THE CHALLENGES AND OPPORTUNITIES OF THE INVESTMENT ENVIRONMENT IN NIGERIA

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Introduction

It gives me great pleasure to speak at this gathering of highly distinguished experts on the investment in Africa on the subject "Challenges and Opportunities of the Investment Environment in Nigeria". During the briefing given at the Embassy of Japan in Nigeria on this occasion, I was informed that this presentation is to serve as an input towards policy formulation on investment to Nigeria and other African countries. I am truly honored and delighted to be a participant in the process for the evolution of the issues with far reaching implications for strengthening the economic relations between Japan and Nigeria, and indeed between Japan and the whole African continent.

As you may be aware, my involvement with Japan began in 1984 when I came to study economic policy at Keio University, Mita- Tokyo, under the academic guidance of the celebrated Japanese economist, Professor Hiroshi Kato. I have since then regarded it my major responsibility to promote stronger economic ties between my country and Japan. Since 1990 when I graduated from Keio and returned home, I have had various opportunities to return to Japan (which is now my second country) to be involved in one activity or the other towards the promotion of stronger ties with Japan.

In July 2002, I was a member of the Nigerian delegation to the second meeting of the Japan-Nigeria Special Partnership Forum, which took place at Japan's Ministry of Foreign Affair's under the distinguished chairmanship of His Excellency, Ambassador Nobutake Odano, the former Director General of Sub-Saharan African Affairs and Special Adviser to Prime Minster Junichiro Koizumi. The Special Partnership came into being as a result of the agreement between Prime Minster Kiozumi and President Olusegun Obasanjo (during the latter's State Visit to Japan in May 2001) to establish, for the first time, a framework for strengthening the economic and political ties between our two countries. Many issues of importance were raised at the 2002 meetings of the Special Partnership amongst which is the JETRO Investment Survey Mission to Nigeria. I was privileged to participate as one of the organizers at the hosting of the JETRO Mission, which took place in May 2002.

The hosting of the Mission was a follow-up action from the agreement between our two Heads of Governments to promote direct investment from Japan to Nigeria. A total number of 32 official from Japanese companies and government departments participated in the Mission. It established the first major framework for facilitating direct investment from Japan to Nigeria during the coming years.

It is obvious that our two leaders have left no stone unturned towards strengthening the bilateral relations between our countries. This is indeed a very welcoming development. I consider my involvement with this meeting as part of the medium and long-term efforts in facilitating the flow of major investment from Japan to Nigeria, and the establishment of stronger socio-economic and political ties between our two countries. With such increased interactions between our leaders on one level and the involvement of Japanese and Nigerian government officials in an on-going dialogue on another level, I have no doubt in my mind that we shall succeed in our objective of bringing the people of our great countries into closer economic and social ties. Furthermore, such interactions will put Nigeria on the path to greatness as a leading industrialized country in Africa.

I will like to congratulate Ambassadors Odano and Akira Matsui on the Japanese side, and Ambassadors Daniel Hart and Emmanuel Otiotio on the Nigerian side, for their tireless efforts in contributing to the promotion of stronger relations between our two countries. The establishment and functioning of the Special Partnership represent a major watershed in the relations between Nigeria and Japan, and I congratulate these fine gentlemen for putting together the basic framework for this Partnership.

The Nigerian Investment Environment

After these general introductory remarks, I will now like to focus attention on the main subjects of my presentation today, which is on the Nigerian investment environment. It is a common knowledge even to the cursory observer of the African continent that there are very few countries with the huge economic potentials of Nigeria. The country is richly endowed with an abundance of human and natural resources. With a population of over 120 million people, Nigeria has an internal market that has no rival within the African continent. Apart from the advantage of high purchasing power which human endowment gives the country, Nigeria has one of the most highly trained work forces in Africa.

The country has vast arable land with complimenting conditions that support agricultural activities. The flora and fauna of the country alone represent other investment options. The comparative agricultural data (below) between Nigeria and some major countries of the world brings out clearly the latent potentials of the agricultural sector in Nigeria. The data shows that the ratio of cultivated land area in Nigeria is very high, and the self supply ratio of grain is relatively high when compared with the data on the whole African continent, and such major countries of the world as China, United States and India.

Table 1: Agricultural Statistics Data / Nigeria and Major Agricultural Countries

	Nigeria	Whole Africa	China	United States	India
Agricultural Population (1000) (1998)	15,186	189,582	510,159	3,105	259,600
Ratio in the National Working Population	35.2%	58.7%	68.0%	2.2%	60.5%
Cultivated Area (1,000ha) (1997)	30,738	199,340	135,365	179,000	169,850
Ratio in the national territory	33.3%	6.6%	14.1%	19.1%	51.7%
Grain (1,000M/T) (1998)	22,724	113,895	447,135	349,703	219,444
Production per ha (kg)	1,211	1,220	4,811	5,682	2,207
Grain Self-Supply Ratio (%)	87.0%	-	98.0%	140.0%	99.0%
Vegetable Production (1,000M/T) (1998)	6,040	40,156	237,136	34,924	55,574

Source: Sekai Kokusei Zue 2000/2001. Contained in *"Supply and Demand Outlook of Potential Investment Products in Nigeria,"* A Report from the Industrial Research Team Economic Research Institute Marubeni Corporation, Feb. 2000

Nigeria is ranked as the fifth major producer of crude oil in the Organisation of Petroleum Exporting Countries (OPEC), and has numerous solid mineral deposits like coal, bitumen, gypsum, etc that have barely been harnessed. The solid minerals in Nigeria range from precious stones to the various industrial minerals for a wide range of industries as construction, pharmaceuticals, food processing, and other forms of manufacturing.

