FOREIGN POLICY AND ECONOMIC DEVELOPMENT IN NIGERIA

A Dissertation

Presented to

The Faculty of the Graduate School of International Studies

University of Denver

In Partial Fulfillment

of the Requirements for the Degree

Doctor of Philosophy

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by

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This is a historically based study of Nigerian economic policy, foreign and domestic. That history begins with the inception of British control in the nineteenth century and ends with the present dictatorship. While the study considers that entire history, special emphasis is given to the period 1985-92 when Nigeria's political leaders pursued a policy which has become known as Economic Diplomacy.

Beyond the intrinsic importance of understanding the history of one of Africa's major political actors, this case study -- hopefully in conjunction with comparable case studies of other Less Developed States (LDCs) -- can provide critical data for evaluating contending theories of international politics. To identify possible theoretical implications, chapter I outlines three major theoretical perspectives, focusing on their explanatory claims regarding LDCs' economic development. The chapter's three sections -- on

realism, liberal internationalism and dependency theory -- conclude with a depiction of Nigeria from each perspective. Theories of the state and strategies for economic development in Nigeria are presented in chapter 2. Chapter 3 contains an overall presentation of Nigerian history, followed by a more detailed look at the sources of Nigeria's underdevelopment in chapter 4. Chapter 5 focuses on a particular policy: Economic Diplomacy, which was conducted from 1985 to 1992.

Each of the three perspectives I consider--realism, liberal internationalism and dependency--make claims regarding the nature and power of external constraints on relatively weak states like Nigeria. In chapter 6, I draw on my case study to evaluate each set of claims. Based on evidence from chapter 6, I argue in chapter 7 that a version of the approach which Stephen Krasner has called "Modified Structural Realism" is most accurate in identifying the nature of system-level pressures impinging on Nigeria and perhaps on other "Less Developed States."

Chapter One

Realism, Liberal internationalism, Dependency and Economic Development in Nigeria

Introduction

This is a historically based study of Nigerian economic policy, foreign and domestic. That history begins with the inception of British control in the nineteenth century and ends with the present dictatorship. While I will consider that entire history, I will give special emphasis to the period 1985-92 when Nigeria's political leaders pursued a policy which has become known as Economic Diplomacy.[1]

Beyond the intrinsic importance of understanding the history of one of Africa's major political actors, this case study -- hopefully in conjunction with comparable case studies of other Less Developed States (LDCs) -- can provide critical data for evaluating contending theories of international politics. To identify possible theoretical implications, chapter I outlines three major theoretical perspectives, focusing on their explanatory claims regarding LDCs' economic development. The chapter's three sections -- on realism, liberal internationalism and dependency theory -- will conclude with a depiction of Nigeria from each perspective. In chapter two, I will present theories of the state and strategies for economic development in Nigeria. I will then turn to an overall presentation of Nigerian history (chapter 3), followed by a more detailed look at the sources of Nigerian underdevelopment (chapter 4). I will discuss a particular policy: Economic Diplomacy, which was conducted from 1985 to 1992 (chapter 5).

Each of the three perspectives I consider--realism, liberal internationalism and dependency--make claims regarding the nature and power of external constraints on relatively weak states like Nigeria. In chapter 6, I will draw on my case study to evaluate each set of claims. Based on that evidence, in chapter 7 I will argue that a version of the approach which Stephen Krasner has called "Modified Structural Realism" is most accurate in identifying the nature of system-level pressures impinging on Nigeria, and perhaps on other "Less Developed States."

Providing a theoretically informed assessment of the external constraints on Nigerian economic policy is crucial to stipulating the range of choices available to political elites. It can therefore help answer questions regarding the interests served by prevailing economic policies, i.e., whether elites are in effect prisoners of powerful external forces, whether they serve particular domestic interests (ethnic groups, classes, etc.), or whether some conception of the national welfare in fact helps shape policy-making. In that regard, clarity in sorting through the interaction between international and domestic sources of behavior is not merely an interesting enterprise for theorists, but is essential for illuminating the most viable options for the people in developing states like Nigeria.

In addition to being theoretically relevant, exploring how foreign economic policies are made is politically relevant for different classes within a developing state. The making of foreign economic policy involves a struggle between the domestic business class; the government and external actors, such as the Transnational Corporations; the International Monetary Fund; the World Bank and foreign donors. Sorting out the complex interactions between these classes or actors provides insight into the connection between domestic and foreign policies.

Furthermore, exploring the complex interactions between domestic classes and external actors will bring to light the domestic distribution of power (among ethnic groups, classes, etc.,) and how that distribution of power shapes economic development policies.

To understand the extent to which a less developed country like Nigeria has leeway in shaping its foreign economic policies in the contemporary international system, it is necessary to assess contending theoretical arguments. This chapter will begin by outlining three major theoretical perspectives, focusing on their explanatory claims regarding third world economic development. These perspectives will provide a starting point for the subsequent discussion on economic development in the third world. The chapter's three sections on realism, liberal internationalism, and dependency theory will conclude with a depiction of how each perspective would characterize the case of Nigeria's economic diplomacy. What follows is a presentation of three analytical frameworks for exploring third world development in general, with a specific focus on possible influences of such frameworks on Nigeria's foreign economic policy.

Realist Theory

Realists such as Kenneth Waltz, Robert Gilpin, J. D. Singer, John Mearsheimer and Joseph Grieco, etc., use an analytical framework based on the structure of the international system, whose anarchy forms the central analytical premise for explaining international behavior and outcomes. Underlying their framework are the common assumptions that the anarchic international system structure is (a) comprised of sovereign states whose foreign policies are shaped primarily by security concerns[2]; (b) that states are rational, and unitary actors with stable power-maximizing preferences that maintains the existing and/or extend its power relative to other states; and (c) that states will consistently prefer security over welfare in an international system whose ordering mechanism is based on balances of power.

Therefore, realists of all persuasions generally, agree that given anarchy, war retains its utility in the current international system, just as it did in the classical Greek City States. And, as Krasner points out, "...the basic explanation for the behavior of states, is the distribution of power in the international system and the place of a given state within that distribution."[3] While behavior by states may be substantially shaped by regional balances of power, the structure of the international system at any given time will be determined by the number of major world powers. The key points are that states must seek to preserve and strengthen their positions in the balance of power. That position may be a regional balance (as illustrated by Iraq's bid for hegemony) or global (as shown by the United states' action in preventing Iraq's attempt to dominate the oil rich Gulf region).

Realist's assumption that states are unitary actors is based on the proposition that even though domestic coalitions may argue among themselves on the value and utility of a given state policy, such disagreements are not usually communicated to the external actors or the influence targets. As a result, in spite of bureaucratic and group "interests" and disagreements in the process of policy formation, states communicate their policies to the external world as if such policies were unanimously arrived at. Equally significant for the realist argument is the assumption of rationality. States as dominant units in the international system seek power "either as an end in itself or as a means to other ends, ... [therefore, in part, states] ... behave in ways that are, by and large, rational, and therefore comprehensible to outsiders in rational terms,"[4] but, also because states tend to be responsive to constraints of structure largely determined by the state's position within the system.

According to Robert Keohane, "To say that governments act rationally ... means that they have consistent, ordered preferences, and that they calculate the costs and benefits of all alternative policies in order to maximize their utility in light both of those preferences and of their perceptions of the nature of reality."[5] For example, deterring attack requires warnings that are consistent, clear and unambiguously communicated, backed up by military preparations or alliance formations that provide sufficient capabilities to make the warnings credible. Realists, however, caution that a state must not rely solely on allies. It must develop its internal sources of power, for allies sometimes fail to answer the call to fight or may even become enemies, as Iraq found out during the Gulf War.

Also, realists argue that for a state's policy to be rational, clear preferences must be given to the "national interest" which Morgenthau and Waltz, among others, define in terms of national security preserved by military power. From this viewpoint, security policies, for example, would take precedence over economic policies, which in turn would take precedence over cooperation on human rights issues.

