Research on Humanities and Social Sciences
ISSN 2224-5766 (Paper) ISSN 2225-0484 (Online)
Vol.8, No.14, 2018

Geographical Perspective of the Sources of Foreign Direct Investments in Nigeria

INAH E. OKON[1] MUSA WADA[2] FRANCIS I. OKPILIYA[1]
1.Department of Geography & Environmental Science, University of Calabar, Calabar, Nigeria
2.Seaview Properties Limited, Joseph Street, Marina, Lagos, Nigeria

Abstract
The paper examined the geography of foreign direct investments into different sectors of the Nigerian economy. Data was obtained from the Central bank of Nigeria on foreign direct investments from 2003-2012. Analysis was undertaken using geographical information system to perform planar graph of investment origin and destination. Sectorial allocation of FDIs in 33 industry sectors is revealed in the study since 2003. Of all 33 sectors, coal, oil and natural gas expectedly leads the chart with about $80843.64 and 16,350 created jobs for the period under review. Communication appears to be the next sector with huge potential FDIs accounting for about 9,441 jobs in the ten years under consideration. The emergence of mobile telephony in 2009 such as MTN, GLO, ECONET, etc. as private corporations brought with it some form of communication and business revolution in Nigeria. The contribution of this sector to the economy of Nigeria has been resounding, indeed only second to the oil sector. Other industry sectors with high FDIs attraction include manufacturing, automotive OEM, building and construction, food and tobacco, hotel and tourism, real estate, transportation among others. It was recommended that government invest more in infrastructure (like power, communication, transportation and energy) and ensure the availability of other needed facilities that can attract and boost the productive capacity of direct foreign investors, so that more investors can come into the country since effective productivity of present direct investors will attract more foreign investors.
Keywords: Foreign direct investments, geographical information system, economy, industry

Background

Foreign direct investments (FDIs) flows have been growing faster than world GDP and merchandise trade in developed economies, and its share in total private capital flows to many developing countries has been increasing over the last decade. Whereas, these flows are very significant in developed economies, the reverse is the case in many developing countries. For example, FDIs flows account for US$560billion (32.7%) in Europe, US$360billion (21%) in North America, US$515billion (30%) in Asia, US$130billion (7.6%) in Latin America and the Carribean, US$85billion (5%) in Transition economies, and US$65billion (3.8%) in Africa (UNCTAD 2017). Like trade in goods, trade in assets is primarily a two-way flow between industrial countries. The distribution of total world FDI inflows among developing countries emphasizes the strong spatial concentration of FDI inflows in developed economies and Asia than elsewhere.

The fact that bilateral FDIs flows, especially between developed and developing countries, are geographically concentrated in certain countries in certain regions, is in contrast with portfolio diversification theories and with the neoclassical model according to Zebregs, (1998). However, the forces of financial integration such as global economic integration, are driven by prospects of reduced costs of capital for businesses, a diversification of investment opportunities and more efficient allocation of capital, and ultimately, increased economic growth. However, the problems of information asymmetries are well recognized in international financial markets. The 'home bias' literature (French & Poterba 1991; Lucas 1990; Tesar & Werner 1995) argues that there is considerable market frictions caused by imperfect information that the countries' foreign asset portfolios are biased towards the domestic market and not optimally diversified. Lane (2004) emphasizes the impressive pace of financial globalization, but argues that behavioural and informational barriers remain significant impediments to a fully unified global capital market.

However, it is difficult to strictly delineate the main determinants of foreign direct investment since there is no homogeneity in the countries' provision of resources. The World Bank states that the art of attracting FDI inflow lies with "low-cost qualified labor, long term market potential and access to rich natural resources" (World Bank, 2000). While low labor costs are an attractive incentive for foreign firms to move their operations to developing territories, the World Bank directs attention to "long-term fears about the 'brain drain' of technical professionals and the strong upward trend of real wages for skilled workers". The demographics of the population also play a significant role for future FDI flows. The dependency ratio is a vital human geographic determinant of foreign investment. The dependency ratio is an estimate of the economic burden of the working population in supporting the non-working population. It is measured by dividing the number of people who are dependent (ages under 19 and over 64) by the number of people that are of the working age (between 19 and 64). If the dependency ratio is expected to rise over the years, this will place an escalating burden on the foreign firms. The cost of labor will increase due to higher payroll taxes initiated by the aging population and higher pension

bills.

The fundamental research question of 'geographic source areas of FDIs flow into the Nigerian economy', deals with the geography of FDIs among different global economies such as from the G7, G20, the BRIC, developing and least developed. Among many variables commonly used as the determinants of FDI flows in similar studies, we aim to identify what role is specifically played by geography.

Literature review

Theoretical and empirical work on the effects of geography in international finance or FDIs is limited compared to international macroeconomics and trade, but fast growing in number (for example Ghosh & Wolf 1998; Eaton & Tamura 1994; Di Mauro 2000; Hausman & Fernandez-Arias 2000; Chunlai 1997; De Menil 1999; Wei 1997, 2000). Portes and Rey (2000) and Portes et al. (2001) used a gravity-style approach on a panel data of bilateral equity flows and bonds respectively. Their findings indicate that gross assets flows are negatively correlated with the distance between the two countries. They interpret the negative sign for distance variable as the existence of information costs for equity transactions as part of trading costs.

Loungani et al. (2002) question why gravity models work for asset flows and attempt to explain the "distance" puzzle. They conclude that the "distance" puzzle can be reduced by going beyond consideration of physical distance to concepts of transactional distance and scale economies. There has been an exponential growth on studies examining the role of geography on bilateral trade flows, especially since the introduction of the gravity model. Such models have had considerable empirical success in explaining bilateral trade flows, and are also theoretically well established (see e.g., Anderson 1979; Bergstrand 1985; Helpman and Krugman 1985; Deardorff, 1995). Tinbergen (1962) was among the first to present such models. He presented a model in which the volume of trade between any two countries is determined by gross national product (GNP) in home and host country, and the geographic distance between their main economic centres.

Ghosh and Wolf (1998) argue that trade linkages not only lead to short-term financial linkages through trade financing, but also in the long-term, create demand and supply channels through which domestic firms can access foreign capital. In other words, trade linkages provide information about the host countries through growing familiarity, and making it less costly to invest directly in the same countries (Honohan & Lane, 2000). Calvo and Mendoza (2000) argue that fixed costs are important in international investment decisions and several authors emphasize at least part of the information cost is fixed (Ghosh and Wolf, 1998). Goldstein and Razin (2002) argue that there are some fixed set-up costs to investing directly, such as costs of information acquiring. Bilateral trade linkages may reduce such costs for direct investment.

Second, it is commonly observed that the familiarity effect causes investors to favour close-by countries with similar characteristics and legal systems over more distant and institutionally different countries. Senior (1850), in his Political Economy, stresses the importance of familiarity with customs, and Cairnes (1874) emphasizes geographical distance, differences in political institutions, language, religion and social customs as barriers to capital flows. In other words, location matters for financial flows as well as for real activity. As the distance to the host country increases, the familiarity may decrease, with the exception of countries that share common historical past (i.e., colonial ties). Another effect of distance specific to FDI is in relation to control. Distance can reduce investors' control. FDI is defined as capital invested with long-lasting interest in an enterprise. Therefore, the concept of control is inherent in this type of investment. In such a case, distance would play a significant role in determining which host countries receive the majority of bilateral FDI flows. On the other hand, international investors may choose FDI over other forms of investment based on the reason that it gives them control. In that case, investment in more distant locations through FDI may be preferable to, for example, portfolio investment. By being closer to the market, investors' control is maximized and information asymmetries are minimized.

The direction of impact of distance on FDI, based on these arguments, is unclear. In the international trade literature, the distance variable is used to proxy for transport costs, implying reduced trade with increased distance. In this study, we argue that, for FDI flows distance may be a proxy for information costs, rather than transport costs. The cost of information gathering would likely increase with distance, as familiarity with the host country's investment opportunities, customs and culture decreases. Most FDIs flows in Nigeria originate from the United Kingdom and are in the form of mergers and acquisitions, implying no physical transfer of assets except in the form of human capital (UNCTAD, 1998, 2002). The transfer of human capital, may in turn be negatively affected by distance, as various studies on international migration find that distance affects costs of migration through increased travel costs, difficulty to get back home and increased cultural and linguistic differences (see e.g., Karemera et al. 2000; Ximena et al. 2002). The primary contribution of this study among others is to examine the inflow of FDIs with a specific focus on geography.

Many scholars emphasize the impact of FDI on the process of economic globalization (Casi & Resmini, 2012; Ford, Rork, & Elmslie, 2008; Gersbach, 2002; Sutcliffe & Glyn, 2003; Vetter, 2014) and analyze the effects of FDI on economic development (Lipsey, 2004; Loungani & Razin, 2001; Moura & Forte, 2010; Prasad,

Rayan, & Subramanian, 2007; Vissak & Roolaht, 2005; Vo, 2004; Zilinske, 2010). Some authors investigate FDI attracting factors (Bevan & Estrin, 2000; Cho, 2003; Feldstein, 2000; Janicki & Wunnava, 2004; Özkan-Günay, 2011; Soubbotina & Sheram, 2000), while others try to assess the level of globalization by one or a few FDI indicators (Dreher, 2007; Kearney, 2007; Ramsey, Barakat, Cretoiu, & Sherban, 2012; United Nations Conference on Trade and Development [UNCTAD], 2002). The tendencies of FDI mostly are being described with indicators of FDI positions and flows; and the input of FDI into the economic globalization is measured by the indicators of FDI positions or flows as a percentage of GDP.

