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MANAGEMENT OF EXTERNAL ECONOMIC RELATIONS AND THE CRISIS OF DEVELOPMENT IN NIGERIA

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ABSTRACT: *The Post-cold War international regime has accentuated the convergence of sovereign states as a desideratum for their continued relevance within the locus of contemporary global political economy. Hence, the relative gains derived by a particular state are largely dependent on the structure, content and effective implementation of its economic diplomacy. Nigeria's economic diplomacy is fundamentally aimed at the diversification of its economic base, expansion of its international market, attraction of foreign capital and the management of debt. Essentially, this paper examined how Nigeria's economic diplomatic engagements had engendered or otherwise undermined its development imperatives. Using the qualitative descriptive method of data analysis, the paper implicated the management of Nigeria's external economic relations on the prevailing crisis of development within the country. Consequently, it recommended the active involvement of relevant bodies especially the Federal Ministry of Trade, Industry and Investment, Ministry of National Planning, the National Planning Commission and the Debt Management Office in the formulation and implementation of appropriate domestic policies that would make both manufactured and semi-manufactured products more competitive in the global market; making the economy more attractive to local investors first as the most effective strategy for attracting foreign capital; and the efficient management of debt in order to ensure national development.*

KEYWORDS: External Economic Relations, Foreign Trade, Foreign Capital, Debt Management, National Development

INTRODUCTION

The time-honoured aphorism that nobody (and by extension no state) is an island is best captured in the prevailing Post-cold War world order and the attendant international regime of globalization. The fairy-tale of a legendary hermit—Robinson Crusoe—who lived and 'survived' in seclusion is completely out-of-touch with contemporary global realities where convergence of sovereign states has become a desideratum for survival and international relevance. It is, therefore, not possible or practicable for any state to recoil into its shell and have nothing to do with the outside world, given the growing inter-dependence of nations economically, socio-politically and militarily. The current global political economy constitutes state and non-state actors pursuing distinct but sometimes similar and conflictual interests. According to Okolie (2009:4), "in an increasingly inter-dependent and globalized world, foreign policy actions, inactions and reactions are basically contrasting and converging responses to the needs of the citizens and means of addressing these needs via bilateral and multilateral relations with other states or actors".

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The external economic relations of a country are often triggered by the need to obtain some of the resources which it desires for its well-being, but which lie outside its territories. To achieve this objective, states design their foreign policies to attract these scarce resources. Sovereign states do not just compete but also exploit each other in pursuit of their national interests to secure maximum security and prosperity for their citizens. Genuine co-operation is possible only when all parties win something for their people. The diplomatic team of different states often engage in countervailing practices and horse-trading aimed at exploiting or even circumventing the international rules in order to appropriate a disproportionate share of the global development dividends to their citizens. However, the tendency of foreign policies of the co-operating states to clash gives room for diplomacy as a veritable instrument for the accommodation and syncretisation of such interests. The policies that drive and/or underpin the external economic relations of a country are founded on economic diplomacy.

Economic diplomacy is a very important factor in international politics. In the past, statesmen took recourse to it and it helped them achieve economic prosperity and avoid unnecessary and wasteful wars. Modern statesmen have also affirmed Hans J. Morgenthau's argument that "economic strength is the indispensable raw material out of which government must construct the edifice of national power" (Morgenthau, 1971:402). While some states have consistently championed the course of free trade or laissez-faire economic policies, others have embraced the policy of protectionism as a means of enhancing their relative strengths in the comity of nations. Economic diplomacy is often applied by the Economically Developed Countries (EDCs) in pressuring usually weaker and Less Developed Countries (LDCs) into undertaking certain actions, or following a particular direction that is advantageous to them (the EDCs). Some of the strategies used especially by the EDCs to advance their economic diplomatic goals are incentives and disincentives. The former refers to economic carrots such as foreign aids, favourable trade policies and Foreign Direct Investments (FDIs) while the latter comprises the economic sticks such as trade embargo and other forms of economic sanctions imposed on states in other to gain their support and compliance on a given issue. At different times, some states like South Africa, Libya, Nigeria, North Korea, Iraq, Iran, Syria, etc. had suffered one form of economic sanction or another from the EDCs or their allied international/regional (economic) organizations. On the other hand, the LDCs are more inclined to such economic diplomatic strategies like protectionism and domestic economic support. These include trade barriers, economic subsidies and other measures that tend to protect the domestic industries from untoward external economic and political forces often engendered by the practice of mercantilism in its unbridled malevolent form. This diplomatic posture has become a vital component of state's foreign policies. It covers a variety of concrete areas such as investment co-operation, interaction with international economic organizations, financial institutions and regional structures, and involvement in the analysis and search for solutions to global economic challenges (Elechi, 2013).

Nigeria's external economic relations are essentially hinged on the structural tripod of external trade, foreign investment and debt management. As part of the planks of Nigeria's foreign policy, "economic diplomacy" according to Omojuwa (2004) as cited in Omenma (2009:65) "aims at the diversification of Nigeria's economic base, expansion of its international market, attraction of new foreign loans and foreign investments and the rescheduling/forgiveness of the nation's external debt". Thus, Nigeria's external economic

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engagements since independence are poised to pursue an international economic regime that guarantees a favourable balance of trade, attraction of more FDIs and management of debts through debt refinancing, debt repudiation, debt rescheduling, debt restructuring, and debt conversion. The thrust of this paper, therefore, is to analyze the effect of Nigeria's external economic relations on its quest for national development. In other words, it examines how the economic diplomatic engagements of the country has engendered or otherwise undermined its development.

