Foreign Direct Investment Policies and the sectors of the Nigerian Economy

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Abstract
The purpose of this study is to examine the major foreign direct investment policies in Nigeria and ascertain their impacts on foreign direct investment and on sectors (agriculture, manufacture, mining and communication) in Nigeria. The foreign direct investment policies treated are the indigenisation policy, exchange rate policy, industrial policy and ownership policy. This study found that during the period of indigenisation policy inward foreign direct investment in the Nigerian sectors was low due to the stringent measure on foreign investors. It also found that the inability of import substitution industrialisation to develop domestic technology has a serious implication on industrialisation in Nigeria. Besides, export promotion industrialisation policy improved the number of foreign direct investment in Nigeria. However, it improved non-oil export at a very low rate which suggests that Nigerian economy was far from being diversified. On exchange rate policy, Nigerian exports during the periods of currency appreciation and depreciation reduced and improved exports respectively.

Keywords: Foreign direct investment, Policies, sectors

Introduction

The need for foreign direct investment policies arises due to the activities of inward foreign direct investment in Nigeria. The policies are sometimes used to control the activities of multinational corporations, attract foreign investors and encourage industrialisation in Nigeria. The discussion on foreign direct investment policies in Nigeria will not be complete without laying bare the precursor (the history of foreign direct investment in Nigeria) in laconic.

Foreign direct investment as a developing process of the developed countries is not peculiar to developing countries such as Nigeria (Azubuike 2009). The history of foreign direct investment in Nigeria is traced to 19th century and its precursor was anchored on the Berlin Conference of the 19th century which allotted the Nigerian territory to Britain. Foreign direct investment is seen by some scholars as a conduit of colonial expansion. The coming of Britain in Nigeria integrated the latter legal system into the former which protected them and made the flow of foreign direct investment to flow in earnest. The major investor of foreign direct investment in Nigeria in the early period was Britain. Out of 102 firms that were operating in Nigeria in the 1960s, 94 were from Britain, 5 had joint British ownership and the remaining 3 owned by Nigeria (Mohammed 1985). The prominent multinational companies during the colonial era in Nigeria were United Africa Company (UAC), John Holts, A.G Leventis, Patterson Zechonics (PZ), and Pfizer among others. Initially most of the foreign investment in Nigeria was in mining sector which later shifted to manufacturing sector. In 1965 Convention on the settlement of investment disputes (for settling investment disputes among the Western countries) was signed which resulted to the broadening of the sources of foreign direct investment in Nigeria to include United States of America and other European countries. Foreign direct investment in mining sector in Nigeria received added impetus by the discovery of oil in the 1970s.

Unlike previous studies on Nigerian policies, this study examines foreign direct investment policies, as well as their impacts on foreign direct investment and on sectoral economy of Nigeria. The rest of this article is structured as follows after the introduction. Section 2 covers indigenisation policy, its impact on foreign direct investment and on sectoral economy. Section 3 examines industrial policy, its impact on foreign direct investment and on sectoral economy. Section 4 treats exchange rate policy, its impact on foreign direct investment and on sectoral economy. Section 5 discusses ownership policy and its impact on some sectors, while section 6 deals with conclusion and recommendation.

2: Indigenisation Policy (Decrees) in Nigeria

According to Mohamed (1985, pp. 125-129) the origin of indigenisation policy passed by military decree of 1972 in Nigeria was instigated by the failure of fiscal incentive which was aimed at securing a mutual beneficial foreign direct investment in the economy. For instance, prior to the indigenisation decree foreign companies engaged in excessive money transfer due to massive profits made in Nigeria. UAC made pre-tax profits of 92 million naira in 1976. Most foreign companies declared profits (before the indigenisation decree) remain relatively higher than those of domestic companies. For example, John Holts declared profit for 1967/68 was £853,000 whereas Nigeria Daily Times made a profit of £201, 089 in 1969. Furthermore, the profits made by the multinational corporations in Nigeria's oil sector which were much higher than those of the foreign companies in the commercial sector are presented in Table 1

