, 1958, a company can operate an industrial enterprise for a tax-free period of five years with possible extension to a maximum period of ten years, provided such a company fulfilled certain stipulated conditions. To qualify for this benefit the industry must first acquire a "pioneer status". Only a public limited liability company registered in Nigeria is eligible to apply for a pioneer certificate from the Federal Ministry of Industries. The grant of a pioneer certificate entitles the company to certain reliefs from income tax depending, among other things, on the level of initial and subsequent capital investments in fixed assets in its formative years. A pioneer company that incurs a minimum expenditure of ₦10,000 on fixed assets before the commencement of production can claim tax relief for two years. If by the end of the two years, the amount of qualifying capital expenditure incurred by the company is raised to ₦30,000 relief will be granted for a further year. The company gets another year of relief if by the end of the extended period investment in fixed assets exceeds ₦100,000 and still another year if by the end of the fourth year investment in fixed assets reaches a minimum level of ₦200,000. Thus, a company fulfilling all the above conditions can obtain complete tax relief for five years. The Act further provides that for each accounting period within the tax holiday in which a loss is incurred, the tax relief period is extended by the same period. It follows therefore, that a company could operate for ten years without paying any tax if such a company declares losses in the first five year and claims exemptions for additional five years. As a corollary to the exemption from tax on profits earned by the company in its tax relief period, shareholders are exempted from tax on dividends up to the full amount of such profits. This income tax relief has been described as one of the greatest attractions Nigeria has for the businessman particularly the foreign businessman. [1]

The Industrial Development (Import Duties Relief) Act, 1957, provides for the refund of Import duties on materials brought into Nigeria for use in the manufacture or processing of goods or in the provision of services under given conditions. To qualify for this benefit, it must be demonstrated by the producer that without the rebate it would be impossible to provide the goods or services at prices which are competitive with the imported counterpart; or that a comparable imported article bears a lower proportion of import duty than the materials imported to manufacture the same article locally in Nigeria. Such duty exemptions may be granted for up to ten years.

The Customs Duties Act of 1958 and the Customs Regulations of 1959 are designed to enable the Federal Government to accord some market protection and competitive advantages to the local industrialists. Under the former, the Federal Government is vested with the power to impose a special duty on any goods which are being dumped in Nigeria or are subsidized by any Government or authority outside Nigeria if the Government is satisfied that such goods would threaten or cause material injury to a potential or established industry in Nigeria and that the imposition of a special duty will not conflict with her obligations under the General Agreement on Tariffs and Trade (GATT). The Customs (Drawback) Regulations, 1959 enable importers to claim repayment of import duty if goods are exported in the same state as that in which they were imported and if materials are imported for use in the manufacture of goods and then exported.

Under the Income Tax (Amendment) Act of 1958, public and private companies, whether or not engaged in pioneer industries are allowed to undertake a much quicker write-down of their capital assets in their early years of trading. This enables them to amortize their capital assets and build up liquid reserves during their formative years. The Act provides for a special initial write-off of 40 per cent for machinery in addition to a normal permissible annual depreciation of 5 to 15 per cent. Thus, a company can write off 45—55 per cent of its investment in machinery during its first taxable year in deriving its taxable income. An initial capital write off of 20 per cent is allowed for industrial buildings while that for developmental costs on mines and plantations is 25 percent. There are also additional regular and varying annual rates to be claimed for these type of investments.

The pioneer company can defer depreciation allowances until the end of the tax holiday. Where taxable income is less than the capital allowances claimed, the balance could be carried forward indefinitely to be set against future taxable profits. [1]

Another element of the tax incentives for foreign enterprises in Nigeria, is the concluding of a number of double-taxation agreements with other nations including the United States, whose provisions supersede the Companies Income Tax Act in case of conflict. The U.S. - Nigeria treaty, for instance, covers income from commerce, copywrights, dividends, interest, miniing royalties and real property rentals.

Petroleum Profit Tax Relief

The attitude towards petroleum income tax was mixed. While willing to accord some tax relief to the foreign oil prospecting companies, the Federal Government was nevertheless desirous to maximise its revenue from the companies subject to the tax relief constraint. Having spent so much money in exploring for oil without as yet any certainty as to when they will begin to realise some returns to their investment, it was understandable that official attitude towards the oil companies should be soft.

By 1959 a total of N80 million had been expended in oil exploration and it was estimated that Shell would probably spend another N800 million before reaching full commercial production. It was further predicted that in spite of the huge investment then made and envisaged to be further committed, that no profits would be made in as many as ten years from then. Against that background the government was persuaded to give generous treatment to the companies in tax matters. The petroleum tax bill was however hotly debated in Parlia-

1 See Charles H. Olmstead, "Private Investment in Nigeria" in Warsen H. Hausman (ed.), *Managing Economic Development in Africa.* (Cambrige Massachusetts, 1963) pp. 89–94.

1 See Paul O. Proehl, *Foreign Enterprise in Nigeria, Laws and Policies* (University of North Carolina Press, Chapel Hill, London and Ibadan: Oxford University Press) p. 12.

ment before it was passed. This brought about a 50–50 per cent profit sharing arrangement to replace the existing tax of four shilling (40k) per ton, with royalty tax of 12½ per cent. It was however thought necessary to include "a most favoured African nation clause" in the agreement that was concluded with the oil companies to enable future review of the agreement to take advantage of any more favourable agreement that the oil company may conclude elsewhere in Africa in the future. [1]

POST-INDEPENDENCE POLICIES (1960-65)

During this period, the policies and strategy towards foreign investment show manifest conflicts between the objectives of economic nationalism and accelerated economic development. The retention of the various incentive measures formulated during the colonial regime and the appreciable guarantee of protection to foreign investment indicate the continued belief in the important role foreign capital and skills could play in furthering the course and pace of economic development of the country. On the other hand, statements and policies on nationalisation, Nigerianisation, and several aspects of the regulation of foreign businesses in the country indicate also that economic nationalism has assumed an important status among the socio-economic objectives of the government.

Consistent with the colonial government policies towards foreign investment, the government of the now politically independent Nigeria, persuaded the foreign investors that their property would be safe in Nigeria and above all that they would be free to repatriate their profits and capital. The first national development plan (1962-1968) called for investment in productive assets and facilities amounting to ₦2.2 billion. Of this, ₦652 million was to be provided by foreign governments and international agencies in loans and grants while private investors were expected to provide ₦400 million. With regard to policy, the Plan called for "economic independence as ultimate goal, but accepts assistance in men and materials to supplement their own resources".[2] It was asserted that until the ultimate goal of economic self-reliance was attained, "Nigeria will continue to need and indeed welcome, foreign capital and skill"[3]

Nationalisation and Nigerianisation

The Nigerian Independence constitution provided for "adequate compensation" in cases of compulsory acquisition of private enterprises. But the early policy on nationalisation restricted such exercise to only public utilities.[4] The Nigerian National Shipping Line, the Nigerian External Communications and the Nigerian Airways were created after independence out of nationalised properties.

1 Mummery op. cit. pp. 1–17.

2 Federation of Nigeria, *National Development Plan*, 1962–1968 p. 2.

3 Ibid.

4 See, Proehl op. cit. Chapter IX pp. 160–166.

There was a call from the more militant and radical national leaders for a more broadly based policy on nationalisation. For instance, the leader of opposition in the Federal House of Representative, Chief Obafemi Awolowo, urged Nigeria to follow the example of India, Burma, Ceylon, Thailand and Indonesia which had nationalised and yet found that foreign investors "flock" to them [1]. However by 1961 the government affirmed that it had no plans for the nationalisation of industry beyond the public utilities that were already nationalised (Shipping, Airways, Railways, Power, Utilities and Marketing Boards). The government did not succumb to the pressure for a wider scale nationalisation because it was convinced that such a policy could not successfully be implemented due to over-whelming constraints of human and material resources. Thus on the policy of nationalisation, the Federal Minister of Finance, Chief Festus Okotie-Eboh moved, and the House of Representatives adopted in 1961 the following motion:-

(i) resolves that the nationalisation of industries and commercial undertakings beyond the extent to which public utilities: Shipping, Airways, Railways, Power, Communications and Marketing Boards are already nationalized is not in the best overall interest of Nigeria;

(ii) welcomes the review of company and other legislation now being carried out by the Federal Government and other measures to ensure such undertakings are conducted in the best interest of Nigeria;

(iii) welcomes the increasing participation by Nigerians in the ownership and direction of such undertakings; and

(iv) deplores irresponsible statements on nationalization which have recently been made in Nigeria and overseas.[2]

The Federal Government policy then became Nigerianisation instead of nationalisation. The policy involves essentially the ideas that (a) Nigerians should displace as rapidly as possible expatriate employees and managers in Nigerian business enterprises and (b) the removal or dilution of foreign interest from the commanding position they occupy in Nigerian economic life.

