International Journal of Foreign Trade and International Business

E-ISSN: 2663-3159
P-ISSN: 2663-3140
Impact Factor: RJIF 5.22
www.foreigntradejournal.com
IJFTIB 2022; 4(2): 06-20
Received: 07-05-2022
Accepted: 11-06-2022

Bailey Saleh
Ph.D. Department of Political Science, University of Maiduguri, Nigeria

Corresponding Author:
Bailey Saleh
Ph.D. Department of Political Science, University of Maiduguri, Nigeria

An assessment of Nigeria's foreign policy and foreign portfolio investment in the fourth republic, 1999-2020

Bailey Saleh

Abstract
Nigeria's foreign policy from independence has been geared towards earning foreign revenue and general foreign capital inflow for augmenting domestic revenue and for growing the gross national income and the economy for general development. In spite of all these efforts, yet the attraction of foreign capital and other foreign revenues from the non-oil sector are still coming in trickles; such that the country's gross national income is largely made-up of revenue from the Oil and Gas sector as well as merchandize activities. With the enthronement of civil democratic administrations in the country between 1999 and 2020, it was expected that the prosecution of domestic reforms would make the business environment clean enough for doing business. This clean domestic business environment is expected to make Nigeria's foreign policy attract more foreign capital such as Foreign Portfolio Investment to augment Foreign Direct Investment for boosting the production processes in the country in the area of industrialization and manufacturing. A manufacture-driven economy will lead to the production of exportable unique products in which the country has comparative competitive advantage in the international market. The export of these unique products and goods would earn for the country more foreign capital that will further grow the domestic economy. The study is a qualitative one where document method was adopted in generating data for the study through the scrutiny of secondary sources such as books, academic journals, magazines, newspapers, periodicals and internet facilities. The data generated was analyzed through discourse and explanatory methods. The concepts of foreign portfolio investment, foreign policy, and global political economy theory have been defined and clarified that served as framework for the study. At the end, the study has recommended for a drastic cut down on foreign merchandize activities in the country; and the re-direction of surplus profits from portfolio investment into productive ventures that will create more employment opportunities and grow the economy.

Keywords: Nigeria's foreign policy, foreign portfolio investment, foreign capital inflow, development, bond, merchandize activities

Introduction

Since Nigeria's independence in 1960 to date (2020), the political leaderships and foreign policy managers have adopted and utilized Nigeria's foreign policy instrument of economic relations to attract more foreign capital to increase the country's gross national income, grow its economy and for general development. During the First Republic, the export of primary commodities such as cocoa, groundnut, cotton, palm oil, and rubber; as well as traditional extractive minerals such as Tin, Coal, Bauxite, etc; served as the main builders of Nigeria's Gross National Income (GNI) and the economy. With the sudden explosion of oil wealth (oil boom) of the 1970s and 1980s, these traditional revenue-spinning commodities, were relegated to the background where the oil and gas sector has been serving as the major source of foreign capital and contributor to the country's Gross National Income.

As the result of fluctuating global oil prices in the international market in the 1980s, 1990s, 2000s, Nigeria's economic fortune was negatively affected where the country was forced to look outward for more enlarged foreign revenue sources to increase her Gross National Income (GNI) and grow the economy through economic diplomacy. This economic diplomatic initiative, started in 1988; was sustained and continued with up to the ushering-in of the Fourth Republic on May 29, 1999; but without attaining the desired result. Successive civilian administrations of the Fourth Republic focused more attention at the external environment for the attraction of more foreign capital (foreign revenue sources) to augment the Gross Domestic Product (GDP), increase the GNI and grow the economy. The political leaderships embark on the highest level of personal diplomatic visits to foreign countries through '*shuttle diplomacy*' to launder the hitherto battered image of the country. They utilizes the foreign policy instrument of economic relations for attracting inflow of more foreign capital through Foreign Portfolio Investment (FPI), Foreign Direct Investment (FDI), foreign goodwill, debt relief, home remittances, recovery of looted funds and other non-oil exports in the Fourth Republic.

In spite of all these efforts, the Oil and Gas (O&G) sector still maintains its leading role as the major source of foreign capital inflow (foreign revenue earner) as well as the major contributor to Nigeria's GNI. Therefore, the focus of the study is at assessing Nigeria's Foreign Policy and foreign capital inflow to the country in the Fourth Republic. The analysis is based on available records obtained from qualitative data. Therefore, the main thrust is on the assessment of the quantum and value (monetary terms) of foreign capital inflow to Nigeria through Foreign Portfolio Investment (FPI). It will also proffer solutions towards improving the domestic imperatives and Nigeria's foreign policy that will make the country's business environment clean enough to serve as a magnetic pull for both solicited and unsolicited FPI.

Aim and Objectives

The major aim of the study is to assess how Nigeria's foreign policy and economic relations under the four civilian administrations of the Fourth Republic had attracted inflow of Foreign Portfolio Investment (FPI) into the country that increased the domestic production processes, and grow the Gross National Income (GNI). This will in turn enhanced the growth of Nigeria's domestic economy and of general development. The specific objectives are:

1. To assess how Nigeria's foreign policy had attracted inflow of foreign portfolio investment that enhanced GNI, economic growth and general development of the country in the Fourth Republic.
2. To make comparison of inflow of foreign portfolio investment, foreign capital and foreign direct investment to Nigeria under each of the four Civilian Administrations of the Fourth Republic (1999-2020).
3. To make comparative assessment of general foreign investments inflow with that of foreign merchandize activities in the country in the fourth republic.
4. To compare the contributions of FPI, FDI, FCI, GDP and Merchandize activities to Nigeria's Gross National Income.
5. To suggest alternatives on how to cut down on foreign merchandize activities in the country and re-direct surplus profits from portfolio investment into productive ventures that will create more employment opportunities, increase the GDP and the GNI; as well as grow the domestic economy.

Methodology

The study is a qualitative one where secondary sources of data were utilized in generating data for the study. The research, which is an assessment of how Nigeria's Foreign Policy has attracted inflow of Foreign Portfolio Investment to the country in the Fourth Republic to augment the Gross Domestic Product (GDP) and enhanced the growth of the country's Gross National Income (GNI) and economy, is essentially descriptive and explanatory. Secondary data that are statistically-backed, are presented in tabular and graphical forms.

Sources of Data

Secondary sources were adopted and utilized in generating data for the study. Document studies was specifically utilized to scrutinize documents. Documents scrutinized include official documents such as annual reports, internal memoranda, policy manuals, circulars, bulletins and minutes of meetings. Other documents included published materials such as textbooks, academic journals, conference papers, newspapers, magazines and internet materials.

Data Analysis

This section covers the analysis of data collected/generated on general inflow of foreign capital from foreign countries, foreign private organizations, foreign private individuals and non-governmental organizations. Other areas analyzed include comparative performance of foreign revenue sources such as foreign capital, FDI and FPI inflows into the country. Comparative performance by each administration in terms of increased FPI as well as comparative performance of foreign investments with foreign merchandize activities in the country has also been carried out. The detail analysis is carried out in the succeeding paragraphs.

Conceptual/theoretical framework

The concepts of Foreign Portfolio Investment, foreign policy, economic relations as well as global political economy theory have been defined and clarified that served as frameworks for the study.

Foreign Portfolio Investment

Portfolio investment is an investment in which an investor lacks control over the investment. It typically takes the form of investments in financial assets such as bonds and stocks in which the investor does not have controlling interest. The major motivating factor is the favorable interest rate differential that is, capital flow from where it is plentiful to where it is scarce. Portfolio investment can equally be called Foreign Direct Investment where you do not have to be involved in the management. Portfolio investment can be seen as a set of shares owned by a particular person or organization in an enterprise or company. While Foreign Portfolio investment can be defined as all types of private investments received into a host country from foreign countries. Increasing interest in Foreign Portfolio Investment in emerging market economies has always attracted the attention of scholars from the theoretical and empirical perspective. Therefore, proponents of foreign portfolio investment view it as necessary additional sources of foreign capital inflows to the host economy where it improves efficiency and stimulates economic growth. It is thus viewed as a panacea for economic development by providing the capital underdeveloped countries desperately need to fill their savings-investment gap (Olokoyo, 2012, Saleh, 2018) [11, 17].

For the trios of Onwumere, Ibe, and Okpara in their study of Foreign Private Inflows and Real Sector Growth: Evidence from Nigeria, stressed on the very important role foreign portfolio investment plays in the production processes in the country. They further uphold that if well directed and handled, FPI could augment FDI in the production processes in the country (Onwumere, *et al*. 2014) [13].

