

A Decade of Nigeria's Economic Diplomacy: Issues and Challenges

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Introduction

During most of the twentieth century, two world wars, the cold war, the rivalry of two super powers, the ideologization of international affairs and military confrontation, made diplomacy a subsidiary instrument of power politics and ideology. The end of the cold war radically changed the international political scene and today we are facing the shift of the 'civilizational' paradigm, which affects not only the major units of world polities - the States - but which also brings new actors into the forefront of international relations. The process of globalization, which strengthens the "oneness" of the world is, at the same time, accompanied by the fragmentation and localization by the growing gap between rich and poor nations. All these transformations bring new challenges for diplomacy on a global level. Thus while there are many facets of globalization, the economic aspects of it have been critical in the quest for the achievement of national development, and also the preservation of individual nation's sovereignty.

The challenge facing nations in the emergent era of globalization is how best to integrate into the World System, in such a manner that would not only preserve their sovereignty but also

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enhance their development. Consequently, the major political factor influencing diplomacy is the relative decline of the role of the national governments. Today governments are facing stern competition from other actors. Private sector, religious groups, immigrants, media and other entities of the civil society are demanding from the government that their interests be taken into consideration and that they have a say in making and implementing foreign policy.

Economic diplomacy is gradually taking over the traditional politics-oriented diplomacy. With the phenomenal growth of transnational economic interactions, the world market has expanded dramatically, dramatically increased trade levels, ever-tightening economic interdependence between countries and the growing impact of international economics on domestic economics and so also has the number of economic actors. Governments everywhere are primarily concerned with maintaining the competitiveness of their economies. Accordingly, private economic decisions are now largely controlling political choices of the governments.

Nigeria, as an actor in the international arena, has interests that extend beyond its borders and typically, it must possess the means to pursue and protect them. This paper focuses on major economic factors that influenced the course of the Obasanjo administration's foreign policy since 1999 and investigates the extent to which the administration forged international economic policies that protected and expanded Nigeria's position in the international community.

UNDERSTANDING ECONOMIC DIPLOMACY

In the traditional sense, diplomacy is political diplomacy. This means that diplomats are primarily engaged in political relations because close or strong political relations lead to other forms of relations – economic, cultural, etc. Empirical evidence suggests economic

relations are not initiated in any significant way in a political vacuum in which there is a lack of trust. There is, indeed, a growing realization that if economic relationships are strong, they have an impact on political relationship and whatever ripples occur in political relations, it gets sorted out because both countries have a stake in not losing out beneficial economic relationship.

In today's international relations, a new system seeking to curb the influence of states and individual economic players is gradually taking shape. Nations are losing more than ever, their national character and becoming increasingly global, thus turning the world into a transnational production system based on international division of labour. (Ana, 2006)The most developed nations that base their power on economic superiority, military supremacy in the domain of production are progressively transferring their foreign priorities to the economic sphere and linking them to that sphere.

A switch over of foreign – policy priorities and those of economic diplomacy to different directions was engendered by the disintegration of the bipolar system of international relations and a whole range of major political and economic consequences that followed. The end of the ideological struggle of the Cold War gave the economic dimension of international relations the necessary attention that it missed during the confrontation between the East and the West. However, despite this obvious trend in international political and economic relations, the role of states and diplomacies as tools for the promotion and protection of nations' interests remain highly relevant, in particular in the sphere of economic relations –called economic diplomacy. (See Rik Coolsaet, (1998); Lee, D., (1999). Diplomats and officials finally got the time to deal with economics which was considered to be of much direct relevance to the well – being of the people. Also, globalization which opens up new perspectives for trade expansion and sharpens the competition in securing countries' shares in world markets and in securing new ones,

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Economic diplomacy was earlier known as Trade Diplomacy. Trade diplomacy came with the nationalization of industries in many countries from the 50s to the 70s. This resulted in gradual involvement of diplomats in trade matters that is to help sell products of nationalized industries. With time, political leaders realized that “bread and butter” issues are the principal objectives for growth and prosperity of people and that leaders can win successive elections while strong economy exists. Economic diplomacy increasingly called for the prediction of outcomes of future trade regimes requires an understanding of market factors at work in a given global economic environment. This enables a country to fashion appropriate decisions in advancing economic interests.

In some ways, nations have evolved back to the earliest recorded days of relations between kingdoms and principalities, when commerce was an important motivation for reaching out to other foreign entities. It led ancient civilizations to exchange spices, silks and other precious commodities with distant lands, thereby creating the norms and procedures within which the exchanges could be carried out. These were the first ‘international’ accords and treaties that were not only concerned with conquest and territory, but with mutually beneficial commercial dealings within a legal framework.