However, the discussion about the distinction of causal and consequential interrelations of FDI as a key factor of globalization is still missing, and there is a lack of attempts to assess the level of economic globalization with a complex set of FDI indicators. The Organisation for Economic Co-operation and Development (OECD, 2005) recommends a big set of FDI indicators to measure the level of economic globalization. Proposed FDI indicators are differentiated by the role of FDI in international economic integration and the extent of globalization, the contribution to globalization by the host and investing economy, by the significance of globalization for individual economic sectors, by the geographical concentration of FDI and by the competitiveness and attractiveness of economies or economic sectors. However, there is a lack of the differentiation of FDI indicators based on causal and consequential interrelations. That kind of segmentation of interrelations would enable to compile a set of FDI indicators for an assessment only the causal aspect of FDI in economic globalization process and assess the extent of economic globalization process. FDI inward flows or inward positions as a share of GDP are mostly used for an assessment of the level of globalization. These indicators are counted in Kearney Globalization Index (Kearney, 2007) and KOF Globalization Index (Dreher, 2007) for measuring the level of globalization on a country‘s level. OECD (2005) proposes three different indicators for the assessment of the role of FDI in the extent of globalization: FDI inward and outward financial flows, FDI inward and outward income flows and FDI inward and outward positions as a percentage of GDP. An increase of the ratio of FDI and GDP implies a greater share of FDI thus increase of the level of globalization. FDI flows (inward and outward) as a percentage of GDP indicate the degree of global investment activities of the economy for a given time period and reflects the changes between two periods.

Expanding on the World Bank's demographic determinants of FDI flows, Dunning (2002) illustrates that demographics are particularly vital to the market determinants of FDI. The demographics of the home country's population are important to the foreign firm if the goods the firm is producing are targeted to a specific age group. The demand pattems stemming from younger population tend to differ significantly from those of elderly. Moreover, younger age groups tend to spend higher proportions of their disposable income on goods and services while older age groups tend to be savers. Demographics can also provide us with the information on future availability of the labor force in the area of study.

Expanding on home country's market size, Campos and Kinoshita (2003) introduce the importance of institutions in attracting foreign investment. The economists take into consideration the quality of education, trade dependence and create an index to illustrate the degree of law and order in the country. In order to examine the gap in communication the number of telephone lines per 1,000 people is used as a variable to attract foreign capital inflow. The variable is found to insignificantly contribute to attracting investment. While introducing some new variables to the standard FDI determinants, the researchers make a call for future inclusion of home country's physical geographic aspects. The call stems from the belief that telephone lines are not the best indicator of a country's connectivity to the surrounding markets

Accompanying the DADS variable Gwartney et.al (2001) examine the population of the country and the geographic size advocating that "countries that are more populous and cover a larger geographic area are likely to have less international trade as a share of their economy" (Gwartney et. al, 2001).In other words, countries of greater geographic size tend to have a greater variety of natural resources. This variety and abundance of resources may enable the nations to be more self-sufficient. The self-sufficiency, in turn, may detract foreign investors since the home nations may not have strong ties of trade established with the markets of surrounding economies. Thus geographic size of the country should be taken into consideration by investors when determining where to allocate their funds.

The literature illustrates varying determinants of FDI flows. Even though the studies are conducted in differing countries, regions and spatial scales the authors unanimously agree that geographic factors, in particular transportation, deserve greater attention in future empirical investigations.

RESEARCH METHODOLOGY

This research has a quantitative and spatial approach that is based on two kinds of data: network data on firms and foreign direct investments, and locational data of cities and districts. For the network data, two secondary databases have been used: FDIs markets (covers sectorial investments and includes information on source firm, date of project, source region, source longitude and latitude, destination city, destination longitude and latitude, firm activity, year of investment) and Orbis (includes information on firm, address, ownership, value of

investments, number of jobs created in destination country, sector). For the location factors, specific data on the spatial characteristics of the districts is collected in a virtual field work (internet-based location resources and online street view websites), while general city data is used from secondary databases (CBN, 2015). Similarly, primary data on the impact of foreign direct investments (FDIs) in port infrastructural development in Nigeria was collected using questionnaire administered on Apapa, Onne and Calabar ports. This allow for easy and systematic collection of data from a chosen sample or representative population upon which analyses and inference were drawn. Causal relationship between identified factors and FDIs was examined in the study. Geographic analysis of FDIs source origin and destination from 2003-2012 was undertaken in geographical information system (GIS) environment. This showed sectorial allocation of FDIs, number of jobs created, FDIs source origin and attraction location across the globe.

SECTORIAL FLOW OF FDIs INTO THE NIGERIAN ECONOMY

In modern economy, countries are assumed to be in fierce competition over attracting foreign investments. Despite the rich theoretical discourse on these wars, it remains unclear which territories are competing with each other over which types of foreign direct investments. according to Gordon (1999), these 'place wars' can take place at local, regional, national, continental or even global spatial scales. To boost their economies and increase their standards of living, cities and regions have to work on their ability to successfully compete with other territories (i.e. competitive advantage) over attracting foreign direct investments in leading sectors of the world economy. The focus of this section is on the geography of foreign direct investments into Nigeria. Data was obtained from the Central bank of Nigeria on foreign direct investments from 2003-2012. Data for 2013-2015 was unfortunately not available with the Bank at the time of data collection exercise. General display of all foreign direct investments across the globe is attempted in using investment value in figure 1.

The data in figure 2 shows a bell-shaped curve where FDIs is highest in 2008 using total investments ($Million) and number of created jobs as parameters. It has a net value of over $32 billion and employs about 15,400 in that year alone. From the data in this figure, it can be seen that there is a sharp decrease in FDIs in both net value and total jobs created down to 2012. It is not exactly clear what may have led to this since a more reliable business climate was percieved as this period marks the biginning of democracy in 2009. However, as at 2015, Nigeria was leading all African countries in the net value of FDIs attracted to herself.

A year by year assessment of FDIs in Nigeria was carried out for the period under consideration. For instance, in 2003, FDIs were attracted into Nigeria mainly from Canada, China, Egypt, France, Greece, Ireland, Japan, South Africa, South Korea, Netherlands, United Kingdom and United States of America (Figure 3). these investments are from the coal, oil and natural gas, medical devices, financial services, food & tobacco, automotive oem, real estate, consumer electronics, beverages, pharmaceuticals, and consumer products. The implication of thses investments totalling about 7568.01 billion dollar and 7110 created jobs is the volume of activity that is expected carried out in the port as the major gate-way to the nation's economy. Some key sectors with huge FDIs included Coal, oil and gas (Canada, US, China and France); real estate (South Africa), and

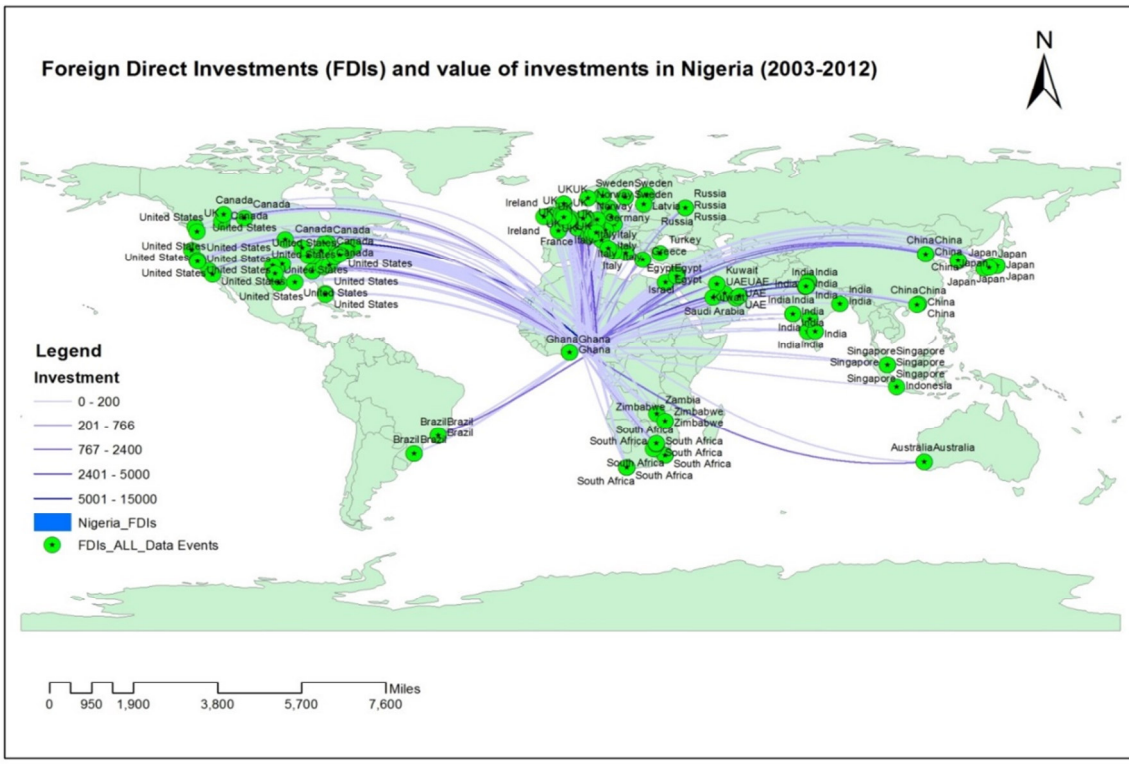

Figure 1: Global display of foreign direct investments in Nigeria (2003-2012) using value of investment