Tariff Protection

To promote the establishment and development of import-substituting industries in Nigeria, the government declared its willingness to errect a tariff wall to nurture the growth of infant industries. Government policy on protectionism as stated by the Minister of Finance ran as follows:

"This weapon will be used with caution. The purpose of protection is not to provide undue profits for an indefinite period to the manufacturer at the expense of the consumer, nor will Government allow a high cost industry economy to be built up under the umbrella of excessive protection. Nigerian products must be reasonably competitive with imported goods., not merely

1 Mummery op. cit. Chapter 2.

2 See Proehl op. cit. p. 163 and *Parliamentary Debates, House of Representative*, March 21, 1964. p. 535.

so as to provide Nigerians the quality goods at fair prices, but also, so that Nigerian manufacturers may compete effectively in the markets of the world. We do not visualize Nigerian industry as catering only for the domestic market; it will increasingly become the supplier of manufactured goods through Africa. This it can only achieve if it remains efficient and fully competitive." [1]

Regulation and Control of Foreign Business

In order to establish a business in Nigeria, the foreign investor requires the consent of the Government. The alien entrepreneur usually can obtain visa for 28 days on the first occasion and subsequently a resident alien status. By 1961/62 permission was no longer to be granted to the foreigner to establish retail trade as such business activity became reserved for Nigerians and therefore closed to new foreign entrants.[2] The Exchange Control Act of 1962 subjected all foreign investments to the control of the Minister of Finance. Under the Act, prior permission of the Minister is required for (a) transfer of profits (b) repatriation of capital (c) new foreign borrowing (d) transactions in securities and (e) compensation deals. [3] As a rule, however, permission was freely granted. As long as the alien investors satisfy the authorities that they have settled their due tax liabilities, repatriation of profits is generally permitted. The immigration Act of 1963 required the alien businessman to seek permission from the Ministry of Internal Affairs before setting up a business or practising a profession in the country. When the business is established, control is exercised through the regulation of the number of expatriate employees the foreign entrepreneur can bring in. The alien is generally not permitted to acquire an interest in land without government permission. As Proehl aptly put it, "the Federal Government can effectively channel, encourage, inhibit, or forestall the initiation and to a lesser degree, the continuation of economic activity by the alien, through the control of the entry and stay of personnel, the repatriation of his money, the act of incorporation, and (the provision of) tax benefits". [4]

A major hostility to the foreign investor in this period came during the great debate on nationalisation, following the attainment of political independence. Although there was mounting pressures for across-the-board nationalisation, such demands never crystallised into the accepted national policy on foreign investment. Nationalisation was rejected as not in the best interest of Nigeria but the debate did create some amount of scepticism among alien investors about the safety of their assets in Nigeria. Perhaps the major sources of disincentive to foreign investors during this period included political instability, bribery and corruption coupled with frustration emanating from administrative red-tapism; ambivalent attitude among Nigerians towards foreign capital and enterprise; lack of local managerial skills and the reluctance of immigration authorities to grant adequate expatriate quotas. [5] *

1 Quoted in Proehl; p. 125–126 who obtained it from, *Mobilisation Budget*, p. 20.
2 Ibid. Chapter IV. p. 71–84
3 Under compensation deals arrangement exporters are allowed to retain abroad the proportion of their foreign exchange earnings not needed for local expenditures in Nigeria.
4 Ibid. p. 81.
5 Ibid. Chapter VI.

THE MILITARY REGIME, 1966-1977

The two objectives of economic self-reliance and economic development remained the interacting forces that shaped the policies and strategies towards foreign investment during this period. The period not only witnessed the consolidation of existing approaches but also saw the experiment assuming new and bold dimensions. The following excerpts from the Second National Development Plan reveal the underlying rationale for the legislative actions taken during this period:
"The uncompromising objective of a rising economic prosperity in Nigeria is the economic independence of the nation and the defeat of neo-colonialist forces in Africa[1]

. . . .

. . . .

Nigeria will. . . . . quicken its pace of develoment through the use of her own resources instead of relying unduly on external aid. This is the only way for an aspiring nation like Nigeria to develop at a rapid rate and in the right direction. [2]

. . . .

Economic nationalism today does not imply the restriction of international trade. It is directed at the progressive elimination of foreign dominance in the national economy, not merely in terms of nominal financial ownership but really in terms of the level of managerial and technological control. During the plan period government will seek to. .control the essential and growth-sensitive sectors of the country in the fields of commerce, industry, fuel and energy, construction, transport, finance and education [3]. The basic objective of planning in Nigeria, it was pointed out in the first plan, is not merely to accelerate the rate of economic growth and the rate at which the standard of living of the population can be raised; it is also to give her an increasing measure of control over her own destiny . . . . Nigeria should be in a position to generate from a diversified economy sufficient income and savings of its own to finance a steady rate of growth with no more dependence on external sources for capital or manpower than is usual to obtain through the natural incentives of international commerce". [4]

It may be recalled that between 1965 and 1970, Nigeria went through a political crisis which necessitated the prosecution of a civil war (1967-1970) in order to preserve the corporate existence of the nation. Naturally enough efforts and policies during the early years of military rule were geared towards the attainment and maintenance of political stability. The adverse effect of political instability on the mobilization of external resources, financial or otherwise, is a fact too obvious to call for analysis here.
As soon as it became expedient, the military government spared no pains in giving its encouragement and guarantee to foreign investment in Nigeria. To ensure the continued inflow of foreign investment into the country, the existing statutory and non-statutory incentives to private entrepreneurs were retained and further streamlined. The new strategy demanded a more selective and discriminatory use of

1 Federation of Nigeria, Second National Development Plan 1970–74 p. 32.
2 Ibid. p. 33.
3 Ibid. p. 34.
4 Ibid. p. 37.

the various incentive provisions to make them more purposeful. For instance, it was decided that the incentives should be used to influence the structure and character of private investment. This could be done by discriminating in favour of industries and activities with high value added potentials. Apart from putting an end to the past indiscriminate use of pioneer status which conferred generous tax reliefs on a broad spectrum of industries, it was decided that "pioneer status" should gradually give way to a system of "priority status". Priority status would be granted on the basis of the industry's value added potential. This would largely eliminate many assemblving plants with little or no value added impact from the list of businesses enjoying the major incentives. The granting of initial and annual capital allowances which in the past were made applicable to all business sectors, was to be selectively used. In particular, industries producing intermediate and capital goods were to be more generously treated, in this regard, than others.

Indigenisation or Ownership and Control

It has been observed that for over a decade after political independence, the Nigerian economic scene was still characterised by a low level of indigenous ownership and control of the productive resources of the non-agricultural sectors of the economy. [1] This is partly due to the fact that the past Nigerianisation policy was not rigorously formulated and enforced. Thus the military government declared its intention of intensifying effort to ensure that high level Nigerians were employed and given responsibilities in private industries commensurate with their training and experience. The new policy orientation aimed at securing for Nigerians "a definite and effective stake in the ownership and management of each business venture". [2] The strategies included the promotion of joint ventures with expatriate investors (foreign cum Nigerian public or/and private entrepreneur) in strategic, large and medium scale industries and the promotion of wholly-owned indigenous enterprises.

