Foreign Direct Investments, Strategic Assets and Sustainable Development: A Critique of International Investment in Nigeria's Steel Sector

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Abstract

Advocates of trade liberalisation that include the Bretton Woods Institutions (BWIs) and their adherents in the third world encourage foreign direct investment as a means of stimulating economic development in these economies. The arguments in favour of foreign investments are that it provides among other benefits, the required capital for development, facilitates technology transfer, and improve infrastructure development. Foreign direct investment is however criticised for its negative impact on the economies of the third world for a number of reasons. Multinational corporations (MNCs) that account for the highest contributors to FDI through private capital investment are accused of sharp practices that include exploitation, corruption, unethical business practices and environmental degradation. Through their activities, MNC engender loss of sovereignty and policy-making by host economies and loss of control over resources among other negative impacts. One instrument used by Foreign Capital to subjugate developing economies is the control of management of projects and programmes into which investments are made. Management control is therefore a primary objective of investors and this is usually accomplished right from the time agreements are reached between the host states and the investors. The study concluded that more often than not, the implication of management control over investment on developing economies include the desire to recoup capital invested at the shortest possible time, total dependence of the sector on investors for future development, reaping huge profits at the expense of local communities, damaging social networks and instigating political instability by the non-recognition and lack of respect for existing social conditions. Certain measures are therefore inevitable if FDI is to engender sustainable development.

Keywords: Foreign Direct Investment, International Capital, Management, International Agreements, Multinational Corporations, Foreign Capital

I. Introduction

1.1 Justification for Foreign Direct Investment for Economic Development

The major policy thrust of the Economic Reform Programme of the Nigerian State is the promotion of a private sector-led economic growth. There is therefore concerted and orchestrated attempt by government to divest from the key sectors of the economy. This is in consonance with the Bretton Woods Institutions position that "the state has neither the management capability to run the economy nor any legitimate authority to do so. Indeed, far from benefiting society, state planning, state ownership of industries, state-initiated social programmes, a state regulation of wages and economic policy should be avoided because they inevitably undermine entrepreneurial activity, diminish individual freedom and lead to the inefficient use of resources. In sum, the best government is considered to be the least government "(World Bank Report, 1997:5)".

Continuing, the World Bank Report stated that the "markets and states should not be viewed as opposites, but as complementary, the state's role being essential for putting in place the appropriate institutional foundations for markets". In consonance with this, developing countries compete to attract foreign investments by creating conducive environment for capital growth sometimes at the expense of the development of their economies. For most developing societies, FDI is seen as inevitable if the economies are to grow, since such investment provide vital capital in form of money or technical manpower often required for expanding infrastructure, promoting development needs, and distributing wealth to the impoverished people in society. Krugman (2002) said "the raw fact is that every successful example of economic development……. has taken place via globalisation… To claim that workers have been impoverished by globalisation …. You have to forget that those workers were even poorer".

The cumulative implication of this position is that the ideology of relying on foreign capital to propel development became an idiosyncrasy among leaders in the third world. For Nigeria, as at 2005 Official Development Assistance (ODA) received amounted to US$6,439.53 million; while the net foreign direct

investment inflows as percentage of GDP was 2.0. Private investment into the country has been on the decline with a result that the state is making overtures to foreign investors to invest in the Nigerian State (UNDP, 2007, Pg 292). President Olusegun Obasanjo and a number of State Governors were accused of suspending enormous state funds on overseas travels which was usually done under the guise of Government efforts to attract investors between 1999 and 2007. Developing states compete in the race to attract investors not only to encourage new investment but also to take over the key sectors of the economy especially public institutions from where government is divesting.

Government's position is that public organisations are not able to justify the huge amount of public funds injected into them (El-Rufai, 2003). Government therefore resolved as part of its privatization and commercialization strategy to transfer the ownership, management and control of these public enterprises into private hands albeit for effective and efficient service delivery. A number of public enterprises hitherto considered as strategic state assets were not left out of the exercise. The enterprises include the oil and gas sector, energy sector, telecommunications and the iron and steel industry among others.