In sum, the nature of a state's government or domestic coalitions are irrelevant from a realist perspective. Sovereign states will consistently behave in ways that preserve their national security, trusting no other state to protect them; their policies will always reflect unitary, rational calculations that privilege security over economic policies.

Although, the basic analytical premise of both classical and contemporary realists are largely similar, the goals of foreign policy tend to differ. For example, classical realists argue that *power* is the most important objective of states foreign policy in the international political system. For neorealists, *power* is a means that states employ for the attainment of their most desired foreign policy objective--security. Strongly opposing the classical realists' focus on individual human nature Waltz insists that this view fails to take into account the international political structure and its mechanisms that constrain states' behavior. As a result, Waltz (1979), defines political structure according to the principles by which a particular system is ordered. For him, the first principle is anarchy. This view leads to a definition of political structures that is based on the specification of functions of differentiated units. He argues however that in the resulting anarchic system of international politics, there are no specifications of functions since the consequent sovereign units are all alike. Further, that since states are the central units, they are similar in their functions. Similarity of functions exists despite unit differences in the power of states. Indeed, states are truly equal solely, in terms of the legal concept of sovereignty.

The distribution of capabilities across units[5] becomes, according to Waltz, the defining factor for political structure. This means that changes in the system will only result from (a) changes in capabilities or (b) changes in the ordering principles within the system itself. But, given the overall fact of inequality among nations, major states will tend to exercise their powers while the small states will either bandwagon or form alliances as a strategy for economic and political survival. According to Waltz therefore, foreign policy methods are heavily reliant on realpolitik and the constraints which result from its rationales can be explained by the diversity of both its applicants and applications.

Structural constraints (which gives rise to self-help) therefore may explain why the methods are repeatedly used despite differences in the persons and the states that use them. Waltz sees a self-help system as "one in which those who do not help themselves, or who do so less effectively than others, will fail to prosper, will lay themselves open to dangers, will suffer." He insists that "Fear of such unwanted consequences stimulates states to behave in ways that tend toward the creation of balances of power." Given that states are the main actors in the international system, realists assert that those who control the affairs of each state will work to increase the power of their states relative to other states for whatever reason, but largely for the purposes of state security and power.

As most sources of military power and security are rooted in economic activities of the state and or its citizens, realists' views on economic interactions coincide with mercantilist interpretations of the relationship between politics and economics. Since this study focuses on the intersection between politics and economic development, it is important to briefly examine mercantilism as an aspect of realism.

Realists' Economic Argument

The mercantilist system emerged as a consequence of the early modern state system with its centralized administration and standing army. While mercantilist policies varied from state to state, the principal objectives were the maximization of the powers of the state.[8] Defined as "... a doctrine of extensive state regulation of economic activity in the interest of the national economy,"[9] mercantilism advocates both domestic and external state intervention in the market.

In the tradition of the political realism of Thucydides, Machiavelli, and Hobbes, mercantilists argue that if formal authority does not constrain the pursuit of self-interest, the result is likely to be a brutal "state of nature."[10] For mercantilists, international economic competition parallels states' competition for power and security. As a result, mercantilists, like realists will tend to view gains from international economic interaction in relative terms, rather than in terms of absolute gains. Overall, in a mercantilist economic structure, the interests of the leadership generally tend to revolve around increasing the wealth of the state by manipulating economic policies that privilege the state over its constituent parts.

Mercantilism is manifested at the end of the cold war as economic nationalism, whose advocates "...call on their governments to manipulate markets so as to capture special benefits for their nation."[11] Arguably, the lessons from the 1930's economic nationalism and the possibilities of a *deja vu*, laid the foundation for the intellectual Liberal criticism on resurgent Mercantilist perspectives at the end of the cold war.[12]

Realism's view of the LDCs

Generally, a realist view of the less developed countries would be one of dismissal, since none contends for major power in the international system. Realists do not find the LDCs credible as international actors because the LDCs lack the military and economic power to influence -- individually, or collectively -- the behavior of the major states, let alone the power to restructure the international system.

Although Nigeria is a major power within the West African region, realists would emphasize that Nigeria's strength within the region is constrained by the international environment to which Nigeria belongs. Compared to the major powers in the international system, Nigeria remains an insignificant player in a game of power and influence dominated by the United States, the European powers, Russia, China and Japan. That will remain true as long as Nigeria remains on the fringe of the markets and technologies of the major states, and as long as Nigeria's military power remains weak compared to the major powers'.

Then, while Nigeria is a regional power whose neighbors are too weak to threaten its economic and political interests, it is itself too weak to resist powerful outsiders. A member of the newly-independent nations, its actions depend partially on the geo-political interests of Britain, France and, to a lesser extent, the United States. During the cold war, the region was overshadowed by the East-West struggle.

Nigeria's value in that competition gave it considerable bargaining power, which it used to obtain economic concessions from the major powers.

With the end of the cold war, that leverage is fast disappearing. The LDCs like Nigeria owe huge sums of money borrowed from the western banks and governments, but lack the productive capacity to repay. Consequently, with the end of the cold war, the opportunities for the LDCs, instead of improving, are getting worse. Thus, in spite of Nigeria's regional power position, she faces the same constraints as her neighbors in a world dominated by the major powers.

Given the situation described above, a realist would counsel Nigeria to do what she can and give what she must as a "defensive positionalist" within an anarchic structure that largely rewards states with strong military and economic capabilities. Conceivably, Nigeria's regional power could be used to annex its neighbors and incorporate their resources, in a grand strategy to enhance Nigeria's position in the international system. However, because no policy of expansionism can transform Nigeria into a great power, such a policy could invite military intervention and even occupation of Nigeria by one or more major states.

The situation described above is conditioned by anarchy which socializes the states either through imitation of the actions of the most successful members of the international system or sheer competition among themselves for survival or domination.[13]

Liberal International Theory

Liberal internationalism is similar to realism in its assumptions that states are the dominant actors in the international system, that states' policies are rational and exhibit consistent preferences across outcomes and issue areas. Liberals and realists also share the view that states are sovereign entities within their territory. While states are likely to achieve absolute gains from the liberal perspective, realists see relative gains as a more important concern for realizing the security needs of states.[14]

However, neoliberals differ from realists in giving significant status to international institutions such as the International Monetary Fund (IMF), the World Bank, the United Nations among others, emphasizing the capacity of these international institutions to mitigate the effect of anarchy, which realists argue is the main source of conflict in the international system.

Robert Keohane argues that, "institutionalist theory ... emphasizes the role of international institutions in changing conceptions of self-interest"[15] to articulate areas of possible cooperation between states. To the extent that liberal internationalists emphasize the relevance of institutions as agents for states' realization of their mutual interests, the debate between realism and neoliberalism centers around neoliberal claims that the international institutions and regimes states establish alter their behavior in ways that realism fails to predict or account for.[16]

Liberal internationalists contend that international institutions are fora for citizens of different countries to meet and discuss issues other than military security in situations where the constraints of different states' objectives would otherwise make such meetings difficult. Because of individual roles in international institutions, neoliberals argue that international regimes tend to result in more cooperation, especially between democratic states, in an otherwise anarchic state system.

Thus, neoliberals largely focus their explanation of international issues within the domestic realm, taking into consideration the type of government, the leadership, public opinion and education to argue that the international system is evolutionary and thus changes are possible, especially from conflicts and war towards a more peaceful world. Therefore, Liberal internationalists regard free market economic systems, as well as free trade among states (leading to growing interdependence) as critical to global prosperity and peace. From the liberal internationalists view, *international regimes* are significant in strengthening international cooperation.

