



IMPERATIVE OF FOREIGN DIRECT INVESTMENT IN NIGERIA'S ECONOMY:

A CASE STUDY OF SOME SOUTH AFRICAN INVESTMENTS IN NIGERIA,

1999 – 2018

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ABSTRACT

Most countries strive to attract foreign direct investment (FDI) because of its acknowledged advantages as a tool of economic development. Africa – and Nigeria in particular – joined the rest of the world in seeking FDI as evidenced by the formation of the New Partnership for Africa's Development (NEPAD), which has the attraction of foreign direct investment to Africa as a major component. FDI is seen as an engine of growth to developing countries such as Nigeria by increasing globalization and technology transfer. This study relies on secondary data; such as journals, books; Internet materials; newspapers and official correspondences between South Africa and Nigeria. The paper attempts to empirically analyze the contribution of South African investments to the Nigeria economy, by assessing South African MTN, DSTV, SHOP RITE and STANBIC BANK. The finding of the study revealed that there was a positive relationship between GDP, economic development and employment between the period of 1999 and 2018. In order to attract more FDI and retain them in the country, it is recommended that Nigerian government should improve the standard of infrastructure and provide relevant social amenities, and provide assistance in liberalization of regulated backbone services which provide opportunities for private investment and management.

Key words: Nigeria, South Africa, Foreign Direct Investment, Economy

Introduction

The Government of Nigeria has established various institutions, rules, laws, regulations and policies aimed at encouraging and increasing the FDI. For example, in the year 1995, the Nigeria Investment Promotion Commission (NIPC) was created through the Decree number 16 of the year 1995. The Law created allows for foreign investors to be able to establish their businesses with 100% ownership, which must be registered under the Corporate Affairs Commission according to the provisions made available by the Companies and Allied Matters Decree of 1990. The NIPC Decree ensures foreign direct investment against nationalization or confiscation, which brings about adequate protection by the government. The Nigeria Investment Promotion Commission (NIPC) Decree nullifies the IDCC Decree number 36 of 1988, and the NEPD of 1972 as amended in 1977 and in the year 1989, which formerly reserved the ownership of certain businesses to Nigerians¹.

Nigeria has achieved some appreciable economic growth in recent years and some factors appear to have contributed to this success which include the rapid development in trade liberalization and substantial increase in foreign direct investment (FDI) inflows into the country. Many scholars have argued that FDI is one of the most important factors for the promotion of economic growth and development. Furthermore FDI is seen as an engine of growth to developing countries, by increasing the opportunities for capital flow, globalization, technology transfer which is often referred to as “spillover effect”, expansion of exports and employment opportunities which increase the potential of host countries. The return of democracy in 1999 has helped the Federal Government of Nigeria to gradually withdraw its participation in commercial activities to embrace a private sector-led growth strategy by establishing an economic policy known as National Economic Empowerment and Development strategy (NEEDS). As a result of this, foreign investors were therefore, encouraged to invest in the country. However, the policy embarked by the Government has

1 Romanus Osabohien, et, al. Foreign Direct Investment Inflow and Employment in Nigeria. Investment Management and Financial Innovations, 17(1), 77-84. doi:10.21511/imfi.17(1).2020.07

created a unique opportunity for lifting millions of people out of poverty, helped in bridging capital, management, skills and technology gaps where they are most severe and also support the local companies and the workforce towards world standard. Measuring the effect of foreign direct investment on the economy occupies a substantial body of economic literatures, many theoretical and empirical studies have analyzed many channels through which FDI may have a positive or negative effect on economic growth².

Conceptual Frame Work

The theories of foreign direct investments which are relevant to this study, among others, are the theory of comparative advantage and the game theory. The theory of comparative advantage was propounded by David Ricardo.³ He maintains that countries should produce and exchange goods with other countries on which they have comparative cost advantage. From economic point of view, it is not desirable for countries to produce or manufacture for themselves if they can buy those more cheaply abroad. This can be relevant to the study of international trade between Nigeria and South Africa. Therefore, both Nigeria and South Africa can exchange goods both industrial and unprocessed commodities which the two nations may need but they cannot produce.