To this end, series of agreements are daily signed by the Bureau of Public Enterprises (BPE) on behalf of the Nigerian government and private investors to transfer ownership and/or control to private hands. The private sector in Nigeria is however unprepared for this responsibility as it is largely dependent on international capital (i.e. Finance, Expertise, Technology) for its operations. The linkage between foreign and local companies that enter into agreement evidences this. A common feature of companies taking over is a multinational firm abroad with a local subsidiary whose leadership compose of Nigerian indigenes. For example, Bilfinger & Berger (B+b), Fourgerolle Joint Venture (FFN), SOLGAS Energy Limited and SOLGAS Energy Nigeria Limited, Global Infrastructure (Nigeria) Limited and Infrastructure Holding Limited, etc. There is a general perception among Government officials that foreign investments do not have negative implications. The Marxian position that capital investment is essentially for profit however appears to hold sway.

1.2 Implications of Foreign Direct Investment in Strategic Industries

Experience has shown, that international capital, where relied upon for the development of any sector in the Nigerian Economy has always adopted strategies to maximise profit for capital invested and designed methods to ensure continuous control over the development of that sector. The obvious implication of this is the continued underdevelopment and dependence of the sector with negative consequences for the host society.

The negative consequences of the activities of multinational corporations in a number of developing countries are well documented in Kehl (2009). These included disputes that arose from pollution of water and land by Coca Cola and exposure of communities to toxic chemicals by DOW chemicals. Other celebrated cases included the environmental destruction and pollution of land and water by Shell and Mobil Oil Companies in Nigeria, coercive recruitment of labour and underpayment for land by Firestone in Liberia. The deliberate design of projects in Congo to provide contracts to General Electric (GE), was also the cause of the restiveness among local communities who also contested the dispossession of vast majority of peasant farmers of their land.

Of great significance to international capital where it invests is the control of the management of the sector. The total control of management positions ensures that the investor is able to recoup her investments at the earliest possible time, making huge profits and guaranteeing total dependence of the sector on her in the future. Management control is therefore a primary objective of investors and these are usually accomplished right from the time agreements are concluded. This was the experience not only of the Nigerian steel sector (Tenuche 2001), but also of the agricultural sector (Alkali, 1997).

The cumulative implications of foreign direct investment where used for development is that most often than not the investments engender negative effects on development arising from interest divergence between MNCS and host countries.

1.3. Management Defined

Management generally has to do with the efficient utilisation of resources to achieve certain objectives. What constitutes these objectives are often determined at a level higher than the management of any organisation or institution. As Dalton (1982: 11) succinctly puts it, "the setting of objectives in fact belongs to a higher dimension in life than any management activity". Dalton (1982:91) contended that the challenge of management is to simultaneously seek a combination of enterprises, methods and resources that can be operated in such a way that the benefits derived exceed the cost if not by as much as possible then certainly by a satisfactory amount.

Management often seeks to integrate different skills for a common purpose. Managers change a system's output by choosing one or more activities and by manipulating the attributes of the component required for these

activities. The functions of management therefore include planning, staffing, directing, controlling, organisation, innovation and representation (Wiki Answers, 2010)

In planning, a manager has to decide what he wants to accomplish, that is to set short and long range goals of his organisation. In order to do this, he has to forecast as well as he can, the economic, social and political environment in which the organisation will be operating and the resources, that is people, money, equipment that will be available to him. Here, the manager, in varying degrees, takes into accounts the elements and forces of their external environment. While they may be able to do little or nothing to change these forces, they have no alternative but to respond to them. They must identify, evaluate and react to the forces external to the enterprises that may affect its operations.

A manager in any sector of the contemporary Nigeria economy, for example, cannot but take into consideration the current trend of liberalisation and globalisation. The manager is faced with stiff competition from goods and services from the international market and therefore has to produce to meet world-accepted standards. One obvious implication of this development is that the overall interest of the local community in any enterprises becomes secondary, as the goal of the enterprise is to compete in the world market to ensure profits.

When organising, the manager decides what jobs will have to be filled and the duties and responsibilities attached to each one. The manager here establishes positions and decides what the people who hold them must do. Again, this has obvious implications for societies with a largely unskilled population. In staffing, a manager attempts to find the right person for each job. The manager needs to get other people to act, as he would like them to do. A foreign investor may therefore rely on foreign markets to source for skilled labour.

In controlling, a manager determines what progress has been made towards achieving laid down goals. He must know what is happening so that he can step in to make changes in procedures where changes are necessary to ensure that the objectives are reached.