Furthermore, internationalists take the existence of "mutual interests" as a given, and therefore argue that through regime formation, "mutual interests" can lead to cooperation under anarchy. According to Robert Keohane, a leading proponent of the institutionalist perspective, discord among actors do not have to result in rational egoism. Rather:

> If the egoists monitor each other's behavior and if enough of them are willing to cooperate on condition that others cooperate as well, they may

> be able to adjust their behavior to reduce discord. They may even create and maintain principles, norms, rules and procedures ... as regimes. Properly designed institutions can help egoists to cooperate even in the absence of a hegemonic power.[17]

Keohane cautions that cooperation does not necessarily imply the absence of conflict, rather, it is the extent to which states anticipate success in resolving conflicts that result in cooperation.

Realists, especially neorealists,[18] argue that liberal internationalists do not appreciate the logic behind a state's decision whether to cooperate or not cooperate with other states. According to Waltz, states are reluctant to cooperate because of their concern over how the gains from such cooperation will be divided. Waltz would also argue that such concerns do not preclude states from desiring to cooperate in situations (e.g. military alliance) that serve the national security interest of the state. And, because states may not be certain whether they "gain more or less," they fear the probability that if other states gain more, such relative gains may enhance the other states' capacity in ways that threaten the security of the states that got less.[19] Correspondingly, realists doubt the basic and underlying assumptions of the liberal internationalists' argument about change and cooperation among states, even if such states share a similar political structure such as a democratic system of government. According to Robert Jervis, "Because there are no institutions or authorities that can make and enforce international laws, the policies of cooperation that will bring mutual rewards if others cooperate may bring disaster if they do not."[20]

The liberal internationalists argue that, international institutions and regimes created by states to mitigate the effect of anarchy,

> ... serve state objectives not principally by enforcing rules *(except when they coordinate rule-enforcement by the strong against the weak, as in the International Monetary Fund-IMF)*, but by facilitating the making and keeping of agreements through the provision of information and reductions in transaction costs[21] (my italics).

Thus, governments will cooperate to attain their goals only when the ends-means calculations are favorable. Equally significant from the above citation is the liberal internationalists' acknowledgment that strong states (mostly advanced industrialized states) will cooperate in the enforcement of existing international rules that privilege the developed against the less developed states if the issue-area involves the adjustment of resources, gains or influence in the international system.

Liberal International Economic Logic

Thus, in contrast to realism and its mercantilist view of the economy and the state, liberal internationalism offers an alternative (albeit contested) view of how best to maximize state's interest and the general welfare within a *free market* structure.

Leading the liberal assault on mercantilism, Adam Smith argued that state's interest will not be maximized by protectionism and intervention in the market. Instead, the "invisible hand" of the market naturally ensures that the pursuit of self-interest, in and of itself, will ultimately maximize efficiency and prosperity. Fundamental to Smith's argument is the notion "... that the individual consumer, firm or household is the basis of society ... [that each] ... behave[s] rationally ... to maximize or satisfy certain values at the lowest possible cost ... on the basis of a cost/benefit or means/ends calculus."[22]

Though, Adam Smith recognized the existence of political realities, he argued that a gain for one state is not necessarily a loss for another, but, that, on the contrary, trade always benefits all participating states. He points to an instance in which country A's welfare may increase to the detriment of the power position of country B, arguing that however dangerous in war and politics such a condition may seem, it is certainly advantageous for both countries to trade than to intervene in the market.[23]

While Smith's argument is based on the assumption that gains from foreign trade are largely based on absolute advantage, David Ricardo argues that even if a country has no absolute advantage, it can still derive gains from trade.[24] Thus, the Ricardian comparative advantage thesis, based on the notion of the market as a self-correcting entity, insists that if all countries specialize in a given economic activity and trade, then every participant in the liberal economic market place would be rewarded with economic prosperity. And, that, as long as trade was at the center of world affairs, peace and prosperity would guarantee the absence of war.

As Risse-Kappen observes,

> The liberal theory of foreign policy disagrees with the core assumptions of realism. It posits a causal relationship

> between the internal political and/or economic organization of states and their external behavior. Adam Smith and David Ricardo, for example, argued that capitalism and free trade are the best guarantees for international peace.[25]

John Mearsheimer also asserts that "[e]conomic liberalism rejects the notion that the prospects for peace are tightly linked to calculations about military power, positing instead that stability is mainly a function of international economic considerations."[26]

The liberal internationalist theory links theories of economic liberalism and democracy, maintaining that states with similar democratic institutions and open economic systems are more pacific than authoritarian states with centralized economies. Further, the liberal internationalist account and its emphasis on welfare and peace is based on the assumption that with an open political process and citizens' participation in choosing their leaders, the tendency will be for such leaders to be more sensitive to public opinion regarding domestic and external economic and political issues that directly affect the citizens.

In general, liberal internationalism broadly claims that one state's interest can be realized in cooperation with other states within the framework of international liberal institutions such as the IMF, GATT and the World Bank.

Liberal International view of the LDCs

The less developed countries are largely viewed by liberal western social scientists as economically and politically deficient on the basis of the less developed countries' cultural/traditional characteristics. Walt Rostow, A. F. Organski and Samuel Huntington are representative of western scholars who have variously defined the political and economic problems of the LDCs as functions of internal incapacity and decay. Representing the Modernization perspective, these scholars generally characterize underdevelopment as an "original state" that every nation goes through. The Modernization prescription enjoins the "traditional" societies to abandon their "uncivilized" culture for a civilized western experience in order to attain development.

For Rostow and other economists, the attainment of development is emphasized by economic growth and participation in international trade. In his book *The Stages of Economic Growth: A Non-Communist Manifesto* (1960), Walt Rostow[27] suggests the following five stages to a capitalist economic growth: (1) backward or primitive stage (2) preconditions for takeoff (3) takeoff (4) maturity and (5) high mass consumption. However, Rostow fails to show the transitional linkages between the stages. He sees the industrialized countries as having gone through the stages outlined above in order to achieve economic development and suggests that the LDCs transform their domestic institutions and behavior through application of the western model of development.

A. F. Organski's suggestions, on the other hand, focus on political development as a preamble to modernization. To aid the LDCs toward the transformation of their political institutions, he also suggests a four-stages model: (1) primitive national unification, (2) industrialization (3) national welfare and (4) abundance.[18] Although Organksi's political development model differs slightly from Rostow's, which focuses on economic growth, the various stages are similar as they both insist on economic determinism as a prerequisite to their attainment.

In the economic sphere, modernization entails the application/diffusion of western technology to the LDCs on the one hand and adherence to the principles of comparative advantage on the other. Specialization in the production and export of goods with cost of labor advantages to the LDCs involve concentration on the production and export of raw materials, thus ensuring an effective international division of labor. And, according to Lofchie and Commins, "This kind of specialization ... would not only lead to more wealth for all nations, but to the greatest possible improvement in living conditions for their people."[29]

Similarly, analyses of underdevelopment by the modernization school of thought leads them to conclude that the feudal or traditional culture is an impediment to development in the LDCs. From the modernization perspectives, one of the stages that a less developed economy has to pass through is the abandoning of traditional customs, norms and values. In essence, the new nation becomes a "westernized" state in the image of the European or American state. And, on the level of the individual, William Tordoff asserts that, "... changes in traditional patterns of behaviour and values, with urbanization, literacy and social mobility [become] characteristic indices of levels of change,"[30] consequently serving as a base for the attainment of modernization and/or economic development.

However, given that modernization and economic development do not occur in a vacuum, its political framework ensures that,

> ... modernization involves the development of an institutional framework that is sufficiently flexible to meet the demands placed upon it; the centralisation of power in the state, coupled with a weakening of traditional sources of authority, differentiated political structures, sub-system autonomy, and widened political participation; and an instrumental ideology to give purpose and direction to the processes of change.[31]

From the above perspective, the less developed countries' attainment of modernization and or development is premised on two closely related (but still distinct) strategies: the adoption of the neoclassical economic approach as presented by Rostow and the institutionalization of a democratic system of government whose powers are flexible enough to ensure stability and order for market mechanisms to work. Moreover, while a stable government is an essential component of the modernization process, the economic growth aspect of the theory insists on avoiding government intervention in the market.

