A REVIEW OF GOVERNMENT POLICY MEASURES ON FOREIGN DIRECT INVESTMENT PROMOTION IN NIGERIA

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Abstract

The paper examined the role of Foreign direct Investment in Nigeria review various policy measures that have been be put in place to allow smooth attraction of the foreign investment in Nigeria such as creating enabling macro-economic environment and friendly monetary and fiscal policy measures. The study also examines the major initial argument for and against foreign direct investment in Nigeria and other developing countries of the world such as encouraging local industries to benefit from the expertise labour employed in the foreign based firm (argument for) and destroying the local industries through stifling competitors (argument against). The paper as well examined the inhibiting factors that would negatively affect and debar foreign direct investors from investing in Nigeria economic environment. It also reviews some of the policy measures already put in place by the government to attract foreign investment. This paper employed Hymers theory of theory of foreign direct investment as the theoretical framework upon which the study is anchored. The paper finally made some recommendations on how to deal with some of the inhibiting factors so as to encourage foreign direct investors to invest in Nigeria. These include among others: that the Nigeria government should reach agreement with the creditor nations in the issue of rescheduling her debt and that a good enabling macro-economic environment should be created to favour not only the local or domestic industries but also the foreign based industries.

INTRODUCTION

In the past, the increased interest on the issue of investment liberalization and desirability or otherwise of an international framework on investment policy and rules has been sparked off by the proposal of the developed countries to introduce a legally binding international regime on foreign investment.

The need for external capital flows either by donor countries or direct foreign investment occurs when investment exceed the actual savings and also as a result of investment with long gestation of period that generate non-monetary returns, growing government expenditure that are non-tax financed as well as when real savings are lower than the potential savings due to repressed financial markets and capital flights (Essuen & Onwiodukie (1999). By definition, foreign direct investment refers to the package of foreign resources, capital reinvested earnings or net borrowing of subsidiaries of foreign companies from their parent companies or affiliates (Njoku, 2015). No doubt the flow of such investment into the developing countries economics always involved the transfer of scarce resources in the form of capital (fund), technology, management and marketers expertise with the sole aim of acquiring a controlling interest in the management of that enterprise without having majority shareholding. It is of interest to note that foreign direct investment (FDI) differs from portfolio investment. This is because in the case of direct investment by the foreign investors, the investors assume management of such enterprises. Portfolio investment is system of foreign investment whereby final manager or capital owner purchases a basket of securities in such a nation as to reduce the risk of investment and ensure maximum return. That portfolio investment involves a foreign investors.

Generally foreign direct investment may not wholly benefit the host country and that is the reason why host countries should adopt a strategy that strikes a reasonable balance between using foreign direct investment on the one hand and other forms of capital flow on the other hand for achieving economic growth and development. The central reason for striking such a balance is due to obvious reason that enterprises financed by foreign investors are usually foreign control and such practice is usually to make the enterprise operations to deviate from the economic and development goals of the host economy. No doubt various dislocation in Nigeria economy such as low output unemployment and high level of food importations the major reasons that calls for the need for foreign direct investment

Thus a **foreign direct investment** (**FDI**) is an investment in the form of controlling ownership of a business in one country by an entity based in another country. It is thus distinguished from a foreign portfolio investment by a notion of direct control. The origin of the investment does not impact the definition, as an FDI: the investment may be made either "inorganically" by buying a company in the target country or "organically" by expanding the operations of an existing business in that country

Broadly, foreign direct investment includes "mergers and acquisitions, building new facilities, reinvesting profits earned from overseas operations, and intra company loans". In a narrow sense, foreign direct investment refers just to building new facility, and a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. FDI is the sum of equity capital, long-term capital, and short-term capital as shown in the balance of payments. FDI usually involves participation in management, joint-venture, transfer of technology and expertise. *Stock* of FDI is the *net* (i.e., outward FDI minus inward FDI) cumulative FDI for any given period. Direct investment excludes investment through purchase of shares.

