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OLORUNDAMI, Bukola Moni Elizabeth

Departement of : Political Science Ahmadu Bello University Zaria Nigeria

The politics of economic diplomacy under the Babangida administration

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THE POLITICS OF ECONOMIC DIPLOMACY UNDER THE BABANGIDA ADMINISTRATION

BY

OLORUNDAMI, BUKOLA MOKI ELIZABETH

BEING A THESIS SUBMITTED TO THE POST GRADUATE SCHOOL AHMADU BELLO UNIVERSITY ZARIA, NIGERIA IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF SCIENCE IN INTERNATIONAL RELATIONS POLITICAL SCIENCE, FACULTY OF ARTS AND SOCIAL SCIENCES

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DECLARATION

I, OLORUNDAMI BUKOLA MONI ELIZABETH, hereby declare that this thesis has been written by me. It is a true record of my research work and it has not been presented in any previous application for any degree or published as a book.

In the course of writing this thesis, references were made to various sources of information. Such references have been appropriately acknowledged and properly documented.

OLORUNDAMI BUKOLA MONI ELIZABETH

20th sept, 1994.

DATE

CERTIFICATION

This thesis entitled "THE POLITICS OF ECONOMIC DIPLOMACY UNDER THE BABANGIDA ADMINISTRATION" BY OLORUNDAMI, BUKOLA MONI ELIZABETH, meets the regulations governing the award of the degree of Master of Science (M.Sc International Relations) of the Ahmadu Bello University, Zaria, Nigeria, and it is approved for its contributions to knowledge and literary presentation.

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Chairman, Supervisory Committee

Date

11/10/94

Member, Supervisory Committee

Date

11/10/94

DR. P. P. IZAH
Head of Department

Date

PROF. DALHATU MOHAMMED
Dean, Postgraduate School

Date

DEDICATION

This work is dedicated
To the Almighty God,
For it is by His Mercy, Guidance
Grace and Divine Favour,
That I have come this far,

To my mother,
Mrs Rachael Ebun Olorundami.

Maami,

> Your voice ever soft, gentle and loving,
> breathes a life into me.
> Your support gives me
> The stars I never knew were within my reach.
> It comes like a streak
> Of high voltage light in a black night.
> You illuminate my life, my world, my existence
> And give me hope
> Where there was only despair and helplessness.
> You are that ray of light,
> That keeps on shinning for me.
> You bring precious moment
> To treasure day by day.

And to the memory of my late father,
Mr. Daniel Alaga Olorundami.

Baami,

> We have lived for twenty four years
> Without your loving presence.
> Although the blow was hard
> And the grief too great to bear,
> We get consoled from the belief
> That your soul is forever with HIM.
> Who understands why you left us at your prime.
> When your mind is free for care,
> When you are thinking about the living,
> Will you please bear us in mind and remember us?
> Continue to Rest in Christ.

Bukola.

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ABSTRACT

This study analysed the politics of Economic Diplomacy under the Babangida administration. Economic Diplomacy, as a policy, was inaugurated in June 1988 as a purportedly new policy initiative. The main aim of the policy was to help sell Nigeria to the International business community as necessited by SAP. The incentives put in place encouraged massive foreign participation in the economy. The purpose of the research, therefore, was to generate data, dissect them and see how successful Economic Diplomacy has been in realising Nigeria's foreign policy objectives.

The research raised specific questions which included the meaning of Economic Diplomacy, whether it was a new policy, the circumstances that brought about the policy, the consequences of the policy on Nigeria's leadership role in Africa and how successful the policy has been in realising Nigeria's foreign policy goals. For the purpose of this study, we narrowed the imperialism theory down to the dependency theory for our analysis. And in our findings, we realized that Economic Diplomacy meant the successful management of the country's debt. The effective management of this debt was to present the country as a credit-worthy and investment worthy nation, good enough to be conceded new loans

facilities. This meant getting favourable debt resheduling terms, debt forgiveness and debt equity conversion. Economic Diplomacy failed to realise debt forgiveness but succeeded, to some extent, in debt rescheduling. However, the debt overhang that resulted from the rescheduling made the gains of the activity to be usurped by the debt servicing payment that followed.

The study also reveals that Economic Diplomacy meant massive foreign investment and foreign aid. This inflow of foreign investment under the policy was, rather unimpressive. The surpluses of the few investment was expropriated through profit repatriation. The research shows that there was, actually, decapitalization and this nurtured dependence and reinforced the international system of inequality.

In response to the country's quest for foreign aid, the research reflects that the success recorded was overshadowed by the nation's debt burden. The foreign aid realised from Nigeria's shuttling diplomacy was inadequate. And the fact that most of the foreign aid were tied to purchases from donor countries, made the aid ineffective.

The Economic Diplomacy, that has not only created internal distortions and contradictions but also promoted dependency, exploitation and domination, became irrelevant to the Nigerian environment. This was because the architects of the policy did not understand the exploitative nature of the International Community within which Nigeria realised her Economic Diplomatic Policy.

The fact that Economic Diplomacy made Nigeria vulnerable to the manipulation of the hostile international economic environment was a serious threat to Nigeria's autonomous African policy and her domestic economic policy. It is for these reasons that the study insists that development, no matter how little, is not possible within a dependent framework.

In order to enhance Nigerian economic development, the study proffers the creation of a new international economic order as the system within which the economic dreams of the country can be guaranteed. And for as long as Economic Diplomacy does not pass this litmus test, it will not be relevant to the Nigerian situation.

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LIST OF ABBREVIATIONS

ACP - African, Caribbean and Pacific States.

APPER - Africa's Priority Programme for Economic Recovery.

BOP - Balance of Payments.

BP - British Petroleum.

CBN - Central Bank of Nigeria

CEAO - Communaute Economique de la Afrique de L'Ouest.

CMP - Concert of Middle Power.

CON - Commander of the Order of Niger.

CTS - Counter Trade Strategy.

ECF - Entended Credit Facility.

ECM - European Common Market.

ECOMOG - ECOWAS Monitoring Group.

ECOWAS - Economic Community of West African States.

EEC - European Economic Community.

EFF - Extended Fund Facility.

FEM - Foreign Exchange Market.

FLNA - Frente Nacional de Libertacao de Angola (National Front for the Liberation of Angola).

GATT - General Agreement on Trade and Tariff.

GDP - Gross Domestic Product.

GNP - Gross National Product.

IBRD - International Bank for Reconstruction and Development.

ICM	-	International Capital Market.
IDCC	-	Industrial Development Co-ordination Committee.
IFC	-	International Financial Community.
IMF	-	International Monetary Fund.
ING	-	Interim National Government.
LDCs	-	Less Developed Countries.
MAN	-	Manufacturers' Association of Nigeria.
MNCs	-	Multi-National Companies/Corporations.
MPLA	-	Popular Movement for the Liberation of Angola.
NAM	-	Non-Aligned Movement.
NIEO	-	New International Economic Order.
NIIA	-	Nigerian Institute of International Affairs.
OAU	-	Organisation of African Unity.
OPEC	-	Organisation of Petroleum Exporting Countries.
SADR	-	Sharawi Arab Democratic Republic.
SAP	-	Structural Adjustment Programme.
SFEM	-	Second - Tier Foreign Exchange Market.
SSA	-	Sub - Saharan Africa.
SWAPO	-	South - West People's Organisation.
TACS	-	Technical Aid Corps Scheme.
UN	-	United Nations.
UNCTAD	-	United Nations Conference on Trade and Development.
UNITA	-	Uniao Nacional para a Independencia Total de Angola (National Union for the Total Independence of Angola).

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PROLOGUE

The new thrust of our foreign policy is Economic Diplomacy. The basic objectives are the fostering of great inflow of foreign capital and the expansion of foreign trade.

Ibrahim Babangida.
NIIA, 1989.

We feel that it is the responsibility of our foreign policy apparatus to advance the course of our national economic recovery. This entails negotiation and activities that will attract foreign investment and other assistance required for the successful accomplishment of our economic goals.

Ike Nwachukwu.
June, 1988.

Chapter 1

GENERAL INTRODUCTION

1.0 Introduction

There is little controversy as to the central role of economic activities in the development of any country. The fact that the economic policy of an administration can make or mar a regime is clearly demonstrated by the type of attention accorded economic activities the world over. Technological know-how and scientific break-through are products of a good economic system. Indeed, events have shown that the more economically bouyant countries, today, have also developed politically.

General Ibrahim Babangida, the former Nigeria's President, decided to launch an Economic Diplomatic policy in June 1988. This decision was perceived as a result of the deep-rooted economic crisis bedevilling the country. Before the economic crisis of the 1980s, Nigeria had been playing a leading role in the international political system, the promotion of her economic development objectives was second in priority to the political role. The country has been playing very prominent role in the decolonizatiobn process and specifically the liberation of South Africa from the tentacles of the racist government. However, as a result of the economic crisis, the 'new' Economic Diplomacy became a central focus in the nation's foreign policy.

The introduction of the Structural Adjustment Programme (SAP) in 1986 did not only signal the weakening of the nation's radical stance on foreign policy and domestic affairs but also heralded Babangida's commitment to meeting the dictates of international organisations including the IMF,International Bank for Reconstruction and Development (IBRD) otherwise known as the World Bank, The London and Paris clubs of Creditors and the Group of Seven Countries (G-7). The commitment has compelled Nigeria to adopt SAP, which has provided the international context for emergence of the "new" Economic Diplomacy.[1]

As a purportedly new foreign policy thrust, Economic Diplomacy seeks to articulate the improved economic and investment climate in Nigeria. Maj. General Ike Nwachukwu, the former External Affairs Minister and apostle of the policy, spelt out the essence of the policy when he warned the Nigerian envoys that

> Your achievement would be measured more or less by the number of investors who visit from your country of accreditation or tonnage of Nigeria's produce and articles sold as a result of your efforts.[2]

The importance attached to the need to attract foreign investors as a central focus of Economic Diplomacy led the Minister, Ike Nwachukwu to create a Department of Trade and Investment in the Ministry of External Affairs.

The objectives of the Economic Diplomacy are

i) to provide greater access to new credits;
ii) to reschedule the nation's debts;
iii) to attract foreign investments;
iv) to open joint ventures opportunities between Nigerians and foreign investors;
v) to identify and expand markets for Nigerian traditional goods; and
vi) to increase foreign awareness of Nigerian economic potentials.[3]

1.1.0 Literature Review.

1.1.1 Introduction.

Diplomacy refers to the Management of International relations through negotiation. It entails the process of bargaining among countries in order to reduce areas of disagreement[4]. Accommodation runs through the thread of diplomacy. It means re-defining one's interest and trying to strike a balance acceptable to both parties. The outcome of such a balance cannot fully satisfy the two parties, but they will be satisfied by the compromise reached[5]. Diplomacy by compromise, helps to reduce areas of disagreement on issues over which agreement cannot, otherwise, be reached. A basic issue in diplomacy is that it is a means to an end - an instrument, out of other instruments, adopted to realise foreign policy objectives.

Many definitions of Economic Diplomacy have been given.

It has been seen as the foreign policy that gives top priority to the economic objectives of a nation and as the application of economic instruments in negotiating and bargaining with other countries[6].

Similarly, Chikendu sees Economic Diplomacy as the diplomacy that "focuses on economic variables of international relations"[7] it entails bargaining and reconciliation of the economic interest of the concerned parties. The aim of Economic Diplomacy "is to achieve the state's economic, political or security objectives by protecting the domestic market, increasisng trade opportunites abroad, marketing or attracting foreign investments"[8]. During talks on economic policies, conflicting interests are reconciled and agreements for mutual benefits are reached.

In their own view, Ogwu and Olukoshi view Economic Diplomacy as "the external policy component of SAP"[9]. They believe that it contains all logical elements flowing from the nation's submission to the IMF and World Bank and the need to manage the country's domestic crisis.

In the same vein, Akindele views Economic Diplomacy as essentially involving the use of foreign policy for the promotion and advancement of a country's domestic economic security, growth, development and welfare[10].

In agreeing with Ogwu and Olukoshi and Akindele, Asobie perceives Economic Diplomacy as "the diplomacy of SAP"[11]. On the same point, Owoeye sees Economic Diplomacy as "the decision of the state to use foreign policy basically as an instrument for domestic economic development or as a tool for reviving an economy in crisis"[12]. He consequently agrees with Ogwu and Olukoshi and Asobie by seeing it as an external complement of the hardship of SAP. To the founders of Economic Diplomacy, the 'new' Economic Diplomacy is simply the diplomacy of economic development.

Economic Diplomacy emerged as part of the recommendations of the IMF Presidential Committee that was set up in 1985 to monitor and collate Nigerians' view on the IMF loan. The Committee, consisted mostly of economists, recommended SAP and designed a package of policies for economic recovery of national objectives but without taking the IMF loan[13].

1.1.2 North/South Economic Diplomacy And Dependency

The North/South economic relation refers to the relationship that exists between the developed economy of North America, Western Europe and Japan and the Less Developed Countries (LDCs) of Africa, Asia and Latin American[14]. The North/South system of economic relation has often been criticised as promoting and enhancing dependency. This is because of the unequal terms of trade. In other words, the gap between the North and South (developed and less developed countries) is widening. The main problem of the unequal system is dependence not interdependence. Whereas interdependence promotes a high level of mutual economic interaction and sensitivity, dependence promotes highly unequal economic interaction and highly unequal sensitivity.

The high level of Southern economic interaction with the North enhances dependency. This is because the interaction is so much of great importance to the Southern national economic growth and thus, the Southern country is now "influenced by actors or events in the Northern state"[15]. The dependence nature of the interaction between the North/South pole is perpetuated mainly through trade and financial aid. Trade dependence makes the Southern countries to earn their Gross National Products (GNP} from the trade with the North.

Economic Diplomacy enhances dependence on the Northern Markets for the sale of the Southern Products. And this has made the Southern countries, especially Nigeria, to be highly sensitive to Northern demand for Southern goods and it influences Northern trade pattern and investment in Southern countries. Northern foreign investment in Southern States controls the most important "sectors of production, raw materials production, export industries, the dynamic sector of the economy and new investment"[16].

Monetary dependence has also been enhanced through the North/South system. The monetary system of the France-phone Zones of Africa, for instance, is directly linked and influenced to and by the French Franc of the Northern economic system. The very unfavourable balance of payment (BOP) recorded by Nigeria has made her currency susceptible to the international financial system and dependent on external financial assistance from the IMF. The right of the IMF to shape and influence Nigeria's domestic and foreign monetary policy has helped in enhancing underdevelopment and particularly promoting overdependence on the international financial communites.

The IMF 'helps', by giving foreign loans and aid to the developing countries, in further reinforcing the dependency status existing before and also compounding the debt crisis, especially, in the case of Nigeria.

The aid from the North to the South allows for the manipulations in the managements of the Southern decision making process. It reinforces the dominance of the Northern trade and investments in the Southern countries. The major World Economic Institutions of IMF/IBRD and GATT were created and managed by the developed countries and this does not only reflect their dominant power on those institutions but also their influence on the policies of these institutions on the Southern countries' economy.

The management of these institutions reflects the interests goals and the desires of the Northern countries, not of the South. The Institutions, thus, exist to perpetuate the dependence and underdevelopment of the South.

1.1.3 The Politics of the 'New' Economic Diplomacy

Economic diplomacy, as a policy was inaugurated in June, 1988 by the Foreign Affairs Minister, Rtd. Maj. Gen. Ike Nwachukwu, (RTD). Prior to this time, Professor Bolaji Akinyemi, his predecessor, in his own foreign policy initiatives, showed loyalty to the Murtala Mohammed's tradition of maintaining a dynamic foreign policy. However, Akinyemi saw the 1980s as ushering into the foreign policy environment, the most critical interests -Nigeria's economic development[17].

In introducing Economic Diplomacy, Ike Nwachukwu saw the policy as a new focus in the nation's foreign policy. He told Nigeria's Ambassadors of the country's need for foreign friends to invest in the country. He insisted that the foreign investors' friendship must be won at all cost.

Indeed, he told the Ambassadors to be loyal to the cause of the foreign investors. He further reiterated that,

> the ball game in international relations today is self interest and economic development of your nation....Nigeria....needs support from the international community and that support can only come when you win the confidence of those whose support you seek[18].

He went further to maintain that, "you begin to win that confidence through friendliness and loyalty to their cause....[19]"

There is a disagreement on Nwachukwu's view of Economic Diplomacy as being a new focus of the nation's foreign policy. Economic diplomacy is not necessarily a new focus in the country's foreign policy initiatives. This is because focus had always been placed by Nigerian leaders, at different times, on Economic Diplomacy, although with a different emphasis. Nigeria has, for instance, used economic coverage to achieve political goals in international politics, particularly with respect to political liberation. Nigeria's foreign policy from independence till date, has always been determined by the country's domestic economic requirement and Nigeria's political relationship has always been more intense with those countries that are her biggest trading partners.

It is however not enough to dismiss the stong emphasis placed on Economic Diplomacy by the Babangida military administration. The attempt by the administration, since June 1988, to re-order the country's priorities in international politics, although cannot be seen as new, represents a far-reaching attempt to affect the conduct of Nigeria's foreign policy.

Some scholars have argued that the new emphasis on Economic Diplomacy has far-reaching consequences. For example Ogwu and Olukoshi believe that by giving Economic Diplomacy a central plank in the nation's foreign policy, Nigeria's commitment to the total decolonialization of Africa will be threatened[20]. This, they envisage, will militate against the eradication of Apartheid in South Africa. And this will be contrary to the country's former role as a liberator. They further contend that henceforth, Nigeria's relationship with other countries will be strictly based on economic gains thereby subjugating the African decolonialization process. And the need to show loyalty to the cause of the Western industralized nations will make the demands of Economic Diplomacy, with emphasis on loyalty, bring to an end Nigeria's autonomous policy.

Obiozor observes that efforts have been made all along to link Nigeria's foreign policy with Nigeria's economic development priority. This priority, he notes, materializes in Economic Diplomacy. He sees the Diplomacy as an attempt to utilize the "instruments of Nigeria's foreign policy, political and cultural, to enhance Nigeria's economic development and economic growth"[21]. Here it remains to be seen whether the Economic Diplomacy will achieve the goals for which Obiozor is so optimistic.

Economic Diplomacy is Babangida's instrument for selling SAP to the international financial organisations. Agbaje calls for the purging of LDCs diplomacy of elements of SAP to make the policy relevant to the creation of a good environment[22]. He believes that the Economic Diplomacy should be used to re-shape and re-define aspects of the global economic system and most importantly, to delink LDCs from the exploitative,unjust and insensitive world system. He submits that Economic Diplomacy, as practiced in LDCs, will continue to revolve around the resolution of the debt question. He observes that the LDCs cannot be blamed for the debt incurred because the problem is not caused by careless borrowing alone but also by careless lending. He sees money as a social relation that has made the LDCs a victim of exploitation from their erstwhile injured partners[23].

Agbaje's call is relevant to the problem of LDCs because of the exploitative nature of the Diplomacy and because all the twenty eight African Countries[24] that applied SAP are being weighed down by the hardship of the Programme. The problem of exploitation has led to a collapse in Africa's International commodity price. Debts servicing is taking up to 38% of African Export earnings and deficit financing is constituting more than 54% of African Gross Domestic Products (GDP)[25].

Asobie laments that despite all the harsh conditions associated with Economic Diplomacy, the objectives have, so far, not been realised[26]. This is because Nigeria's external debt stock continues to increase at an alarming rate. Nwachukwu, the apostle of the diplomacy, also admitted that "the expected international support has either turned out to be trickled or non-existent"[27]. And "even vital sector of health, education and other social infrastructures have suffered, leading to increasing impoverishness of Nigerians"[28].

Recognising the need to improve Nigeria's foreign policy, Akindele observes that the success or failure of government in their pursuit of foreign policy can be traced to the inefficiency and the calibre of External Affairs officers. He sees their failure in terms of their inability to cope with the increasingly and constantly changing International situation[29]. This might not be true because experience has shown that these officers are not always consulted for policy formulation. And even when consulted, their recommendations are not always taken. Perhaps, the officers are just there to justify government's policy even when they are not in total support of such a policy.

Oyovbaire and Olagunju are convinced of the "tremendous" success of the Babangida's foreign policy tailored along the lines of Economic Diplomacy. They believe that Babangida, in his policy initiatives, has inaugurated a profound posture for Nigeria in the comity of nations[30].