Despite the huge resource base of the country, Nigeria has not been able to achieve a high level of economic growth, nor has it been able to attract a high level of Foreign Direct Investment (FDI) commensurate with its economic potentials. In his assessment of the Nigerian investment environment, Mr. Yuichi Ishimaru, Senior Vice President/Director of Marubeni Corporation and Member of the Honorary Presidential Advisory Council on Investment in Nigeria had identified the following factors as major obstacles to economic growth and the flow of FDI to the country-

1. Dependence on the oil sector, which accounts for 95% of foreign currency income and 80% of the national budget.
2. National budget deficit and foreign debt caused by free-spending economic policies under past military junta regimes.
3. Inadequate infrastructure.
4. Corruption.
5. Unstable regulatory and institutional environment.
6. Crime and other security concerns

Other problems raised by investors in respect of the Nigerian investment environment include- multiplicity of approving agencies, high interest rate, and so on.

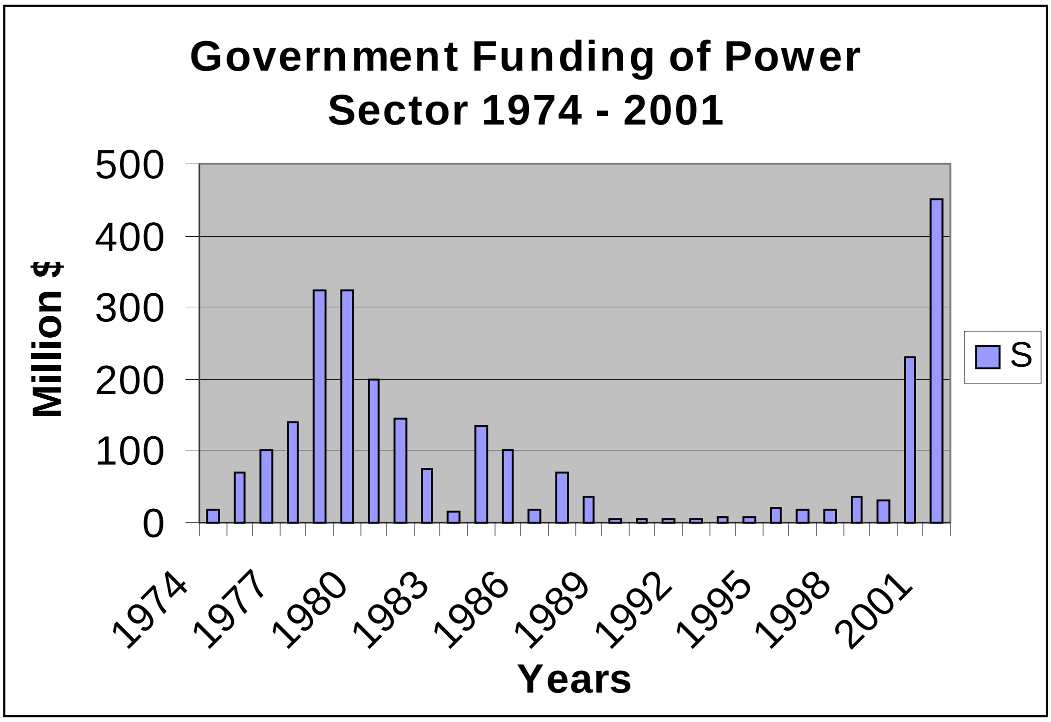
Addressing Problems of the Investment Environment

It was against the background of the problems in the investment environment that the government of President Obasanjo articulated the guiding policies for revitalizing the Nigerian economy and the promotion of FDI into the country. At this point, permit me to highlight some of the key aspects of the government policies directed at addressing these problems.

1. Rehabilitation of Socio-Economic Infrastructure

Electricity: The rehabilitation of socio-economic infrastructure has remained an activity of high importance to the government of Nigeria since 1999. For example, the enhancement of the generating capacity of the National Electric Power Authority (NEPA) is an area where the government has recorded substantial success. During the last three years the government has upgraded generating capacity from below 2,000MW to 4,500MW. Marubeni Corporation and other Japanese companies are major players in this rehabilitation program. The government aims at ensuring a minimum of 10,000MW-power generation capacity and uninterrupted power supply to at least 60% of the population by 2005. To achieve this goal, a specific power supply program directed at providing the electricity needs of investors have been implemented in major industrial cities in the country as well as increased government spending in the sector. From 1989 – 1994 government spending in the power sector averaged about $6 million but that figure has since improved with the government spending US$450 million in 2001 to rehabilitate the sector (see fig1).

Figure 1



Source: Federal Ministry of Information and National Orientation, Abuja, Nigeria, 2003

In addition, the government is promoting Independent (private) Power Producers (IPPs) to augment its efforts at expanding generation and distribution of electricity. The major oil companies in Nigeria- Mobil, Chevron, Shell, etc., are involved in establishing such private power generation capacities with natural gas from the oil fields in Nigeria. Furthermore, the Nigerian government is working on the restructuring and privatization of the government electricity monopoly during this decade.

Telecommunications: The major improvement in government's plans to address the problems of infrastructure in Nigeria can be seen in the telecommunication industry. Tele-density has been greatly enhanced with the presence of private telecommunication operators. By the end of 2002, the Nigeria Communications Commission (NCC) had licensed twelve (12) fixed wireless operators with 363,284-installed capacity and 120,771 subscribers. NCC has also licensed two mobile operators (GSM) with a combined installed capacity of 1,223,942 lines and 1,004,592 subscribers. In addition, a second national carrier has been licensed and is expected to commence operations during the first half of this year. When these figures of private sector new telecommunication capacity is added to that of the former state monopoly, NITEL- which has installed fixed line capacity of 745,998 and subscribers of 545,875 and a mobile capacity of 153,574 and subscribers of 143,936- it is clear that the Nigerian telecommunication industry is amongst the fastest growing in the world.

Railway/Roads/Airports: The oil boom of the 1970s and the eventual dependence of Nigeria on crude oil as a major revenue earner saw the demise of the rail system as a major means for transporting goods and people. The current necessity to diversify the Nigerian economy has made for the renewed interest in revitalizing the rail network. In this context, the present Nigerian government has unveiled a comprehensive Transport Master Plan involving the road, rail, and air transport. With the Plan, the present rail system is to be rehabilitated with the standard gauge. New lines are to be added to link up various parts of the country. The new rail system is mainly to serve commercial and industrial needs.