FDI, a subset of international factor movements, is characterized by controlling ownership of a business enterprise in one country by an entity based in another country. Foreign direct investment is distinguished from foreign portfolio investment, a passive investment in the securities of another country such as public stocks and bonds, by the element of "control". According to the *Financial Times*, "Standard definitions of control use the internationally agreed 10 percent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies. Moreover, control of technology, management, even crucial inputs can confer de facto control."

The Trend of Foreign Direct Investment in Nigeria

Generally, the real foreign direct investment in Nigeria over the years has been unstable. For instance it rose from $534.8 million in 1970 to $841.9 million in 1973. It later decline to 40.4 percent in 1974 ($501.9) million. It later rose by 48.5 percent ($745.1) million in 1975. However a decline of 21.7 percent was recorded in 1995. In 1977 it increased to 21.6 percent ($709.2). By 1980 Nigeria recorded a negative foreign direct investment of $67.5 million which represented 7.9 percent decrease from 1979 and the decline continued throughout 1984. The foreign direct investment increased in the oil industry since it accounted for a greater percentage of foreign direct investment. (Essien & Onwuduiokit 1999). Interestingly foreign direct investment has been on increase following the adoption of Structural Adjustment Programme (SAP) in 1986 and subsequent liberalization of certain aspects of the Nigeria economy.

This increase did not include the year 1990 when a decline of 68.6 percent was recorded.

Ekpo (1996) stated that empirical studies have identified the major causes of decline in Nigeria foreign direct investment at that period to economic crisis, decline productivity, reduced capacity utilization and other measures especially policy reversal that sent signals of uncertainty to potential investors. Since the year 2000 to present period there was a sharp decline in the foreign direct investment in Nigeria and even portfolio investment as a result of insecurity conditions prevalent in the country resulting from the Boko Haram activities and other militant groups that signal the foreign investors that Nigeria environment is no longer conducive for their investment. For instance the activities of the militants in the south-south and Boko-Haram in the North East have in no small measure affected both foreign direct and portfolio investment in Nigeria as the investors usually entertain the fear of either being kidnapped or have their businesses destroyed. This no doubt has negatively affected the economic growth and development of Nigeria.

However the total value of foreign direct investment into Nigeria in the first quarter of 2016 increased by 24.54 percent (Bkpo, 2015). Foreign Direct Investment recorded a quarterly increase of $123.16 to $ 174.46 million during the period (National Bureau of Statistics) 2016.

THEORIES OF FOREIGN DIRECT INVESTMENT

Traditional Theory

Capital Arbitrage Theory

The theory states that. Direct investment flows from countries where profitability is low to countries where profitability is high. It means therefore that capital is mobile both nationally and internationally. But sometimes implication is that countries with abundant capital should export and countries with less capital should import. If there was a link between the long-term interest rate and return on capital, portfolio investment and FDI should be moving in the same direction.

International trade theory-the country will specialise in production of, and export those commodities which make intensive use of the country's relatively abundant factor.

Modern Theory

Product-Cycle Theory

New products appear first in the most advanced economy in respond to demand conditions.

The maturing product stage is described by standardisation of the product, increased economies of scale, high demand and low price The standardised product stage is reached when the commodity is sold entirely on price basis.

The Internalisation Theories Of FDI

The theory explain that why the cross-border transactions of intermediate products are organised by hierarchies rather than determined by market forces. The theory of appropriability. The theory explains why there is a strong presence of high-technology industries among MNCs

The Electric Theory of Foreign Direct Investment

The theory tries to offer a general framework for determining the extent and pattern of both foreign-owned production undertaken by a country's own enterprises, and that of domestic production owned or controlled by foreign firm. Dunning and Lundan (2008)

Robock and Simmonds (1989:48) International Business and Multinational Enterprises 4th Ed

Assert that, the electric theory of international production enlarges the theoretical framework by including both home-country and host-country characteristics as international explanatory factors. It argues that the extent, form, and patterns of international production are determined by the configuration of three sets of advantages as perceived by the enterprises. First Ownership (O) advantage 2nd Location (L) and 3rd Internalization (I) advantage in order for the firm to transfer its ownership advantages across national boundary.