It is doubtful whether the posture arising from Economic Diplomacy which Olagunju and Oyovbaire identified will enhance Nigeria's role in the world, in her sub-region, in Africa or even revitalize her own economy.

1.2 Research Problems

The problem which this reasearch addresses include the following research questions;

(i) What is Economic Diplomay?

(ii) Is Economic Diplomacy a new thrust in Nigerian foreign policy initiatives?

(iii) What are the circumstances that brought about Economic Diplomacy?

(iv) What are the consequences of Economic Diplomacy on Nigeria's leadership role in Africa?

(v) How successful has Economic Diplomacy been in achieving

Nigeria's foreign policy goals?

(vi) What are the effects of Economic Diplomacy on Nigeria's foreign policy in general?

1.3. Theoretical Framework

To the social scientists, understanding social phenomenon requires an intellectual theory. And because each event has some unique features, there is a need to search for a general explanation. Theorising in International Relations is the result of such a search. One of the theories that has been quite useful in International relations is the theory of imperialism. Within the theory of imperialism has emerged the dependency perspective. This study will be located within this perspective.

1.3. Theory Of Imperialism

The theory of modern imperialism has its origin from around 1870, when it was formulated as an attempt to study the rapid expansion of colonial empires. It attempted to explain the sudden and momentous expansion of colonialism. Initially, the theory concentrated on the economic contradictions within advanced capitalist countries where there had been tremendous expansion of capital and tremendous declining profits. This decline of profits made economists of the period to seek explanation for the trend. Different perspectives to the problem emerged. Prominent among these perspectives were the Liberal and the Marxist Schools.

These scholars, mainly economists, seemed to be unanimous in their assumption that the rate of profit would tend to fall over a long period of time. This is because the laisser faire Laissez passer policy made national economic progress to be determined by private investment vis-a-vis private profit. And high profit would increase savings, investment and consequently economic growth. On the other hand, low profit would lead to low accumulated capital and static production. Liberal and Marxist Scholars tried to seek for an explanation to this declining tendencies of capital.

Liberals like Adam Smith saw the reason for the declining rate of profit in excessive competition within each country,[31] Thomas Malthus saw diminishing returns from investment as being the cause[32], Stuart Mill believed that it was as a result of each country's natural endowment[33], Sisimondi de Sismonde[34] and Rodbertus[35] argued that highly developed capitalist economy produced more than they could consume and because of the low wages of the working class, they could not purchase much. This, therefore, led to over-production and consequently, decline of profit over time[36]. Hobson saw under-consumption and over-saving as the drive for capitalist power to become imperialist power[37]. He perceived the new imperialism as being the response to a certain maladjustment within the advanced stage of contemporary capitalist system[38]. Of these Liberal Scholars, Hobson believed that the decline of profits over time brought about a need to look for outlets for the ever growing capital elsewhere. This need to invest outside Europe manifested itself in the emergence of colonialism and consequently, imperialism and vice-versa.

The classical Marxist perspective view capitalism as a dynamic and expanding system. Prominent in this school of thought were Karl Marx[39], Lenin[40], Hilferding[41], Rosa Luxemburg[42], Magdoff[43], Kautsky[44], Baran[45] and Sweezy[46]. Marx percieved imperialism as a special stage of capitalist development and, by extension it speaks of the epoch of imperialism[47]. The Marxist scholars believed that imperial expansion was the necessary reponse to the internal contradiction of declining profit. They saw under-consumption, economic surplus and the rising organic composition as the cause of the declining profit. And because of this declining profit in Europe, surplus capital was driven out of Europe to find outlets. The new imperialism was seen as the natural result. The necessity for expansion made imperialism to incorporate the world through colonialism.

Colonial territories became appendages to metropolitan home market, a reservoir of cheap labour and raw materials, an outlet for the need to export capital. The more monopolists developed, the more the shortage of raw materials was felt, the more intense the sources of raw materials throughout the world and the more desperate the acquisition of colonies became[48]. The struggle for territories led to the two world wars. The outbreak of the first world was the outcome of the re-partition of the world among capitalist monopolists who were looking for outlets for their capitals. In Lenin's word:

> the first imperialist war of 1914 - 1918 was invitably the outcome of this re-partition of the world, of this domination of capitalist monopolists, it was waged in order to decide which of the small groups of the biggest states, the British or the German, was to obtain the opportunity and the right to rob,to stangle and to exploit the world[49].

The end of the second world war brought about two analytical aspects to the theory of imperialism.

The first aspect stresses the view from the metropoles and concentrates on the necessity and inevitability of economic imperialism by the advanced capitalist economies. The imperialist powers control both the liquid and the real economic resources of the underdeveloped nations. The relationship between the periphery nations and the center is the same as that which existed between the colonies and the metropoles. This relationship has persisted even after formal colonialism, as these countries have become dependent on the former metropoles.

The second aspect stresses the view from the periphery and concentrates on the detrimental consequences of trade and investment in the poorer countries. This trade contributed largely to the underdevelopment and dependence of LDCs.

1.3.3 Dependency Theory

The dependency theory arose in the mid 1960s as a response to the failure of conventional development theory to get to the root of the underdevelopment in LDCs. By definition, dependency is

> a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected[50].

In a dependent situation, some countries (the dominant ones) can expand and be self sustaining, while other countries (the dependent ones) can do this only as a reflection of the dominant ones' expansion.

Following from Marx's analysis, the dependency theorists believe that dependency causes underdevelopment. As Gunder Frank puts it that it produced underdevelopment in the past and still generates underdevelopment in the present[51].

Dependency theorists disagree with Lenin's view that imperialism developed colonized economy to the stage where the latter can throw away its bonds. Rather, they believe that even if development takes place at all, the economy cannot escape its effects, so long as it is still dependent. They see the Multinational Corporations (MNCs) as the principal instrument of domination. The dependency theory has given birth to three definitive theories.

The exploitation theory holds that LDCs are poor because they have been exploited. Their underdevelopment has led to the development of the core. Samir Amin and Andre Gunder Frank belong to this school of thought[52]. The Imperial neglect theory views the expansion of the world capitalism through trade, investment and European migration as creating an international division of labour, favouring some countries and neglecting others. Their pattern of trade has different impacts on the periphery M. B. Brown wrote on this perspective[53]. The dependent or associated development theorists believe that dependency relations under certain conditions can lead to rapid economic growth. To them, this kind of growth is not development because it prevents national independence. This is because continued economic dependence can prevent economic development. Peter Evans belongs to this view[54].

Despite their differences, most dependency theorists advocated for the destruction of the linkage between international capitalism because of its consequences of underdevelopment. As Dale Johnson puts it "dependency is imperialism seen from the perspective of underdevelopment[55]." This dependency has shaped the social structure of underdevelopment. As a result of this dependency situation, Africa, and especially the Nigerian economies have been severely conditioned by the needs of the dominant economies.

Offiong believes that although no nation has ever developed completely outside the world market, the difference between interdependent and dependent development is that

> growth in the dependent nations occurs as a reflection of the expansion of the dominant nations and is geared towards the need of the dominant economies...[56]

Economic dependency has a limiting condition of economic development because it could cause domestic economic instability, external capitalist domination, repatriation of profits, foreign control on the conomy, prevention of self-sustaining indigenous entrepreneurship,distortion of the local labour market and promotion of authoritarian type of government[57].

Dependency creates situation of insufficient foreign currency which makes the dependent countries to have difficulties in financing business projects. Consequently, leading to calls for foreign investors to supply the national market with their investment in order to promote investment. Such calls for foreign investment are accompanied with high incentives. In response, foreign capital enters the dependent country with all the advantages, for example exchange control for the importation of machinery is provided, sites for installation of industries are financed, loans from foreign and domestic banks are provided, foreign aid is subsidized and there is also free re-investment of profits from such favourable situations[58].

By and large, it is the foreign investor that gains at the end of the day and the dependent nation has almost nothing to gain from such a relationship. The dependent country still remains underdeveloped, exploited, impoverished , penetrated and most importantly overdependent.

The features outlined under dependency theory are quite evident in LDCs, especially those that have introduced SAP with its foreign policy complement of Economic Diplomacy. Dependency theory, therefore, provides us with a useful perspective to understand Nigeria's Economic Diplomacy.

1.4 Hypotheses

On the basis of the research problems, these hypotheses have guided the research ;

(a) A new foreign policy thrust which has economic consideration in its fore-front is systematically undermining Nigeria's traditional foreign policy.

(b) A deepening of dependent capitalist economy is related to an increased Economic Diplomatic activity.

(c) An increased Economic Diplomatic activity resulting from a deepening dependent economic development is related to a decrease in focus on general African political problems.

1.5 Significance Of The Study

A lot has been written about Economic Diplomacy in general but very little critical research has been conducted on the area. This work will broaden our knowledge on Economic Diplmacy from the critical stand-point.

From the theoretical stand-point, the study is signicant in elaborating some aspects of the dependency theory and how it relates to our own area of study. This will further our knowledge on the dependency theory.

Looking at the work from the policy stand-point, the work will be useful to policy makers in their policy making ventures.

The work will provide very useful ideas to students of political science and especially students specialising in the management of international relations. It will teach them a lot about the management and practice of international politics.

Intellectually, the research will provide teachers of political science with useful and interesting ideas on foreign policy making. And it will act as a useful teaching aid to them.

On a general level, the research has made use of simple and clear language, therefore, it will be useful to even non-political scientists in understanding how their government behave in international politics.

Considering the fact that the common men are the ones suffering most from Nigeria's economic crisis, the research will provide them with a very interesting and clear understanding of government's involvements and behaviours in international economic relations and practice.

1.6 Limitation Of The Study

In conducting this research, limitation has been imposed by data problem. Considering the difficulties involved in getting data up to the end of the Babangida era, the data that was available for the research was from the beginning of the Babangida era to 1990. The data from 1991 to 1993 was quite limited.

Inspite of this restriction imposed by the data problem, the data that was available was sufficient to generate confidence in the conclusions that were reached.

1.7 Methodology

For the purpose of this study, a variety of methods have been used to obtain the necessary data.

In the first place, secondary materials relating to the subject matter were examined. These were found in the libraries including the libraries of Nigerian Institute of International Affairs (NIIA)and also, official documents, which included government Gazzettes, reports and policy statements. All these were examined.

Primary data were obtained through interviews with bureaucrats in foreign Affairs Ministry, retired Ambassadors, Foreign Ambassadors, Officials of the British and American Embassies and individuals who have been involved in the formulation and the implementation of Nigerian foreign policy.. Indigenous proucers and exporters of primary goods are also interviewed.

The third aspect focused on events data as reported in Nigerian Newspapers and Magazines and International Magazines.

1.8 Outline Of Chapters

The work is divided into five chapters. The first chapter is a general introduction that introduces us to the theme of the research. The existing Literature on the research topic is reviewed. This then leads to the research problem. To tackle this research problem, a theory has to be used. These theories are indentified. Based on the problems identified and the theories used, hypotheses are formed to guide the research. The significance of the study is enumerated and the methods used for the research are identified.

Chapter two reviews the various Nigerian foreign policy from independence to the beginning of the SAP era. The different administrations' foreign policies, particularly the foreign economic policies are analysed in sequence. This chapter introduces us to the third chapter.

Chapter three begins from where chapter two stops. It starts with the introduction of SAP and what it entails, how it is related to Economic Diplomacy. Economic Diplomacy is seen as one of the components of SAP and the debt crisis. Economic Diplomacy and its objectives are therefore analysed in the second part of chapter three. The diplomacy of cost consciousness in Nigeria's Economic Diplomacy is analysed.

Chapter four focuses mainly on the realization of the objectives of Economic Diplomacy. Issues like foreign investments, debt rescheduling, debt conversion and debt forgiveness are analysed.

Chapter five is the last chapter of the study. This chapter concentrates on the significance of Economic Diplomacy on the Nigerian Foreign Policy under the Babangida administration. This chapter has four sub-sections viz - summary of findings, conclusions, implications and recommendations. The examination of these sub-sections forms the significance of Economic Diplomacy on Nigeria's foreign policy.

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Chapter 2

NIGERIAN FOREIGN POLICY IN PERSPECTIVE

2.0 Introduction

Nigeria got her independence at a time when Africa had gained recognition at the International Community, especially through representation at the United Nations (U.N.). This representation became very important in Nigeria's foreign policy pursuits. At this time, Nigeria was relatively an economically poor country. Nigeria's size and population, having put her in a leadership position in Africa, made her to assume a lot of leading responsibilities.

The principles of Nigeria's foreign policy was laid down by Sir Abubakar Tafawa Balewa in 1960. They included principles that guided Nigeria's policies towards African countries, United Nations, Non-alignment and national economic growth. Balewa's successors reiterated these principles and in some cases made some adjustments.

In the pursuits of Nigeria's foreign policy from independence till quite recently, Africa had always been seen as the center piece of the nation's foreign policy. This is why Gambari writes that "Africa is the pivot from which the wheel of our foreign policy radiates"[1]. Ajene, on the other hand, believes that in reality, the reverse is the case[2]. He gives the reason for this as being in the conditions of the nation's external environment and its historical background which have forced the country to reverse its priorities at the International scene, especially with economic crisis Ajene further goes ahead to give the reason for this reversal of priorities as being that the nation's relationship with the external world has become of greater importance than that with African countries[3].

For conveniency of analysis, the different Nigeria administrations'foreign policy will be broken down and analysed. The breaking down of the various administrations will make it possible and easier to see the variations in styles and objectives of these different administrations in their foreign policy pursuits. The breaking down will also bring out clearly the variations in manners of management of these different people. And because these people are different individuals with different thoughts and perspectives of solving the same questions, it is very important to break down the different administrations. Specifically, foreign policy on trade, non-alignment, Africa and the United Nations (UN) are to be analysed.

2.1 Sir Abubakar Tafawa Balewa, 1960 - 1966

Sir Tafawa Balewa came to power at a time when the world was militarily, economically, and ideologically bipolar. To be able to attend to his young country's developmental problems without involving himself in the cold war, Balewa, conveniently opted for his policy of non-alignment. Balewa outlined the general principles of his foreign policy after independence in a strong worded statement. His foreign policy, he declared, would be "founded on Nigeria's interest" and would be "consistent with the moral and democratic principles on which our constitution is based". Foreign Policy on each occasion would be "selected with proper independent objectivity". And full attention would be paid "to the opinions expressed by our representatives"[4]. At independence the country's erstwhile colonial economy changed to a neo-colonial one. And to transform this neo-colonial economy, the nation would have to control investment and trade pattern.

Industrial survey in 1966 revealed that private foreign investment accounted for 70% of total industrial investment, 90% of total investments in industrial chemicals, 80% of total investments in grain mill products, food preparation and soft drinks, and at least 60% of total investment in brewing, textiles, vegetable oil and footwears[5]. Not only these, the banking, insurance services and shipping lines were comfortably dominated by foreign private capital.

The reason for this foreign capital dominance was not far-fetched from the fact that Nigerians, then, either opted for full time politics or salaried employment rather than private business. The politicians were then concerned mainly with maintaining friendship with the foreign firms in order to get credit supply and other kinds of patronage. The failure of the political class, at this time, to divorce politics from economics made it possible for these foreigners to consolidate their dominant role. Even the small numbers of the businessmen collaborated with the political class to consolidate the foreign dominance. Any opposition, at this time, to foreign capital domination was perceived as a means to aggrandize the ruling class. The situation was best described by a critic;

> The political elite were manoeuvred by the the colonial masters into a position in which constitutional debates for sharing out national power and slender national economic facilities blinded them to real issues of economic freedom[6].

The political elites did not see politics as a means to gaining this economic freedom.

Balewa's period was a period of uncertainty in international politics. This is because foreign policy, then, was based on trial and error. It was because of this uncertainty that his government was surrounded by ambiguities in his international policy pursuits. Although his extra -African policies were described as non-aligned, very few of his actions could be so described. His government was indeed aligned with the Western Bloc. Restrictions were placed on journeys to Soviet Bloc countries and importation of communist literature. Not only this, Soviet aid and trade were discouraged. Until the end of Balewa's reign, there was no Soviet Bloc investment in Nigeria. On the other hand, Balewa's policy of non-alignment clearly and conveniently aligned Nigeria with the capitalist way of development by encouraging private Western foreign investment as against the indigeneous producer. This, as earlier said, helped to strenghten the Western influence and dominance. Balewa's practice of non-alingment has often been criticized greatly. This is seen in Tukur when he laments bitterly that "Nigeria's foreign policy leadership never seemed to have attempted a rational ordering of priorities. Decisions were based on prejudice rather than calculations"[7].

Balewa failed to diversify the direction of foreign trade and the sources of foreign assistance from the West. He, for instance, failed to recognise East Germany for fear of losing West Germany's aid. This stance became the most conspicous defect of the administration's foreign economic pursuit and the inconsistencies surrounding it.

The Western capitalist countries vindicated this pro-West attitude by directing a high volume of aid and loans to Nigeria. Balewa remained faithful to the basic principles of orthodox economic liberation and great indifference was shown towards the socialist mode of development. This adamant messianic faith in orthodox economic liberation has always been seen as the administration's "achilles heels" this is not only because this system was opposed to nationalization but also because it over-relied on private foreign enterprises. The rate at which Western aid was coming to the country was so great that Chief Okotie Eboh submitted to his colleagues that:

> There are occasions when we cannot help contrasting massive financial aid which was poured into countries which are in danger of joining the Communist Bloc, particularly from the government of United States. It is our impression that a country has only to appear to be flirting with the Communist Bloc and substantial assistance is immediately coming from the Western democracies[8].

Balewa's continued need for Western foreign aid forced compromises in non-alignment and narrowed the spectrum of choices opened to the makers of foreign policy. This was why the administration's economic relations with the Western countries has been criticized as contradicting and mocking the nation's foreign policy of non-alignment.

Balewa's policy towards Africa can be seen in the conferences that culminated in the formation of the

Organisation of African Unity (OAU). As a result of the leadership bequeathed to Nigeria by her size and population, Balewa took the initiative by organizing Pan-African Conferences and eventually resolving the Cassablanca and Brazzaville Blocs conflicts which gave birth to OAU. With the foundation of OAU, Balewa and those who supported co-operation within African States emerged as winners. And advocates of full political union and positive neutralism like Kwame Nkrumah and Sekour Toure, though not ignored, were isolated[9].

Balewa made his first statement on Congo on 7th October, 1960 when addressing the U.N. General Assembly. He suggested an African solution to the problem. His government offered Congolese students places in Nigerian education system. He suggested the same thing to other African leaders. To bring to an end the incessant killing of innocent Congolese, he instructed the Nigerian troops on reconciliation mission to Congo to "Obey the UN command"[10] and be uninterested in the Congo affair itself. This instruction was given because of the division of African leaders in their support to the Congo crisis. Nigeria's commitment to the reconciliation of the Congo crisis earned her the chairmanship of the UN Conciliation Commission in the person of Mr. Jaja Wachukwu (The Nigerian Representative at the UN and the Federal Minister for Economic Development).

The resolutions at the OAU Conference have imprints of Balewa's position. Principles like legal equality of all African States, non-interference in Internal Affairs of States, respect for sovereignty, independence of States, and unity without political integration, were all his principles. Not only this, colonialism and aparthied were aften condemned by Balewa.

In order to show his discontent for apartheid, Balewa went to the Commonwealth Prime Ministers' Conference in March 1961 and fought vehemently for the expulsion of the racist government from the Commonwealth. Balewa's government campaigned seriously against the sale of arms and for the imposition of economic sanctions on South Africa. Balewa's administration also campaigned with other countries and they took measures that expelled South Africa from various international organisation.

Balewa's government attached great importance to the U.N. In fact post-independence Nigeria attached great importance and pride to its membership of the organisation. Balewa assured the U.N. General Assembly that his government would be active in the Organisation and even went further to assure them of his government's determination to "uphold the principles of the U.N."[11]. This Balewa's assurance is very important to Nigerian - UN relations today, because Nigeria's commitment and dedication to the Utopian Principles of the United Nations have often been criticized along this line.

Balewa saw the organisation as an instrument for promoting international peace and security and also as a generator for decolonization. This is why Tukur appears to be very cynical in accessing the Nigeria - UN relationship when he observes bitterly that Balewa's government saw U.N. as a forum where Africa's problems and aspirations "would be considered on the basis of justice and divorced from other selfish considerations"[12]. Balewa was too eager to use the organisation as a means of mobilising support for her rapid developing economy.

By January 1966, Balewa's Government was toppled through the first Nigeria's military coup. Sir Abubakar Tafawa Balewa was assasinated during this coup.