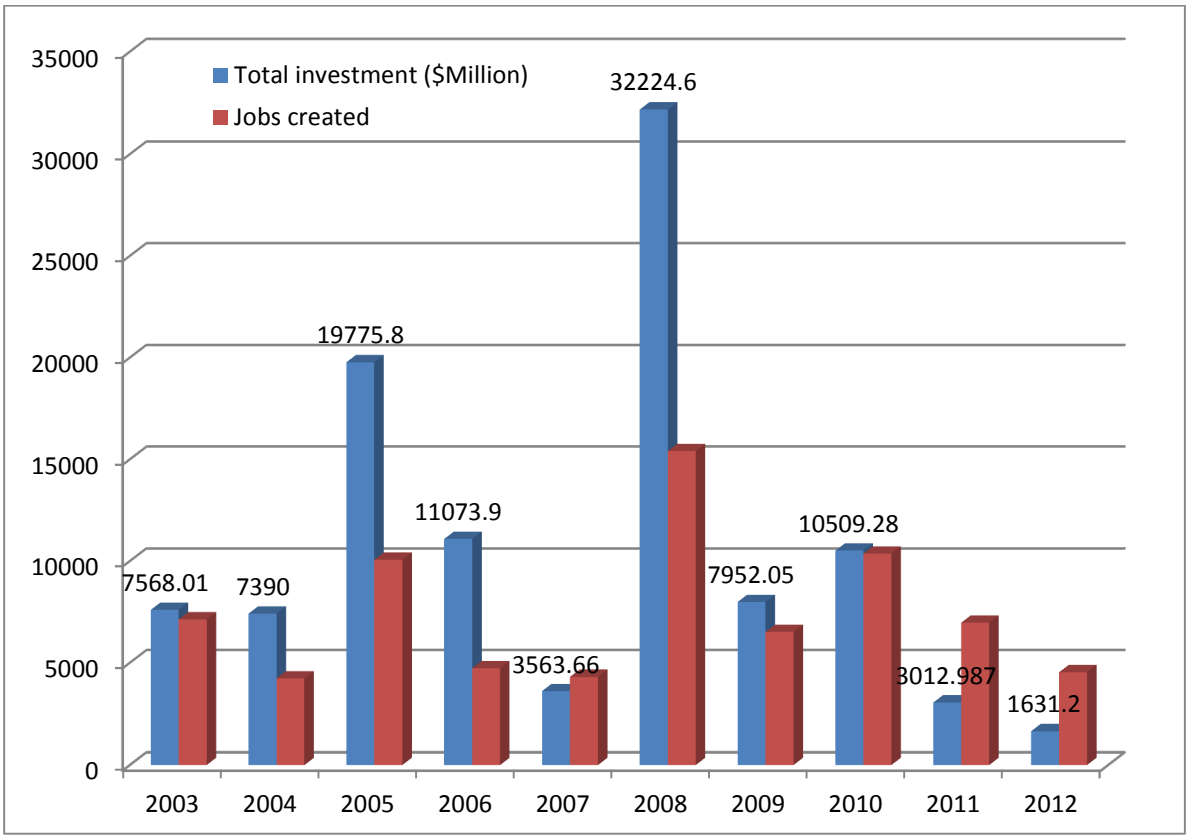

Figure 2: Distribution of FDIs in Nigeria (2003-2012) using total investments and created jobs.

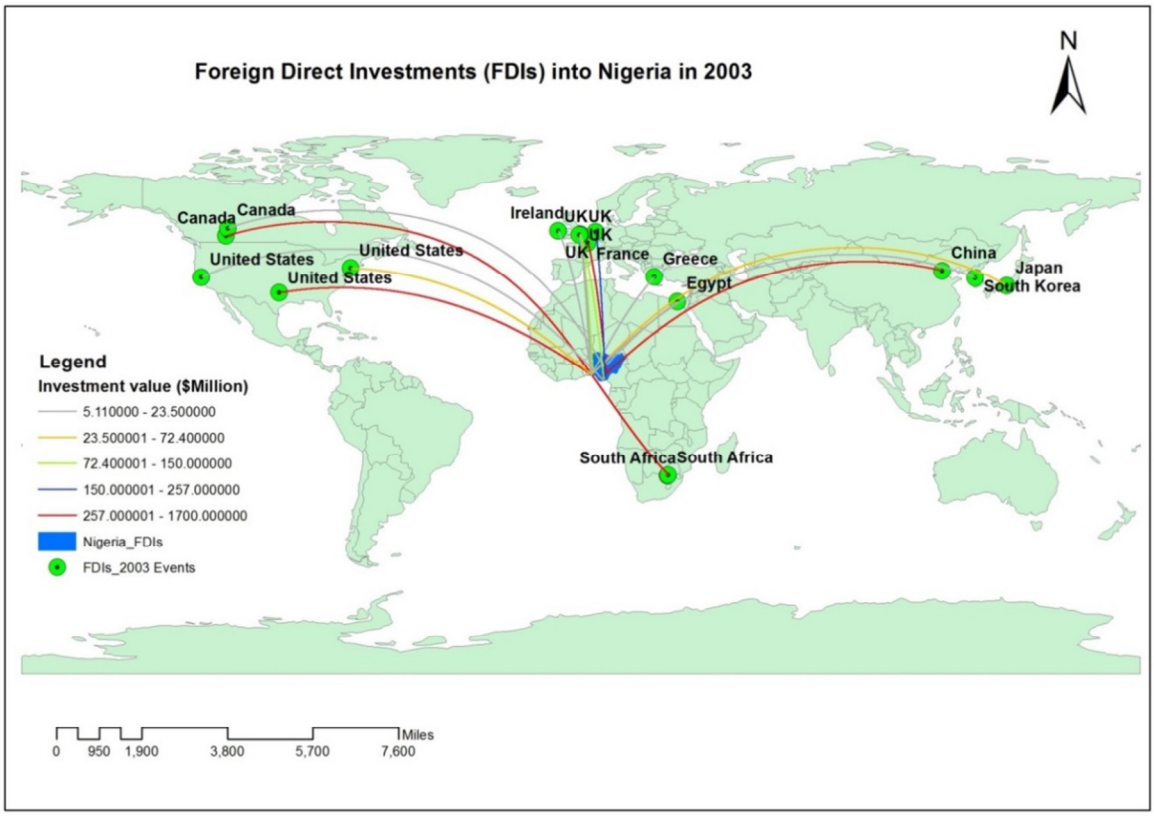

Figure 3: Foreign direct investments (FDIs) into Nigeria (2003) showing investment value from different countries of the world

beveraes (UK, Netherlands). Insterestingly, food and tobacco industry sector accounts for the highest number of created jobs (1279) from mostly UK and a fraction from Greece and Ireland. This can be helpful in foreign policy and economic planning to focus on Nigeria's comparative advantage.

In 2004, the distribution of FDIs was pretty much the same in terms of the source geography from traditional US, Europe and Asia, except for a gentle branching out to Singapore (figure 4). Area of country industry investment differs fro the previous year as United States invested only in business services while China focussed maily on communication. Other countries such as France invested in non-automotive transport OEM while Norway (1262.9 million dollars) and India (3500 million dollar) took the lead in coal, oil and natural gas. Total investments in this year was 7,390 billion dollar and 4,244 created jobs. India's FDIs in coal, oil and natural gas accounts for the highest number of created jobs (861).