The other relevant theory to this work is the games theory. The point of game theory is to help economists understand and predict what will happen in economic contexts.⁴ Game theory owes a heavy debt to the seminal work of John von Neumann and Oskar Morgenstern, the Theory of Games and Economic Behaviors. In international relations the theory is often used as a basis of theoretical and applied analysis. A common version is the Zero - sum game in which one party or country loses what the other wins. There is also the multiparty non-

2 Oji-Okoro Izuchukwu, *An Empirical Analysis on the Contribution of Foreign Direct Investment on Nigeria Economy* Huang Huiping School of Economics, Wuhan University of Technology, Wuhan P.R. China, 430070 (E-mail: izulenny@yahoo.com, huanghuiping22@sina.com)

3 Arthur, W.L., *The Theory of Economic Growth*, USA: Richard D. Irwin Inc. Cambridge University Press. 1995.p.384

4 David, M., *The Game Theory of Economic Modelling* Oxford: Clarendon press, 1990. P.5

zero-sum game in which neither side loses and in which sometimes both sides may win.⁵ Therefore, in the trade relations between Nigeria and South Africa, sometimes Nigeria's loss might be South African's gain. This can be seen in the import - export trade between Nigeria and South Africa. But in other circumstances both the two countries could win. However, game theory usually assumes that most games have an end but international relations resemble rather an unending game in which no great power can pick up its marbles and go home.

South African Investments in Nigeria

It is pertinent to assess the Mobile Telephone Network (MTN), Digital Satellite Television (DSTV) which is known as Multichoice, Stanbic Bank IBTC and Shoprite Group Company among hundreds of South African investments in Nigeria. South Africa's leading companies in Nigeria include MTN, Power Giant, Eskom Nigeria, South African Airways, South African Breweries (SAB miller), Stanbic Merchant Bank of Nigeria, Multichoice and Umgeni Water. Others include Refresh products, PEP Retail Stores, Shoprite, LTA Construction, Protea Hotels, Critical Rescue International, South African-Nigeria Communications, Global Outdoor Semces, Oracle and Airtime. Experts say entry and growth of Africa's interests and businesses in the current democratic dispensation have been 'phenomenal'⁶

Prior to 1999, there were only four South African companies operating in Nigeria to over 120 in 2016. This situation has dramatically changed with the assistance of the South African State, and the signing of bilateral agreements and the establishment of South Africa - Nigeria Bi-national Commission. By 2018, there were over 120 South African companies

5 Palmer, D., and Howard, C., *International Relations India*: A.I.T.B.S Publishers, 2007. Pp.XX-XXI.

6 *Ibid*

doing business in Nigeria. Within a mere 20 years which is two decades, South African companies have become major players in almost every sector of the Nigerian economy⁷.

The biggest investment by South African companies in Nigeria has been in the telecommunication sector. In 2001, MTN was awarded a license by the Nigerian government to operate a cell phone network in the country. In return, MTN had to pay licensing fees of over US\$285 million. In addition to this, MTN has spent a further US\$1 billion on setting up its operations in Nigeria. MTN appears to be the largest cellular network company in Nigeria with over 66 million subscribers as of 2018.⁸

South African companies have also become dominant players in Nigeria's construction sector. Entech, a South African based engineering company, headed a consortium of South African companies that were awarded a tender worth R2.1billion from the Lagos State government to redevelop the Bar Beach and Victoria Island area of Lagos. Many large South African companies have also ventured in to the tourism and leisure sector in Nigeria. Under NEPAD, the South African parastatal, the Industrial Development Corporation (IDC) has become one of the largest investors in Nigeria's tourist sector⁹.

In 2005, it has invested over US\$1.4 billion in tourism and telecommunications ventures in Nigeria. Another major player in the tourism sector is the South African Company, Bidvest. Through its subsidiary, Tom-vest, it has purchased one of the biggest tourism companies in Nigeria, Touchdown Travels. The biggest development in the Nigerian tourism sector, however, is the massive Tinapa project in the Cross-River state. This project falls under the auspices of NEPAD and has the full backing of the South African and Nigerian governments. South African companies were also heavily involved in Nigeria's media and entertainment sector. DSTV, as a major force in the television industry, accounts

7 Joseph C. Ebegbulem. *An Evaluation of Nigeria – South Africa Bilateral Relations. Journal of International Relations and Foreign Policy*. P.36. 2013

8 *Sun Newspaper* 12 May, 2019

9 Op. Cit. P.37. 2013

for 90% of the viewers that watch satellite TV in Nigeria between 2005 and 2009. This has seen DSTV growing into the sixth largest company listed on the Lagos Stock Exchange¹⁰.

According to Jonah Onuoha, as at mid-April 2003, an estimated 55 South African companies were doing business in Nigeria. The single largest investor is MTN. Its entrance into the Nigerian market came by way of the first telecommunications auctions process in Africa, in January 2001. At that time MTN's entrance into the Nigerian market was the company's single biggest investment outside South Africa.¹¹ MTN currently has over 240 million subscribers across its markets of operations, with Nigeria being the largest arm.¹² South Africa has been one of the largest new investors in Nigeria outside the oil industry since the late 1990s, with many of the country's biggest listed companies setting up operations there or entering the market through mergers and acquisitions. In 2011 and in 2012 it was South Africa's 6th biggest destination for exports (after Zambia, Mozambique, Zimbabwe, DRC and Angola) and 27th globally in 2012¹³.