The paper is divided into five parts. Following after the introduction are the meaning of economic diplomacy, the trajectory of Nigeria's economic diplomacy, the structure of Nigeria's external economic relations and conclusion.

Conceptualizing Economic Diplomacy

The term diplomacy is subject to many misuses and confusion. At times, it is used as a synonym for foreign policy. Yet, there is wide agreement that its proper meaning has to do with the manner in which international relations get conducted. Generally, diplomacy is the process of conducting relations between and amongst states. It is the management of international relations by negotiation. In other words, it is the process of bargaining among states in bilateral and multilateral engagements in order to narrow areas of disagreement and widen areas of mutual co-operation. It is noteworthy that the emphasis on negotiation and bargaining does not imply the irrelevance of veiled threat of force or some other power capabilities in the arsenal of states once the diplomatic option is embarked upon (c.f. Badejo 1991). More often than not, diplomacy is interspersed with the threat of coercion as well as the military, economic, moral, or deriving from association with others, of the state for which the diplomat is acting. So, power capabilities in terms of economic, military, etc. constitute the arsenals in the armoury of the diplomat in extracting favourable agreements from other states.
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On the other hand, economic diplomacy is equally shrouded in definitional ambiguity. This ambiguity is ascribable to the fact that one can talk about the "economics of diplomacy" on the one hand and the "diplomacy of economic development" on the other (see Culbertson, 1925; and Black, 1961 as quoted in Akinterinwa, 1991:114). However, the concepts are used here to mean a type of diplomacy that focuses on the economic variables of international relations. It involves bargaining and reconciliation of the economic interests of the states concerned. Essentially, economic diplomacy is the management of international relations in a manner that emphasizes the economic dimension of a country's external relations. In other words, it is the conduct of foreign policy in a manner that gives topmost priority to the economic objectives of a nation. It involves the appreciation of economic instruments in negotiation and bargaining. As implied earlier, it encompasses a set of strategies and practices formulated and applied for the achievement of a fundamental restructuring of the existing international economic order.

Most students and experts of international relations share the view that some linkages exist between economics and diplomacy. This is primarily because the nature of a country's economy defines the framework for its diplomacy while the diplomatic instruments available to a country, including its power of leverage over other actors, could be employed by it to

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achieve its domestic economic objectives. The debate on the connection between economics and diplomacy is reflective of the wider controversy within the radical political economy approach on the relationship between the economic base and the superstructure built on it. One of the earliest arguments on the base-superstructure nexus was championed by Karl Marx as encapsulated in the Preface of his *A Contribution to the Critique of Political Economy* where he asserts that:

neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary, they originate in the material conditions of life...in the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The mode of production of material life conditions the general process of social, political and intellectual life (Marx, 1984:20-21).
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Arising from the foregoing, the broad agreement about the organic interconnection between economy and diplomacy is reflected in the implicit assumption that economic motives often underlie diplomatic actions, deliberate inactions and reactions. Nonetheless, a difference of emphasis exists between those who see a mechanical, one-to-one relationship between economy and diplomacy and those who locate the linkage in the broad framework of the logic of accumulation without submitting to the one-to-one, mechanical treatment of the relationship. While the paper agrees that an organic link binds economy with diplomacy, it rejects the tendency amongst some scholars to take a mechanistic and reductionist approach to understanding the linkage. This is essentially because a one-to-one relationship between a country's diplomatic action and a specific, immediate and direct or tangible economic interest or motive can never be established in every case although the action can be understood within the context of the overall logic of accumulation.

Moreover, while the economic sphere provides the broad framework within which diplomacy can be fully understood, it is important to recognize that diplomacy could and does also have a reciprocal impact on the economy. The linkage between them is therefore not only organic but also dialectical. This implies that the relationship between the two spheres is both complementary and contradictory—the diplomatic action or posture of a state complements the state's domestic economic base at the same time as the economic base shapes the diplomatic options available to the state. However, the diplomatic action of a state over a given issue could deviate from or even occasionally contradict the logic of the economic base of the state. Accordingly, Ogwu & Olukoshi (1991:6) surmise that:

...a specific diplomatic action may in fact have as its objective immediate political motives, although the action itself may be explicable in terms of long-term economic objectives. In some cases, no specific economic objectives, whether short-term or long-term, can be credibitied (sic) to a particular diplomatic move— in such cases, the wider political, cultural, or social imperatives of accumulation will have to be accommodated in the frame of analysis.

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The Trajectory of Nigeria's Economic Diplomacy

Generally, the historical development of economic diplomacy is traceable to antiquity when people began to employ economic principles as an instrument of relations with other peoples. For elaborate analyses of the historical development of economic diplomacy generally and Africa in particular, see Chikendu (1991), Thompson & Ferguson (1969), Rodney (1972), Stride & Ifeka (1971), etc. However, economic diplomacy as the underlying plank that drives Nigeria's external economic relations is as old as the country itself. It has constituted a cardinal feature of Nigeria's foreign policy since independence. For instance, issues of foreign trade, foreign economic assistance, external aid, the size and complexity of Nigeria's foreign loans, the rescheduling of these loans, debt-equity swaps, external grants, regional and sub-regional economic groupings, the quest for a New International Economic Order (NIEO), relations with the Group of 77 poor nations (G-77), relations with the European Economic Community (EEC, now the European Union, EU) and the Group of 8 industrialized nations (G-8), etc. have featured in the country's external economic relations since independence.

