A Historical Survey of Nigeria's Economic Diplomacy, 1960-1985

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Abstract

This paper examines Nigeria's Economic Diplomacy from independence in 1960 up to the coming of Babangida's regime in 1985. The paper discusses among other things the origin of the doctrine and how economic diplomacy as a policy had been consistently employed by successive governments in the country since 1960. It focuses on the implementation of the variants of economic diplomacy in Nigeria's foreign relations to achieve growth and development. Drawing from its findings, the paper concludes that in spite of governments' efforts, the internal and external environment posed great challenges for the successful operations of the country's economic diplomacy in the period of study. The research was conducted using the historical research methodology which emphasized multidisciplinary approach. Both primary and secondary data were consulted in conducting the study.

Keywords*:* economy, diplomacy, Nigeria, foreign policy, historical

Introduction

History tells us that human life revolves around the political economy of its environment. Therefore, if the social science postulation about human-beings, being political animals is true, then it is equally correct that human race, naturally, is partly propelled by economic interests. In this regard, the mixture of politics and economics makes human society an interesting phenomenon. In the process of inter play of politics and economy, intra and inter regional interactions take place from time to time. In such relationships, the primary interest has almost always revolved around issues of trade and commerce, aside occasional conflicts, which in most cases would lead to the establishment of political control over the vanquished territories and by extension control of the revenue base of such defeated regions. In effect, relations among societies even before the colonial period could be said to have had the coloration of economic diplomacy.

Economic Diplomacy: An Overview

In the pre-colonial Africa, relations were mostly guided by economic interests. From the Sahara Desert through the Savannah and to the forest states of Africa, there had been regional contacts based on trade and commerce. In the North Africans' relationship with their neighbours, who occupied the north of the Mediterranean Sea, economic interest was paramount. Similar developments played out in the relationship between the people of the forest region of Africa and their northern neighbours. On the coast of Africa, stretching from the Atlantic to the Indian Ocean, the volume of trade that took place between the local people and the foreign merchants was quite large (Hollingsworth, 1965; Hamdun, 1975; Fage, 1979).

In similar development, during the European colonial enterprise in Africa, the British, the French, the Spanish and the Portuguese, were quite conscious of their economic interests. The selfish economic interests of the Europeans became clearer after the so-called legitimate trade replaced the trade in human beings, opening the flood gates of continued exploitation of human and material resources of Africans (Fage, 1979). From the foregoing, it is quite clear that economic interests have always played a pivotal role in interstate relations in the pre-colonial and colonial periods, and the phenomenon has largely been intensified in today's world. This article is a historical analysis of economic diplomacy in Nigeria before 1985 when Ibrahim Babangida took over power in a palace coup.

Diplomacy is itself concerned with the management of international relations by negotiations between states as well as between states and other international actors like non-governmental organizations, NGO's, multinational companies MNCs, and individuals (Barston, 1998). In other words, diplomacy refers to the process of bargaining among states in order to narrow areas of disagreement, resolve conflicts or reach accommodation on issues over which agreement may have been pretty difficult (Asobie, 2002). Diplomacy therefore, is not only concerned about peaceful activity, it also occurs in situation of war or armed conflict.

Generally, in terms of the widening content of diplomacy, the changes in its form are reflected in such concepts as dollar diplomacy, oil diplomacy, resource diplomacy, atomic diplomacy, global governance diplomacy etc. These and other elements constitute foreign policy issues (Barston, 1998). The difference therefore, between foreign policy and diplomacy is that while the former is the substantive aspect of external relations, the latter is the procedural aspect. In this regard, diplomacy refers to the methods or procedures by which foreign policies are executed (Asobie, 2002). In other words, diplomacy is the process in terms of strategies and tactics of putting into effect the foreign policies of nation states. It is from this perspective that economic diplomacy can be broadly analysed.

According to Asobie (2002), economic diplomacy can be explained from three perspectives. The first perspective can be seen as the management of international relations in such a way as to place accent on the economic dimension of a state's external relations. It is the conduct of foreign policy in such a way as to give topmost priority to the economic objective of a nation. It has to do with the various diplomatic strategies, which a country employs in its bid to maximize the mobilization of external material and financial resources for economic development.

Another perspective to economic diplomacy is the one that describes it as the application of economic instruments in negotiation and bargaining with other states. The foreign policy goals in view may be economic, social or political. The diplomacy is economic when the means employed to achieve them in terms of either carrots or sticks or both, involve the mobilization and application of the economic resources of the nation. This may entail the extension or denial of financial benefits, petroleum products, food supplies, the granting, denial or withdrawal of trade concessions, the establishment or disinvestments of foreign investments etc.