For group of scholars like O'Connor & Iscariot and Lebragacio, they upheld that from the neoclassical theory, growth is achieved by increasing the quantity of factors of production optimally. In order of their prepotency, the two most important factors of production are labour and capital, which is facilitated through direct domestic investment, foreign direct investment and foreign portfolio investment. This situation arises owing to shortage of domestic savings in these countries (especially the developing countries), which places constraint on capital formation and hence growth. Even where domestic inputs (domestic savings through the surplus pension fund savings) in addition to labour, are readily available as in the case of Nigeria; there is need for additional imported foreign inputs to augment Nigeria's production processes. It is in view of this, that O'Connor and Iscariot upholds that international capital flows has become an important means of helping developing countries to overcome their problem of capital shortage. Lebragacio on his part suggests that capital will move from countries where it is in abundance to countries where it is scarce. Moreover, it is believed that the resultant capital relocation will boost investment in the recipient country (O'Connor and Iscariot, 2010; Lebragacio, 2010) [10, 8].

For Knill (2005) [7], he opens his conceptualization with a question on how Foreign Portfolio Investment can bridge the Small Firm Financing Gap around the World. A survey of the pockets of empirical works at his disposal reveals divergence of views. He went further and examine the impact of foreign portfolio investment on small firms and finds that it helps to bridge the gap between the amounts of financing small firms require and that which they can access through the capital markets. Specifically, he finds that foreign portfolio investment is associated with an increase ability to issue publicly traded securities for small firms in all nations, regardless of property rights development. This study concurs with the views of Knill because it believes that the continuous inflow of genuine Foreign Portfolio Investment to Nigeria's domestic economy will have ripple positive effects on employment generation, wealth creation, economic growth and general development of the country.

Durham (2005) [3] views seem to be at divergence with the views of scholars treated above. In his empirical study on the effects of foreign portfolio investment and "other" foreign investments on economic growth, using cross-country data; he observes that FPI has no effect on economic growth and does not correlate positively with macroeconomic volatility. This study will likewise disagree with the position of Durham because Foreign Portfolio Investment has a serious part to play in the production processes in any country for the fact that labour, capital, skills, technology, etc. are involved.

Foreign Policy

Foreign policy, which is a sovereign instrument, can be defined as one of those public policies prosecuted by government to attain its broad goals across its national boundaries. In the same vein, foreign policy has been defined by Kegly and Wittkopt (1993, p.44) [6] as those goals that officials representing nation-states seek abroad, the values that underline these goals and the means/instruments used to pursue them. Though their views are useful, but they seem to limit foreign policy to the domain of public officials where critical inputs from the private sector and the citizens are shutout. A more simplistic definition by Northedge (1968) sees foreign policy as an inter-play between the outside and the inside. The definition suggests that foreign policy is a reaction to external stimuli while reflecting domestic realities. Iyan (1993, p.44) [5] is of the view that foreign policy is mostly prosecuted for the protection of the national interests. These national interests according to him constitutes such factors as; economic and social wellbeing of citizens as well as security and integrity of the country. His view seems to fit the purpose of Nigeria's foreign policy and economic relations towards expanding the country's foreign revenue sources. A more recent empirical work by Bailey Saleh saw him summarizing the definition of foreign policy as one of those public policies formulated domestically by making the domestic environment conducive enough to pursue foreign policy goals (among which is economic) in the country's external environment (Saleh, 2018) [17].

Economic Relations

Generally economic relations is the interaction and transactions that takes place between state-actors or even with non-state actors for the purpose of gaining economic rewards and benefits. It has also been broadly defined by Olusanya and Akindele (1986, p.11) [12] as a critically important component, the heart and cobweb of a country's international pre-occupation, engagement and foreign policy transactions; where the guaranteeing of the economic wellbeing of a nation's citizens is the ultimate or hallmark of a successful public policy. They went on to add that, it is for this reason that great attention is usually being, paid to external economic relations by government of most countries. Their views seem to bring clarity to the fact that economic relations is increasingly becoming the arrowhead of a nation's foreign policy; more especially in a mutually interdependent globalize world. On his part, Bailey Saleh defines economic relations as the deliberate utilization of domestic policies that will make the domestic environment clean enough for the pursuit of all economic interests (trade, investment, foreign goodwill, remittances, exports, etc.) of a given country across its borders. A very stable domestic environment (socially, politically and economically) can serve as a strong base for the conduct of reward yielding economic relations. He further construes economic relations as the aggregation and pursuit of all economic interests of a given country across its borders (Saleh, 2019) [18].

Global Political Economy Theory (International Political Economy Theory)

The Global Political Economy Theory also called International Political Economy Theory; was popularized by Robert Cox (1987) [2] and Robert Gilpin (2001) [4] who threaded on the path of David Ricardo (1951) [14] and Adam Smith (1776). The theory looks at how power relations, international economics and politics interact in the international environment. They maintain that there are three main strands of International Political Economy, which include Economic Liberalism, Mercantilism and Marxism. However, economic globalization is the fourth strand which they omitted.

Economic Liberalism, following in the tradition of Adam Smith and David Ricardo, stresses the value of a capitalist market economy that operates according to its own laws and, when freely allowed to do so, maximizes benefits for individuals, companies and nations. The World Trade Organization (WTO) embodies the values espoused by this strand of International Political Economy**.**

Mercantilism holds that the economy should be used to enhance state power, and thus be subordinate to politics. Protectionist and other policies that minimize dependence on other states are promoted, as well as policies of state-led development.

Marxism sees the economy as a crucible of exploitation and inequality between classes, one in which the dominant economic class also dominates politically. It holds that capitalist development contains contradictions that will eventually produce crisis conditions affecting both social classes and nation states. Within International Political Economy Theory, "world system theory" describes the capitalist international economic system as consisting of core, peripheral and semi peripheral areas defined by their modes of labor control and specializations. In doing so, these theorists promote greater recognition of how underdeveloped countries are exploited by those with the monopoly of global capital.

Economic globalization is the fourth strand of the nascent international political economy, which the western worlds have devised through the New Global Agenda. The economic liberalization agenda was so fashioned by the industrialized north to, further entangle the unfortunate underdeveloped countries by perpetually incorporating them into the traps of international finance and capital. With this subtle global economic policy, it will further opened-up the economies of third world countries to more exploitation by the industrialized countries. This will further exacerbate the entanglement of their economies to International Finance Capital and of their perpetuation to the shackles of dependency (Gilpin, 2001, Saleh, 2008) [4, 16].

Therefore, as it was with economic liberalism and mercantilism, economic globalism shielded by convergence theory, is an advance form and a more lethal instrument for the plunder and exploitation of the resources of third world countries. This is because the formulation of these NGA, are exclusive to the Northern hemisphere. The unfortunate countries of the South were not consulted at the formulation stage; but were forced not only to accept, but also to domesticate these NGA at their perils. This is to further increase Western prosperity and their perpetual dominance of international affairs (Wallerstein, 1989; Saleh, 2008) [19, 16].

Foreign private investment inflow to Nigeria in the fourth republic, 1999-2020

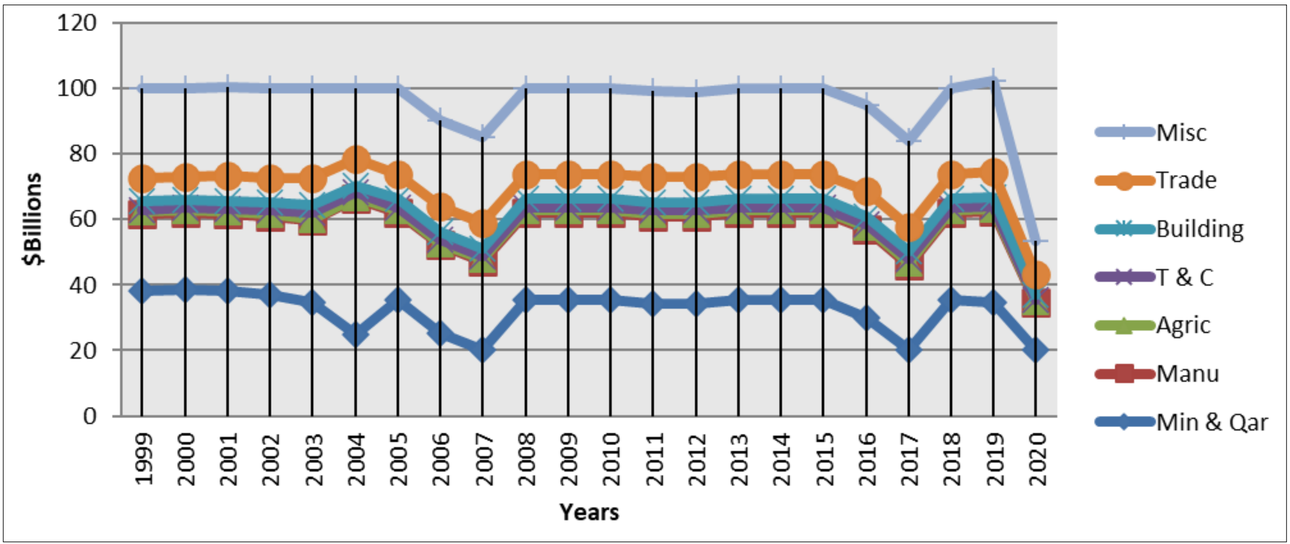
Data available to the researcher shows that Foreign Private Investment have been attracted into Nigeria in the Fourth Republic in the following sectors: Manufacturing & Processing, Agriculture, Forestry & Fisheries, Transport & Communication, Building & Construction, Trade & Business Services and Miscellaneous Services. Detailed performances of these sectors are as presented in Table 1 and Figure 1 below:

Table 1: Overall Foreign Private Investment in Seven Key Sectors in the Fourth Republic, 1999-2020 (in $millions)

S/No.	Year	Min & Quar	Manu	Agric	T & C	Build	Trade	Misc.	Cumulative
1.	1999	38.2	23.5	0.8	0.5	2.6	7.1	27.3	100
2.	2000	38.5	23.7	0.8	0.5	2.5	7.1	26.8	99.9
3.	2001	38.3	23.5	0.8	0.6	2.6	7.5	27.1	100.4
4.	2002	37.0	24.0	0.7	1.0	2.6	7.4	27.3	100
5.	2003	34.6	25.0	0.7	1.6	2.5	8.1	27.5	100
6.	2004	24.9	41.3	0.5	1.7	2.1	8.1	21.5	100
7.	2005	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
8.	2006	25.3	26.8	0.7	1.0	2.5	7.6	26.3	95.2
9.	2007	20.3	26.8	0.7	1.0	2.5	7.6	26.3	85.2
10.	2008	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
11.	2009	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
12.	2010	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
13.	2011	34.3	25.8	0.7	1.0	2.5	7.6	26.3	98.2
14.	2012	34.3	26.8	0.7	1.0	2.5	7.6	26.1	99.0
15.	2013	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
16.	2014	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
17.	2015	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
18.	2016	30.1	26.8	0.7	1.0	2.5	7.6	26.3	95.0
19.	2017	20.3	25.8	0.7	1.0	2.5	7.6	26.1	84.0
20.	2018	35.3	26.8	0.7	1.0	2.5	7.6	26.3	100.2
21.	2019	34.7	27.8	0.7	1.0	2.6	8.0	27.7	100.0
22.	2020	20.1	14.5	0.3	0.7	1.6	5.9	10.5	53.6
	Total	713.2	579.5	15.1	21.6	54.1	165.6	563.7	2,112.3

Source: Generated by the Researcher in 2019 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019

Key: Min = Mining and Quarrying, Manu = Manufacturing & processing, Agric = Agriculture, Forestry & fisheries, TC = Transport & Communication, Build = Building & Construction, Trade = Trading & Business Service, Misc = Miscellaneous Services



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Key: Min=Mining and Quarrying, Manu = Manufacturing & processing, Agric = Agriculture, Forestry & fisheries, TC = Transport & Communication, Build = Building & Construction, Trade = Trading & Business Service, Misc = Miscellaneous Services.

Fig 1: Overall Foreign Private Investment in Seven Key Sectors in the Fourth Republic, 1999-2020 (in $millions)

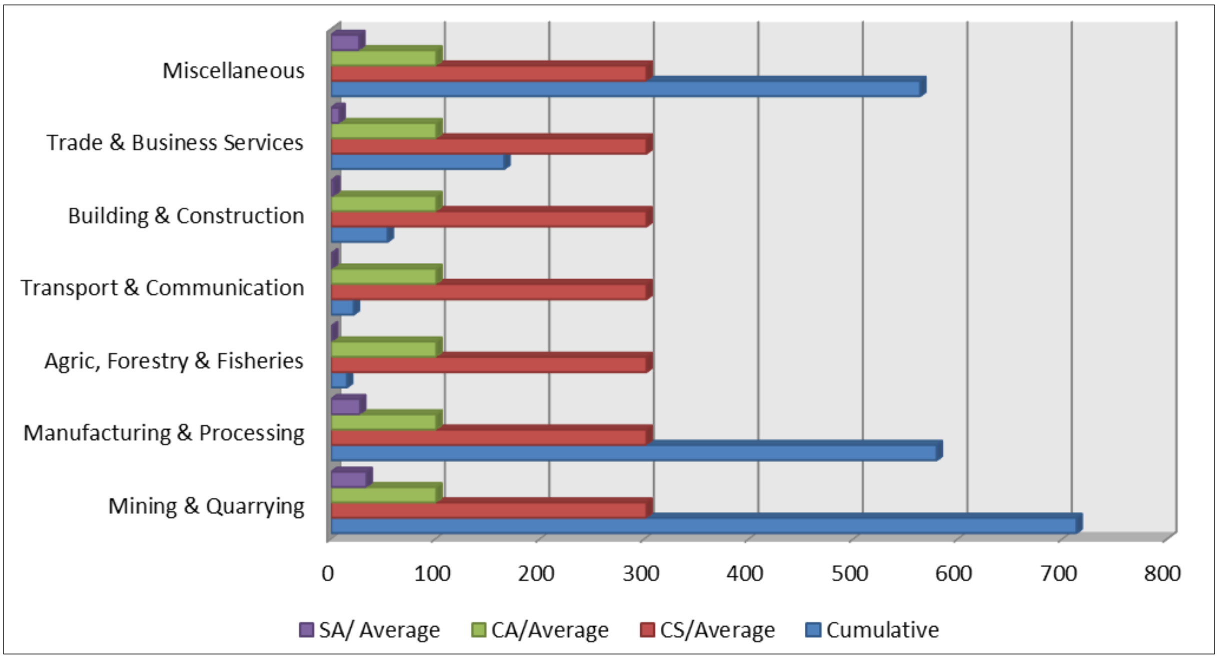
From Table 1 above, total Foreign Private Investment inflow to Nigeria in the Fourth Republic (1999-2020) stands at $2,112.7 billion. The annual average for each of the identified seven sources are as follows: Mining & Quarrying is $33.1m, Manufacturing & Processing is $27.6 million, Agriculture, Forestry & Fisheries is $0.7 million, Transport & Communication is $1.0 million, Building & Construction is $2.6 million, Trade & Business Services is $7.9 million; and Miscellaneous Services is $26.8 million bringing the total to $100.5 million.

The cumulative annual average for each of the seven sources of FPI stands at $100.59 million; while the cumulative sources average for each stands at $301.76 million. All these with their percentages are as presented in Table 2 and Figures 2 and 3 below:

Table 2: Cumulative Foreign Portfolio Investment, Source Average, Cumulative Source Average Cumulative Annual Average and Percentage in Seven Key Sectors in the Fourth Republic, 1999-2020 (in $millions & in %)

S/No.	Sector	Cumulative	CS/Average	CA/Average	SA/Average	%
1.	Mining & Quarrying	713.2m	301.76m	100.59m	33.9m	35%
2.	Manufacturing & Processing	579.5m	301.76m	100.59m	27.6m	27%
3.	Agriculture, Forestry & Fisheries	15.1m	301.76m	100.59m	0.7m	1%
4.	Transport & Communication	21.6m	301.76m	100.59m	1.0m	1%
5.	Building & Construction	54.1m	301.76m	100.59m	2.6m	2%
6.	Trade & Business Service	165.6m	301.76m	100.59m	7.9m	8%
7.	Miscellaneous Services	563.7m	301.76m	100.59m	26.8m	26%
	Total	2,112.3bn	2,112.3bn	704.13m	100.5m	100%

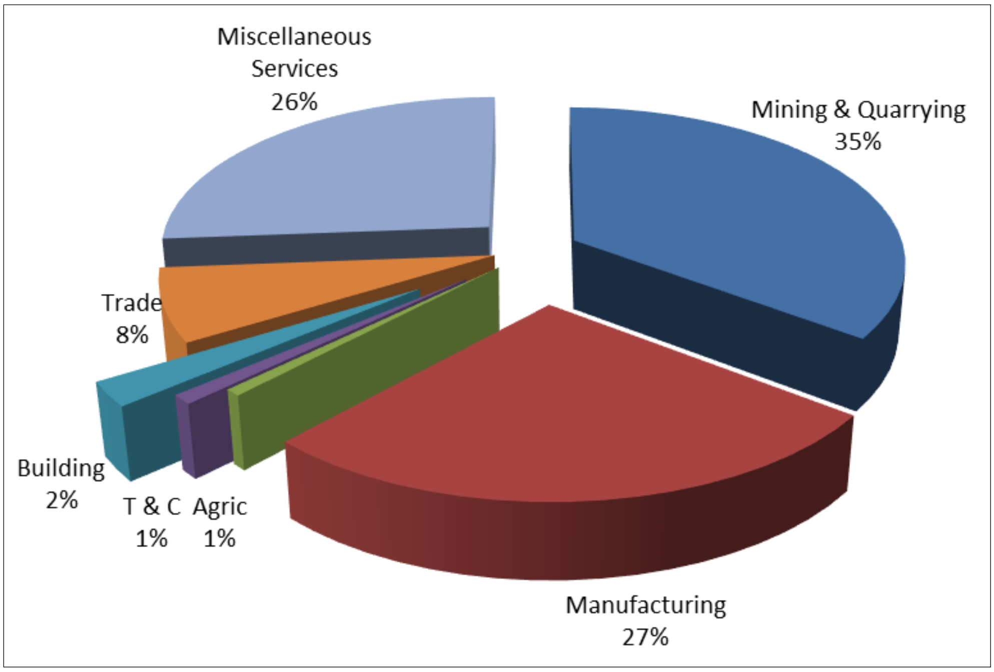
Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Key: CS/Average = Cumulative Source Average; CA/Average = Cumulative Annual Average; SA/Average = Source Annual Average.