2.2 Major General Aguiyi Ironsi. Jan. 1966 - July 1966.

Major General Aguiyi Ironsi ascended to power and continued Balewa's highly criticized foreign policy. Because he was pre-occupied with the domestic problems, he treated foreign policy as a routine matter and handed it over to the civil servants. These civil servants continued Balewa's foreign policy.

Ironsi's administration was toppled barely six months into his regime. His toppling had nothing to do with his foreign policy. The coup was a continuation of his predecessor's internal problems. These problems intensified and later resulted into a civil war.

2.3 General Yakubu Gowon, 1966 - 1975

General Yakubu Gowon came to power and still continued a policy that was the stereotype of Balewa's foreign policy.

Although by mid 1960s, it was possible to discern a stronger official interest in increasing local control on the economy, the same Balewa's policy of open private enterprise economy was upheld in the 1962 - 1968 Development Plan. The Plan emphasized the pursuance of the Indigenization of the economy, not by nationalization of foreign companies but by helping the local businessmen to rise to the occasion[13].

In 1968, the government promulgated the Companies Decree that adopted a more realistic attitude towards private foreign investment[14]. This Decree was to monitor the growth of local subsidiaries of Multinational Corporations (MNCs) and bring them under effective local control. Another Development Plan that was aimed at accelerating the growth of the public sector was the 1970 - 1974 Plan. This Plan proposed an eventual nationalization of private enterprises[15].

All these policy changes and Plans were represented in the 1972 Indigenization Decree. This Decree barred aliens from 33 industries where capital invested was less than N400,000 or the turn-over less than N1 million. It further went ahead to reserve 22 Industries exclusively for Nigerians with effect from March 1974[16]. The Decree became the first attempt by the government to minimize the chronic foreign domination of the economy. The Decree helped to indigenize the Nigerian economic scene.

The Nigerian indigenous producers concentrated on contracts and import trade. Everything was virtually imported until the global capitalist crisis and the oil glut made the indigenous enterpreneurs to collapse. This problem brought into focus the economic foundation of Nigerian foreign policy.

Before the civil war, Nigeria did not realise the importance of propaganda in diplomacy. The Biafran Propaganda succeeded in persuading the International Community and Organisations, including the Pope, that Nigeria was bent on genocide. The war taught Nigeria some lessons. The first lesson was that, you do not have a permanent friend but a permanent interest at the International political scene. The second lesson was the need for friendly neighbouring African countries. Thirdly, the war made Nigeria to realise the importance of OAU in resolving the continent's crises. This is because OAU made it impossible for Biafra to be recognised at the International Community. Fourthly, the crisis was an eye-opener for Nigeria to re-examine her relationship with the super powers. Finally, the war made it very necessary for Gowon to re-define the country's policy of non-alignment.

The end of the war marked the beginning of Gowon's true definition of non-alignment. He visited the defunct Soviet Union, China and other Eastern Countries that assisted him during the war while at the same time maintaining trading relationships with the Western Countries, even though they refused to assist him during the war. By 1971 Gowon took Nigeria to Organisation of Petroleum Exporting Countries (OPEC). This period coincided with the period of political peace and oil boom.

At the African foreign Policy level, Gowon played a leading role in the formation of Economic Community of West African States (ECOWAS) in 1973. He contributed one third of the capital set aside for co-operation, compensation and development. Successive governments after Gowon did not show the same enthusiasm towards ECOWAS, thus, they wanted to see the immediate benefit in the Organisation for Nigeria. In this light, the regime that succeeded Gowon demanded and got a reduction of the country's contribution towards the budget of the regional Organisation. Nigeria, during Gowon, had its cardinal policy as Africa[17]. It was at this time that the nation started playing a leading role in the continent, consequently, the big brother role.The Nigeria's diplomacy towards Africa could be called the "Father Christmas Diplomacy".This role saw Nigeria doling out money to Africa Liberation Movements and the Carribean Countries who were in need.

Gowon's era marked the beginning of the status of continuity in Nigerian foreign policy. By 1975, when Gowon's moneyed regime was changed through a military coup, serious domestic problems had beclouded concern for foreign affairs.

2.4 General Murtala Mohammed. July 1975 - Feb. 1976.

General Murtala Mohammed partook in making Nigeria's foreign policy an epoch activity. He was able to shun the Western capitalist structure. Mohammed, popularly known as Murtala, has often been described as an activist in pursuance of his foreign policy.

As a result of the improvement in the oil industry, Nigerian economic position did not need foreign financial aid for development. As a matter of fact, Murtala was able to launch a N30 billion Developmental Plan in 1975 without foreign capital[18]. The oil boom helped greatly in improving the country's economic position, to the extent that the need for foreign capital aid was not seen as a means of development.

On the African scene, Murtala saw the role of the Western powers in their support of FLNA and UNITA of Angola as a situation which

> merely provides the occasion to recreate the 19th century partition of Africa into spheres of influence where predominant consideration will be the interest of the big powers without consideration for the inalienable right of the Africans[19].

He saw the disagreement in Angola as being

> much deeper danger of extra - African powers in collusion with the inhuman and obnoxious apartheid regime in Pretoria trying to fraustrate the will of a people who having sustained a heroic struggle against a most brutal colonialist repression, are on a threshold of glorious dawn of national determination[20].

Murtala therefore accorded diplomatic recognition to Dr. Augustinho Neto led people's MPLA government.

As a result of his hatred for apartheid, Murtala placed economic sanctions on the racist regime of South Africa. He laid a strong emphasis on the need to oppose apartheid. He made it clear that Nigeria could not co-exist with the racist administration. To support the people's movement towards a permanent liberation in South Africa, Murtala gave aid worth over N13 million to the MPLA war effort, although his government and MPLA were ideologically different[21]. Murtala readily supported other liberation movements in Namibia, South Africa and Zimbabwe.

General Murtala Mohammed's greatest victory would have been in the uprooting of the existing neo-colonial structure but his premature toppling and assassination did not make this dream come through. It was actually believed that these Western capitalist countries sponsored the coup that ousted and killed him at the end.

2.5 General Olusegun Obasanjo, 1976 - 1979.

General Olusegun Obasanjo, who was Murtala's deputy, came to power after the assassination of the latter and continued his foreign policy. However, his own activities were seen as echoes rather than concrete actions. Because he lacked the radical and sophisticated moves of his predecessor, he could not alter the neo-colonial structure and the foreign policy implications.

One of Obasanjo's greatest victory was the nationalization of the assets of British Petroleum Company (BP). He justified this action as his reaction to British permission to export oil to South Africa through BP. He believed that this British's action through BP would make Nigerian oil available to the racist government, against Nigeria's wish[22].

The only significant external borrowing by Obasanjo was the Euro- dollar loan of $1 billion to finance projects like pipelines, storage tanks, refineries at Kaduna and Warri, Cement factories, Pulp and Paper Mills at Jebba, Iwopin and Calabar, Sugar Projects at Savannah and Sunti Lafiagi, Iron and Steel Plants at Ajaokuta and Warri and Port Development[23]. The construction of the Lagos - Ibadan Express Way gulped N178 million, N229.5 million was spent on the Benin - Shagamu Express Way. The Aladja Steel Complex consumed N1.26 billion and the Ajaokuta Steel Mill was to gulp N3.5 billion. This expenditure called for another Euro-market loan of $1.145 billion[24]. This loan was used to finance the same or similar projects like the first loan.

It is important to note that this external borrowing was very small and the effect on the economy was a mild one and as a matter of fact, there was no debt crisis at the period. By 1979, the oil sector had picked up again. The price of a barrel rose to $44.4 a barrel in 1980.

In his foreign policy towards Africa, Obasanjo launched a South African relief fund in all the 19 States of the Federation. To support this fund, civil servants from all the states were requested to contribute 2% of their monthly salary. Businessmen also donated generously towards this Fund. Obasanjo's government sponsored over one thousand students from South Africa, Zimbabwe, Mozambique, Angola and Namibia in Nigerian Institutions. This period marked the beginning of internal participation in foreign policy, through mobilization. He contributed greatly to the independence of Zimbabwe.

In trying to find a solution to the Chadian crisis, the Lagos Accord was signed by the warring factions and the African leaders. Obasanjo saw Nigeria's National Security as the primary objective behind his involvement in the crisis. In order to protect the nation's security, Obasanjo involved the country in the Chadian search for peace under the Lagos Accord. Obasanjo described the situation in Chad as "a deep and fostering wound which must be healed before its cankerworm consumes......all"[25]. He laid emphasis on a peaceful solution to the crisis.

The period between 1975 - 79 became the golden era of Nigerian foreign policy. The activist foreign policy initiatives laid a solid foundation for Nigeria in the comity of nations. By the time Obasanjo handed over to a democratic government in 1979, the gain of the period became lost. This is a very unfortunate thing to happen to Nigeria at this period. This period ushered into the Nigerian environment a very remarkable negative change in Nigeia's domestic and foreign policy postures.

2.6 Alhaji Shehu Usman Shagari, 1979 - 1983.

Alhaji Shehu Shagari's election to power between 1979 to 1983 coincided with the period of increase in the international price of oil from US $14.9 per barrel in 1978 and $33 in 1979 and $44.4 in 1980. Shagari did not only liberalise imports but also reduced tariffs. Consequently, there was a dramatic increase in public expenditure. This increase led to the introduction of various fiscal measures such as the approved user scheme. This scheme deepened the dependence of Nigerian industries on foreign inputs.

According to the World Bank Mission, economic activities shifted sharply to international trade, international and domestic finance,services and construction of real estate[26]. Consumer goods importation rose from N3.968 billion in 1978 to N4.667 billion in 1979. Importation of raw materials that was N1.880 billion in 1978 had skyrocketed to N3.038 billion by 1981[27].

Shagari's crust for foreign capital aid made investment and trade credit, the foreign governments and the World Bank Capital aid to rise at very alarming rate. As a result of this, foreign debts servicing jumped from 8.9% in 1982 to 17.4% in 1983[28]. This debt service growth rate made the oil revenue to fall from $12.8 billion in 1982 to $10 billion in 1983. This enormous fall affected the balance of payment, society, economy and public finance seriously. The foreign exchange reserve that was $10.235 million in 1980 drastically dropped to $1.600 million in 1983. And the growth rate of the Gross Domestic Product (GDP) that was 5.9% in 1979 at the beginning of Shagari's tenure, had dropped to -6.7% by 1983[29].

Table 2.1: GDP Growth And Oil Export Revenue.

Year	Oil Export $ Million	% Change	Surplus/ Deficit on BOP Current Account $ Million	Foreign Exchange Reserves $ Million	GDP Growth Rate %	Non-Oil Growth Rate %
1976	9,445	-	442	5180	0.4	8.2
1977	11,564	+ 22	-1,005	4232	6.6	8.2
1978	9,445	+ 18	- 3,758	1887	- 5.6	- 4.6
1979	15,657	+ 66	1,647	5548	5.9	3.1
1980	22,408	+ 43	- 2953	10235	0.5	3.0
1981	16,748	- 25	- 5570	2895	- 5.2	1.9
1982 (Est)	12,751	- 24	- 7,341	1647	- 5.3	- 3.1
1983 (Proj)	10,020	- 21	-3,238	1600	- 6.7	- 6.4

SOURCE; World Bank; Nigeria; Macro - Economic Policies for Structural Change. 15th August 1983. Report No. 4506 UNI P.6

The increase in the oil pricing and revenue from $33 per barrel in 1979 to $44.4 in 1980 increased the revenue from $15,657 million in 1979 to $22.408 million in 1980 and created a false illusion for Shagari. The structural problems facing industries were concealed. Thus, Shagari opened the floodgate of imports in 1980 and exposed the country to debt crisis. Between 1980 and 1983, the country started serious borrowing from the International Capital Markets (ICM) and accumulated huge debt burden and, thus, the debt crisis.

Barely one year into the Shagari administration, the neo-colonial political economy had begun to be manifested in economic crisis. This crisis affected Nigeria's relationship with her neighbours (ECOWAS States) which resulted in the expulsion of Ghanaians from the country. This administration ushered into the nation, again, pro-west biases in Nigerian foreign policy. This made the administration to incur a lot of huge debts to further help in deepening the country's dependency on Western capitalist economy.

Shagari operated a conservative foreign policy and the liberation of the economy from the neo-colonial economy was not given any consideration. As result of Shagari's financial indebtedness, he had to apply the Austerity Measures.

The administration has often been criticized of launching Nigeria into an era of deepening dependence. Shagari turned the activist foreign policy of Murtala/Obasanjo into a passivist one. Prominent among his lapses on African foreign policy were the Cameroun border clash in which some Nigerians were killed,non-recognition of the Sharawi Arab Democratic Republic (SADR) and Nigeria's endorsement of the Western position on Namibian Independence.

Shagari's policy on Chad has often been described as being ambiguous. The analysis of his era would therefore not be completed without a detailed examination of this policy.

By the time Shagari ascended power, the Chadian crisis had witnessed an unprecedented level of foreign interference. Nigeria saw the crisis as a threat to the socio-economic and security well -being of the nation. This was because the crisis had been going on for a decade and a consistent conflict could spill over to Nigeria, if not checked. Not only this, Chadian refugees, who were already flooding into the country, could be used to destabilise the country. The Nigerian position to this crisis could be described in the word of a policy maker that "if our brothers are not in good state, we will not be in good state"[30].

Consequently, Shagari felt obliged under the Lagos Accord, signed by his predecessor, to maintain the objectives of the Accord. Shagari therefore gave the Chadian crisis all the diplomatic, political and economic assistance affordable. However, the Nigerian assistance was not enough to meet the needs of the Goukouni Weddeye led Transition Government of Chad. He therefore signed a mutual defence treaty with Ghaddafi's government of Libya.

Although Libya was not seen as a security threat to Nigeria, developments within Chad especially the Libya - Chad merger later led to a Nigerian led peace keeping force in Chad. The force consisted of troups from Togo, Benin, Senegal, Zaire, Congo and Nigeria. Nigerian reaction to the Libya - Chad merger was to expel the staff of the Libyan embassy in Nigeria. And in justifying this action, Prof. Ishaya Audu, the then External Affairs Minister, argued that "Nigeria had always made every efforts to maintain and cultivate excellent relationship with Libya which the country regards as very important in the light of their common membership of OAU and OPEC[31]". Prof. Audu further went ahead to say that Nigeria strived to "maintain cordial relations with Libya even under circumstances regarded as provocative[32]". The last statement meant that although Libya was provoking Nigeria with her actions in Chad, Nigeria was still interested in maintaining Libya's co-operation in the Chadian affair and friendship.

Although Shagari sent a peace keeping force to Chad, a precise mode of operation was omitted and he even maintained that his government was not bothered about

> who came to power in Chad, or for what matter, any of our neighbouring countries, but that accession to power, attained by whatever means did not negate the wishes of the people as appropriately expressed by them[33].

This statement meant that he was not concerned about coming to power through the use of gun - coup. An inference can therefore be made that Shagari's administration was not even sure of its interest in the Chadian crisis.

Shagari's government did not see anything bad in the escalation of foreign support by France, Sudan, Egypt and the U.S.' open arms supply and logistic. This support led Hisseine Habre to a total victory against Goukouni. The implication of this is that Nigeria's aim in Chad was to keep Ghaddafi away from Chad and this same aim was U.S' stance. As a result of this, Nigeria's policy towards Chad was therefore seen as using the strategy of collaboration.

Perhaps the greatest achievement of this administration in its foreign policy initiatives was the OAU Lagos-Plan of Action, which aimed at addressing the continental economic problems. A foreign aid base programme was formulated and a common market for Africa by the year 2000 was proposed under the Plan.

The economic crisis that started between 1981 and 1982 made Shagari to strengthen his economic ties with the western powers. April 1982 witnessed an unequivocal adjustment programme of support for some of the IMF standard recommendations through the Stabilization Act. Shagari addressed issues in the recommendation like wage freeze, debt repayment, public expenditure cut, debt rescheduling and credit lines re-opening. His request for a loan of $2.56 billion attracted these conditions[34].

The first attempt towards Economic Diplomacy was Shagari's half-hearted attempt to implement parts of the adjustment package. However, he lacked the discipline to facilitate an easy settlement with the IMF. He could not control his patronage system and monitor the performance of the programme. Under this system, many companies folded up and others reduced their work-force through retrenchment. Inflation set in and the standard of living of the people worsened. By December 1983, Shagari's administration was replaced through a coup d'etat.

2.7 General Mohammadu Buhari. 1983 - 1985.

General Mohammadu Buhari came to power as a corrective government. His concentric circles put Nigeria first, sub-region second, Africa third and the rest of the world fourth. Right from the onset, Buhari inherited a diseased economy and an imperialistic foreign policy. Before moving from the result of Shagari's adjustment programmes, he tried to improve Nigeria's bargaining position within the imperialistic framework.

It is important to note that before this crisis period, Nigerian leaders have always believed that unity, stability and peace at home could not fully be attained until colonialism, neo-colonialism, disunity in Africa and apartheid have been dismantled. The change in Nigeria's socio-economic and political development, forced a change from this position which was why Buhari put Nigeria first in his concentric circles.

Buhari's point of departure from Shagari's adjustment programme was to nationalize the domestic capital base, impose discipline on Shagari's Austerity Measures and expand programmes of restructuring. His restructuring included large cuts in public expenditure, limiting external borrowing, imposing limit on domestic loans and exercising very tight controls on money supply. There was a massive purge in the public service, imposition of various levies and mounting a very active campaign against indiscipline[35].

There is an assumption by the International Financial Organisations that LDCs' currencies are overvalued. It is believed that the value of these currencies were arbitrarily fixed at independence to protect import sustitution industries and subsidize the consumption habit of the elites. The overvalued currencies now (after independence) encourage high importation, capital flight and shift in price. All these are believed to be unfavourable and in fact harmful to the industrial sectors[36].

The IMF, therefore, fashioned its credit facilities in line with the Structural Adjustment Programmes (SAP). To get these credit facilities, the organisation insists on specific macro-economic policies to prune the state sector, remove subsidies and trade restrictions, privatize the parastatals and devalue the 'overvalued' currencies and wage rate. However most, if not all, of these countries in need of these facilities prefer to design their own various kinds of programmes to correct the disequilibria in their economies instead of recognising the IMF conditionalities of SAP. In any case, the IMF is still able to push these adjustments to these unwilling countries through unseccessful debt talk, drying up of credit facilities and even selling the programmes through influencial government officials, big private firms and textbook monetary economists[37].

Buhari's re-opening of negotiation with IMF for a loan of $2.5 billion did not meet these IMF conditionalities. His own adjustment programme did not meet the IMF standard. Buhari vehemently refused to neither devalue his currency, remove subsidies nor even privatize and liberalize trade. Instead, he back-pedalled and wrote for a loan of N1.6 billion (the balance of an original request of N2 billion by the Shagari's administration} from the Saudi Arabia's government. The IMF, using U.S' assistance, blocked the loan. All the same, Buhari still rejected the IMF facilities and designed his own adjustment programmes by initiating the Counter Trade Strategy (CTS) as a means of sustaining import levels against the depleted foreign exchange background.

The counter trade threatened the traditional Nigerian pattern of trade with Britain because the major partners in the counter trade were Brazil, Italy and France. Expectedly, Britain refused to buy Nigeria's oil. This, of course, widened the gap between the two countries. Britain's refusal to extradite Nigerian fugitives needed at home for corruption further widened the diplomatic gaps between the two countries. The IMF refused to be satisfied by Buhari's adjustment programmes and at home (Nigeria), Buhari alienated all sections of the population by his War Against Indiscipline Programme.

By 1985, the government started to publicly criticise the IMF and accusing it of being a "bad doctor that prescribes the same medicine to all patients"[38]. Indeed, Buhari and Idiagbon, the two principal actors of the regime, denounced the IMF and insisted that the Extended Fund Facility (EFF) of IMF would not be accepted by Nigeria.

Buhari's retaliatory foreign policy was able to reduce the nation's dependent nature through the counter trade. Also, when a Nigerian aircraft was detained in Britain, Nigeria also detained a British Jumbo Jet and when the British government reacted to this action by recalling its High Commissioner from Lagos, Nigeria did the same thing.

Buhari used diplomatic persuation to recognise and ensure the recognition of Sharawi Arab Democratic Republic (SADR). This action almost led to the collapse of OAU because Morocco insisted on annexing SADR. Buhari's radical action on this issue can be compared to that of Murtala during the fight for Angola's Independence.