The third perspective to economic diplomacy is seen as a set of strategies and tactics formulated and applied for the achievement of a fundamental restructuring of the existing international economic order. It consists of policies aimed at establishing a new international division of labour so as to bring about a radical redistribution of pattern of ownership and control of economic resources in the international system. Such policies would entail the application of both implicit and explicit diplomatic bargaining process. This third perspective within the Nigerian official circles was seen as global in character and focus and therefore, was regarded simply as the diplomacy of economic liberation at that level.

In reality successive Nigerian governments had consistently shown their disdain for this type of multilateral diplomacy conducted basically on the floor of the United Nations (UN) as a means of establishing a new order. The Nigerian state, however, believed that for the New International Division of Labour or the New International Economic Order, NIEO to be achieved, action should be initiated at three levels; the national, sub-regional and global (Adeniji, 1998). This position informed the suitability of the first and the second perspectives for the type of economic diplomacy the Nigerian political leaders envisioned and therefore, to them, it was the diplomacy of economic development. At the level of execution of Nigeria's economic diplomacy between 1988 and 1993, the government thus employed the first perspective at the global level, while the second perspective, which was more suitable for regional diplomacy, was adopted in the country's economic relations with Africa.

Background to Nigeria's Economic Diplomacy

Every nation state in the all-important obligation to develop its economy in order to give its citizens a new lease of life, has often demonstrated an appreciation of the linkage between the country's foreign policy and its economic fortunes. In the process of state relations, this linkage is done through diplomatic engineering. Therefore, the Nigerian state has consistently demonstrated this attitude in its efforts at economic development. Before 1988, successive Nigerian governments had employed economic diplomacy in their inter-state economic relations in its efforts at economic growth.

In this regard, one of the guiding objectives of Nigeria's inter-state relations since independence has been to contribute towards efforts aimed at achieving national economic development and redressing the existing disequilibrium in the international political and economic system (NIIA, 1992). In the government's efforts to achieve this, the Nigerian economy, since the Tafawa Balewa era, was based on agriculture, which of course, dominated other sectors of the economy. A mono-cultural economy in which agricultural sector was dominant and heavily relied upon, accounting for seventy percent of the nation's labour force (Osagie, 1986). The agricultural sector placed emphasis on the production of cash crops like cocoa, cotton, palm oil, rubber, coffee and groundnuts, for export trade. These were in exchange for finished goods from the developed north. In general terms, and particularly before the 1970s, no conscious policy existed to encourage large scale production of food crops (NIIA, 1992).

In subsequent years, per capita food production stagnated, while the overall share of the agricultural sector in the Gross Domestic Product (GDP) dropped drastically. For instance, the share of the agricultural sector fell to twenty one percent by 1985, from the fifty-six percent it was in the GDP in the 1960s. The logical impact of this was increasing resort to food importation to satisfy the demand gap. Statistics had since shown that importation of food increased from 0.4 Billion naira in 1976 to about 2.3 Billion naira in 1984, an average annual growth rate of 23.1 percent. In relation to total imports, the food bill rose from 8.6 percent in 1976 to 21 percent in 1984 (NIIA, 1992; CBN, 1990)

Meanwhile, agriculture stopped offering opportunities for job creation and the sector witnessed a high level of labour release to other sectors. While the labour force in agriculture declined at an average of 1.34 percent per annum from 1960, the industrial sector witnessed an average increase of about 3.4 per cent. The government panacea, in the process, was to hurriedly initiate some agricultural policies. Such policies included Operation Feed the Nation, OFN in 1976 and the Green Revolution in 1980. Various River Basin Development Authorities and the Nigerian Agricultural Cooperative Bank, NACB, were established, to provide funds and technical support for agriculture (NIIA, 1992). The programmes put in place achieved little or nothing in lifting the economy from increasing decline, due to poor implementation, corruption in the high places and principally a shift of attention to oil sector.

What is more, the Marketing Boards that were in existence were deliberate fiscal devices for siphoning rural agricultural surpluses to set up urban based manufacturing industries and infrastructural facilities. The OFN and Green Revolution, aimed at increasing domestic food production, did not achieve much as Nigerian agriculture was rendered uncompetitive by other government policies and excessive bureaucratic control. The River Basin Authorities, as it were, were also avenues for transferring public funds through over-invoicing of contracts to favour partisan politicians, other than as institutions for increasing food production (Osagie, 1986).