Implicit in the above argument are the following: (a) governments should not interfere with free markets; (b) all states will benefit if they allow "comparative advantage" to shape their economic activity; and, (c) the process of modernization is systematic, transformative and immanent. Consequently, sources of change towards modernization involves pain, patience and internal behavioral change in the third world states consistent with the experience of the western developed states. Thus, it is to the advantage of the least developed countries to remain within the international capitalist system in order to ensure access to world markets, capital and technology, all of which are essential to their industrialization and, by extension, their development. Finally, this development agenda requires an institutional framework of government that is flexible enough to maintain stability, able to meet the demands placed upon it both by citizens and by the international capitalist system.

In the case of Nigeria, therefore, liberal internationalism and its modernization/neoclassical assumptions would argue that the best chance for economic development in Nigeria lies in its ability to (a) restrict government intervention in the market place, and, (b) liberalize the political system sufficiently to allow for protection of property rights and citizens' pursuit of their individual self-interests. Nigerian development strategy should be based, then, on imitating the industrialized western countries' free market system and by adopting the already-developed technology of the advanced countries.

That strategy is also best for ordinary citizens, as the wealth generated by economic expansion trickles down to the masses in the form of jobs and economic well-being. As evidence for their claims, liberal internationalists would point to the successful rebuilding of Europe and Japan following World War II, and the astonishing level of economic growth in the Newly Industrialized Countries (NICs) of Asia within the framework of capitalism. In general, then, and in contrast to dependency theory, liberal internationalism argues that rather than a policy that delinks Nigeria from the international system, development depends on Nigeria's growing integration in the capitalist international economic system.

Dependency Theory[32]

Scholars within the dependency school of thought are in agreement with both the realists and the liberal internationalists in their general focus on the international system[33] as a useful analytical framework for understanding the effect of states' behavior on different issue areas. However, most of the dependency scholars, including adherents of the world systems approach, would argue that the international system is shaped by the relationship between two classes - the capitalists who own the means of production and workers whose only product is their labor. Within this framework, relations between states are understood in terms of relations between two classes -- the developed capitalist states and the underdeveloped states. This perspective is significantly at odds with realists' assumption that states are the dominant actors and central focus of analyses in international politics.

Dependency theory is rooted in Lenin's characterization of the capitalist international system, in which capitalism survives by extending its reach to the underdeveloped world.[34] Colonial and imperial policies of the industrialized countries result in uneven development, characterized by inequities in the distribution of economic and political power that privilege the industrialized countries over the LDCs.

The historical relationship between the industrialized and underdeveloped countries is further differentiated by "undevelopment" and "underdevelopment." The first term refers to essential state of nature, while the second pertains the to structural/infrastructural emanations of industrialization. Andre Gunder Frank argues that the industrialized countries may have been "undeveloped," a phase through which every country must pass, but that capitalist expansion into the peripheral countries of the south resulted in the historical process of "underdevelopment" which is unique to the LDCs.[35]

Christopher Chase-Dunn captures an essential feature of the dependency perspective.

> Capitalism is best conceived as a peculiar combination of economic and political processes which operate at the level of the world economy as a whole. Thus the interstate system is the political side of capitalism, not an analytically autonomous system, and its survival is dependent upon the institutions which are associated with the capital-accumulation process.[36]

In suggesting that capitalism accounts for the very existence of states, Chase-Dunn's argument implies that realist assertions regarding the primacy of military security over economic welfare are simply incoherent.

Dependency theory holds that the relationships between the developed and the less developed countries are largely driven by inequality in wealth and technology. That inequality is also demonstrated by the influence the industrialized countries have in international institutions like the IMF and the World Bank, whose structure is designed to advance the developed world's vision of liberal internationalism. As a result, the policies in such international institutions as the IMF and the World Bank constrain the policy options available to the LDCs.

The relationship is further characterized by economic and political interdependence that emanates from the historical experience of colonial domination. Although the international economic system can be described as interdependent, the nature of interactions between the interdependent countries remains crucial to the dependency argument. Analyses of interdependence must therefore describe the extent of sensitivity and vulnerability[37] of the developed and less developed countries. To the extent that a developed country's economy is diversified with alternative sources of revenue from effective income and excise taxes, diverse manufactured products with price flexibility and multiple trade partners across the system, such a country is less sensitive and thus less vulnerable to the fluctuations of international markets. On the other hand, most LDCs, given their monocultural economies, lack of institutionalized tax collecting systems and the absence of alternative revenue-generating activities, are far more sensitive and vulnerable to fluctuations in price and interest rates. Those fluctuations, moreover, are largely driven by the policies of the industrialized countries. As a consequence, the benefits of interdependence described by liberal internationalists go to domestic political and economic elites in alliance with transnational corporations. Economic growth masks the impoverishment of the masses within the less developed countries.

The LDCs, through their structural dependency continue to be marginalized in an international division of labor where countries like Japan and the U.S. have moved beyond material-based production toward a growing emphasis on services and information technology. Additionally, while some LDCs have progressed towards the use of synthetic-based materials for production, most are still grappling with their existing raw material resources, as the case of Nigeria demonstrates.

Dependency's View of the LDCS

Implicit in the dependency perspectives are the following: (a) structural dependency is a general condition affecting all less developed countries; therefore, national and specific conditions are irrelevant for understanding economic underdevelopment; (b) structural dependency is externally imposed on the LDCs; therefore, underdevelopment is inherently rooted in LDCs' experience with colonialism, imperialism and the structural existence of international division of labor. Contrary to liberal internationalists, the problems of development are not rooted in the domestic political, social, psychological and economic structures of the LDCs. Rather, external constraints are direct obstacles to economic development in the less developed countries; (c) structural dependency is largely a problem of economic growth and development exacerbated by declining terms of trade in favor of western developed countries; and (d) structural dependency is a constraint to development in the LDCs.

As such, underdevelopment in the periphery and development in the core are two sides of a single process of capital accumulation[38] in favor of the core states.

Adherents of the dependency perspectives argue that capitalist development in the periphery is not possible, largely because of the effect of international division of labor or what Samir Amin refers to as *extraversion*[39]. Consequently, reversing the impact of structural dependency on the less developed states requires a strategy of economic development that is based on self-reliance.

Adherents of the dependency perspectives would argue that debt repudiation is another strategy for the LDCs to pursue economic development. The foregoing suggestion is largely driven by dependency scholars' perception that colonialism and imperialism are tools that the core states have used to exploit the LDCs, and therefore, debt repudiation is both practical and in the interest of the LDCs. This view is reflected in both the early and contemporary literature on dependency theory.

Conclusion

In general, Realism is pessimistic about the possibility of a less developed country like Nigeria to amass sufficient power to become a major state in the international system. Realism's mercantilist view of economics would suggest that Nigeria should assert its relative power in the West African region, even, to invade her neighbors as a means to increase its power. However, Realism would caution that Nigeria be aware of the constraints imposed by great powers, and the consequent possibility of their intervention on behalf of Nigeria's neighbors.

For liberal internationalism, the preferred policy option for Nigeria is clear. Development in Nigeria has to be premised on the adoption of modernization strategies for economic development, which centers on the adoption of free market principles, changing the traditional norms of society, promoting the individual's drive for achievement, and institutionalizing a democratic system of government in Nigeria. Liberal internationalism would also argue that the best alternative for Nigeria is more engagement within the international capitalist system, the use of existing technologies, pursuit of export-led economic growth and an overall reliance on free market forces.