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Interestingly, economic globalization refers to the increasing integration of economies around the world through declining barriers to trade, migration, capital flows, 'technology transfers' and direct investment (Sanders, 1996). Daouas (2001) had also suggested that economic globalization is characterized by the intensification of cross-border trade and increased financial and foreign direct investment flows prompted by rapid liberalization and advances in Information Technology.

The contemporary system of international relations and the processes of globalization and integration impose the need for intensified activity of economic diplomacy aimed at the realization and protection of economic priorities and interests. (Sanders, 1996; Daouas, 2001) Developing countries and countries in transition are bound to follow the example of the most advanced countries in determining their priorities in the domain of foreign policy and these in the economic sphere.

Economic globalization has increasingly made economic diplomacy a central element in foreign policy. Many of the Foreign Offices have merged with trade sections Economic progress and prosperity depend on beneficial relationship with other countries Every country wants to penetrate into other countries with its goods, services, labour and investment. Diplomats of many countries make no secret of the fact that their prime task is to look after the commercial interests of the state they represent. Since the end of the Cold War, states, i.e. ministries of Foreign Affairs (together or in competition with other departments), have shown a remarkable aggressiveness with regard to bilateral commercial activities. The resultant effect of economic diplomacy is the creation of a global

market for goods and services that are largely indifferent to national borders.

DOMESTIC ECONOMY AND FOREIGN POLICY IN NIGERIA

Nigeria since independence has played a constructive role on the international stage befitting her status as the largest black nation in the world. Being a prominent member of the international community, Nigeria has continued to play an active role in global governance in different international organizations and bodies and remains a major military and economic force in the West African sub-region. With its large reserves of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly, and provide the health, education, and infrastructure services its population needs.

However, by the early 1980s with the downturn in the country's economy, Nigeria began to experience problems in the international arena. The decline in oil revenue, caused by the collapse of oil prices, brought about a major socio-economic crisis in Nigeria that impacted negatively on her external image. Not only did the country default in the servicing of her external debts, but the resulting debt arrears constituted a problem in the country's bilateral and multilateral relationships. This contributed significantly to Nigeria's loss of respect in the international financial community and, worse, hampered foreign investment. Also, as the economy worsened, the funding of social and economic infrastructure suffered a decline whilst unemployment increased and the quality of life declined.

Successive leaders were unable to arrest the crisis in the economy and establish a basis for sustainable growth, and they failed also to grapple with the problem of creating a basis for democracy and a stable polity. Nigeria remained an under-developed country with very weak physical infrastructure and an outrageously low

human development index. Nigeria is currently among the poorest and least developed countries in the world. This situation further deteriorated the economy which was dependent, disarticulated and peripherally integrated into the world economy.

The concept of economic diplomacy was first introduced into the nation's foreign policy by the Ibrahim Babangida administration. Although the Babangida regime was given a lethal blow to Nigeria's image abroad and its foreign policy in particular, for the first time, Nigeria tied her economic and political interests to the country's foreign policy. Economic diplomacy in the 1990's involved negotiating trade concessions, attracting foreign investors, and rescheduling debt repayment to Western creditors. The aim was to "make foreign policy serve the country's goal of economic development" The effect of this was that the regime was able to "...accomplish the much needed but near impossible debt-rescheduling, ...revitalize a prostrate economy, ...achieved a higher visibility for Nigeria in international organizations, and succeeded in projecting the nation's image as the *primus inter pares* on the continent of Africa" (Fawole 2003). In a globalized world where growing interdependence underlines economic issues, economic diplomacy emerged as the most efficient instrument of foreign policy.

The Babangida administration further sought to address Nigeria's galaxies of economic challenges by adopting several economic policies like Structural Adjustment Programme.

However, the introduction of the Structural Adjustment Programme as one of the means actualizing the goals of its economic brought untold economic hardships, political unrest in the country. The lack of growth in the domestic economy evidently had a profound effect on all sectors of national life.

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ECONOMIC DIPLOMACY, 1999-2007

Following the democratic changes that have occurred in Nigeria since 1999, the general consensus was that political and economic changes are essential for the return to, or renewal of, Nigeria's stand in the international community. The employment of economic diplomacy became indispensable and the thrust of Nigeria's foreign policy was *"to regain respectability and relevance in the international community"* and convert *"foreign policy activities into concrete achievements which are of direct benefit to Nigeria. The main objective is "peace, security and prosperity through friendship"* (Mohammed 2001). Economic Diplomacy in this regard would mean the use of various economic techniques to implement foreign policy through peaceful means and the employment of official representative at various levels.