In the industrial sector, succeeding governments of the Federal Republic of Nigeria, had since independence, recognized the need for industrial development as the basis for achieving meaningful national development. But in the main, the industrial and manufacturing sector had remained relatively underdeveloped, contributing about 10 per cent to the GDP (NIIA, 1992; Osagie, 1986). For the most part, the industrial sector concentrated on primary production and semi-processing of goods, with the multinational companies MNCS having pre-eminence. Although, the sector's contribution to the country's GDP rose remarkably from 19 per cent in 1965 to 32 percent in 1985, compared with the drastic decline of agriculture from 53 percent to 36 percent in the same period, (Osagie, 1986) most of the industries were more of assembly plants rather than manufacturing.

The productive industrial sector was absolutely in the hands of the MNCs whose headquarters were located in the mega-cities of the developed North. The heavy dependence on international capital disposed Nigerian industrial enterprises to absolutely lean on imported raw materials, capital equipment, spare parts and technical services, even in conditions where these inputs were available at home with minimal costs. The effect of these abnormal features of the Nigerian industrial sector is that it created problems for the execution of an effective foreign policy. For instance, government's efforts to change the external orientation of manufacturing activities in the face of increasing external payments deficits, require a drastic reduction in the level of imported industrial inputs and of necessity increase local production of such inputs. This attempt met with stiff diplomatic opposition as pressures mounted from the home governments of the MNCs that were supposed to promote local sourcing of raw materials. The Nigerian directors and agents of such MNCS also collaborated with foreign officials in order to retain their directorship and fat salary packages (Osagie, 1986). This development exposed the country to blackmail and sabotage from foreign suppliers of vital equipment, spare parts and other important raw material.

In the midst of all these, the country maintained a good account of non-discriminatory bilateral and multilateral trade agreements with the outside world. Nigeria also took active part in the process of building active and virile international organizations for development. At the bilateral level, the country entered into agreements with a number of states for the purpose of creating development in trade liberalization and to facilitate expanded market access for its imports. The country's external trade policy was also geared towards the enhancement of inter-African trading relations through active participation in regional and sub-regional groupings, like the Economic Community of West African States, ECOWAS.

Earlier in this paper, we have seen government's attempts to develop the country's economy. In the process of doing this, successive governments demonstrated an appreciation of the linkage between the country's foreign policy and her economic fortunes. The fortunes of the Nigerian economic development, from 1960-1993, were anchored on a number of economic strategies. These patterns of economic diplomacy included:

i. The economic diplomacy of import-substitution industrialization, DISI, 1960–1974;
ii. The economic diplomacy of Regional Economic Integration, REI,1970–1985; and
iii. The economic diplomacy of the establishment of a New International Economic Order, NIEO, 1973-1985 (Adeniji, 1998).

The Economic Diplomacy of Import Substitution Industrialisation, DISI, 1960-1974

The significance of the DISI basically was the establishment of industries in Nigeria to produce domestically such goods previously imported from other countries. This is simply called import substitution development strategy. Therefore, from the outset, it was clear to the managers of the Nigerian state that there was some form of symbiosis between economic development and foreign policy. In appreciation of this link and confronted with the stark reality of the international environment of his time, Nigeria's Prime Minister, Sir Abubakar Tafawa Balewa, needed no further convincing, that DISI was much more suitable for Nigerian economic development. Balewa thus, submitted that:

> … at present, we lack the necessary capital and technical skill to develop our own resources by ourselves alone… how are we to obtain help from outside and still keep free from being under the influence of one power bloc or another (Adeniji, 1998).

The DISI, therefore, involved the complete mobilization of a high volume and wide range of financial and technical assistance from a variety of foreign sources for the purpose of rapid development of the Nigerian economy. In this regard, external links, especially with the Western bloc and a little to the Eastern bloc, were seen primarily as channels for attracting needed Direct Foreign Investment, DFI, public loans, grants and technical assistance. This effort was to encourage the planting of industries in Nigeria that would produce locally the merchandise that were hitherto being imported from the industrialized north.