For the strategic industries-iron and steel, petro-chemical industries, fertilizers production and petroleum products — the government would hold at least 55 per cent of each equity capital. For other industries — plantation production of traditional cash crops and of basic raw materials for the processing industry, such as wheat and sugar; food industries; forest product industries; and building materials and construction industries; the government with private indigenous industrialists are to exercise 35 per cent minimum equity participation. [3]

In order to concretise the above ideas, an Enterprises Promotion Decree was promulgated in February 1972. The Decree listed a total of 55 enterprises which are to be reserved wholly or partially to Nigerian citizens or associations by March 31st 1974. The affected enterprises included activities in various sectors of the economy, namely manufacturing and processing, services, distributive trade and construction industry. Two schedules of enterprises were defined. Schedule I contained twenty-two enterprises which are exclusively reserved for indigenous businessmen. Thus the existing foreign interest in such enterprises were to be bought out while entry into them were to be barred to new investors. Schedule II containing thirty-three enterprises was conditionally barred to aliens as follows:

(a) if the paid-up capital of the enterprise does not exceed ₦400,000 or the turnover does not exceed ₦1,000,000 whichever the Nigerian Enterprises Promotion Board considers appropriate and applicable;

(b) if the paid-up capital exceeds ₦400,000 or the turnover exceeds ₦1,000,000 (whichever is appropriate and applicable), where the equity participation of Nigerian citizens or associations in the enterprise is less than 40 per cent. This in effect means that the enterprises included in schedule two, which are of medium-or large-scale in nature, should have at least 40 per cent Nigerian equity capital while the small scale ones should be wholly Nigerian-owned. (See Appendix I)

As part of its policy towards foreign investment, the government sought to ensure exclusive public ownership of very strategic industries while affirming that no indiscriminate nationalisation of existing or future private enterprises will be undertaken. In line with existing practice, the government declared its intention to make compensation arrangement in accordance with internationally accepted norms of equity and fair play, where nationalisation is deemed necessary. For the exploitation of strategic natural resources, the government expressed satisfaction with joint ventures with private concerns as technical partners provided the dominant interest is retained by the government.

The 1977 Enterprises Promotion Decree

The 1972 Decree was extended further in scope and coverage by the 1977 Enterprises Promotion Decree which superseded it. But even before then, indigenization was advanced in stages through subsequent amendment to the 1972 Decree. These amendments enabled the Federal Military Government to take over in 1973, 40 per cent of the equity capital of the three largest expatriate banks in the country which together controlled the greater percentage of banking operations in the country. In 1976 Government equity interest was extended to cover all expatriate commercial and merchant banks operating in the country with the level of such participation raised from 40 to 60 per cent. Further control of the nation's financial institutions took the form of government direct participation in insurance business; the setting up of a reinsurance company; and the take over of a controlling interest (60 per cent) in the existing foreign-owned insurance companies.

The Nigerian Enterprises Promotion Decree, 1977 repealed the 1972 Decree and its subsequent amendments. The Decree affected 136 enterprises classified into three categories compared with 55 enterprises classified into two categories in the 1972 Decree. (See Apendix II). Schedule I of the Decree gives a list of 40 enterprises exclusively reserved for Nigerians. The enterprises included in this

1 See C. E. Nemedia, "The Nigerian Enterprises Promotion Decree: Problems of Implementation", (Bank of Sierra Leone Seminar on *Problems, Ways and Means of Promoting West African Entrepreneurship).* September 1973.

2 Federation of Nigeria, *Second National Development Plan,* p. 143.

3 Ibid. p. 145

group range from simple manufacturing, processing and assembly plants such as bottling of alcoholic drinks, bakery, candle manufacture, assembly of radio, radiograms, record changers etc; to a wide assortment of service industries comprising advertising, estate agency, hairdressing, dry-cleaning and laundry, radio and television broadcasting etc. and retail trade (except by or within departmental stores and super-markets) and wholesale distribution of local manufactures and other locally produced goods etc.

Schedule II listed 57 businesses in respect of which the ratio of Nigerian share capital to foreign share capital should be 3:2 i.e. ownership must be shared 60 per cent Nigerian and 40 per cent foreign. Examples of enterprises included in this group are, all categories of banks, beer brewing, clearing and forwarding, departmental stores and supermarkets having annual turnover of not less than ₦2,000,000; distribution agencies for machines and technical equipment; distribution and servicing of motor vehicles, tractors and spare parts thereof or similar objects; fertilizer production, manufacture of cement, cocoa, chocolate and sugar confectionary; and plantation agriculture for tree crops, grains and other cash crops.

Schedule III designated 39 enterprises in which the foreign investor could retain the controlling interest provided that Nigerian interest is not less than 40 per cent. The list is dominated by manufacturing establishments such as distilling, rectifying and blending of spirits like ethyl alcohol, whisky, brandy and gin; tobacco manufacture; basic industrial chemicals; engines and turbine; agricultural equipments ect. It also includes non-manufacturing businesses such as ocean transport/shipping; oil servicing companies; storage and warehousing; data processing and tabulating services; machinery and equipment rental and leasing etc.

II

PRIVATE FOREIGN INVESTMENT IN NIGERIA 1961-1977

In this section a brief analysis of available data on private foreign investment in Nigeria is presented.[1] For analytical convenience, the period is divided into three, namely, the early post-independence period up to 1965; the civil war period (1966–69), and the period of the 1970's.

In the 1961–65 period, annual net inflow of foreign capital ranged between ₦35.4 million and ₦126.0 million and maintained a generally upward movement, thanks to the Government's promotional efforts by way of provision of fiscal incentives and physical industrial and general infrastructural facilities. The United Kingdom was the source of the bulk of investment but its relative contribution declined from about 57 percent in 1961 to 39 per cent in 1965. The United States of America became increasingly important as a source of foreign investment, raising its share from about 22 per cent of the total in 1961 to 34 per cent in 1965. Western Europe (excluding U.K.) was an unstable source, with its flow of net investment into Nigeria fluctuating between ₦8.2 million (1961) and ₦30.6 million (1964) in the sub-period. In proportionate terms, investment from the source gained in relative importance - rising from 15 per cent of total in 1961 to 38.9 per cent in 1962 and declined to 19.6 per cent in 1965

In the 1966-1969 crisis period, annual net inflow of investment, as would be expected, maintained a persistently downward movement, declining from ₦98.8 million in 1966 to ₦31.6 million in 1969. The United Kingdom was easily the most reliable source of foreign investment during this period with the exception of 1969 when that source recorded a disinvestment amounting to ₦9.8 million. Between 1966 and 1968 net investment from United Kingdom ranged between ₦27.2 million or 28.6 per cent of total and ₦51.2 million or 50.3 per cent. Investment originating from the United States of America fluctuated rather violently and in a generally downward direction. It ranged between ₦2.0 million (6.3 per cent) and ₦56.8 million (59.7 per cent). The Western European - derived investment inflow also showed an unstable movement. It declined from ₦27.2 million in 1966 to ₦9.8 million in 1968 and recovered somewhat to ₦24.6 million in 1969. In terms of percentage share in total investment, it moved between the range of 12.7 and 77.8 per cent. (see Table 1).

In the 1970–77 period the general flow of private foreign investment was somewhat disappointing. What appears to have been a strong recovery in the immediate post-war years turned out to be short-lived. An impressive postwar peak was quickly established at a level of ₦319.6 million in 1971, followed by a three-year persistent decline that ended in the trough of ₦48.3 million in 1974. A sharp but unsustained recovery ended in a global peak of ₦475.4 million in 1975 from which it declined through ₦46.3 million in 1976 (the lowest level since 1969) to ₦197.6 million in 1977.