In addition, the government has begun the rehabilitation of roads- so far over 3,000 km of roads have been turned into all-season roads. This involves making single lane inter-state highways into dual carriages. Government has also rehabilitated/improved services at the two major international airports in Lagos and Abuja; thereby making entry and departure from the country a more pleasant experience than it was in the pre-1999 period.

Human Infrastructure: In Africa, Nigeria probably has the highest pool of skilled and highly educated manpower. This opinion was corroborated by a survey carried out by the *African Competitive Report 2000/2001*, which ranked Nigeria second in terms of availability of local labor market that satisfy business/hiring needs of investors. To sustain this trend, government has instituted the Universal Basic Education Program to ensure that equal educational opportunities are given to all citizens of the country. Moreover, the educational sector has been liberalized, with private sector investment being encouraged at all levels of the educational structure. The aim of making the sector more competitive is to develop an entrepreneurial class that is innovative, competitive and technology driven.

2. **Anti-Corruption Commission**. When President Obasanjo was sworn in on May 29 1999, one of the cardinal points of his administration is to stamp out corruption in Nigeria in order to create an enabling environment for investors. To this end, the Anti-Corruption and other Offences Act of 2000 was signed into law. This Act established the Independent Corrupt Practices and Other Related Offences Commission (ICPC) that have wide powers to investigate and prosecute those suspected of corrupt practices. So far, the Commission has addressed a number of cases. The anti-corruption stance of the Nigerian government is serving as a major deterrent to corrupt practices that had been rampant in government, especially during the period of military regimes in Nigeria.

3. **Security of Life and Property.** In order to ensure security of life and property, the government has made the funding, equipping, training and retraining of officers and men of the internal security agencies, especially the police force, a matter of priority. In order to increase the ratio of police officers to the population, the government has embarked on a program of recruiting 40,000 men per year into the police force. The budget for the police force is amongst the top three budgetary allocations made in the last three financial years. The overall effect of government's effort in this area is the drastic reduction of violent crimes, which had been the hallmark of Nigerian cities like Lagos.

4. **New Regulatory and Institutional Environment**. In order to bring Nigeria into more competitive position for FDI, the government has legislated two major laws to guarantee investments against nationalization by any tie of government, and to ensure the free transfer and repatriation of funds from Nigeria. The two laws in question are the Nigerian Investment Promotion Commission (NIPC) Act 16 and the Foreign Exchange (Monitoring and Miscellaneous Provision) Act 17, both of which were enacted in 1995.

   The NIPC, (which is the government agency I work for), was established to address the problems of multiplicity of government agencies which investors confront when they come to Nigeria. Thus, the Commission assists investors in going through the formerly cumbersome process of pre-investment registrations within two weeks. In addition, the Commission has taken the role of being a facilitator by guiding each investor through the processes that leads to the inception of an investment project- acquisition of land, telephones, electricity, and other approvals.

   Other laws that were either reviewed or legislated to make regulatory conditions in the Nigerian investment environment reflect world trends include-
   The Companies and Allied Matters Act of 1990
   The Securities and Exchange Act of 1999
   The Banking Act of 1990

5. **Long Term Funds/Cost of Capital.** The Nigerian government is addressing the problem/issue of local long-term fund for investment as a matter of high priority. In this regard, three development-banks- the Nigeria Import-Export Bank, Nigeria Bank for Industry, and Nigeria Bank for Agriculture, Cooperatives and Rural Development- have been restructured and re-capitalized to provide long-term loans at low interest rates. In addition, government has established the Small and Medium Enterprises Development Fund in which commercial banks put aside 10% of their pre-tax profit to fund small businesses. Recently, the government has frontally addressed the issues of high interest rate-, which was in the 30-40% range- by mandating commercial banks to lend funds to enterprises at a maximum of 20% interest.

The Nigerian Investment Situation and Trends

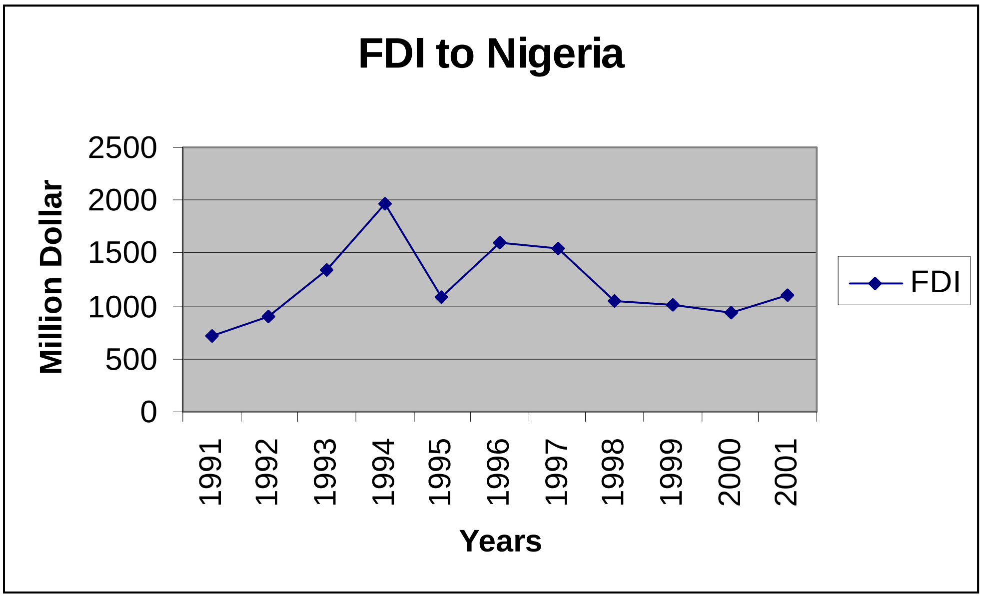
There is no doubt that the Nigerian investment environment is still characterized by major challenges. Definitely, it will take more time for government's efforts to result in a major transformation of the investment environment. In its assessment of the Nigerian investment environment, the report of the recent JETRO Investment Mission to Nigeria indicated that " regarding the potential of the Nigerian market itself, it is a fact that the participants are interested in it and if the business environment improvements gets underway as advanced by the current government, a great business chance will arise". Indeed, the great business chance is already rising for many investors, especially those from Europe, America and China. This position is supported by data on investment in Nigeria between 1999 and March 2002:

- Level of investment commitment by the 143 companies registered by the NIPC was N70.52 billion (US $466.4 million)
- Re-investment by major multinationals amount to over US$2 billion (N236billion)
- Projected employment generation is over 20,959
- Total capital imported for investment purposes was US$506.2 million
- Capital market capitalization was 156% change between 1999 and 2002
- Annual return on investment in capital market was 105% making Nigerian stock market one of the most profitable in the world.
- Foreign investment inflows from the privatization program was N8.3 billion (US470.3 million) in 2002

I will now like to examine the general trends of FDI flow into Nigeria from the 1990s. During the latter half of the 1990s, the annual inflow of FDI into Nigeria averaged between US$1-1.5 billion, with an aggregate investment totaling US$20 billion at the end of 1999. This is equal to about half of Nigeria's GDP. It is generally known that FDI into less developed countries, (including Nigeria), increased substantially in the 1990s. Thus in 1999, FDI to Nigeria was US$1.01 billion which was 0.2% of world's total of US$865 billion, and 0.7% of developing country's total of US$207 billion and 15% of Africa's US$9 billion.

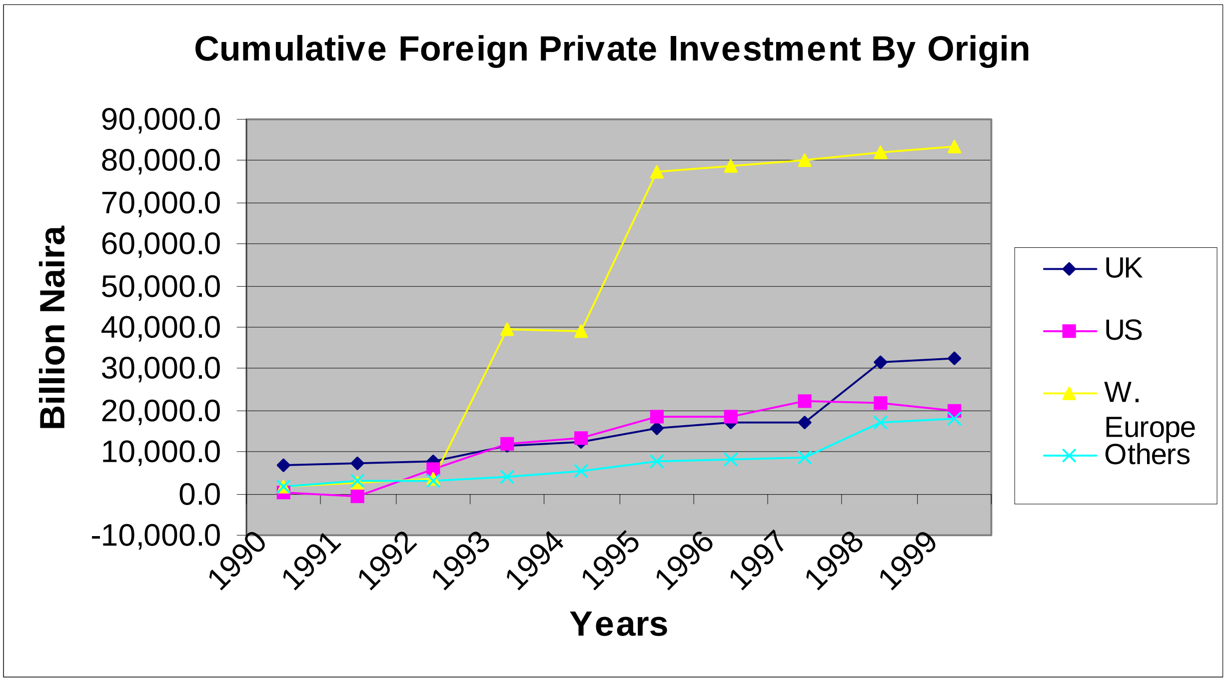
This makes Nigeria one of the major recipients of FDI to Africa, together with the Republic of South Africa, Egypt, Morocco and Tunisia, in that order. FDI flow into Nigeria was US$930 million and US1, 104 million for 2000 and 2001 respectively. The apparent drop in 2001 (the first time in seven years that Nigeria had FDI flows below the US$1billion mark) was attributed to decreased investment in the petroleum sector and the general fall in the FDI surge in the world. Figure 2 below shows the total inflow of FDI into the Nigerian economy, while Figure 3 show the various countries from where FDI to Nigeria originated. The last figure provides the data according to the sectors that attracts investment flows. Most of the FDI to Nigeria, especially those from Europe and USA are mainly in the oil and gas sector, with very little percentage in the manufacturing sector. However, recent trends have shown that an increasing percentage of investment is directed to the manufacturing sector- see Figure 4.

