

# Economic Liberalization And Foreign Direct Investment In Nigeria: A Case Study Of Songhai Integrated Farm System In Enugu State.

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## Abstract

*In today's capitalist production process, the liberalization of foreign direct investment has gained prominent ground in response to the demand of the global society. To meet up with the expectation, the Nigerian government since 1999, when the country embraced the wave of modern democracy strived to key into the globalization agenda of economic liberalization vis-à-vis foreign direct investment. Thus, the aim of this paper is to explore the impact of economic liberalization on foreign direct investment, as it affects the agrarian economy in Nigeria. To achieve this, the theory of economic liberalization was employed for analytical purposes. The data for the study were generated mainly from the secondary source, where the examination of relevant documents and books were engaged. From the appraisal, it was established that economic liberalism which guarantees the removal of necessary obstacles to foreign direct investment, ensure the free flow of capital and investment from one country to another. The Nigerian experience in the agricultural sector as witnessed in this paper demonstrated that foreign direct investment, in the agricultural sector promotes entrepreneurship and job creation. The implication is that economic liberalization in the area of agricultural production enhances macro-economic activities and industrialization and subsequent economic growth and development in a developing economy like Nigeria.*

**Key words:** Economic liberalization, Economic globalization, Foreign direct investment, Songhai integrated farm system.

## Introduction

In the contemporary economic globalization process, economic liberalization has gathered a new momentum. The World Trade Organization which was adopted to be the driver of the economic globalization process, did not hesitate to demonstrate in its doctrinal principle that trade and not aid is the panacea for economic growth and development in the current globalizing world.

The phenomenon of liberalization of national economies entails the breaking down of all domestic barriers to economic activities that often times mar their free flow, especially, in the areas of external trade and foreign direct investment across international boundaries; such development paves the way for greater openness, free access to global market and integration of countries into the world economic system. In most countries, national impediments are being removed in the areas of foreign direct investment, trade, finance and financial markets.

Realizing this new dimension, the then President of Nigeria, Chief Olusegun Obasanjo, on coming to power in 1999, took a practical step in launching Nigeria into the new global capitalist production agenda. This manifested in President Obasanjo's address at the 54<sup>th</sup> session of the United Nations General Assembly held in New York, on September 23, 1999. According to the President, Nigeria must demonstrate the preparedness to exploit the inherent opportunities offered by the phenomenon of globalization in the area of technology acquisition, trade expansion, manpower development, and capital transfer through foreign direct investment. Nigeria should also adopt creative negotiations with relevant international agencies.

However, the ideology of economic liberalism vis-à-vis foreign direct investment opened the eyes of Nigeria towards the numerous domestic economic challenges arising from her mono-economic structure of over-dwelling on oil production. It is glaring to Nigeria that oil is a depletable asset. This implies that one day Nigeria would wake up and discover that her oil wells have dried up.

Aside this, the advanced capitalist states that are the major market for Nigeria oil are fastly developing alternative sources of energy, and as such the demand for Nigeria's crude oil will likely continue to dwindle. Taken cognizance of these challenges therefore, Nigeria began to think of serious economic diversification. On this premise, agricultural production becomes the most viable option, hence, foreign direct investment in the agricultural sector, the like of Songhai integrated farm system was assented to, by some state governments in Nigeria.

The aim of this paper is, to explore the role of foreign direct investment in the agriculture sector, in addressing the domestic economic challenges of a country like Nigeria.

### **Literature Perspective**

In an attempt to explore the relevant literature in this work, effort is geared towards a diachronic survey of similar experiences across the globe. In Brazil for instance, Oliveira de Almeida, et al (2011), demonstrate that the Brazilian government liberalized their agricultural sector by consolidation on banana production. The revolution placed the country as the second largest producer of banana in the world, aside India that maintained first position. Through the liberalization process, jobs were created through the high demand for the product at the domestic level than foreign market. Thus, the export level of the commodity, according to the scholars, represent less than 1 percent.

In a related development, Oya and Weeks (2004), did a study in the African sub-Saharan region of Uganda, Burkina Faso and Cote D'Ivoire to ascertain the effect of foreign direct investment on the economies, especially, the agricultural sector. From their findings, it was established that the exercise (foreign direct investment), did not only accelerate economic growth in the counties but also stimulated high job creation in the agricultural sector by displaying the highest direct employment generation per unit of public expenditure.

In Cameroon, Tomek and Robinson (1990), brought the experience of the country in coffee production into focus. Coffee production generally, is usually associated with the Bamenda territory. The huge and commercial production of the crop, according to the two scholars, became prominent following the liberalization of the sector in the 1990s. This phenomenon linked the Cameroonian coffee into the international market and its subsequent scramble for the products by both the national and international markets. The development from all indications encouraged many farmers to enter into coffee production because, no matter the quantity and quality of their produce, the market was always available.

Similarly, Nasong'o (2000), in discussing the wave of agrarian economy in Kenya, underscored the production of sugar cane as a major crop production in Bungoma District of the country. The author examined the liberalization of the economy through the external linkage of the Kenyan sugar industry with the transnational and local capital and maintained that as the company continued to meet its external obligations to the transnational corporations, the demand for the produce of the out grower farmers became very high.