The good performance in the opening years of the decade of the 1970's may be attributable to the restoration of political stability and the evident determination of the military government to reconstruct the economy from the ravages of the civil war coupled with the renewed assurances given to foreign investors about the safety of their investment in the country. The failure to maintain the impressive momentum of private foreign investment in the subsequent years may be explained by the rather militant overtone of the policy of economic nationalism as indicated by the various indigenisation programmes embodied in the enterprises promotion decrees promulgated in the period. It seemed that foreign investors were faced with some uncertainty, and a wait-and-see attitude prevailed.

Composition of Net Flow of Foreign Capital

For the period 1961–77 as a whole, well over 50 per cent of the average net foreign capital inflow arose from retained earnings by enterprises already established in the country. A little over 37 per cent of net capital inflow was

1 The statistics are maintained by the Research Department of the Central Bank of Nigeria from returns of annual survey questionnaires distributed to enterprises in the following sectors of the economy—mining and quarrying, manufacturing and processing, agriculture, transport and communication, building and construction and trading and business services. Thus, a major shortcoming of the data is lack of full coverage. For instance, the financial sector consisting of banks and insurance companies is excluded. The reader is therefore warned that more reliance should be placed on the general trends rather than the absolute values of the figures reported.

by way of trade and suppliers' credit, 14.4 per cent was in the form of liabilities to overseas parent companies, and only 12.8 per cent represented share and loan capital (See Table 2).

In the period of 1961–65, unremitted profits represented on the average the biggest proportion (39.6 per cent) of net capital inflow, followed by liabilities to head offices abroad (24.9 per cent) and share and loan capital (23.4 per cent) trade and suppliers' credit and "other liabilities" were comparatively insignificant.

In the civil war sub-period, the effect of political instability on business confidence was further indicated by the fact that the bulk of investment–76.5 per cent on an annual average basis-was accounted for by unremitted profits. Trade and suppliers' credit jumped significantly in this sub-period, accounting for 33.0 per cent of capital inflow compared with 7.8 per cent in the pre-crisis sub-period.[1] It is significant also to note that this period witnessed a substantial outflow by way of claims, against head offices overseas by resident foreign enterprises which averaging over 26 per cent per annum.

In the latest sub-period, 1970–77, unremitted profits continued to account for the highest average proportion of investment (52.2 per cent), followed closely by trade and suppliers' credit (45.6 per cent). Share and loan capital averaged 11 per cent annually. There was substantial disinvestment on account of other liabilities averaging annually over 28 per cent of the sub-period's total.

From the foregoing, it is apparent that only a small proportion of net private capital inflow had come into the country in the form of share or loan capital subscriptions.

The bulk of net capital inflow originated in the country itself as unremitted or re-invested capital by resident foreign enterprises. Thus, the main source of private foreign investment in Nigeria is Nigeria herself! With reference to the overseas origin of foreign private investment in Nigeria, it is evident that the predominance of the U.K. has been little challenged except perhaps in the period of the civil war. The United Kingdom accounted on the average for 40 per cent of net foreign inflow of capital during the entire period under review. The share of investment from Western Europe showed a significant gain and averaged about 32 per cent per annum. The United States fell backward significantly while the unclassified group of countries gained in relative importance as a source of foreign private investment.

The Stock of Foreign Private Investment

Between 1962 and 1977 cumulative foreign private investment maintained a persistent upward movement with the exception of only 1969 when a decline of 13.7 per cent was recorded. In the period 1962-65 cumulative investment averaged ₦586.6 million per annum compared with ₦926.0 million attained in the period of social upheaval, 1966-69. The annual average level recorded for the period 1970-77 at ₦1,828.0 million nearly doubled that of the preceding sub-period. (See Table 3).

The sectoral distribution of foreign investment show that three major sectors, namely, mining and quarrying, manufacturing and processing, and trading and business services, accounted for about 91 per cent of the annual

TABLE 1

NET FLOW OF FOREIGN CAPITAL BY COUNTRY OF ORIGIN 1961–77

(₦ Million)

Years	United Kingdom	%	United States	%	Western Europe	%	Other (Unspecified)	%	Total	%
1961	31.2	57.1	11.8	21.6	8.2	15.0	3.4	6.2	54.6	100.0
1962	5.8	16.4	8.0	22.6	13.8	38.9	7.8	22.0	35.4	100.0
1963	36.2	47.8	10.8	14.2	24.6	32.5	4.2	5.5	75.8	100.0
1964	56.0	44.4	30.0	23.8	30.6	24.3	9.4	7.5	126.0	100.0
1965	42.0	38.3	36.8	33.5	21.6	19.7	9.4	8.6	109.8	100.0
1966	51.2	50.3	17.4	17.1	27.2	26.7	6.0	5.9	101.8	100.0
1967	27.2	28.6	56.8	59.7	15.4	16.2	–4.2	–4.4	95.2	100.0
1968	40.8	52.7	18.8	24.3	9.8	12.7	8.0	10.3	77.4	100.0
1969	–9.8	–31.0	2.0	6.3	24.6	77.8	14.8	46.8	31.6	100.0
1970	47.4	38.9	26.4	21.7	29.6	24.3	18.2	15.0	121.6	100.0
1971	147.6	46.2	107.4	33.6	36.2	11.3	28.4	8.9	319.6	100.0
1972	177.7	71.6	–50.7	–20.4	106.0	42.7	15.3	6.2	248.3	100.0
1973	91.2	47.4	21.3	11.1	48.2	25.0	31.9	16.6	192.6	100.0
1974	–28.1	–58.2	–8.0	–16.4	44.6	92.3	39.7	82.2	48.3	100.0
1975	24.7	5.2	235.2	49.5	130.3	27.3	85.2	17.9	475.4	100.0
1976	84.6	182.7	–159.0	–343.4	62.9	135.9	57.8	124.8	46.3	100.0
1977	130.8	66.2	–89.0	–45.0	85.9	43.5	69.9	35.4	197.6	100.0

Source: Central Bank of Nigeria, Lagos.

1 The jump in suppliers' and trade credit is accounted for by deferred payments arising from the war-necessitated restrictions on foreign exhange disbursements.

TABLE 2

COMPONENTS OF FOREIGN NET CAPITAL INFLOW BY COUNTRY OF ORIGIN
(₦ million)