Fig 2: Cumulative Foreign Private Investment, Source Average, Cumulative Source Average and Cumulative Annual Average in Seven Key Sectors in the Fourth Republic, 1999-2020 (in $m)



Source: Generated by the Researcher in 2019 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019

Fig 3: Cumulative Foreign Portfolio Investment inflow to Nigeria in the Fourth Republic, 1999-2020 (in %)

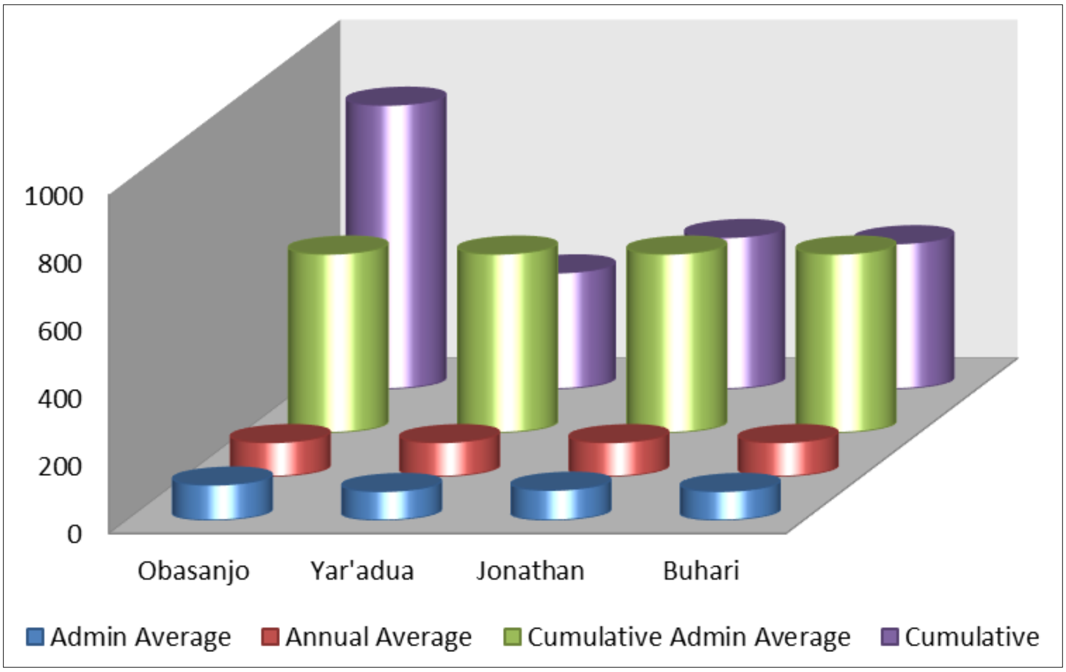
Comparative Performances of Foreign Portfolio Investment of the Four Civilian Administrations of the Fourth Republic, 1999-2020

The comparative inflow of foreign portfolio investments of the four administrations shows Obasanjo leading with $838.3 million representing 40% of the grand total of $2,112.3million. It is followed by Buhari with $483.6 million (23%) in the second position, Jonathan with $447.7 million (21%) in the third position; and Yar'adua with $343.2 million (16%) occupying the fourth position and the last. This is as presented in Table 3 and Figures 4 and 5 below:

Table 3: Summary of Foreign Portfolio Investment Inflow to Nigeria of the Four Civilian Administrations of the Fourth Republic, 1999-2020(in $billions & in %)

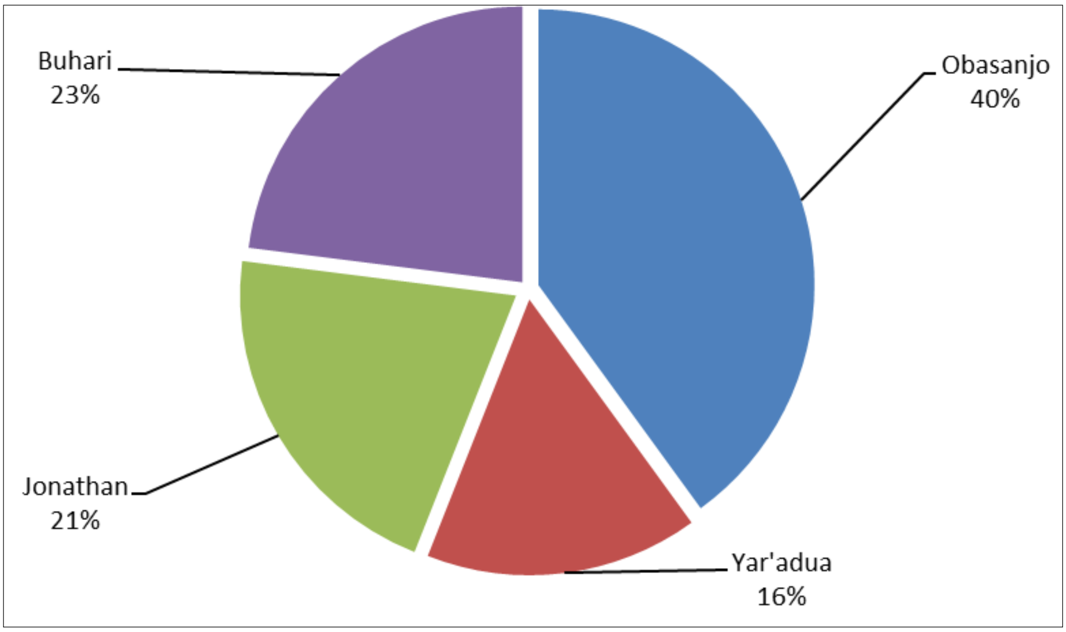
S/No.	Administration	Cumulative	Cumulative Admin Average	Administration Average	Annual Average	Percentage
1.	Obasanjo	$838.3m	528.08m	$104.8m	$100.69m	40%
2.	Yar'adua	$343.2m	528.08m	$85.8m	$100.69m	16%
3.	Jonathan	$447.7m	528.08m	$89.5m	$100.69m	21%
4.	Buhari	$483.6m	528.08m	$96.7m	$100.69m	23%
	Total	$2,112.3bn	$2,112.3bn	$376.8m	$402.36m	100%

Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020



Source: Generated by the Researcher in 2019 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 4: Comparative Performances of Foreign Portfolio Investment inflow to Nigeria of the Four Civilian Administrations of the Fourth Republic, 1999-2020 ($m)



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 5: Comparative Performances of Foreign Portfolio Investment inflow to Nigeria of the Four Civilian Administrations of the Fourth Republic, 1999-2020 (in %)

From Table 3 and Figures 4 and 5 above, there was underperformance by the remaining three administrations after Obasanjo because of poor handling of domestic issues such as security challenges, culture of impunity and the rubbishing of the anti-corruption war started by Obasanjo. The introduction of the unpopular concept of 'plea bargain' by Yar'adua's administration which was continued with by Jonathan's administration, served as a great deterrent to foreign investors more especially foreign portfolio investors that were scared from investing their capital in a risky environment. Buhari's administration that rejuvenated the fight against corruption could not attract much Foreign Portfolio Investment because it is still being bugged down by the growing intensity of insurgency, cattle rustling and armed banditry in the country. His poor performance in this regard can also be attributed to the economic recession occasion by his administration that lasted for almost two years. While the average performance of each of the four civilian administration stands at $100.69 million, their individual administration's average on the other hand differs with Obasanjo leading with $104.8 million, followed by Jonathan with $89.5 million, Buhari with $96.7 million and Yar'adua with $85.8 million.