Diamond Porter Theory

Daniels, Radebaugh and Sullivan (2009:287) 12th Edition. International Business: Environment and Operations: Pearson International Edition

This is the theory which shows four conditions which is important for competitive superiority: demand conditions; factor conditions; related and supporting conditions and the firm strategy, structure and rivalry.

Demand conditions whereby the company start up production at near the observed market for example an Italian ceramic tile industry after World War II: At that time there were post-war housing boom and consumers wanted cool floors because the climate was hot.

Another factor is factor conditions which recall natural advantage within absolute advantage theory and the factor-proportions theory

Hymers Theory of Foreign Direct Investment

THEORETICAL FRAMEWORK

This study is anchored on the Hymers theory of foreign Direct Investment. Hymer developed a framework that went beyond the existing theories, explaining why this phenomenon occurred, since he considered that the previously mentioned theories could not explain foreign investment and its motivations.

Facing the challenges of his predecessors, Hymer focused his theory on filling the gaps regarding international investment. The theory proposed by the author approaches international investment from a different and more firm-specific point of view. As opposed to traditional macroeconomic-based

theories of investment, Hymer states that there is a difference between mere capital investment, otherwise known as portfolio investment, and direct investment. The difference between the two, which will become the cornerstone of his whole theoretical framework, is the issue of control, meaning that with direct investment firms are able to obtain a greater level of control than with portfolio investment. Furthermore, Hymer proceeds to criticize the neoclassical theories, stating that the theory of capital movements cannot explain international production. Moreover, he clarifies that FDI is not necessarily a movement of funds from a home country to a host country, and that it is concentrated on particular industries within many countries. In contrast, if interest rates were the main motive for international investment, FDI would include many industries within fewer countries.

Another observation made by Hymer went against what was maintained by the neoclassical theories: foreign direct investment is not limited to investment of excess profits abroad. In fact, foreign direct investment can be financed through loans obtained in the host country, payments in exchange for equity (patents, technology, machinery etc.), and other methods. The main determinants of FDI is side as well as growth prospectus of the economy of the country when FDI is made. Hymer proposed some more determinants of FDI due to criticisms, along with assuming market and imperfections. These are as follows:

1. **Firm-specific advantages**: Once domestic investment was exhausted, a firm could exploit its advantages linked to market imperfections, which could provide the firm with market power and competitive advantage. Further studies attempted to explain how firms could monetize these advantages in the form of licenses.
2. **Removal of conflicts**: conflict arises if a firm is already operating in foreign market or looking to expand its operations within the same market. He proposes that the solution for this hurdle arose in the form of collusion, sharing the market with rivals or attempting to acquire a direct control of production. However, it must be taken into account that a reduction in conflict through acquisition of control of operations will increase the market imperfections.
3. **Propensity to formulate an internationalization strategy to mitigate risk**: According to his position, firms are characterized with 3 levels of decision making: the day to day supervision, management decision coordination and long term strategy planning and decision making. The extent to which a company can mitigate risk depends on how well a firm can formulate an internationalization strategy taking these levels of decision into account.

Hymer's importance in the field of International Business and Foreign Direct Investment stems from him being the first to theorize about the existence of Multinational Enterprises (MNE) and the reasons behind Foreign Direct Investment (FDI) beyond macroeconomic principles, his influence on later scholars and theories in International Business, such as the OLI (Ownership, Location and Internationalization) theory by John Dunning and Christos Pitelis which focuses more on transaction costs. Moreover, “the efficiency-value creation component of FDI and MNE activity was further strengthened by two other major scholarly developments in the 1990s: the resource-based (RBV) and evolutionary theories" (Dunning & Pitelis, 2008) In addition, some of his predictions later materialized, for example the power of supranational bodies such as IMF or the World Bank that increases inequalities (Dunning & Piletis, 2008).

