ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 4, Issue 3, pp: (232-237), Month: July - September 2016, Available at: www.researchpublish.com

The Political Economy of Nigeria's International Economic Relations: Issues, Contradictory Realities and Challenges

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Abstract: **The integration of Nigeria's political economy into the global capitalist system was a defining context of her international economic relations. The country had been integrated as a neo-colonial, dependent and peripheral formation that equally defined the pattern of its trade and economic relations. The state economic policies on domestic economic management and external economic relations are hinged on Western, neo-liberal economic agenda. This neo-liberal philosophy informs the drive for state withdrawal and ascendancy of the market in the state and economy relations. The article is a radical political economy critique of Nigeria's international economic relations. It argues for assertive state as opposed to permissive state with a view to pursuing aggressive and result – oriented external economic relations. The article posits the state should develop other productive sectors to reduce the vulnerable nature of the economy and assert economic independence.**

Keywords: **economic reforms, neo-liberal, peripheral, neo-colonial, debt overhang.**

1. INTRODUCTION

The political and economic turfs are not separate and independent entities in international politics. The economic sub-structure and the political-superstructure are inter-related and mutually re-in forcing in a sense that reflects the contending forces and power relations in international politics. The structure of global economic and political relations had been defined by colonial and neo-colonial relations, cold war and its consequences, the First and Second World Wars and the resultant political structures at the global level, the economic depression that characterized the end of the Second War and the formation of the Breton Wood institutions, collapse of the structures of cold war and increasing multi-literalism in global relations; and the emergence of new centers of economic power.

The international political and economic system is skewed in favor of the bourgeois capitalist states. The core capitalist states had actually defined the structures and regimes that define relations at the global level. The developing and under-developed states became integrated into the global economic and political order as dependent and unequal partners to the developed capitalist states. Nigeria's international economic relations should be understood in this context. The Nigerian state was integrated into the international economic and political system as peripheral and neo-colonial formation, which defined its external economic and political relations.

Meanwhile, the pervasiveness nature of globalization and its consequences especially in developing states challenge the orthodoxy of inter-dependent and inter-penetrating nature of globalization forces. The dominance of neo-liberal orthodoxy at the global level and the contradictions created by the adoption of neo-liberal economic agenda in developing states raises question on economic inter-dependence for purposive development reasons. The contradictory realities of foreign direct investment in hosting states and the implementation of IMF and World Bank economic reform programs sign posts the backlash of globalization and its forces.

It is noteworthy that the country's international economic relations exist within the unequal global capitalist system (Nwoke, 2000:75). The Nigerian state emerged as **n**eo-colonial economy within the orbit of global capitalism to export primary agricultural products to the mature capitalist states. The structure of agricultural production was shifted from food crop to cash crop to serve the industrial sites in Europe. The integration at the commodity level increased the dependence of the state and economy in Nigeria on the colonizing state. As response to globalization, the Nigerian state de-emphasized agricultural commodities and largely embraced crude oil as the source of foreign exchange earnings (Aigbokhan, 2005:105). The inability of the Nigerian state to translate the oil resources into capital formation and development led further deepened the country's development crisis.

This article interrogates the nature and character of the global economic and political structure; and it asserts that the nature of Nigeria's international economic relations had been defined by these realities. It takes cognizance of the adoption of the neo-liberal agenda in the Obasanjo, Yar'Adua, and Jonathan administrations and the consequences for Nigeria's international economic relations. The country's external debt, foreign direct investment, and the patterns of external trade relations are also examined within the context of its international economic relations.

2. HISTORICAL BACKDROPS TO NIGERIA'S INTERNATIONAL ECONOMIC RELATIONS

The character of Nigeria's economy derived from the British colonial imperial power; the colonial economy as designed as the source of cash crops and market for industrial products of the metropolitan states. The departure of colonial powers in 1960 did not translate into economic independence as the existing economic and commercial structures created by the imperial power were retained by the indigenous governing class. The state became neo-colonial economy and susceptible to the dictates of the developed capitalist states. This neo-colonial Nigerian state is capitalist and market based and its politics, economy and other institutions are organically linked to the global capitalist system to facilitate the exploitation process. The colonial and neo-colonial economic structures are the backdrops for Nigeria's international economic relations.

The postcolonial government of Balewa was conservative and pro-British in nature. The successive postcolonial state structures ensured continued disposition to the West especially Britain. The pro-West leaning of Balewa administration ensured it least tolerated the defunct Soviet Union and the socialist ideology. Consequently, the major trade and economic partners of Nigeria is the West. The Balewa administration emerged within in the context of the military and ideological rivalry between the West and East bloc. The preference of Balewa government for the West bloc contrary to its non-aligned posture ensured the deepening of dependent capitalism and peripheral nature of the economy.