The performance of these five functions is sometimes called the management cycle. Peter Drucker (cf. Tenuche 1992) observed that "*management cannot be an administrative or even a policy making job….. it must be creative rather than an adaptive task*". A manager, thus, has to be innovative. Innovation consists of developing new and better ways and techniques of doing things. There is therefore a strong linkage between technology and management. Technology has always had an important impact on managerial practice. The term technology refers to the sum total of knowledge we have of ways to do things. It includes inventions, techniques and the vast store of organised knowledge about everything.

When a new technology is introduced into an organisation, adjustments would have to be made as regards methods of supply of raw materials and spare parts. It also applies in cost control, in marketing, in wage schemes, in the assignment of responsibilities to workers and managers and even in the total organisational structure of the organisation.

Management itself is not a passive factor and its influence on technology is equally remarkable. In many cases, managers can choose between alternative technologies. The most frequent choices concern the degree to which man should be replaced by machines. Other choices concern technologies using different chemical, physical or biological processes, technologies using equipment of different sizes and capacities, and technologies having different effects on the natural and living environment.

Furthermore, management plays a crucial role in developing new technologies. Managers in business and government allocate resources for the development of science and technology, and thus determine priority areas of this development. They determine when a more progressive and productive technology should replace the current one. They make choices between the purchase of technologies from other enterprises or countries, and the development of new technologies locally. They also influence the dissemination of technologies developed under their control.

1.4. Management as a Tool for Exploitation

Given these important functions of management, International Capital places premium on the management of programmes or projects in any sector of an economy in which they invest as management control gives them unhindered liberty to direct project and programme to serve the interest of capital.

As early as 1950, foreign aid donors directed large quantities of aid to training essentially in Public Administration and Management. This was due to the realisation that for effective economic exploitation of developing societies, people must adopt western ways of doing things. Several countries and international organisations have been involved in offering training facilities to developing countries. Between 1951 and 1962, $250m was estimated to have been spent by the United Nations (UN) and the United States of America (USA)

government and the Ford Foundation in support of institutions for training in Public Administration alone. Since the early 80s, the industrialised societies were granting between $500 and $600 million annually for training in developing nations including the award of roughly 110,000 overseas fellowships. World Bank spending on project-related training increased from $38 million, in 1976 to $187 million in 1981. In contemporary Nigeria, management is given so much premium that key World Bank officials are directly involved in the management of the economy as we have in Ngozi Iweala, former Finance Minister.

This paper submits that management is a new form of imperialism. After all, the subjugation of foreign lands can be accomplished by means other than military, for instance, by economic power or even intellectual power. Management control thus becomes a form of power to subjugate foreign land to the dictates of foreign capital.

It has therefore become a strategy of International Capital to control the management of any sector in which it invests. The insistence on management control of the steel industry by International Capital is the major concern of this paper; given the strategic position of iron and steel in the development of productive forces.

2. Method of Data Collection

The study relied essentially on secondary sources of data. Specifically the paper critically assessed the agreements signed by SOLGAS Energy Nigeria Limited (SOLGAS) and Global Infrastructure Nigeria Limited both of whom are core investors in the steel sector and the Nigerian Government for the development of Ajaokuta Steel Project.

3. Findings and Discussions

3.1 The SOLGAS Intervention in Ajaokuta Steel Project

As already indicated, the intervention of International Finance Capital in any sector is characterised by stiff management control of the sector. The World BanK/IMF intervention in the Nigerian Agricultural sector, for example, was accompanied by stiff management control of the World Bank Financed Agricultural projects. The management ensured increased dependence of that sector on foreign capital and technology.

The Agreement dated June 30th 2003 between the Federal Government of Nigeria (FGN) and SOLGAS Energy Limited (SOLGAS) for the development of the Ajaokuta Steel Project clearly demonstrates the interest of International Capital to exercise exclusive control of the management over their areas of interest . Certain areas of the Agreement are of particular interest to this paper. These include:

3.2. Positioning SOLGAS to Exert Full Managerial Control

▪ *That the FGN and ASCL have together executed a joint venture partnership to undertake the rehabilitation, completion, commissioning and operation of Ajaokuta Steel Project (ASCL). Under the said agreement, the FGN/ASCL have granted to SOLGAS the authority to undertake the management and constitute the Board of ASSCL for the purposes of financing and executing the various projects specified in the agreement. It also empowers it to return and transfer possession and control of the said project to FGN/ASCL in accordance to the terms and conditions of the agreement. Management in the said agreement shall mean the management of ASCL and shall include full responsibility for all technical, commercial and financial operations of ASCL.*

