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Review

A myth and the reality: Does democratization bring investment?

Adoyi Onoja

Department of History, Nasarawa State University, P.M.B 1022, Keffi, Nasarawa-Nigeria. E-mail: onojaa@yahoo.com.

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With the collapse of the Soviet Union and all it symbolized in 1991 especially the seeming triumph of neo liberalism, the democratization project became a bestseller and the tool of interference in the politics of nations. The platform of relationship is the implementation of the Washington Consensus by most countries. But the real bogey is the one that linked improvement in standard of living, investments, jobs and stock market reaction to democratization. Embarking on political reform, it has been argued, would lead to inflow of investments. Since it is the only way to survive most developing countries have been hitching a ride. But it is a ride that is fraught with difficulties as expectation far outweighs the benefit. Is it really the case that democratization brings jobs and improvement in living standards? With most democratizing countries waiting for so little an investment, is there enough to go round? Considering Africa's economic rating in the global investment scale and the attraction of the Eastern European and Asian economies, how many investment resources is left for the continent? Is this not hype, in the many, sustained by western propaganda? Indeed what kind of investment is the government in Nigeria attracting?

Key words: Democracy, investment, myth, reality, politics.

INTRODUCTION

Two development alternatives had existed in the world prior to the events whose impact became decisive in 1989 and 1991. Within these two alternatives were peculiar preferences that reflected the socio economic divides in the world. These were the socialist and capitalist development models. In both instances state interference was paramount in the formulation and execution of economic policies. A strict private sector driven growth was non-existent before and especially now. Indication that things would change had even commenced before those of the late 1980s. This had been traced to the onset of economic crises following the rise to power of rightist, free market leaning governments in the leading centre of capitalism, which radically altered the theory and practice of development across the world. The result was the commencement of a sustained assault on the state and its interventionist role in the development process (Olukoshi and Oyekanmi, 2002).

The second crisis that followed the initiation of the process of "rolling back the frontiers of the state" in economic matters was the introduction of perestroika and glasnost with the coming to power of Mikhail Gorbachev in 1985. Almost four years of these policies produced the reforms that brought down the Berlin Wall in 1989 and the dissolution of the Soviet Union in1991. These developments, which were unexpected, resulted in a flurry of reactions especially from Washington. The void created by the demise of the Soviet Union entailed the overhaul of entire mode of relations built over five decades between what was evidently a triumphant west with the United States at its head and the rest of humanity. In the area of political reform, democratization and human right protection became the major buzzwords. This is because the collapse of systems such as theocracy, monocracy, fascism and most recently socialism has left democracy as the only option available (Olowu et al., 1995). Yet as most scholars have been quick to observe and is evident in the models all around the world, democracy has become all things to all men. What is democracy?

Democracy: A working definition

What have become evident in the democracy discourse are the views of its proponents and the response of its recipients (Onoja, 2003).The democracy discourse has produced different variation of its understanding although there is a confluence point such as the conduct of election regarded as the beginning and end of democracy in most developing countries, multiparty system, freedom of the press, the rule of law etc even where they have been represented differently. Much of the disquiet caused in the democratization project in most countries is that which linked it to economic reform. Economic reform came in the mode of discouraging state intervention in economic affairs stressing the forces of demand and supply, market and the institution of privatization and commercialization. These and the reduced aid as well as the rechanneling of investible resources to other areas especially in Eastern Europe, dampened the elation over the reform agenda (Onoja, 2003). Thus in outlining a working definition of democracy we will stress those that explain the situation of the champion of democracy and the one that most explain the preference of the recipients.

The democracy on sale by its salesmen all over the developing world is of the liberal kind which conceptualized freedom and a corresponding conception of human rights and derives from a number of principles about the constitution of society such as political egalitarianism, freedom of citizens –as competitors- to realize their capabilities at the economic level and separation of the private realm of freedom from the public realm (Fotopoulos, 1997,). The definition specifies the separation of the state from the economy and the market. It has even been argued that liberal philosophers not only took for granted the separation of the state apparatus from society but saw democracy as a way of bridging the gap between state and society (Fotopoulos, 1997). The bridging role was supposed to be played by representtative democracy, a system whereby the plurality of political parties would provide an adequate forum for competing interests and system of values.