Nonetheless, economic diplomacy was given accelerated and unmatchable attention in 1988 under the regime of General Ibrahim Babangida (with Major-General Ike Nwachukwu as the Minister of External Affairs) during which it was consciously articulated, codified and elevated as the objective basis upon which Nigeria's external relations were conducted. In a speech, Major-General Nwachukwu noted *inter alia* that "the Federal Military Government had decided to make 'economic diplomacy' a new, additional plank of Nigeria's foreign policy". He further argued that "a deliberate effort would be made to shift the gear of Nigeria's international relations from what seems exclusively political in focus to a 'new' orientation in which an attempt will be made to use foreign policy instruments for the attainment of domestic economic objectives" (Nwachukwu, 1988 as cited in Ogwu & Olukoshi (1991:3). In the same vein, Major-General Nwachukwu argued that Nigeria's economic diplomacy is:

to be guided by the past...but should not neglect our changing national circumstances as well as adapt to the realities of a rapidly changing international environment. It is certainly not without justification that issues of international economic co-operation and development have featured prominently on the global agenda...and should in my opinion be given priority attention in our foreign policy...This entails negotiations and utilization that will attract both foreign investments and other assistance required for the successful accomplishment of our required economic goals (Akinsanya, 1993 as cited in Eke, 2009:132).

In 2005, however, Nigeria's economic diplomatic drives led to the cancellation of US$ 18 billion worth of external debt by the Paris Club. The debt relief wiped off about 60 percent of national debt which resulted in the utilization of US$6 billion savings from the excess crude account (ECA) to buyback the rest of the debt at 25 cents on the dollar, after paying off accumulated interest arrears (Okonjo-Iweala, 2014:21). Hence, the total Paris Club debt of US$30 billion was wiped off. Moreover, between 2003 and now, Nigeria's external economic relations have been shaped and determined by the implementation of the Bretton Woods inspired National Economic Empowerment and Development Strategy (NEEDS) of President Olusegun Obasanjo, President Umaru Yar'Adua's 7-Point Agenda and President Goodluck

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Jonathan's Transformation Agenda. The foregoing is a radical departure from the apparent traditional and politically-oriented foreign policy drives of Nigeria since independence. Such politically oriented policies include those that border on decolonization of Africa, pan-Africanism, regional co-operation, Non-Alignment, Commonwealth of Nations, the United Nations, and bilateral political relations between Nigeria and the major powers, middle powers and small powers.

The Structure of Nigeria's External Economic Relations

As implied earlier, Nigeria's external economic relations are anchored on external trade, foreign investment and debt management. Ultimately, such relations aim at the diversification of its economic base, expansion of its international market, attraction of foreign investments and new foreign loans, and the management of external debt. Nigeria's external economic relations at independence were principally with the United Kingdom (UK). The departing imperial powers bequeathed to Nigeria external economic relations that were preponderantly Anglo-centric.

The Pattern of External/Foreign Trade

During much of the first decade of independence, agriculture occupied the dominant position in the national economy, accounting for 65% of the Gross Domestic Product (GDP) in 1962-63, and 63% in 1966-67, and approximately 62%, 65% and 55% of the country's export earnings in 1966, 1967 and 1969 respectively (Akindele, 1986:8). With respect to export earnings, the situation changed in 1970 following the launching of the Second National Development Plan (1970-74). Even though the decline in production of some of the principal agricultural export commodities had become noticeable since the beginning of the civil war, the war marked a threshold when the national economy was freeing itself from the straightjacket of agriculture as the dominant export earnings. Crude oil export and a general balance of the external trade sector which began in 1966 were helpful but not crucial to the growth of the Nigerian economy at that time. Throughout the 1970s, during which the Second (1970-74) and Third (1975-80) National Development Plans were implemented, agriculture remained dominant in the Nigerian economy. Although the contribution of agricultural commodities to export earnings declined very significantly from 1971, agriculture remained the mainstay of the economy in so far as it provided employment opportunities to the bulk of the citizens and continued to meet some of the country's raw materials requirements for local industries.

By the second half of the 1970s, crude oil production and export had become the main engine of growth of the Nigerian economy. Oil exploration and production became the commanding height of the national economy, a development which imbued the policy-makers with a more active role in the international politics of oil and a more vigorous oil exploration policy at home. Unfortunately, the crude oil upon which the economy heavily depends could not be insulated from developments in the world market now characterized by downward pressure on demand in the wake of the post-1981 glut in the market.

Today, Nigeria is committed to becoming one of the world's top 20 economies by 2020 and expanding trade with other countries is an important part of its strategy for addressing the development crisis in the country. Nigeria's trade relations revolve around the oil and natural

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gas sectors. After the economic reforms of 2005, the government is making spirited efforts to diversify its export profile beyond the oil sector, such as minerals and agricultural products. On the other hand, the imports include manufactured goods, chemicals, machinery and transport, and food and livestock. According to the data extracted from Corporate Nigeria, official statistics have the value of the country's export falling by 22.3% in 2009, from US$ 63.5 billion in 2008 to US$ 49.3 billion at the end of 2009. The drop is approximately 28% in the value of crude oil exports. However, non-oil exports are making headway; rising in value by 40.7% in 2009. Import values were up, growing 53% from US$ 21.9 billion in 2008 to US$ 33.5 billion in 2009, mostly due to an increase in imports of manufactured goods (Corporate Nigeria, 2011:198).

The country's main export destinations are the US, the UK, Spain, France and Brazil. Major import sources are China, France, the US and the UK. As a member of the Economic Community of West African States (ECOWAS), Nigeria adopted the ECOWAS Common External Tariff (CET) in 2005, which brought the average tariff down from around 29% to 12%. Important trading partners for Nigeria within Africa are Cote d'Ivoire, South Africa and Ghana. In November 2009, Nigeria set up an Enlarged National Focal Point (ENFP) Committee made up of government officials as well as private sector stakeholders, researchers and academics. The primary objective of the Committee is to bring coherence to the country's trade policies and advise Nigeria's delegation to World Trade Organization.