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
(Unremitted Profits)																	
1. United Kingdom	3.6	14.2	22.2	23.2	50.4	77.8	36.8	25.2	11.0	14.2	27.6	34.5	41.6	33.5	75.1	92.6	115.8
2. United States	1.0	0.4	0.4	0.8	0.8	4.6	1.4	1.2	2.0	6.6	9.2	6.6	9.5	10.0	7.9	10.9	20.2
3. Western Europe	0.6	0.8	3.0	8.6	21.2	34.0	17.2	1.8	7.0	8.0	12.6	17.5	17.7	23.4	46.8	43.5	41.0
4. Others (Unspecified)	0.2	0.4	1.2	3.0	3.2	2.6	0.8	5.2	5.0	8.8	10.2	9.6	13.6	19.0	17.8	20.7	33.3
5. Total (1+2+3+4)	5.4	15.8	26.8	35.6	75.6	119.0	56.2	33.4	25.0	37.6	59.6	68.2	83.5	85.9	147.6	167.7	210.4
Changes in Foreign Share and Loan Capital (Net)																	
1. United Kingdom	15.4	4.8	13.8	28.8	2.2	0.2	3.4	6.2	–0.4	–2.6	12.4	5.9	20.3	–43.1	11.6	25.5	8.4
2. United States	0.8	2.8	0.4	0.2	0.2	1.4	0.6	0.4	–1.4	0.6	5.2	4.4	4.0	0.7	0.9	0.3	–1.2
3. Western Europe	1.2	2.2	4.8	11.8	1.8	0.4	0.2	1.0	7.2	5.6	1.8	1.3	6.1	–8.8	11.7	16.2	15.6
4. Others (Unspecified)	–	–	2.0	0.8	–	0.8	–	2.0	5.8	6.2	9.0	4.7	6.3	11.9	6.0	21.5	12.6
5. Total (1+2+3+4)	17.4	9.8	21.0	41.6	4.2	2.8	3.6	9.6	11.2	9.8	27.4	16.3	36.7	–39.3	30.2	63.5	35.4
Trade and Supplies Credit (net)																	
1. United Kingdom	2.2	0.8	0.2	1.0	0.8	1.2	2.4	10.2	9.2	16.0	25.6	15.9	99.2	18.5	27.4	38.3	31.4
2. United States	1.2	0.4	0.6	4.4	5.2	0.8	26.0	6.0	22.0	28.6	33.0	–12.9	53.9	–29.9	56.2	–8.6	–1.6
3. Western Europe	0.4	0.8	2.2	1.6	3.0	0.4	1.0	1.8	15.4	12.6	7.4	22.0	24.9	84.1	20.5	42.3	62.8
4. Others (Unspecified)	0.8	4.2	0.6	2.0	0.6	0.4	0.2	0.6	4.8	5.2	1.4	1.4	5.9	8.9	47.3	4.7	10.7
5. Total (1+2+3+4)	4.6	4.6	3.6	9.0	9.6	2.8	30.6	18.6	51.4	62.4	67.4	26.4	183.9	81.6	151.4	76.7	103.8
Other Foreign Liabilities (Net)																	
1. United Kingdom	–	0.8	2.2	–1.4	–2.0	0.8	4.8	0.6	–25.4	26.2	–25.2	–18.2	–62.0	12.1	–22.1	–40.3	–40.2
2. United States	4.2	3.0	0.2	0.6	1.0	0.6	5.6	5.0	29.0	–25.0	23.8	–28.2	–145.2	–74.7	138.0	–87.9	–14.3
3. Western Europe	0.6	0.2	0.2	1.4	–2.6	3.8	1.6	0.4	–4.4	–3.8	–35.4	2.7	1.8	3.2	44.6	–67.0	–36.8
4. Others (Unspecified)	2.0	5.4	0.2	2.0	4.8	2.0	–5.4	–	1.8	–1.0	7.8	1.7	–3.1	–4.4	–0.6	3.6	5.2
5. Total (1+2+3+4)	6.8	3.4	2.8	2.6	1.2	7.2	6.6	6.0	1.0	–3.6	29.0	–42.0	–208.5	–63.8	159.9	–191.6	–86.1
Liabilities to Head Office (Net)																	
1. United Kingdom	10.0	–14.8	–2.2	4.4	–9.4	–28.8	–20.6	1.6	–4.2	–6.4	107.2	139.6	–7.9	–49.1	–67.3	–31.5	15.3
2. United States	4.6	7.4	9.2	24.0	29.6	10.0	23.2	6.2	–49.6	15.6	36.2	–20.6	99.1	85.9	32.2	–73.7	–92.1
3. Western Europe	5.4	11.4	14.4	7.2	–1.8	–11.4	–4.6	1.0	–0.6	7.2	49.8	62.5	–3.4	–57.3	6.7	27.9	3.3
4. Others (Unspecified)	0.4	–2.2	0.2	1.4	0.8	0.2	0.2	0.2	–2.6	–1.0	–	–2.1	9.2	4.7	14.7	7.3	8.1
5. Total (1+2+3+4)	20.4	1.8	21.6	37.0	19.2	–30.0	–1.8	9.0	–57.0	15.4	193.2	179.4	97.0	–16.1	–13.7	–70.0	–65.4
TOTAL																	
1. United Kingdom	31.2	5.8	36.2	56.0	42.0	51.2	27.2	40.8	–9.8	47.4	147.6	177.7	91.2	–28.1	24.7	84.6	130.8
2. United States	11.8	8.0	10.8	30.0	36.8	17.4	56.8	18.8	2.0	26.4	107.4	–50.7	21.3	–8.0	235.2	–159.0	–89.0
3. Western Europe	8.2	13.8	24.6	30.6	21.6	27.2	15.4	9.8	24.6	29.6	36.2	106.0	48.2	44.6	130.3	62.9	85.9
4. Others (Unspecified)	3.4	7.8	4.2	9.4	9.4	6.0	–4.2	8.0	14.8	18.2	28.4	15.3	31.9	39.8	85.2	57.8	69.9
5. Total (1+2+3+4)	54.6	35.4	75.8	126.0	109.8	101.8	95.2	77.4	31.6	121.6	319.6	248.3	192.6	48.3	475.4	46.8	197.6

A minus (–) sign indicates net outflow.
Source: Central Bank of Nigeria.

average investment for the entire review period. The pattern of investment did not alter significantly when the analysis is broken down into the sub-periods adopted in the paper. The mining and quarrying sector maintained the lead throughout, claiming 45.9 per cent of the entire period average investment. It accounted for 39.8,48.1 and 46.4 per cent, respectively, in the 1962-65, 1966-69 and 1970-77 sub-periods. In the first two sub-periods, investment in trading and business services maintained the second position, accounting on the average for 32.0 and 24.6 per cent respectively, while the manufacturing and processing sector investment represented 18.1 and 20.2 per cent in the same periods,The manufacturing and processing sector displaced the trading and business services sector from the second into the third place when it accounted for 25.0 per cent of total investment in the 1970-77 sub-period compared to 19.2 per cent recorded by the trading and business services sector.

Although there has been a vigorous expansion of foreign investment in the building and construction sector, its level remained relatively insignificant. In the 1962-65 sub-period, such investment increased from ₦15.2 million or 3.4 per cent of total to ₦40.2 million or 5.3 per cent. In the crisis period, investment in construction activity was at the reduced level of ₦22 million per annum or a relative share of 2.3 per cent. The downward movement which continued into the 1970-77sub-period was reversed in 1971 from when it maintained a rapid upward movement till 1976, tapering off in 1977. Investment in agriculture remained insignificant at an annual average level of ₦16.5 million or 1.3 per cent for the entire period under review.

An industrial classification of investments in the manufacturing sector is presented in Table 4. Food, beverages and tobacco, textiles, and chemicals (including petroleum and coal products) which are the largest manufacturing product groups in terms of output also absorbed the largest shares of foreign private investment. Next in terms of the size of foreign capital participation are non-metalic mineral products, basic metal products and machinery and equipment. The pattern of investment as revealed, largely reflects the historical fact that most manufacturing enterprises until recently, at least, were established either exclusively by foreign entrepreneurs or in partnership with domestic interest.

An analysis of cumulative foreign investment showing countries of origin, levels of investment in fixed assets and the share of paid-up capital and reserves in the total stock of foreign investment is presented in Table 5. For the entire period 1962-1977, paid-up capital and reserves accounted for about 48 per cent of total investment. From an annual average of 39.6 per cent in 1962-65, such investment increased to 56.3 per cent during the sub-period 1966–69 but declined to 47.2 per cent in the 1970-77 sub-period. Investment in fixed assets as a proportion of cumulative foreign investment averaged 79 per cent in the review period.

U.K. maintained the leading position among the foreign investors in the country. The stock of U.K. derived investment attained an annual average level of ₦603.6 million in the period, 1962-77. This compared with the annual average levels of ₦311.6 million and ₦229.5 million respectively, recorded by investment from Western Europe and the United States of America. In percentage terms, the average shares for U.K., Western Europe and U.S. in the period, were 46.7, 24.1 and 17.8 respectively while investors from the unclassified group of countries contributed 11.4 per cent.