The pressures of economic matters made Buhari to adopt certain policies which were seen as anti-integrationist. For example, Buhari closed the Nigerian borders in April 1984 and expelled members of ECOWAS as illegal aliens. The closure of the border and changing of the Nigerian currency were explained by the administration as being an anti-smuggling measure and especially to check all forms of sabotage of the Naira.

Buhari was totally uncompromising and blunt in his foreign policy and especially the pursuance of the national interest. He was more concerned in restructuring the country's economy than in any other thing. This attitude was seen as anti-integrationist and it almost succeeded in isolating the country. Although by June 1985 counter trade agreement valued at N2.5 billion had been signed[39], the toppling of his administration was applauded by the alienated Nigerians.

2.8 General Ibrahim Badamasi Babangida 1985 - 1993.

General Ibrahim Babangida came to power with the promise of pursing an activist policy. The high point of his foreign policy was the Economic Diplomacy. Under the Economic Diplomacy, Shuttling Diplomacy became the main stream of the policy. Marketing Nigeria abroad kept the Ministers, the President, and most recently, the Head of the Interim National Government on the move. Since the next chapter analyses SAP and Economic Diplomacy, very little will be said about the two policy options in this chapter.

Babangida's administration believed that total political liberation should go hand in hand with the fight against total economic ravages of hunger, disease and other forms of economic underdevelopment. It was therefore not a surprise when national economic interests were given prominence even at the expense of the regional total decolonization. This is seen more aptly in Nwachukwu's statement that

> Our foreign policy should reflect our changing national circumstances as well as adapt to the realities of a rapidly changing international environment....Economic issues have acquired significance and...should be given priority and attention in our foreign policy[40].

However, before the introduction of Economic Diplomacy, Babangida's commitment to the eradication of apartheid was stronger than after the introduction of the policy. For instance, to show his disgust for apartheid and the disappointment over British's limited sanctions on South Africa, Babangida boycotted the Commonwealth Games in Edinburgh. This administration also played prominent role in the independence of Namibia. Even after the independence, Babangida still assisted the country financially.

In maintaining peace in the continent, Babangida played a great role in the resolution and settling of the disputes between Burkina-Faso and Mali, Liberia and Sierra-Leone, Ethiopia and Somalia. Babangida was able to play a neutral role in the resolution of all these crises. During the 1991 Gulf war, Babangida craved for a peaceful solution to the crisis. Nigeria's present committment to the UN peace keeping efforts in Somalia started during the Babangida era[41].

To resolve the stalemate that arose between late Samuel Doe and Charles Taylor of Liberia, Babangida initiated and indeed financed the Nigeria-led-ECOWAS Monitoring Group (ECOMOG) in Liberia. His role in Liberia has often been highly criticised because apart from bank-rolling the force, Babangida also contributed most of the personnel and troops of the force. Over 70% of the fund for the Group is shouldered by Nigeria[42]. Nigeria's committment to ECOMOG has not dwindled, even after the exit of Babangida. Till date, over $500 million had been expanded on the venture. This attitude by Babangida has been seen as unreasonable and inconsiderate especially when seen in relation to the deteriorating standard of living in the country.

Critics like Ayam sees Nigeria's role in peace-keeping that changed from passivist (in Chad) to activist (in Liberia), from diplomatic stance (Chad) to assertiveness and decisiveness (Liberia) and from peace-keeping in Chad to peace imposing in Liberia, as being unrealistic[43]. Ayam sees the Chad peace keeping force as necessary because of the common border shared between the two countries. But he sees the

Nigeria's role in Liberia as unnecessary and should be left to countries like Burkina-Faso, who share the same border with Liberia[44].

Analysts, like Ayam, believe that the money spent on the Liberia peace keeping efforts could be spent to ameliorate the economy. There is also the fear that should Nigeria fail in peace-keeping mission, the country might lose credibility and leadership in Africa. This is why Babangida's effort in Liberia has been criticized as having a selfish undertone. Apart from Somalia and Liberia, it is believed that Nigerian soldiers are committed to other peace keeping efforts all over the world.

Babangida's restoration of ties with Isreal is an achievement in his foreign policy actions. It is important to note that Nigeria's relationship with Israel had been severed in 1973 following the Israeli attack and annexation of the Palestinian and Egyptian lands. Babangida's renewal of ties with the Jews was not only timely but wise. And in Obiozor's word, this will restore a sence of balance in Nigeria's Middle Eastern Policy[45]. This is because Middle East "is a very very important sub-region; one of the most volatile, one of the richest sub-regions in the world[46]". Obiozor goes ahead to describe Middle East as a cross-road to Europe, Africa and Asia. The restoration of ties will show a sense of credibility and balance which were lost with the severence of the ties in 1973[47].

Another issue on the Babangida's foreign policy is the Technical Aid Corps Scheme (TACS). This scheme is designed to ensure that Nigeria's aid reached the intended target. The scheme has been seen as a new and effective approach to the country's disbursement of foreign aid policy[48].

By and large, Babangida's foreign policy, though attractive to some extent, has been described to be very expensive especially when viewed in relation to the deteriorating economic problems in Nigeria today. All the problems in the nation today, have been seen as having risen from his expensive policies, both domestic and external. His lack of enthusiasm in handing over the country to a democratically elected government, had not, in any way, helped his case. It was as a result of this that he lost the support that heralded his coming to power and it was unanimously decided that he should hand over to an interim government after postponing to hand over to a democratic government four times. A lot of protests accompanied the last postponement.

Babangida's dramatic 'stepping aside' was not only as a result of his problems at home but also because he has lost credibility at the international community. Although he had virtually handed over the country on a 'platter of gold' to the Weastern Capitalist economics through his foreign economic policy, this foreign community still shunned him. At the end he was forced to hand over the reins of power to an Interim National Government (ING). The ING became the compromise reached between Babangida and the people.

2.9 Common Strands In Nigerian's Economic Diplomacy.

Between 1960 and 1965, Nigeria's economic interest was the mobilization of financial technical assistance for developing Nigeria's economy, rapidly. Foreign links with the superpowers were, then, seen as a spring-board for attracting direct foreign investment, grants, public loan and technical assistance. All these foreign incentives were to help in establishing industries in Nigeria to reduce her import oriented consumption. A heavy reliance was created by three factors.

Firstly, there was the external capitalist orientation that was inherited from the colonialist. Secondly, there was the vested interest of Nigeria's political leaders that gave room for heavy reliance. These group of individuals saw reliance as "the classical and most practical route to industrialization"[49]. The final factor that enhanced reliance was the competition among the regional governments for external financial aid. These governments believed on the infusion of large dose of external financial and technical assistance for industrial development. They saw the international actors, then, as being selfless, friendly, interested and willing to assist in development.

The Nigeria's Diplomacy could then be described as that of dependent import substitution, aimed at attracting foreign investors, external loans and grants without jeopardising the nation's political independence and internal security. By the time the war came and went, Nigeria's diplomacy took a twist. The reconstruction of the economy was done alongside the import substitution strategy.

By the 1970s, Nigeria's problem was that of foreign control on the economy. To solve this problem, Nigeria courted the countries from the Eastern bloc. This made it possible for the East to be played against the West and for the first time, Nigeria's economic resources was used as a threatening stick in ensuring Britain's loyalty. Soviet's involvement in Nigeria's economy helped to secure Britain's involvement in Nigeria's Steel Plant.

Nigeria was able to play the leading role in the establishment of ECOWAS in 1975. ECOWAS was seen, then, as the external dimension of Nigeria's industrial development strategy. The economic development of West Africa was seen as a stimulus to the economic development of Nigeria. Initially, the formation of ECOWAS was threatened by the Francophone countries' fear of Nigeria's political and economic domination, and France' attempt to consolidate the solidarity of the French speaking countries in the region. To solve these problems, Nigeria launched a diplomatic offensive to fraustrate France' attempt at consolidating the Francophone regions. The communuate economique de la Afrique de' L'Quest (CEAO), consisting of the Francophone zones was formed. Nigeria was, however, able to weaken the influence of France by making the Francophone zones to come to terms with ECOWAS. With the birth of ECOWAS, the view of Nigeria in the region became dominant.

The demand for a New International Economic Order (NIEO) was put forward in United Nations Conference on Trade and Development (UNCTAD) in 1970, 1973 and at the UN in 1974. NIEO demanded for an end to the economic domination, penetration and exploitation of the LDCs by the Multinational Companies being operated from the industrially developed countries. The NIEO also asked for a change in the unequal terms of trade. In advocating for NIEO, Nigeria saw UNCTAD as an "amorphous, overbulky, overpoliticized international body"[50], which could not reform the international economy. The search for NIEO suffered set-backs in Nigeria in 1975 and

1980. With the Nigerian economic crisis, it was suspended.

By mid 1980s, Nigeria was forced to make a choice between NIEO related Lagos Plan of Action of OAU and the anti NIEO Agenda for Action put together by the World Bank, otherwise known as the Berg's Report. Between 1982 and 1985, Nigeria accepted the prescriptions of the World Bank Report. By 1986, IMF conditionalities had been domesticated and World Bank Structural Facility Loan re-christianed Structural Adjustment Programme (SAP) has been accepted. The country's new status made the NIEO's demand for a fundamental change in the power structure of the IMF, out of proportion. With the environment created by the introduction of SAP, Nigeria had to introduce the complement of SAP -the new Economic Diplomacy.

1.10 Summary

The principles that guided the Nigeria's Foreign Policy formulation from indenpendence included issues like Nigeria's roles in Africa, non-alignment, United Nations, the World and her national economic development. All these issues have been areas of focus in the making of Nigeria's foreign policy. With the debt and economic crises in the 1980s, special attention was paid to national economic growth. The deepening of the crises made it pertinent for specific policy initiations to be taken. The Structural Adjustment Programme

(SAP), that was introduced as a domestic policy in 1986 to resolve the internal economic problems, inserted a new focus into the Nigeria's foreign policy. The new status that became prominent with the debt crisis manifested itself in the Economic Diplomacy. The next chapter dissects the origin and actualization of SAP and Economic Diplomacy.

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Chapter 3

THE STRUCTURAL ADJUSTMENT PROGRAMME AND THE NEW ECONOMIC DIPLOMACY

3.0 Introduction

The Structural Adjustment Programme (SAP), which the Babangida administration introduced in 1986, was his response to the debt crisis and what was viewed as distortions inherent in the economy resulting from luxury and other monetary regulations. The predominantly external bias of the programme required a diplommatic component in form of a rigorous campaign abroad, which was expected to market the programme abroad as well as draw investment, resolve the debt crisis and foster external confidence in the economy.

In order, therefore, to understand the basis of the new Economic Diplomacy, this chapter examines the political economy of Nigerian debt crisis, the Structural Adjustment Programme and the thrust of the new Economic Diplomacy.

3.1 The Political Economy Of Nigeria's Debt Crisis

Although the debt problem was not a new phenomenon in Nigeria's history, the debt crisis is the first serious debt problem facing the country. As a matter of fact, Nigeria had incurred debt in the past and even experienced some economic problems. However, the debt crisis years have made such problems very insignificant.

Nigeria's external debt, for instance, rose from N82.4 million 1960 to N435.2 million in 1965 and N488.8 million in 1970. These loans were long terms loans from the World Bank, Germany, Italy, Holland, Britain and U.S[1]. Though the dramatic increase of the debt from only N82.4 million in 1960 to N488.8 million in 1970 (10 years later) was seen as very bad, the interest rate, then, was only 2% and a period of grace of between three to ten years was given. Not only this, the period of repayment was between 10 to 40 years. Thus, the debt management burden, at this time, was very minimal.

The debt service ratio in 1960 was 1.1%, by 1965 it rose to 3.7% only to drop to 3.5% in 1970. By 1975, it dropped to 0.7%, it dropped further to 0.5% in 1976 and lower to 0.4% in 1977[2]. This last figure was by far below the average of 10% that exists today! Total outstanding debt dropped from N488.8 million in 1970 to N374.6 million in 1976. Even during the civil war, when the country needed to mobilise capital to finance the war, not much was borrowed externally. Rather, to finance this war, rigid fiscal and monetary policies were put in place to get money from Nigerians.

Analyst like Bangura believe that the limited debt structure in Nigeria, at that time, was not due to prudence on the part of the leaders but to the "limitation imposed on the post colonial state, itself in the immediate aftermath of independence"[3].

The oil boom years that set in after the civil war helped to increase the country's revenue. The phenomenal increase in revenue increased the credit worthiness of the nation and thus forced the attention of the International Capital Market (ICM) and the Mutinational Corporations to be drawn to the huge resources of the country.

The Nigerian economy has always maintained a status of import dependency. The oil boom years fuelled this status. Nigeria became squandermaniac and she imported unnecessary luxury items. This further helped to deepen the dependence on western economy. The movement of people from the rural areas to the urban areas helped to marginalise agriculture. The world economic recession made Nigeria to resort to borrowing from western international financial organisations to meet her fiancial obligations.

Nigeria was not prepared for the sudden collapse of the World Oil Market. Because she saw the collapse as a temporary thing, she resorted to borrowing more money to meet her import oriented consumption. In doing this, she accumulated short term trade arrears that current account could not settle, consequently, the debt crisis set in. To make sure that Nigeria met her financial obligations, the IMF/World Bank came in. To reshedule these accumulated loans, Nigeria signed all kinds of agreements aimed at repaying public loans, irrespective of the dubious nature of the loans.

This economic crisis made the country to embark on a lot of belt tightening programmes. These programmes brought under administrative controls issues like rationing of foreign exchange, import licensing, increase in tariffs, restriction of capital transfer and general shortages of goods and services. Buhari, then, the Head of State, refused to take the IMF facility, even with all these economic crises. The IMF and the International Community, particularly U.S. and Britain, felt scorned and imposed serious economic sanctions on Nigeria. After failing to secure a loan from Saudi-Arabia (thanks to US influence), Buhari designed his own belt tightening programmes. Although these programmes were yielding positive result, the nation's external debt was still there like a ghost,haunting the country.

Babangida came to power and discredited Buhari's economic programmes in 1985. He threw open the IMF loan after accepting Buhari's adjustment programmes. He did not only pursue Buhari's programmes but also accepted parts of the Shagari's programmes under the guise of a "home made strategy"[4]. Babangida rejected the IMF facility but his Budget Speech of 1986 showed that he had met most of the IMF conditionalities. The conditionalities that were sore-points in negotion with his predecessors.

It was even realised that the 1986 budget went further than the IMF recommendations. Thus, "the Western Press and some of the domestic policy makers even agreed that in places, the budget went further than the Fund would have recommended"[5]. The Western countries were quite pleased with this and they showed an eagerness to resume debt talk with the administration. Babangida was also eager to sell his expensive package to the Western Nations. He consequently announced a need to reach an understanding with the IMF and the International Financial Community[6].

3.2 The Structural Adjustment Programmes (SAP)

The Structural Adjustment Programmes (SAP) refer to a number of comprehensive reform measures designed to achieve internal and external balance with minimal cost on the economy of the country[7]. The aim of SAP was to turn the economy around through the exchange rate and domestic regulation, such as to enable efficient allocation of resources by the market mechanism[8]. SAP's concern was to encourage "appropriate foreign private investment, especially those which can be associated with development of indigenous expertise"[9].

The objectives of SAP involved; to improve the Balance of Payment (BOP), to stabilize the exchange rate and domestic price, to utilize productive factors and to enhance a movement towards full employment. The introduction of SAP brought to an end the era of administrative control. SAP started in 1986 (July) as a two year adjustment programme to re-orient the economy from total dependence on oil for export to a more diversified economy. The specific objectives of SAP were, to restructure and diversify the productive base of the economy from dependence on oil (self reliant), to improve the BOP, to improve the inflationary trend in the economy, to lessen the dominance of unproductive public sector investment while improving efficiency and enhancing the growth of the private sector and to correct the overvaluation of the Naira through the second tier foreign exchange market (SFEM)[10]

In order to realise these objectives, these objectives were further narrowed down to, strengthening demand management, stimulating domestic production and broadening the supply base, adopting realistic exchange rate policy, rationing and restructuries tariffs to aid industralization and diversification towards improved trade and payment liberalization, reduction of complex administrative controls with a greater reliance on market forces, adopting appropriate pricing policies especially on Petroleum and public enterprises and rationing and privatizing public sector enterprises[11].

The key policy of correcting the over-valuation of the Naira was enhanced through the setting up of SFEM, now Foreign Exchange Market (FEM). In SFEM, the market forces were to determine the exchange rate of the Naira,this part of the programme became the centre piece of the policy. With the programme on, by October 1986, the International Bank for Reconstruction and Development (IBRD) or World Bank signed a $450 million loan for Trade Policy and Export Development[12]. Apart from debt servicing, all government and private transactions were to be untaken on SFEM.

In order to correct the serious Federal Government deficit, a fiscal policy aimed at holding deficit at 4% of Gross Domestic Product (GNP) in 1986 and below 3.5% in 1987 and further reduction in subsequent years, was designed under SAP. The monetary policy was aimed at stabilising the economy and containing the inflationary pressures. This policy was expected to restrict net domestic credit. Under SAP, the accumulation of large trade and payment arrears and overall debt service burden made it necessary to seek external relief.

New money inflows from the World Bank and London and Paris Clubs of financiers were secured. Long term loan of 1986 - 1991 was to be rescheduled with the London and Paris Clubs as well as 100% interest of the Paris Club debt[13].

To encourage farming, commodity Board was abolished to ensure that farmers get market determined prices for their products. The administrative bottleneck for exports was also streamlined and simplified. All these did not have any substantial impact on earning from non-oil sector. From the introduction of SAP in 1986 to the begining of Economic Diplomacy in 1988, oil remained the main source of the country's foreign exchange earnings.

Table 3.1: Nigeria's Exports Earnings.

(MILLION NAIRA)

Products	1985	1986	1987	1988	1989
Non-Oil Sector	497.1	552.0	2,152.0	2,757.4	2,954.4
Oil Sector	11,233.7	8,365.5	28,208.6	28,435.4	55,016.8
Total	11,730.8	8,917.5	30,360.6	31,192.8	57,971.2

SOURCES; A compilation from CBN, Annual Reports and Statement of Account, Various Issues.

The above table shows that the oil sector remained dominant in foreign exchange earnings from the beginning of SAP in 1986 to in 1988 (with Economic Diplomacy) and even thereafter in

1989[14]. Oil sector that earned Nigeria N11,233.7 million in 1985 (before SAP) and N8.368.5 million in 1986 (the beginning of the SAP era) rose significantly to N28,435.4 million at the end of the first two year of SAP in 1988 and much more to N55,016.8 in 1989. Thus, the oil sector still remains dominant in Nigeria's export earnings.

Dunmoye sees the basic reason for this kind of problem of poor performance of other sectors, particularly the Agricultural sector as being in the imperialistic history of exploitation with the linkages of agriculture to the international division of labour[15]. This problem has been dictating the pattern and rate of development of Nigeria's Agriculture Sector.

More than seven years after the introduction of SAP, expected results are not forthcoming. Efforts at sustaining development are still plagued by huge fiscal deficit, high inflation, low capacity utilization, depreciating exchange rate, low level of agricultural production, poor performance of non-oil export and heavy debt burden. The U.S. Dollar which was 63 Kobo of the Nigerian currency at the inception of SAP in 1986, by 1993 exchanged for N45 as the official foreign exchange rate and an average of N46 at the parallel market. This is one of the result of SAP.

The external debt has become a heavy burden in the realization of the objectives of SAP. The debt increases on a daily basis and very huge amount of money is used to service and reschedule the debt alone. The debt that was $13.033 billion in 1982, rose to $18.904 billion in 1985 and dramatically to over $33.364 billion by 1992. In 1992 alone, a total of $5.55 million was used to service the debt, the fraudulent nature of the loan not withstanding.

Experiences has shown that there is a serious problem of computing Nigeria's debt and this problem has been compounded by the fraudulent nature of the debts. The real value of the country's external debt has not been known till date. The loan that was estimated at about $10 billion by London Financial Times in 1982 was put at N8.819 billion by the Central Bank of Nigeria for the same period, only to be increased fraudulently to $13.033 billion in the same year by the IMF[16]. CBN estimated the loan to be N8.819 billion in 1982, N17.758 billion in 1983 and about N21.384 billion in 1984. The IMF visited Nigeria in 1984 and put the debt at $13.033 billion in 1982, $17.781 billion for 1983 and $18.291 billion for 1984[17]. Although, the difference is not much, this inconsistency made Buhari to employ the services of Chase Manhattan Bank to ascertain the accurate value of the debts.