Deriving its strength from the notion of separate state and economy the apostles of democratization using agencies such as the International Monetary Fund (IMF), World Bank (WB) and World Trade Organization (WTO), and the precarious situation in most developing countries foisted the reform agenda that ensures the simultaneous pursuits of democracy and market economic reform. Reinhold (1960) and Goudzwaard (1979) justified this on the ground that liberal democracy had its origin within the struggle of the bourgeoisie and the rise of capitalism hence the need to protect values that are inalienable. This has been furthered by the seeming super- ordination of capitalism over communism to consolidate the gains of liberal ideology (Onoja 2003).

However for most developing countries a different definition and understanding of democracy seem to prevail. Apart from the shared confluence we referred to in the foregoing, the other side which tends to merge the political and economic reforms together have been criticized and repudiated in most emerging democracy (Sudarsono, 1996; Onoja, 2003). In this guise the definition of democracy that fits the understanding of most emerging democracy is the one that stressed the phenolmenon as ideology and politics. Democracy as ideology is the philosophy of governance, which sets a high premium on the basic freedom or fundamental human rights of citizen, the rule of law, the right to property, the flow of information and the right of choice between alternative political positions (Obasanjo and Mabogunje, 1992). Democracy as politics is concerned with institutions and processes of governance. These institutions and procedures of governance that they elicit tend to foster consensus whilst simultaneously promoting and sustaining respect for the ideology of democracy.

From the foregoing most emerging democracies sought to replicate the institutions and processes of governance in the democracy ideology. But the question had to be posited whether it is realistic and fair to demand of the emerging democracies to adhere to standards of life and political rights when the basic ingredients of nation formation and national cohesion have still to be set firmly in place? It is this consideration that resulted in the emergence of democratic specifics (Onoja, 2003). But the high side of the democracy discourse is what can be regarded as the reality and the myth for the promoters and the recipients.

The reality for the promoter

The essence of democratization, from the west's point of view, is to prevent the prospect of the reemergence of communism (Onoja, 1997). Thus in the first place the pursuit of liberal democracy project in emerging countries is out of political consideration. Among the measures outlined in the endeavour include the reassessment of the basis of relation between the west and the former Soviet bloc. These involve democratization, restructuring of their economies through privatization and commerciallization with a hordes of private investors buying public corporation at next to nothing and the building of a local bourgeoisie.

Russia, the successor state of the former Soviet Union, topped the list of priority state to be modeled along this line. Under the regime of Boris Yeltsin, the man that became the symbol of the new Russia, a group known as the oligarchs, modeled along the likes of America's Carnegie, Rockefeller and Ford, emerged in the society. They included Boris Berezovsky, Vladimir Guzinsky, Roman Abrahamovic and Mikhail Khordokovsky. These men are the richest in Russia who made their fortune from undervaluing state assets in the early days of privatization. These oligarchs are well connected enterprenuers who started from virtually nothing. They became rich through participation in the market via connections to the government of Russia during the transition to a market-based economy (Ogunbunmi, 2007). Most of them have since fallen out with the regime in Moscow for venturing into politics. In 1997, Russia was invited to join the 'partnership for peace' programme of the North Atlantic Treaty Organization alongside others such as Poland, Hungary and Czech. The Madrid Invitation was directed at destroying whatever was left of the former Warsaw Pact. The invitation has set Europe and the United States against each other on the question of those to join in the first wave. The latter favoured Hungary, Czech and Poland arguing that the process of political and economic liberalization has gone far and they would be able to sustain the financial commitment of membership.