Figure 2



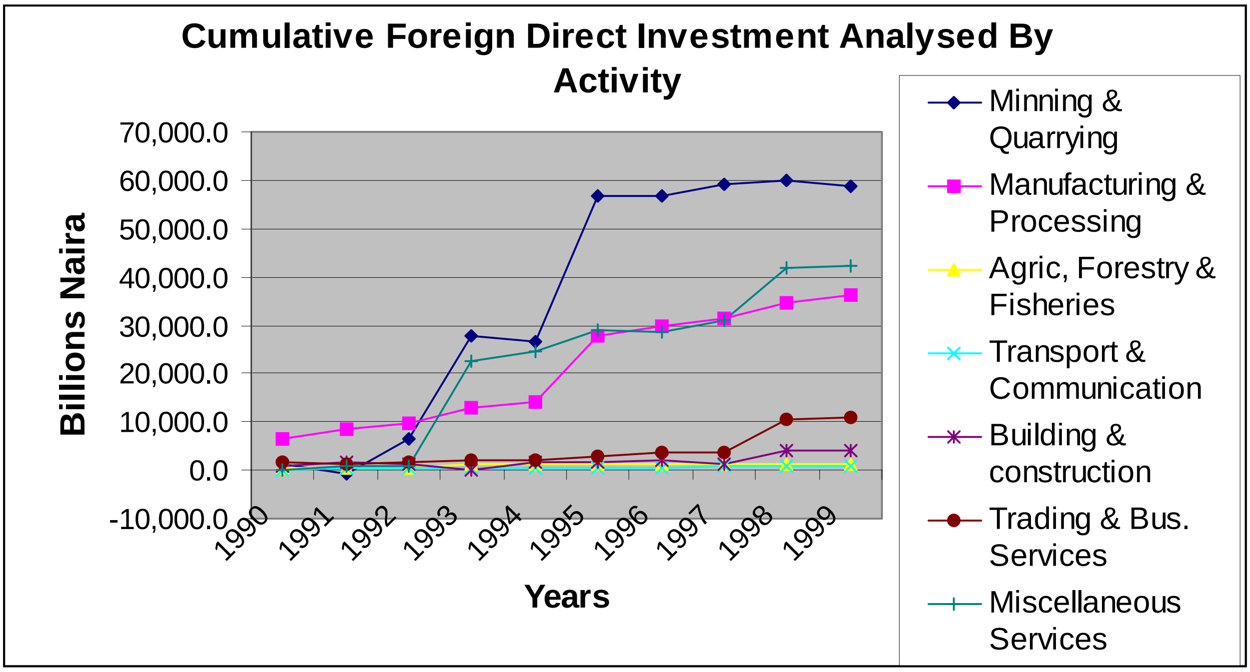
Source: UNCTAD Database

Figure 3



Source: Central Bank of Nigeria – Statistical Bulletin Dec. 2001

Figure 4



Source: Central Bank of Nigeria – Statistical Bulletin Dec. 2001

Investment Trends Between Nigeria and Japan

Despite the huge expansion in Japan's FDI to developing countries from the 1980s, African countries in general and Nigeria in particular did not feature as important destinations for FDI from Japan. For example, out of a total FDI of US$41 billion from Japan in 1998, only US$4.3 billion came to Africa. This is approximately 1% of the total value of FDI from Japan during that year. On the whole, the investment in Africa involved 31 projects, out of which 21 with a total value of US$3.8 billion were for flag of convenience payments for Japanese vessels registered in Liberia.

Japanese direct investment in Nigeria began in the 1960s when companies that exported textiles to Nigeria reacted to high tariffs by establishing local textile factories to protect their market shares. Four of the seven textile factories owned in Nigeria by Japanese companies were established during this period. During the 1970s and 1980s various Japanese companies moved into Nigeria to be involved with construction and engineering works. Most of the companies came under the auspices of the major trading companies that established operations in Nigeria to take advantage of the "oil boom". Some of the trading companies began to undertake joint ventures in manufacturing concerns during this period.

For example, Sumitomo Corporation and Sumitomo Cables established the Nigerian Wire and Cable Company in Ibadan; Mitsui Corporation and Yamaha Motors established the Yamaha Manufacturing Nigeria Ltd to produce and sell motorbikes and its parts; Marubeni Corporation and Sanyo Electric established the Sanyo Nigeria Ltd to fabricate and sell electrical and electronic appliances, and so on. By the late 1980s, Japanese companies had invested in twenty-three projects in textile, glass products, iron products, wire and cables, electronics assembling and motorcycle assembling. On the whole, there were forty-two Japanese companies employing a total number of 17,000 people in Nigeria by mid-1980s.

With the down turn in the Nigerian economy due to drastic fall in crude oil prices in the international market and the resultant economic crisis in Nigeria, Japanese companies began to withdraw their operations. For example, Marubeni Corporation divested its interest in Sanyo Nigeria Ltd and Pioneer Metal Production Co. in 1989 and 1996 respectively. Sumitomo Corporation had also divested its interest in Nigeria Wire and Cable Co. in the 1990s, (but returned as a major investor in the Company in 2000). By 1995, fourteen of the forty-two Japanese companies operating in Nigeria had withdrawn their operations. Furthermore, there was no new investment in Nigeria by Japanese companies in the 1990s.

With the enthronement of a civilian government in Nigeria under President Obsanjo, Japanese government and companies started overtures towards new economic relations with Nigeria. In 1999, the Japanese government sent government officials to discuss and identify specific areas of development assistance required by Nigeria. This was subsequently followed in mid-1999 with an official announcement that Japan is resuming economic assistance activities, which was suspended in 1996. In November 1999, the first ever Economic Mission to Nigeria from Japan visited under the leadership of the former Chairman and Chief Executive of JETRO, Mr. Noboru Hatakeyama. The delegation included top-level officials of Japanese companies with business interests in Nigeria. A major objective of the Mission was to re-examine the investment environment in Nigeria and identify investment opportunities.

As a follow-up to the Economic Mission, I was invited by JETRO to undertake promotional activities for attracting Japanese investment into the food processing industry in Nigeria. During the three weeks promotional activities which took place in Tokyo and Nagoya in November 2000, 11 companies in the vegetable oil, cocoa and chocolate, and spices business were visited with the view to attracting them to invest in Nigeria. Other investment related institutions like the Japan Bank for International Cooperation (JBIC) and Japan International Development Association (JAIDO) were also visited. The two major outcomes of the promotional activities are-

1. On request, JETRO considered the possibility of organizing an Overseas Investment Survey to Nigeria, with the view to enabling Japanese companies invest in the small and medium enterprise sectors in Nigeria.
2. More than 10 investment proposals from Nigerian entrepreneurs were introduced to various Japanese companies for their consideration.