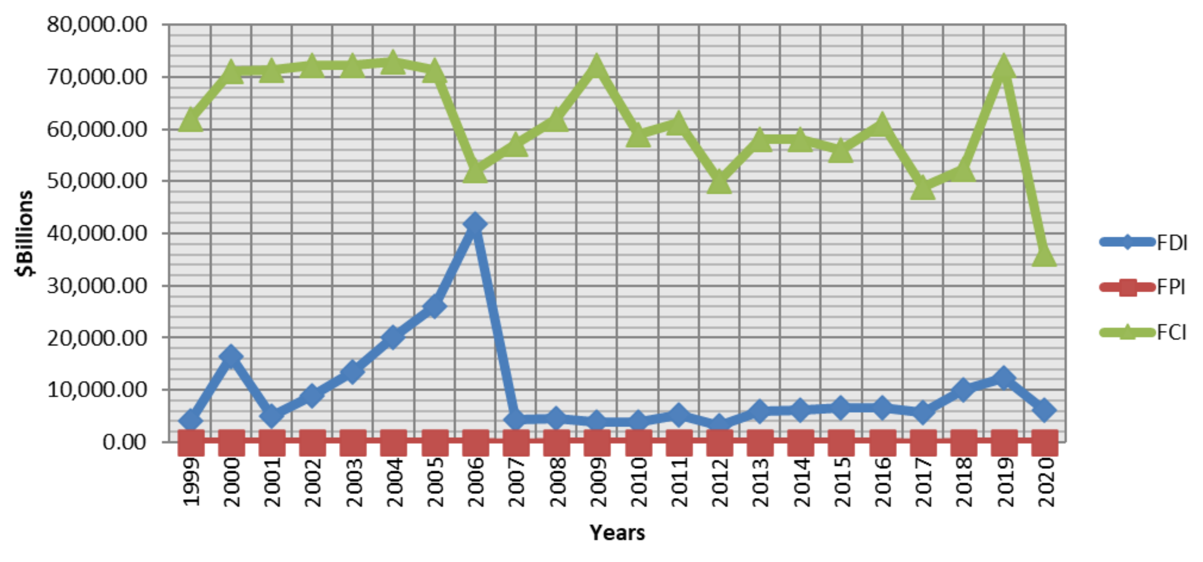
Comparison of Foreign Capital Inflow, Foreign Direct Investment and Foreign Portfolio Investment Inflow to Nigeria in the Fourth Republic, 1999-2020

In spite of the successes recorded in Table 1 above with regard to the inflow of foreign private capital to Nigeria between 1999 and 2020; the comparative analysis of the performance of the three, has portrayed a huge underperformance of the entire foreign investments. The combined performance of both the FPI and FDI fell below 11% (10.2% to be precise) of the total FCI received for the period of the study. This does not auger well for country aspiring to be one of the leading 20 global economies beyond the year 2020. It is instructive to point out here that serious aspirants to the apex of global economies, relies heavily on manufacturing and industrialization to grow their economies and generally develop their countries. This they do through stimulation of domestic direct investment and the attraction of genuine foreign investors (FDI & FPI) to invest in the productive sectors of their economies. This creates large employment opportunities for their citizens and also bring them out of poverty. The detailed comparative performance of the three (FCI, FDI & FPI) is as presented in Table 3 and Figures 6 & 7 below:

Table 3: Comparison of Foreign Capital Inflow, Foreign Direct Investment and Foreign Portfolio Investment Inflow to Nigeria in the Fourth Republic, 1999-2020

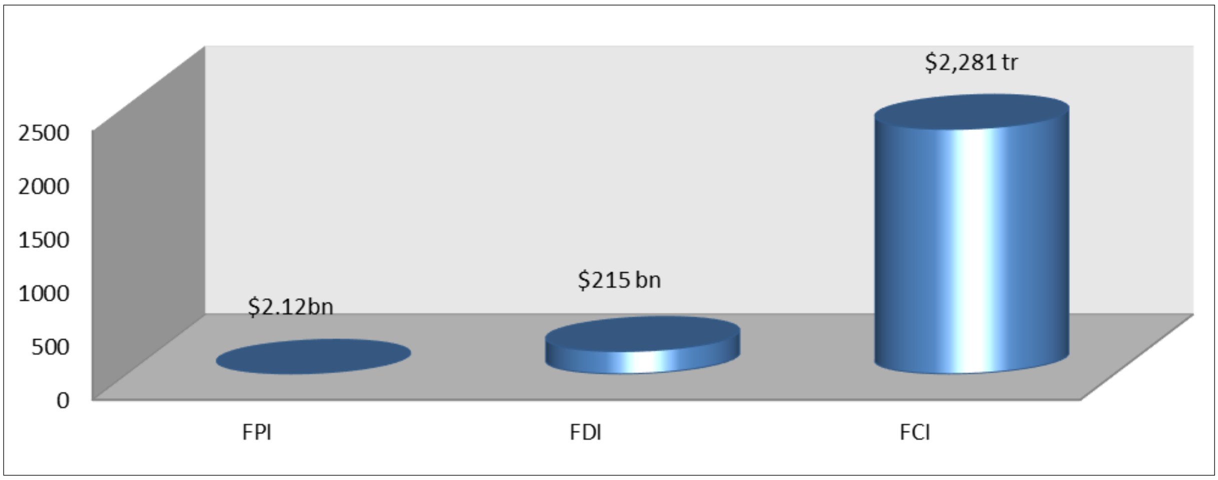
Year	Foreign Capital Inflow	Foreign Direct Investment	Foreign Portfolio Investment
1999	$62,000.16bn	$4,035.50bn	$0.100.0bn
2000	$71,000.16bn	$16,453.60bn	$0.099bn
2001	$71,263.16bn	$4,937.00bn	$0,100bn
2002	$72,163.16bn	$8,988.50bn	$0.100bn
2003	$72,263.16bn	$13,531.20bn	$0.100bn
2004	$73,000.16bn	$20,064.40bn	$0.100bn
2005	$71,263.16bn	$26,083.70bn	$0.100bn
2006	$52,140.16bn	$41,734.00bn	$0.095bn
2007	$57,263.16bn	$4,324.15bn	$0.085bn
2008	$62,000.16bn	$4,659.15bn	$0.100bn
2009	$72,263.16bn	$3,810.25bn	$0.100bn
2010	$59,000.16bn	$3810.25bn	$0.100bn
2011	$61,263.16bn	$5,304.11bn	$0.098bn
2012	$50,130.16bn	$3,199.89bn	$0.099bn
2013	$58,163.16bn	$6,000.00bn	$0.100bn
2014	$58,000.16bn	$6,115.00bn	$0.100bn
2015	$56,063.16bn	$6,545.00bn	$0.100bn
2016	$61,160.16bn	$6,630.00bn	$0.095bn
2017	$49,000.16bn	$5,690.10bn	$0.084bn
2018	$52,263.16bn	$10,078.37bn	$0.100bn
2019	$72,263.16bn	$12,386.67bn	$0.100bn
2020	$36,131.58bn	$6,193.34bn	$0.052bn
Total	$2,281.131tr	$215.193bn (9.3%)	$2.112bn (0.09%)

Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 6: Comparison of Foreign Capital Inflow, Foreign Direct Investment and Foreign Portfolio Investment in the Fourth Republic, 1999-2020 ($bn.)

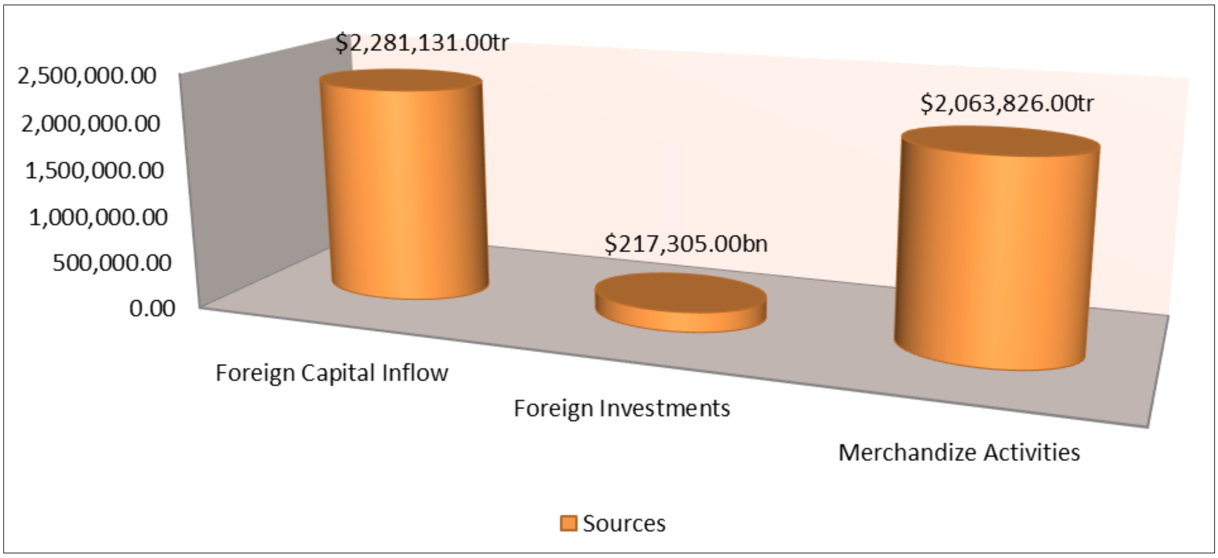


Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 7: Summary of Comparison of Foreign Capital Inflow, Foreign Direct Investment and Foreign Portfolio Investment in the Fourth Republic, 1999-2020 ($ billions)