Dependency theory's prescribed policy option for Nigeria and other less developed countries is a strategy of de-linkage from the international capitalist system. Some adherents of the dependency perspectives would also argue that a debt cartel to repudiate international debts should be formed. Alternatively, some dependency scholars would suggest a counter-penetration strategy that allows the LDCs to take advantage of western markets and technology (if possible) but without the constraints of the international capitalist economic system.

As the above sections show, none of the three perspectives reviewed, has emerged as the dominant approach for explaining the politics of economic development in Nigeria. I believe that a unified and underlying approach remains elusive. Therefore, after reviewing the strengths and weaknesses of the three main theories, I will propose a "hybrid" theory which seems to best account for politics of economic development in Nigeria, and might well help explain the policies of other less developed countries.

Notes to Chapter One

[1]Economic Diplomacy as an integral part of Nigeria's foreign policy was announced in July 1988 by General Ike Nwachukwu, and was actively promoted by President Ibrahim Babangida as a strategy to lure foreign investments into Nigeria. See "Nigeria's Foreign Policy: Conservatively Radical," in Emeka Oparah, ed., *Nigeria Handbook and Review: Nigeria in the last years of Military Administration*. Lagos: Patike Communications Limited, 1992, pp. 98-104.

[2]In *Theory of International Politics*, (New York: Random House, 1979),pp.91-92, Kenneth Waltz argues that for constructing a sensible theory that richly describes the motivations and actions of states within the constraining structure of the international system characterized by anarchy, one has to assume that "survival is a prerequisite to achieving any goals that states may have." This assumption makes it possible to analyze the behavior of states in trade and or other cooperative policies *as if* such policies are premised on the security need of states.

[3]Stephen Krasner, "Realism, Imperialism, and Democracy: A Response to Gilbert," *Political Theory*, vol. 20 No. 1, (February 1992): 38-52, p.39.

[4]Robert O. Keohane, "Realism, Neorealism and the Study of World Politics," in Robert O. Keohane, editor, *Neorealism and its Critics*. (New York: Columbia University Press, 1986), p. 7.

[5]Ibid., p. 11.

[6]Kenneth Waltz, op. cit.

[7]Ibid.

[8]James Mayall, "Mercantilism," in Joel Krieger, ed., *The Oxford Companion to Politics of the World*. (New York: Oxford University Press, 1993):579

[9]Jacob Viner, "Power versus Plenty as Objectives of Foreign Policy in the Seventeenth and Eighteenth Centuries," *World Politics*, Vol. 1, 1(October 1948): 1-29.

[10]George T. Crane and Abla Amawi, eds. *Theoretical Evolution of International Political Economy. NY: OUP,* (1991), p. 5.

[11]See Thomas D. Lairson and David Skidmore, *International Political Economy: The Struggle for power and wealth*. Fort Worth: Harcourt Brace College Publishers (1997), p.9

[12]Mercantilist theories and policy prescriptions are relevant to the politics of economic development, especially for the LDCs. Consequently, insights and implications of mercantilist policies (especially at the end of the Cold War) will be consistently articulated where appropriate in this study.

[13]See Kenneth Waltz, 1979, op. cit.

[14]See Robert O. Keohane, "Institutional Theory and the Realist Challenge after the Cold War," in David A. Baldwin, editor, *Neorealism and Neoliberalism: The Contemporary Debate*. (New York: Columbia University Press, 1993), p. 271.

[15]Ibid. Robert Keohane and Joseph S. Nye argue that international organizations have been very important in helping states develop coalitions in world politics in such issue-areas as the 1972 Stockholm Environmental Conference, the 1974 World Food Conference, the 1975 United Nations special session to discuss a New International Economic Order and the continuing functions of the IMF and GATT in the management of money and trade. See Keohane and Nye, Second Edition, *Power and Interdependence*. (New York: Harper Collins Publishers, 1989), pp. 35-36. For a counter argument on the effectiveness of international organization and cooperation, see Joseph M. Grieco, *Cooperation among Nations*. op. cit.

[16]See David A. Baldwin, (1993), p.272. The concept of international regimes as used here is the same as Stephen Krasner's. Krasner defines international regimes "... as sets of implicit or explicit principles, norms rules, and decision-making procedures around which actors expectations converge in a given area of international relations." See Stephen D. Krasner, editor, *International Regimes*. (Ithaca & London: Cornell University Press,1983), p. 2.

[17]Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*. (Princeton, New Jersey: Princeton University Press, 1984), p. 84. Keohane defines discord "as the situation in which governments regard each others' policies as hindering the attainment of their goals, and hold each other responsible for these constraints,"(p.52), and cooperation is a situation that allows "... intergovernmental cooperation [to] take place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination," (p.51-52).

[18]Classical Realists such as Thomas Hobbes and Hans Morgenthau assume some individuals naturally lust for power, and thus the fundamental purpose of statecraft must be the acquisition of sufficient power to prevent other states from dominating one's state. Neorealists such as Kenneth Waltz, John Mearsheimer and Joseph Grieco argue that while states acquire more power for survival and security, it is not the individual leaders' lust for power that results in

their behavior. Rather, it is the absence of a world government that lead states to sort out their security needs through unilateral military and economic policies. Thus, irrespective of the nature of a given state, neorealists argue that similarly placed states in the international system will tend to behave in a similar manner due to the effect of anarchy. For consistency, this work uses realism to represent structural realism and realism.

[19]Kenneth Waltz, (1979), pp. 105-107. Also, see Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade.* (Ithaca & London: Cornell University Press, 1990), pp. 3-10. Realists and liberals share the view that the fear of cheating impedes cooperation among states. Grieco criticizes liberals for believing that only the fear of cheating inhibits agreements from which both sides would gain. According to Grieco, state "A" as a "defensive positionalist" may also fear that state "B" may have greater relative gain that could compromise "A's" security.

[20]Robert Jervis, "Cooperation Under the Security Dilemma," *World Politics*, Vol. 30 (January 1978), p. 167.

[21]See David A. Baldwin, (1993), op. cit., p. 274.

[22]Robert Gilpin, *The Political Economy of International Relations.* New Jersey: Princeton University Press (1987), p.28.

[23]Adam Smith, *Wealth of Nations.* Modern Library Edition. New York, (1937), p. 461. See also, Albert O. Hirschman, *National Power and the Structure of Foreign Trade.* Berkeley and Los Angeles: University of California Press, (1945), p. 6.

[24]David Ricardo, "On Foreign Trade," in George T. Crane and Abla Amawi, eds. *Theoretical Evolution of International Political Economy.* New York: Oxford University Press, (1991), pp:72-82.

[25]Risse-Kappen, "From Mutual Containment to Common Security: Europe during and after the Cold War," in Michael T. Klare and Daniel C. Thomas, eds., *World Security: Trends & Challenges at Century's End.* NY: St. Martin's Press (1991), p.124.

[26]John J. Mearsheimer, "Back to the Future: Instability in Europe After the Cold War," *International Security*, vol. 15, no. 1 (1990), p. 42.

[27]Walt W. Rostow, *The Stages of Economic Growth.* (Cambridge: Cambridge University Press, 1960): 7.

[28]A. F. K. Organski, *The Stages of Political Development.* (New York: Alfred A. Knopf, 1965).

[29]See Michael F. Lofchie and Stephen K. Commins, "Food Deficits and Agricultural Policies in Tropical Africa," in Charles K. Wilber, ed. *The Political Economy of Development and Underdevelopment*. (New York: Random House, 1988): 309.

[30]William Tordoff, *Government and Politics in Africa*. (Bloomington: Indiana University Press, 1984): 16.

[31]Ibid.