Types of FDI

1. **Horizontal FDI** arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.
2. **Platform FDI** Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.
3. **Vertical FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

Methods

The foreign direct investor may acquire voting power of an enterprise in an economy through any of the following methods:

by incorporating a wholly owned subsidiary or company anywhere

by acquiring shares in an associated enterprise

through a merger or an acquisition of an unrelated enterprise

participating in an equity joint venture with another investor or enterprise

Forms of FDI incentives

Foreign direct investment incentives may take the following forms:

low corporate tax and individual income tax rates; tax holidays; other types of tax concessions; preferential tariffs; special economic zones; EPZ – Export Processing Zones; Bonded warehouses; Maquiladoras; investment financial subsidies; free land or land subsidies; relocation & expatriation; infrastructure subsidies; R&D support; Energy; derogation from regulations (usually for very large projects)

Governmental Investment Promotion Agencies (IPAs) use various marketing strategies inspired by the private sector to try and attract inward FDI, including diaspora marketing.

By excluding the internal investment to get a profited downstream.

Classifications of Foreign Direct Investment

Anyanwu (1993) and Udu (2015) at different period classified direct foreign investment as to include the following.

- Export – oriented foreign investment
- Market – developing foreign investment
- Government – initiated foreign investment

- Export- oriented foreign investment arises in a situation where the foreign investors usually seek for new sources of inputs like component parts, raw materials and even the finished goods. Thus they look for diversified sources of raw material which can be sold in markets where their investments are. This form of export-oriented foreign investment in Nigeria can be found in the areas of petroleum industry where the American Multinational Corporations contract crude oil that can be sold to their parents companies in the United States.
- The Market – Oriented direct foreign investment is based on the production of goods wholly for the host country's market. This type of direct foreign investment depends on the host country's ability to manage the economy and its future prospect.

Based on this therefore, economic policies such as tariffs, taxes, subsidies and general degree of openness of the economy (liberalization) are required for such investment to thrieve efficiently and profitably. A clear look at the majority of foreign direct investment will suggest that they are of this form – market oriented.

- Government imitated foreign investment arises in a situation where the host country is the prime mover or the imitator by providing incentives that will attract such investment such as providing subsidies to foreign investors. No doubt, these incentives make the investment to be attractive and such incentives include prohibitive import restriction, preferred access to foreign exchange, tax concessions, subsidized interest rates, income tax relief, tax relief, tax holidays and pioneer industries scheme.

Roles of Foreign Direct Investment in Nigeria

Foreign direct investment which involves the process of acquiring ownership of asserts for the purpose of controlling the production, distribution and other activities of a firm in another country plays a very important role in Nigeria and even in other developing countries of the world.

This the roles of foreign direct investment in Nigeria include:

Ø **Employment Generation:** Foreign direct investment offers employment opportunities to two categories of people. First are the people directly employed in the foreign direct investment Companies. Second are those people working in the servicing companies. Thus it offers employment directly and indirectly to the people of host countries like Nigeria. The involvement of the citizens of the host country – Nigeria for example in the management of positions leads to improvement in the quality of labour.

Ø **Labour Compensation:** Multinational corporations or companies usually use higher pay to attract highly-skilled local workers and enhanced quality productivity. Better incentives may also be used to reduce staff turnover and thus reduce the risk of their productivity advantage spilling over to competing firms.

Ø **Reduction of Environmental Problem:** Foreign direct investment can help to achieve sustainable development in Nigeria (host countries) by reducing certain environment problems. This results from the ability of the Multi-national companies accessibility to modern and environmental friendly technology. Moreso, the immediate community can benefit from the corporate social responsibility activities of the

Multinational Corporations or companies.

Ø Backward Linkage Advantage: Local or domestic firms in the host country – Nigeria can benefit from the inflow of Foreign direct investment. The benefit may be through engagement in sub-contracting arrangement with foreign owned firms and of skill transfer especially when employ workers who have acquired experiences from the foreign based as Batra and Tan, (2000) stated.

Ø Increases Government Revenue: The tax revenue obtained or charged on the foreign direct investment can as well increase the federal government revenue with which it can use to improve the social economic development of the country. This benefit can only be actualized by making the tax system in Nigeria – the host country to be attractive and ensuring that the revenue generated from such is channeled towards poverty alleviation in the country.