Almost all former Eastern Bloc countries are desirous of joining most western clubs such as NATO and the European Union (EU). In the case of the former, joining the Alliance would provide protection against Russian hegemonic threat. Secondly, membership will provide them with aid and investment and expedite the process of economic reconstruction since it was the accepted conclusion that the failure of communism vindicated the other model. Indeed, joining the European Union is the wish of almost all non-members partly the result of over five decades of the beaming of western propaganda about the prosperity in the capitalist countries. In the first wave of expansion in 2004 about ten countries were admitted into the Union while many more are being groomed politically and economically to make them eligible.

Among the projected benefits of incorporating former Soviet bloc countries into the NATO include receding the prospect of Russia rebuilding its power base, providing listening post for the west especially with the ascension of Ukraine and the Baltic states and believing that economic reconstruction along free market line with intensive private ownership and political pluralism are bulwark against the reemergence of communism, incorporating these states will give the Alliance the chance to speed up the process. In this the alliance was not unaware of the antic of extreme nationalist such as Vladimir Yurinovsky whose showing in the poll caused concern then (Onoja, 1997).

Apart from the clear political objectives of the reform accruing to the west, there is also the economic side since the pursuit of a straight laced economic policy freed up resources for the maximization of profit. With the rising cost of labour in the developed world (Martin and Schumann, 1997), the incidence of acquisitions, mergers and the movement of production facilitates abroad, the pursuit of liberal economic and political policies would ensure a safe investment ground for western investors. The developing countries economies have since been transformed into the market for sourcing cheap labour and dumping goods no longer meeting the environmental standard in Europe and North America president or pope. But now I want to be the bond market there was reincarnation, I wanted to come back as.

The myth of investment for the recipients

For most emerging democracies and in particular those in Africa and to a lesser extent Asia, democratization became compelling because it is the only alternative on offer. The added attraction is the link between reforming and attracting assistance from bilateral and multilateral agencies. In this the African area has no option. Indeed Africa had never known prosperity since decolonization and the crisis that resulted from the 1980s worsened condition on the continent. It was borne out of this that most government accepted the Structural Adjustment Programme.

Western propaganda had so thoroughly convinced the emerging democracies that political pluralism and economic liberalization are bed partners and should be pursued simultaneously. As indicative of this link the nearest barometer for democratic acceptance is the response of the stock market (Onoja, 2000). Thus at the end of an election or a review of government macroeconomic policies the proper indicator is the movement of the market. The questions often ask then are: have share prices raised or fallen? What is the response of the market? What is the response of the Bank and the Fund? What is the response of the private sector? The impresssion has therefore been created that the whole democratization project is all about pleasing the private sector and their powerful international backers particularly the Bank and the Fund. Indeed while it is true that the rising industrial bourgeoisie fought to reform the political system in Europe as was demonstrated in the French revolution, the time span between both developments was rather long. Yet emerging democracies are expected to accomplish this in so short a time and under immense blackmail.

The power of the market as couched in stock market movement can be demonstrated by example such as after the presidential election in 1999 in Nigeria, the election of Vicente Fox as Mexico's president and the assault on President Robert Mugabe since he fell out of favour with the west following his land redistribution policy (Onoja, 2000). The big time players in the world have also attested to the power of market. After the International Monetary Fund's biggest rescue package in Mexico, the former boss of the Fund Michel Camdessus admitted that the "world is in the hands of these guys." Perhaps the experience of the world's most powerful politician and apostle of globalization would elucidate the point rather succinctly. Former President Bill Clinton was voted into office on the promise of far reaching programmes of reforms including public schools and insurance against sickness. None of these would be attained without additional public spending. Immediately after the election federal bonds began to fall as investment brokers forged an open front against the reforms. The reforms then gradually petered out just after a few months of the Clinton administration long before he lost his majority in congress. Commenting on the development, James Carville, Clinton's long standing adviser declared in resignation: "I used to think that if You can intimidate every body" (Martin and Schumann, 1997).