Table 1: Assets and Profits of Major MNC in 1963 in Million Pounds

Company	Assets	Profits
Standard Oil of New Jersey	3,800	240
Shell – BP	3,300	180
Gulf	1,700	120
Texaco	1,700	140
Secuny – Mobil	1,500	68
Standard Oil of California	1,200	100
British Petroleum	900	65
Companie Francais Petroleum (CFP) others	600 1,250	42 45

Source: Mohamed (1985, p. 128)

The table shows that foreign direct investment in the oil sector in 1963 had higher assets and profits than those in the others (commercial sector). The aftermath of the huge profit was an increase in the level of remittances by transnational subsidiaries which heightened further by payment in foreign exchange of interest on capital, foreign contractor services among others.

Another issue that worried both the government and the Nigerian investors which prompted the promulgation of the indigenisation decree was the pattern of ownership in investment prior to 1972. For instance, in 1963 about 68 percent of the equity of the entire large scale industrial establishment was foreign. The domestic private sector accounted for only 10 percent, the three regional governments held 19 percent and the Federal government owned 3 percent. The domestic private and the public sectors combined held only 32 percent of the total equity shares invested in the large scale industries. By 1966 foreign direct investment comprised not less than 70 percent of total investment in some individual industries in Nigeria.

Thus, indigenisation decree of 1972 was adopted to balance the domination of the Nigerian economy by the Western countries which consequently made some multinational companies such as City Group, IBM, Chase Mahattan Bank to divest. The indigenisation decree of 1972 also known as Nigerian Enterprises Promotions Decree (NEPD) which was under the auspices of Nigeria Enterprises Promotion Board (NEPB) exclusively reserved 22 enterprises for Nigerian citizens and goes further to restrict 33 enterprises that foreign investors where hitherto allowed to invest (Uche 2011, p. 2). As a result of change in government in 1975 another stringent indigenisation decree was introduced in in 1977. Unlike the previous indigenisation decree, the one of 1977 made it compulsory for Nigeria to participate in the ownership of all companies. The decree stated that Nigerians should have at least 60 percent equity interest in the following companies – plantain agriculture, boat building, banking and insurance. Furthermore, the decree stipulated that Nigeria should have 40 percent equity interest in the areas of manufacturing of engines and turbines, agricultural machinery and electrical appliances. However, many foreign companies resorted using local fronts to circumvent this draconian decree, Nigerians still thought that the economy was being dominated by the multinational corporations (Joshua et al. 2013, p. 175). Consequently, the oil glut of the early 1980s underpinned the need for foreign direct investment, at least to curtail the economic crisis caused by volatility in oil price. The restrictions on foreign investors in Nigeria were relaxed in the 1980 by the National Investment Promotion Act which ushered in Structural Adjustment Programme that led to privatisation of most enterprises in Nigeria. In critical term, indigenisation decree which was aimed at balancing the domination of the Nigeria economy by multinational corporations did not concentrate on the wealth distribution which further worsens the gap between the rich and the poor in the country.

Impacts on foreign direct investment and sectors

Inward foreign direct investment in Nigeria was low for the period of 1972-1977 because of the indigenisation decrees. The introduction of the indigenisation decree in Nigeria led to the fall in the inward foreign direct investment in the sectors. For instance, foreign investment in oil sector which was 50 percent of the total foreign direct investment in 1966 fall to 39 percent in 1977 due partly to indigenisation decree of 1972 and 1977 (Central Bank of Nigeria 2009). Foreign direct investment in manufacturing/processing sector in 1971 fell from 28.6 percent to 22.7 percent in 1972. In the other hand, foreign direct investment in the agricultural/fishery sector fell in 1971 from 1.2 percent to 0.6 percent in 1972, whereas foreign direct investment in the communication/transport sector in 1971 fell from 0.8 to 0.7 in 1972 (Central Bank of Nigeria 2009, pp. 100-109).This shows the contraction effect of the indigenisation decree on sectors foreign direct investment in Nigeria.