TABLE 3

SECTORAL DISTRIBUTION OF THE STOCK OF FOREIGN INVESTMENT

Year	Agriculture	%	Building and Construction	%	Manufacturing & Processing	%	Mining and Quarring	%	Trading and Business Service	%	Transport and Communication	%	Miscellaneous	%	Total
1962	8.6	2.0	15.2	3.4	73.4	16.9	161.0	36.9	171.4	39.3	4.8	1.1	1.8	0.4	436.2
1963	9.6	1.9	21.4	4.2	95.6	18.6	186.2	36.3	192.6	37.7	5.0	0.9	2.2	0.4	512.6
1964	10.8	1.7	24.6	3.8	117.2	18.2	258.0	40.1	202.4	31.4	7.0	1.1	23.6	3.6	643.6
1965	11.2	1.5	40.2	5.3	139.0	18.4	329.4	43.7	185.6	24.6	11.6	1.5	37.0	4.9	754.0
1966	9.6	1.1	19.0	2.2	149.0	17.5	425.0	49.8	211.6	24.8	13.0	1.5	25.6	3.0	852.8
1967	11.0	1.2	22.0	2.3	198.6	20.9	465.0	49.1	221.2	23.3	9.6	1.0	20.6	2.2	948.0
1968	11.6	1.1	23.8	2.3	204.0	19.9	501.6	49.1	247.2	24.2	11.6	1.1	21.6	2.1	1,021.4
1969	11.0	1.2	22.2	2.5	196.0	22.2	389.6	44.2	231.0	26.2	11.4	1.3	20.4	2.3	881.6
1970	11.2	1.1	13.8	1.4	224.8	22.4	515.4	51.4	206.6	20.6	13.8	1.4	17.6	1.8	1,003.2
1971	15.4	1.2	15.4	1.2	378.8	28.6	694.0	52.5	187.2	14.2	12.0	0.9	20.0	1.5	1,322.8
1972	9.4	0.6	34.3	2.2	356.6	22.7	859.7	54.7	242.7	15.4	12.2	0.8	56.2	3.6	1,571.1
1973	7.9	0.4	45.0	2.6	409.0	23.2	925.3	52.5	294.7	16.7	11.6	0.7	70.2	3.9	1,763.7
1974	20.7	1.1	64.2	3.5	520.4	28.7	818.1	45.1	321.3	17.7	21.9	1.2	45.5	2.5	1,812.1
1975	19.2	0.8	111.2	4.8	506.2	22.1	959.6	41.9	572.4	25.0	22.8	1.0	96.1	4.2	2,287.5
1976	21.9	0.9	122.5	5.2	550.7	23.5	918.9	39.4	624.8	26.8	11.0	0.5	84.0	3.6	2,333.8
1977	75.0	3.0	121.5	4.8	703.8	27.8	1,090.8	43.1	365.5	14.4	30.6	1.2	144.3	5.7	2,531.4

Source: Central Bank of Nigeria.

TABLE 4

FOREIGN INVESTMENT (CUMULATIVE) IN THE MANUFACTURING SECTOR ANALYSED BY TYPE OF INDUSTRY (₦ Thousands)

INDUSTRIES	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
Basic Metal	668	3,236	2,106	7,280	3,570	3,402	3,680	14,860	8,132	13,044	13,949	17,645	14,162	25,379
Beverages	5,410	13,954	15,170	14,368	17,948	16,920	19,480	29,466	24,936	32,818	18,395	23,131	33,134	43,397
Chemicals	12,020	11,490	18,062	19,044	25,870	24,302	18,010	27,718	28,312	36,084	34,326	62,327	30,258	31,581
Electrical Machinery	1,216	1,372	1,408	1,034	1,804	1,746	1,520	2,330	1,298	2,893	973	1,044	1,927	17,395
Food	20,078	18,074	14,244	27,602	23,272	22,542	19,282	43,674	43,198	48,490	25,156	51,226	56,721	80,455
Footwear, Wearing Apparels	318	470	564	1,592	1,820	1,744	1,990	2,532	5,146	7,026	13,664	7,191	19,284	23,896
Furniture and Fixtures	1,330	700	1,778	2,066	2,366	2,286	2,942	8,320	13,502	14,715	5,962	14,832	9,006	10,639
Leather & Leather Products	104	310	304	540	402	386	1,598	2,096	2,502	2,667	4,107	3,318	4,063	6,253
Machinery except Electrical	754	258	914	192	344	312	916	5,418	1,366	4,236	12,038	10,861	3,546	8,454
Metal Products	17,132	15,160	16,020	22,142	13,762	12,850	9,156	10,374	14,662	10,629	11,716	18,520	17,770	28,278
Non-Metalic Mineral products	7,366	14,454	13,962	14,574	22,578	20,992	20,394	44,486	34,882	38,764	23,114	51,191	62,721	69,832
Paper and Paper Products	1,584	2,002	2,788	4,734	3,984	3,838	11,122	17,250	10,542	16,440	1,841	9,590	10,511	14,614
Petroleum & Coal Products	14,628	13,524	16,158	19,000	18,262	17,994	18,230	20,290	10,428	14,179	5,375	18,713	27,474	32,228
Painting and Publishing	1,400	2,038	1,800	1,584	3,630	3,460	1,626	790	5,766	6,763	4,332	3,015	5.331	5,258
Rubber Products	5,828	8,412	10,054	18,604	7,066	6,730	4,076	13,438	16,142	20,084	7,802	7,554	6,394	9,629
Textiles	8,032	12,392	10,276	17,568	26,046	25,252	39,948	64,072	67,098	68,504	58,299	125,018	139,333	131,045
Tobacco	11,808	13,984	18,384	15,780	23,412	23,262	28,650	39,324	14,018	26,614	26,942	32,869	15,371	32,172
Transport Equipment	5,796	4,152	3,674	6,424	6,090	5,742	9,052	11,614	35,780	22,661	5,469	23,234	32,629	71,490
Wood and Cork	712	468	538	1,592	1,820	514	372	1,214	1,586	1,026	576	1,379	4,975	7,882
Miscellaneous	1,016	2,574	666	4,070	1,274	1,768	12,844	19,656	17,278	20,385	13,089	23,504	56,104	53,969
Total	117,200	139,024	148,870	198,644	204,090	196,042	224,888	378,882	356,574	409,051	287,125	506,180	550,714	703,836

SOURCE: Central Bank of Nigeria, Lagos.

TABLE 5

SOURCES AND COMPONENTS OF CUMULATIVE FOREIGN INVESTMENT

(₦ million)

COUNTRY/TYPES	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
United Kingdom																
(a) Paid Up Capital and Reserves	105.8	141.8	164.4	224.4	282.4	328.8	385.8	261.0	272.6	312.6	352.9	414.8	405.2	491.9	610.0	734.3
(b) Other Liabilities (net)	209.2	209.4	196.8	178.8	172.0	152.8	136.6	136.0	171.8	279.4	416.8	446.1	427.6	365.6	332.0	338.5
(c) Total (a) & (b)	315.0	351.2	361.2	403.2	454.4	481.6	522.4	397.0	444.4	592.0	769.7	860.9	832.8	857.5	942.0	1,072.8
(d) Fixed Assets	227.2	276.0	324.4	327.6	340.8	360.6	401.6	476.5	234.2	239.1	553.0	581.8	671.7	902.2	918.6	1,103.7
United States of America																
(a) Paid Up Capital and Reserves	0.4	1.2	12.6	14.0	8.8	10.8	17.2	19.0	26.2	40.6	51.6	65.2	75.9	84.7	95.8	114.8
(b) Other Liabilities (net)	36.6	46.6	67.0	103.0	122.6	177.4	189.8	184.6	203.8	296.8	235.0	242.8	224.1	450.5	288.4	172.4
(c) Total (a) & (b)	37.0	47.8	79.6	117.0	131.4	188.2	207.0	203.0	230.0	337.4	286.6	308.0	300.0	535.2	376.2	287.2
(d) Fixed Assets	30.0	28.6	65.4	78.2	112.8	122.8	141.6	168.2	289.4	341.4	337.4	383.5	506.2	572.6	541.8	648.5
Western Europe																
(a) Paid Up Capital & Reserves	13.8	21.6	48.4	76.6	94.8	114.2	120.2	89.8	103.4	117.8	136.5	161.4	175.9	234.5	294.2	350.7
(b) Other Liabilities (net)	34.2	51.0	102.6	96.0	105.0	101.0	100.8	105.4	121.4	143.2	230.5	253.8	283.9	355.6	358.9	388.3
(c) Total (a) & (b)	48.0	72.6	151.0	172.6	199.8	215.2	221.0	195.2	224.8	261.0	367.0	415.2	459.8	590.1	653.1	739.0
(d) Fixed Assets	21.8	30.4	127.2	132.4	147.6	171.8	135.0	160.4	139.1	151.1	425.8	257.7	342.7	n.a	n.a	n.a
Others																
(a) Paid Up Capital and Reserves	18.4	21.6	25.8	43.4	32.2	34.8	42.0	51.2	66.0	85.2	99.5	119.3	150.3	212.5	224.7	262.4
(b) Other Liabilities (net)	17.8	18.8	26.0	17.8	35.0	28.2	29.0	34.6	38.0	47.2	48.3	60.3	69.2	174.1	216.4	170.0
(c) Total (a) & (b)	36.2	40.4	51.8	61.2	67.2	63.0	71.0	85.8	104.0	132.4	147.8	179.6	219.5	304.7	362.5	432.4
(d) Fixed Assets	34.4	17.0	43.4	47.2	50.0	26.8	35.6	42.5	69.2	50.9	61.8	91.9	166.4	181.9	193.1	205.3
Total																
(a) Paid Up Capital and Reserves	138.4	186.2	251.2	358.4	418.2	488.6	565.2	421.0	468.2	556.2	640.5	760.7	807.3	985.2	1,216.4	1,462.2
(b) Other Liabilities (net)	297.8	325.8	392.4	395.6	434.6	459.4	456.2	460.6	535.0	766.6	930.6	1,003.0	1,004.8	1,302.3	1,117.4	1,069.2
(c) (A) + (B)	436.2	512.0	643.6	754.0	852.8	948.0	1,021.4	881.6	1,003.2	1,322.8	1,571.1	1,763.7	1,812.1	2,287.5	2,333.8	2,531.4
(d) Fixed Assets	313.4	352.0	560.4	585.4	651.2	681.2	713.8	847.6	729.9	782.5	1,378.0	1,314.9	1,687.0	1,869.2	1,878.2	2,201.7