Nigeria is the largest trading partner of the US in sub-Saharan Africa. This is due largely to the high level of trade in petroleum products, which accounts for nearly 46% of Nigeria's daily oil production and ranks Nigeria the 5th largest exporter of oil to the US. Two-way trade between the US and Nigeria was US$ 22.8 billion in 2009. Down from US$ 42 billion in the previous year, the US remains Nigeria's single most important export destination. Exports to the US were worth US$ 19.1 billion. Besides oil, other export products include cashews, coffee, cocoa, ginger, gum arabic and rubber products. Exports to the US in the first quarter of 2010 were more than three times greater than in the first quarter of 2009, up from US$ 2.6 billion to US$ 7.1 billion. Nigeria's import from the US in 2009 came to US$ 3.7 billion in goods like wheat, machinery and motor vehicle (Corporate Nigeria, 2011). The US and Nigeria signed a Trade and Investment Framework Agreement (TIFA) in 2000, under which the two countries pledged to work together on trade policies. Using the TIFA platform, both countries agreed to forge greater co-operation in the World Trade Organization, market access, issues affecting the commercial environment, export diversification, intellectual property rights, trade capacity, technical assistance, improving the bilateral investment climate between the US and Nigeria and implementation of the African Growth and Opportunity Act (AGOA). Nigeria is eligible for the US's initiated AGOA, which enables the former to export certain goods like chemicals, minerals and metals, transportation equipment and agricultural products, to the latter without duty.

On the other hand, Europe is the biggest market for Nigeria's non-oil commodities, as there is an estimated €40 billion of European investment holdings in Nigeria. Europeans have enjoyed a business relationship, which spans through several decades with Nigerian entrepreneurs. They have been exporting cocoa, rubber, cotton and leather to Europe, for a long time. Two-way trade between Nigeria and Europe as a whole accounted for around US$

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22.4 billion in 2009, much the same in 2008's US$ 22 billion, thereby making Europe Nigeria's second most important trading partner after the US. Nigeria's exports to Europe were worth around US$ 11.6 billion while imports from Europe made up about US$ 10.8 billion. However, speaking ahead of the 2013 EU-Business Forum in Lagos, the Trade Counsellor of the EU delegation to Nigeria and ECOWAS, Massimo DE LUCA, explained that of the €40 billion trade transactions recorded in 2012, 28 billion represents export from the country, while the remaining 12 billion accounts for the imports from the EU (*http://infomister.com/2013/09/eu-seeks-improved-trade-ties-with-nigeria-under-epa-regime-2/* accessed on 14/08/14). The important export destinations for Nigeria in Europe are France, Spain, Italy, and the Netherlands.

Lastly, Nigeria's trade relations with the emerging markets have increased dramatically. As China strengthens its trade links with Africa, it is fast becoming a key partner for Nigeria. According to Corporate Nigeria (2011:199), "in 2009, bilateral trade between Nigeria and China was worth over US$ 6.5 billion. In the last ten years, exports from China to Nigeria have increased 400% while exports from Nigeria to China have increased 200%". Nigeria gets light industrial products and manufactured goods from China, while China imports petroleum products, timber and cotton from Nigeria. Bilateral trade between Nigeria and India amounted to US$ 10.3 billion in 2009. Nigeria enjoys a trade surplus of around US$ 7 billion with India. Nigeria exports mainly crude oil to India, while imports from the latter consist largely of machinery, medicine, electronics and motor vehicles.

Undoubtedly, the scope and intensity of Nigeria's external trade relations have expanded considerably, reflecting the emergence of the country as an influential middle power in an increasingly asymmetrically interdependent international economic system. The conduct of Nigeria's external economic relations has always been shaped by the structure of the domestic economy as well as developments in the international economic environment. Although Nigeria's economy was predominantly agricultural at independence, it had by the early 1970s shown indications of becoming virtually mono-cultural, relying largely on revenue from oil for the financing of its import bills and government projects.

With the succession of ideologically conservative national governments (with few exceptions though) since 1960, it does not come as a surprise that Nigeria has remained essentially pro-Western in its economic orientation and international economic connections. However, some noticeable changes in the pattern of Nigeria's external economic relations since independence have been the gradual decline in the domination of the country's international trade by the UK, thereby leading to a progressive geographical diversification of the country's external trade relations. Hence, the US and the EU (as an economic bloc) have emerged as the country's largest trading partners. Similarly, conscious efforts have been made to broaden and expand Nigeria's economic relations with African countries, the Eastern European countries and the emergent markets like Brazil, China, India, South Korea, etc. However, Nigeria's external trade policy cannot ignore the fact that the country is still largely a producer of raw materials. Since it has not developed a meaningful industrial base, it has to import most of the manufactured goods it needs from abroad. Thus, while diversification has characterized the direction of its external trade, the commodity structure of trade, particularly of imports, has remained by and large unchanged. Disappointingly, import-substitution strategy has not led

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to any visible de-linking of the economy from dependence on foreign importation. The overall effect of the prevailing international division of labour which Nigeria has apparently accepted as immutable is the continuous production and exportation of raw materials (especially crude oil) that only reproduces the phenomenon of dependency as well as deepens the development crisis in the country.