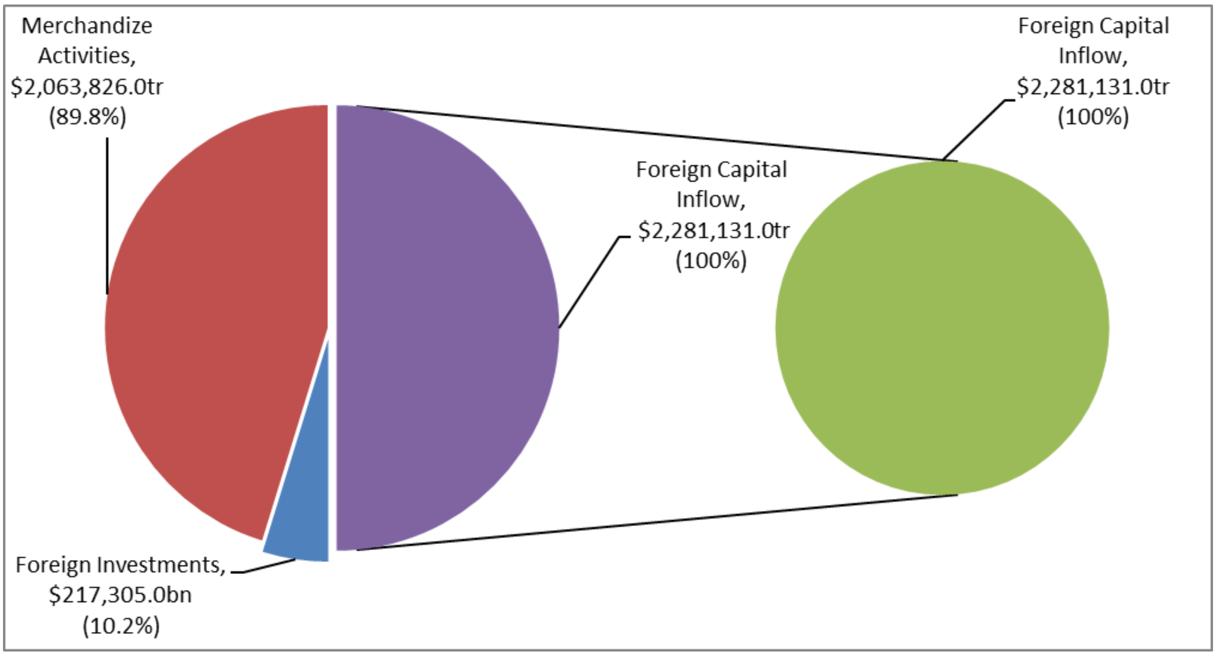
Comparison of Cumulative Foreign Capital Inflow, Foreign Investments and Merchandize Activities in Nigeria in the Fourth Republic, 1999-2020

The cumulative foreign capital inflow to Nigeria in the Fourth Republic (1999-2020) stand at $2,281.131trillion. This covers Foreign Portfolio Investment, Foreign Direct Investment and merchandize activities. Details of the comparison are as presented in Figures 8 and 9 as well as the accompanying analysis below:



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019m 2020

Fig 8: Comparison of Cumulative Foreign Capital Inflow, Foreign Investments and Merchandize Activities in Nigeria in the Fourth Republic, 1999-2020 (in $billions)



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 9: Comparison of Cumulative Foreign Capital Inflow, Foreign Investments and Merchandize Activities in Nigeria in the Fourth Republic, 1999-2020 (in $billions & in %)

From Table 3 and Figures 6, 7, 8 & 9 above, the total Foreign Capital Inflow (FCI) to Nigeria in the Fourth Republic, 1999-2020 stands at $2,281.131trillion. Out of this total FCI, $217,305.0bn representing 10.2% was dedicated to Foreign Investments that comprises Foreign Direct Investment with total of $215,193.00bn representing 9.3%; and Foreign Portfolio Investment with $2.112bn representing 0.09%. A very huge balance of $2,063,826trillion representing 89.8% went to Merchandize Activities. This is not a healthy development and it indicates underperformance by Nigeria's foreign policy to support its economic relations instrument for directing these huge foreign capital inflows away from merchandize activities to domestic production through FDI and FPI. The implication of the dominance of Nigeria's economy by these foreign hawkers (merchants) is that it creates more employment in the home countries of the producers of these manufactured/finished goods/products and the exacerbation of unemployment/poverty in the host country (in this case Nigeria). This portrays Nigeria as one of the leading consumer nations of the world and the number one global dumping ground for all manners of manufactured/finished foreign goods.

Comparison of the Contributions of Foreign Capital Inflow (Merchandize Activities, FI, FDI, FPI,) and Gross Domestic Product to Nigeria's Gross National Income in the Fourth Republic, 1999-2020

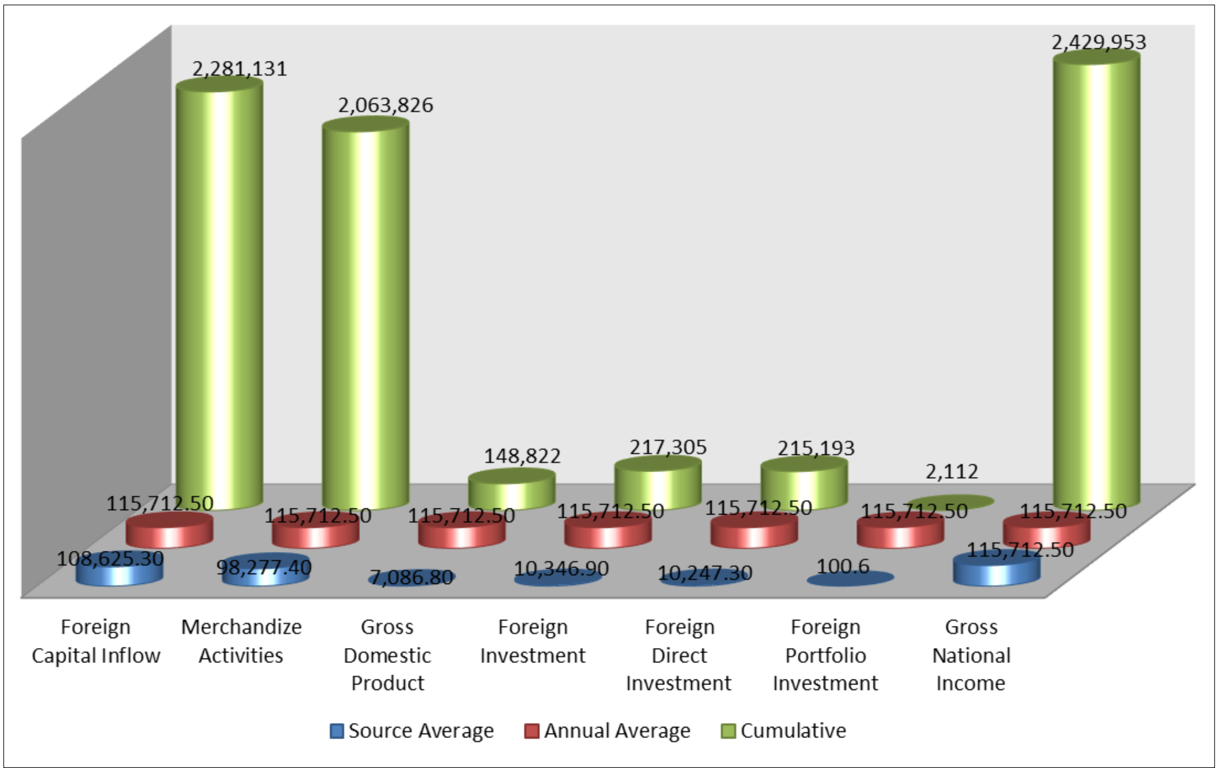
The comparison of the contributions of Foreign Capital Inflow (which comprises – Merchandize Activities, Foreign

Investment, Foreign Direct Investment and Foreign Portfolio Investment) and Gross Domestic Product (GDP); is done with a view of ascertaining the share of Foreign Portfolio Investment (FPI) to the overall Gross National Income (GNI) for the period of the study. This is as presented in Tables 4 & 5 and Figures 10, 11, 12 and 13 below:

Table 4: Comparison of the Contributions of Foreign Capital Inflow (Merchandize Activities, FI, FDI, FPI) and Gross Domestic Product to Nigeria's Gross National Income in the Fourth Republic, 1999-2020($bn & %)