3: Industrial policy in Nigeria

Nigeria industrial policy is aimed at facilitating industrialization in the country. In an attempt to industrialise Nigeria import and export policies were introduced. Import policy adopted in the context of import substitution industrialisation (ISI) in Nigeria is aimed at discouraging import, while export policy in the context of export promotion industrialisation (EPI) encourages export industries in Nigeria. These two policies/industrialisation strategies are the classification of industrial policy in Nigeria discussed in details below.

3.1: Import Substitution Industrialization Strategy

The major purpose of the import policy regime is to encourage import substitution industries in Nigeria. Import substitution strategy also known as inward looking strategy of industrialisation was adopted in 1960 – 1985. It mainly concerned on domestic production of manufactured goods for the local markets. The strategy covers the processing of raw materials and the setting of manufacturing firms in Nigeria to produce locally manufactured goods that were hitherto imported thereby saving the cost of importation of such commodities in the country. This strategy sees the survival of the domestic industries as essential. Thus, it supports the imposition of protective tariffs, import quotas and exchange controls to protect the local industries from foreign competitors by making the entry of their goods expensive. The history of import substitution strategy could be traced to Latin America between the period of 1927 and 1933 when the inflow of imports was disrupted by the Second World War and international economic depression with the objective of increased reliance on local manufactured goods. This trajectory helped in improving the balance of payments and reduced the volume of imports and external dependence in Latin American countries during the aforementioned period. Following the success of this strategy in the Latin American countries, other countries such as Nigeria adopted it to curtail imports and external dependence via increased reliance on locally manufactured goods. In other words, the local industries which were largely multinational corporations were to gradually and overtime substitute imported inputs for local inputs.

Import substitution industrialisation has been highly protective. It has a structure of tariff protection of low tariff on imported inputs and high tariff on imported finished products which led to the concentration on light consumer goods and at the same time contributed to the inefficiency in the industrial sector and the inability of most locally manufactured products to be competitive (Duru 2012, p. 16). Import substitution industrialisation strategy in Nigeria has four stages. The first stage concentrates on non-durable consumer goods, the second, third and fourth stages are on electronics/vehicles, petrochemical/aluminium and on the development of domestic technology respectively. All the four stages of the import substitution industrialisation have been carried out in Nigeria with the exception of the development of domestic technology. The inability to develop domestic technology via this strategy has serious implication on industrialization in Nigeria. This strategy did not instigate technological breakthrough but rather focused on the production of consumer goods. The strategy did not improve the level of industrial growth and technological capabilities development. This is because it was a mere assemblage of items in lieu of manufacturing them locally. Contrary to the objective of the import substitution industrialisation strategy in terms of substituting domestic inputs for the imported inputs, almost all the inputs used in the local industries are imported. This suggests that import substitution industrialisation increased imports as well as external dependence. Precisely, manufacturing sector mostly was more vulnerable to economic fluctuations of countries where the raw materials and capital goods were imported as well as on foreign exchange earnings of Nigeria. Importation of inputs was dependent on revenue realised from oil which provides major foreign exchange earnings in Nigeria. However, fall in the oil prices and revenue in the 1980s affected import substitution industrialisation strategy with regards to financing the importation of inputs which resulted in the rationing of the inadequate foreign exchange among manufacturers. This in the long run led to shortages of inputs, low capacity utilization and closing down of some industries which suggests the failure of import substitution industrialization in Nigeria.

However, import substitution industrialisation was resurrected in 2013 by the present president Jonathan Goodluck administration in the automobile industry. Under the new policy 70 percent tariff was levied on imported used cars and new cars (The Guardian 19 November 2014). The policy is designed to replace imported vehicles with locally produced ones and is expected to create job opportunities.

The discussion on import substitution industrialisation in Nigeria shows that it did not encourage technical breakthrough, but it increased Nigeria's external dependence because fall in oil price during the period negatively affected the importation of inputs.