The Pattern of Foreign Direct Investment

Foreign Direct Investment (FDI) is an investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or expanding operations in an existing business in that country. According to the International Monetary Fund (IMF) as cited in Omowunmi (2012:7), "FDI is generally investment made to acquire lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being an effective voice in the management or control of an enterprise". FDI, which is mostly carried out by multinational corporations, differs from portfolio investment in that the former does carry control over the borrowing entity while the latter may not involve any direct control over the use of lending funds. Similarly, the latter is a mere passive investment in the securities of another country such as stocks and bonds.

FDI is often assumed to benefit a developing country like Nigeria, not only by supplementing domestic investment, but also in terms of employment creation, transfer of technology, increased domestic competition and other positive externalities. Consequently, many developing countries have offered generous incentives like low corporate and income tax rates, tax holidays, other types of tax concessions, preferential tariffs, special economic zones, investment financial subsidies, soft loan or loan guarantees, free land or land subsidies, relocation and expatriation subsidies, infrastructure subsidies, research and development support and derogation from regulations, etc. in order to attract investment inflows. Moreover, others have undertaken macroeconomic reforms, often under pressure from Bretton Woods Institutions. These are geared towards the goal of creating an investor-friendly environment. Africa and Nigeria in particular, joined the rest of the world in seeking FDI as evidenced by the formation of the New Partnership for Africa's Development (NEPAD), which has the attraction of foreign investment to Africa as one of its major goals.
The Investment Code which created the Nigerian Investment Promotion Commission (through Decree No. 16 of 1995) and the Foreign Exchange Monitoring and Miscellaneous Provision Decree (also enacted in 1995) give full backing for FDI in Nigeria. Nigeria has a high potential to attract significant investment inflow. With its natural resources, size and growth, Nigeria is Africa's largest recipient of foreign investment. According to CBN (2007), the amount of FDI inflow into Nigeria reached US$2.3 billion in 2003 and it rose to US$5.31 billion in 2004 (138% increase) and US$9.92 billion (87% increase) in 2005. The banking consolidation of 2005 endeared the interest of foreign banks in the Nigerian market thereby making FDI into the country grow to N1.123 trillion (US$9.6 billion) in 2007. Although global FDI plunged by a whopping 18% as a result of the post-global recession challenges, FDI inflows to African countries rose by 5% to US$50 billion, while Nigeria receives the largest amount of FDI in Africa. Out of a total US$36 billion of FDI that came into Africa, Nigeria received 26.66% of the inflow (CBN, 2007). The Vanguard Newspaper of May 19, 2008, reported that a total of US$12.5 billion of foreign investment inflow was recorded in

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the economy at the end of 2007, and that this was an indication that "Nigeria is a beautiful bride for foreign investors". However, Nigeria's economy wobbled under the weight of Niger-Delta militancy and Boko Haram insurgency. The combined effects of the duo largely damaged investors' confidence thereby sending the economy on a downward slide. The 2011 World Investment Report prepared by the United Nations Conference on Trade and Investment (UNCTAD) confirms the decline in FDI. According to the report, FDI capital to Nigeria declined to US$6.1 billion in 2010 from US$8.28 billion in 2009 (UNCTAD, 2011). Similarly, Umejei (2011) attributed the development to the fact that:

most of the foreign missions have advised their citizenry to be wary of doing business in the country because of what they believe is a high security risk...hence, with travel advisories by most of the foreign missions warning their citizenry of the risk of doing business in Nigeria, it remains to be seen how the government can muster US$33 billion as projected.

However, at a press conference in Abuja on the 2014 World Economic Forum on Africa held in Nigeria, the Minister of Finance and Co-ordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala, told Nigerians that the insecurity in the North-eastern part of the country had not reduced foreign direct investment. According to her, Nigeria's foreign direct investment has risen to over US$20 billion in the last three years (Okonjo-Iweala, 2013a). The paradox, however, is that unlike those nations that attract FDI because of their relatively strong performance in competitiveness, their business environment, or their minimal corruption, Nigeria garners FDI despite its vulnerabilities.
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It is pertinent to note, however, that it is wrong to think that foreign capital can lead the way to national development. The lesson of development is that domestic capital leads and foreign capital follows. One is often bemused by the sometimes seeming obsession to "attract foreign investment". No doubt, every country needs higher levels of productive investment to create and sustain prosperity. But investors have no other objective than to maximize profits, and they will go wherever there is an opportunity to do so. It is, therefore, amusing to hear foreign investors claim to have come to "help" create jobs, industrialize, and save foreign exchange for Nigeria, amongst others. Thus, the imperativeness of creating a level playing field for both local and foreign investors cannot be overemphasized. Accordingly, Soludo affirms that:
it is a wrong lesson of development to believe that other countries would willingly wish to "HELP" your country develop. No! Countries do not do charity; they only pursue their national interests which are the security and prosperity of their citizens. If the pursuit of such benefits others, it is only accidental.... (Soludo, Thisday, 10th June, 2013).

Evidence shows that investment promotion jamborees are a waste of time and material resources. Serious foreign investors probably have more information about the country and its underlying fundamentals than the propagandistic PowerPoint presentations often made in the wasteful jamborees of 'investment promotion'. If domestic investors are rushing to a sector, foreigners usually take a serious look at it. But if they come with a shopping list of preferential treatments and concessions, one must then ask: why wouldn't the same preferences or even better be extended to local entrepreneurs? In any case, domestic capital plays more developmental role than the highly risk averse foreign capital. Little wonder most advanced economies at the initial stages crafted national strategies to deliberately build and

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prosper the nascent domestic investors as a key component of national transformation and security. The reversal of this strategy is central to the declining fortunes of local investors and by implication the debilitating crisis of national development in the country.