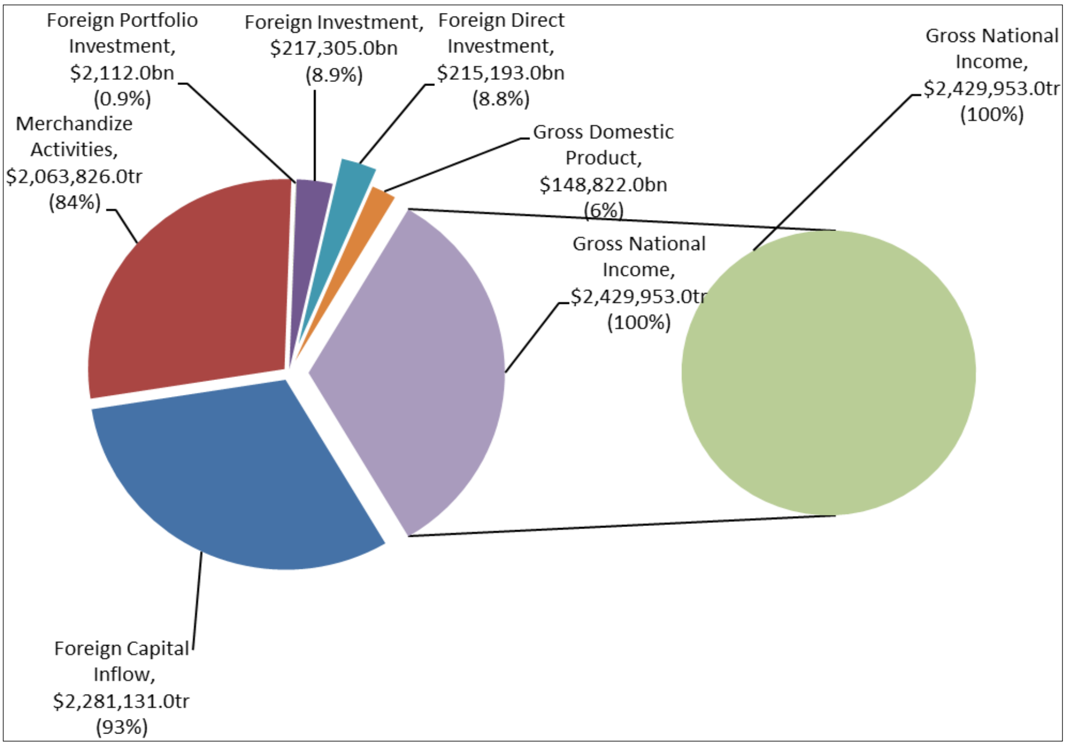
Source	Amount	Source Average	Annual Average	Percentage
Foreign Capital Inflow	2,281,131tr	108,625.3bn	115,712.5bn	93%
Merchandize Activities	2,063,826tr	98,277.4bn	115,712.5bn	84%
Gross Domestic Product	148,822bn	7,086.8bn	115,712.5bn	6%
Foreign Investment	217,305bn	10,345.9bn	115,712.5bn	8.9%
Foreign Direct Investment	215,193bn	10,247.3bn	115.712.5bn	8.8%
Foreign Portfolio Investment	2,112bn	100.6bn	115,712.5bn	0.9%
Gross National Income	2,429,953tr	115,712.5bn	115,712.5bn	100%

Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020; NBS, 2019



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020

Fig 10: Comparison of the Contribution of FCI (Merchandize Activities, FI, FDI, FPI) and GDP to Nigeria's Gross National Income ($Billions)



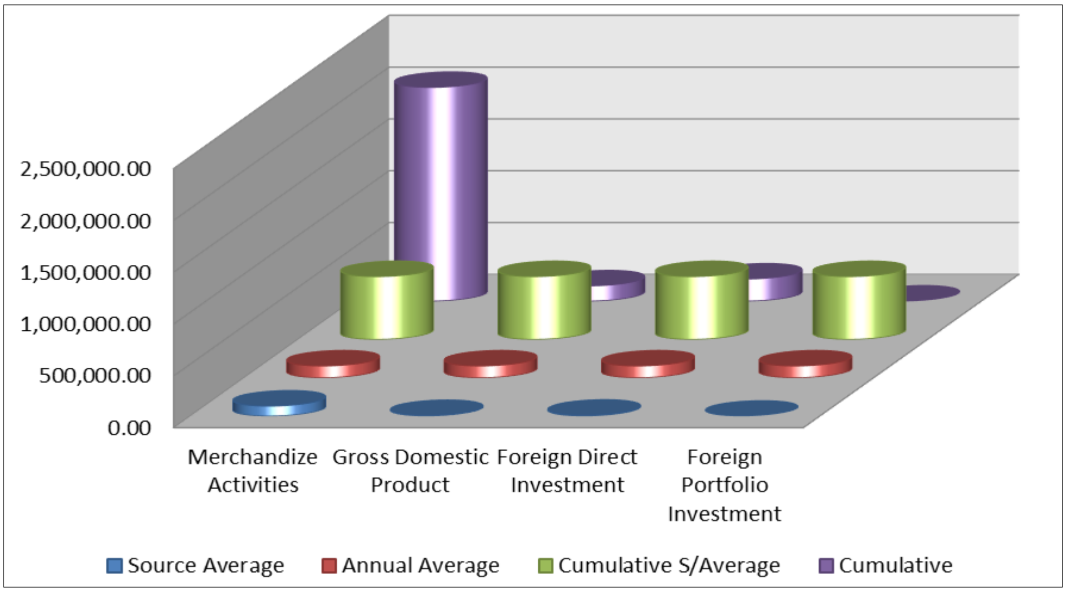
Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020; NBS, 2019

Fig 11: Comparison of the Contributions of FCI (Merchandize Activities, FI, FDI, FPI,) and GDP to Nigeria's Gross National Income (in $Billions and in %)

Table 5: Comparison of the Contributions of Foreign Merchandize Activities, Foreign Direct Investment, Foreign Portfolio Investment and Gross Domestic Product to Nigeria's Gross National Income in the Fourth Republic, 1999-2020(in $Billions & in %)

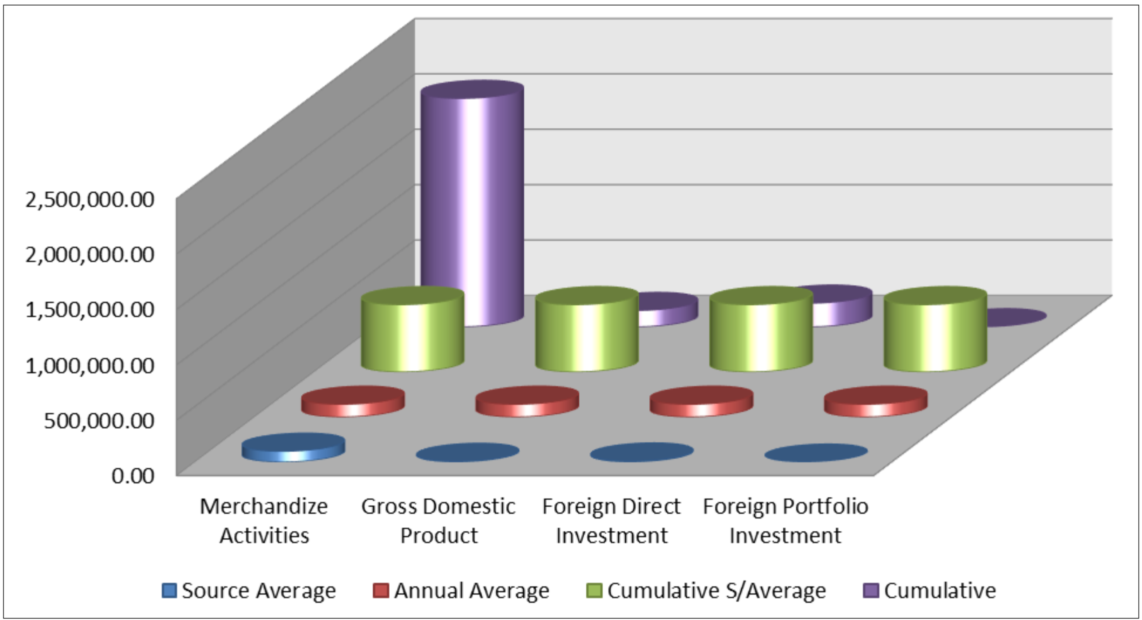
Source	Amount	Cumulative Source Average	Source Average	Annual Average	Percentage
Merchandize Activities	$2,063,826tr	$607,488.25bn	$98,277.4bn	$115,712.5bn	84%
Gross Domestic Product	$148,822bn	$607,488.25bn	$7,086.8bn	$115,712.5bn	6%
Foreign Direct Investment	$215,193bn	$607,488.25bn	$10,247.3bn	$115.712.5bn	9%
Foreign Portfolio Investment	$2,112bn	$607,488.25bn	$100.6bn	$115,712.5bn	1%
Gross National Income	$2,429,953tr	2,429,953tr	$115,712.5bn	$462,848.40bn	100%

Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020; NBS, 2019



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020; NBS, 2019

Fig 12: Comparison of the Contribution of Merchandize Activities, Foreign Investment, Foreign Portfolio Investment and Gross Domestic Product to Nigeria's Gross National Income ($Billions)



Source: Generated by the Researcher in 2020 as adapted from Central Bank of Nigeria Statistical Bulletin, 2004, 2018, 2019; World Bank, 2010, 2018, 2019, 2020; NBS, 2019

Fig 13: Percentage Comparison of the Contribution of Merchandize Activities, Foreign Investment, Foreign Portfolio Investment and Gross Domestic Product to Nigeria's Gross National Income (%)