As I indicated at the onset of this presentation, President Obasanjo (during his State Visit to Japan in 2001) proposed that Prime Minister Koizumi send an Investment Mission to look into possibilities for investment by Japanese companies in Nigeria. In May 2002 when the Mission visited Nigeria, delegates had a breakfast meeting with President Obasanjo during which there were discussions on the Nigerian investment environment. Subsequently, the Mission had deliberations with top government officials on investment opportunities in Nigeria. They also visited the local operations of foreign firms. The report of the Investment Mission identified some of the issues we had discussed earlier on as impediments to Japanese investment into Nigeria.

However, the Report significantly stressed that Japanese companies that participated in the Mission showed much interest in investing in Nigeria. The Report identified the food-processing sub-sector as having the most potential for investment from Japan.

Sectors with Potentials for Investment in Nigeria

The oil and gas sector in Nigeria is generally known to have attracted the most interest for investors in the Nigerian economy. This is because of the huge profit that oil and gas companies make in the international market. Indeed, Japanese companies are involved in the oil and gas sector in the country, but mostly as contractors to the Nigerian government and major oil companies in the up-stream sub-sectors of the oil industry.
Thus apart from investing directly in the up-stream sector of the oil industry in Nigeria, Japanese companies can invest in such lucrative down-stream industries such as-

1. Crude oil refining, transportation and storage
2. Production of liquefied natural gas
3. Manufacture of gas cylinders, valves and burners
4. Processing plant for refined mineral oil, petroleum jelly and grease
5. Chemical industries
6. Fertilizer plants
7. Petrochemical plants, rubber and plastics plants; and so on.

As indicated earlier on, the 2002 JETRO Investment Mission to Nigeria had identified the agro-allied industrial sector, (specifically the food processing industry,) as having a high potential for investment. Indeed, JETRO had commissioned a team of experts to study the possibility for investment into yam and cassava processing, which are two major staple foods in Nigeria and other West African countries. Furthermore, in 2000, Marubeni Corporation's Economic Research Institute identified the production of vegetable oil and fruits processing (as well as tantalite, a solid mineral used for the manufacture of electronic components) as having high potential for profitable investment in Nigeria. Apart from food processing, other sectors of the agro-allied sector in Nigeria with investment potential include-

1. Food preservation
2. Animal feeds production
3. Fruits processing
4. Livestock and abattoir development
5. Trawling fish and shrimps
6. Large scale integration farming

7. Fabrication of small agricultural tools
8. Production of agricultural chemicals and other inputs, etc.

Japanese companies have shown interest in investing in the solid mineral sector in Nigeria. Marubeni Corporation had in 2001 funded the exploration and extraction of tantalite in Nasarawa State of Nigeria. Another major Japanese company has sent an expert to undertake a comprehensive survey of the solid minerals sector in Nigeria. As is well known, Nigeria has numerous minerals, including-

1. Limestone,
2. Coal,
3. Tantalite,
4. Gypsum,
5. Gold,
6. Barite,
7. Marble,
8. Manganese,
9. Lead/zinc,
10. Bitumen,
11. Tin and columbite,
12. Iron ore,
13. Kaolin, etc.

Another sector that presents investment opportunities for Japanese companies include such service sectors as the generation, transmission and distribution of electricity. This includes the local manufacture of cables, transformers and porcelain and other electricity equipments, appliances and component parts. The telecommunication industry is another service sector that can attract investment from Japan. Here, investment could be made in the provision of private network links, sales and installation of terminal equipments, manufacture of telecommunication equipments and accessories, etc.

Role of Japanese Government, Japanese Companies and the G8 Countries in Promoting Investment into Nigeria

I had earlier on discussed the new turn in Japan and Nigeria economic relations. It seems clear that the last four years represent a major turning point in the relationship between the two countries. For the first time in the history of Nigeria-Japan relations, a serving head of government from Japan (former Prime Minister Yosuhiro Mori) visited Nigeria in 2001. During the visit major policy pronouncements were made on the economic and diplomatic relations between the two countries. President Obasanjo reciprocated the visit of Prime Minister Mori in May 2001 when the two countries signed major bi-lateral agreements, including the earlier mentioned agreements to send an Investment Mission to Nigeria and the establishment of the Japan-Nigeria Special Partnership.

With the establishment of the Special Partnership, the relations of the two countries were for the first time provided with specific framework for regular consultations. This may not seem too important an undertaking to the cursory observer of the ties between the two countries; however, the importance of the Special Partnership can better be appreciated if put within the background of the fact that Nigeria-Japan relations was being managed in an ad-hoc manner before the current change. In this regards, the establishment of the Partnership stands out as a major historical landmark in the relations between the two countries.

It is clear at this point that both countries have now positioned themselves on a platform for major engagements. This is the context in which I will like to discuss the issue on the role of the government of Japan in facilitating investment to Nigeria.

Resolution of Debt Problem

With the benefit of my involvement in numerous forums concerning investment from Japan to Nigeria during the last four years, I have come to the conclusion that a major impediment to the flow of FDI to Nigeria is the public and private debts to Japan. During the investment promotion campaign I undertook in November 2000, officials of both public and private establishments had emphasized the need to achieve a major break-through in the resolution of the debt problems as a precondition for investment flow to Nigeria. Officials of the JBIC and representatives of companies with business interest in Nigeria were particular about this point.

It is therefore imperative that the governments of both countries consider ways by which a resolution of this problem can be attained. Already, Japan is assisting African countries in finding lasting solutions to its external debt problem as part of the Agenda of Action for TICAD (Tokyo International Conference on African Development). In this context, Japan should consider offering to African countries like Nigeria some of the concessions given under TICAD's Highly Indebted Poor Countries (HIPC) initiative. The prevailing situation in which substantial progress has not been made in resolving the debt problem is neither in the interest of Nigeria nor Japan. Furthermore, Japan's government could also make a strong proposal at the G8 Summit for the resolution of the debt problems with Nigeria and other African countries in line with the HIPC initiatives.