Attraction of Foreign Loans and Management of External Debt

The management of debt in Nigeria is undertaken by the Debt Management Office (DMO). The DMO was established on 4th October, 2000 through the enactment of the Debt Management Office Act No.18 to centrally co-ordinate the management of Nigeria's debt which was hitherto performed by myriad of establishments like the Central Bank of Nigeria (CBN), Ministry of Finance and partly by the National Planning Commission. Due to diffused fashion of managing debt, lack of co-ordination and poor record-keeping; each of these bodies was giving different data of Nigerian public debt. However, the centralization of debt management through the DMO was a watershed in effective co-ordination and proper computation and documentation of Nigeria's public debt. The functions of DMO include the followings:

- to maintain a reliable database of all loans taken or guaranteed by the federal or state government or any of their agencies;
- to prepare and submit to the federal government a forecast of loan service obligations for each financial year;
- to verify and service external debts guaranteed or directly taken by the federal government;
- to set guidelines for managing federal government financial risks and currency exposure with respect to all loans; and
- to advise the federal government on the restructuring and refinancing of all debt obligations.

According to Ahmed cited in Okereke & Ekpe (2002:157), "debt management is a conscious and carefully planned schedule of the acquisition, deployment and retirement of loans acquired either for developmental purposes or to support the balance of payments". It refers to the gamut of institutional and technical arrangements in organizing the liabilities of a country so that the debt service burden is kept within sustainable level. The technical aspect is concerned with the determination of the level of debt an economy can sustain as well as ensuring that the conditions of borrowing are favourable and consistent with the future debt servicing capacity. On the other hand, the institutional aspect includes the legislative, administrative, organizational, accounting and monitoring aspect of managing both the new borrowings and old stock of debt.

Nigeria has had an unfortunate history with managing its debt. The country's foreign loans started towards the end of British colonial rule. The most outstanding of such borrowing was the 1958 World Bank loan of US$250 million which was used to finance the Nigerian Railway Extension to Borum. Because not much borrowing took place in the first decade of independence, public charges were relatively small, "averaging N3.2 million per annum and representing 0.2 per cent of GDP" (Obadan, 2002 as cited in Shina, n.d:4). In the 1960s when shortage of foreign exchange became one of the bottlenecks to national economic development, foreign loan became imperative for the country. During this era, Nigeria borrowed sparingly and cautiously too. The reasons are varied. Immediately Nigeria attained independence in 1960, some laws guarding external borrowing were enacted. The Promissory

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Notes Ordinance and External Loan Act were enacted in 1960 and 1962 respectively. A backing fund for loan redemption was established under the Promissory Notes Ordinance while the External Loans Act required that external loans be used for development programmes and for lending to regional governments. The 1962 Act was amended in 1965 to broaden the end use of external loans. During this period, debt servicing was never a problem. This cautious attitude prevailed throughout the 1960s and most of the 1970s. However, these legal frameworks failed to deter successive governments, whether military or civilian from abusing the external borrowing process. "The country's external debt was N82.4m, N435.2m and N488.8m as at 1960, 1965 and 1970 respectively" (Fasipe, 1989 as cited in Shina, n.d:4).

Most of the loans collected by Nigerian governments were intended or used to finance capital projects like the Ajaokuta and Delta Steel complexes, Kaduna and Port-Harcourt Refineries, Sokoto Cement and Savannah Sugar factories. Other projects that were funded with external borrowings as highlighted in Ako-Nai & Ayoola (2013:180) included dam for electricity and irrigation, water supply, railways, port development, technical assistance, and road networks. However, some of these projects were either abandoned, uncompleted or producing at an epileptic manner when the charges on the foreign loans became due. This is essentially because there was no congruence between the terms of the loans and the gestation period envisaged for the projects. Meanwhile, some of the government's external borrowings in recent time were used to fund specific projects like the Nigeria Erosion and Watershed Management Project, Nigeria Public Sector Governance Reform & Development Project, Nigeria State Education Sector Project, Nigeria State Health Investment Project, Lagos Metropolitan Development (Phase II), etc. The projects (executed?), amount borrowed, creditors and their corresponding agreement dates are represented on Table I below while Table II shows Nigeria's External Debt Stock as at June 30, 2014.

Table I: Examples of Government External Borrowing for Specific Projects

S/N	Description	Creditor	Sector	Orig. Loan Curr.	Loan Amount	Agreement Date
1	Nigeria Erosion and Watershed Management Project	IDA (World Bank)	Agriculture	XDR	321,400,000	04/16/2013
2	Nigeria Public Sector Governance Reform & Dev. Project	IDA	General	XDR	50,540,000	06/29/2012
3	Nigeria State Education Sector Project	IDA	Education & Training	XDR	41,035,589	01/04/2013
4	Nigeria State Health Investment Project	IDA	Health & Social Welfare	XDR	96,400,000	04/16/2013
5	Public Private Partnership Program -	IDA	Monetary Policy	XDR	73,700,000	09/25/2011

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	First Phase Project					
6	Nigerian Abuja Light Rail Project	Exim China	Rail Transport	USD	500,000,000	07/11/2012
7	Lagos Metro. Development (Phase II)	AFD (France)	Road Transport	USD	100,000,000	11/25/2011

Source: Debt Management Office

Table II: Nigeria's External Debt Stock as at 30th June, 2014 (in millions of US$)