Intimidating everybody is the essence of subordination to the markets, which leads to an attack on democracy. While it may be true that every citizen still has a voice, largely the preserves of the advance democracies, since the democracy deficits prevalent in emerging democracies invalidates this point, what prevail is that once the election is over the decisive factor is what economists euphemistically called the right of money to vote. Africans have been led to adopt democracy of the neo liberal variety out of intimidation and what subsist subsequently is near myths and make believes.

Democracy was sold to Africa because it was widely canvassed that it was only in doing so would the continent's government attract investment. Since the 1990 countries in Africa have been democratizing but the same cannot be said of the investment coming into them. Africa ranked last in the investment profile of the world. Indeed in one such calculation the continent was not even mentioned at all. Thus whatever investment reached the continent must have been the remnants from the priority areas of Eastern Europe, Asia and Latin America, in that order. The call today is on the need to encourage private capital investment as against non-interest development funds. In this Africa ranked very low. In the 1996 United Nations Development Programme human development report, it was observed that of private capital flows of $585 billion to developing countries in 1989 to 1994 forty percent went to East Asia and barely one percent to sub Saharan Africa (Onoja, 1997).

With too many countries queuing up for too few investments on offer this has afforded the so called investors the opportunity to buy state assets at next to nothing and to invest in areas that are threats to health and the environment. Much of the investment coming into Africa remained in the traditional sectors (sectors that are impervious of regime type) such as oil and gas in Nigeria, gold in Ghana and in others what we have observed following democratization is increased instability as in Ivory Coast and the flight of investment. Indeed in the case of Ivory Coast the prevalence of substitute to cocoa, increased subsidy to farmers in the developed world in spite of WTO rules and falling prices of primary produce witnessed a flight of investment and the descent to chaos as the state became shaky (Onoja, 1999).

The whole essence of investment is to create jobs for trained individuals. In Nigeria for instance the government would be quick to point to the telecommunication sector as part of the benefits of political pluralism and economic liberalization. However it should be observed that with or without democracy, the coming of the deregulation in the sector would have gone ahead anyway. After all it was a military regime that began the exercise. Somalia has been without a functioning state since 1991 when General Siad Barre fell from power and yet the country has a functioning telecommunication industry. When it comes to creating jobs it is uncertain how to determine the figures as keeping statistics is hardly the forte of governments in Africa. The fact remains that a lot of persons still remained without jobs and the public sector is still downsizing everyday (NEEDS, 2004). Perhaps the view of a respondent in the Talk Back segment of the BBC summed up the situation in Africa. He was disappointed with the government of John Kufour, which claimed it had created 264,000 jobs since its inception. "Where are the jobs, he asked, with the ban on public sector employment?" (BBC, 2003). The same John Kufuor as African Union Chairman urged world journalists to paint a less gloomy picture of the continent because "the economy is averaging six percent growth rate annually and most leaders on the continent were elected democratically" (BBC, 2007). The conception of growth in the economy between leadership and followers differs in Africa. While the former stress statistics that in most cases are grossly misleading, the latter look at the number of jobs created and the living standard as pointers.

Investment in Nigeria since 1999

Professor Jerry Gana at his peak as government spokesperson once asserted that foreign inquiry on investment opportunities in Nigeria average fifty every month. But he was silent about actual investment coming into Nigeria. The president has always showcased the telecommunication sector as areas attracting investment. The yardstick of performance as far as the average Nigerian is concerned is not "inquiries" on investment opportunity or the use of mobile phone, but in the actual jobs created and the rise in living standard (Tijani, 2006).