Mobile Telephone Network (MTN)

Mobile Telephone Network (MTN) Group Limited, formerly M-Cell, is a South Africa-based multinational mobile telecommunications company, operating in many African, European and Asian countries. Its head office is in Johannesburg. As of 30th June 2016, MTN recorded 232.6 million subscribers across its operations. Although MTN operates in over 20 countries, one-third of its revenues comes from Nigeria, where it holds about 35% market share¹⁴.

The company sponsored the CAF Champions League Football competition as well as APOEL FC. It has been winners of the Cypriot First Division in 2009, 2011, 2013, 2014 and participated in the 2009–10 and 2011–12 UEFA Champions League. Beginning from 2017,

10 Ibid.p.37

11 Ibid.p.37

12 100 Years, *Celebrating Nelson Mandela Centenary. Nigeria – South Africa Chamber of Commerce. Magazines*, August, 2018. P.16

13 Op. Cit. P.37. 2013

14 <https://www.google.com/search?q=mtn+Nigeria&ie=utf-8&oe=utf-8&client=firefox-b>

the company is the primary sponsors of the South Africa national rugby union team. On 18 March 2010, it was announced that MTN signed a sponsorship deal with English Football club Manchester United¹⁵.

MTN Nigeria is part of the MTN Group, Africa's leading cellular telecommunications company. On May 16, 2001, MTN became the first GSM network to make a call following the globally lauded Nigerian GSM auction conducted by the Nigerian Communications Commission earlier in the year. Thereafter the company launched full commercial operations beginning with Lagos, Abuja and Port Harcourt. MTN paid \$285m for one of the four GSM licenses in Nigeria in January 2001. To date, in excess of US\$1.8 billion, MTN has been investing and building mobile telecommunications infrastructure in Nigeria. Since its launch in 2001, MTN has steadily deployed its services across Nigeria. By 2012, it provided services in 223 cities and towns, more than 10,000 villages and communities and a growing number of highways across the country, spanning the 36 states of Nigeria and the Federal Capital Territory, Abuja. Many of these villages and communities are being connected to the world of telecommunications for the first time ever¹⁶.

The company's digital microwave transmission backbone, (the 3,400 Kilometre Y'elloBahn) was commissioned by President Olusegun Obasanjo in January 2003 and is reputed to be the most extensive digital microwave transmission infrastructure in the whole of Africa. The Y'elloBahn has significantly helped to enhance call quality on MTN network. The company subsists on the core brand values of leadership, relationship, integrity, innovation and can-do. It prides itself on its ability to make the impossible possible, connecting people with friends, family and opportunities¹⁷.

MTN Nigeria also recently expanded its network capacity to include a new numbering range with the prefix 0806, 0813, making MTN the first GSM network in Nigeria to have

¹⁵ https://en.wikipedia.org/wiki/MTN_Group

¹⁶ Mamah, Sunday. "The Prospects and Problems of Deregulation of the Nigeria Economy A case study of the Telecommunications Industry". (M.Sc. Dissertation. Universality of Nigeria, Nsukka. January, 2012).

¹⁷ Igwilo, Rosemary. "Entrepreneurship in the Nigeria Telecommunications Industry". (M.Sc. Dissertation. University of Nigeria Nsukka. March, 2011)

adopted an additional numbering system having exhausted its initial subscriber numbering range - 0803. In its resolve to enhance quality customer service, MTN Nigeria has also introduced a self-help toll-free 181 customer-care line through which subscribers can resolve their frequently asked questions free of charge. MTN's overriding mission is to be a catalyst for Nigeria's economic growth and development, helping to unleash Nigeria's strong developmental potential not only through the provision of world class communications but also through innovative and sustainable corporate social responsibility initiatives¹⁸.

Thus, MTN aims also at facilitating change that will have long-term domestic benefits, obvious economic development, local infrastructure and facilities are upgraded and the qualities of life in communities is uplifted of which Nigeria was a major destination.

Challenges MTN Faces

Despite the challenges arising from the N330b fine imposed on it by the telecommunication regulator, Nigerian Communications Commission, NCC, MTN Group, while expressing implicit confidence in its Nigerian operations, has disclosed that the mobile operator has injected over \$16 billion into the Nigerian operations. This was the remarks of MTN Group Chairman/Chief Executive, Mr. Phuthuma Freedom Nhleko when he led a high level delegation to the NCC headquarters in Abuja. Nhleko, who was received by the Executive Vice Chairman (EVC) of the Commission, Prof Umar Danbatta and top management of the Commission said, the Group has faith in Nigeria and will be willing to invest more in the sector in the years to come.¹⁹ He stated, “We had challenges in the past, during the period of the One, and we are grateful for the role, the Commission played great role towards an amicable resolution” Nhleko whose visit to the NCC management is a valedictory one as he steps down as Group Chairman in March, 2017 said that:

18 Mamah, Op.Cit. pp.68-73

19 Emeka Aginam, “We have invested over \$16b into Nigerian operations – MTN Group”. *Vanguard Newspaper* 28th Wednesday November, 2017

We have a very long way to go and so ask for spectrum which is the oxygen and life blood to navigate this long and tedious investment journey, without spectrum, the sector will suffocate.²⁰

Nhleko specifically solicited for more spectrum allocation and a release of the one that belonged to Visafone, whose equity shares MTN acquired in 2015. While canvassing for a more level playing field “despite being dominant player”, he said that MTN has made its mark in voice and data services and that more services like mobile financial services are underway.

According to the NCC Executive Vice-Chairman:

I like to state that our word is our covenant. When we take decisions, we are concerned about the stability of the industry and there is no way we can guarantee it without considering the dominant status of MTN and its obligations and if the dominant status is becoming stringent, we are open to engagement, we will be guided by what is happening in the market, to ensure the growth and development of the sector.²¹

He added that, “the sector has contributed very significantly to the National Gross Domestic Product (GDP) and has shown remarkable resilience in this recession”²²

The Group Chief Executive Officer of MTN, Mr. Rob Shuter, at the ongoing International Telecommunication Union (ITU) Telecom World 2018 conference in Durban, South Africa, restated MTN's commitment to continue to invest in Nigeria despite the financial challenges that the telecoms company is facing with Nigerian regulators. The Central Bank of Nigeria (CBN) and the Attorney General of the Federation (AGF) had directed MTN Nigeria to refund a total of \$10.134 billion for funds repatriated out of Nigeria between 2007 and 2015, and unpaid tax arrears for the same period. Shuter, who was reacting to questions raised by some invitees at the Nigerian Investment Forum, who were mostly South Africans, assured the South Africans, that the current challenges faced by MTN in Nigeria would not liquidate the telecoms company, adding that the company was already

20 Ibid

21 Ibid

22 Ibid

making arrangements to resolve the challenges amicably. Shuter said MTN would not be deterred by the directives, but would continue to do business in Nigeria²³

Furthermore, according to Shuter, "MTN has been in Nigeria since 2001. Nigeria has been a home to MTN since 2001 and MTN is proud of Nigeria, and would continue to do business in the country." Responding to questions raised at the Forum as to what the Nigerian Communications Commission (NCC), the telecoms industry regulator, is doing about the issues. The Executive Vice Chairman of NCC, Prof. Umar Garba Danbatta, said NCC had meditated in previous issues faced by MTN Nigeria and would also mediate in the issue concerning the \$10.134 billion funds repatriation and unpaid tax arrears. "What MTN is passing through could have ripple effects on the sector, and we must intervene to ensure that the issue is amicably resolved early enough," Danbatta restated²⁴

Digital Satellite Television (DSTV)

DStv (Digital Satellite Television) is a Sub-Saharan African direct broadcast satellite service owned by MultiChoice. The service was launched in 1995 and provides multiple channels and services to their subscribers, which by 2012 number around 11.9 million. The majority of subscribers are in South Africa and Nigeria, with Kenya, Ghana, Angola, Zimbabwe, Uganda, Mauritius, Mozambique, Tanzania, Lesotho, Ethiopia, the Democratic Republic of Congo, Gabon, Swaziland and Botswana served by the company²⁵.

It was launched in Nigeria in 1996 as a joint venture between MultiChoice Africa and Adewunmi Ogunsanya. MultiChoice Nigeria provides subscriber management services to DSTv subscribers in Nigeria.²⁶

23 *Nigeria: We Will Still Invest in Nigeria, Says MTN Group's CEO*
(<https://www.thisdaylive.com/index.php/2018/09/12/we-will-still-invest-in-nigeria-says-mtn-groups-ceo/>) on
This Day Newspaper

24 *Ibid*

25 <https://en.wikipedia.org/wiki/DStv>

26 <http://www.nbc.gov.ng/channel/details/dstv-nigeria#>

Multichoice monopoly, another South African flagship in the Nigerian economy is Multichoice DSTV, which accounts for over 90% of the viewers of satellite TV. Multichoice has the distinction of being the Pioneer of Pay-TV Subscribe now operator in Sub-Saharan Africa. This early advantage enabled it to acquire a number of exclusive content agreements which makes it virtually impossible for others to compete on a level-playing ground with it. The critical one in this regard is the right to the English Premier League (EPL), the most popular TV programme on the continent. This has ensured that Multichoice has been more than a competitor for the local Nigerian Television Authority (NTA). Supplementing its different Super-Sports channels with several Nollywood (Africa.Magic) and Hollywood (Movie Magic) channels, as well as local and foreign music stations and more, Multichoice became increasingly the preferred choice of Nigerian television viewers. The near-monopoly of Multichoice has enabled it to rip off its subscribers by making Nigerians pay for films that they do not even watch. By having fixed charges instead of pay-as-you-go, Multichoice has been laughing all the way to the bank.²⁷