2005 holds a somewhat similar pattern of FDIs from the US, Europe, Asia and South Africa. However, Brazil and United Arab Emirates (UAE) where among the few source countries. FDIs from USA alone accounted for about 7905.9 million dollar of the 19775.8

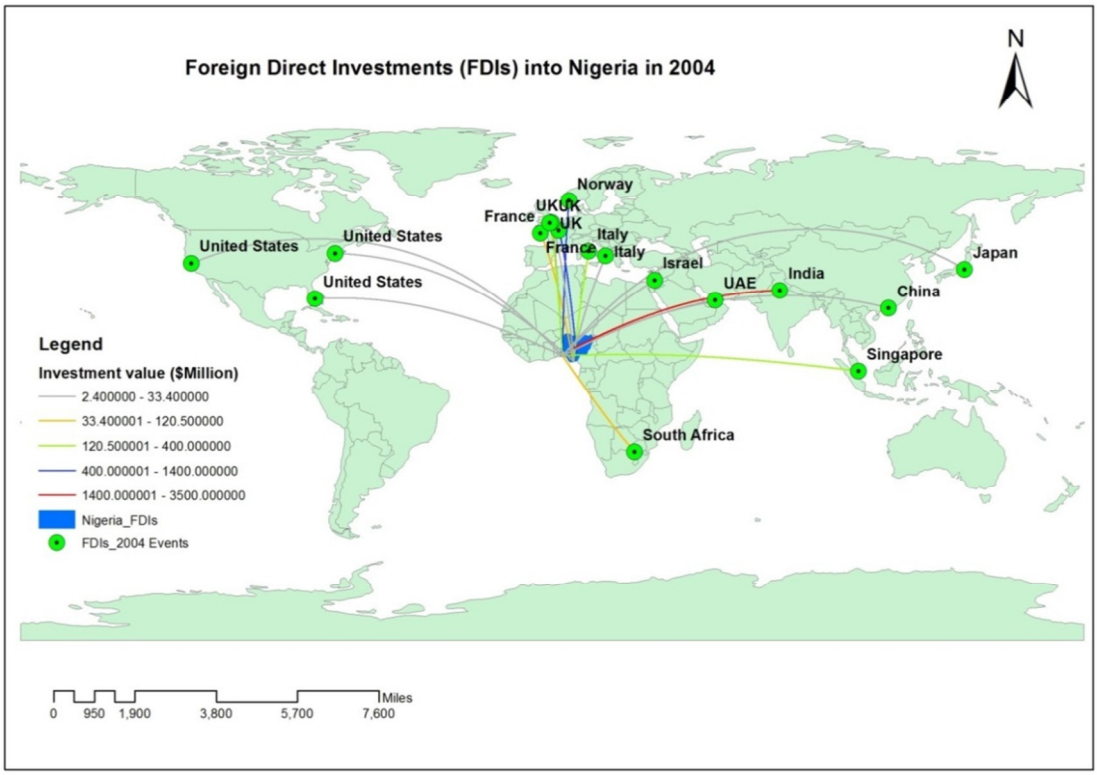

Figure 4: Foreign direct investments (FDIs) into Nigeria (2004) showing investment value from different countries of the world

million dollar net worth of investments and 5500 of the total 10061 number of created jonsin Nieria for that year (figure 5). Industry sector that accounts for major investments in this year include: coal, oil and natural gas, business services, building & construction materials, food & tobacco, alternative/renewable energy, and beverages.

Europe, Asian and Pacific and Africa (figure 6). major industry sectors of investment include among others: Coal, Oil and Natural Gas, Transportation, Hotels & Tourism, etc. Coal, oil and gas sector accounts for over 90 percent of the 11073.9 billion dollars of total FDIs for the year under review. Total number of jobs created was 4,735 with major investors coming from France, Italy, India, Netherlands and the United States of America.

In 2007, FDIs were mainly in alternative/renewable energy, building & construction materials, communications, food & tobacco, industrial machinery, equipment & tools, business services and so on. These totalled a net worth of 3563.66 billion dollar which created about 4,318 jobs in Nigeria (figure 7). The pattern of source FDIs has not changed significantly across the world except for new countries like Luxemburge, Kuwait that have appeared for the first time. interestingly, there is FDIs in coal, oil and gas sector for the year, whereas building & construction materials and communication industry sectoor received the boost.

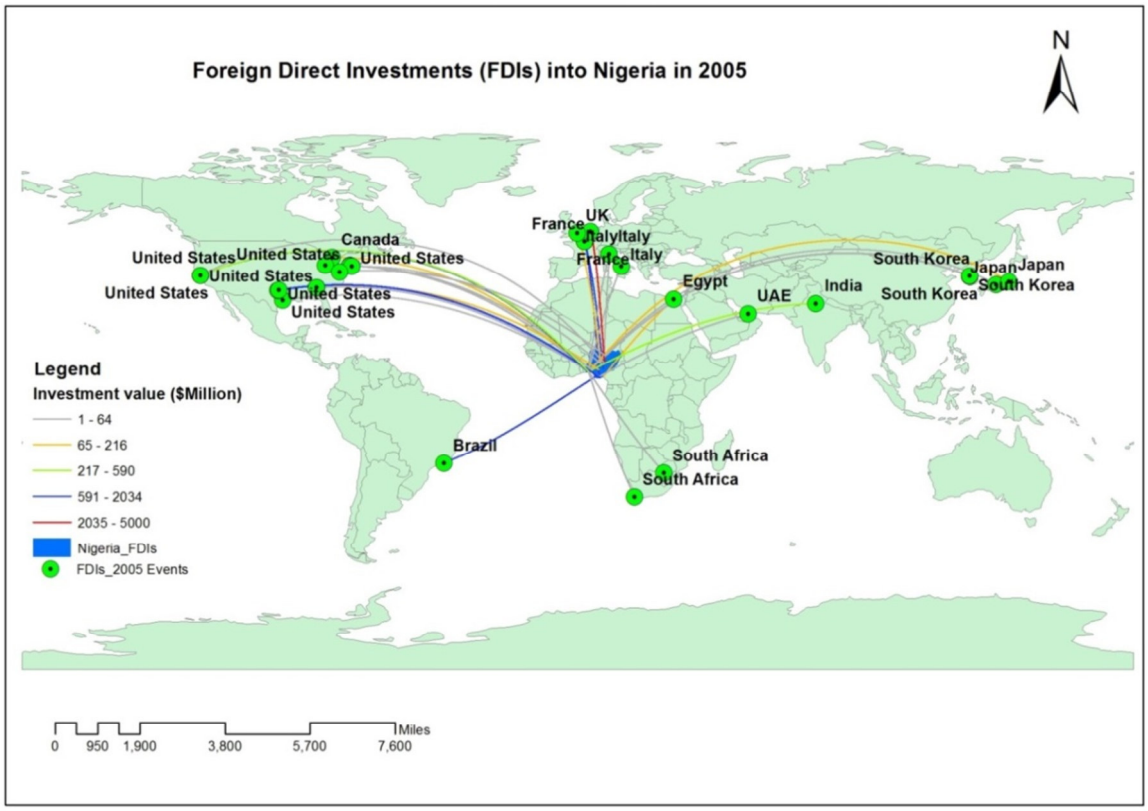

Figure 5: Foreign direct investments (FDIs) into Nigeria (2005) showing investment value from different countries of the world

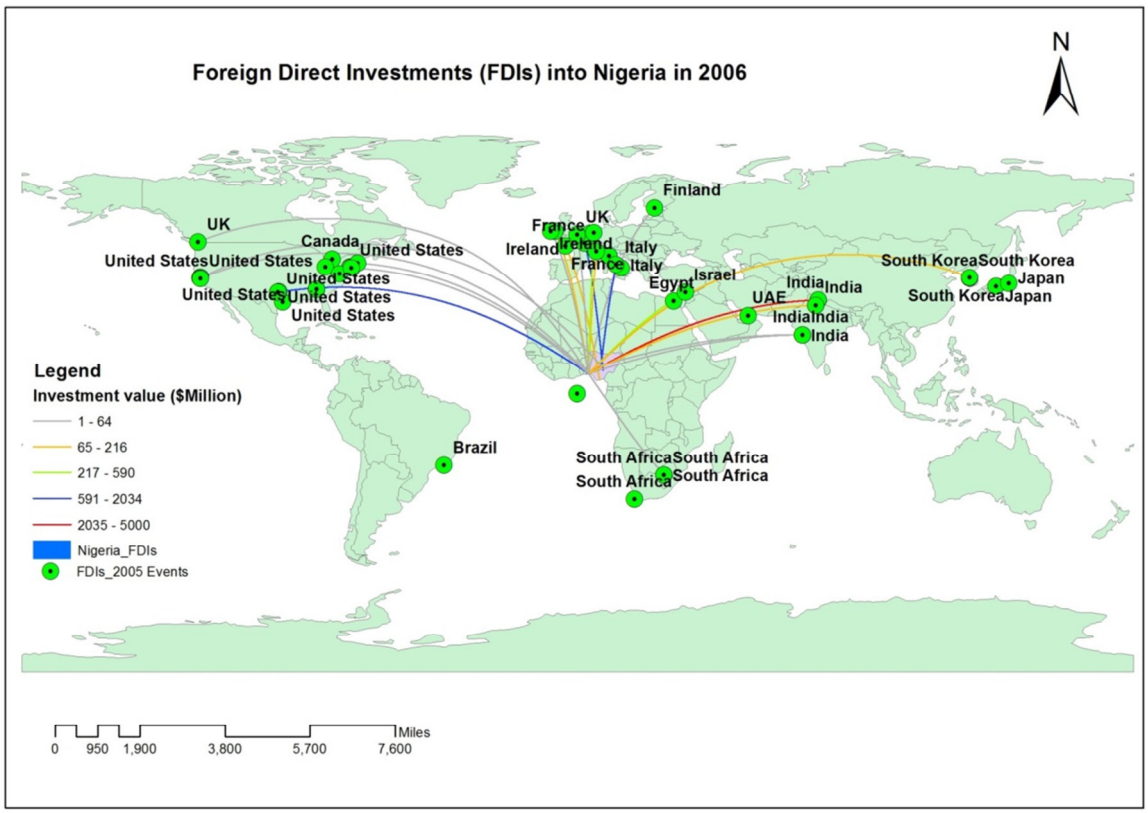

Figure 6: Foreign direct investments (FDIs) into Nigeria (2006) showing investment value from different countries of the world