The Babangida administration adopted SAP policy in 1986 to foster private sector led growth, correct balance of payment disequilibrium and reduce public sector spending. Ironically, the country's external debt increased exponentially from $ 28,718.20 billion in 1986 to $33.1 billion in 1990 (Nwangwu & Okoye, 2014:45). It reduced, however, to $30.3 billion in 1998 (Adejuwon & Soneye, 2010:103). The bids for rescheduling of the debts indicated the crippling nature of the external debt on state resources. It sign posts the growing influence of the IMF/World Bank on the economies of adjustment states, socio-economic and policy directions. The SAP policy externalized fiscal governance in the sense that the international financial institutions defined the policy content and implementing strategies for adjusting states. The capacity of the Nigerian state to articulate and pursue autonomous economic and social policies was constrained by the pervasive influence of creditor institutions. The country's international economic relations have been equally been defined by these realities. The state actors insist on neo-liberal policy albeit the harsh consequences of adjustment reforms on the state, economy, and society. The implementation of SAP has substantially reduced the assertive nature of the Nigerian state.

3. THE POLITICAL ECONOMY OF NIGERIA'S EXTERNAL DEBT: ITS NATURE AND EFFECTS

The country's external debt is rooted in its integration into the global capitalist system; the resultant debt portfolio hinges on the interests of external forces. The structure of imperialism organized the neo-colonial state to specialize in export of raw materials to service the core capitalist states rather than invest in capital thereby pitching the country on the unfavorable side of the international economic relations (Nwoke, 2000:75). The country later became a mono-cultural economy that depended predominantly on crude oil for export. The fall in the prices of oil in the late 1970s compelled the government to borrow from foreign creditors to address the balance of payment problem and finance projects (Rahman *et al, 2010*: 33; Romanus, 2014: 43).

In the 1980s, the World Bank and IMF felt the country was under-borrowed; the Nigerian government borrowed from the international capital market at market rate to the extent it found it difficult to offset her debt obligations (Olorode, 2014: 44). The Nigerian state got into the debt trap through the accumulation of debt arrears and commercial interest rates. The debt trap elicited several attempts to bid for cancelation, which culminated in failure. The Paris and London Clubs opted for rescheduling, which was a palliative to merely postpone re- payment while the total debt stock increased astronomically (Nwangwu & Okoye, 2014: 45). The debt stock increased unabatedly to a critical point in 1985 ($18.5 billion) to the extent that the creditors refused to open new credit lines for Nigeria to finance her imports (Onoh, 1989: 277). The debt trap was exacerbated through loans secured by the state governments from bilateral and multilateral organizations without the consent of the central authority.

The Fourth Republic is enmeshed in a web of foreign debt, which is largely owed to the Paris Club of Creditors. The administration of President Olusegun Obasanjo inherited the debt crisis from his predecessors due to their failure to convert the borrowed funds to accelerate development. The "jumbo loan" effect lingered when the country refused to pay the Paris Club with its external debt stock at US$28.273 billion and the service cost totaling $1.71 billion in 2000 (DMO, 2004) . The Obasanjo administration had disagreements with the IMF on its prescription of a single-digit inflation rate and stable exchange rate. The government, however, implemented its privatization proposal, capacity building in fiscal management, and macro-economic stability (Akhaine, 2006:230).

The foreign trips of President Olusegun Obasanjo to secure debt relief rarely altered the country's debt status as the external debt stock increased from $28.347 billion in 2001 to $30.99 billion and $32.91 billion in 2002 and 2003 respectively ((DMO, 2004). The decline in the value of the US dollar against other currencies and the interest component of payment arrears that accumulated in 2002 caused an increase of 9.33%—with penalty interest of $0.049 billion *(DMO, 2004).* Meanwhile, the Paris Club demanded $3 billion annual debt service in 2003, which nearly wrecked the economy with huge external burden constituting obstacle to economic recovery process. The size of Nigeria's external debt in 2004 was nearly $36 billion of which $31 billion was owed the Paris Club (85.82%).