▪ *The management structure of the ASCL shall be adopted by its Board of Directors. SOLGAS shall constitute the Board of ASCL as may from time to time be necessary for the duration of the agreement.*

▪ *By the terms of the agreement, SOLGAS shall provide 100% of the financing required for the projects specified in the agreement and the FGN's share of the fast melt project.*

▪ *The Agreement shall come into effect immediately upon the execution of the agreement and shall endure for ten (10) years commencing from the DATE FGN/ASCL puts SOLGAS in effective and actual control of the management of ASCL and possession of ASP, provided that the parties shall agree on an extension of the tenure of this agreement if SOLGAS has not recouped all its investment at the expiration of the first ten (10) years.*

▪ *The parties also agreed to keep strictly secret and confidential and not to disclose to any third party or to use any valuable an proprietary information acquired from any of the other parties hereto, pursuant to the agreement, except to the extent that disclosure or use of such information is expressly permitted or provided for by the agreement or the project agreements.*

▪ *The parties mutually acknowledge that all formula, drawings, specifications, business plans, manufacturing processes, products, customer lists, price lists employed both at present and as developed for executing any project specified under this agreement are trade secrets and confidential information of this agreement.*

▪ *Any dispute, controversy or claim arising out of, connected with or relating to the agreement which cannot be settled by mutual agreement between the parties within thirty (30) days shall at the request of either party be referred to arbitration in accordance to the rules of the International Chambers of Commerce (ICC). The venue for arbitration proceedings under this agreement shall be London, England.*

▪ *The parties take cognisance of the Federal Government of Nigeria's privatisation policy as it relates to Ajaokuta Steel Company Limited (ASCL). SOLGAS therein agrees to participate in a transparent, open and competitive privatisation exercise of the ASCL at the appropriate time.*

▪ *All funds owed SOLGAS, the said funds being principal and interest therein for the purpose of financing the execution of any project in accordance with the terms of the agreement, shall become due and payable by the FGN or constitute a first charge upon the proceeds of privatisation in the event of the sooner privatisation of ASCL than the tenure granted in the agreement.*

▪ *The Federal Government of Nigeria is to guarantee unhindered access to repatriate profits accruing to SOLGAS and provide security for SOLGAS to operate.*

3.3. Global Holding Agreement and Transferring Management Control to Global Holdings

When SOLGAS was discovered to lack the financial and technical capability to fund and execute the project by a committee of the House of Representatives, a new Agreement was signed with Global dated 13th August, 2004. Although there were some notable changes to ensure Nigerian participation, the management was designed to be under the exclusive control of Global.

The areas of the agreement that are of interest to this paper include:

▪ *The FGN and ASCL have agreed to grant a Global concession pursuant to the terms and conditions of this Agreement for inter alia, the rehabilitation, completion, commissioning and operation of the ASP to achieve 1.3 million t/y of production of steel and its by-products including the commissioning of the 10mw. TPP and subsequent direction, management, operation, maintenance and control thereof and the exportation and sale of the steel products therefrom.*

Under the agreement "Concession" shall mean the right and/or authority granted by FGN/ASL to Global to solely undertake the management and constitute the Board of ASCL for the purpose of financing and executing the ASP project specified in Clause 2.1 and the concession includes the terms and provisions without limitation, set out in the schedule hereto, to return and transfer possession and control of the said project to FGN/ASCL in accordance with the terms and conditions of this Agreement.

"Management" under the agreement shall mean the management of ASCL and shall include full responsibility for all technical, commercial and financial operations of ASCL directly within the ASP project.

▪ *Among the General Rights and obligations of parties, section 3.2 states that Global shall have the right to introduce and implement a management structure and salary schedule which is independent of the structure operated by government for the departments and personnel employed for the ASP project. Section 3,.3 states that Global shall have the exclusive right and authority to appoint suitably qualified and experienced personnel to fill management, technical and other staff positions in ASCL provided that Global shall in selecting the staff favourably consider existing staff of ASCL, subject to the qualification, knowledge, skills, experience and personal merit of such staff.*

▪ *Global shall only finance the balance of the works and supplies necessary to achieve the purpose of this agreement in respect of the ASP project and shall not extend to or include any existing debts, obligations, bills or accruals relative to the ASP or any part thereof before the effective date.*

The FGN/ASCL, according to Section 4 of the agreement, shall be under obligation to:

▪ *Take all steps, perform all such acts and comply with all conditions necessary and required to put Global in effective and actual control (as required by Global) of the management of ASCL and give unfettered or unencumbered possession of ASP to Global in accordance with this Agreement and enable Global to beneficially implement the ASP project and the concession.*

▪ *Put in place such fiscal policies and incentives as will be favourable to local production of steel and its by-products and enhance the ability of Global, under the ASP project, to compete in the global market made by Global enjoying all benefits available under Nigerian law including but not limited to pioneer status.*

▪ *Be responsible for facilitating all necessary possible exemptions from fiscal charges required to enhance the profitability of the ASP project including but not limited to import and export duty waiver for equipment, spares and parts (save for the existing rate of import duty for billets and raw material(s).*

▪ *Be responsible for ensuring domestic market protection based on Federal Government policies to facilitate early achievement of stability for the ASP project.*

▪ *Provide reasonable security for all ASCL and Global operations referable to the ASP project.*

▪ *At the request of Global, to make its best efforts to assist Global to repatriate all earned profit within a reasonable time in accordance with the laws of Nigeria.*

▪ *Not restrict, hinder or prevent Global (or any of its employees, advisors or subcontractors) in any manner or at any time from beneficially implementing the ASP project and/or the concession. FGN and ASCL shall provide full and complete access to ASCL's books, records and accounts and all title documents regarding the ASP and fully cooperate with Global nominated financiers.*

The agreement also demands that the FGN:

▪ *Shall ensure that neither FGN nor any competent authority in Nigeria or any part thereof will, directly or indirectly, levy or impose on Global, and each such company shall be exempt from any power duty or other fiscal charge or the economic burden thereof, being a fiscal charge arising out of the generation and/or consumption of power and energy made available from the 110 MW TPP, provided that such power and energy is consumed within the plant and the township.*

▪ *Permit the exportation of all products of any kind produced under or from the ASP project from time to time, subject to applicable laws. FGN shall ensure that Global enjoys all the concessions and incentives for new investors, including pioneer status, on fiscal charges on export but Global will endeavour to first meet the local market demand to the extent that this would be commercially viable for Global.*

▪ *Agree to facilitate entry and exit, re-entry into and re-exit, throughout, from Nigeria or any part therefore of the directors, employees, officers and shareholders and agents of Global and/or their contractors, together with their respective families and dependants for or n connection with the ASP project.*

▪ *Global shall, subject to applicable laws, have the right, for purposes connected with or in relation to the ASP project, to provide and operate its own telegraph, telephone and facsimile transmission system (and other systems) whether operated by radio or otherwise.*

▪ *Global is free, to use any ship or vessel of any nationality for the transportation of materials, machinery, equipment and products and to receive the same in ships or vessels of any nationality, subject to applicable laws.*

▪ *To the fullest extent permitted by law the FGN shall facilitate so that neither Global nor their agents be required to withhold or account for payment of any tax or any fiscal charge in respect of the profits, earnings or dividends or the distribution thereof.*

▪ *FGN undertakes that Global shall not be restricted or prevented by FGN to any manner from borrowing or repaying with or without interest any loan (whether in foreign currency or not) in connection with the ASP project and (ii) the payment of interest and repayment of principal to any person not ordinarily resident in Nigeria on loans made to Global or promissory notes issued in respect of the loan agreements in connection with the ASP project shall not be subject to any fiscal charge and Global shall not be required to deduct or account for the payment of tax in respect of such payments of interests and repayments of principal.*

▪ *FGN undertakes, for the period beginning on the date hereof and ending on the date of expiry of this Agreement, not to expropriate, nationalise or intervene in or permit or cause the expropriation of, nationalisation of, or intervention in, any property, right or interest whatsoever of Global (including but not limited to, its rights under the ASP Agreement or hereunder or any share in or Security of Global and./or held by any persons.*

▪ *FGN shall provide assurances satisfactory to Global regarding supply of power in priority and of natural gas, raw materials and water at competitive and reasonable rates/tariffs for beneficial operation of the ASP project.*

▪ *FGN recognises the importance that Global places concerning a reliable and uninterrupted source of supply at pricing which is economic for Global of iron ore, limestone, dolomite and clay, without which the ASP project cannot be implemented. In that connection, FGN shall do everything within its power and control to facilitate the prompt grant the Global (or its nominee) separate mining concessions as may be required by Global for satisfactory operation of the concession.*