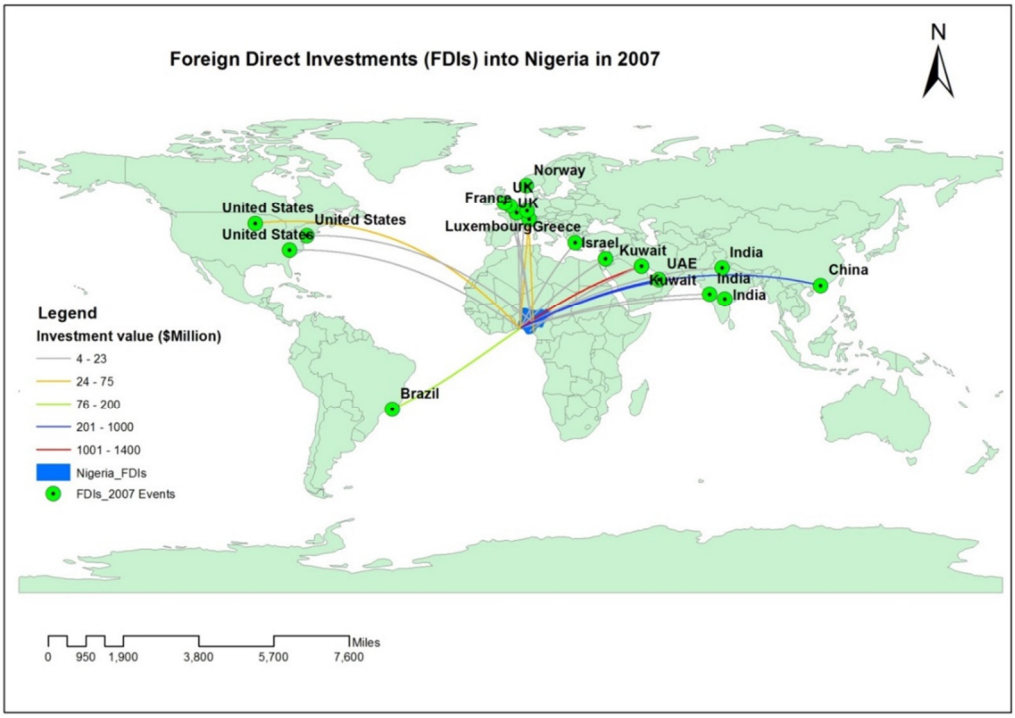

Figure 7: Foreign direct investments (FDIs) into Nigeria (2007) showing investment value from different countries of the world

More FDIs were recorded in 2008 with a net value of 32224.6 million dollar generating 15,400 jobs in Nigeria (figure 8). The industry sectors were mainly coal, oil and natural gas, warehousing & storage, building & construction materials, business services, metals, communications, food & tobacco, alternative/renewable energy, financial services, hotels & tourism, etc. Most FDIs originated from the United States of America, West Europe, and Africa. It is not known what business conditions informed this sky-rocketting of FDIs in this year. The volume of FDIs in this country has implication for the general activity and volume of international tradee situation not only in the port sector but the national economy as a whole.

2009 recorded a sharp decline in recorded FDIs both in terms of net worth of investments (7952.05 billion dollar) as well as number of jobs created (7241) (figure 9). The volume of trade may haved decreased due to the uncertainty the transition from military to civilian administration may have generated. however, the pattern of flow has not changed significantly except that trade volume concentrated around North America and West Europe. major sectors of investment are in the Coal, Oil and Natural Gas, Food & Tobacco, Consumer Products, Hotels & Tourism, Transportation, Automotive OEM, Communications, Beverages and so on.

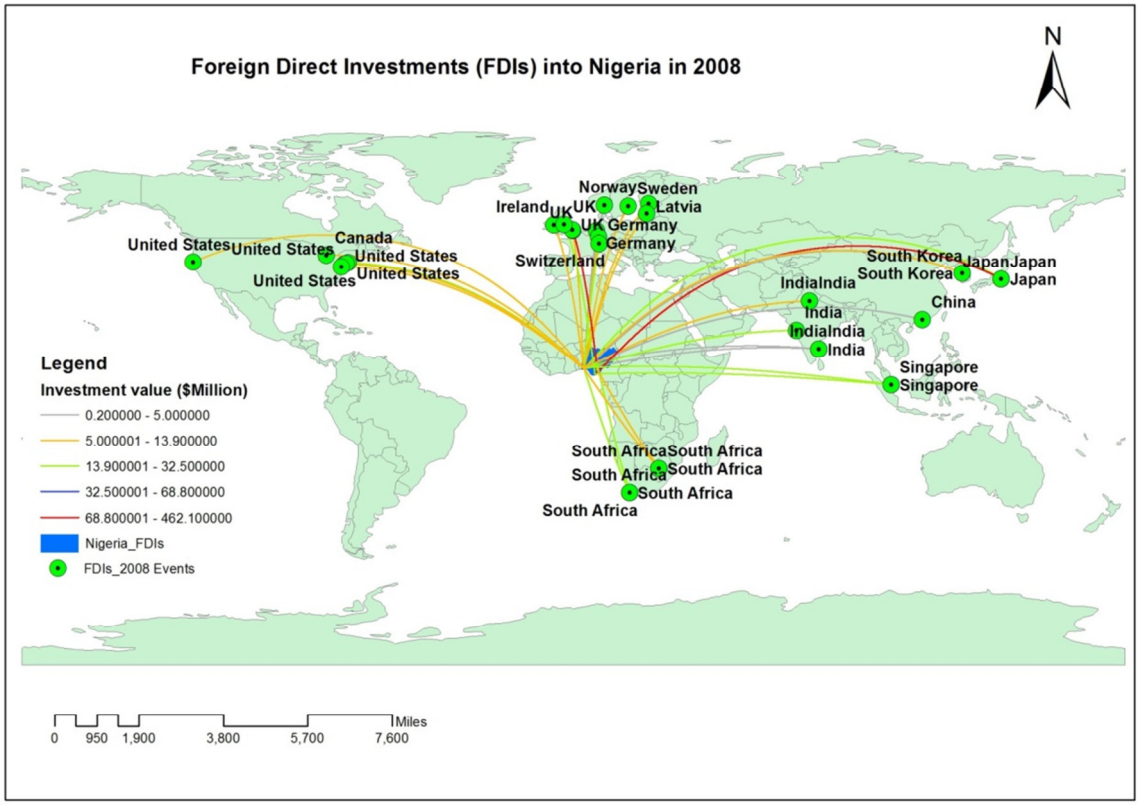

Figure 8: Foreign direct investments (FDIs) into Nigeria (2008) showing investment value from different countries of the world

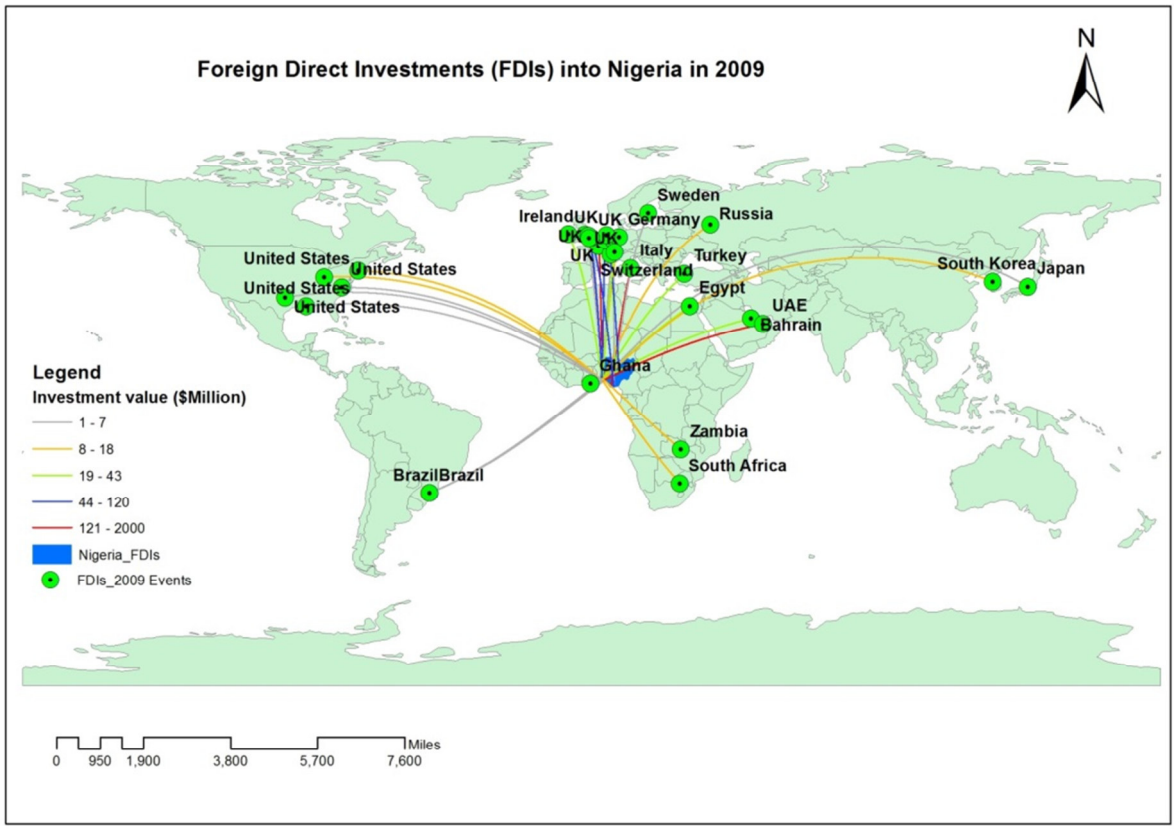

Figure 9: Foreign direct investments (FDIs) into Nigeria (2009) showing investment value from different countries of the world