In summary some of the roles of foreign direct investment included thus: it increases some of the fruits of modern scheme and technology in form of technological transfer from the investing countries to Nigeria – the host country.

Ø It encourages the foreign entrepreneurs to invest in less developed countries.

Ø The remittance of profit brings less pressure on balance of payment as compared with portfolio investment.

Ø It encourages the less developed countries like Nigeria to invest in anciary industries – servicing industries.

Inhibiting Factors for Foreign Direct Investment in Nigeria

Nigeria has an extensive market for manufactured products and the allied services produced by foreign investors through her large population size. In the same way she is well endowed with many rich natural resources comprising solid minerals and petroleum products. Though these factors enhance Nigeria's prospect of attracting foreign direct investment. There are a number of inhibiting factors that may debar foreign investors from investing in Nigeria's environment. These included as follows:

Current external debt burden: Increase in the external debt burden of Nigeria generates huge amount of external debt serving which lead to strain on foreign exchange. This might infact affect foreign direct investment in the country. Hence higher external serving burden of Nigeria has the tendency of scaring investors away. This is more because the situation might involve the Nigeria government to impose restriction on profits or dividends or engage in one form of policy that may restrict their activities. Hence Gussinger and Squire, (2016) state that through debt rescheduling with debtor nations the debt servicing may be postponed and thus allows foreign direct investment to thrieve.

Infrastructural Development

Okun (2015) maintains that the inadequate infrastructural development such as inadequate network of communications, bad roads and interrupted electricity supply were factors that may debar foreign firms from investing in Nigerian environment. Another aspect of infrastructure that may affect foreign direct firm investment is the financial infrastructure since the financial system in the country should be well developed so as to attract foreign direct investments.

Socio-economic Factors

Nigerian government needs to reduce the adverse effect of socio-economic factors in order to better attract foreign direct investments since they are the factors that affect labour productivity directly or indirectly. These socio-economic factors include education, healthcare, safety of private property and individuals, discipline among the populace, democratization and transparency and probity, cost effectiveness and incidence of drug abuse as Oresotu (2014) Stated.

Political Instability

A country like Nigeria where there are changes in government may not be found favourable by foreign investors and this may affect the country's effort to attract foreign investors. This is because one political party may make policies that may be favourable to foreign investors but only to discover that such policies may be scraped off by incoming another political party. A case in point is the policies of All Progressive Congress (APC) and People Democratic Party (PDP) as regard to foreign investment in Nigeria.

Thus the point to make here is that a country that is having a system of government that is adjudged to be politically unstable have low prospect of attracting foreign direct investments.

Arguments in Support of Foreign Direct Investment

Anyanwu (1993) enumerated the following as some of the arguments that necessitate the rational for foreign direct investment in Nigeria and even in other developing nations of the world. These included.

- The need to filling the resource gap between desired investment and locally mobilized saving;
- The filling of the foreign exchange gap (difference between foreign exchange requirements and foreign earnings);
- The filling of the budgetary gap between target revenue and locally raised revenue (e.g. taxes).
- The contribution to inadequate managerial personnel;
- The transfer of technology to Nigeria or the poor LDCs badly in need of it. The ability of the MNCs to establish contacts with overseas banks, market outlets, sources of supply and other institutions, which would otherwise be unknown to the indigenous firms.
- Their ability to create more jobs and thus ameliorating the unemployment problems.
- It may contribute to a more efficient market structure or reduce type of monopoly profits that are enjoyed in the form of inefficiency;
- To fill the gap in entrepreneurship

a. Argument against Foreign Direct Investment

The argument against foreign direct investment in Nigeria include;

Though MNCs provide capital, they might diminish domestic savings and investment rates by stifling competition, failing to reinvest much of their profit, generating internal incomes for those groups with lower savings propensities, impeding the expansion of indigenous firms who may otherwise supply them with intermediate goods by their practice of importing these products from overseas affiliates, and imposing high interest costs on capital borrowed by host government (Hipper 2012).