▪ *FGN further recognises the importance to Global of, and its interest in, supply and control over the supply of natural/associated gas and in Global (or as it directs) establishing gasification/gas processing plant and using and/or selling the resultant products there. In the light of this FGN shall facilitate Global (or as it directs) being permitted to establish such plant and operating with a firmly committed source of supply delivery of the gas to such plant for a minimum tariff of twenty years at a fair and reasonable price to be agreed upon. FGN has already indicated to Global the source of supply with related pipeline facility and will actively involve and facilitate Global's discussions thereon with the relevant party/ies.*

Global shall have the obligation, under Section 5 to:

▪ *Provide or produce financing as determined proper by it for the execution of the ASP project.*

▪ *Obtain and maintain in force soon after its assumption of the management and control of ASCL all reasonably available necessary insurance in accordance with applicable good industry practice.*

▪ *Comply with the transfer requirements as shall be mutually agreed upon by the parties and hand over the ASP and other specified projects in good working condition, normal wear and tear excepts, to FGN, with as-built drawings in respect of the works under the ASP project upon the expiration of this Agreement. Global shall be responsible for the liabilities incurred by it and remaining outstanding at the end of the duration of this Agreement under Clause 12.*

▪ *Global shall allow FGN to undertake verification of Global to ensure that Global has the requisite technical, managerial and financial competence to undertake the ASP project. Such verification shall be completed by the FGN within thirty days of the execution of this Agreement*

▪ *Global shall constitute the Board of ASCL as it may from time to time determine is necessary [provided that FGN shall nominate one fifth of the Board provided that the nominees of FGN shall recognise the best interests of the ASP project. Global may nominate up to four fifths of the Board (Section 6.2).*

▪ *All taxes, step duties, dues, filing fees, other fees, levies, customs or other charges levied in Federal Republic of Nigeria in connection with the perfection of this Agreement shall be borne and paid for, by the FGN or a special waver for such charges shall be procured and granted by the FGN (Section 9.1).*

▪ *This Agreement shall come into effect immediately upon the execution of the Agreement and shall endure for ten (10) years, commencing from the effective date, provided that such term shall be extended at the request of Global by the aggregate period during which force-majeure circumstances have arisen under this Agreement. The parties shall agree on an extension of the tenure of this Agreement, on terms and conditions to be agreed upon on a fair and reasonable basis, if Global has not recouped all its investments at the expiration of the first ten (10) years. Thereafter Global shall have the first and last right of refusal on a fair and bonafide basis for a concession and agreement thereafter for the operation of the ASP project assets. That it is expressly agreed between the parties that Global shall continue in possession of the ASP for the period of this Agreement, and FGN shall not take any action that might have the effect of derogating from this great concession (Section 12.).*

▪ *The venue for arbitration proceedings under this Agreement shall be London, England (Section 13.3).*

4. Implications of Management of the Steel Sector by Foreign Capital for Sustainable Development in Nigeria.

The iron and steel element is a strategic resource to any society. All industrialised societies: Britain, United States of America, Japan among others (Balance and Singer, 1982:10) are known to have placed great emphasis on the development of the steel sector in their quest to develop the industrial sector of their economies. This is so because of the valuable attributes of the iron and steel element.

One, the development of iron and steel constitutes the bedrock for the growth of the capital goods industry required for the production of machines and tools to be used in all sectors of the economy.

Two, a developed capital goods industry reduces dependence of the economy on the importation of such goods thus saving huge foreign exchange.

Three, a developed steel industry is fundamental to the development of a skilled labour force and can generate large employment opportunities.

Four, the physical characteristics of iron and steel endow on it the ability to rapidly transform the productive forces in society.

Five, a developed steel sector provides an avenue for the generation of foreign exchange from the sales of steel and its by-products.

The agreements signed with SOLGAS ad Global however have the implications of denying the Nigeria society the benefits derivable from the development of a viable steel industry, essentially due to decisive control over the management of steel project granted to SOLGAS and Global.

One, as already stipulated these companies have total control over the management of the project and therefore have the right to set the objectives of the project, determine what to produce, source for customers, etcetera. They are therefore not under any obligation to concentrate on those products required for the development of other vital sectors of the Nigerian economy, rather, their focus would be on products required in the international market to enable them recoup their investments at the earlier possible time.