There was a slight leap in FDIs in 2010 after the emergence of civil regime in Nigeria. total investments

increased to 10509.28 billion dollars and 10,364 created jobs. Most FDIs originated from Asia and Pacific, Africa, West Europe and North America (figure 10). Most investments were in coal, oil and natural gas, chemicals, chemicals, automotive OEM, software & IT services, communications, hotels & tourism, food & tobacco, non-automotive transport OEM and plastics, to mention but a few.

2011 witnessed another significant drop in FDIs across all sectors. For example, FDIs invested value dropped to 3012.987 billion dollar with about 6,948 created jobs. Most of them are from West Europe, Africa, Asian and Pacific, and North America (figure 11). Investments were mostly in the area of building & construction materials, beverages, transportation, alternative/renewable energy, chemicals, coal, oil and natural gas, consumer products, food & tobacco, electronic components, etc.

FDIs was lowest in 2012, however, the geography of source of investment remained the same attracting investments from North america, West Europe, Africa, Asian and Pacific (figure 12). Total investments equalled 1631.2 billion dollar and 4,541 jobs created. Major investments in automotive OEM, chemicals, communications, coal, oil and natural gas, food & tobacco, etc., were recorded.

Sectoral allocation of in figure 13 revealed about 33 industry sectors that have attracted FDIs since 2003. Of all 33 sectors, coal, oil and natural gas expectedly leads the chart with about $80843.64 and 16,350 created jobs for the period under review. Communication appears to be the next sector with huge potential FDIs accounting for about 9,441 jobs in the ten years under consideration. The emergence of mobile telephony in 2009 such as MTN, GLO, ECONET, etc. as private coorporations brought with it some form of communication and business revolution in Nigeria. The contribution of this sector to the economy of Nigeria has been resounding, indeed only second to the oil sector. It stimulated the national economy offering job and business opportunities to both the formal and informal sectors. Other industry sectors with high FDIs attraction include manufacturing, automotive OEM, building and contruction, food and tobacco, hotel and tourism, real estate, transportation among others.

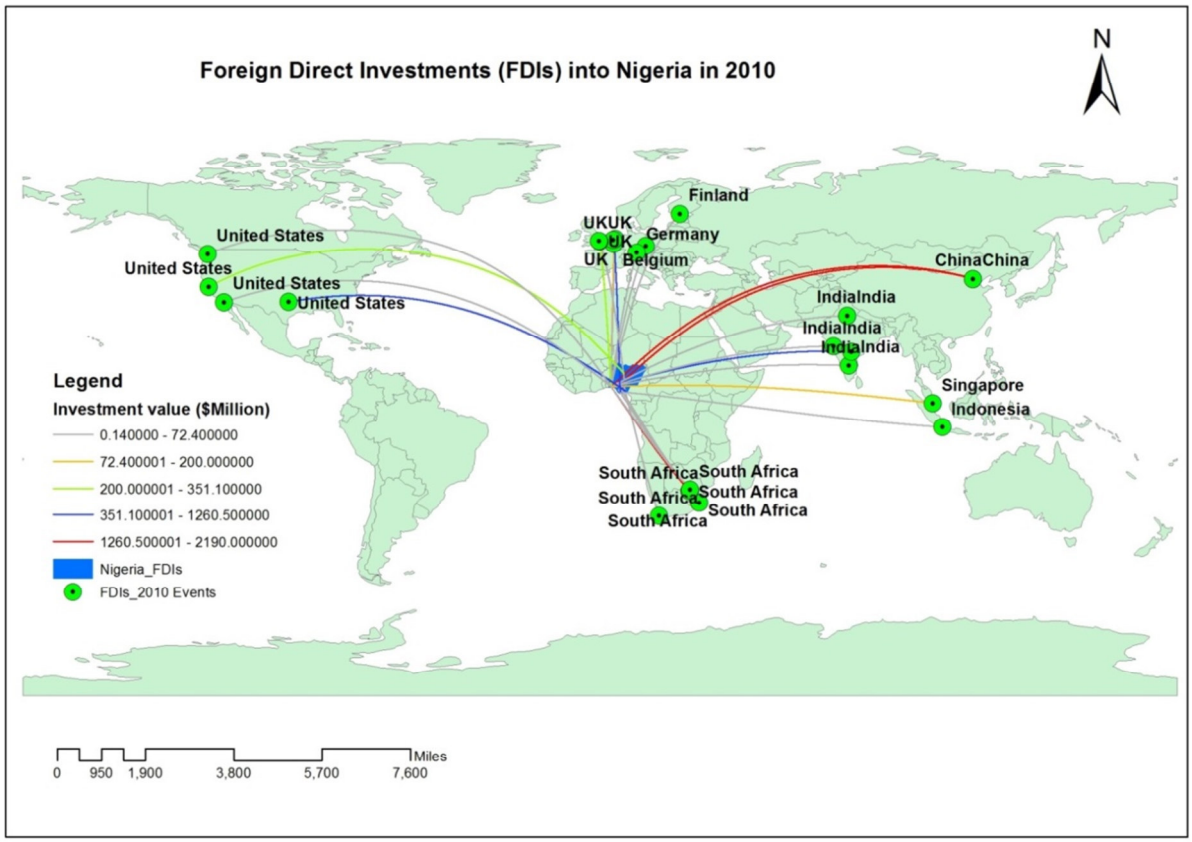

Figure 10: Foreign direct investments (FDIs) into Nigeria (2010) showing investment value from different countries of the world

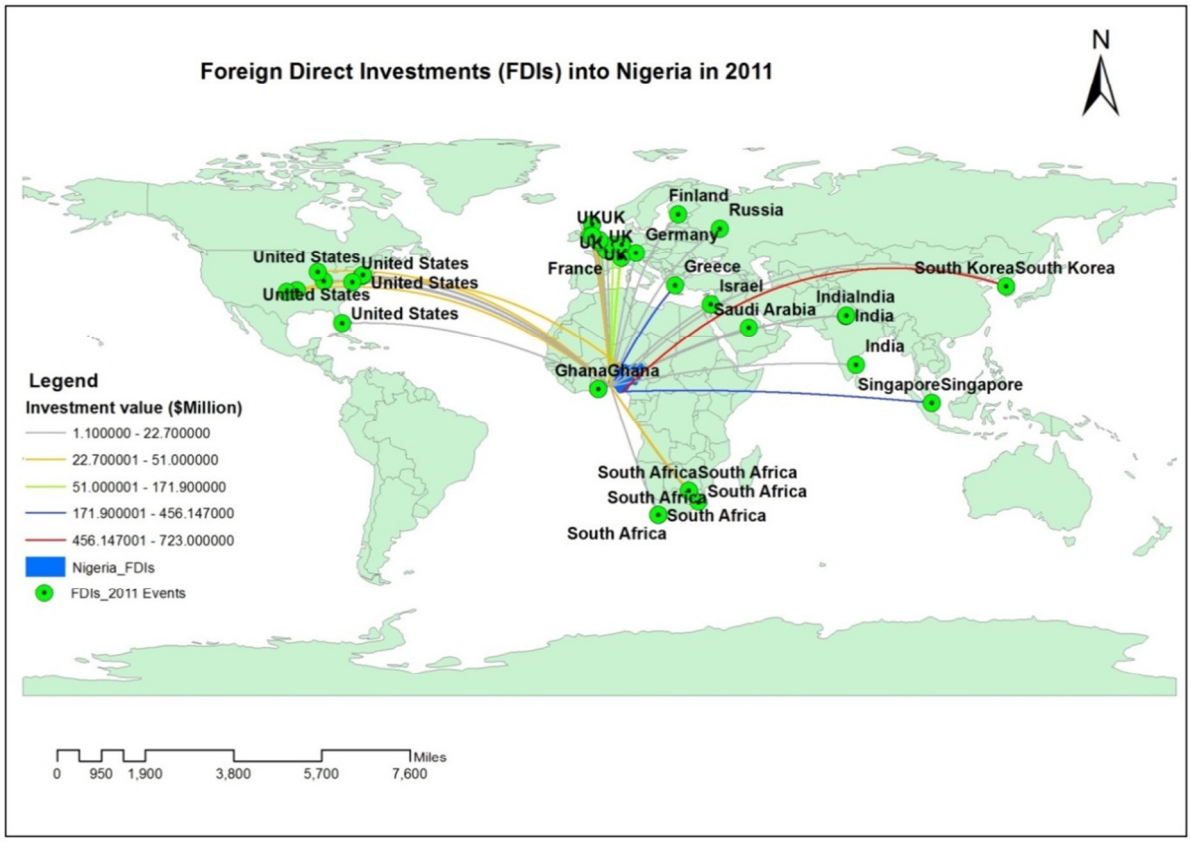

Figure 11: Foreign direct investments (FDIs) into Nigeria (2011) showing investment value from different countries of the world