Category	**Principal Balance 1**	**Principal Arrears 2**	**Interest Arrears 3**	**Total 4**	**Percentage 5**
MULTILATERAL World Bank Group					
IDA	5,772.77	0.00	0.00	5,772.77	
IFAD	91.57	0.00	0.00	91.57	
African Development Bank Group					
ADB	150.00	0.00	0.00	150.00	
ADF	598.24	0.00	0.00	598.24	
ABEDA	3.86	0.00	0.00	3.86	
EDF	99.47	0.00	0.00	99.47	
IDB	14.54	0.00	0.00	14.54	
SUB-TOTAL	**6,730.45**	**-**	**-**	**6,730.45**	**71.78%**
BILATERAL					
Exim Bank of China	1,031.84	0.00	0.00	1,031.84	
French Development Agency (AFD)	108.95	0.00	0.00	108.95	
SUB TOTAL	**1,140.79**	**-**	**-**	**1,140.79**	**12.17%**
COMMERCIAL					
ZTE	5.88	0.00	0.00	5.88	
EUROBONDS	1, 500.00	-	-	1, 500.00	
SUB TOTAL	**1, 505.88**	**-**	**-**	**1, 505.88**	**16.06%**
GRAND TOTAL	**9, 377.11**	**-**	**-**	**9, 377.11**	**100%**

Source: Debt Management Office

Following the oil glut of 1982, Nigeria was unable to pay off the loans it borrowed. Interest payments spiked, penalties rose, and the crisis began. By the second half of the 1980s, the debt profile had deteriorated seriously due to indiscriminate acquisition of short term loans and trade arrears with little regard to the efficient management of the ensuing debt and its servicing. That resulted in mounting arrears and unmanageable growth of the debt stock relative to avoidable resources stock which was about US$9 billion in 1980 but grew to nearly US$19 billion by 1985. There were no new loans between 1984 and 1985. By 1986

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and 1987, Nigeria's external debt had risen to N42, 229.5 million (US$18,631.3 million) and N86, 550.8 million (US$26,200) respectively. In 1988, the debt stock stood at N142,410 million (US$29,282m), N240,329.6m (US$31,424m) in 1989 and N298,614.3 million (US$33,179m) in 1990 (Shina, n.d).

It should not be taken for granted that Nigeria's overall debt comprises external and domestic debts. External debt is typically owed to foreign creditors such as multilateral agencies (for example, the Africa Development Bank, the World Bank, or the Islamic Development Bank), bilateral sources (such as the China Exim Bank, the French Development Bank or the Japanese Aid Agency), or private creditors such as investors in Nigeria's Eurobonds. The domestic debt, however, is contracted within Nigerian borders, usually through bond issues which are then purchased by Nigerian banks, local pension funds, and other domestic and foreign investors. The resources raised typically go to help fund the budget or other domestic expenditures, such as infrastructure projects.

Nigeria's external debt rose from US$1.3 billion in 1976 to US$19 billion by 1985 as the country's leaders borrowed extensively to finance infrastructure projects – many of which were poorly executed or not executed at all. Debt service climbed to US$4 billion around this time, yet Nigeria was able to pay only US$1.5 billion. The country had to reschedule its debt payments to external lenders, like the Paris Club on four occasions – 1986, 1989, 1991, and 2000. By the end of 2004, the external debt had hit about US$36 billion (or about 50 percent of GDP) and the huge annual debt service had severely constrained economic growth, until debt relief from the Paris Club in 2005 wiped off about 60 percent (US$18 billion) of national debt which resulted in the utilization of US$6 billion savings from the excess crude account to buy back the rest of the debt at 25 cents on the dollar, after paying off accumulated interest arrears (Okonjo-Iweala, 2014). Thus, the total Paris Club debt of US$30 billion was wiped off in 2005. Prior to the debt relief, Nigeria's overall external debt stock stood at US$35.9 billion while the stock of the domestic debt amounted to US$10.3 billion resulting in a total of about US$46.2 billion or 64.3 percent of GDP excluding contractor and pension arrears. After the successful debt relief initiative, Nigeria's stock of foreign debt declined dramatically. In August 2006, the foreign and domestic debts amounted to US$3.5 billion and US$13.8 billion respectively– a total of US$17.3 billion or 11.8 percent of GDP. By August 2011, the domestic debt stock had grown substantially to US$42.23 billion, while the external debt was still a modest US$5.67 billion which implied a total debt stock of US$47.9 billion or 21 percent of GDP (Okonjo-Iweala, 2013b). Meanwhile, the total public debt stock of the country as at June 30, 2014 stood at US$66,994.45billion as shown in Table IV below. However, the growth in debt stock correspondingly led to growth in national income so that debt to GDP ratio (the parameter used globally to measure a country's debt sustainability) remains modest and manageable as shown in Table III below.

Table III: Trend of Nigeria's Public Debt/GDP Ratio, 2000 – 2013*

Year	Debt /GDP Ratio
2000	84.14
2001	59.03
2002	62.89
2003	56.64

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2004	51.62
2005	27.50
2006	11.41
2007	12.09
2008	11.12
2009	14.83
2010	17.98
2011	18.48
2012	19.40
2013*	19.60 (22.66)**

Source: Okonjo-Iweala (2014)
*As at end-September, 2013
** Following the successful reconstruction of States' domestic debts. Sustainability ratio in 2013 included States' complete debt data, hence, the figure in bracket.