The government attempted to break the Multichoice monopoly by insisting that the right to show the EPL in Nigeria could not be bundled with the right to show it in the rest of Africa. Given the relatively large size of the Nigerian market, a separate bid had to be made for Nigeria alone. This enabled a local rival, HITV, to bid for the right and receive it for three years.²⁸

However, HITV turned out to be one big disaster. Its Nigerian CEO, Toyin Subair, got carried away by his vantage position in having exclusive rights to the EPL. He went on a spending spree buying luxury cars, jet-setting all over the world and throwing lavish parties. Within three years, HITV was bankrupt and Multichoice reclaimed its exclusive rights to the lucrative EPL.²⁹

27 <https://naija.com/femi-aribisala-mtn-shoprite-dstv-and-the-south-africanization-of-nigeria/>

28 *Ibid*

29 *Ibid*

MultiChoice Nigeria has contributed significantly in concrete financial terms, to the Nigerian economy over the past 20 years. The company has invested more than N50 billion both directly and indirectly to the Nigerian economy over the years. MultiChoice Nigeria was one of the first companies to show confidence in the Nigeria market. It has invested heavily in the country and its people. This commitment is demonstrated by the fact that the company existed in the Nigerian market for more than 10 years before the business started to make any real returns.³⁰

Furthermore, a huge amount of funds have been ploughed back into the market and the Nigerian economy as a whole. MultiChoice Nigeria continue to remain committed to the country, to the industry and to the economy. A huge investment has also been made in the area of new products, improved services, new payment systems, new premises and new technologies. Wherever possible, MultiChoice Nigeria opts to buy the property in question rather than lease it. Over ₦80 million (US\$ 625,000) was invested in building the Lagos up-link, to enable the carriage of the national free-to air channels. On a continuous basis, up to ₦88 million is spent every year on satellite transponder capacity for the continuing carriage of these free-to-air channels.³¹

MultiChoice continually seeks new investments in the region of ₦3 billion into new technologies that will boost the services on offer, and provide for new services such as mobile television (DVB-H). Many efforts are aimed at establishing Nigeria as a broadcasting hub, and making Nigeria one of the first countries in Africa to launch mobile TV (DVB-H) services. Through the simultaneous launch of digital terrestrial television, (DVB-T) MultiChoice Nigeria may enable the carriage of State broadcasters in their areas and States where these services are launched, accelerating the country's digital migration efforts. The launch of new technologies also contribute to the efforts of the government to create quality employment in the engineering and technical fields, not to mention spearheading

³⁰ <https://www.dstv.com/en-ng/news/about-multichoice-nigeria>

³¹ *Ibid*

technological innovations and contribute to the efficient use of frequencies – a feat which will free up frequencies for use by other players in the market.

On the Cooperate Social Investment (CSI) front, MultiChoice Nigeria has invested more than ₦80 million in the commissioning and rollout of MultiChoice Resource Centres alone. MultiChoice Nigeria has over 300 Resource Centers in 29 States across the country. The company is tax compliant and pays about 10 different taxes to government in order to operate successfully in Nigeria. As a result, the company has met its obligations to the government and has paid more than ₦3.2 billion (US\$25 million) taxes since 1999. To effectively serve its customers, Multichoice Nigeria has in place an existing network of well trained and accredited installers who assist in the installation of DSTV and GOTV hardware. The DStv hardware includes the parabolic antenna (DStv dish), the digital satellite decoder (DSD) and the smart card. The MultiChoice accredited installers' network cuts across the major geo-political zones of the country.³²

Shoprite Group of Company

The Shoprite Group of Companies is Africa's largest food retailer. It operates 2,843 outlets in 15 countries across Africa and the Indian Ocean Islands. The company's headquarters are in the Western Cape province of South Africa. Shoprite Holdings Limited is a public company listed on the Johannesburg Stock Exchange, with secondary listings on both the Namibian and Zambian Stock Exchanges. As of 2018, the Shoprite Group employed over 147 478 people, added 3 676 additional jobs in the reporting period. It previously reported that 23,500 of the total staff complement worked outside South Africa. The Shoprite Group of companies was established in 1979.³³

On 29th October, 2005 Supermarket chain Shoprite opens its first store in Nigeria, Africa's most populous country. Shoprite Nigeria having spent a decade, it has, however,