[32]See for example, Paul Baran, *The Political Economy of Growth* (New York: Monthly Review Press, 1957). Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America*, (1967). Theotonio Dos Santos, "The Structure of Dependence," *The American Economic Review*, Vol. 60 No. 2 (May 1970). Bill Warren, "Imperialism and Capitalist Industrialization," *New Left Review*, No. 81 (September-October, 1973). Fernando H. Cardoso and Enzo Faletto, *Dependence and Development in Latin America*, (Berkeley: University of California Press, 1979). Ronald H. Chilcote and Dale L. Johnson, eds. *Theories of Development: Mode of Production or Dependence?* (Beverly Hill: Sage Publications, 1983).

[33]The dependency school maintains that underdevelopment is a historical process of exploitation of the less developed countries by the industrialized countries of the west. Such a conclusion is similar to realists' assumption that powerful states will tend to dominate the weak. Thus, if industrialized western countries exploited the LDCs, then we must conclude that indeed the basic premise of realism is undisputed by dependency theory. Similarly, liberal internationalists and dependency theorists regard the capitalist world economy as the key feature of the international system. But, for liberal internationalists, capitalism will lift the LDCs out of underdevelopment, while the dependency scholars argue that capitalism exploits and imprisons the less developed countries to an unending condition of underdevelopment.

[34]See V. I. Lenin, *Imperialism: The Highest state of Capitalism*. New York: International Publishers, (1939), pp. 88-98.

[35]See Andre Gunder Frank, *Latin America: Underdevelopment or Revolution*. (New York: Monthly Review Press, 1969).

[36]See Christopher Chase-Dunn, "Interstate System and Capitalist World Economy: One Logic or Two?" *International Studies Quarterly* Vol. 25 (March 1981), pp. 19-42. Chase-Dunn's argument was in response to the world system's analysis of Immanual Wallerstein's, *The Modern World System*. (New York: Academic Press, 1974), *The Capitalist World Economy*. (Cambridge: Cambridge University Press, 1979), and *The Modern World System II: Mercantilism and the Consolidation of the European Economy*. (New York: Academic Press, 1980).

[37]For a conceptual clarification of the definition and uses of *sensitivity* and *vulnerability*, see Robert O. Keohane and Joseph Nye, *Power and Interdependence: World Politics in Transition*. Boston: Little, Brown and Company, 1977.

[38]See Alvin Y. So, *Social Change and Development: Modernization, Dependency, and World-System Theories*. London: Sage Publications, 1990, pp. 104-105.

[39]Extraversion is characterized by the tendency of capitalist activities in the less developed countries to focus on export products. In contrast to liberal internationalist viewpoint, Samir Amin argues that "extraversion does not result from inadequacy of the home market but from the superior productivity of the center in all fields, which compels the periphery to confine itself to the role of complementary supplier of products for the production of which it possesses a natural advantage: exotic agricultural produce and minerals." Cited in Alvin Y. So. (1990), p. 102. The noted distortion results in economic and social distarticulation, and, given low wages, workers lack effective demand for goods produced in the LDCs, and, therefore help perpetuate dependency and international division of labor that lead to political and economic stagnation of the less developed states. For a counter argument see Cardoso, Fernando H. "Associated-Dependent Development: Theoretical and Practical Implications," in Alfred Stephen, (ed.) *Authoritarian Brazil*. New Haven, CT: Yale University Press, 1973, pp. 142-176.

Chapter Two

Theories of the State and Strategies for Economic Development

Introduction

As the preceding chapter illustrates, realists, liberal internationalists, and dependency theorists disagree fundamentally regarding the nature of the external constraints on states, as well as on the means and ends of state policies. Notwithstanding their differences, however, all three schools would agree that the capacity of states to pursue a cohesive national strategy is a central factor in their success—no matter how success is defined and no matter whose interests are ultimately served. Thus, from the perspective of any theory of the international system, the strength and unity of the state will be recognized as a central prerequisite to economic development.

This chapter briefly reviews the theoretical literature on the role of the state in development. By identifying the critical dimensions of that role, it sets the stage for assessing the case of Nigeria. The following discussion of the role of the state thus concludes with a preliminary conception of the Nigerian state. I will show how the critical weakness of that state is its fragmentation into competing ethnicities. That problem, of course is a legacy of colonialism, whose historical consequences for Nigerian economic policy will be the subject of the subsequent chapter.

The Role of the State in Economic Development

In *Myths of Empire: Domestic Politics and International Ambition*[1], Jack Snyder argues that British internationalism was largely successful because of the relationship that existed between government and business in Britain. Essentially, mercantilism (or state-managed capitalism) rather than free markets, characterized British overseas expansionism before the outbreak of war in 1914. On the part of the United States, a "free-rider" strategy in foreign economic interaction was used to exploit relative British openness, while protecting domestic "import-competing-industrial-sectors" of the U.S. economy.[2] Snyder also argues that with the dawn of the American era, increased competition from other countries led the executive branch of the American government to form a domestic economic coalition, composed mainly of businesses with international focus, to agree to some reduction of American tariffs if other countries would reciprocate.

While import-competing industries with no foreign branches, as well as farmers interested in protecting their products against closed foreign markets, assumed the role of economic-nationalists, the executive branch effectively utilized the expertise of such influential internationalists as J. P. Morgan and members of the Council on Foreign Relations in planning United States' foreign economic policies.[3]

Clearly, governments have always interfered in markets. Sometimes their involvement includes protecting domestic infant industries, while at other times they pry open foreign markets to serve particular private economic interests or the general interest of the state. As Karl Polanyi asserts, "The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism."[4]

Max Weber has also pointed out that "[c]apitalism and bureaucracy have found each other and belong intimately together."[5] Weber's notion of the relationship between capitalism and bureaucracy is based on the assumption that economic development and, by extension, foreign economic policies, require the existence of a strong bureaucracy whose personnel are recruited on the basis of merit and are insulated from the influence of citizens and politicians, an autonomy that enables the bureaucrats to perform their functions efficiently. Also, according to Weber, a strong state needs to be involved in the decisions affecting foreign economic and domestic policies, especially in an economic environment in which other countries hold a position of advantage on important products.

Alexander Gerschenkron and Albert Hirschman[6] give even greater emphasis to the role of the state in economic development, especially with regard to the LDCs, whose development in many instances will involve interactions with an already industrialized/developed and established international market system.

According to Gerschenkron, in situations where industrialized countries already exist, newcomers to the system will face stiff competition from domestic economic nationalists seeking protection against foreign competition, as well as from competition for scarce technological and economic resources. Thus, rather than providing a favorable economic environment in anticipation of foreign and domestic capital investment, Gerschenkron argues that it is the role of the state to organize investment and seek out capital, especially in situations where private investment may be unwilling to take risks.[7]

Even if the state is able to provide the platform for economic development (Weber) and the necessary capital is secured and calculated risks taken by the state on behalf of business (Gerschenkron), there remains the need for managerial capacity to translate the state platform and resources into productive use. According to Hirschman, what is lacking in the less developed states is not necessarily investable surplus or capital -- as liberal internationalists would claim, but entrepreneurship, which involves managerial capacity and the willingness to take risks while investing in productive sectors of the economy. Finally, as White and Wade argue, "the phenomenon of successful 'late development' ... should be understood ... as a process in which states have played a strategic role in [mastering] domestic and international market forces and harnessing them to a national economic interest."[8]

In the foregoing context therefore, the role of the state, in alliance with dominant economic elites in a given country, offer a viable platform for foreign economic policies that are necessary for capitalist economic development. While some countries, notably the Asian countries of South Korea, Taiwan, Indonesia and Singapore, have utilized an effective alliance of private economic actors and the state in attaining rapid development, such alliance has not yielded development in Africa. The less developed countries of Africa continue to decline and indeed have managed to reverse whatever economic development gains that were made following independence. The poor development performance in Africa is driven by class and ethnicity that fragments rather than unite the citizens on the basis of "national interest" or private wealth capitalist ventures. To that extent, even if the Asian development model is replicated in many African countries, the absence of unity of purpose between states and citizens; inherent inability of states in Africa to protect property rights, maintain law and order, will not reverse Africa's development problems. The only exception perhaps is the Republic of South Africa, whose state formation has a strong and inherent grass roots influence largely under the auspices of the African National Congress (ANC).