a. The MNC investment might reduce the long-run foreign exchange earning on both current and capital accounts despite the initial impact of improving the recipient's foreign exchange position. The capital account might deteriorate due to the overseas repatriation of profits, interest, royalties, management fees etc. The current account might worsen due to substantial importation of intermediate or capital goods.

b. While the MNCs do contribute to public revenue in the form of corporate taxes they can also diminish the revenue due to liberal tax concessions, disguised public subsidies, tariff protection, and investment allowances provided by the host government.

c. The technology, management entrepreneurial skills and overseas contact provided by MNCs rather than developing local sources of these scarce skills and resources might inhibit their development by stifling the growth of indigenous entrepreneurship – due to the MNCs' dominance of local markets.

REVIEW OF POLICY MEASURES ADOPTED BY NIGERIAN GOVERNMENT IN ATTRACTING FOREIGN DIRECT INVESTMENT

Nigeria Openness to and Restriction on Foreign Investment

In 1995 the Nigeria Investment Promotion Commission Act dismantled years of controls and limits on foreign direct investment (FDI), opening nearly all sectors to foreign direct investment, allowing for 100 percent foreign ownership in all sectors (with the exception of the petroleum sector, where FDI is limited to joint ventures or production sharing contacts), and creating the Nigeria Investment Promotion Commission (NIPC) with a mandate to encourage and assist investment in Nigeria (Udu 2015). The Government of Nigeria has continued to promote import substitution policy for various reasons. In the face of dwindling foreign exchange reserve because of lower oil prices, the government helps to reduce demand for foreign exchange. The government believes that trade restrictions and local content requirements will attract investment that would develop domestic capacity to produce and manufacture products and services that would otherwise be imported. The import bans and high tariffs used to advance Nigeria's import substitution goals has been undermined by smuggling of targeted products (most notable rice and poultry) through the country's porous borders, and by corruption in the import quota systems developed by the government to insentitize domestic investment. Despite the government stated goal to attract investment, investors generally find Nigeria a difficult place to do business.

Law/Regulations on Foreign Direct Investment

The NIPC Act of 1995 allow 100 percent foreign ownership of firms, except in the oil and gas sector where investment is limited to joint ventures of production –sharing agreements. Law restrict industries to domestic investors if they are considered crucial to national security, such as firearms, ammunition, and military and paramilitary apparel. Foreign investors must register with the NIPC after incorporation under the Companies and Allied Matters Decree of 1990. The Act prohibits the Nationalization or expropriation of foreign enterprises except in cases of national interest. Lack of transparency in government and corruption are endemic but the Embassy is unaware of specific instances of interference by the

government.

Nigeria laws apply equally to domestic and foreign investors. These laws include the Nigerian Oil and Gas Content Development Act 2010, Nigerian Minerals and Mining Act of 2007, Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007, Central bank of Nigeria Act of 2007, Electric Power Sector Reform Act of 2005, Money Laundering Act of 2003, Investment and Securities Act of 2007, Foreign Exchange Act of 1995, banking and Other financial Institutions Act of 1991, and national Office of Technology Acquisition and Promotion Act of 1979.

Business Registration: Nigeria does not have an on-line single window business registration website, as noted by Global Enterprise registration (WWW GER. Co). The Nigerian Corporate Affairs Commission maintains an information portal. On average, it takes 12 procedures and 44 days to establish a foreign-owned limited liability company (LLC) in Nigeria (Abuja), slightly faster than the regional average for Sub-Sahara Africa. Time required is likely to vary in different parts of the country. Only a local Counsel, chartered accountant and chattered secretaries accredited by the Corporate Affairs Commission can incorporate companies in Nigeria. According to the Nigerian Foreign Exchange (Monitoring and Miscellaneous) Provisions) Act, foreign capital invested in the LLC must be imported through an authorized dealer, which will issue a Certificate of Capital Importation. This certificate entitled the foreign investor to open a bank account in foreign currency. Finally, a company engaging in international trade must get an import-export license from the Nigeria customs service.