³² *Ibid*

³³ [https://en.wikipedia.org/wiki/Shoprite_\(South_Africa\)](https://en.wikipedia.org/wiki/Shoprite_(South_Africa))

become a household name. It offers consumers a wide range of imported goods ranging from clothes, electrical appliances, and foodstuff to toiletries, kitchenware and stationeries. It has by 2018 twenty-five functioning outlets in Nigerian states to name few of them Lagos, Abuja, Kwara, Enugu, Abia, Kano and Oyo.³⁴ Among other things, Shoprite offers consumers the luxury of spacious well organized parking lots, clean environments, a friendly staff and competitive prices to mention a few. Observers of the rapid expansion of Shoprite agree that its presence in Nigeria means that roadside sellers of bread, vegetables and meat would be adversely affected in a country where retailing is largely informal, it thus, threatens existing market structures. It also significantly contributes to the fast rising level of health challenges in Nigeria.

According to Whitey Basson, the chief executive of Shoprite Holdings, Shoprite Nigeria has commenced a made-in-Nigeria campaign by dedicating some departments of its 24 outlets nationwide to locally produced products. The firm at the Ikeja Mall outlet, for instance, locally made products occupied the right wing immediately after the entrance with the words Supporting Nigerian Products' boldly written on the shelves. The display featured dozens of local food products such as the popular Ijebu garri, locally made corn meal (akamu), banga fresh palm fruit extracts and oil, custard powder and as home care products as well as household utensils made by popular brands in the country. Some of the manufacturers said that sales had spiked for the products soon after the display in Shoprite stores.³⁵

The Managing Partner, Integrated Factory Foods, Mr. Akhibi Onoke, stated that the firm's brand of Naija Sweet Rice had enjoyed a lot of patronage while on display in 24 Shoprite outlets nationwide. He said he started partnering the retailer four months ago adding that:

The fact that people see the goods in Shoprite outlets gives them some level of credibility. We are gaining a lot of mileage

³⁴ *Vanguard Newspaper*. July 26, 2018

³⁵ *Punch Newspaper* 11 March, 2017

from that and it is strategic to sales. I can tell you that the relationship is working for us. The sales continue to grow; and the more people get used to the products, the more they patronise us.³⁶

Another entrepreneur and Managing Director of Pally Agro Products, Mrs. Anwuli Onyeagu, who makes banga fresh palm fruit extracts, said she was part of the Shoprite made-in-Nigeria campaign and had been displaying her products on their shelves for the past three months. She said that patronage of her products increased by over 40 per cent during the period. The Managing Director of Amel Susan, manufacturers of Vanilla Custard, Joe Nsek, said the firm has been partnering Shoprite for the past five years and had enjoyed a great deal of patronage in all its 24 outlets. As part of the initiative, Shoprite said it organised a monthly meeting for local manufacturers wishing to supply to its stores to teach them about standards and procedures.³⁷

Stanbic Bank IBTC

The Standard Bank of South Africa Limited is a South African financial services group and is Africa's biggest lender by assets. The company's corporate headquarters, Standard Bank Centre, is situated in Simmonds Street, Johannesburg. The bank now known as Standard Bank was formed in 1862 as a South African subsidiary of the British overseas Standard Bank, under the name The Standard Bank of South Africa.

The bank's origin can be traced to 1862, when a group of businessmen led by the prominent right-wing South African politician John Paterson formed a bank in London, initially under the name Standard Bank of British South Africa. The bank started operations in 1863 in Port Elizabeth, South Africa, and soon after opening it merged with several other banks including the Commercial Bank of Port Elizabeth, the Colesberg Bank, the British Kaffrarian Bank and the Fauresmith Bank.³⁸

36 Ibid

37 Ibid

38 Ibid

It was prominent in financing and development of the diamond fields of Kimberley in 1867. The word "British" was dropped from the title in 1883. When gold was discovered on the Witwatersrand, the bank expanded northwards and on 11 October 1886, the bank started doing business in a tent at Ferreira's Camp (later to be called Johannesburg), thus becoming the first bank to open a branch on the Witwatersrand gold fields. On 1st November, 1901, a second branch was opened in Eloff Street of Johannesburg.³⁹

On 21st August, 2007, Standard Bank Group acquired controlling interest in IBTC Chartered Bank, founded by the merger of the International Banking & Trust Co. plc. and Chartered Bank plc. This gave subsidiary Stanbic IBTC Holdings significant presence in the Nigerian market.⁴⁰

Impact of Investment on Nigerians and South African Economic Relations

Impact of foreign direct investments on the economies of two nations can be examined from two main perspectives: first, it can be positive, when the investment contributes to the general economic development of receiving country. However, it can be negative, which is termed 'cultural imperialism', when the values and culture of the dominant state overshadow that of the recipient state. From Nigeria's perspective, South Africans started to change their attitudes towards Nigerians when Nigerian movies flooded the South African market. South Africans have recently realised that not all Nigerians are criminals who engage in advance-fee fraud and the narcotics business. Furthermore, in order to learn more about Nigerian culture, some South Africans subscribed to DSTv, in which the popular channel 114 airs the said Nigerian movies. From this, they have come to realise that Nigeria is a co-partner in the war against crime in Africa.⁴¹