Impacts on foreign direct investment and sectors

Nigeria's industrial policy during the import substitution era failed to attract foreign investment that would enhance industrialization due to the following reasons:

(i) Inadequate infrastructural facilities.
(ii) Failure by the government to engage in joint venture with the Western Countries.
(iii) The policy was adopted during the period of political instability in Nigeria

In other hand, the Nigerian new auto policy of 2013 attracted foreign investors in automobile industry. For example, Nissan has a stake in the country's developing automobile industry and has set up its own vehicle manufacturing plants in the country on April 25 2014. It rolled out its first locally assembled vehicle, a patrol SUV at the manufacturing plant in Lagos. Peugeot has also set up its manufacturing plant in Kaduna. The policy has also attracted Hyudai into the country.

From the discussion above, import substitution industrialization strategy in the short run improved the number of participants in the manufacturing sector. This period was tagged the golden age of industrialisation in Nigeria because manufacturing grew by 1percent of GDP and the amount of medium and large scale plant in the sector from 1950 to 1965 grew by not less than 150 percent. However, they were not competitive due to the protective measures accorded them by the government (Igberaese 2013, p. 23). In the end, manufacturing sector operated at low capacity and most of them were shut down due to lack of funds to finance the importation of inputs. The policy made manufacturing sector depend on imported capital goods and raw materials which made the sector vulnerable to economic fluctuation of the exporting country. The policy impacted on the mining sector via the boost in public investment that was used to establish oil refinery, iron and steel complex and development banks for industries. The policy impacted positively on mining sector during the period of oil boom in 1970s. The policy was unable to exert impact on communication sector and also did nothing to encourage agricultural sector which should have provided agricultural input for manufacturing sector. Particularly, it did not abolish commodity board that had been fixing low prices for agricultural products/inputs. The prices for the agricultural products/input were extremely low to encourage investors and output when compared to imported agricultural input. However, export promotion industrialization strategy that was adopted after the import substitution industrialization strategy attempted to encourage investors in agricultural sector by abolishing commodity boards.

3.2: Export Promotion Industrialisation Strategy

In early 1980s Nigeria alongside other OPEC countries witnessed a fall in oil price and earnings from exports which made it impossible for Nigeria to finance the import substitution industrial strategy. With the view to restructure and stabilize the Nigerian economy, Structural Adjustment Programme was introduced in 1986. As has been discussed in the previous chapter, one of the aims of Structural Adjustment Programme of 1986 was to restructure and diversify the productive base of the Nigerian economy for the purpose of reducing dependence on oil and import. From the ongoing discussion it is suffice to say that Structural Adjustment Programme of 1986 was the basis of export promotion industrialization in Nigeria. In order to improve export, export promotion decree was promulgated by the military government in 1986. The decree abolished export license requirements for exportation of manufactured goods and introduced export credit guarantee and insurance schemes. Furthermore, exchange reforms abolished commodity boards (cocoa, cotton, rubber, palm produce and groundnut) to allow prices of the aforementioned products to be determined by the forces of demand and supply. In order to make Nigerian export competitive in the world market, foreign exchange was deregulated followed by the devaluation of the currency. Policy measures such as 100 percent retention of proceeds arising from export was adopted to encourage export. Besides, there was subsidy for using local raw material in producing export products and the establishment of export processing zones to encourage and assist exporting industries.

The goals of the export policy in the context of export promotion strategy were to increase exports of manufactured goods, improve the technological skills, increase local content of manufactured products and improve incentives for attracting foreign direct investment. An important feature of the policy was the reduction of

Nigerian's control and ownership structure of enterprises as foreigners were allowed to compete with the indigenous enterprises in other businesses except those of banking, insurance petroleum prospecting and mining. The policy introduced Debt Equity Swap to reduce Nigeria's external debt and debt servicing obligation, attracting foreign investors and diversify export. The discussion shows that export promotion industrialisation abolished obnoxious policies on export and put in place measures that encouraged export