SOURCE: Central Bank of Nigeria, Lagos.

Conclusion

Nigeria has moved away from the extremely open door policy of the colonial era through the ambivalent policy period of the 1960's to the current situation in which the policies and strategies towards foreign investment are clearly laid down and publicised. A careful blending of incentives with restrictions is evident in the policies and strategies that were evolved in the 1970s, first through the channel of the Second National Development Plan and subsequently through legislative provisions embodied in the 1972 Enterprises Promotion Decree and its subsequent amendments and the superseding Decree of 1977.

The approach has generally created a hospitable investment climate for foreign private capital. The hospitable approach is based on an appreciation of the role foreign capital and skilled personnel can play in furthering the goal of a rapid economic development which is a major macro-economic objective of the government. Foreign investment has its costs and benefits to the economy and hence policies should aim at maximising the benefits and minimising the costs. No self-respecting nation should leave its economy predominantly in foreign hands, although it is realised that the pursuit of economic independence in a world of increasing interdependence remains at best, an ideal.

The new stance of policy which relies on the selective use of incentives to influence the structure and character of private investment and the joint venture approach is based on the realization that the interest of foreign private investors cannot be expected to coincide at all times and in every respect with host country's national aspirations. It is wrong and misleading to interprete the Nigerian indigenisation policy as a hostile policy towards foreign private investment. Apart from the few areas in which domestic human and material resources are found to be adequate, the foreign investor is welcome in a wide area of business activities. After nearly a decade of experience with the Nigerian indigenisation policy, the foreign investor should by now disabuse his mind of the baseless suspicion that backdoor nationalization is being implemented in Nigeria. The absolute safety of foreign capital is clearly demonstrated by the way the indigenisation programme is being implemented. Apart from ensuring that fair and reasonable prices are paid for the indigenised enterprises and shares, there has been a relatively unrestricted repatriation of the funds realised by the foreign investors affected in accordance with the clearly laid-down guidelines.

The joint venture approach offers the foreign investor the best guarantee of the safety of his investment, the needed goodwill and support of the government and the best safeguard against the unavailability of complementary local resources. It also provides the host country with the surest practical means of ensuring, through well negotiated and formulated agreement that the foreign investor impart the relevant technology to its local partner within a predetermined time frame. Thus all the ingredient for deriving mutual benefits from foreign investment by the host country and the foreign investors are best guaranteed under joint ventures between indigenous (private or/ and public) and foreign entrepreneurs. Far from contriving a deterrent to foreign investors, the Nigerian enterprises promotion legislations are designed to accord the foreign investor the certainty of knowing the areas in which, and to what extent he can, participate in exploiting the economic potentialities of Nigeria to his and Nigeria's mutual benefit.

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APPENDIX ONE

SCHEDULES 1 & 2 OF NIGERIAN ENTERPRISES PROMOTION DECREE, 1972

SCHEDULE 1

ENTERPRISES EXCLUSIVELY RESERVED FOR NIGERIANS

1. Advertising agencies and public relations business.
2. All aspects of pool betting business and lotteries.
3. Assembly of radios, radiograms, record changers, television sets, tape recorders and other electrical domestic appliances not combined with manufacture of components.
4. Blending and bottling of alcoholic drinks.
5. Blocks, bricks and ordinary tiles manufacture for building and construction works.
6. Bread and cake making.
7. Candle manufacture.
8. Casinos and gaming centres.
9. Cinemas and other places of entertainment.
10. Clearing and forwarding agencies.
11. Hairdressing.
12. Haulage of goods by road.
13. Laundry and dry-cleaning.
14. Manufacture of jewellery and related articles.
15. Newspaper publishing and printing.
16. Ordinary garment manufacture not combined with production of textile materials.
17. Municipal bus services and taxis.
18. Radio and television broadcasting.
19. Retail trade (except by or within the departmental stores and supermarkets).
20. Rice milling.
21. Singlet Manufacture.
22. Tyre retreading.

SCHEDULE 2

ENTERPRISES BARRED TO ALLIENS UNDER CERTAIN CONDITIONS

1. Beer brewing.
2. Boat building.
3. Bicycle and Motorcycle tyre manufacture.
4. Bottling of soft drinks.
5. Coastal and inland waterways shipping.
6. Construction industries.
7. Cosmetics and perfumery manufacture.
8. Departmental stores and supermarkets.
9. Distribution and servicing of motor vehicles, tractors and spare parts thereof or other similar objects.
10. Distribution agencies for machines and technical equipment.
11. Estate agency.
12. Fish and shrimp trawling and processing.
13. Furniture making.
14. Insecticides, pesticides and fungicides.
15. Internal air transport (scheduled and charter services).
16. Manufacture of bicycles.
17. Manufacture of cement.
18. Manufacture of matches.
19. Manufacture of metal containers.
20. Manufacture of paints, varnishes or other similar articles.
21. Manufacture of soaps and detergents.
22. Manufacture of suitcases, briefcases, handbags, purses, wallets, portfolios and shopping bags.
23. Mnaufacture of wire, rails, washers, bolts, nuts, rivets and other similar articles.
24. Paper conversion industries.
25. Passenger bus services (inter-state).
26. Poultry farming.
27. Printing of books.
28. Production of sawn timber, plywood, veneers and other wood conversion industries.
29. Screen printing on cloth; dyeing.
30. Slaughtering, storage, distribution and processing of meat.
31. Shipping.
32. Travel agencies.
33. Wholesale distribution.