Two, the agreement has implications for skill development and acquisition and ultimately employment generation. The companies, by the agreement, have control over staffing, and are therefore at liberty to recruit their own staff. Experience has shown that multinational concerns in the execution of projects in developing societies prefer to recruit "experts" from foreign countries, who earn high wages. Multinational concerns are known to adopt the use of technologies that reduce the number of human labour, to save costs, and labour disputes. Further to this, the paper had earlier noted that management often exercises discretion over the type of technology adopted. A technology that pays little attention to the training of a large number of people to acquire skills has implications for the development of productive forces.

Three, at the inception of the development of the steel industry in Nigeria, arrangements were made for Nigerians to understudy the technology for steel production from the Russians to enable them replicate such acquired knowledge when required. The secret and confidential clauses included in the agreement with SOLGAS and Global has implications for the dissemination of knowledge in the technology of steel development to Nigerians.

Four, SOLGAS and Global it appears, have the ultimate liberty to determine the cost of the project and also finance it. With the company's control over management, they are equally at liberty to determine when they have fully recouped all their investments. The steel sector is thus open to them for maximum exploitation.

Five, the major function of the FGN in the said agreement is to provide adequate security for SOLGAS and Global to invest and repatriate profit without any hindrances.

The preceding analysis suggests that Nigeria cannot derive maximum benefits from the exploitation of her resources as they relate to the steel sector. One disturbing observation is that virtually all the strategic resources are subject to similar exploitation essentially to satisfy foreign capital. Specifically, the Nigerian oil and gas sector, that is, the major sources of foreign exchange earning is controlled by foreign capital. That sector is managed by multinational concerns to satisfy foreign interests. These developments have implications for economic transformation and the sustenance of a virile democracy in Nigeria.

First, as already indicated in the paper, Nigeria is among the world poorest countries. It is a state where a large population of the citizens are unable to cater adequately for their basic needs of food, clothing and shelter, meet several obligations, lack gainful employment, skills, assets and self-esteemed, and have limited access to social and economic infrastructure (Balogun, 1999:121). The fight for scarce resources become bitter thus exacerbating religious, ethnic, community and even domestic conflicts, thus threatening the fragile democracy in place.

Second, due to the paucity of resources available to the state, it is incapable of meeting the social needs of the people. The state is deemed a failure and increasingly relies on the use of force and repressive measures to secure legitimacy or assert control over the society.

Third, the private sector is unable to wrest control of the leading sectors of the economy from foreign interest. To this extent capital accumulation cannot occur from market competition. The contest for control of state power becomes fierce and bitter as the state remains the only viable source of wealth. Democratic processes such as party politics, elections and campaign became fierce and bloody.

The preceding analysis thus suggests that external control of the management of the commanding heights of the Nigerian economy is a serious threat to the consolidation of democracy.

5. Conclusion, Summary and Recommendations

The paper established that Nigeria lacks the ability to generate adequate capital and lack the technology to develop her natural resources, and has to rely on International Capital for its resources development. The intervention of international capital in any sector of the economy is always characterised by decisive management control of the sector.

Since the introduction of the World Bank/IMF Structural Adjustment Programme, the management of the entire Nigerian economy has been done under the eagle eye of the world body. However, rather than record growth and development in the economy, Nigeria has become increasingly dependent and poor under the arrangement with serious implications for the enthronement and sustenance of a viable democratic project.

The iron and steel industry is a strategic sector that must be developed if the Nigerian economy must be out of the clutches of international capital. The present agreement signed with SOLGAS and Global cannot guarantee the development of the sector. The paper submits that several decisive steps must be taken to ensure the development of this strategic industry that could form the bedrock for the country to develop its other natural resources. These measures include, one, that the federal government should develop the political will to source funds locally to finance the Ajaokuta Steel Project. With prudent management, Nigeria can raise the $1,250,105.00 required to complete the steel project.

Two, Federal Government of Nigeria should assume full management control of the steel project. This will enable the government to design a project that will tailor the final outputs of the projects to meet the specific needs of the Nigerian economy.

Three, the Nigerian economy is too weak to derive maximum benefits from active participation in the global market and should thereby approach with caution the on-going global offensive tagged Liberalisation and Globalisation. Specifically, strategic sectors of the Nigerian economy must be protected.

Four, management has been identified as a very important element in the development of any sector of the economy. The management of any project/programme must always be an exclusive area of control of Government.

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