Impacts on foreign direct investment and sectors

The policy attracted foreign investors which led to an increase in inward foreign direct investment during the period of the export promotion strategy of 1986-1995 in Nigeria which also led to an increase in the non-oil export. Non-oil export responded positively to the reforms measure of export promotion. Following a sharp depreciation in Nigeria currency, the value of non-oil export rose from 551.4 million naira in 1986 to 20.1 billion in 1995 which increased the percentage contribution of non-oil export to total export from 1986 to 1988 by 7.1 percent (Central Bank of Nigeria 2004). For the period of 1986-1995 the share of non-oil export was 5 percent (agriculture accounted for 80.5%, while manufactured goods was 8.4%) which shows that Nigerian economy was far from being diversified away from oil export. The low contribution in the non-oil export by the manufacturing industries was caused by the exorbitant prices of imported raw materials, spare parts and other inputs due to depreciation in currency.

In order to diversify Nigerian economic base in manufacturing and agricultural products export license was abolished by the export promotion industrialisation strategy and replaced with export credit and insurance schemes. At the early period (1986-1995) the policy exerted positive impact on manufacturing and agricultural exports as a result of the devaluation of Nigerian currency which made exports competitive. However, trade liberalisation that was later introduced during the period of export promotion industrialisation strategy led to an unfair competition from foreign companies and removed the protection local industries once received from the government which in turn led to deterioration of Nigerian manufacturing sector. Export promotion industrialization strategy also encouraged agricultural sector by abolishing commodity boards that under-priced agricultural products. Formerly, agricultural products were adjusted to pander to the whims and caprices of the boards. However, during the period of export promotion industrialization strategy it was determined by the market forces of demand and supply. The communication and mining sectors were not the priorities of the policy and thus had little or no impact on them.

4: Exchange Rate Policy

From 1960 to early 1970s Nigeria operated a fixed exchange rate system while from 1986 till date floating exchange rate with managed exchange rate regime is adopted. Nigeria exchange rate management are discussed in detail below.

Before 1973, Nigeria's exchange rate policy was in line with the International Monetary Fund par value or fixed exchange system. Nigerian currency is not a traded currency; its exchange rate is dictated by United States of American dollar or British pound sterling. From 1960-1967 naira (Nigerian currency) was pegged to British pound sterling. After 1967 Nigeria seized to peg naira to British pound due to the devaluation of the currency in 1967 (Central Bank of Nigeria 2006, p. 3). From 1968 onward, naira was pegged to United States of American dollar. In 1978 Nigerian currency was pegged to a basket of 12 currencies but was abolished in 1985 in favour of quoting the naira in/against the United States of American dollar. The primary objectives of a fixed exchange rate regime which entails the pegging of the exchange rate of the domestic currency to a unit of gold, a reference currency or a basket of currencies is to ensure a low rate of inflation, reduction in transaction cost in trade and to increase credibility due to stability in the exchange rate. However, its adoption implies the loss of monetary policy discretion (Central Bank of Nigeria 2004, p. 3). Nigeria witnessed appreciation in the currency in the 1970s with the exception of 1976 and 1977. This enabled Nigeria to import cheaply to implement development projects which consequently led to depletion of external reserves. Following the collapse of oil prices in the world market in 1980s a policy of gradual depreciation was adopted. Nevertheless, up to the time of Structural Adjustment Programme of 1986, exchange rate policy encouraged the overvaluation of Nigerian currency as reflected in the real exchange rate. For instance, during the fixed exchange regime the exchange rate in terms of naira to US dollar in 1970 was 0.7143 naira: US$1.00. Thereafter it appreciated to 0.5464 naira to US$1.00 through 1980 before a persistent depreciation in 1986 (Central Bank of Nigeria 2009). The major factor responsible for the exchange rate appreciation was the significant increase in oil prices and foreign exchange inflow in Nigeria. The aftermath of the real appreciation of the exchange rate was rise in imports, capital flight via trade mispricing and the negligence of agricultural sector. Between 1970 and 1985 annual agricultural products such as cocoa, rubber, cotton fell by not less than 41, 28, 64 and 63 percent respectively. In summary, Nigerian exchange rate management before 1986 was not geared towards actualising equilibrium in the balance of payment. The issue of export diversification with less import were ostracised in the exchange rate management objectives.