The demonstrations of the authors so far, indicate that foreign direct investment provides the leeway for economic growth and development. The question at this juncture is, what is the Nigerian experience in embracing foreign direct investment through the economic liberalization process especially, in the agricultural sector?

### **Theoretical Purvey**

#### **Economic Liberalization:**

The theory of economic liberalization is adopted to guide this work,. The essence is to explore the linkage between the current economic globalization process and economic liberalism. The origin of economic liberalization as a framework of analysis is rooted in the development of various economic strategies adopted by countries for wealth maximization. The most famous exponents of the theory include, Adam smith (1776), and Ricardo (1817). These scholars are more concerned with how best to engage in the production, distribution, exchange and consumption of goods and services; and the role of government and the market in growth and development. They forcefully argued against mercantilism. The aim according to Anifowose and Enemu (1999:39–40), “was to remove encumbrances placed by ambitious governments and bureaucrats on the free operation of market economy and therefore, in favour of the market economy with its vaunted claim to efficiency”

In a bid to preach and promote capitalism and liberalism, the classical authors maintained that a nation’s true economic wealth is derived from the industry and the economic right of the people to choice. The state should therefore, engage in the provision of internal and external security. They also argued against various restrictions in international trade.

One of the major purists of this phenomenon today is Martin Khor. Khor (2000), has observed that in a pecking order, the most important aspects of the economic liberalization policy centred on the breaking down of national economic barriers, the international spread of trade, financial and production activities and the growing power of transnational financial institutions in these processes. Thus, national barriers are being removed in the areas of finance and financial markets, trade and direct foreign investment.

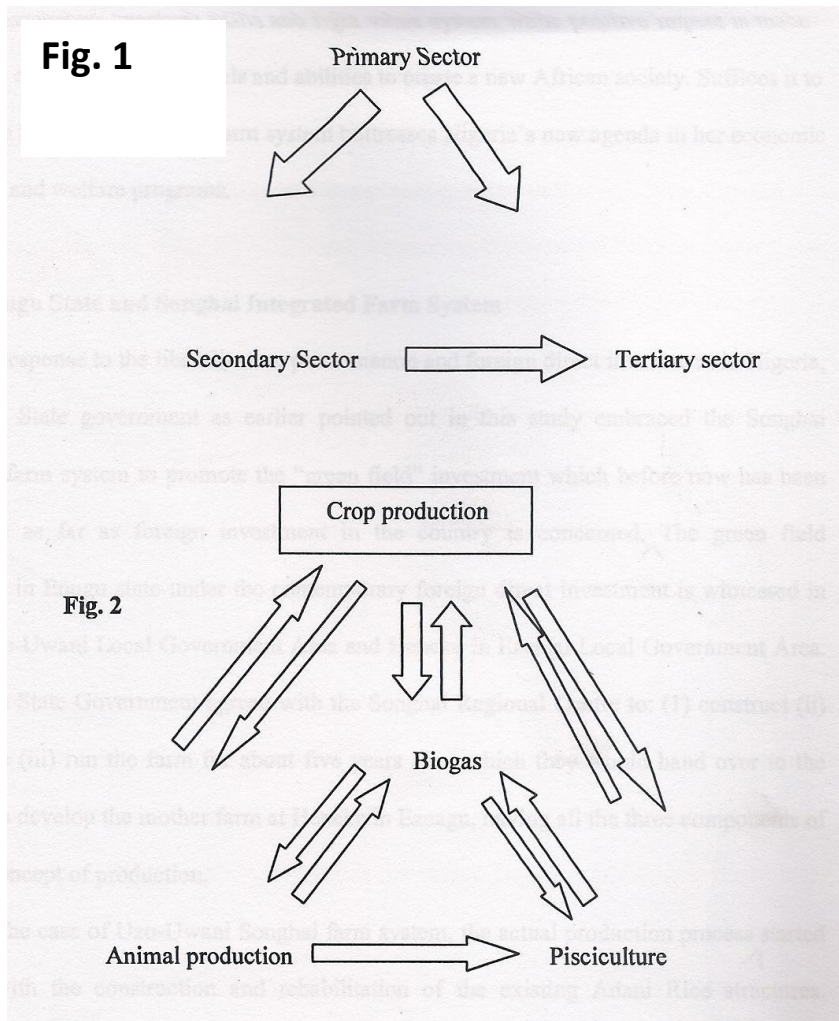
In this process, the author underscored the role of World Trade Organization, that was designated to pursue the policy under the Uruguay Round Agreement that focused on the establishment of a globalized economy. The central focus of economic liberalization in the wholistic globalization agenda, is the removal of such economic obstacles like tariff, quota, and other forms of restrictions that may impede the free flow of trade and foreign direct investment across the globe, hence, the theory provides the focus for appraising the impact of economic liberalism on the development of foreign direct investment in Nigeria with specific reference to the agricultural sector.