The problem of DISI strategy in mobilizing external resources for Nigeria's economic development, in a Cold War era, was the risk of the country relying much more heavily on the West, which was Nigeria's traditional friend. This entailed some political, diplomatic and economic risks for an underdeveloped or as sometimes called, developing economy like that of the Nigerian State. This situation has always played out when Nigeria has to take a definite position on crucial international issues. In effect, there is no denying the fact that, even when Nigeria professed the principle of 'diversified dependence' which of course, was a fallout of its non-aligned posture, the Nigerian government in its actions had always kept faith with the

West on crucial global issues (Asobie,1986; Ate,1987). In the final analysis, the DISI achieved only little success. Although the Nigerian government sometimes succeeded in playing the West against the East, thereby 'stealing' a degree of inflow of external resources, the DISI did not succeed in transforming the industrial base of the Nigerian state, nor did it attract the desired volume of foreign aid capital, needed to develop the economy of the country. The disappointment probably accounted for a shift of attention to other strategies like REI and NIEO.

The Economic Diplomacy of Regional Economic Integration, REI, 1970-1985

The diplomacy of REI was designed as the external dimension of Nigeria's industrial development process. This is because the currency of opinion among the managers of the Nigerian state was that an economically integrated West African sub-region would help to stimulate Nigeria's economic growth and development. It was also believed that such a strategy would accelerate the development and expansion of indigenous capitalism, not only in Nigeria, but also in the whole of West African states (Abutudu, 1990).

If the economic diplomacy of DISI was different from REI in the sense that while the former applied an internal approach to the country's industrial development, the latter was external and regional in its approach to Nigeria's development process. However, despite this seeming dichotomy, both economic diplomacy strategies were similar in their objectives. For one thing, it is true that the Nigerian government wanted the country's economy to develop through the DISI, for another, it is equally correct that it wanted to build up ECOWAS through reliance on foreign capital. For instance, one of ECOWAS' institutions, the Fund for Cooperation, Compensation and Development, was expected to depend on monies obtained from Africa, Europe, the Americas and Asia, for its statutory operations. The formation of ECOWAS, therefore, was an economic diplomacy designed to harness the human and material resources of the sub-region, for economic growth and development. In the main it allows for free movement of people, goods and services, free trade, as well as common currency, to facilitate economic integration of member states. Although, it is to be noted that, three decades after its existence, the ECOWAS potentials are still begging for full realization.

The Economic Diplomacy of the Creation of a New International Economic Order, NIEO, 1973–1985

The economic diplomacy of the NIEO, unlike that of DISI and REI, was to bring a change in the old international division of labour between the industrialized and non-industrialized countries. Although, Nigerian government was not highly optimistic about the implementation of the demands of the less-developed countries, LDCS, it however, joined most members of the Third World Club in the demand for a New International Economic Order, NIEO. With due respect to the ideological and military foundations of the East-West confrontations, the North-South confrontation also evolved to a large extent over economic issues and to a lesser degree over political and human rights issues. Therefore, the diplomacy of the NIEO was as a result of the imbalance in the international economic relations between the wealthy industrialized peoples of the northern hemisphere and the impoverished, underdeveloped and under-industrialized peoples of the Southern hemisphere (Da-Silva, 1983).

This development produced a loose coalition of economically deprived states, held together only by bonds of newness and harrowing poverty. They are the members of the Non-aligned Movement, NAM, popularly called LDCS, and their composite industrial production, put together, is less than a third of the United States or Western Europe's. One other common economic denominator of the LDCS is low per capita income (Da-Silva, 1983).

Indeed, in the early 60s and precisely in 1964, Malam Aminu Kano had led a Nigerian delegation to the Second committee of the United Nations General Assembly, UNGA, where a jointly sponsored resolution was presented, calling for a new international division of labour involving new patterns of production and trade at the global level (Adeniji, 1998). This became necessary because the LDCS were not adequately listened to by the International Monetary Fund, IMF, and the World Bank and at the General Agreement on Trade and Tariffs, GATT, now World Trade Organization (WTO). This was one issue that generated serious crisis in the UN system, because the western capitalist powers were not favourably disposed to the radical economic demands of the South. But not minding the position of the West, the LDCS, through the United Nations Conference on Trade and Development, UNCTAD, put their proposals before the UNGA. They asked for a NIEO that would redress the economic imbalance between the north and the south.

The South's proposal comprised the following:

i. An economic security system for the developing countries;

ii. Integrated programme for commodities, commodity market stabilization and price stabilization for the primary exports of the LDCS;

iii. Improved compensatory financing facilities, adaptation of International Monetary Fund or establishment of a substitute organization to supervise stabilization agreements and provide compensatory export shortfalls due to international market instability;

iv. Debt Relief and improved mechanism of channelling capital to the Third World and for reducing the indebtedness that hinders development (Da-Silva,1983).