Budget deficit is still a problem in Nigerian economy. In 1988, a deficit of N12.6 billion was recorded, by 1991 it had increased to N19.5 billion. By July, 1993 the deficit has hit N55 bilion[18]. And to finance the deficit, the government had to borrowing either internally or externally, thus compounding the debt crisis. The World Bank Development Report of 1991 confirmed that the country's economic problem is worsening with SAP[19]. The Report put the nation as the 13th poorest country in the world. This is also an outcome of SAP.

Although, Babangida presented SAP as a value free economic recovery recipe devoid of any ideological and political bloc, events have shown that the reverse is the case. This is another area of research. The World Bank Report of 1987 on Nigeria showed that performance in exports, investment and GDP were by far below expectation. Babangida's reaction to this report was the introduction of the 'New Economic Diplomacy.

3.3. The 'New' Economic Diplomacy

Nigerian Foreign Policy is believed to assume a posture of continuity, from independence till date[20]. This is perhaps because although vital issues like decolonization, Pan Africanism and regional co-operation have assumed the key issues in Nigeria's foreign policy, trade and economics have all along formed important parts of the country's international relations. Issues like foreign aid, foreign trade, foreign loans, foreign economic assistance and regional economic groupings have been important features of Nigeria's foreign policy, right from independence. A new focus; that has been placed on issues like debt rescheduling, complexity and size of debt, counter trade, debt equity swaps, quest for new world economic order, European Economic Community (EEC) and the International Financial Organisations has given the Nigeria's foreign economic relations a new status.

The new status, which became prominent with the debt and economic crisis, gave birth to a new initiative. This new initiative manifests itself in the 'new' Economic Diplomacy. The building of an institutional frame work for operationalizing and articulating the 'new' Economic Diplomacy, the future and prospects of the Diplomacy as an important and permanent issue in Nigeria's foreign policy, become part of the new initiative. The main issues addressed in the 'new' Economic Diplomacy are: the need to attract foreign investors in the nation's agricultural and industrial sectors, to attract loan, to reschedule debt, to promote external trade and to encourage Nigeria,s investors abroad[21]. All these issues addressed two things, viz-, they seek to obtain foreign supports and loans to diversify the country's over-dependence on oil and lobby for reduction of the country's debt stock and interest payments at the International Financial Community (IFC). Both of these two things are aimed at achieving the same thing - to reduce the structural weakness of the economy through soliciting for foreign investments in the country and sympathy and assistance from the foreign financiers.

The 'new' Economic Diplomacy is therefore created to ensure the inflow of capital needed to meet the massive capital inflow demand of SAP. It is supposed to energize the debt ridden country. It seeks to manage this debt while at the same time, presenting country as a trustworthy debtor country, good enough to secure more favourable debt rescheduling[22].

At this juncture, perhaps, it is necessary to clarify the issue about Economic Diplomacy being a 'new' trend in Nigeria's foreign policy. It has often been said that Nigeria foreign policy has maintained a status of continuity from independence. The continuous nature of Nigeria's foreign policy is still debatable today but one thing that is clear is the fact that Nigeria has always had a foreign economic policy. To illustrate this further, there is need to run through the pages of Nigeria's foreign policy history.

During the Balewa era, Balewa was willing to embrace the west while still non-aligned. He was unequivocal in his actions that Nigeria's economic development would not be sacrificed. Although he started negotiation with the then European Common Market (ECM), on being given an associate status like the terms of Yaounde convention, his efforts were fraustrated. Gowon eventually played a very important role in the Lome Convention. He went further to play the prominent and successful role in the establishment of ECOWAS.

Shagari represented Africa in the Calcun Summit and presented the issue of the North-South dialogue. Although efforts towards the Lagos Plan of Action was started by Obasanjo, it got concluded by Shagari. General Buhari went to OAU 20th Summit to review Africa's declining economic, fortunes after which he proposed an Economic Summit which would launch Africa into an era of self-reliance. The 1985 Special Summit on Africa's Economic Problems in July was the result of Buhari's actions. This summit led to the adoption of Africa's Priority Programme for Economic Recovery (APPER) 1986 - 1990. The Special General Assembly Session of 1986 was for the programme. Buhari's economic efforts went beyond Western Europe, he went further to Saudi Arabia. When this did not yield the desired fruit, he opted for the counter trade with Brazil, France, Italy and Austria.

These illustrations show that the 'new' Economic

Diplomacy is as old as the nation's foreign policy itself. Nigeria's foreign policy in perspective has not been devoid of concern for economic development of the nation. The difference between such policy and the 'new' Economic Diplomacy can only be seen in their relative success or failure. Nigeria has always tried to woo foreign investors and has consistently tried to boost her trade. This argument is however not to throw away the strong emphasis placed on Economic Diplomacy by the Babangida administration. His re-ordering of priority, though cannot be seen as new, represents a far reaching attempt to affect the conduct of Nigeria's foreign policy.

Although Babangida's 'new' Economic Diplomacy, as a policy, started in June 1988, the history dated back to 1986 with the inception of SAP. The Committee that recommended SAP (as said in Chapter One) suggested to the Federal Government that, "the present foreign policy posture of the country should be geared towards pursuing the country's best interest"[23]. And secondly that a "diplomatic initiative should be mounted with the objective of facilitating the re-financing of our insured areas of credit for our requisite imports[24]". This second recommendation was re-designed and chistianed the 'new'Economic Diplomacy.

Although Economic Diplomacy was inaugurated by General Ike Nwachukwu by June 1988, elements of Economic Diplomacy were seen during Prof. Bolaji Akinyemi's tenure as the External Affairs Minister in September 1986 when he publicly called for a new direction of Nigeria's foreign policy. He noted that the 21st century would focus on issues of international economic cooperation, as well as problems of peace and stability, not only that of colonialism and apartheid. He went further to advice Nigeria to pay more attention to the issues requiring a "new urgency"[25].

Akinyemi went ahead to accuse Nigeria's foreign policy elites of ignoring vital interests like those tied with the welfare and survival of the people and the nation only to concentrate on issues like colonialism and apartheid. He saw Nigeria's economic development as the most critical of the nation's interests in the 1980s.

Senior officials of the Federal Ministry of External Affairs argued that Nigeria's foreign policy should be "internally focussed and directed and less externally directed and abstract in form"[26]. They called for a "new refined updated realism" to be put into Nigeria's diplomacy. They wanted the diplomacy to be mainly directed towards the satisfaction of "vital national needs in Education, Health, Industry, Commerce, Agriculture, Science and Technology, Security and Defence"[27].

Thus, Akinyemi participated actively in the foreign tours to get advanced capitalist countries' support and sympathy for Nigeria's economic recovery programme and to secure co-operation on debt resheduling between 1986 and 1987. He tried to impliment his "diplomatic face" of Nigeria's economic programme.

Consequently, by June 1988, Ike Nwachukwu (Akinyemi's successor) spelt out the basic elements of the new direction of the nation's foreign policy.

> We feel that it is the responsibility of our foreign policy apparatus to advance the course of our national economic recovery. This entails negotiation and activities that will attract foreign investment and other assistance required for the successful accomplishment of our national economic goals[28].

Economic diplomacy was designed mainly to facilitate the realization of SAP through "Promotion of export trade, investment and increase financial assistance without compromising Nigeria's autonomy in foreign affairs"[29]. According to Babangida,

> the new thrust of our foreign policy is economic diplomacy. The basic objectives are the fostering of great inflow of foreign capital and the expansion of foreign trade[30].

From the onset, Economic Diplomacy required the cultivation of western capitalist good-will to secure support and assistance for SAP because SAP has created opportunities for foreign investment in Nigeria. The massive devaluation of the Naira has cheapen the external values of Nigeria's product in high demand at the international market.

A number of incentives were also provided. For the exporter, export credit guarantee and insurance scheme were provided, a N100 million initial capital was put in place to guarantee loans from Nigerian banks, credit facilities to foreign customers and insurance cover against default in the payment of such credit facilities and a lot of other free incentives were also provided[31]. All these made it necessary for a Trade and Investment Unit to be added to the Economic Department of the Ministry of External Affairs. The main assignment of this unit is to help exporters find foreign markets and inform them about the business and economic climate of the countries of their interests[32].

A lot of administrative laws were changed. Nigeria Enterprises Promotion Decree of 1989 replaced Nigerian Enterprises Act. This is a revision of the 1972 Indigenization Decree. The Liberalization law under the 1989 Decree allows foreign capital to own up to 100% "in activities that require heavy capital outlay or where the level of technology required is advanced"[33]. It is also suggested that foreigners' equity holding in scheduled enterprises should not be less than N20 million[34]. This is over-dependence at the highest peak! The privatization aspect of SAP and debt equity swap programmes of World Bank are fostered under Economic Diplomacy. A new industrial policy was put in place in line with the SAP. This policy created tax incentives like pioneer status, tax relief for research development, tax-free dividends, tax relief for investment of economically disadvantaged local government areas, tariffs and customers concessions[35].

The Industrial Development Co-ordination Committee (IDCC) was established to remove the bureaucratic red-tape involved in processing business ventures ownership to aliens. With the IDCC, a foreigner needs not go through the Ministries to get approval for an investment plan, he now easily applies to IDCC and IDCC has a deadline of two months to approve such an application. The above incentives have clearly shown that the investment climate abound in Nigeria is good. Nigerian envoys in foreign countries are to present this good environment to prospective foreign investors. This was why Babangida emphasized on the need "to engage the international support required to complement our domestic endeavour for economic recovery"[36] in 1988.

Nwachukwu was also unequivocal in laying emphasis on the need to cultivate the friendship and confidence of western countries. He went ahead to argue that this would not affect Nigeria's commitment to the eradication of apartheid and colonization[37].

Nwachukwu back-peddalled in 1991 when he explained that Nigeria embarked on Economic Diplomacy clearly as a result of her appreciation of the fact that her foreign policy since 1960 which is decolonization of Africa, was almost at the end of the line[38].

He went further to say that

> We decided we have to switch from the early political thrust we placed on our foreign relations to economic relations as the motive power for economic development[39].

On the same line, Nwachukwu's belief that the country's new romance with the western financiers had no political implication had worn out. This is because by 1991, Nwachukwu had to advice Nigeria's Ambassadors that support from the International Community can only be gained when their confidence is won and their "confidence could only be won through friendliness and loyalty to their cause"[40].

Nwachukwu was unambiguous in emphasising the importance of economic motive as a mandate when he told the new ambassadors that:

> Your achievement would be measured more or less by the number of investors who visit from your country of accreditation or by tonnage of Nigeria's produce and articles sold as a result of your efforts[41]

In following up the spirit of Economic Diplomacy, Nwachukwu started what came to be known as the shuttling diplomacy. He travelled to Tokyo in 1991 to solicit for Japanese government assistance for SAP. A month later, a high profile Japanese Economic Mission of 33 reputable men came to Nigeria to assess the nation's investment potentials. They discussed on how to increase Nigeria's export to Japan with Nigerian officials. Petrochemical assistance was also sought from these representatives. The delegates agreed to assist Nigeria on debt rescheduling. With the restoration of ties with Israel, a 50 man delegation left Nigeria for Tel-Aviv to explore the possibility of finding Markets for Nigerian products and the economic potentials in existence in Israel. The Head of the defunct Interim National Government, Chief Ernest Shonekan also went to New York in September 1993 to speak to American business community on the Economic Diplomacy.

Economic Diplomacy was not only at the federal level alone, the state governors too tried to canvass for foreign investments in their various states. The former civilian governor of Benue State, Rev. Fr. Moses Adasu, went to the 1993 Lagos International Trade Fair to expantiate on the raw materials that abound in his state to the international businessmen at the fair. He went ahead to tell them of the peaceful climate which accompany these raw materials. He told them of the urgent need to exploit these raw materials[43]. This is the spirit of Economic Diplomacy.

The increased involvement of organised private sector (industrial, commercial and financial) in the country's diplomatic activities is witnessed under Economic Diplomacy. There is an unprecedented increase in the inclusion of private businessmen in government delegations to foreign countries. Bankers, members of Manufacturing Association of Nigeria (MAN),representatives of Chambers of Commerce, Industries, Mines and Agriculture and Exporters' Association are now prominent features in Nigeria's diplomatic practice. Nwachukwu's journeys to France, Brazil, Japan, South Korea, Argentina and Indonesia between 1988 to 1991 were made with a contingent of Nigeria's private businessmen. Their mission was to promote commercial relations and attract foreign assistance from these foreign countries.

These organised private sectors became involved in the formulation and implementation of government economic policies. They also form part of the delegations to UN General Assembly and OAU Summit. The OAU Ministerial and Summit Conferences at Abuja in 1991 provided an opportunity for the Private Sector to exhibit their products in a "mini trade fair"[44]. This fair was to open up long term business relations with other African countries and at the same time promote the non-oil sector of the Nigerian economy.

By and large, Economic Diplomacy has helped in deepening the country's dependence on foreign capitalists. The effects of this on the economy is very obvious. The costly effects of this policy has drawn back the development of the nation by more than 20 year. In any case, if this policy can achieve the desired objective of developing the nation's economy and industry, perhaps, the adverse effects of the policy can be overlooked. This is why there is a need to examine the cost consciousness of Nigerian Economic Diplomacy.

3.4 The Nigerian Economic Diplomacy And Cost Consciousness

Although cost consciousness had been part of Nigeria's diplomacy since the beginning of the economic crisis in 1982, it witnessed a high increase during the SAP regime and particularly with the inception of the Economic Diplomacy strategy.

Shagari's boycott of OAU Summit in Libya was done to avoid losing western financial support and aid. The withdrawal of Nigerian troos from the OAU Peace-keeping force in Chad was to cut down the huge financial cost of the Peace effort.

The retrenchment of officers of the Nigeria's External Affairs and reduction of the number of Diplomatic Missions abroad was to cut cost under the Buhari administration.

Before the introduction of SAP in Babangida's early days, Nigeria's Economic Diplomacy witnessed cost consciousness. Concern for economic profits made Babangida to quickly normalise relationship with Britain in 1985. The moves made to break the dead-lock created by Buhari, during Babangida's negotiation for a $2.5 billion extended credit facility (ECF) from IMF is very important in cost - consciousness.

The central element of profitability which was enunciated by Akinyemi under the SAP regime was cost - consciousness. Akinyemi opined that:

> If Nigeria is going to be regarded as an African leader and it is going to entail some cost to Nigeria, then, respect for Nigeria should dictate that views of Nigeria be sought when the situation allows for consultation[45].

He further observed that Nigeria was not a Father Christmas and aid from her to African countries cannot be without strings attached. General Obasanjo's prompt and quick response was to see the position as short-sighted. He warned that such an attitude would make Nigeria "less credible and non-material poorer"[46]. The statement by Akinyemi shows that although he was not the apostle of Economic Diplomacy, the spirit of the diplomacy of SAP began to manifest during his tenure, it only became prominent under Ike Nwachukwu.

Akinyemi took the Concert of Middle Powers (CMP) which was otherwise known as the Lagos Forum to the non-aligned Movement (NAM). His assumption was that NAM had become an irrelevant political movement. He saw the CMP as a more "effective antidote to the bipolarity of the world"[47]. And as a more successful "bridge builder" between the East and the West, a more useful medium for advancing international dialogue and co-operation as well as a strategy for the economic development of the group[48]. The Lagos Forum did not work and so it was abandoned for Technical Corps Scheme (TACS).

The TACS was designed in 1987 to provide African and LDCs countries with young Professionals, especially in medicine, engineering, surveying, law, agriculture and veterinary medicine. These professionals are deployed to these recipient countries for two years. Nigerian government pays the professionals stipends for their upkeep while the host country privides accommodation. Akinyemi, the apostle of the programme explained "one Medical Doctor or one Engineer working in Jamaica or Indonesia or whatever can counter the bad image created by drug pushers"[49]. Akinyemi hoped that the Nigerian professionals would promote economic growth in their state of assignment, foster mutual understanding between the state and Nigeria, and counter the ugly image created by Nigerian drug-pushers with their good work and behaviours. Although the TACS has often been criticised, it was retained and defended on the grounds of cost-effectiveness.

Moreover, the efforts made by Nigerian government between 1988 and 1990 to secure and retain the good-will of US, British, Germany and France surfaced on economic benefits. Margaret Thatcher's visit to Nigeria in 1988 and Babangida's subsequent visit to British in April, 1989 signified the triumph of opportunities for attracting foreign support for Economic Diplomacy over international political posture.

The acceptance of a reversal of 1972, 74 and 77 Indigenization Decrees, Privatization of the economy, liberalization of International trade and devaluation of the Naira under SAP, are all aimed at attracting foreign private investments, rescheduling old debts and attracting new loans. The Babangida Economic Diplomacy also fashioned an American type constitutionally arranged two party system, contrary to Nigerian's needs and aspirations.

A state visit was paid to Nigeria in 1988 by the German President who was given a national honour and an honourary degree. A state visit was also paid to France by Babangida in

1990. All these actions were aimed towards economic gains.

The loyalty shown to the cause of the west was pursued and in cases where the loyalty was questioned, Nigeria was found giving elaborate excuses which sounded like apologising. This happened during the Gulf war when the US and Britain were not satisfied with Nigeria's refusal to contribute troops to the UN Alied Forces. Nigeria's apologetic explanation was elaborate. Nigeria's recent campaign on population control, acceptance of the continuous depreciation of the Naira, debt service burden and her reservation about enforcing ban on wheat importation from US are parts of the nation's vulnerability to the west and international 'co-ercive diplomacy'. To displease the west is too costly to the nation.

In the same vein, western sponsored projects which were ignored or reluctantly supported by Nigeria, before the economic crisis, are now embraced with enthusiasm because of the need for financial gains. For example, Nigeria's attitude towards the Lome Convention was that she was not interested in it. 1986 was to witness a reversal of attitude. Nigeria now has the greatest share of the aid and disbursement of the Lome three (III) Indicative Programme for support for SAP in Africa, Carribean and Pacific (ACP) States[50].

Between 1986 and 1988, Nigeria promised Zambia, Zimbabwe and Botswana US $60 million after the air attack. By 1988, half of the money had been disbursed. Nigeria later launched a N100 million Special Fund in 1988 for South-West People's Organisation (SWAPO) for it campaigns in Namibia. These exclusive spendings were justified on the basis of costs and benefits. This is because racism in South Africa is seen as a security threat, and spending towards the eradication of apartheid can also be for economic benefits. This, according to policy makers, means that African resources would be exploited by Africans and for the benefit of Africans. The financial aid of N10 million trade loan and $5 million given to Equatorial Guinea for the construction of an hospital, polytechnic and an agricultural project was aimed at winning Equatorial Guinea away from racist South Africa. This loan was justified on the basis of cost-effectiveness.

The Nigeria's peace-keeping mission in Liberia (ECOMOG) has been linked to the diplomacy of cost-effectiveness. The venture is to protect Nigerians in Liberia, their economic interests and assist in installing a friendly government that would respect Nigeria's leadership. This kind of leader is not seen in Charles Taylor. With the financial assistance of US and Britain to the peace mission in Liberia, Nigeria sees the mission as being politically inexpensive and relatively safe.

The Nigeria's Economic Diplomacy has indeed reduced Nigeria's focus on general African problems for its own sake hence the open policy of give and take. The economy is now very important in Nigeria's foreign policy and all efforts on general African issues must have beneficial economic undertone. So long as the economy is resuscitated, this could be overlooked. The fact that Nigeria has to be vulnerable to the western powers has brought to an end her autonomous foreign policy. The success of this policy now depends on the managers and the management of the policy and most importantly on the foreign friends to whom loyalty has to be shown. In any event, the dependent nature of the policy might make the possibility of a successful surgical operation on the economy only a mirage.

3.5 Summary

There was little doubt by the begining of the 1980s that Nigeria's economy needed an urgent surgical operation. With the inauguaration of SAP in 1986, it became desirable to accompany it with Economic Diplomacy. Specifically, SAP was to diversify the economy, correct the over-valuation of the naira while at the same time pruning down the serious budget deficit. To enhance the influx of foreign capital with the diversifiction it became imperative to introduce Economic Diplomacy in 1988. This policy was to enhance the realization of SAP through the promotion of export trade, foreign capital investment and increasing foreign financial assistance while at the same time adequately managing the country's external debts. Chapter four analyis the extent to which Economic diplomacy has achieved its aims.