If a domestic coalition explanation for foreign economic policy is to make sense, there is a need to specify the conditions under which foreign economic policies made by the state are specifically induced by "group interests" and when such policies reflect the "national interest" of the country. In short, states as conceptualized in terms of the western model - in the works by authors like Peter Katsenstein, Waltz, Gourevitch, Krasner, Snyder -- simply does not exist in Nigeria. Indeed, the argument to *bring the state back* into the development model by Peter Evans, Theda Skocpol and others, are not relevant for all countries. A state capable of pursuing a national economic strategy really exists in such countries as Taiwan, south Korea, Japan and Indonesia. The key difference between those and Nigeria is in the historical roots of social formation. For the former states, a unified society was forged by a process of internal reconstitution of social forces and classes. In Nigeria, the state was imposed by Britain.

The Nigerian State

The connection between ethnicity and the Amalgamation of Northern and Southern Nigeria in 1914 by Lord Lugard on the order of the Imperial British government has been made by many scholars.[3] Generally, it is argued that when Britain created the geographical entity known as Nigeria in 1914 by integrating the Northern and Southern Protectorates into one, it became directly responsible for bringing the "Nigerian peoples" together without their consent. The result was a variety of resistance movements characterized by appeals to ethnic interests, that reached its peak in the Nigerian civil war (1967-1970). While Britain cannot be exonerated from its exploitation of many countries including Nigeria, Nigerianists have yet to fully explore all the explanations for the lack of legitimacy of their state that seems to run along ethnic lines.

The fact is that Nigerians individually and collectively tend not to have allegiance to the *state* imposed by the British in 1914. On an abstract level, Nigerians identify with the geographical entity mapped out by the British, but, concretely seem unwilling to associate with the idea of Nigeria. Perhaps the key reason is that the *founding fathers of Nigeria are foreigners*. Hence, most Nigerians, irrespective of their nationalist claims, have the tendency to first identify with their ancestral roots before identifying themselves as Nigerians.

Some Nigerians, of course, seek to overcome that divisive heritage typified by an analyst at the Nigerian Institute of International Affairs who complained that civil servants are required to state their state and ethnic origins on a Federal form for identification purposes.[10] More typical, however, is the following statement by Ebino Babatope (Minister of Transport and Aviation in the Abacha's regime): "... And if people think that because I am a minister that I have forgotten the fact that one, I'm an Ileshaman, two, I'm an Ijeshaman, and third, I'm a Yorubaman, then fourth, I am a Nigerian citizen, then such people should really go and examine themselves. I cannot divorce myself from the yearning and aspirations of the people of my roots."[11]

Babatope is not the first highly placed Nigerian to articulate his primary identification with his ethnic group. Those who argue that Britain is responsible for emphasizing ethnic separatism in Nigeria would find evidence in Governor Sir Hugh Clifford's address to the Nigerian Council on December 29, 1920:

> ...It is the constant policy of the Nigerian government to maintain and support the local tribal institutions and the indigenous forms of government. ... Assuming... that the impossible

> were feasible--that this collection of self-contained and mutually independent Native states, separated from one another, as many of them are, by great distance, by difference of history and traditions and by ethnological, racial, tribal, political, social and religious barriers, were indeed capable of being welded into a single homogenous nation--a deadly blow would be struck at the very root of national self-government in Nigeria which secures to each separate people the right to maintain its identity, its individuality and its nationality...and the peculiar political and social institutions which have evolved for it by the wisdom and by the accumulated experiences of generations of its forbearers.[12]

Clearly, Governor Clifford was representing and speaking for the Imperial government in England. Britain's need for administrative consolidation as a strategy for cutting costs while increasing revenues from Nigeria necessitated the imperialists' divide-and-conquer policies, in the "indirect rule" strategy which emphasized ethnic separatism among various groups in Nigeria, but especially between the Northern ruled Hausa-Fulani and the various Kingdoms in the Southern portion of the country.

For example, the leader of the Nigerian People's Congress (NPC) the late Sir Abubakar Tafawa Balewa, during the Constitutional Conference in 1948, stated that: "Since the amalgamation of the north and the south provinces in 1914, Nigeria had existed as one country on paper. ...It is still far from being united. Nigerian unity is only a British intention for the country."[13] Conceptually, the leader of the Action Group, the late Chief Obafemi Awolowo in 1947, argued that, "Nigeria is not a nation. It is a mere geographic expression. There are not 'Nigerians' in the same sense as there are 'English,' 'Welsh,' or 'French'. The word 'Nigerian' is merely a distinctive appellation to distinguish those who live within the boundaries of Nigeria from those who do not."[14]

Thus, while the founding fathers of Nigeria established for themselves a congruent relationship between their own nation and the newly created state, the idea of 'state' was imposed on the several nations within the geographical territory called Nigeria. And, although, the founding fathers of Nigeria's eventual political independence from Britain clearly articulated and even resented the idea of Nigerian unity, nonetheless, these "nationalists" were enticed by the possibilities of winning independence and controlling the instrument of power offered by the western model of the state; with its promises of economic growth and political stability based on the romantic expectation that "seeking first the political kingdom," would eventually result in the addition of "everything else" to the newly independent state, including perhaps, a united polity that would have transcended their primordial loyalties to legitimize the authority of the new leadership.

As Sheth argues, those third world leaders who accepted the western state model generally interpreted the problem of ethnicity as a larger problem emanating from nation-building, and consequently sought to reconcile the centrifugal forces of ethnicity with nationhood by assigning the state the central role of building a nation. According to Sheth, the Peace of Westphalia ended all ambiguities in the status of existing nation-states in Europe[15] by establishing the principle of territorial existence for emerging societies in the face of conflicting but overlapping religious and denominational identities of the peoples.

In essence, then, the *state* as originally established in Europe was the center of social relations which enforced citizen allegiance to *national identity* above religious loyalty. The organizational structure of the state therefore made it possible for the state to act as a unifying factor for national integration and development through the establishment of national institutions such as the civil service and academic and industrial foundations for the development of the country.

> Such a state was not merely the means of keeping political order within the national society, it was a carrier of the scientific and industrial revolutions under-way in Europe as well as the engine of economic growth and social progress. Implicit in this idea of relationship between the state and the nations was the concept of civil society. In its framework the ethnic minorities could exist as social categories which could preserve their esoteric life-styles, their cuisines and their costumes. But they could not function as groups and communities which devised and lived by their own ideas and traditions of political rule and cultural organizations.[16]

While the state performs its function as a platform for integration, it paves the way for all citizens -- including minority groups -- to participate in the process of nation-building. In the process, the state will institutionalize the concept of *merit* as the criterion for employment, ensuring that the most competent citizens are retained to serve the national interest.

However, in politicizing national appointments rather than mitigating against ethnic consciousness, as successive governments have done in Nigeria for the sake of *Federal Balance*, such government policies have tended to intensify the negative aspects of ethnicity.

The result has been to retard national development. This has been especially the case when the political class belong to a different constituency than the civil servants charged with implementing "national" policies.

I have explored the concept of the state and its perception by the various Nigerian citizens, in order to establish the context for understanding the implementation of the Structural Adjustment Program (SAP) by the administration of General Babangida. Understanding the context in which the Nigerian state makes foreign economic policies may yield insights on how realists, liberal internationalists and dependency theorists view the opportunities and constraints for economic development in Nigeria. Also, the discussion on the Nigerian state is useful to examine the extent to which "group interests" is relevant for explaining foreign economic policies for the LDCs.