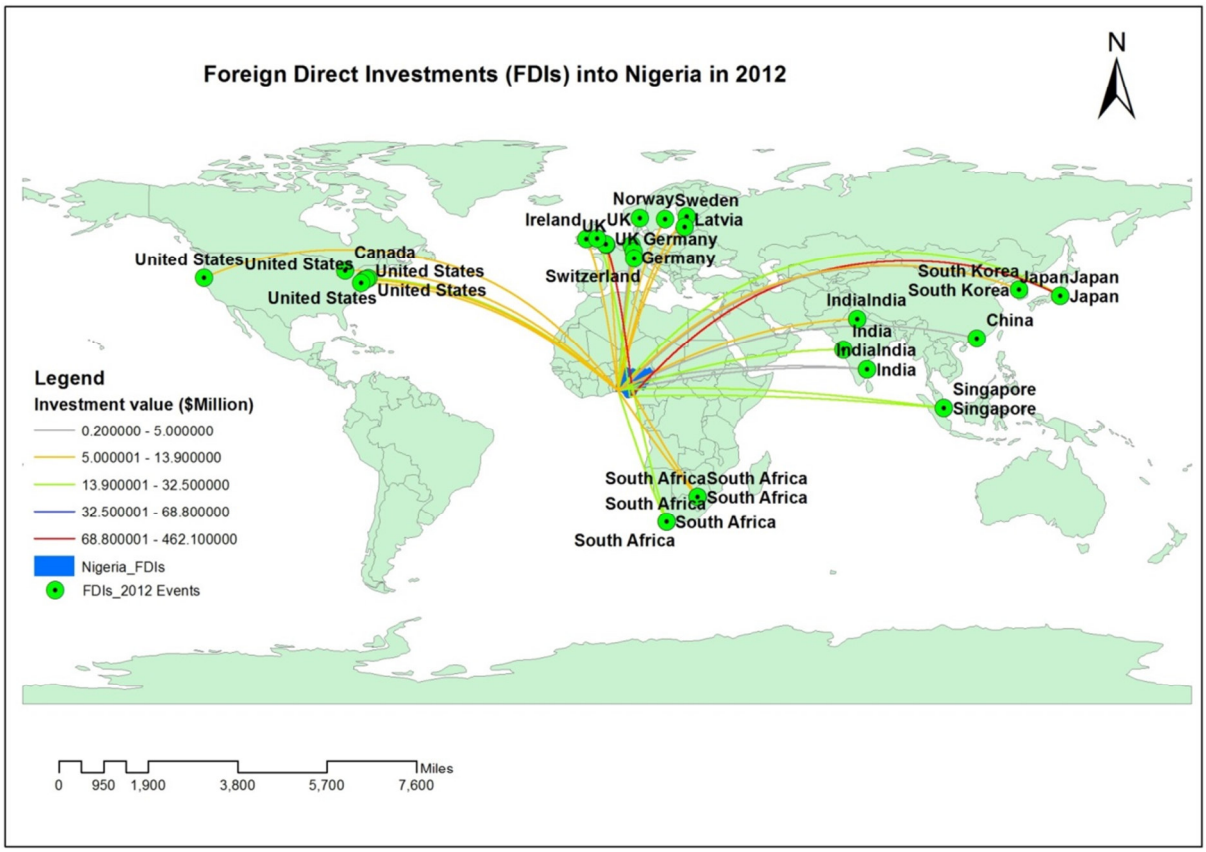

Figure 12: Foreign direct investments (FDIs) into Nigeria (2012) showing investment value from different countries of the world

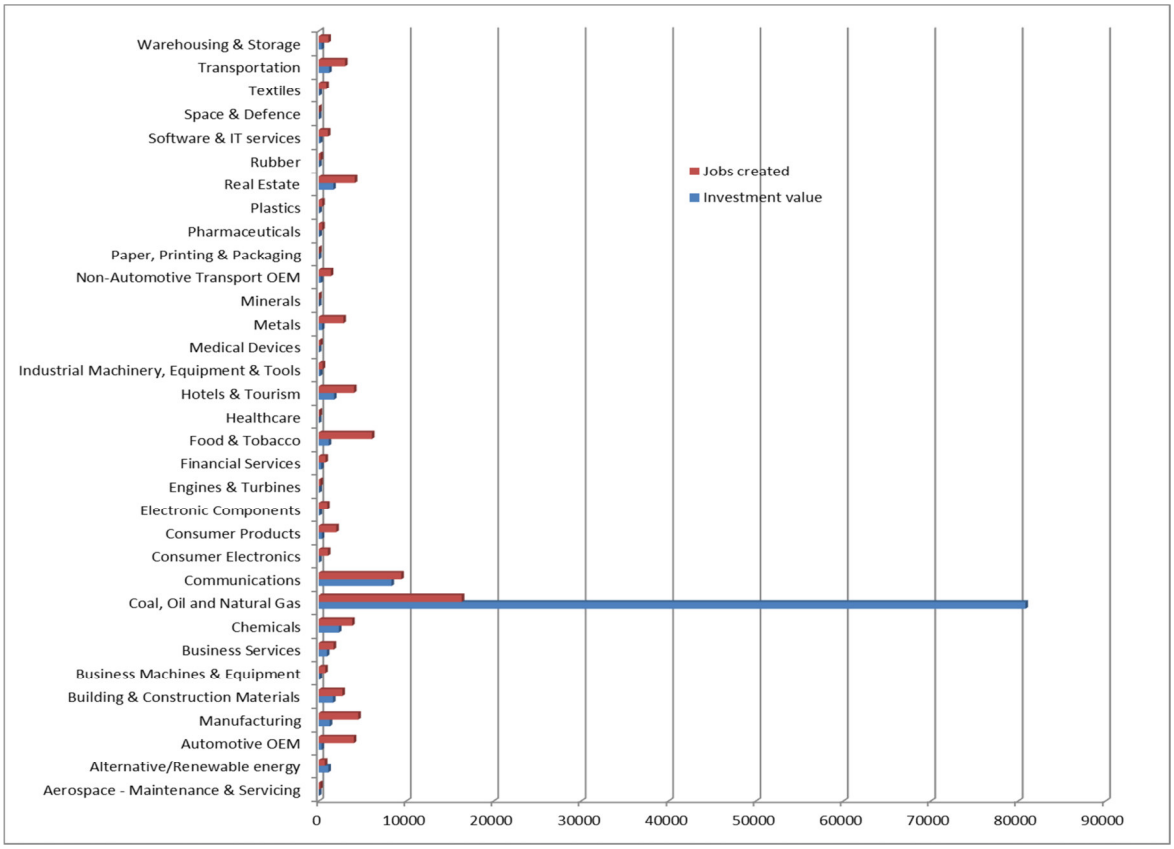

Figure 13: Industry sectorial distribution of FDIs in 2003-2012

Furthermore, an attempt was made to investigate the specific sources of these FDIs both in terms of net value of investments and number of jobs created. Data in figure 4.16 revealed that the bulk of Nigeria FDIs originate from North America (mostly the United States of America) with a net worth of 34034 trillion dollar, generating about 15,021 jobs between 2003-2012. FDIs from this region cuts across different industry sectors such as alternate renewable energy, aerospace, chemicals, communications, engines and turbines, coal, oil and natural gas, space and defence, transportation, industrial machinery, equipment and tools, software and IT services to mention but a few. Figure 14 further attempts a display of sectorial distribution of FDIs (2003-2012).

West Europe accounts for the second largest FDIs in the country with net value of 32797.917 trillion dollar worth of investments and generation the highest number of 23,789 created jobs between 2003 and 2012. Added FDIs from the rest of Europe actually makes Europe the largest source region both in terms of investment value and jobs created in Nigeria. The sectorial distribution of FDIs from this region is further shows that all industry sectors are attracted from the continent (figure 15). Asia Pacific surprising accounts for a higher job creation (16,393) than North America (15,021) despite the later accounting for twice the value of investment the former.