Industrial Strategy

Nigeria's trade regime remains highly protectionist and distorting with the aim of insensitising growth in Nigeria's domestic industrial and agricultural capacity. Nigeria bans the import of poultry, Pork, beef, eggs, cement, textiles, glass bottles and numerous other items in order to protect or encourage domestic production. In addition, the country imposes a combined and valorem import duty (tariff plus levy) of 70 percent or higher on more than 40 tariff product lines including tobacco products, rice, wheat flour, sugar, salt and new passenger vehicles, high tariffs on agricultural commodities and import bans aim to spur domestic agricultural sector growth by actively promoting import substitution of staples, including rice, cassava, palm oil, cocoa and cotton.

In October 2013 the government announced the National Automotive Industry development plan (NAIDP) as an effort to restart the country's domestic automotive manufacturing sector, create skilled jobs, develop local supply chains, and reduce automobile imports. The central feature of the NAIDP is a 36% levy assessed on automobile imports, over and above 35% tariff already levied, for an effective total ad valorem duty of 70%. As an additional incentive to promote investment in Nigeria's auto sector, the NAIDP allows companies that are manufacturing or assembling cars in Nigeria to continue to import two vehicles under the former 35% tariff for every one vehicle produced in Nigeria.

Privatization Program

The Privatization and Commercialization Act of 1999 established the national Council on Privatization, the policy-making body overseeing the privatization of state-owned enterprises (SOEs), and the Burean of Public Enterprises (BPE), the implementing agency for designated privatizations. The BPE has focused on the prevarication of key sectors, including telecommunications and power, and calls for core investors to acquire controlling shares in formerly state-owned enterprises.

Since 1999, the BPE has privatized and concessioned more than 140 enterprises, including an aluminum complex, steel complex, cement manufacturing firms, hotels, petrochemical plant, aviation cargo handling companies, and vehicle assembly plant, electricity generation and electricity distribution companies. The transmission company remains state-owned, but operated by an international operations and management contractor. Foreign investors can and do participate in the BPE's privatization process.

Tax concessions

1. **Tax relief for research and development (R&D):** Here, a company which undertakes R & D activities in a year is entitled to a tax-deductible allowance equal to 120 percent of the amount expended if the research is on raw materials. Also, the fruits of such research could be patented and protected in accordance with international-accepted industrial property rights. The aim is to promote the development of locally-sourced inputs and hence create linkage in the production process.
2. **Pioneer Status:** Companies granted 'pioneer status' are entitled to tax holidays on corporate income for 3 years in the first instance, and an extension of 2 years thereafter. To benefit from this incentive, the relevant company (or the product) has to be declared a pioneer industry (or pioneer product) on application to the government. The aim is to encourage the setting up of some industries which the government considers beneficial to the country.
3. **Corporate income tax:** Incentive under corporate income tax provisions are usually specified during the annual fiscal budget, which in recent years have been meant to reduce the tax burden on corporate bodies. Thus, the rate of companies income tax rate was reduced from 45 percent to 40 percent on dividends, interest royalties and rents were reduced. There is also the introduction of small business tax relief under which a lower tax rate of 20 percent will be paid by small establishments in the manufacturing, agricultural and solid mineral processing sectors. An additional 10 percent initial capital allowance is granted in respect of new expenditure on plant and machinery used in manufacturing construction, and agricultural production as well as public transportation. However, the introduction of preoperational levy and minimum tax payable by companies (whether profits are payable or not) in 1990 appears to negate these initial incentives-though they do not apply to companies in their first four years of operation.
4. **Tax-**free dividends: From 1987 any individual or company deriving dividends from any company is entitled to tax-free dividends for a period of 3 years if:
   a. The company paying the dividend is incorporated in Nigeria;
   b. The equity participation was imported in the country between January 1, 1987 and December 31, 1992; and
   c. The recipient's equity in the company constitutes at least 10 percent of share capital of the company.

In addition to (a) – (c) above, if the company paying the dividend is engaged in agricultural production within Nigeria or the production of petrochemicals or Liquefied Natural Gas, the tax free period shall be 5 years.