In the investment profile of this administration since its inception in 1999, apart from the telecommunication sector where two foreign outfits were licensed, other flagship investment, aside from traditional oil sector, is the British American Tobacco factory at Ibadan estimated at $150 million and the Ama Greenfield Brewery in the outskirt of Enugu worth over N60 billion. Both investments and their commissioning featured prominently in the profile of a regime in desperate search for performance indicator and the president personally attended the occasions. In terms of quality of these investments -cigarette and beer- the government, in the name of wooing foreign private investment, was oblivious of the effects of these on the economy and the health of its people. The establishment of the most sophisticated cigarette factory by BAT in Nigeria could not have been anything but apt. With the environment no longer hospitable for business in Europe and North America, with Nigeria having the largest market in Africa, with unemployment pushing people to drugs and substance abuse and a government keen on any investment instead of nothing, the choice would ensure good returns (Onoja, 2000). This is the situation all over the continent. The Ama brewery also took advantage of its long established position in Nigeria, the potential in terms of population and the dual importance i.e. an insatiable demand whether in prosperity or depression, with the latter being the case, to expand its production facilities.

Prior to 1999 the investment profile of Nigeria had been restricted by the near pariah status she endured under the dictatorship of General Sani Abacha. While the traditional sector of oil and gas continue to attract investments, the government of the day decided to diversify her investment quest. This was at the time that China was making inroad into developing countries with resources to enable her feed the growing need for raw materials for her industries. The government of the day invited the Chinese into the economy especially in the attempt to resuscitate the railway, construction business in Abuja and in the supply of military hardware to the nation's armed forces. Similarly the government turned its attention to Turkey and the D8 countries whose shared interests was that they had an axe to grind with the west (Onoja, 2005/2006).

The Chinese influence in the economy has since been sustained by the regime of former President Olusegun Obasanjo. An indication of this was the retention of large Chinese experts on the president's private businesses (Adegbamigbe, 2007). State governments have also involved the Chinese in the so called clamour to attract foreign investments. The development is impervious of the set back witnessed in Chinese products resulting in deaths and injuries as was the case in Panama (Wagner, 2007), ban and recalls of goods made in China. Nor the fact that Chinese investments, argued western countries, do not take into consideration the human rights records of the recipient countries as for instance in Sudan. There have been outcries against Chinese safety records in many developing countries as well.

The administration of President Obasanjo has also presided over the sales of government stakes in major corporations and businesses that have been the subject of criticism ever since the regime started its programme of privatization especially with the introduction of the National Economic Empowerment and Development Strategy (NEEDS) in 2004. Aside from issues bordering on due process, one major criticism that has continued to attend government's privatization project in recent times is the alleged concentration of public enterprises in few hands, some of which are suspected to be government cronies (Mbamalu, 2007; Newswatch, 2007). The last minute sales of refineries and power station by the former president was particularly frowned upon by section of the Nigeria business community and the organized labour resulting in the call for the review of the process. This is because the administration was said to have sunk one point one billion dollars on the refineries and sold it for seven hundred and twenty one million dollars (Daniel 2007). The buyers were allegedly linked to the cronies of the former regime.

Federal and State governments during the last dispensation expended public funds embarking on investment missions abroad with no tangible benefits accruing from it. Most of the state governments at the tail end of their second term in office have nothing to show and a lot of them are on the list of the anti corruption agency, the Economic and Financial Crimes Commission. Others have resorted to wooing farmers dislodged from Zimba-bwe in the wake of the land crisis and most are dependent on the federal allocation while making preposterous statement about reducing dependence on the federation account through creating a viable local revenue base.

Conclusion

Like what used to prevail during the ideological divide where western propaganda beamed into the Soviet satellite states convinced them of the unparalleled prosperity in the capitalist world, the same has convinced most emerging democracies about the link between reforms and attracting investments. But these investments are a trickle compared to the expectation among the people. Apart from the traditional sectors there are countries in Africa with high investment profile such as South Africa, Botswana and Kenya.

With the deadly assaults on the south following structural changes in the north and with the continent competing with others for available funds for investment, the whole exercise re echoed social Darwinism in a rather accepted context. The lack of statistics to measure motion from movement in most emerging democracies meant the effect of the propaganda would still be sustained. How long would this continue?

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