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44. African Concord, 10-6-91, PP 1 - 2

45. A. Bolaji Akinyemi "Nigerian Foreign Policy and the Legacy of Colonialism" Address to the 14th Annual Conference of the Nigeria's Society of International Affairs (NSIA) in the Proceedings on the 14th Annual Conference of NSIA, Held at the University of Port-Harcourt; Nigeria, 10-12- November, 1986, PP.16-17.

46. Sunday Concord, 29-11-89, P.9

47. Cited in Bassey E. Ate and George Obiozor, (ed.) Special Issues of Nigerian Forum; Middle Powers in the International System. (NIIA: Lagos, Nigeria, 1987), P.289

48. Ibid.

49. African Guardian, 10-7-90 P.20.

50. West Africa, September 18-24, 1989, P.1529.

Chapter 4

ECONOMIC DIPLOMACY AND FOREIGN RESPONSE

4.0 Introduction

Debt rescheduling and forgiveness were some of the important objectives of the Economic Diplomacy of the Babangida years. The nature of the external debts and the responses of the various creditors to the diplomatic initiative is the main focus of this chapter. In creating a conducive environment for foreign investments, Babangida put in place a lot of incentives under Economic Diplomacy. The responses of foreign investors will be part of the main focus of this part of the research.

The debt crisis that started in the early 1980s deepened by 1985. The first major borrowing was the jumbo loan of $1 billion in 1978 from the International Capital Market (ICM) to finance some developmental projects. More borrowing from the capital market was sought and credits from multilateral and bilateral sources dried up. State governments also resorted to unnecessary borrowing to finance various kinds of white elephant projects. The debt burden, thus, set into the Nigerian economy. The debt service ratio that was 13.3% in 1980 significantly rose to 26.4% in 1990. The debt service rates that rose from 0.7% in 1980 to 25.8% in 1990 has beeen compounding the debt crisis[1]. All these figures show that the Nigerian debt crisis is deepening.

Table 4.1: Outstanding External Public Debt Stock.

US $ Million

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Multilateral	884	1097	1317	1887	2985	2838	3171	3842	3650
Paris Club	5390	5811	7833	10228	12589	14400	15871	17171	17793
London Club	6263	4996	3560	6088	5860	5960	5680	5861	5988
Promisory Notes	3702	4125	4255	4498	4850	4810	4553	4550	4479
Others	1526	1318	1939	2873	2032	2685	2311	2675	1454
Total	17765	17347	18904	25574	28316	30693	31586	34099	33364
Percentage Share in Total Debt									
Paris Club	30.3	33.5	41.4	40.0	44.5	46.9	50.2	50.3	53.3
London Club	35.3	28.8	18.8	23.8	20.7	19.4	18.0	17.2	17.9
Multilateral	5.0	6.3	7.0	7.4	10.5	9.2	10.0	11.3	10.9
Promisory Notes	20.8	23.6	22.5	17.5	17.1	15.6	15.6	13.3	13.4
Others	8.5	7.6	10.2	11.2	7.2	8.7	8.7	7.8	4.3

SOURCE: Extracted from CBN Economic and Financial Review Vol.30, No.1, (March, 1992), P.79.

The increase in debt stock in Table 4;1 shows an increase in loans from ICM and the bilateral and multilateral Institutions. The default in the accurate computing of the debt, the default charges on overdue loan and the depreciation of the US Dollar against other major International Currencies that was used in disbursing the loan also led to the high increase in the debt stock.

The arrears of trade debt that was accumulated by Nigeria's inability to pay for her exports led to the refusal of foreign creditors to open new credit lines. Nigeria, therefore, sought relief by refinancing the trade arrears. This action did not only fail to stop the trade arrears from increasing, but also skyrocketed and thus deepened Nigeria's indebtedness.

Table 4.2: Debt Servicing Capacity Ratio.

	1983	1984	1985	1986	1987	1988	1989	1990	1991
Debt Service Ratio #	16.6	25.9	28.1	29.4	19.3	26.3	21.9	6.4	25.8
Debt Service To External Reserve #	190.6	225.3	219.1	89.9	136.9	268.1	104.5	88.3	79.8
External Reserve to Import (In Months)	1.1	2.0	3.0	7.9	3.4	2.0	5.9	10.5	6.9
Debt To GDP	20.5	21.1	24.5	62.3	158.9	179.1	278.5	294.2	350.1
Debt Service To Govt Revenue	23.9	36.8	37.0	40.5	39.4	56.3	52.7	78.2	109.6
Debt To Export	148.9	133.7	131.7	404.2	341.0	418.3	362.9	227.6	241.5

These ratios show the impact of debt servicing

CBN Economic and Financial Review. Vol.30, No. 1. (March, 1992), P. 72

The significant increase in debt service payment in 1990 (in the above table) was due to the two Paris Club Agreement that ran concurrently between May and December, 1990. The two Agreements required substaintial payment for servicing them.

4.1 Debt Rescheduling and Restructuring

4.1.1 London Club

The debts owed the London Club comprise trade arrears through letters of credits to Commercial Banks from the Bank of England (London Club). These debts were mostly incurred after the first refinancing exercise of 1983. By 1987, a sum of $2.8 billion payable and incorporated debts were refinanced and $3 billion medium and long term debts were restructured. The two figures made the sum of debts to be $5.8 billion[2]. The new agreement that was reached in 1987 included interest payment of one and a quarter percent per annum with a payment period of 5 years. Under the agreement, the banks were to be provided with new money of $320 million and to repay $1,345 billion per annum. The high debt service commitment made it impossible for the country to meet this obligation and she defaulted.

By March 1989, the Refinancing and Restructuring Amendment Agreement was signed with the London Club. A number of options were opened to the country under the agreement. These options included longer terms of repayment and conversion of payable debt into interest bearing security coupon with interest rate of 13.25% per annum and 18 months maturity period. The debt payments to London Club was reduced from the 1987 $1.345 billion to $711 million in 1989. Again, the cash flow into the country made it impossible for Nigeria to meet the terms under the 1989 agreements.

March 1990 saw the request for a restructuring of the whole debt owed the London Club and a possible debt service reduction. The specific request that was made was that all commercial banks' debts be converted into a 3 year Bond with a grace period of 10 years and interest rate of 30% per annum. Another optional proposal was that the country should be allowed to buy back the debt, be issued principal interest collateralized Par Bond and be allowed to go through the normal rescheduling system.

The negotiation that followed this request lasted for two years and by January 1992, Nigeria bought back 62% of her debt and collaterized Par Bond for the balance of 38%. The debt service reduction that was realised under this agreement was transacted through the Brady Plan Procedure[3]. Under another prior agreement, Nigeria's medium term loan of $7.5 billion was resheduled, four years of grace was granted debt maturing between 1986 and 1987, starting from April 1986 to March 1987. Debt service payment during this time would only be on the interest payable. Principal payments were deferred to 1990 and the payment schedule spread over a period of six years. The table below spelt out the terms of the payment schedule.

Table 4.3: Payment Schedule.

Period	Percentage Payable at Maturity
1st April 1990 to 1st April 1991	5%
1st April 1991 to 1st April 1992	15%
1st April 1992 to 1st April 1993	20%
1st April 1993 to 1st April 1994	20%
1st April 1994 to 1st April 1995	20%
1st April 1995 to 1st April 1996	20%

SOURCE; Federal Ministry of Finance in U. J. Ugwu and R. O. Olaniyan, (ed.) Nigeria International Economic Relations, Lagos: NIIA; 1989, P.186.

All these agreements were signed after IMF has issued a bill of fitness on the Nigerian economy, without which negotiation with the London Club would not have been possible. The fitness bill was given as a result of Nigeria's SFEM and other IMF and IBRD approved economic agenda.

The debt management strategy employed with London Club has significant impact on the Nigeria's debt burden. The debt restructuring under the Brady Plan type has significantly reduced the debt from $5.98 billion in 1987 to $2.050 billion in 1991. Also, Promisory notes fell slightly from $4.8 billion in 1988 to $4.497 billion in 1991. The debt conversion programme helped to redeem $632.5 million by 1991. Although this is a significant amount, it still constitutes a very small proportion of the country's total debt stock.

4.1.2 Paris Club

The Paris Club is an ad-hoc group of western creditors governments that have been meeting under the chairmanship of the French Treasury since 1956 to replace bilateral negotiation with multllateral meetings of its creditors. The Club has evolved proceedures and practice which have been adopted by the Bank of England (London Club). The Procedures include agreement to meet only after payment arrears have been made and the debtor country has agreed to an IMF recommended programme[4].

The Paris Club's mechanism has not been effective in easing the debt difficulties of Africa because the relief has been very small, insignificant and very costly. Although the Club insists on an IMF programme before debt reschuduling, it does not provide new aid and credit facilities as part of the procedures. This kind of treatment has made the international environment highly unfavourable to Africa. This unfavourable situation has made it impossible for Africa's export to meet her debt and developmental obligations.

The negotiation with the Paris Club that started in 1986 continued till 1991 when Nigeria got a "favourable" agreement by rescheduling a total debt of $3.2 billion. The Paris Club debt accounted for 53.3% of Nigeria's total debt stock by 1991. This makes the debt the most significant of the country's burden that needs to be addressed for the country to achieve any substantial economic growth. Because of the Club's belief that Nigeria is a wealthy and resourceful country, no concession has been granted Nigeria up to date in the rescheduling exercise.

The agreement reached with the Club only presented a temporary relief and has not affected the net value of the debt. The restructuring of the debt has always been for a consolidated period of about 15 months and not on the whole debt stock. Rescheduling with the Paris Club has, thus, been the most complex and complicated of Nigeria's debt burden. Under this rescheduling, several agreements always run concurrently. The 1990 debt service payment is an example of such concurrent payment. The Paris Club debt rescheduling exercise continues to make the total debt stock to increase significantly despite the fact that no new debt was incurred. The agreement that was signed with the Club between 1991 and 1992 provided a debt relief package of $1,975.5 million and $1,063.9 million to be enjoyed between 1992 and 1993 respectively. Afterwards, the normal debt service will continue and this means a higher debt service burden than what existed before. The 1994 will usher into the service burden the amount of $2,883.43 million as against $1,809.41 million of 1993 and this means that the relief package of $1,063.9 million that has been enjoyed in 1993 will go. The overall effect of this very significant increase is that the outstanding debt of Paris Club that was $18.291 million will increase to $17,793 million as a result of the consolidated programme of relief[5].

The table below is the plan drawn by the Federal Ministry of Finance to help Nigeria meet her financial and debt obligations. By 1995, an adequate recovery is expected to have taken place so that the domestic economic development can be pursued.

Table 4.4: Nigeria's Recovery Financing.

($ MILLION)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Oil Production *	1.5	1.5	1.6	1.7	1.8	1.8	1.8	1.8	1.8	1.9
Oil Export *	1.2	1.3	1.4	1.5	1.6	1.6	1.6	1.6	1.6	1.6
Oil Price **	15.00	16.50	17.50	19.50	20.00	21.50	24.50	26.50	29.50	31.50
Oil Exports	6680	7650	8770	10190	11460	12560	14020	15480	16940	18400
Non Oil Export	400	500	740	830	980	1070	1180	1320	1470	1650
Total Export	7080	8150	9510	11020	12440	13630	15200	16800	18410	20050
Mechandize Imports	6000	7040	8040	8700	9360	10030	10740	11510	12320	13200
Invisible Imports	1200	1480	1610	1740	1870	2010	2150	2300	2460	2640
Total Import	7200	8520	9650	10440	11230	12040	12890	13810	14780	15840
Estimated Financing After Resch. Debt Service	4150	5120	4660	3610	1210	180	-	-	-	-

* Million Barrels per day
** Dollar Price per barrel (Projected)

SOURCE: Extracted from World Bank and Federal Ministry of Finance Statements in Ogwu and Olaniyan ed. <u>Nigerian International Economic Relations</u>. NIIA; Lagos, 1989, P.188.

A first glance at the table reveals a big problem in the projected value of the oil export. The projected price of oil export for 1994, that is put at $29.50 per barrel is faulty. This is because the International community has put the oil price at $15.00 at the beginning of the year. The $29.50 that was projected almost doubled the real price of the commodity. The Recovery Financing, therefore, becomes faulty because with the real price, Nigeria will not be able to meet most of her financial obligations.

The analysis of the rescheduling programmes shows a mixed performance. The short term debt relief that was granted by Paris Club rescheduling resulted to a debt over-hang. A debt over-hang is a situation in which a reduction in the value of the debt would likely increase the expected value of the future debt service payments. The resheduling exercise in Paris Club is a clear case of debt over-hang.

4.2 Debt Conversion

The debt conversion programme, that was introduced under the Economic Diplomacy is part of the recommendations of the Brady Plan. The Plan recommended three ways of encouraging growth and reducing debts. The first option is the debt Buy-back under which debts are to be repurchased through the assistance of the IMF and World Bank at discounted rate. The second option is the Debt Conversion Strategy, under which floating market interest rate debts are to be converted into new debts or assets with rates below the market interest rate and guaranteed by IMF/World Bank Collateral support. The third and final option proposed by the Brady Plan is the Debt Equity Swap under which debt are purchased by creditors for direct foreign investments in the debtor country.

The Nigeria's Debt Equity Conversion is a strategy under which certain percentage of the country's external debt is converted into Equity Investment in the country by the creditor. This kind of investment can be for financing an entirely new company or expanding an already existing one. The debt stock and interest payment is expected to reduce to the level of the conversion after debt conversion has taken place. The reduction in the external debt stock is expected to lighten the burden of debt servicing. The aim of debt conversion, among other things, is to ensure cash inflow and to assist the private sector investment through recapitalization. By December, 1991, a total sum of $332.5 million has been converted under the programme[6]. Below is a summary of the debt converstion transaction that took place between 1989 and 1992

Table 4.5: Summary of Debt Conversion Transaction As At 31/12/92

		AT AUCTION		OUTSIDE AUCTION		TOTAL	
1.	Amount Redeemed	1992 1	1989-1992 2	1992 3	1989-1992 4	1992 5	1989-1992 6
a	$ Million	112.4	580.3	20.5	180.5	132.9	760.9
b	N Million	2220.9	2251.8	405.1	1357.0	2626.7	7608.8
2.	Discount Offered						
a	$ Million	53.1	268.4	11.8	92.2	64.9	360.6
b	N Million	945.6	2632.4	220.0	845.4	1165.6	3477.8
c	Average Discount Percentage	47.9	-	47.0	-	47.5	-
3.	Proceeds						
a	$ Million	120.6	377.5	25.1	103.1	145.7	480.6
b	N Million	1015.6	3056.1	247.6	855.7	1263.2	3911.9
Commission paid							
a.	$ Million	1.1	7.6	0.3	2.2	1.4	9.7
b.	N Million	1.9	6.2	-	1.3	1.9	7.6

SOURCE: CBN Annual Reports and Statement of Accounts, 31st December 1992. P.73.

Table 4.6 is a summary of debt conversion transaction. The table shows that certain concessions are given at debt conversion. The concession can be in form of discount. The discount that was offered in 1992 alone amounted to $6.9 million and N1,165.6 million and between 1989-1992, a total of $360.6 million and N3,477.8 million were offered as discount at debt conversion transaction. In 1992, the proceeds realised from debt conversion were $145.7 million and N1,263.2 million. And between 1989- 1992, a total of $480.6 million and N3,911.8 million were realised as the proceeds from debt conversion. Although this debt conversion was expected to go a long way towards reducing the country's debt burden, the portion of the debt converted was so small out of debt stock that the positive effect of the conversion was not felt.

4.3 Foreign Assistance And Investments

Barely one year into the existence of Economic Diplomacy, the following have been realised, among other things, in the search for money; a debt component free commitment of seeking technological advancement which made Argentina to undertake a joint venture with Nigeria's Obudu Ranch and loan agreement of $27.9m was signed with the World Bank and Britain under which the World Bank (IBRD) would provide $23.3m,Britain $1.2m and Nigeria $3.4m[8]. This agreement and other loan agreements all carried soft-term and are directed towards the country's economic recovery.

4.3.1 Brazil

Although Nigeria sent a delegation of businessmen to Brazil at the beginning of Economic Diplomacy, the Brazilian response has not been positive to the policy. The reason for this lukewarm response is not far-fetched from the non-payment of the debts owed Brazil by the Nigerian government. This is why investors are not keen on the investment climate existing in Nigeria. It is, perhaps, for this reason that the Brazilian Ambassador to Nigeria admitted in 1990 that he is "battling with this negative image".

The debt problem has, as a matter of fact, made the Brazilian government to stop financing their companies in Nigeia since the beginning of Economic Diplomacy.

4.3.2 Britain (United Kingdom)

President Babangida (former Nigeria's President and Messiah of Economic Diplomacy) went to London on a three -day state visit in 1989. Britain did not only give him a royal reception but also signed several agreements in support of Nigeria's Economic Diplomacy. An aid agreement was signed between Nigeria and Britain and Nigeria was to receive sixty Million Pounds, out of which ten Million Pounds was tied to the purchase of British goods. The sixty Million Pounds became part of the 342 million Pounds SAP relief package in the January, 1989 agreement[10].

Although a pledge of $100 million in support of Nigeria's economic reconstruction effort had been made by Britain[11], she still signed another agreement to finance the supply of $10 million worth of drug to Nigeria. N780 million was also given as aid grant to the government together with N71.5 million Technical Co-operation[12]. British Overseas Development Administration also approved 1.5 million Pounds for University Equipment Maintenance Project in Nigeria.

By October 1990, another agreement of British grant worth twenty-five million Pounds was signed again in support of SAP. This grant is part of another pledge of sixty million Pounds made during the November 1989 World Bank led Consultative Group for Nigeria. With all these British disbursements, by 1990 Nigeria became the second largest recipient of British grant aid only after India.

Although Britain has shown an impressive response to giving grant aid to Nigeria, the same cannot be said for investment. The British government and businessmen have shown little interest in investing in Nigeria. Indeed, their interests in investing appear to be waning due to the non payment of overdue outstanding debts owed by Nigeria.

TABLE 4.6: Cummulative British Private Investment 1986 - 1990

(N MILLION)

Year	Paid Up Capital Plus Reserves (1)	Other Liabilities (2)	Total of 1 and 2 (3)	Percentage Distribution in total Foriegn capital investment (4)
1986	2119.6	2954.3	5073.9	54.5
1987	2456.7	3053.4	5510.1	55.1
1988	2605.2	2119.7	4727.9	41.7
1989	3464.7	2789.8	6254.5	57.4
1990	4313.1	2514.9	6828.0	65.4

SOURCES: Extracted from CBN Economic and Financial Review, Vol.30, No.3, September, 1992. P.199

The above table reveals a gradual increase in the British investment in Nigeria. It rose from 54.5% of total foreign investmentin 1986 to 55.1% in 1987 only to fall to 41.7% in 1988 but to rise to 57.4% in 1989 and further to 65.4% in 1990. Although this rise in foreign Private investment is significant, yet, it is not impressive. When the percentage is analysed in relation to total of 1 and 2, it is seen that the total that increased from N5073.9 million in 1986 to N5510.1 million in 1987 indicates less than a percentage increase, whereas the 1989 increase from N6254.5 million to N6828.0 million represents 8%. This increase is not impressive especially when one looks at the incentives put in place to encourage the increase. The gradual increase of investment from 1988 (when the policy was inaugurated) to 1990 shows a maintained trend. Naturally (and rightly so) a positive response would have shown a much higher percentage.

Table 4.7: Flow of British Private Capital 1986 - 1990.

(N MILLION)

Year	Inflow (1)	Out Flow (2)	Net Flow (3)
1986	1769.5	289.8	1479.7
1987	2304.7	1870.5	434.2
1988	1276.7	2059.9	- 783.2
1989	1979.2	450.0	1529.2
1990	1102.2	529.0	573.2

SOURCE; Compiled from CBN Economic and Financial Review, Vol.3, No.3, September, 1992. P.196.

Table 4.8 shows the distribution of flow of British Private Capital. Before the introduction of Economic Diplomacy, the net capital flow into Nigeria was N1,479.7 million (1986), it fell to N434.2 million in 1987 and further to N-783.2 million in 1988. With the introduction of the policy, the net flow rose again to N1529.2 million only to fall again to N573.2 in 1990 when the policy has been in full swing. Inspite of the policy, the outflow still continued to be at an increase. The inflow in 1986 (Pre Economic Diplomacy) was N1769.5 million with an outflow of N289.8 million. The outflow represented 16.4% of inflow. With the introduction of the policy and by 1990, the outflow was N529.0 while the inflow was N1102.5. The outflow represents 48% of inflow. These figures indicate a negative response to the objectives that informed Economic

Diplomacy. This is because capital outflow that was 16.4% of inflow in 1986 before the policy rose significantly to 48% of inflow in 1990 with the policy in full swing.