#### **Enugu State and Songhai Integrated Farm System.**

The Songhai integrated farm system is a product of African concept; it aims at empowering the youth to be self-sufficient. Thus, Songhai integrated farm system appears to be a leverage of the New Partnership for African Development, which emphasizes on a new African society where Africans are expected to look inwards and proffer solutions to their economic problems. In the Nigerian situation, about ten states of the federation have conclude partnership agreement with the Songhai farm in Port-Novo in Benin Republic to set up integrated farm system in their states. Some of the states include: Enugu, Delta, Rivers, Cross River, Benue, Katsina, and Lagos,

According to the Enugu Area Office of the Federal Ministry of Agriculture, the concept of Songhai integrated farm takes care of everything right from the farm to the factory and down to the industry. The Songhai integrated farm system is more of a non-governmental organization created over two decades ago for the empowerment of African youths in the area of agriculture. This integrated farm system enhances the utilization of the primary, secondary and tertiary agro-industries. These reflect the agricultural production, industrial and services sectors. These industries in synergy maximize the products and/or by-products from one level of production to the

other in order to add value, manage by-products otherwise known as wastes, with a view to making profit. The production process under the system can be glanced in a cybernetic structure as can be seen below:



The primary sector comprises of crop production, animal production, and pisciculture. The secondary sector consists of handicraft, fabrication, pastry and meat processing agro-processing, to mention but four. The tertiary sector is made up of sales outlets, restaurants, advertisement, information technology and management. The above three levels of integrated agro-production are harnessed by human competencies, in terms of knowledge, skill and value system designed to create employment, provide food, and checkmate rural-urban migration on the one hand while enhancing sustainable environment under the Songhai integrated farm system on the other hand. Towards this end, success is achieved by a combination of the theoretical knowledge, practical skills and right value system while positive impact is made through the combination of capitals and abilities to create a new African society. This implies that the Songhai integrated farm system buttresses Nigeria's new agenda in her economic diplomacy and welfare programmes.

In response to the liberalization phenomenon and foreign direct investment in Nigeria, therefore, the Enugu state government embraced the Songhai integrated farm system to promote the agricultural sector which before now has been low keyed as far as foreign investment in the state is concerned. The agricultural investment in Enugu state under the contemporary foreign direct investment is witnessed in Adani, Uzo-Uwani Local Government Area

and Heneke in Ezeagu Local Government Area. The Enugu State Government agreed with the Songhai Regional Centre to: (i) Construct (ii) rehabilitate (iii) run the farm for about five years after which they would hand over to the state (2) to develop the mother farm at Heneke in Ezeagu, having all the three components of Songhai concept of production.

In the case of Uzo-Uwani Songhai integrated farm system, the actual production process, according to the Enugu State Ministry of Agriculture, started in 2010, with the construction and rehabilitation of the existing Adani Rice structures. Production was in progress, as the rehabilitation was going on. The production section that was on, at this time was the crop production like the gardening and other crop product that centred on green pepper, egg plant and tomatoes production, among others. These crops were completely new and alien to the area.

By 2011, about 120 Songhai trainees (graduates), according to the Ministry, joined the first batch of 24 Songhai trainees to serve as entrepreneurs in the farm and to offer advisory services to other participating farmers. Subsequently, the crop production process was extended to the conventional rice production in the Adani Rice farm project and at this point, over three thousand participating farmers were recruited and land were allocated to them for effective execution of the rice project. On the whole more than 3.5 thousand hectares of land was cultivated and thousands of tons of rice was produced and processed in the Songhai farm.

In the Adani Songhai farm the comprehensive production system under the three productive sectors are reflected as follows:- Primary production (a) Garden: water melon, shalot, carrot, cucumber, irsh potatoes, tomatoes, sweet maize, cabbage, egg plant (b) Crop: maize, cassava, soyabean production (c) Animal production (d) Pisciculture: secondary production: this include, agro-processing, harvesting and processing of rice, as well as garri processing. Tertiary production: Here, the commercialization and sales of the Songhai products are done under the sales outlet known as minimart. Under this service, the products enjoy the patronage of domestic consumers both within Enugu and neighbouring states like Anambra, Kogi, Benue and Delta.

By 2015, evidence available at the Songhai integrated farm at Adani, indicated that over 3,200 entrepreneurs were trained and land allocated to them for successful execution of the Songhai project that were contained in the Memorandum of Understanding. The implication is that through the exercise, job creation and entrepreneurship were not only developed but also abundant food production was intensified. This is akin to the Brazilian and sub-Saharan African experiences

## **Conclusion**

Going by the demonstration in this paper, it has been established that a synergy exists between economic liberalization and foreign direct investment. From the appraisal, it is crystal clear that nothing is functionary wrong with the vigorous pursuit of foreign direct investment in an economy. The Brazilian and sub-Saharan African experiences attest to this. The situation of the Enugu of Nigeria, equally gives credence to this. This is because, going by the inference, foreign direct investment promotes macroeconomic activities and industrialization thereby enhancing economic growth and development.





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