Following the introduction of Structural Adjustment Programme of 1986, a floating exchange rate regime with an institutional framework for its trading in a market determined environment was adopted. Succinctly, its institutional framework known as Second Tier Foreign Exchange Market (SFEM) had the onus to develop an effective mechanism of determining exchange rate as well as in allocating foreign exchange in order to guarantee balance of payments equilibrium. During the early period of the Second Tier Foreign Exchange Market, a dual exchange rate system was adopted which encouraged the introduction of two exchange rates known as official first tier exchange rate and the free market exchange rate. The former was determined and gradually depreciated by the management whereas the latter was determined by the market forces of demand and supply. The reason for the dual exchange rate system adopted by the Second Tier Foreign Exchange Market was to preclude a deliberate uniform and big depreciation in the Nigerian currency but to allow it depreciate in the free market while at the same time monetary authorities would adjust the rates until the rates in the two markets converged to produce a realistic exchange rate. In a nutshell, the objectives of the Nigerian exchange rate management during the Structural Adjustment Programme were:

(i) To maintain balance of payment equilibrium.
(ii) To stimulate non-oil export.
(iii) To encourage foreign exchange inflow and discourage outflow.
(iv) To reduce fraudulent and wasteful transactions.

In the bid to achieve the aforementioned objectives, modifications were made in the institutional framework which led to the metamorphosis of the Second Tier Foreign Exchange Market into Foreign Exchange Market (FEM), Autonomous Foreign Exchange Market (AFEM) and Dutch Auction System (DAS) in 1987.

FEM comprised official foreign exchange market and autonomous foreign exchange market. The latter was expected to compete with the parallel market and to attract exporters. However, the aim of attracting exporters was not realised due to high arbitrage premium and round tripping by the authorised dealers in the autonomous foreign exchange market. In January 1989 FEM was changed to Independent Foreign Exchange Market (IFEM). It operated a bidding system under the auspices of the Central Bank of Nigeria that injected funds in the market.

In the AFEM, the exchange rate was determined by the forces of demand and supply while the Central Bank of Nigeria intervened when the need arises to ensure stability in the exchange rate.

The DAS was re-introduced in December 14 1990. The DAS served the purposes of reducing the parallel market premium, conserve the dwindling reserves and achieve a realistic exchange rate for Nigerian currency. In this system of exchange rate management, payment is made by the authorized dealer of exchange rate who bids for foreign currency unlike where all dealers paid a determined rate. This was to prevent an outrageous high bid rates which could lead to depreciation of the currency. However, this goal was not achieved because naira witnessed depreciation.

In 1992/1993 deregulation exchange rate system was introduced in a bid to improve efficiency in the foreign market by reducing the parallel market premium. This system brought an end to quotas for commercial banks and allowed allocations to be dictated by the rates in the foreign exchange market. Central bank of Nigeria bought and sold currencies in the foreign exchange market and was expected to satisfy all requests made by the authorized dealers.

To be compendium, Nigerian exchange rate management from 1986 till date could be regarded as free float with managed float regime. Since 2002 to date Nigerian currency has been depreciating. In 2002 and 2004, exchange rate moved to 121 naira: US$1.00 and 133.5 naira: US$1.00 respectively while in 2014 it fluctuates around 150-168 naira: US$1.00 (Central Bank of Nigeria 2006 p. 5, Vanguard November 13, 2014). Under the system of floating with managed floating regime fiscal and monetary policies are used to promote internal and external balance.

The discussion on exchange rate system indicates that Nigeria has been operating free float with managed regime from the period of structural adjustment programme till date. Perhaps, policy that will diversify the economy from oil to non-oil will help to reduce the fluctuations in exchange rate cause by changes in oil price.