5. **Investment in economically – disadvantaged areas:** To promote the even development of Nigeria, some areas have been designated as economically disadvantaged. Thus, the following policy measures consisting of special income tax and other concessions are designed to encourage investors to locate their activities in these areas:
   a. Seven years income tax concession under the pioneer status scheme;
   b. Special fiscal concessions by the relevant state governments; and
   c. Additional 5 percent (later 10 percent) on the initial capital, depreciation allowance under the companies income tax (Accelerated capital depreciation).

Government Foreign Policy

The extent to which foreign investment in Nigerian's economic environment thireve solely depends on Nigeria's foreign policy regarding to trade with other countries of the world as well as well as her extent of globalization. Globalization is the growth in international exchange of goods, services, and capital and the increasing level of integration that characterize economic activity (Reyes, 2011 & Ibrahim, 2015). Foreign policy refers to laws regarding to the relations between one country and the other in terms of their economic, social, development and other matters.

No doubt the co-operation between two or more independent states is formalized by way of treaties or other agreements. These formal inter-state relations or supranational or international structures are determined by the domestic policies or national interest pursued by these countries. To attract foreign direct investment that will meet the need of Nigerians, there should be a limit on her trade liberation of certain economic activities to avoid stifling her domestic industries. This is because trade liberalization which is the cardinal investment of globalization ensures that industrialized nations have access to world markets that enhance further industrialization of industrialized countries while incapacitating the industrialized process of the underdeveloped economics. (Thornhill, 2016).

The way forward

To ensure effective attraction of foreign direct investment in Nigeria, apart from the policies already put in place, the following issues must be addressed properly.

i. The first is the macro-economic environment which is substantially deregulated but remains vulnerable to instability due to high government fiscal deficit. Hence deviation from such authorities reduces investor's confidence, intensifies uncertainty and conveys false signals as to the possibility of reversing policies to regulation and control. To this for instance the recourse to stringent control measures in 1994 has been acknowledged to have had adverse effects. Hence the way forward here is to **be credible, resolute predictable of policy direction** in order to ensure confidence **oneconomic agents. The second is the external debt.** The government should through the Bretton **Wood agreements arranged** with debtor nations on debt rescheduling that should be conducive and policies such as **exchange Control Act to allow** inflow of foreign direct investment into the country.

ii. Security of life and property. Government should as well create an atmosphere capable of ensuring the safety of lives and properties. The activities of the Boko Haram in the North and Militants group in the South South should be fought to the last or at least reduced to the barest minimum. Government should try to look at the needs of these groups and if possible provide those that are reasonable for the wellbeing and not to the detriment of the economy and people.

iii. Government should relax some of her policy measures.

iv. There should Liberalization of certain laws and policies to create an enabling to attract foreign direct investment

v. Finally government should make laws that safe guards security of lives and properties as this would give an assurance to the foreign investors that their investment will be protected and be operated in a peaceful economic environment.

Conclusion

The paper attempted to examined the policy measures for foreign some of the policy measures that have been put in place for attracting foreign investors. The study indicated that Nigeria government should relax some of her policy measures so as to attract foreign investment since no nation can achieve adequate economic growth and development in the absence of foreign investments.

The study concludes that there is the need for **liberalization of certain laws and policies** that would create an enabling environment for attracting foreign investment and that the government should endeavour to deal with those inhibiting factors already stated therein so as to ensure adequate policy measure for attract direct foreign investment.

Recommendations

Since the relevance of macro-economic conditions that reflect opportunities for investment, risk market conditions and rates of return imposes a great challenge to policy makers, the paper, thus recommends that the acquired autonomy of the Central Bank of Nigeria should help in the pursuance of a purposeful monetary and fiscal policies that would make these macro-economic conditions very conducive and adequate for the inflow of foreign direct investment in Nigeria.

The paper also recommends that in addition to the mere quantitative macro-economic impact, Nigeria needs to evaluate other development conditions of the type of foreign direct investment it is attracting.

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