39 https://en.wikipedia.org/wiki/Standard_Bank

40 Standard Bank Group: *Historical Overview Archived at the Wayback Machine*. 13 January 2012

41 Lere Amusan and Jo-Ansie van Wyk. *The Complexities of Bilateral Relations: The Nigeria-South Africa Relationships(2000-2006)*. Politeia Vol 30 No1 Unisa Press.2011' p.51

Notwithstanding, South African companies continue to expand in Nigeria. Nigerian banking analyst Jude Fejokwu complained that Nigerian economy is "being eaten alive" because of a lack of imagination from Nigerian companies targeting South Africa and a lack of backing from their government: "Africa's most advanced economy is taking Africa's biggest economy to the cleaners".⁴²

Atedo Peterside, chairman of Stanbic IBTC Bank, says Nigerian companies take an unsentimental view:

I think it is about opportunities. There are better opportunities elsewhere for Nigerians. Investors will go where they believe they will get the best returns. I would certainly not describe South Africa as the land of opportunity. Would you? It is a mature and oligopolistic market with difficult and politically active trade unions.⁴³

That has not put off Nigeria's Dangote Group, which has been expanding into South Africa. "We have invested in Sephaku, which is a big cement plant. Over the last few years we have invested over \$200m there, says Vice-president Sani Dangote. "It was really on the verge of collapse, and we invested majority of shares there and the company is doing well.

Dangote expects many more small and medium-sized companies from Nigeria to go to South Africa to look for niches in its more developed market and perhaps for technology transfers. Nigerian companies could also learn much from the Johannesburg Stock Exchange. But he concedes that the experience of Lagos-based Oando on the South African capital markets has not been very positive. It seems South Africa and Nigeria's capital markets are a long way away from convergence or even close cooperation.⁴⁴

According to Geoffrey Onyeama, Nigerian Minister of Foreign Affairs:

This relationship has flourished over the years that today there are more than 120 South African businesses in major sectors of the Nigerian economy and with Nigerian professionals shaping development in South Africa.

He further stated that:

⁴² *Sun Newspaper* 12 March, 2015

⁴³ *Ibid*

⁴⁴ *Ibi*

In Nigeria we cannot overestimate the role of South African business in the development of Nigeria, in telecommunication, be it in the media, television, retail sector, wholesale sector in our country, making real visible impact on our economic, social and cultural development and job creation that we see because South African investment in our country is enormous.

He also added that;

So too here in South Africa, in almost every sector; universities, doctors, professors, engineers, all aspect of lives, you have Nigerians also helping to drive development of this country. So, we have so much holding us together⁴⁵

Furthermore, Geoffrey Onyeama says, at the national level, there have been high level visits and meetings between the two countries to the extent that a decision was taken to elevate the existing Bi-National Commission (BNC) to the Heads of State level in further demonstration of their collective desire to forge a special relationship. The aim, according to Onyeama is to ensure that presidents of the two countries speak with one voice at all times, on issues of common interest in their countries, region, continent and globe⁴⁶

The Bilateral Trade Agreements and Investment Relations

Nigeria and South African governments on Tuesday 7 May, 2013 signed nine Memorandum of Understanding (MoUs) and agreements to strengthen bilateral relations between the two countries. The two countries signed the agreements in Cape Town as part of activities marking President Goodluck Jonathan's state visit to South Africa. The agreements were in the areas of defence cooperation, waiver of visas on diplomatic and official passports, cooperation in legal field, oil and gas, geology, mining and mineral processing, and metallurgy. Others were on women and child development, power sector development, cooperation in the field of environment, and information and communication technology.

According to President Jonathan:

Cooperation between Nigeria and South Africa is a key to Africa's economic and political development. South Africa and

45 *ThisDay Newspaper* 27 March, 2017

46 Ibid

Nigeria are critical countries in Africa and must work together so that Africa can move forward in the drive to boost the standard of living of our people. The world expects so much from us; we must cooperate and work together, so that we will not fail the world about these expectations.