Indeed, it was between 1989 and 1992 that the Nigeria's budget was geared towards the support of Economic Diplomacy. The budgets put in place a lot of incentives towards supporting Economic Diplomacy. Yet the inflow of capital dropped from 83.6% of outflow in 1986 to 52% in 1990.

A trade delegation of British businessmen came to Nigeria in October, 1990 to survey the industrial climate. They identified many areas of interests ranging from estate development to book publishing. They, however, identified some obstacles to their investments in Nigeria. These are, lack of middlemen, successive business threats to existing ones, harsh investment climate (i.e. buying shares and becoming 100% owners), unnecessary delay in debt payments, government interference in business, little returns for investment on devalued currency and, of course, political instability[13].

In the area of debt cancellation, Britain prefers to reschedule the debts owed by Nigeria and servicing same than to write them off or cancel them. Britain is more interested in giving grant aid to Nigerian and recovering the money owed her than investing in an unstable Nigeria or cancelling a debt that was acquired through reckless spending. By and large, Economic Diplomacy can be said to have failed in the realization of its objectives vis-a-vis British investment and debt cancellation.

4.3.3 France

Although France deemed it fit to cancel Ghana's debt totalling $22 million and converted another $44 million into grants, France did not see the necessity in doing the same thing for Nigeria. France, just like Britain, did not see Nigeria as being eligible for debt cancellation, she prefers to reshedule Nigeria's debts[14]

. The consolidated agreement that Nigeria signed with France in September, 1989 was to facilitate the Agreed Minute of the Paris Club of March, 1989.

In the agreement, Nigeria was to repay debts opened for refinancing, and the consolidated debts not opened for refinancing was to be rescheduled and repaid directly to Compagnie Francaise d'Assurance Poor le Commerce Exterieur.

During Babangida's state visit to France in 1990, another agreement was signed with the French government. This agreement was a mutual protection and encouragement of investment for an initial period of 10 years. The conditions under the agreement make expropriation or nationalization difficult. Any measure that would disposses France of her investment must not discriminate or be contrary to the agreement. Another agreement aimed at preventing double taxation and tax evasion in relation to income and capital gain was also signed[15]. A loan of $24 million accompanied this agreement. Compensation is to be paid by Nigeria in the event of nationalization of French ventures in Nigeria.

However, there was nothing in the agreement about Nigeria's reaction to the contradiction that can arise between the terms of the agreement and Nigeria's national interest[16]. Before this time, a loan of $200 million was signed with Nigeria to assist the Ajaokuta Iron and Steel Complex[17].

All these contracted obligations, indicate a determination to foster closer economic links. Although French Trade Missions have been to Nigeria as follow up to the agreement, no significant response can yet be seen at the level of French Private Investment in Nigeria. One can continue to hope that the agreement will make France to show a positive response towards investing in the manufacturing and agricultural sectors of the economy. Today, oil takes more than 90% of the France - Nigerian trade relations. Thus, the Economic Diplomacy's objective of diversification and trade expansion is yet to be realised. France's aid grants to Nigeria have not been forth-coming. This is because the former sees the latter as Britain's responsibility. And France believes that since Britain does not see the rationale for debt forgiveness, she (France) has no cause to see it as being an important obligation. France's Policy of debt forgiveness and debt conversion into grants is more geared towards the Francophone countries and she believes that Britain should do the same thing towards the Anglophone countries.

4.3.4 Japan

By September 1988, Nigeria sent a delegation of private and public sectors to Japan to solicit support for Nigeria's Economic Diplomacy. By 1989, Japan has redeemed her pledge of $200 million in support of Nigeria's economic development efforts. A favourable term of 8 years of grace and 20 years repayment with 3.5% interest rate accompanied the loan[18].

In the spirit of Economic Diplomacy, the Japanese Ambassador to Nigeria Mr. Mitsuro Donowaki was confered with the Honour of Commander of the Order of Niger (CON) in August 1989, when he completed his tenure. June 1990 saw another donation of N2.5 million to the National Theatre by the Japanese government in support of Nigeria's cultural promotion. Another N10.3 million was given as assistance for the eradication of Guinea-worm and to improve the training facilities of Nigerian Institute of Oceanography and Marine Research[19].

In the area of investment, although Japan has, since 1990, been the major contractor of Eleme Petrochemical Phase II (a contract of more than $1 billion), her response to Nigeria's call for investment has not been impressive. She has shown serious reservation and caution in investing in the country. This is, perhaps, why Japan has alternated aid grants for investments. With her actions, Japan is not expected to show any positive response to investing under the favourable terms of Nigeria's Economic Diplomacy.

4.3.5 Malaysia

Before 1988, Nigeria's relationship with Malaysia had been purely political both being members of the Commonwealth. The advent of Economic Diplomacy, however, introduced a new focus into Nigerian - Malaysian relations.

The September - October 1989 meeting of Commonwealth Heads of Government Summit saw the two governments becoming aware of the kind of economic relation that could exist between them. Although Malaysia is also an oil exporting country, her own economy is diversified - oil exports accounts for 30%, Agriculture 30%, Manufacturing 30% and Services 10%. Nigeria saw a need to emulate this kind of diversification. Within two months, an agreement had been signed between the two countries and this led to the creation of Nigeria Group of 15 Economic Council (G.15).

The Council was to start with the promotion of trade and information about Nigeria's economic potentials, this is to be followed by a similar thing on the Malaysian economy and subsequently on other members of the G.15. This agreement appears to be insignificant because Malaysian total export to Nigeria is not more than $25 million per annum. This is perhaps because the two countries' exports are the same - palm oil, crude oil, rubber and cocoa. Not only this, Malaysian companies are small and therefore not capable of providing the kinds of large investments needed to facilitate Nigeria's Economic Diplomacy. Of importance is the fact that despite the signing of the agreement, Nigeria has no High Commission in Malaysia, even though the latter has had one in Nigeria since 1965.

The Malaysian government also requested for the provision of basic facilities, like easy communication links, bilateral payment agreement and direct postal links in the agreement. Knowing the Nigeria's system of operation, providing all these basic facilities could be difficult after all.

4.3.6 United States Of America (USA)

Between 1986 and 1990, although American investment in Nigeria has been on the increase, the era of Economic Diplomacy indicates a nagative response. Moreover, when the incentives put in place to encourage American investment is juxtaposed with the investment, the response will not be worth all the troubles.

Table 4.8 Cummulative American Private Investment 1986 - 1990

(N MILLION)

Year	Paid Up Capital Plus Reserve (1)	Other Liabilities (2)	Total 1 +2 (3)	Percentage Distribution in Total Foreign Capital Investment (4)
1986	523.6	857.9	1381.5	14.8
1987	623.2	575.3	1198.5	12.0
1988	927.3	1807.5	2734.8	24.1
1989	1236.3	- 593.5	642.8	5.9
1990	1923.2	- 1713.9	209.3	2.0

SOURCE; Compiled from CBN Economic and Financial Review, Vol. 30, No.3, September, 1992, P.199.

Although American paid up capital plus reserves increased from N623.2 million before the introduction of the policy, to N1236.3 million after the introduction, this does not indicate a positive response to the policy. This is because the

Nigerian currency lost its value between this period at an alarming rate and because the American dollar has been given a superior status with the devaluation, the response is by far below expectation.

Also, American other liabilities that was ₦575.3 million before the advent of the policy increased to ₦1807.5 million in 1988 only to fall very sharply after the inauguration of the policy in 1989 to - ₦593.5 million and further to - ₦1713.9 million in 1990. This is definitely not a positive response to the policy. The percentage distribution that fell from 24.1% in 1988 to a mere 2.0% in 1990 is not an impressive response.

Table 4.9 Flow Of American Private Capital 1986 - 1990

(N MILLION)

Year	Inflow (1)	Out flow (2)	Net Flow (3)
1986	1359.2	847.9	511.3
1987	1762.8	1945.8	- 183.0
1888	3272.6	1736.3	1536.3
1989	1642.4	3738.4	- 2096.0
1990	6003.1	6436.6	- 433.5

SOURCE; Compiled from CBN Economic and Financial Review, Vol. 30, No.3, September, 1992, P.196.

Table 4.10 shows the flow of American capital. The net capital flow that was N1536.3 million in 1988 dropped after the introduction of the policy to N-2092.0 m in 1989. By 1990, the capital inflow has increased from N1642.4 million of the previous year to N6003.1 million and the capital outflow increased from N3738.4 million to N6436.6 million during the same years. The 1990 figures indicate a negative response. This is because the inflow of capital that increased from N1646.4 million to N6003.1 million reveals an improvement from other years. However, this response turns negative when the whole capital and more capital flow out of the country through the repatriation of N6436.4 million.

Table 4.10: Value Of Poreign Companies' Fixed Assets 1986 -90

(N-THOUSAND)

	1986	1987	1988	1989	1990
U.K.	1955327	2400395	2920887	4066786	6239331
U.S	1733860	1984193	2259123	2540223	4394220
Excluding UK					
W/Europe	1559695	1866520	1998228	2330144	5225194
Unspecified					
Countries	1067097	1260428	1563461	2233211	4531059
Total	6315979	7511536	8741699	11170364	20389804

SOURCE; Compiled from CBN Economic and Financial Review, Vol. 30, No. 3, September 1992, PP. 212 - 215.

Table 4.10 shows the value of fixed assets of foreign companies in Nigeria between 1986 and 1990. The table reveals the value of the British fixed assets accounting for about 31.4% of all foreign owned fixed assets. The fixed asset, that is distributed across all the economic sectors, shows a gradual increasing rate. The value of UK fixed asset that was N1955327 million in 1986 had increased to N6239331 million by 1990. Other Western Europe Countries (excluding UK) asset that was N1559695 million in 1986 had increased to N5225194 million by 1990. The total of foreign fixed asset that was N6215979 million in 1986 had increased to N20395804 million by 1990 and the US fixed assets accounting for 22.1% of total foreign fixed assets.

All the increase in the rate of fixed assets is supposed to indicate a positive response to Economic Diplomacy but looking at the reality of the Nigerian political economy, the increase could be partly due to the depreciation of the Naira vis-a-vis other major foreign currencies.

Although Economic Diplomacy cannot be said to have been successful in realising its objectives, one cannot say that it has totally failed. It has recorded success in debt resheduling, debt conversion and grant aid but the same cannot be said for private foreign investment and diversification of foreign exchange earning base of the country. This is because of investors' preference to tread on a familiar area (oil) and take their time to look before leaping into an unknown area. This is why this study opines that the external response to the spirit of Economic Diplomacy has been mixed, cautionary, slow in coming but could be promising if viewed outside the outflow of capital. But if viewed in relation to outflow, then the study can assert that Economic Diplomacy might never realise its objective of developing the economy.

In any event, what these countries are ready to give is not what Nigeria wants. Although the grant-in-aid given has been very useful, Nigeria is more interested in their investment that can help to develop the economy on a long term. On the whole, since the climate has not influenced capital inflow, the country might find it very difficult to achieve the objectives that informed the initiation of Economic Diplomacy.

4.4: Government Deficits, Inflation Growth And Foreign Exchange Earnings

One of the objectives that informed the implementation of SAP - pruning down the budget deficit-has not been realised. From the beginning of SAP till date, budget deficit that ballooned in an uncontrollable manner maintains a permanent feature in government financing.

Table 4.11: Government Deficits.

PRE SAP YEARS		SAP YEARS	
Year	Deficits (N MILLION)	Year	Deficits (N MILLIOM)
1980	1,972.2	1987	5,889.1
1981	5,397.7	1988	12,160.9
1982	6,104.1	1989	15,266.1
1983	5,070.0	1990	23,357.1
1984	2,615.1		
1985	3,589.2		
1986	2,666.8		
Average - Deficit	3,916.4	Average - Deficit	14,168.3

SOURCE; Compiled from ECPER Journal, Vol. 1, No.1, January - March 1993, P.9.

The introduction of SAP has only helped in worsening the deficits problem. An average deficit of N3,916.4 million that was recorded in the pre-SAP years has increased to N14,168.3 million with the implementation of SAP. This increase is due to the massive devaluation of the SAP era. Inflationary pressure also increased drastically with the introduction of SAP.

Table 4.12: Inflation Growth Rate

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Rate %	9.9	21.0	7.6	23.2	39.6	5.5	5.5	10.1	38.2	38.1	30.1

SOURCE; Compiled from ECPER Journal, Vo. 1, No. 1, January - March,1993, P.12.

The inflationary growth rate that had stabilized to 5.5% before SAP rose drasitacally to 38.2% in 1988 SAP and 30.1% by 1990. All these show the adverse effect of SAP on the economy.

Table 4.13: Visible Foreign Trade.

($ MILLION)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
Total Imports	16061	12254	9364	8877	4034	3912	4727	4190	5688
Total Exports	12814	10358	11856	12548	5155	7365	6875	8871	13670
Crude Exports As % of Exports	98.80	96.00	96.70	92.90	92.50	95.40	91.20	94.00	97.00
Food Imports As % of Imports	-	4.10	5.30	5.30	6.20	1.20	0.50	2.30	-
Exports As % of Imports	79.78	84.53	126.61	141.35	127.79	188.27	145.44	187.85	240.33
GPD Growth Rate	0.5	4.1	6.7	7.9	3.2	1.8	4.1	4.0	5.2
Exports As % of GDP	16	13	14	15	12	27	21	26	42

SOURCE; Compiled from <u>ECPER Journal</u> No.1, Vol. 1, January - March 1993, P.12.

Table 4.13 shows an increase in the export earnings from $12,814 million in 1982 to $13,670 million in 1990 while the value of imports reduced from $16.061 million in 1982 to $5,688 million in 1990. The value of exports as percentage of GDP has also improved from the 16% of 1982 to 42% in 1990. All these improvements show an increase in the country's foreign exchange earnings and the gains of the period have been spent on servicing and resheduling debts. And although there is an improvement in the export earnings over the imports, import dependency still exists in several areas of the industrial sectors.

On the whole, SAP has not succeeded in laying "a basis for a sustainable non-inflationary growth". The nominal growth, if any, has been distorted by very high inflation growth.

4.5 Nigerian Economic Diplomacy And Sub-Saharan African Debt Crisis.

Across the continent, debt servicing burden has often been a problem to the economic growth. More than 30 out of the 44 countries in Sub-Saharan Africa (SSA) have been rescheduling their bilateral debts with the Paris Club. More than 24 out of these 30 countries are classified as severely indebted countries[20]. This debt burden has made these African countries to be structurally weak, economically dependent and penetrated.

The terms of trade shock is one of the things responsible for the debt problem facing SSA. The trade decline of more than 25% between 1980 and 1988 met the continent unprepared[21]. Most SSA countries, just like Nigeria, borrowed externally with the belief that the decline would only be a temporary problem. By the time they were able to see the problem as a permanent feature in their economic activities, the debt crisis had set in. The terms of trade shock made SSA nominal GDP per capita to decline from $612 in 1980 to $485 in 1990[22] and much lower now. The debt burden became unmanageable for SSA.

Dragnoslav Avramonic of the the European Center for Peace and Development sees the reduction of African debt as necessary. This is because the huge nature of the debt burden is constituting more than 100% of Africa's GNP[23]. The falling commodity pricing of the world agricultural products is seriously affecting SSA whose main export product is primary products. The decline in the pricing has not only signalled the beginning of the debt crisis between 1980 - 1983, but also made the debt burden very serious. The debt service, at the beginning of 1991, was taking up to 38% of Africa's declining exports[24].

UK's Chancellor of Exchequer, John Major, proposed a complete forgiveness of Africa's debt, if the affected countries implement sound economic policies. This proposal that came to be known as the "Trinidad Proposal" was made on 7th September, 1990[25].

However, the debt problem took a different dimension when the World Bank Sponsored a project on Africa's economic crisis[26]. The main issue in the project was to address the cause of poverty and underdevelopment in SSA. Rather than addressing the issue of economic development, the study sees the achievement of economic growth within the rubric of SAP. The report sees Africa's problems as being occasioned by corrupt leaders and lack of proper management of capital into projects.

In an escapist approach, the study fails to assess how Africa got into her present state of underdevelpment and how International institutions like the World Bank contributed to the underdevelopment. Although, the report presents the western nations as benevolent with their assumption of the donor countries' role, the report refuses to show how these western countries came to acquire this role in Africa. Expectedly, the role of the debtors in the development of the western countries and institutions is not explained.

The report further goes ahead to believe that SSA has not industralized because efforts at industrialization focussed on state-led creation of capacity at the expense of taking into account cost of markets. This view is certainly the wrong interpretation of blocked capitalist association with imperialism in Africa. The extravagant economic policies recommended by the study is a way of perpetuating their imperialistic tendencies and consolidating the dominant role of western capitalist.

This is why SAP has been recommended by the Report. It is this same SAP that calls for liberalization of trade (as opposed to protectionism), devaluation of currency, removal of subsidies etc. The imperialistic urge is to see to the total destruction of African economy through theirexpensive policies. This, perhaps, explains why the Euro-dollar and other western currencies facing serious crisis and inflation have not been devalued like the African currencies,according to IMF standard.

By 1991, not less than 30 African countries have adopted SAP with its external policy of Economic Diplomacy. By 1993, the promise of a speedy socio-economic development under SAP has not been realised. These African countries are still exploited, underdeveloped and highly dependent on these International institutions that recommended SAP and its

Economic Diplomacy. The belief of these western institutions is that the benefit of SAP is slow in coming because of the structural impediments to growth in Africa. And these impediments can only be removed over a long period of time. World Bank attributes this problem to the deplorable level and efficiency of capital investment in SSA[27].

Morestill, in order to try and follow the economic reforms driving the common men of Africa into poverty, the World Bank had a "Poverty Workshop" in Madrid and Paris[28]. Critics of foreign aid agencies, politicians, and academia were invited. The purpose of the workshop was to share experiences on what World Bank Market - freeing reforms are doing for the poor and how best to help the poor countries.

"Poverty reduction handbooks" were issued to all World Bank officials to help them assess how each project affects the poor. Lewis Preston, World Bank President opined that "poverty reduction must be a benchmark against which our performance as a developmental institution must be measured"[29]. However, the problem will be on how to achieve the goal since the reforms do not come out as predicted by the World Bank theories.

4.6 Summary

Economic diplomacy was introduced to help resolve the debt and economic crises. Substantial debt rescheduling activity was achieved by 1992. A proportionate reduction through the rescheduling and Debt Equity conversion was realised under debt management. However, this reduction was insgnificant in relation to the total debt stock. De-investment, Profit repatriation and concentration on the oil sector made it impossible to acquire any menaingful development through foreign investment. The foreign aid that was realised was tied to the purchase of donor countries' goods and this has not made it possible for Nigeria to be independent in foreign aid management. Debt forefiveness has not been realised under Economic diplomacy. The next chapter summarizes the findings of the research, presents the conclusion, examines the implications on Nigerian foreign policy and profers some suggestions.

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Chapter 5

SUMMARY OF FINDINGS, CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

5.0 Introduction

The Economic Diplomacy of the Babangida administration, which was expected to help develop and revamp the Nigerian economy, has instead deepened the economic crisis. The policy was introduced originally as a complement to SAP, which in itself was to alter the economy and resolve the debt crisis, foster foreign investment and stimulate production. The extent to which the policy achieved its major objectives has been the major focus of this study. In this chapter, we summarize our findings, present our conclusion, examine the implication of the policy for the economy and for the Nigerian foreign policy in Africa. Finally, this chapter offers some recommendations.

5.1 Summary Of Findings.

In this study, we found that the new Economic Diplomacy of Babangida administration has meant a number of things. The most important of these meanings was the importance and the need to market and sell Nigeria to the International business community. In doing this, the management of the country's debt became very important. This is why this study sees the management of Nigeria's debt as being the bedrock of Economic Diplomacy. The need to manage this debt became very important with the inception of the policy. This was to present the country to the investors as a credit worthy and investment worthy nation.