FDIs from other African countries account for 4814.59 billion dollar worth of investments and 8,071 created jobs compared to Middle East's 4656.7 billion dollar and 4,948 jobs. This is however not encouraging as FDIs from Africa only come from South Africa, Zambia, Zimbabwe and Ghana alone. This development is most disturbing as a clear indication of the low level of economic integration amongst African states. Apart from South Africa's MTN, Shop Rite, DSTV and a few others from Ghana and Zimbabwe, no other form of economic integration exist between African States.

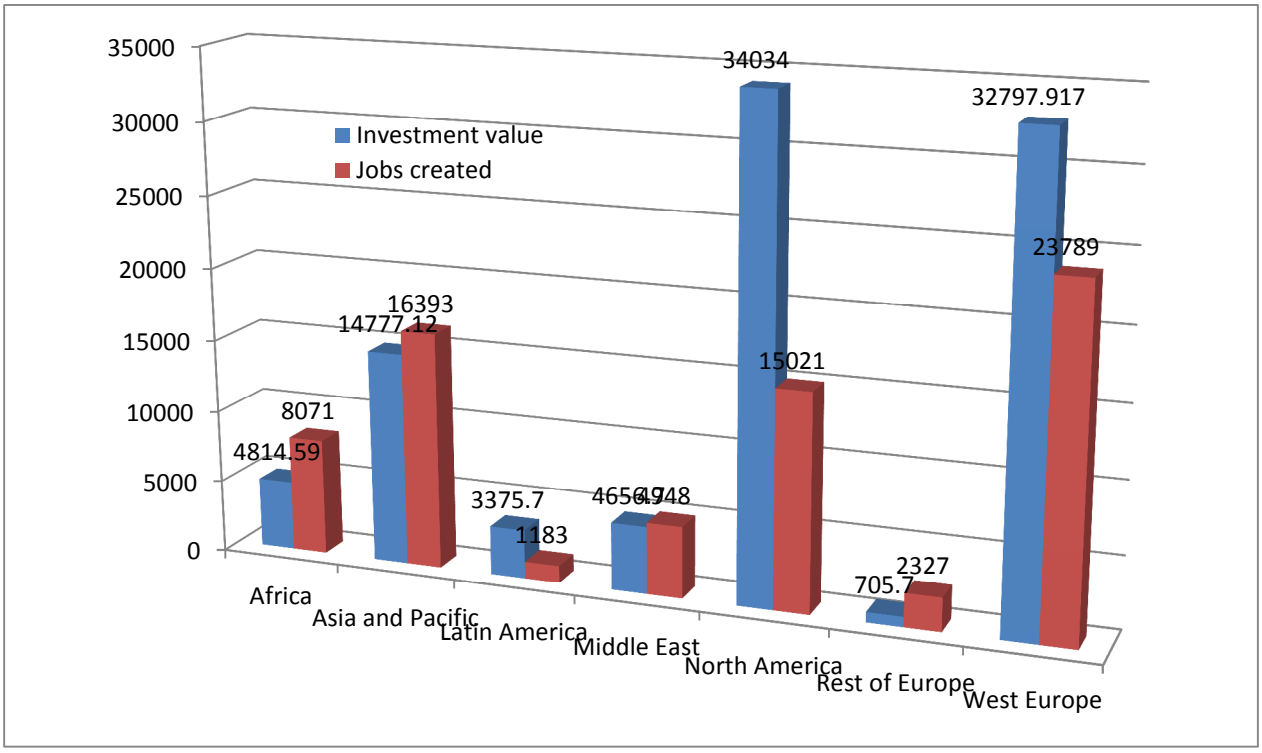

Figure 14: FDIs based on investment value and number of jobs created in Nigeria from across the world.

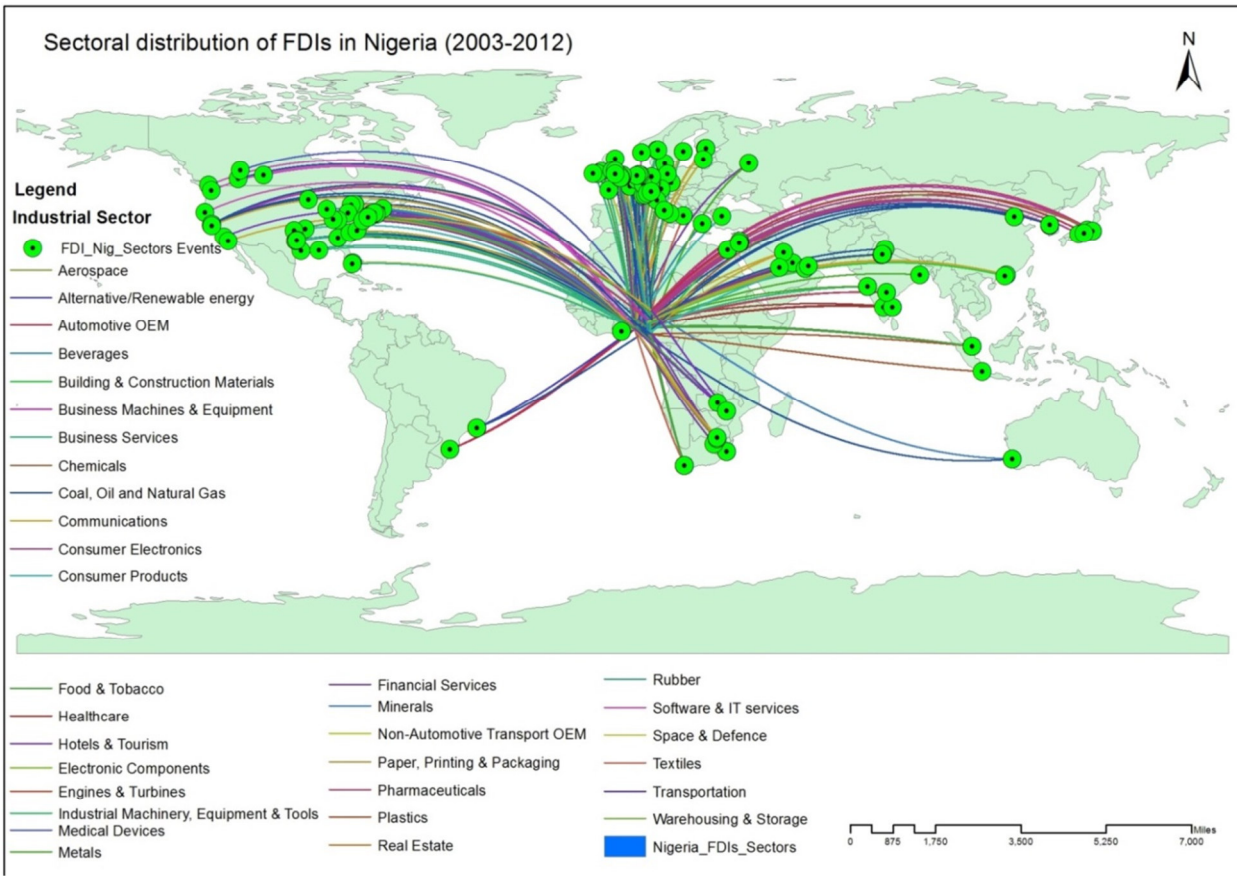

Figure 15: Sectorial distribution of FDIs from different industries into Nigeria (2003-2012

CONCLUSION AND POLICY RECOMMENDATIONS

There is an increasing debate on how a country can be globally competitive given the increasing wave of foreign direct investments and economic connectedness across the world. And most studies have related the issue-FDIs/globalization/trade openness to economic growth usually on cross country basis with few on country specific basis. In addition, where it is discussed on country specific platform emphasis has been on the general economy. This present study motivated by the above contributed to literature and empirical discourse on the issue by relating global competitiveness to a given sector that is believed to be engine for industrialization and employment generation-the maritime sector. This study is embarked upon because of the benefits derivable from FDI by any country especially Sub Sahara African (SSA) like Nigeria. It has been argued in the literature that Nigeria is one of the economies with great demand for goods and services and has attracted FDIs over the years. This is explained by the volume of FDI inflows to Nigeria valued at US$2.23 billion in 2003, rose to US$5.31 billion in 2004 and to over US$10 billion as at 2013. However, the snag is that, this volume of FDI has not been actually transformed into the expected level of development in Nigeria as its impact has not been fully maximized. This is the premise upon which the study is germane.

To improve on the inflow of our foreign direct investment (FDI), Government should therefore invest more in infrastructure (like power, communication, transportation and energy) and ensure the availability of other needed facilities that can attract and boost the productive capacity of direct foreign investors, so that more investors can come into the country since effective productivity of present direct investors will attract more foreign investors.

With respect to the real exchange rate and FDI inflows, the government should allow naira to depreciate more since it will reduce the dollar price of some ailing indigenous companies, thus attract more foreign investment (in form of mergers and acquisition).

Improving policy and regulatory environment, tax reforms, investors tax friendly tax and legal systems, removal of capital controls are essential to FDI attraction and contribution to growth in the economy.

Efforts should also be directed at investment opportunities within Africa as the study has revealed an abysmal flow of FDIs from Africa except a plethora from South Africa, this defies regional integration and indeed not healthy for Africa.

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