From Tables 4 & 5 and Figures 10, 11, 12 & 13 above, Foreign Capital Inflow to Nigeria was $2,281,131 trillion representing 93% of the country's Gross National Income (GNI) which is $2,429,953 trillion; as against the Gross Domestic Product (GDP) which is $148,822 billion representing 6% of the GNI. This shows that Nigeria depends almost entirely on foreign capital inflow to finance her annual national budget, which is not so healthy for the country in view of unforeseen circumstances such as collapse of global oil price and the Corona Virus 2019 (COVID-19) pandemic that paralyses the economies of even developed countries as the result of shutdown/lockdown. The share of Merchandize activities which is $2,063,826 trillion representing 84% of the GNI portrays the country as highly dependent on foreign products and goods (consumables) instead of relying heavily on Foreign Direct Investment to boost production processes for the manufacture of unique local products and goods for local use and export. The performance of Foreign Portfolio Investment, which is $2.112billion representing 0.9% of the GNI indicate underperformance of Nigeria's foreign policy where it failed to support its economic relations instrument towards attracting more genuine foreign portfolio investors to bring in more foreign capital and invest in the domestic economy. In the same vein, FDI's share of the GNI indicates underperformance with $215,195 billion representing 8.8%. While, the total Foreign Investment of $217,305 billion, which represents 8.9% share of Nigeria's GNI for the period of the study; shows serious underperformance, where it failed to boost production processes in the country that would have increased the hitherto very low GDP. This poor performance of foreign investment is also not healthy for the country's aspiration of being one of the top 20 global economies beyond the year 2020.

Summary of Findings

1. The study has established that even though Foreign Portfolio Investment has been attracted into the country between 1999 and 2020, the share of FPI to Nigeria's Gross National Income (GNI) is 0.9%. This is highly insignificant compared to the towering performance of the Merchandize activities at 84%. In addition, the few attracted FPI were not directed much in productive ventures that would have absorb domestic labour and create wealth for the citizens and the country.
2. That there was lack of appropriate fiscal and monetary policies for the restriction of importation of finished goods and products into the country; that would have cut down on foreign merchandize activities in the domestic environment.
3. The study further established that the political leadership failed to encourage and promote the domestication of foreign private manufacturing outfits and companies that ought to have been tilted more in the utilization of local content (local strategic thinking and raw materials) for the manufacture of local unique products with comparative competitive advantage in the international market. The export of these branded made in Nigeria goods and products will expand Nigeria's foreign revenue sources that will increase the GNI, grow the economy and lead to general domestic development.
4. The study has established that the share of Gross Domestic Product to the Nigeria's Gross National Income (GNI) is 6%. This when compared to the towering performance of the Foreign Capital Inflow at 93% shows the country as dependent on foreign revenue to sustain its domestic economy.

Conclusion

From the analysis so far, it can be concluded that Nigeria's foreign policy through its economic relations instrument in the Fourth Republic has attracted foreign capital that led to steady increase in the inflow of Foreign Portfolio Investment to the country. Statistical data indicated that each of the four civilian administrations of the Fourth Republic, have worked hard towards attracting more foreign portfolio investment for improving the country's GNI and growing the economy during the period of the study. The study has also observed that attracted FPI during the first eight years of the Fourth Republic, which falls under the administration of President Obasanjo, has performed very well with a towering foreign capital inflow of $838.3million (40.7%) billion; which is more than one-third of the total foreign portfolio investments of the four civilian administrations put together. The study has however established underperformance by the remaining three administrations after Obasanjo because of poor handling of domestic issues such as security challenges, culture of impunity and the rubbishing of the anti-corruption war started by Obasanjo. The study has further established that bulk of the foreign capital inflow to the country came from foreign merchandize activities with $2,063,286 trillion, representing 89.8%; leaving total foreign investments inflow with $217,305.0 billion representing 10.2%; which is not healthy for the country. As such, as long as Nigeria fails to cut down on the attraction of foreign merchandize activities in the country and rather encourage foreign investors to invest in the industrial and manufacturing sectors; the country's march to economic greatness will be a mirage. The share of the country's GDP to the GNI has indicated serious underperformance where it stands at $148,822billion representing 6%. This does not auger well for the country because the domestic economy will continue to be at the mercy of international finance capital (IFC). Whereas a manufacture-driven economy; will increase the GNI, grow the domestic economy and thereby leading to meaningful development. Otherwise, this will make Nigeria's dream of being one of the 20 biggest global economies beyond 2020; an impossibility because the earlier dateline has lapsed without any visible sign of attainment in sight.

Recommendations

Drawing from the analysis and the conclusion above, the following recommendations are hereby proffered towards the steady growth of Nigeria's Gross National Income:

1. More and genuine foreign portfolio investors should be wooed to come and invest in productive ventures that will absorb more labour that is domestic and create wealth for the citizens and the country.
2. Appropriate fiscal and monetary policies should be put in place to restrict the importation of finished goods and products into the country with a view of cutting down on foreign merchandize activities.
3. The political leadership should encourage and promote the domestication of foreign private manufacturing outfits and companies that will utilize local content (local strategic thinking and raw materials) for the manufacture of local exportable unique products with comparative competitive advantage in the international market. This will expand Nigeria's foreign revenue sources, increase the GNI, grow the economy and lead to development.
4. Foreign Policy managers should constantly advice the political leadership in the country to direct all foreign capital inflow to production processes for the manufacture of local finished products and goods for local consumption and exports. Returns on investment (ROI) in this regard should be re-injected to boost the country's Gross Domestic Product that will in turn grow the Gross National Income.

References

1. Central Bank of Nigeria. Statistical Bulletin and Statement of Accounts. Various Years, 2004, 2009, 2010, 2018, 2019.
2. Cox R. Production, Power and World Order: Social Forces in the making of History, 1987.
3. Durham JB. Foreign Portfolio Investment, Foreign Bank Lending, and Economic Growth. International Finance Discussion Paper Number, 2003, 757.
4. Gilpin R. Global Political Economy: Understanding the International Economic Order. New Jersey: Princeton Hall Press, 2001.
5. Iyan O. Nigeria and the United Nations: Methodological Perspective. In Owoeye Jide (Ed). Nigeria and International Institution. Ibadan: College Press, 1993, 44.
6. Kegley C, Wittkopt P. World Politics: Trends and Transformation. New York: St. Martins Press, 1993.
7. Knill AM. Can Foreign Portfolio Investment Bridge the Small Firm Financing Gap around the World? World Bank Policy Research Working Paper 3796, December 2005 the World Bank Group Washington, DC 20433, 2005.
8. Lebragacio. Components of Foreign Capital Flows and Economic Progression: Panel Data Evidence from MENA Countries. ACT Mimeograph, 2010.
9. Northedge FS. The Foreign Policies of the Powers. London: Faber, 1968, 15.
10. O'Connor T, Iscariot H. Trade Liberalization, Employment, Capital and Productivity Dynamics. Latin American Economic Society, 2010.
11. Olokoyo FO. Foreign direct investment and economic growth: A case study of Nigeria. BVIMR'S Journal of Management Research. 2012;4(1):1-29.
12. Olusanya GO, Akindele RA. Nigeria's External Relations: Twenty-Five Years After. Ibadan: University Press Ltd, 1986.
13. Onwumere JUJ, Ibe IG, Okpara GO. Foreign Private Inflows and Real Sector Growth: Evidence from Nigeria, 2014. Retrieved June, 2019. http//www.exclusivemba.com/ijemr.
14. Ricardo D. On the Principles of Political Economy and Taxation. In: Sraffa, P. (ed.), The Works and Correspondence of David Ricardo, Cambridge: Cambridge University Press, 1951, 1.
15. Ricardo H, Hwang J, Rodrick D. What You Export Matters. "Working Papers." Harvard University, USA: Center for International Development, 2005.
16. Saleh B. The New Global Agenda and the Role of United States of America in World Politics. Jos: Midland Press Limited, 2008.
17. Saleh B. Nigeria's Foreign Policy and Foreign Direct Investment in the Fourth Republic, 1999-2018. PhD Thesis submitted to the Department of Political Science, University of Jos, Nigeria, 2018.
18. Saleh B. Empirical Comparison of Nigeria's Foreign Policy and Foreign Direct Investment in the Fourth Republic 1999-2018. International Organization of Scientific Research Journals Series - IOSR Journal of Humanities and Social Science. 2019;24(5). Series 10; May.

19. Wallerstein I. The Modern World System III: The Second Era of Great Expansion of the Capitalist World Economy, 1730-1840s. New York: Academic Press, 1989.
20. World Bank. World Bank Report of 2010 using Year 2000 as Database. Washington DC: World Bank Publication, 2010.
21. World Bank. World Bank Reports for 2013/2014. Washington DC: World Bank Publication, 2013/2014.
22. World Bank. World Bank Reports for 2015/2016. Washington DC: World Bank Publication, 2015/2016.
23. World Bank. World Bank Reports for 2017/2018. Washington DC: World Bank Publication, 2017/2018.
24. World Bank. World Bank Reports for 2019/2020. Washington DC: World Bank Publication, 2019/2020.