Closely related to the resolution of the debt problems, is the need for the government of Japan to enable JBIC resume the financing of investment by Japanese companies in Nigeria. Given the key role that this financial institution play in funding overseas investment by Japanese companies, the resumption of its funding activities in respect to Nigeria will facilitate the necessary flow of investment into projects with high investment potential. Therefore, it is important for the government of Japan to have a definite plan for the resumption of JBIC activities in Nigeria. In addition, the Japan Ministry of Economy, Trade and Industry (METI) should enable the resumption of trade insurance for business transactions with Nigeria.

Furthermore, adequate publicity should be given on facilities at JBIC for the funding of investment projects in Nigeria (and other African countries). During my investment research at Japan in 2000, I was surprised to note that even Japanese company officials are unaware of the activities of JBIC and other agencies for financing overseas investment.

Assistance on Infrastructure and Security Issues

A major issue that came up in the deliberations between President Obasanjo and the leaders of Japan’s private and public sectors during the JETRO Investment Mission concerns the infrastructure and security conditions in Nigeria. It is clear that the issue on infrastructure and security conditions in Nigeria must be given closer attention if major progress is to be attained on FDI flow from Japan. As discussed earlier on, the Nigeria government has given top priority to this issue during the last four years; however, inadequate funding has hindered the much desired pace for resolving this problem. It is in this connection that Japan’s Official Development Assistance (ODA) can play a significant role in ameliorating the problem on inadequate funding for developing infrastructure in Nigeria.

For example, Japan can provide loans/grants for building industrial parks/estates, or export processing zones in which every necessary infrastructure and security facility is provided. Construction of the parks/estates could be done by Japanese companies that are presently involved with infrastructure projects in Nigeria like Marubeni, Sumitomo, Ishikawajima-Harima, Chiyoda, etc. These companies should be involved in the construction of the parks/estates as a prelude to their inviting other companies to invest in such facilities, or to invest themselves. The building of industrial parks/estates can provide a short-term solution to the problems on infrastructure. Japan can assist with long-term solutions by expanding loan/grant facilities under its ODA program and other facilities at the JBIC.

Major Campaign on the TICAD Initiative

From 1993, TICAD became a major policy instrument by which the Japanese government sought to assist Africa’s development. In both TICAD 1&11 specific action agenda where adopted to enable the promotion of FDI from Japan and other Asian countries into Africa. Some of the specific programs adopted in this regard include the Africa-Asia Business Forum (1&11) held in Kuala Lumpur and South Africa in 1999 and 2001 respectively to facilitate joint venture match making between African and Asian businessmen, and the establishment of the Asia-Africa Investment and Technology Promotion Center in Malaysia. The center was established in collaboration with UNIDO to promote investment and technology transfer from Asian countries to Africa. Although these programs and many other aspects of TICAD can be effective instruments for the promotion of development in Africa, it is difficult to make any definite statement on the efficacy of the programs in Nigeria (and indeed the whole of Africa) because very little is known about TICAD itself.

If the investment promotion related programs of TICAD are to serve as an effective tool for promoting FDI from Japan (and other Asian countries) to Nigeria and the whole of Africa, it is important that a major/effective campaign on the TICAD initiatives involving the local media, government officials, businessmen, chambers of commerce, etc be undertaken by the Japanese Missions in Nigeria and other African countries. In this context, it is useful to study how the US government has popularized the AGOA program in Nigeria and other Africa countries within a very short period of time, thereby making it an effective tool for economic diplomacy. During such campaigns on TICAD, adequate information should be provided on the FDI related functions of such organizations as JETRO, JBIC, the Foreign Investment in Japan Development Corporation (FIND), Keidanren, etc.

<u>Japan/G8 Countries and the New Partnership for Africa's Development (NEPAD)</u>

Another area in which the Japanese government can assist the process of FDI flow to Nigeria is through the initiatives undertaken by the New Partnership for Africa's Development (NEPAD). President Obasanjo has played a key role in promoting NEPAD as a major policy measure for the achievement of sustainable growth and development in Nigeria and Africa. Although NEPAD is a comprehensive (social, political and economic) program for Africa's development, a critical element concerns the promotion of investment into African countries. The sectors below are the key areas identified in the NEPAD program, which are most relevant for FDI-

1. Infrastructure, especially Information and Communication Technology and energy
2. Agriculture
3. Mining
4. Manufacturing
5. Tourism

It is interesting that the above areas correspond to the sectors with high potential for investment in Nigeria.

To promote investment into the above sectors, the NEPAD program seeks to mobilize capital through the financial systems in Africa, including the African Development Bank but most importantly through the international financial system, including multilateral and bilateral sources of fund. Thus a major aspect of NEPAD's initiatives in this regard is to “seek the extension of debt relief (based on debt sustainability), which still requires service payment”. In addition, NEPAD seeks to increase ODA flow in the medium term, as well as reform the ODA delivery system to ensure that recipient African countries more effectively utilize flows. However, NEPAD’s major strategy for facilitating investment flow into these key sectors is through increased private capital flows to the continent as an essential component of a sustainable long-term approach to the mobilization of resources.

Given the capital resource gap in Nigeria and Africa in general, the major assistance that Japan and other countries in the G8 can provide through the NEPAD initiative is in the mobilization of capital to support the key investment sectors that will enable Africa (and thus Nigeria) attain meaningful economic growth and development. Debt relief, ODA and private capital flow to Africa are issues that feature prominently in Japan’s and G8 countries initiatives on Africa economies. It will be highly appreciated that Japan works with other G8 member countries to assist Nigeria and other indebted African countries in getting debt relief, as well other concessions under the HPIC initiative.

ODA should be seen as a medium term mechanism for addressing the debt problem, as well as a means for enabling African countries attain meaningful economic growth. But it is the expansion of private capital flow to Africa and Nigeria from Japan and the G8 countries that will be the most essential means of ensuring sustainable growth and development in the continent. I will return to this subject in greater details when discussing the role of Japanese companies in facilitating the flow of FDI to Nigeria.