The Paris Club granted Nigeria a debt relief in May 2005 through the cancellation of $18 billion (about 60%) of the $36 billion and $12.4 billion payment of arrears and buyback (about 40%) to be made later (DMO, 2005; *The Punch* July 25, 2005:25; Olorode, 2014: 51;). The Paris debt forgiveness is perceived by Mansur Muhtar (2005:55) as a "second declaration of independence". This assertion was hinged on the perception of external debt and its conditionality as instruments of imperialism. The anticipated benefits expected to accrue from the partial debt cancelation were soon truncated by the global financial and economic crisis in 2009. The crisis led to the drop in the price of oil from $147 per barrel in July 2007 to $45 per barrel in December 2008 thereby reflecting on the rate of exchange of the Naira to the USD. The Naira dropped from N120/$ in the last quarter of 2007 to N150/$ in the third quarter of 2009 (CBN, 2008). The exchange rate volatility has worsened with the decline in the price of oil, reduced national earning and dwindling foreign reserve. Nigeria's external debts reflect the distortions and imbalances in the global economic and financial architecture. The country's external debt burden argues Olorode (2014: 46) is a western conspiracy with the indigenous ruling class to plunder the economy to the disadvantage of the exploited and alienated working people, urban poor and rural peasants.

4. FOREIGN DIRECT INVESTMENT: THE REALITIES AND UNDERCURRENTS

The policy of foreign direct investment is predicated on the deregulation of the economy and privatized economic milieu. The adoption of neo-liberal economic model vitiates a protectionist measure that discourages FDI while developing the local industries. There is the assumption that FDI will benefit developing countries through its spillover effect on local industry and creating domestic competition, generating job creation, stimulating transfer of technology et cetera (Awolusi, 2012:59). The creation of Nigerian Investment Promotion Commission through Decree No. 16 of 1995 offered the impetus for the inflow of FDI in Nigeria (Nwangwu & Okoye, 2014: 40). The Olusegun Obasanjo administration in 1999 through its privatization program and diplomatic shuttle sought foreign direct investment in the economy. The Nigerian economy became Africa's largest recipient of FDI due to her natural resource base and market size (Mojekwu & Ogege, 2012:191). The FDI inflows included the Global System of Mobile telephone (GSM) in the telecommunications sector, MTN and ECONET; Kia, LG, Samsung, Nokia, Standard Chartered IBTC.

The 1st September 2001 attacks in the United States led to 40% decrease in FDI globally, but the inflow to Nigeria dropped to 21% with the total inflow standing at $651 million in 2002 (*The Guardian* February 27, 2004). There was a dramatic shift in 2003 when the inflow of FDI increased to $2.3 billion and further increased to $5.31 billion with an exponential increase of 138% in 2004. The size of foreign investment leapt to $9.92 billion with 87% increase in 2005 (CBN, 2007). The FDI had totaled $9.6 billion in 2007 as a result of the consolidation of banks in 2005, which attracted the interest of foreign banks in the Nigerian economy (*Vanguard* May 19, 2008). The inflow of FDI into Nigeria declined to $8.28 billion in 2009 as a result of the crises in North-Eastern Nigeria occasioned by the Boko Haram sect and the South-South militant groups. The inflow of FDI declined to $6.1 billion in 2010 (UNCTAD Report, 2011).

FDI has been critiqued despite the figures cited earlier on inflow of investments. The textile sector has virtually disappeared as a result of the liberalization policy of the Nigerian state. The local textile industries became exposed to unequal competitions of the foreign textile companies. The local textile companies lost the capacity to cope with foreign textile companies (Nmadu, 2008:9). The textile firm reputed as the oldest and highly labor intensive down sized with over 120,000 workers losing their jobs in Kaduna following the privatization exercise that divested the government equity holding to private owners (*The Guardian* October 7, 2007). The influx of foreign textile companies from China, India, Europe, and United States threatens the domestic textile industry. There are reports that nine textile firms shut operation in 2007 (Nmadu, 2008: 1). The popular China Town located in Lagos sign post the reign of foreign textile companies amid the sale of allegedly sub-standard clothes.

The neo-liberal reforms led to the decline of the Nigerian state and the ascendancy of the market. The Nigerian state has been receding amid the growing influence of the market in the allocation of resources. The state is less equipped to play supervisory role in the operations of foreign firms. It is less interested in the nature of ownership and control of the critical sectors of the national economy and pre-occupied with rent collection in the guise of deregulation and privatization. The minimalist state role has deepened under development and structural distortions to the extent the political economy in Nigeria requires a superintendent role for the state as opposed to state withdrawal. The state actors in Nigeria would better engage foreign firms on local production activities through a stronger presence of the state in a sense that reflects and respond to the country’s strategic political and economic interest.

5. NIGERIA’S TRADE RELATIONS WITH THE UNITED STATES

The frosty relations that characterized the Nigeria and U.S relations during military dictatorship did not substantially affect trade relations. While the political aspect of the relations suffered setbacks when Nigeria was declared a pariah state, there was increasing demand by the United States for Nigeria’s crude oil (Atte, 1986:201; Saliu & Aremu, 2006:137).