The study also revealed that Economic Diplomacy meant debt rescheduling, debt forgiveness and debt equity conversion. The restructuring and rescheduling of the Paris Club debt was of particular concern to Economic Diplomacy. The research reveals that several agreements with the Paris Club ran concurrently under the resheduling exercise. Between 1991 and 1992, a debt relief package of $1,975.5 million and $1,063.9 million was to be enjoyed between 1992 and 1993. After this period, the normal debt service payment was to commence. And this would mean a higher debt service payment than what existed before debt resheduling. After 1993, the debt service payment to the Paris Club would be $2,883.43 million as against $1,809.41 million of 1993. The implication of these figures is that the relief package of $1,063.9 million would have to go[1]. This is what is called debt over-hang. The creation of this kind of debt by the international institutions is faulty because they are only funding the debt created by their own policy.

Foreign investment has also been found to be of paramount importance to Economic Diplomacy. The Diplomacy meant the encouragement of foreign investment through trade liberalization. Shuttling diplomacy and the need to win the confidence of foreign friends who would invest in Nigeria became very important to the spirit of Economic Diplomacy. This was why the apostles of the policy reiterated on the need to win the confidence of these foreign friends by showing loyalty to their cause.

Our study shows that the flow of foreign investment into Nigeria, since the beginning of Economic Diplomacy, revealed unwillingness of foreign investors to direct capital into the country. The 1989 CBN Review revealed that the most important economic sectors experienced very little inflow of capital investment[2]. This finding shows that the inflow of foreign capital investment, regardless of the domestic policy incentive, has not been available and where available it has not been directed at the primum sector of the economy.

It was clear that capitalist is preferred investing in sectors with greater advantage to them than in those that would help to achieve and develop sustainable growth in Nigeria. This attitude was partly due to the nature of existing productive forces including access to host market and partly due to the political climate in the country. With political instability, investors preferred short term investment and profit repatriation than long term investment and profit re-investment. In any case, foreign investors are more concerned with profit making than developmental issues.

In all the data analysed, the inflow of foreign investment has not been encouraging. This was why Babangida, the originator of the policy noted that:

> during the period under review, much was done by the government to free the economy from unnecessary bureaucratic control and create a more conducive environment for the injection of new capital in the economy. It is however disheartening to note that inspite of these efforts, prospective investors still found residual impediments in the system[3].

The investors showed lukewarm attitude towards investing in Nigeria and most of the surpluses of these few investments were expropriated through profit repatriation, free incentives, royalty fee and licences. These foreigners were not only perpetuating a deepening dependence but also trying their best to sap the means of development. This tendency showed that there was a net outflow of capital over and above the initial investment inflows. This confirms the argument that the decapitalization process of foreign investment does not only nurture external dependence but also reinforces the center-periphery relation which is a system of inequality[4].

Another important issue addressed in this research is whether Economic Diplomacy was a new thrust in Nigeria's foreign policy initiatives or not. The study reveals that Economic Diplomacy was not necessarily a new thrust in Nigeria's foreign policy initiatives. From Balewa's non-alingment to Gowon's leading role in the formation of ECOWAS right down to Shagari's Lagos Plan of Action and Buhari's counter-trade, traits of Economic Diplomacy had been identified. The areas of differences were in the strategies employed, re-ordering of priorities and areas of focus. Right from independence till date, Nigeria's foreign policy has always been determined by her domestic economic requirements and the nation's political relations has often been more intense with the countries that are her biggest trading partners. Issues like foreign aid, foreign trade, foreign economic assistance, foreign loans and regional economic groupings have always been important features in Nigeria's foreign policy.

This finding is not to dismiss the strong emphasis that Babangida placed on Economic Diplomacy, far from that. The strong focus placed on debt resheduling, debt forgiveness, debt equity conversion, foreign investment and the international financial institutions, although cannot be necessarily seen as new, represented a far-reaching effort to affect the conduct of Nigeria's foreign policy in general.

The assumption that the devaluation of Nigeria's currency would cheapen the external values of Nigeria's products and place them in high demand has proved wrong. This is because of the country's comparative advantage which laid in the production of primary products like cocoa, cotton, rubber, groundnuts, hides and skin etc. The saturation of the world market by these products and the unfavourable terms of trade for such products have de-emphasised the devaluation of the currency under SAP on the one hand and the scrapping of commodity boards under Economic Diplomacy on the other hand.

As a matter of fact, the scrapping of the commodity boards has created more problems than it has solved. The interview with indigenous exporters of primary goods shows that the commodity producers are having more problems now with the system than when there were commodity boards. Problems of bureaucratic bottleneck in getting products exported have not been removed. Additionally, the commodity producers, in the absence of Commodity Boards, have difficulties marketing their products abroad because of the bad image of the country abroad resulting from drug peddling and the advanced fee fraud termed '419'[5].

The bottleneck abroad is equally fraustrating as getting credible businessmen, to stand for Nigerian producers overseas, has become a difficult task to accomplish. An average of eight months is needed to beat the Nigerian bottleneck and get a Vessel to export the products through one of Nigeria's Ports[6]. To these producers, the Economic Diplomacy may have solved some problems but has created many more new ones.

Another area of focus of the research findings is in relation to the circumstances that brought about the Economic Diplomacy as a policy. The study reveals that Economic Diplomacy came into being as a result of the country's debt crisis. The deepening nature of the crisis made it necessary for Babangida to be compelled to sell his expensive package of SAP to the International Community. With the introduction of SAP, Babangida had no choice but to introduce the natural environment within which SAP can operate and this was only through the introduction of Economic Diplomacy. The environment created by SAP called for foreign investment and this could only be realised through trade liberalization. The introduction of SAP and especially Economic Diplomacy introduced the diplomacy of cost-consciousness into the Nigerian foreign policy.

The study shows that nothing of note was realised in the area of debt forgiveness. The failure in this aspect of Economic Diplomacy was due to the creditor countries' preference to giving aid or rescheduling than writing off

Nigeria's debt. These countries believed that Nigeria was not qualified for debt cancellation. Britain saw Nigeria as a rich country that acquired foreign debt out of carelessness. Indeed The Guardian of 6th July, 1986, reported on how an Executive Director of UK's leading Bank,the National Westminster, Bank, said that if there was a World Cup for fraud, Nigeria would always qualify for the final. Uncomplimentary as this statement may be, there is some element of truth in it. However, since a single country cannot play a final, Nigeria would have to play that final with UK. This is because a lot of financial fraud was detected in Nigeria - UK trade and the latter happens to be Nigeria's largest trading partner. France did not see any reason in cancelling Nigeria's debt because France saw that, as Britain's responsibility and since Britain did not deem it fit to do so, why should France. France did not see any sense in giving grant aid to Nigeria either. Rather, France preferred to reschedule Nigeria's debt and to cancel mostly the debt of her Francophone countries.

Although success was recorded in Economic Diplomacy's objective of quest for foreign aid, the study has revealed that the success recorded was overshadowed by the debt burden. The foreign aid that Nigeria got in response to her shuttling diplomacy could best be described as encouraging but inadequate. The burden of debt servicing and rescheduling made the aid grant to be uneffective.

The study also confirms the view held by some critics of foreign aid that foreign aid does not always leave the donor countries[7]. Britain's aid of $10 million was tied to the purchase of British drug. Another aid of $71.5 million was tied to technical co-operation, while an assistance of 1,050,000 Pounds was tied to university equipment maintenance by British experts[8].

5.2 Conclusion

Economic Diplomacy, that was introduced in 1988, was a response to the environment created by SAP. In fact, it was the foreign policy complement of the domestic SAP. The policy was introduced to resolve the economic crisis. However, in creating the policy, the exploitative nature of the international business community was not understood by the architects of the policy. The exploitation was more pronounced because "domination has been reinforced where partnership was needed and hoped for by the south"[9].

As a whole, Economic Diplomacy has failed in Nigeria. This is because foreign investment in Nigeria has not only generated internal distortions and contradictions but has also promoted dependency, exploitation and domination[10].

The profits of foreign investment, rather than being re-invested were transferred back to the developed countries of the investors.

The policy has serious implications on Nigeria's domestic economic policy in particular and her foreign African policy in general. Overdependence on foreign induced development can be very harmful because it is the stronger western partner that calls the shots. He influences and determines the terms of trade and rules of the game to his own advantage. Nigeria, because of economic gratifications, now becomes vulunerable to the manipulations of this influencial partner. Her autonomous African policy now suffers because she has to please her western economic partner. The Nigerian domestic economy is defenceless against the negative effects of international trade. The external neo-colonial maneouvres are seriously antagonising efforts at achieving internal economic growth and development. This has made the external environment within which Nigeria realised her Economic Diplomatic objectives very unreceptive and hostile.

On the whole, the foreign policy thrust that was more extrinsic than intrinsic , has introduced a systematic impoverishment and dependence of the Nigerian economy. This policy has not helped to ameliorate the Nigerian Economic crisis. To achieve a self-reliant development, a viable geo-political environment devoid of crisis and political instability is needed. It is not enough to put in place a foreign investment induced developmental policy without accompanying it with a political setting that will aid development. The volume and efficiency of investment is very important for development. An adequate volume in the wrong sector will still not be efficient. By and large, a lot still needs to be done by all and sundry to give Nigerian economy a sound footing.

5.3 Implications

One of the springboards of Economic Diplomacy was the emphasis on the need to gain the confidence of foreign western friends by showing loyalty to their cause. This call has serious implications on Nigerian foreign African Policy on the one hand and her domestic economic policy on the other hand.

Firstly, Nigeria's autonomous policy will be brought to an end. And just like in her cost-conscious diplomacy, the country's relation with African countries will now be purely for economic gains. In a bid to show loyalty to the cause of Nigeria's western friends, the country will now have to be vulunerable to these countries and forgo her foreign policy on Africa for economic gratifications. Thus, Economic Diplomacy has de-emphasised concern for African matters for their own sake and this poses a serious threat on Nigeria's leadership role in Africa.

Secondly, overdependence on foreign trade has serious implications on the Nigerian Economy. For one, it is the stronger partner that determines and influences the terms of trade to his own advantage. This is why the International terms of trade has been very unfavourable to the Nigerian economy. Also, trade backmail tactics can be used to influence the foreign policy or the economic policy of Nigeria. This makes the economy defenceless and very sensitive to every manipulations of the advanced market partners.

This dependence will reinforce or perhaps trigger other ties or forms of dependence like the political and social dependence. The Nigerian economy has become import sensitive or export oriented. The implication of this is that the impact of foreign trade is the cause of the nation's economic crisis - the overdependence on oil export revenue that fell sharply and unexpectedly.

Although, the response of foreign investors to the spirit of Economic Diplomacy was not encouraging, this still has some implications on the economy. Foreign investors are not interested in developmental issues, they are profit oriented.

Thus, the gain of the period was expropriated through profit repatriation. At the end of the day, it is Nigeria that lost because her incentives were given free for nothing. The situation then becomes a zero-sume-game. All that could have been realised from taxes from foreign investments were lost and Nigeria will continue to depend on these investments for any meaningful development to take place.

All the findings on foreign aid imply a contradictory foreign policy pursued by the donor countries. Rather than promoting the development of Nigeria, this aid maintained the statusquo of the donor countries, provented rapid and necessary developmental changes of the nation and most importantly, deepened Nigeria's dependence on donors and infact make the country vulunerable to the manipulations and schemings of these countries, especially in Nigeria's quest for sympathetic foreign friends. This is perhaps what the donor countries wanted because Nigeria's dependence status might, after all, be important to the prosperity of the developed world economies. It is for this reason that this study insists that foreign aid to Nigeria is to perpetuate the peripheral status of the country and that the global inequality consolidated by this status is the maintenance of deepening external dependence and the structural underdevelopment of Nigeria.

On the whole, Economic Diplomacy has not been successful in achieving its objectives. Debt is not forgiven, investment is not forthcoming, Nigeria continues to sink into more debt and focus on general African issues continues to reduce.

5.4 Recommendations

What has emerged from this study is the exploitative and imperialistic nature of the international environment under which Nigeria realised her Economic Diplomatic Policy. There is, therefore, an urgent need to review this environment vis-a-vis Nigeria's economic development.

In order to be relevant to the Nigeria's situation, Economic Diplomacy should be geared towards mobilising and energizing Nigerian industrialists, rather than foreigners. Incentives should be put in place to encourage Nigeria's businessmen abroad in the western world to also repatriate their foreign capital.

A new policy that has the diplomacy of Economic liberation as its main stream should be introduced to replace Babangida's policy. This new policy should have two dimensions. Strategies aimed at promoting regional economic integration and restructuring the international economic order should be parts of the external dimension. The material, human and physical resources of Nigeria should be mobilized towards a self-reliant development in the internal component of the policy.

Debt management is the bed-rock of Economic Diplomacy. There is a pressing need to review this aspect of the policy. To achieve any growth in Nigeria, the country's debt should be treated with caution. The debt service payments that took up to 40% of total exports of goods and services is quite unreasonable. A more reasonable debt management system should be worked out by the international financial institutions to give room for national development. National growth and development can only be possible through a total forgiveness of rescheduled and debt serviced. The debt burden would then cease to be the problem of Nigeria and the problem would have been resolved once and for all.

The Paris Club debt is the country's Achilles heel, this debt should be treated with extra caution. The manner of negotiating for debt relief is very fraustrating and must be changed. Under this system, Nigeria was made to be in a separate room from Paris Club and negotiation was entered through a representative of IMF or IBRD, who was the Chairman of debt rescheduling activity and who would be shuttling between the two rooms. This method is very conservative, time wasting and fraustrating because a better agreement could have been reached if Nigeria and Paris Club had entered a direct negotiation. And since a direct negotiation and agreement was the case in giving out the loan the same should be the case in other negotiations in relation to the same loan. Also, Paris Club insistance on debt relief from other creditors before giving Nigeria debt relief is very unrealistic and should be changed. And if IMF loan is not fully serviced, this same Club would not re-open new credit lines or concede debt relief. All these principles are very unfair and moreover, the terms of official and commercial loans are different. To say that a favourable relief be secured by Nigeria on commercial loan before same can be given for official loan is very inconsiderate.

The Paris Club debt constitutes more than 50% of the country's total debt burden and to achieve any meaningful development in Nigeria, it is imperative that the management of the debt be given a frontal attack. A London Club type aggressinve debt management strategy should be adopted for the Paris Club. Henceforth, it is suggested that Nigeria should desist from entering into any new debt with the Club.

The insistence by creditors on an IMF approved programme before any successful debt talk is unfavourable to Nigeria and should be abolished. This condition enhances and consolidates the exploitative and penetrating roles of the international institutions.

Scarcity of foreign exchange is seriously affecting Nigeria's debt management system. And since Nigeria is a low income country, her debt obligation should be allowed in her local currency (Naira). Great level of accountability by the government will generate sympathy and support from the international community. This support will make it possible to push for more debt relief. A credible and honest leader will be able to command respsect, sympathy, co-operation and support than a corrupt one.

The North-South exploitative relationship should be dismantled. This is because the North is unrelenting in its efforts to penetrate, subjugate, underdevelop and make the economy of the country dependent. Nigeria should initiate the formation of a debtors' cartel. This cartel should consist mostly of LDCs and other leading debtor countries like Mexico, Brazil, Argentina, Yugoslavia, Morocco, Venezuela, Poland etc. This cartel should form a research body to provide the cartel with sophisticated strategies that will help in perfecting the art of negotiation in International Economic Relations.

Deficit should be avoided to regulate money supply. It is suggested that government stops demanding for money from CBN to finance budget deficit, Stringent measures should be applied to check excessive spending and if there is about to be a deficit in the financing of any project, such a project should be stopped and reviewed. The cost benefit test should be applied to every project. And financing of projects that failed the cost benefit test should be stopped and the capital should be directed towards a more rewarding one.

Inflation can be checked by tightening the fiscal measures to regulate annual money supply. An average supply rate of 10% of GNP growth rate is recommended. The more than 50% annual growth rate of the Babangida years is very unreasonable, it has not only been overstretching the economy but also putting too much pressures on the prices of almost everything, including foreign exchange.

Table 4.5 reveals a faulty projection in the pricing of oil. The projection of $29.50 per barrel for 1994 is realised at $15.00 per barrel. The projected price almost doubles the real market price: It is this kind of anticipatory projection that made the nation to run into the economic crisis in the first place. It is suggested that financial obligation should be based on what is available and not what is anticipated to be available.

The domestic arrangement in support of the non-oil sector of the economy should be redesigned. Substantial capital should be directed at the agricultural sector and there should be a re-definition of domestic food requirement and agricultural export production. Acquiring accessibility to the developed economies' market for the non-oil sector before production should be an area of focus in the new arrangement.

A policy aimed at co-ordinating a massive international investment into Nigeria should first take into account the political unity and co-operation of the country. This unity and co-operation will bring the economic assets together to give the country a leverage that can reduce her vulnerability at the international level. In this regard, a politically stable Nigeria with her natural endowments and market potentials will attract the international leverage relevant for substantial inflow of international capital investment. The failure to present the international system with a viable investment context based on political unity and co-operation was quite erroneous. Irrespective of the kind of policy put in place, a strong political system is a pre-requisite for gaining international commitment and willingness to direct substantial capital to the country.

In order to guide against exploitation through aid, Nigeria should turn away from any offer of aid that can divert her from her national goal. Aid donors should stop tying aid to purchases in their countries. This flexibility will make it possible for Nigeria to purchase locally with ease in adjusting midstream. In any case, tied aid is not as valuable as the untied ones. To make aid more valuable, this study suggest that aid should not be tied. The volume of valuable aid should also be increased to make it effective and it should be brought in line with the current financing priorities of Nigera.

In conclusion, it is important to note that while the inflow of adequate foreign currency is an important ingredient of sustainable economic growth in Nigeria, it can never be substituted for a balanced and strong domestic structured policy. Development, no matter how little, is definitely not possible within a dependent framework. A strong independent economy base should therefore be established to enhance Nigeria's economic development. It is only within the creation of a new international economic order that the rapid and momentous development of Nigerian economy can be possible. It is within this system that the economic dreams of the country can be guaranteed. And so long as Economic Diplomacy does not pass this litmus test, it will not be relevant to the needs and aspirations of Nigeria and her people.

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ABSTRACT

This Study analysed the politics of Economic Diplomacy under the Babangida administration. Economic Diplomacy, as a policy, was inaugurated in June 1988 as a purportedly new policy initiative. The main aim of the policy was to help sell Nigeria to the international business community as necessited by SAP. The incentives put in place encouraged massive foreign participation in the economy. The purpose of the research, therefore, was to generate data, dissect them and see how successful Economic Diplomacy has been in realising Nigeria's foreign policy objectives.

The research raised specific questions which included the meaning of Economic Diplomacy, whether it was a new policy, the circumstances that brought about the policy, the consequences of the policy on Nigeria's leadership role in Africa and how successful the policy has been in realising Nigeria's foreign policy goals. For the purpose of this study, we narrowed the imperialism theory down to the dependency theory for our analysis. And in our findings, we realized that Economic Diplomacy meant the successful management of the country's debt. The effective management of this debt was to present the country as a credit-worthy and investment worthy nation, good enough to be conceded new loans facilities. This meant getting favourable debt resheduling terms, debt forgiveness and debt equity conversion. Economic

Diplomacy failed to realise debt forgiveness but succeeded, to some extent, in debt rescheduling. However, the debt overhang that resulted from the rescheduling made the gains of the activity to be usurped by the debt servicing payment that followed.

The study also reveals that Economic Diplomacy meant massive foreign investment and foreign aid. This inflow of foreign investment under the policy was, rather unimpressive. The surpluses of the few investment was expropriated through profit repatriation. The research shows that there was, actually, decapitalization and this nurtured dependence and reinforced the international system of inequality.

In response to the country's quest for foreign aid, the research reflects that the success recorded was overshadowed by the nation's debt burden. The foreign aid realised from Nigeria's shuttling diplomacy was inadequate. And the fact that most of the foreign aid were tied to purchases from donor countries, made the aid ineffective.

The Economic Diplomacy, that has not only created internal distortions and contradictions but also promoted dependency, exploitation and domination, became irrelevant to the Nigerian environment. This was because the architects of the policy did not understand the exploitative nature of the International Community within which Nigeria realised her

Economic Diplomatic Policy.

The fact that Economic Diplomacy made Nigeria vulnerable to the manipulation of the hostile international economic environment was a serious threat to Nigeria's autonomous African policy and her domestic economic policy. It is for these reasons that the study insists that development, no matter how little, is not possible within a dependent framework.

In order to enhance Nigerian economic development, the study proffers the creation of a new international economic order as the system within which the economic dreams of the country can be guaranteed. And for as long as Economic Diplomacy does not pass this litmus test, it will not be relevant to the Nigerian situation.