Other demands of the LDCS also included:

v. Changing the structure of International economic relations;

vi. Reducing the economic dependency of the developing countries, expansion of trade in manufactures, strengthening the technological base of the Third World and establishing marketing and distribution system for primary commodities;

vii. Strengthening Trade and Economic Cooperation among developing countries and re-orientation of development strategy to one of the collective self-reliance, rather than dependence on the developed states, including thorough development of new international machinery;

viii. Global management of resources, including the establishment of new rules of international monetary system and the development of strategies for the rational use of resources (Da-Silva, 1983).

Expectedly, the northern states, especially those that were traditionally attached to the dogma of liberalism and free market economy, rejected the idea of any 'new order' and the consequent challenge to the present system of exchange. Despite the northern states' objection, however, Nigeria and other members of the LDCs intensified their pressure for a NIEO. While the search for the NIEO continued, there were growing disenchantment among Nigerian government officials and this found expression in the public speeches of the Nigerian leaders. For instance, General Olusegun Obasanjo 1976-1979 had lamented at an OAU summit in Libreville, that the hopes placed on the NIEO by the countries of the southern hemisphere, had almost evaporated with the collapse of the North-South dialogue in Paris (Asobie, 2002; Adeniji, 1998).

Between 1979 and 1985, Nigerian political leaders had expressed similar scepticism like Obasanjo. Indeed, in 1987, at the 41st session of the UNGA, Bolaji Akinyemi had noted that:

> …the high hopes of the developing countries for a New International Economic Order, have foundered owing to a deep-rooted reluctance on the part of the developed countries, to engage in a honest and meaningful North-South dialogue (Asobie, 2002; Adeniji, 1998).

The reasons for the scepticism of the Nigerian political leaders are quite very simple to decipher. For one thing, the unexpected rise in the role of crude oil earnings in sustaining Nigerian economy was, one of the fundamental factors that would explain the ambivalence of Nigerian leaders. This development reduced the relative vulnerability of the economy to fluctuations in the prices of primary export commodity, there by diminishing the harsh impact on Nigeria, of the inequalities of the old international economic order. In fact, it was a period of affluence such that one of the Nigerian leaders in the 1970s noted that the problem of

Nigeria is not how to make money, but how to spend it. Another factor was the inherent contradiction in Nigerian officials' conception of the NIEO and the growing scepticism among them on the suitability of the adoption of international multilateral diplomacy, as a tool for the establishment of the new order.

Nigeria's conception of the NIEO accommodated a variety of strategies for the solution of African problem. Nigeria's position, therefore, prescribed that for the NIEO to be achieved, action must be initiated at the national, sub-regional and global levels. Therefore, it saw its indigenisation programme as well as the establishment of ECOWAS as part of the movement towards realizing a NIEO (Asobie, 2002; Adeniji, 1998). In contrast, the traditional conception of the NIEO placed accent on the inequities of the global economic order as the basic explanation for the underdevelopment of the LDCS. It therefore, prescribed multilateral negotiations at the global level to ease out the inequities, as the strategy for the reversal of the problem of the LDCS.

Eventually, the Nigerian government, in the face of the economic down-turn, particularly in the 1980s, and the intimidating International Monetary Fund, IMF conditionalities, had to tone down some of its NIEO related demands and then accepted the International Bank for Reconstruction and Development, IBRD, or World Bank's structural facility programme.

The IBRD packages in the economic dictionary of the Nigerian state, was christened Structural Adjustment Programme SAP. The new economic diplomacy, therefore, was a fall-out of the bitter-pill, called SAP, that was to be forced down the throat of the Nigerian economy by the World Bank. Indeed, it was hoped among the Nigerian official circles, that it would serve as a catalyst towards the realization of some of the objectives of SAP, such as trade liberalization and attraction of foreign capital and investment. In the analysis that follows, the Nigerian government swallowed the pill hook, line and sinker.

From the foregoing, it is safe to conclude that Nigeria at independence had historically been consistent in the adoption of economic diplomacy in its foreign policy. This is basically to achieve economic growth and development. Therefore, economic diplomacy does not derive from the abstract, rather it is rooted in both the prevailing domestic and global environment characterized by unfavourable economic indicators.

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