APPENDIX TWO

SCHEDULES 1, 2 AND 3 OF NIGERIAN ENTERPRISES PROMOTION DECREE, 1977

SCHEDULE 1

ENTERPRISES EXCLUSIVELY RESERVED FOR NIGERIANS

1. Advertising and public relations business.
2. All aspects of pool betting business and lotteries.
3. Assembly of radios, radiograms, record changers, television sets, tape recorders and other electric domestic appliances not combined with manufacture of components.
4. Blending and bottling of alcoholic drinks.
5. Blocks and ordinary tile manufacture for building and construction works.
6. Bread and cake making.
7. Candle manufacture.
8. Casinos and gaming centres.
9. Cinemas and other places of entertainment.
10. Commercial transportation (wet and dry cargo and fuel).
11. Commission agents.
12. Departmental stores and supermarkets having an annual turnover of less than N2,000.00.
13. Distribution agencies excluding motor vehicles, machinery and equipment and spare parts.
14. Electrical repair shops other than repair shops associated with distribution of electrical goods.
15. Establishments specialising in the repair of watches, clocks and jewellery, including imitation jewellery for the general public.
16. Estate agency.
17. Film distribution (including cinema films).
18. Garment manufacture.
19. Hairdressing.
20. Ice-cream making when not associated with the manufacture of other dairy products.
21. Indenting and confirming.
22. Laundry and dry-cleaning.
23. Manufacturers' representatives.
24. Manufacture of suitcases, briefcases, hand-bags purses, wallets. portfolios and shopping bags.
25. Manufacture of jewellery and related articles, including imitation jewellery.
26. Municipal bus services and taxis.
27. Newspaper publishing and printing.
28. Office cleaning.
29. Passenger bus services of any kind.
30. Poultry farming.
31. Printing of stationery (when not associated with printing of books).
32. Protective agencies.
33. Radio and television broadcasting.
34. Retail trade (except by or within departmental stores and supermarkets).
35. Rice milling.
36. Singlet manufacture.
37. Stevedoring and shorehandling.
38. Tyre retreading.
39. Travel agencies.
40. Wholesale distribution of local manufactures and other locally produced goods.

SCHEDULE 2

ENTERPRISES IN RESPECT OF WHICH NIGERIANS MUST HAVE MAJORITY INTEREST

1. Banking-commercial, merchant and development banking.
2. Basic iron and steel manufacture.
3. Beer brewing.
4. Boat building.
5. Bottling of soft drinks.
6. Business services (other than machinery and equipment rental and leasing) such as business management and consulting services; fashion designing.
7. Clearing and forwarding agencies.
8. Canning and preserving of fruits and vegetables.
9. Coastal and inland waterways shipping.
10. Construction industry.
11. Departmental strores and supermarkets having annual turnover of not less than N2,000,000.oo.
12. Distribution agencies for machines and technical equipment.
13. Distribution and servicing of motor vehicles, tractors and spare parts thereof of similar objects.
14. Fish and shrimp trawling and processing.
15. Fertilizer production.
16. Grain mill products except rice milling.
17. Industrial cleaning.
18. Insecticides, pesticides and fungicides.
19. Internal air transport (schedule and charter services).
20. Insurance - all classes.
21. Lighterage.
22. Manufacture of bicycles.
23. Manufacture of biscuits and similar dry bakery products.
24. Manufacture of cement.
25. Manufacture of cosmetics and perfumery.
26. Manufacture of cocoa, chocolate and sugar confectionery.
27. Manufacture of dairy products, butter, cheese, milk and other milk products.
28. Manufacture of food products like yeast, starch, baking powder coffee roasting; processing of tea leaves into black tea.
29. Manufacture of furniture and interior decoration. Manufacture of metal fixtures for household, office and public building.
30. Manufacture of leather footwear.
31. Manufacture of matches.
32. Manufacture of metal containers.
33. Manufacture of paints, varnishes or other similar articles.
34. Manufacture of plastic products such as plastic dinnerware, tableware, kitchenware, plastic mats. plastic machinery parts, bottles tubes and cabinets.
35. Manufacture of rubber products, rubber footware, industrial and mechanical rubber specialities such as gloves, mats, sponges and foam.
36. Manufacture of tyres and tubes for bicycles and motorcycles; of tyres and tubes for motor vehicles.
37. Manufacture of soap and detergents.
38. Manufacture of wire, nails, washers, bolts, nuts, rivets and other similar articles.
39. Other manufacturing industries such as non-rubber and non plastic toys, pens, pencils, umbrellas, canes, buttons, broom and brushes, lampshades, tobacco pipes and cigarette holders.
40. Mining and quarrying.
41. Oil milling, cotton ginning and crushing Industries.
42. Paper conversion industries.
43. Plantation sugar and processing,
44. Plantation agriculture for tree crops, grains and other cash crops.
45. Printing of books.
46. Production of sawn timber, plywood, veneers and other wood conversion industries.
47. Petro-chemical feedstock industries.
48. Publishing of books, periodicals and such like.
49. Pulp and paper mills.
50. Restaurants, cafes and other eating and drinking places.
51. Salt refinery and packaging.
52. Screen printing on cloth, dyeing.
53. Inland and coastal shipping.
54. Slaughtering, storage associated with industrial processing and distribution of meat.
55. Tanneries and leather finishing.
56. Wholesale distribution of imported goods.
57. Photographic studies, including commercial and aerial photography.

SCHEDULE 3

ENTERPRISES IN WHICH FOREIGN INVESTORS MAY HAVE MAJORITY INTEREST

1. Distilling rectifying and blending of spirits such as ethyl alcohol, whisky, brandy, gin and the like.
2. Tobacco manufacture.
3. Manufacture of basic industrial chemicals (organic and inorganic) except fertilizers.
4. Manufacture of synthetic resins, plastic materials and man-made fibres except glass.
5. Manufacture of drugs and medicines.
6. Manufacture of pottery, china and earthenware.
7. Manufacture of glass and glass products.
8. Manufacture of burnt bricks and structural clay products.
9. Manufacture of miscellaneous non-metalic mineral products such as concrete, gypsum and plastering products, including ready-mixed concrete; mineral wool, abrasive; asbestos products; graphite products.
10. Manufacture of primary non-ferrous metal products such as ingots, bars and billets; sheets, strips, cirales, cecrous, rods, tubes, pipes and wire roads; casting and extrusions.
11. Manufacture of (fabricated metal) cutlery, hand tools and general hardware.
12. Manufacture of structural metal products-components of bridges, tanks, metal doors and screens, window frames.
13. Manufacture of miscellaneous fabricated metal products, except machinery and equipment, such as safes and vaults; steel springs furnaces; stoves, and the like.
14. Manufacture of engines and turbines.
15. Manufacture of agricultural machinery and equipment.
16. Manufacture of metal and wood working machinery.
17. Manufacture of special industrial machinery and equipment such as textile and food machinery, paper industry machinery, oil refining machinery and equipment, and the like.
18. Manufacture of office, computing and accounting machinery.
19. Manufacture of other machinery and equipment except electrical equipment, pumps, air and gas compressors; blowers, air-conditioning and ventilating machinery; refrigerators, and the like.
20. Manufacture of electrical machinery and apparatus.
21. Manufacture of radio, television and communication equipment and apparatus.
22. Manufacture of electrical appliances and houseware.
23. Manufacture of electrical apparatus and supplies not elsewhere classified, such as insulated wires and cables, batteries, electric lamps and tubes, fixtures and lamp switches, sockets, switches insulators, and the like.
24. Ship building and repairing (excluding boat building).
25. Manufacture of railway equipment.
26. Manufacture of motor vehicles and motorcycles.
27. Manufacture of aircraft.
28. Manufacture of professional and scientific and measuring and controlling equipment, such as laboratory and scientific instruments, surgical, medical and dental equipment, instruments and supplies and orthopaedic and prosthetic appliances.
29. Manufacture of photographic and optical goods.
30. Manufacture of watches and clocks.
31. Ocean transport/shipping.
32. Oil servicing companies.
33. Storage and warehousing - the operation of storage facilities and warehouses (including bonded and refrigerated warehouses for hire by the general public.
34. Textile manufacturing industries.
35. Hotels, rooming houses, camps and lodging places.
36. Data processing and tabulating services (on a fee or contract basis).
37. Production of cinema and television films (or motion picture production).
38. Machinery and equipment rental and leasing.
39. All other enterprises not included in Schedule 1 and 2 not being public sector enterprises.