He said that, the signing of the Memorandum of Understanding (MoU) and agreements will help in strengthening relationship between the two countries. “Today’s ceremony is unique given the number of documents signed. It will stimulate relationship between the two countries,” He said that:

Businesses between the two countries are performing well, South Africa and Nigeria businesses are doing well and there is cooperation in various fields, but there is need for a stronger people to people relationship. Nigeria has opened all sectors of her economy for investment, I urge South Africans to come and invest in Nigeria. South Africa should also open her door to Nigerian investors.⁴⁷

In his remark, President Jacob Zuma said that:

Mr. Jonathan’s visit generated interest and excitement in South Africa. “As we will be celebrating 20 years of freedom next year we remain highly appreciative of the solidarity that South Africa liberation struggle and our people enjoyed from successive governments and the people of Nigeria. We have a duty to take these historical relations further.”⁴⁸

He also said that:

The two countries have a growing and warm bilateral relationship structured through a Bi-national Commission. We have today witnessed the signing of new agreements and MoUs. Our ministers will ensure the effective implementations of these instruments and the conclusion of those outstanding.⁴⁹

Mr. Zuma, further said that:

The South Africa - Nigeria Business forum will further boost economic relations between the two countries “We welcome the participation of South African business in other sectors in Nigeria, we have also seen kin interest from Nigerian businesses investing and doing business in South Africa.”⁵⁰

47 *Nigeria – South Africa sign agreements on various sectors . Premium Times Newspapers* May 7,2013.

48 Ibid

49 Ibid

50 Ibid

Mr. Zuma, said more than 73,282 Nigerian tourists visited South Africa in 2012. This is a 13.8 per cent increase from the previous year, we welcome this upward trend Our record indicates that Nigerian tourists contributed a total of R720 million (about N1.5 billion) to South Africa's economy last year.⁵¹

Furthermore, another pertinent development of Nigeria and South Africa bilateral economic relations was the visit by president of South Africa to Nigeria in March 2016. It is therefore illustrative that the South African President, Jacob Zuma, undertook to embark on a state visit to Nigeria in company of over 150 businessmen and potential investors. Nigeria as a country is in a situation where in its bid to diversify its sources of revenue, should endeavour to explore other areas, especially manufacturing, mining and agriculture. Incidentally, these are the major areas of the emerging economic blueprint of the President Muhammadu Buhari administration and they are in tandem with the capacity of South Africa as a potential partner to deliver to Nigeria. There is no doubt that President Muhammadu Buhari's economic blueprint for Nigeria which included eliminating bottlenecks to businesses and offering incentives to foreign investors has started to yield desired result. Our reset with South Africa where in their President led some of their country's biggest businessmen on a state visit to Nigeria signposts a new dawn in our bilateral relations with South Africa.⁵²

Moreover, Nigeria and South Africa signed agreements that attracted hundred South African companies into the Nigerian economy. The South African firms operating in Nigeria include the Mobile Telecommunication Network (MTN), with 55.4 million subscribers in 2014 (MTN Group Limited, 30 September, 2014). Shoprite, Stanbic Bank and Digital Satellite Television (DSTV) are equally strategic South African businesses in the Nigerian economy. Similarly, the Dangote Group of Companies with headquarters in Nigeria have investment portfolio of nearly \$400 million in cement production in South Africa; and

51 Ibid

52Chukwudi Enekwechi. *A Reset For Nigeria-South Africa Relations*, The Eagle online newspaper march, 16 2016. <https://theeagleonline.com.ng/a-reset-for-nigeria-south-africa-relations-by-chukwudi-enekwechi/>

Nigeria's Oando Oil Company is listed on the Johannesburg Stock Exchange. Oil represents over 95 percent of Nigeria's exports to South Africa. The South African government in October 2000 raised the volume of crude oil import from Nigeria, thereby suggesting increase in economic relations.⁵³

Conclusion

It is interesting to note that no country can adequately develop without foreign direct investment inflow. Therefore, the case of Nigeria is not an exception. FDI to Nigeria is a key contributor to the country's capital accumulation, Nigeria is said to be the giant of Africa and a major player in the global economy due to its abundant reserves of human and natural resources. However, these have not been tapped of over dependence on oil, social unrest and endemic corruption. For a developing country like Nigeria to be among the top 20th economies in the world the need to attract more FDI is crucial. Because FDI has a positive effect on the Nigerian economy, especially in areas like communication, banking, shopping malls, tourism, oil and manufacturing sector which witnessed increase in private participation, high employment with multiplier effects on the economy. The research finding reveals that there is a positive relationship between Gross Domestic Product (GDP). The presence of many South African investors in Nigeria has boosted the economies of both counties. This is the result of encouraging bilateral trade relations that existed between the two nations. The South African state has not only opened up Nigeria's economy to South African investments and exports through NEPAD but it has also strengthened relations between the two countries through bilateral agreements and a Bi-national Commission.

53 Bamidele Seteolu and James Okuneye "The Struggle for Hegemony in Africa: Nigeria and South Africa Relations in Perspectives," 1999-2014 *African Journal of Political Science and International Relations*. Vol. 11, March 2017PP.57-67.