Nigeria’s return to democratic rule in 1999 enhanced trade and investment relations with the U.S. The Joint Economic Policy Council, JEPC, launched in Washington to reinforce bilateral relations on economic transformation, debt relief, investment and aids emerged within this context (Saliu & Aremu, 2006: 139). Similarly, the Trade and Investment Framework Agreement, TIFA, signed between the United States and Nigeria in 2000 cohered on trade policies (Dickson, 2010:213).

The status of Nigeria as traditional exporter of primary products especially crude oil and oil products enhanced its relations with the United States. The United States sought Nigeria’s crude oil and Nigeria canvassed for U.S investments in Nigeria. Nigeria was viewed by the United States as essential trading partner and it is the second largest beneficiary of U.S investment in Africa (Blanchard & Husted, 2016:18). Nigeria was ranked the largest oil supplier to the U.S with over 40% of its total crude oil export till 2012 (Blanchard and Husted, 2016: 19). Chevron, Exxon/Mobil and Western Geo-physical are the major US investors in the Nigerian oil sector (Atte, 2000: 142). The United States has discontinued the purchase of Nigeria’s crude oil thereby posing major worry to the Nigerian government. The country’s capacity to implement its national budget and pursue development goals are constrained by the slump in oil price. The discomfort among the Nigerian governing class is heightened by the collapse of crude oil price in the international oil market. The lifting of economic sanctions on Iran by the United States further dims the prospect of probable substantial increase in the price of crude oil.

The U.S invested in non-oil products such as tobacco, telecommunications, textile and the banking sector of the Nigerian economy. Nigeria’s export products to the U.S in the non-oil sector include agricultural goods such as cashew, cocoa, coffee, shrimps, ginger, gum-Arabic, rubber products and local foods (Nwangwu & Okoye, 2014: 38). The 2000 African Growth and Opportunity Act enabled African states including Nigeria to export into the United States duty-free and quota-free market preferences for approximately 6400 products from Sub-Saharan Africa to United States markets till 2015 (Alao, 2011:9; Saliu & Aremu, 2006 :144).

There were plans to secure U.S exports of goods and services worth $1.5b to support power generation in Nigeria in 2011 through an agreement between the U.S Export-Import Bank and the Nigerian government (Blanchard & Husted, 2016:19). The Nigerian government and the U.S had total trade figures of $38.6 billion in 2011; Nigeria's export to the U.S was worth $33.7b and imports totaled $4.8 billion (Dickson, 2010: 208). The U.S export of cereals to Nigeria was nearly $1.2 billion; vehicles, $1.1 billion; machinery, $720 million; mineral fuel, $597 million; and plastic, $187 million. The U.S imports from Nigeria accounted for 1.5% of total U.S. imports with oil constituting the largest imported products in 2011.

The balance of trade favors Nigeria considering the statistics for 1999 till 2012 and this is linked to the centrality of oil in Nigeria and United States trade relations. The agricultural trade figures for Nigeria are not impressive despite the widow offered by AGOA. Ironically, the Nigerian government relies to some extent on America's aids and it is rated as the highest recipient of U.S foreign assistance in Africa. The U.S is highest bilateral donor to Nigeria and provides $600 to $700 million annually (Blanchard & Husted, 2016: 21).

6. CONCLUSION

Nigeria's international economic relations emerged within the context of the lopsided global economic and political order. The neo-colony is a satellite of the metropolitan economy, which questions its economic equality within the global economy. The pro-western policies of the IMF and World Bank in Nigeria are financial baits to ensure the country remains in economic quagmire a la external debt trap to sustain her subjugation in the global capitalist order.

The strategy of de-link to escape exploitative capitalism is problematic in the light of the increasing interpenetration and interdependence in global economic and financial relations. The state actors should rather re think economic policies that weakens the state and reduces its capacity to play crucial role in the development process. Nigeria's political economy requires assertive and superintendent state to mediate development and play greater role in regional and global relations. Nigeria's international economic relations would likely be more concrete when the domestic economy is robust, resilient, and relatively autonomous.

The Nigerian government should develop local capital as basis to develop the productive basis of the economy. The state should respond to the control fall out of foreign capital in a sense that protects the country's economic autonomy and responds to the logic of endogenous economic development. Meanwhile, the oil crisis and the decline in Nigeria, U.S trade relations buttress the vulnerable nature of the Nigerian economy. The oil price decline has affected Nigeria's capacity to appropriate resources for development and further exposes the state as a 'beggarly' country. The state actors are globetrotting to search for loans and development assistance amid increasing accumulation of external debt. The challenges for the Nigerian state is to reduce dependence on crude oil export, develop local capital formation, and restructure the national economy.

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ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 4, Issue 3, pp: (232-237), Month: July - September 2016, Available at: www.researchpublish.com

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