As the country became democratic, its international standing increased and positive and negative sides to Nigeria's external image emerged. Nigeria is a leading player in the African Union, Commonwealth, in the New Partnership for Africa's Development (NEPAD), and in the Economic Community of West African States (ECOWAS). Between 1999 and 2007 Nigeria made vital strides in economic reforms and the fight against corruption. The economic reform efforts showed positive results which as noted by the Central Bank included a reduction in inflation which fell below 10 percent in 2006 from a range of 14 to 18 percent during 2001-2005, international reserves which reached about US\$41.9 billion as of March, 2007; implementation of a bank consolidation program which strengthened the financial sector and enhanced its ability to provide credit to the private sector. Other positive signs of the reform efforts were a re-

confirmation of Nigeria's credit rating (BB-) from Fitch and Standard and Poor's February 2007; liberalization of Nigeria's import protection regime and the adoption of the Common External Tariff which lowered the average tariff from about 29 percent to 12 percent; and Nigeria's successful negotiation of its foreign debt with both the Paris and London Clubs.

In terms of the debt overhang, in 1999, when the Obasanjo administration came into office, Nigeria owed N537.5 billion domestic debt and N633.1 billion external public debt. These domestic and external debts were owed, in spite of the rise in Nigeria's crude oil prices from \$16.5 per barrel in 1999 to \$70.2 per barrel in 2005. The total stock of Nigeria's external debt totaled \$35.9 billion as the end of December 2004. Nigeria was paying about \$3.2 billion annually to service its official domestic and external debt (i.e.: excluding domestic expenditure arrears). This compared with a combined health and education spending of the federal and state governments in 2004 of \$2.4 billion. It also illustrates the scale of the debt burden and the huge diversion of resources away from much needed social expenditure for one of the poorest populations in the world. (Central Bank of Nigeria: (2004)

For much of the 1990s, crisis of leadership and governance, gross human rights violations and pervasive economic mismanagement, as well as a confrontationalist diplomatic stance, prevented Nigeria from engaging in any meaningful discussions with the international community on its debt problem. With the restoration of democracy and human rights in 1999, a window of opportunity emerged for re-engagement with the international community on a positive and constructive basis to address the debt issue. Emphasizing the crucial linkages between debt, poverty, development and the survival of Nigeria's budding democracy, the Obasanjo administration attached priority to obtaining rapid and substantial external debt reduction, as a crucial component of its development

strategy. The major planks of Nigeria's strategy included regularization of relations with the international financial community to pave the way for constructive engagement; negotiating favorable terms for debt rescheduling and restructuring under "traditional" debt relief mechanisms in the short term; and, building on that in the medium term, to secure deeper and more substantive debt reduction.

Nigeria also adopted in the tool of economic diplomacy with its attendant political and economic reforms to achieve her foreign policy goals. The emphasis on economic diplomacy emanated from the perceived failure of past foreign policy endeavours to deliver in economic terms. In charting this foreign policy direction in Nigeria, Akinterinwa (2004; 247) maintained that emphasis was to be placed on "the Nigerian' as the ultimate beneficiary of Nigeria foreign policy endeavors, the articulation of Nigeria's national interests in the existing identified concentric circles and on further making the Nigeria environment more conducive to the development of national capacity to meet the challenges of the current international conditions."

Despite these achievements, Nigeria continued to manifest a high degree of corruption, manifest in graft and inflation of contracts; advance fee fraud, notoriously known in Nigeria as '419' and drug trafficking. Other negative perceptions of Nigeria pertain to the lack of good governance, lack of transparency and accountability at all levels of government, high-risk business environment; high incidence of crime and a general insecurity of life and property; and inability to service her external debt or honour other obligations as and when due. The image of Nigeria in the foreign media was hardly positive.

Moreover, Government completely imbibed the imposition of the "Washington Consensus", propagated by the World Bank and the International Monetary Fund in seeming oblivion of the understanding that no universal economic model like the Washington

Consensus should be imposed on a country desirous of rapid economic growth. It offers very little or no support as a sufficient economic policy directive for serious people-oriented policies. It does not promote equitable income distribution, rapid economic growth or a decent economic and social environment.

Other factors which have made it difficult to establish a basis for economic growth and attract foreign direct investment include: over dependence on the oil sector; an import-dependent manufacturing base and the absence of export-oriented industries; a poor technological base and the absence of research and development in major economic sectors; grossly inadequate policies and strategies for exports; the arbitrary and unilateral abrogation of international business contracts; inconsistent and inadequate implementation of economic policies; inadequate and unreliable infrastructure and public utilities; and the shortage of skilled manpower.

Economic diplomacy is dynamic and has to adjust to the contemporary realities. Unfortunately; Nigeria's foreign policy failed to re-align with the realities of a changing world order and has remained largely reactive rather than proactive conduct of foreign policy. Meanwhile, the international economy was becoming more and more competitive. With the rapid development of the Pacific Rim countries, and the opening to the outside world of the economies of such huge States as China and Russia, the world market has expanded dramatically, just as the number of economic actors.