Table IV: Nigeria's Public Debt Stock as at June 30, 2014 (in millions)

	Debt Category	Amount Outstanding in USD	Amount Outstanding in NGN
A	External Debt Stock (FGN + States)	9,377.11	1,460,297.92
	Domestic Debt Stock (FGN Only)	47,653.61	7,421,097.30
	Sub-Total	**57,030.73**	**8,881,395.22**
B	Domestic Debt of States	9,963.72	1,551,650.13
C	**Grand-Total (A+B)**	**66,994.45**	**10,433,045.35**

Source: Debt Management Office
CBN Exchange rate of 1 USD to 155.73 NGN as at June 30, 2014 was used

Significance of the Study

This study has both theoretical and practical significance to students and scholars with research interest in economic diplomacy as well as public administrators and policy makers. At the theoretical level, the study is justified because it seeks to fill a gap in the extant literature by contributing to the production of knowledge in this area. Contrary to the prevailing conclusion that Nigeria's external economic relations is the cure-all for its development crisis, the study avers that the continued neglect of the endogenous variables of national economic development has largely blighted economic progress in the country. Thus, it calls on the relevant government bodies like the Federal Ministry of Trade, Industry and Investment, to emphasize the production of competitive finished and semi-finished goods instead of continued heavy reliance on globally less competitive and inelastic primary commodities. By the same token, the study argues that encouragement of domestic investment must be upheld as a *sine qua non* for the attraction of foreign capital because the former constitutes the bulk of investment activity in any economy. In the final analysis, a strong synergy must exist between Nigeria's external economic diplomatic intercourse and domestic economic advancement as a basis for arresting the crisis of development in the country.

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On the other hand, the practical significance of the study rests on its ability to constitute a guide to policy-makers and administrators charged with the onerous responsibility of formulating and/or implementing policies aimed at strengthening the relative economic capabilities of the country within the comity of nations. Thus, the study is justified practically because of its capacity to re-orientate and re-awaken the consciousness of the key stakeholders like the Ministry of Foreign Affairs, Ministry of Trade, Industry and Investment, DMO, Ministry of National Planning, National Planning Commission, the general public, etc. to the fact that Nigeria's development log-jam is not irredeemable but requires a sustained home-grown development orientation as a basis for connecting with the exogenous development necessities.

Conclusion

This paper analyzed Nigeria's external economic relations vis-à-vis its development crisis. Amongst other things, the study focused on the pattern of Nigeria's external trade, attraction of foreign investments, foreign loans and external debt management. Using the qualitative descriptive method of data analysis, it found that Nigeria's external economic relations have not significantly addressed the development question in the country. This is largely because the structure of the international economy is skewed against the interest of the LDCs who specialize in the production of raw materials. Most of the rules of global trade game and the parameters of international transfer of technology, foreign aid and investment, etc. are subject to the determination of the advanced capitalist economies of Western Europe, North America and Japan.

Nigeria's external trade policy cannot ignore the fact that it is still largely a producer of raw materials. Since it has not developed a meaningful industrial base, it imports most of the manufactured goods it needs from abroad. Thus, while diversification has characterized the direction of its external trade, the commodity structure of trade, particularly of imports, has remained by and large unchanged. Similarly, the commodity structure of its export trade has remained largely the same, despite the efforts of the newly created Ministry of Trade, Industry and Investment. Disappointingly, import-substitution strategy has not led to any visible de-linking of the economy from dependence on foreign importation. Given the present global arrangement, Nigeria may not be able to drastically alter its trading partners. However, what is needed is the active involvement of relevant bodies especially the Federal Ministry of Trade, Industry and Investment, Ministry of National Planning as well as the National Planning Commission in the implementation of appropriate domestic policies so that Nigerian exports, preferably in manufactured and semi-manufactured forms, will be competitive in the international market.

Secondly, the study found that the inflow of foreign investment into Nigeria has been on a steady increase. Unlike those nations that attract FDIs because of their relatively strong performance in competitiveness, business environment, minimal corruption or a combination of these, Nigeria garners FDIs despite its vulnerabilities. However, from the standpoint of competitiveness, oil-driven FDI is a distraction because it steers attention away from the fundamentals of competitiveness. Moreover, with the up and down movement of FDI, Nigeria needs to juxtapose foreign investment with domestic investment in order to maintain high levels of income and employment. The problem, therefore, does not lie so much with the

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magnitude of investment flows to the country as with the form in which it is given. Thus, foreign investment has not contributed much to the economic development of the country because it is directed primarily to capital supply rather than investment projects. Foreign investment can be very effective if it is directed at improving and expanding managerial and labour skills. In other words, the task of helping a "poor beggar" can be made less generous and yet more fruitful if it is directed at teaching him a trade rather than giving him food to eat. In order to further improve the climate for FDI in Nigeria, the government must appreciate the fact that the basic element in any successful development strategy should be to encourage domestic investors first before going after foreign investors, considering the fact that the former constitute the bulk of investment activities in the economy. Thus, the most effective strategy for attracting FDIs is to make the Nigerian economy very attractive to local investors first.

Lastly, the study found that attraction of foreign loans and external debt management remain one of the cardinal objects of Nigeria's external economic relations. Attraction of these loans was buoyed by the oil boom of 1970s which made Nigeria a regional hegemon, a development which imbued the policy-makers with a more active role in the international politics of oil and a more vigorous oil exploration policy at home. However, the ineffective management of these loans led to a debt crisis. For instance, some of the projects that necessitated the accumulation of foreign loans were abandoned, uncompleted or producing at an epileptic manner when the charges on the foreign loans became due. This is essentially because there was no congruence between the terms of the loans and the gestation period envisaged for the projects. Apparently, no one is against the accumulation of national debt for purposes of fixing the decrepit infrastructure. Nonetheless, the penchant of the country's leadership to pile-up non-performing loans and monumental debt stock that are poorly managed is totally condemnable.

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