Collaboration with Mr. Ishimaru on the Promotion of FDI to Nigeria

President Obasanjo had in 2000 appointed Mr. Ishimaru of Marubeni Corporation as adviser on the Honorary Presidential Advisory Committee on Investment in Nigeria. So far, Mr. Ishimaru has played important roles in raising key issues, which the Nigerian government needs to address in order to facilitate increased flow of FDI into the country, and has also identified specific projects with high investment potentials in Nigeria. Given Mr. Ishimaru’s understanding of the Nigerian situation, it is important that the Japanese government get him integrally involved with all initiatives bothering on investments between Japan and Nigeria, and indeed between Japan and Africa. Some of the initiatives by Mr. Ishimaru at promoting FDI from Japan to Nigeria certainly deserve the support of the Japanese government at the highest level.

Re-investment by Japanese Companies with Projects in Nigeria during the Pre-1990s

By 1990, 13 Japanese companies had established plants in Nigeria. This includes the *Sogo Shosha*, engineering and manufacturing companies. However, most of these companies had witnessed divestment by their Japanese promoters during the 1990s. This includes Marubeni Corporations interest in Pioneer Metal Productions Co, Ltd and Sanyo (Nigeria) Ltd; Mitsui Corporations interest in Yamaha Manufacturing Nigeria Ltd; Sumitomo Corporations interest in Nigeria Wire and Cable Co. Ltd; Honda Motors Manufacturing interest in Honda Manufacturing Nigeria Ltd; and so on. Japanese private companies can re-kick start the process for FDI flow to Nigeria by resuscitating the factories that they established in Nigeria during the pre-1990s period.

Already, Sumitomo Corporation had set the pace by re-investing in Nigeria Cable and Wire Co. Ltd. Today, the company's electricity wires are considered the best in the Nigerian market. Other Japanese companies need to take a cue from Sumitomo Corporation. For example, despite the presence of their assembling plants for motorcycles in Nigeria for over 15 years now, both Yamaha and Honda have allowed Chinese companies to take over the motorcycle market in Nigeria during the last two years. To assist the process of the resuscitation of the firms, the Japanese government could make funds available to the Japanese companies through JBIC. There is no doubt that with the gradual revival of the Nigerian economy in the last few years, some of the pre-1990s investments will now become viable.

Apart from the resucitation of existing projects, JBIC funds should be made available to Japanese companies desirous of investing in green field projects, especially those in the sub-sectors with high investment potentials as identified earlier on. In this context, the *Sogo Shosha* with experience in Nigeria would be handy in 'laying the ground' for other Japanese companies with interest in investing in Nigeria. As in most Japanese investment in Nigeria (and indeed in most developing countries) the *Sogo Shosha* play a heralding role, and subsequently own equities in investment they have helped to nurture. Officials of many Japanese companies have certain unfounded stereotypes about the Nigerian investment environment. This is due to inexperience with the Nigerian investment environment and Nigerians. The Nigerian based *Shogo Shosha* should provide such companies with the necessary soft-landing experience.

Establishment of the Nigeria-Japan Annual Business Forum

As I have already indicated, many Japanese companies are unable to seize the investment opportunities in Nigeria due to inexperience with the investment environment. In this context, specific avenues should be created to give different company officials opportunities to visit Nigeria, and as they say "see things for themselves". Presently, there is no forum in which Japanese and Nigerian private sector operator meet to know one another, exchange view and thereby start the process of negotiating joint venture projects. Therefore, it is necessary that a Nigeria-Japan Annual Business Forum be established, in which businessmen from both countries meet on regular interval (alternately) in Nigeria and Japan to deliberate on issues of common interests, including joint venture projects. The Japan-Nigeria Association (presently housed by NIKKI/JGC) and the Nigeria-Japan Association in Lagos, Nigeria, can provide the framework for the Forum. The government of Japan/Keidanren, under the TICAD initiative, can also assist with the logistical requirements for hosting the Forum. The meetings for the Forum can be made to coincide with that of the Nigeria-Japan Special Partnership Forum. This will facilitate synergies between the two Forums.

Nigeria-Japan Investment Missions

As part of the activities of the meetings for the Special Partnership and Business Forum, investment missions should be organized for Japanese and Nigerian businessmen who are desirous of doing business with one another. In Japan, such investment missions should include factory visits and discussions with Japanese financial institutions and government officials on specific projects. In Nigeria on the other hand, Japanese businessmen can visit government agencies concerned with investment, visit propose sites for projects, and hold meetings with local business associations. As with the experience of the last JETRO Investment Mission to Nigeria, such forums provide the avenue for first hand experience and accelerate the process by which company officials can develop a positive disposition towards investment projects.

Conclusion

At this point, I will like to state that Japan-Nigeria relation is at the threshold of a major historical breakthrough. When I lived in Japan from 1984-1991, it was not an important subject that a Japanese Prime Minster undertakes a visit to Nigeria. Today, the visit by former Prime Minister Mori (as the first by a Japanese Prime Minister to Nigeria, and indeed Africa) is a historical fact. Also, ten years ago it would have been extremely difficult, if not impossible, to have a forum like this for discussions on investment flow to Nigeria and Africa.

I think those of us that have been privileged to be here today should be fully aware of the historical importance of the interactions at this forum. I hope we will play the critical role that history demands of us, which is, that we put Nigeria-Japan relations, (and indeed Japan's relation with Africa), on the high pedestal which will not only enable us contribute to strong economic ties between our people, but also contribute to the development of the human race as a people with common destiny.

To conclude, I will like to thank the Japanese government, specifically the Ministry of Foreign Affairs of Japan, for giving me the opportunity to participate at this forum. I will like to say my special thanks to His Excellency, Ambassador Matsui for the usual kind disposition with which he facilitates issues at the Embassy. As I indicated earlier on, (within a short time), Ambassador Matsui has played a critical role in setting Nigeria-Japan relations on a firm footing. I also want to use this avenue to express appreciation to the diplomats at the Embassy of Japan in Abuja, especially Mr. Hiroshi Kuwayama, for the kindness.

I thank you for your kind attention.

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