Against this backdrop, Economic Diplomacy would mean the use of various positive and negative economic techniques to implement foreign policy through peaceful means and the employment of official representative at various levels (Merre Muller 2006). In this context, the commitment to a strong economic diplomacy is a necessity. The activities of the Nigerian government should be conducive to the rounding up of the economic and financial

environment necessary for an accelerated carrying out reforms and for economic development.

CONCLUSION

There is a different definition of success in the international arena. It is judged by interactions through economic diplomacy to enhance country's economic gains in the globalized and competitive world. The external image of any country is therefore significantly reflected in the realities of that country's domestic state of affairs. Nigeria is not an exception. Nigeria has regional, continental and global commitments. Her foreign policy has to become more dynamic to take advantage of the changing international environment and emphasis has to shift to more aggressive economic diplomatic policies. As observed by Gambari (2004) the formulation and execution of the country's foreign policy "must be situated in its domestic political and socio-economic environment on the one hand and the external milieu on the other."

As discussed in the paper, the consequences of the situation under the Obasanjo administration were manifest in many forms; declining foreign direct investment, divestment from Nigeria and an increasing blockade of Nigeria's access to international positions, among others. There is an urgent need to improve this situation, if Nigeria is to fully exploit the potentials of the external environment.

The inclusion of developing countries and countries in transition into traditional international institutions (WTO) and various economic integrations and trade blocs (EU, NAFTA, ASEAN, AU, ECOWAS etc.) calls for a new model of approach and diplomatic activity with a view to better protecting Nigeria's economic and political interests in the process of globalization of present-day economic relations. Creating an enabling environment for Nigeria to be competitive in attracting Foreign Direct and Portfolio Investments

therefore, becomes highly imperative same as identifying and cultivating the friendship and co-operation of countries that are crucial to the attainment of the country's national objectives especially in the fields of industrial development, investments, trade and technology . Nigeria's foreign policy should encompass a clear strategy with the dynamic Asian economies on how best to boost their investment in Nigeria, how to make G7 governments encourage more foreign capital flows to the vital areas of our economy through a liberal foreign investment policy.

Another matter that merits attention is that millions of people of Nigerian origin live abroad and what the country could do to make them contribute in their own way to the economic, scientific and technological development of the country. One dimension of economic diplomacy has to be to encourage Nigerians living abroad to have closer relations with their motherland and get them involved in economic and commercial activities in the country by disseminating information about investment climate. They can invest not only to earn profits but also help develop their home country on the road to economic development.

If Nigeria's foreign policy is to produce results for the country and the citizens, massive increase in investment to social infrastructure, such as health and education, and putting in place a policy framework that will enhance efficiency and effectiveness is critically required. Moreover, Government should also emphasize the development and promotion of capability and competence in industries where Nigeria has comparative advantage: these include oil and gas service industries and agriculture. In other to attain a virile foreign policy, Government must aggressively diversify the economic base from oil and gas by developing other economic sectors e.g. agriculture, solid minerals and manufacturing industry.

Global economic or trade issues are complex and it needs skilled persons to negotiate within a framework of a given international institution, say, World Trade Organization whilst globalization of economy has greatly increased the range and variety of economic diplomacy: the range of countries active in economic diplomacy has expanded and now spans the whole globe. To dynamically pursue economic diplomacy presupposes that there must be a pool of skilled persons in the government and private sectors to understand and negotiate key economic and trade issues from national perspective. Economic diplomacy will fail if there is dearth of skilled persons who are able to negotiate from position of understanding and strength. The role and place of our embassies should be redefined. A dynamic and performance-oriented foreign policy leaves no room for amateurism. There is need to emphasize economic diplomacy by establishing economic desks in key diplomatic missions to facilitate acquisition of technology and promote trade and investment.

As Nigeria continues to maintain, as a cornerstone of her foreign policy, traditional values of the international system like respect for sovereignties and territorial integrity of other states; as she continues to resolve disputes through the international legal framework and other global mechanisms, an expansion of the framework of Nigeria's international involvement to give it additional impetus that conforms to the challenge of the domestic environment is imperative. This framework as earlier discussed, should see the world as an international economic system and actively promote trade and other economic activities, not only between the formal state actors, but among citizens in the framework of bilateral or multilateral co-operation. Government must ensure that the economic development and well-being of Nigeria is the anchor of the country's foreign policy whilst, domestic security should be radically enhanced to give complete meaning to the priority of economic diplomacy. In other

words, investors, both domestic and foreign would have a convenient environment to carry on their economic activities.

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