Impacts on foreign direct investment and sectors

Exchange rate movement influences inward foreign direct investment in Nigeria. Precisely, depreciation of Nigerian currency during the period of float with managed regime from 1986 to date exact significant positive impact on foreign direct investment in Nigeria. As can be seen in Figure 1 in the next page, foreign direct investment in Nigeria increased tremendously during the period of float with managed regime (1986 onward) when naira was depreciated based on the market forces and monetary authorities' intervention when the need arises. Depreciation increased inward foreign direct investment in Nigeria because it makes the setting up of Greenfield as well as Brownfield foreign direct investment in the country cheaper. Products are manufactured at cheaper prices both at the local and in world markets which in turn increases turnover and profit of the investor. Appreciation of the Nigerian currency on the other hand, affected the rate of inward foreign direct investment in Nigeria. The inward foreign direct investment in Nigeria during the period of naira appreciation (1960-1985) was not improving because unlike depreciation it has an opposite effect on foreign direct investment, prices and demand in the country. However, exchange rate alone could not influence inward foreign direct investment in Nigeria. Factors such as indigenisation decree of 1970s had a role to play in the low foreign direct investment in Nigeria. Furthermore, factors such as structural adjustment programme of 1986 which liberalised Nigeria economy also influenced positively the inward foreign direct investment.

The Nigerian exchange rate during the period of fixed exchange rate regime of 1970s witnessed currency appreciation which led to massive importation of capital goods for development purposes. During the period of 1970s agricultural sector was neglected due to the oil boom of the same period aggravated by the high price of agricultural exports due to currency appreciation which in turn affected the demand. Manufacturing sector was also negatively affected by the currency appreciation of the 1970s. In a nutshell, the period of fixed exchange rate regime negatively affected the Nigerian manufacturing and agricultural sectors (major contributor of Nigerian non-oil exports) by reducing Nigerian non-oil export from 1965 to 1973 by 32.2 percent (Central Bank of Nigeria 2004). During the fixed exchange rate regime mining sector witnessed an unprecedented growth due to oil boom. However, in communication sector no impact of the fixed exchange rate policy was observed. On the other hand, exchange rate policy improved exports of agricultural and manufactured products during the period of float with managed regime especially in 1986-1995 to 5 percent. From the discussion on the exchange rate system it is suffice to say that the growth in the non-oil export was as a result of currency depreciation during the float with managed regime and export promotion industrialisation strategy.

5. Ownership Policy

The promulgation of the Nigerian Enterprises Promotion Decree of 1972 was aimed at promoting the participation of Nigerians in the economy by given them control and ownership of certain businesses precluding non-Nigerians from investing in certain enterprises in the country. However, changes in policies by the successive government resulted to the enactment of Nigerian Investment Promotion Act of 1995 which opened the Nigerian economy to foreign investors. In a nutshell, this act liberalised foreign ownership of Nigerian enterprises. The Nigerian Investment Promotion Act opened the participation of foreigners in all business except those in the negative list such as production of arms and ammunition, dealing in narcotics drugs and production of military and para-military wears. Nigerians are also prohibited from investing in the above mentioned areas. This shows that outside these areas, foreigners can wholly own and operate any enterprises. However, there are isolated areas amounting to compulsory Nigerian participation. The two areas that come in here are the granting of oil exploration and production licenses, only where either an enterprise owned by Nigerian citizens or the Nigerian government has a 60 percent interest in the license (Printers digest 2013, p. 1). Furthermore, an enterprise in which foreign investors own more than 50 percent of the equity cannot get a license. With the exception of oil industry and other areas listed below, foreign investors can fix the prices at which they will buy into Nigeria securities or enterprises and buy those securities of enterprises without any need for government intrusion in terms of approval or pricing of the securities. In addition to industries contained in the negative list and oil industry (with 60 percent Nigerian ownership), below are businesses that require compulsory participation or control by Nigerians.

(i) **Aviation:** for one to be granted a license or permit in this industry, Nigerian Civil Aviation Authority ensures that the applicant is a Nigerian citizen. If the applicant is a corporate body, the company must be registered in Nigeria and controlled by Nigerians. However, this requirement does not apply if the air craft is for private use.

(ii) **Cabotage:** various restrictions abound on foreign participation in coastal and cabotage trade in Nigeria. It is only vessels owned by Nigerians and registered in Nigeria that are permitted to engage in domestic coastal carriage within the coastal, inland water or any place in the country. However, if none of the Nigerian vessels is available or suitable for a particular relevant activity, the minister in charge of shipping can grant a waiver.

(iii) **Real estate:** in Nigeria foreigners do not have right to acquire land unless the transaction under which the interest or right is acquired has been previously approved by the president or governor if it is federal or state respectively.

From the discussion in ownership it is suffice to say that the reservation of aviation industries to Nigerians alone has put the sector in moribund. As it stands now, the Nigerian Airways is not functional and government is doing practically nothing to resuscitate it. This problem arises because foreign investors are not allowed in the sector. Since 2005 till date there have been series of plane crash in Nigeria due to inadequate inspection and proper servicing of air craft by the aviation authority and Nigerian operators respectively. Furthermore, the operators provide sub-standard services because of lack of competition from foreign investors. Also, poor services exist in cabotage activity where foreign investors are not permitted. Table 2 below elucidates what we have discussed so far

Table 2: Summary of the impacts of FDI policies on sectors in Nigeria

Sectors				
Policies	**Manufacturing**	**Agricultural**	**Mining**	**Communication**
Indigenisation Policy	Fall in foreign direct investment	Fall in foreign direct investment	Fall in foreign direct investment	Fall in foreign direct investment
Import Substitution Industrialisation Policy	During the period of the policy, the contribution of this sector to GDP increased by 1%. Companies grew by not less than	Did not impact positively on the sector because of its inability to abolish commodity boards that has been	Part of the public investment was used to establish oil refinery. Oil boom during the period impacted on the growth of	Exerted no impact on the sector

	150%.	under-pricing agricultural products.	the sector.	
Export Promotion Industrialisation Policy	Exerted positive impact on the sector in the early period but deteriorated later due to competition from foreign companies as a result of trade liberalisation	Exerted positive impact on the sector in the early period. Encourage the sector by abolishing commodity boards and allowed prices for agricultural products to be determined by the forces of demand and supply.	No impact on the sector was observed.	No impact on the sector was observed.
Exchange Rate Policy	During the period of fixed exchange regime the currency appreciated and Nigeria witnessed fall in manufactured exports. Exports of manufactured products improved	During the period of fixed exchange regime the currency appreciated and Nigeria witnessed fall in agricultural exports. Exports of agricultural products	The sector witnessed an unprecedented growth due to oil boom of 1970s during the period of fixed exchange rate regime. No impact on the sector was observed during the float with managed	No impact on the sector was observed.

	during the period of float with managed regime.	improved during the period of float with managed regime.	regime	
Ownership Policy	No negative impact on the sector observed.	No negative impact on the sector observed.	No negative impact on the sector observed.	Negatively affected services in aviation and cabotage activities

Conclusion and recommendation

The first foreign direct investment policy in Nigeria was the indigenisation policy of 1972 and 1977 and its essence is to balance the domination of the Nigerian economy by the foreign countries. The policy negatively affected inward foreign direct investment in the country especially the mining sector. Nigeria's industrial policy (comprises import substitution industrialisation and export promotion industrialisation) and exchange rate policy are influenced by oil prices together with output in agriculture and manufacturing sectors. Literature on ownership policy in areas where foreign investors are not allowed to operate in Nigeria suggests reconsideration of the policy to enable improve output and services.

Following from the discussions, the research suggests the need to formulate effective policies to encourage diversification from oil to non-oil sector to ensure the macro-economic variables; the industrial policy and the exchange rate are favourable both in time of low and high oil prices in Nigeria.

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