In fact, both politicians and military officers in Nigeria since independence see the post-colonial-state structure as an instrument for personal and group wealth appropriation, rather than as means for mobilizing the nation towards economic development. The post-colonial state in Nigeria is a non-hegemonic state. It neither provides an environment that empowers the citizens to pursue scientific and technological creative ventures, nor a platform for maintaining law and order. Consequently, the state can protect neither property rights nor human rights, nor can it reconcile differences between the various groups in Nigeria, nor act to protect the interests of its citizens against the political and economic vicissitudes of the international system.

Thus, while the various ethnic groups in Nigeria are aware of the nature of the state, their primary alliances are made on the bases of struggles for power framed around primordial interests. Consequently, the masses have to be content with finding solace in their rural villages, church associations and various communal organizations, where the state cannot threaten their daily existence. The result is that the post-colonial leaders have remained in power on the strength of its alliance with international financial institutions and foreign governments that sometimes helped in the fragmentation and repression of the masses. Consequently, the masses lack confidence on the government's capacity, and scope of the state inherited from the colonialists to bring about a sustainable economic development policies in the LDCs. In this regard, the extent to which the misappropriation of public funds and corruption hurts economic development in Nigeria has been well documented.[17]

Every regime since independence has misappropriated public funds, transferring them to foreign bank accounts where property rights and foreign investment are well protected. Departing regimes have left office with the understanding that their successors will not probe their misconduct, perpetuating the legacy of popular distrust.

Consequently, it was not accidental that although pro-democracy movements (NADECO, labor unions, student organizations, market women and several of the professional organizations such as the Nigerian Medical Association and the Nigerian Bar Association) opposed both the implementation of an IMF supervised Structural Adjustment Program and the offer of new loans to Nigeria in 1986, the entrenched northern oligarchs led by General Babangida agreed to implement the restructuring policies over the objections of the majority of Nigerian citizens.

The result was that what became known as Economic Diplomacy, while promoted as a platform for revitalizing the sagging Nigerian economy based on the implementation of the IMF-supervised structural adjustment program, was nothing more than an old political strategy that rewards well-connected supporters of the government and punishes the popular opposition. In the case of Nigeria, the Northerners did not only gain from SAP, as will be discussed in chapter five, but SAP has strengthened the status quo. Rather than liberalize domestic political and economic institutions, SAP has continued the colonial legacy of Nigeria's national domination by the Hausas, despite the voiced resentment of the Yorubas, the Ogonis, the Igbos and other ethnic groups in the country.

Conclusion

I have described one aspect of the colonial legacy for Nigeria – a fragmented state whose economic objectives are distorted by ethnic loyalties and entrenched corruption. In order to complete the historical context out of which Nigeria's Economic Diplomacy emerged, the next chapter provides a broad overview of the history of Nigerian economic policy.

Notes to Chapter Two

[1]Jack Snyder, *Myths of Empire: Domestic Politics and International Ambition*. (Ithaca and London: Cornell University Press, 1991).

[2]Ibid., p. 281-282.

[3]Ibid., p. 282-283.

[4]Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1957), p. 140.

[5]Max Weber, *Economy and Society*, ed. Guenter Roth and Claus Wittich (New York: Bedminster Press, 1968), p. 1395, n.141.

[6]See Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, Massachusetts: Belknap, 1962), and Albert Hirschman, *The Strategy of Economic Development* (New Haven, Connecticut: Yale University Press, 1958).

[7]See Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change," Stephan Haggard and Robert R. Kaufman, eds., *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State* (Princeton, New Jersey: Princeton University Press, 1992), p. 147.

[8]Cited in Peter Evans, "The State as Problem and Solution," p.148.

[9]See for example, J. Isawa Elaigwu, op. cit., E. Ike Udogu, "The Allurement of Ethnonationalism in Nigerian Politics: The Contemporary Debate," *Journal of Asian and African Studies*, 1994, Julius O. Ihonvbere, *Ethnic and Racial Studies*, 1993. John A. A. Ayoade, "Ethnic Politics in Nigeria: A Conceptual Reformulation," and Omo Omoruyi, "State Creation and Ethnicity in a Federal (Plural) System: Nigeria's Search for Parity," (both) in Dennis L Thompson and Dov Ronen, editors, *Ethnicity, Politics, and Development*, (Boulder: Lynne Rienner Publishers, 1986).

[10]One of several interviews by the author during visits to the Nigerian Institute of International Affairs, Victoria Island, Lagos, in March and August, 1995.

[11]Nduka Otiono, "No Regime should take the people for a ride," *Sentinel*, Vol. 1, No. 16 (June 13, 1994), p. 12.

[12]Cited in E. Ike Udogu, op. cit., p. 163.

[13]See Ayeni Olugbenga, "Which way forward," *West Africa* (February 14-20, 1994), p. 255. Also cited in E. Ike Udogu, op. cit.

[14]Obafemi Awolowo, *Path to Nigerian Freedom*. (London: Faber and Faber, 1947), pp: 47-48, See. Udogu, op. cit., p. 164.

[15]D L Sheth, "State, Nation and Ethnicity: Experience of Third World Countries," *Economic and Political Weekly*, March 25, 1989, p. 620.

[16]Ibid., p. 621.

[17]See Julius O. Ihonvbere, *Nigeria: The Politics of Adjustment & Democracy*. (New Brunswick and London: Transaction Publishers, 1994). See especially, chapters 4-5.

Chapter Three

History of Colonial and Post-Colonial Political Economy of Nigeria

Introduction: A brief history of Nigeria

The territory today known as Nigeria[1] was created in 1914 by British colonial officer Lord Lugard. Located on the west coast of the African continent, Nigeria's immediate neighbors are Cameroon and Chad to the east, Niger to the north, Republic of Benin to the west and the Gulf of Guinea to the south.

With an estimated population of 115 million in 1992, Nigeria enjoys the enviable position of being the largest country and market in Africa. Although English is the official language in Nigeria, over 250 indigenous languages are spoken by the various nationalities of which the largest is the mostly Muslim Hausas in the north. The next largest are the Muslims and Christian Yorubas in the southwest followed by the mostly Christian Igbos in the southeast.

Nigeria gained political independence from Britain on October 1st, 1960 and was engulfed in a civil war from 1967 to 1970. Since independence, Nigeria has had more than seven military coups and two civilian administrations. Following the annulment of the 1993 presidential election by former President Babangida, Nigeria remains under military dictatorship.

The politics of economic development in Nigeria is laden with class and ethnic conflicts. Consequently, Nigeria's Economic Diplomacy, with its current focus on externally induced policy reform and financial austerity programs, is unlikely to achieve its objectives without the implementation of a carefully designed program that is sensitive to the country's cultural and social structures.

As Claude Ake observes, the problem of political instability in Nigeria seemed to have been worsened by the increased income Nigeria received during this period as a major producer of petroleum. Also, Michael Todaro asserts that the economy underwent profound changes during the 1970's and 1980's:

> Once an agriculturally based economy and a major exporter of cocoa, peanuts, and palm products, Nigeria now relies on oil for more than 90% of its export earnings, 30% of its GDP, and 70% of its federal budget resources.... Between 1968 and 1980, per capita GNP grew [from $90] by more than 1,000%, to $1,020. But this growth process was reversed in

the 1980s, so that by 1990, GNP per capita had *declined* by more than 60% to $370, the same level as in 1974.[2]

In the 1970's, a combination of auspicious signals like the end of the civil war, the recovery of oil production and the subsequent price hike by the Organization of Petroleum Exporting Countries (OPEC) attracted Western business to the country on a large scale.

It is important to note here that Iran and Saudi Arabia, also members of OPEC, significantly benefited from the price hikes on oil, which bolstered both countries' assertive foreign policies. The boldness of these two countries' foreign policies, especially Iran's, led the LDCs to expect that with increased resources/revenue, they could also design independent foreign policies and strategies for economic development.

In fact, the oil boom encouraged the Nigerian government during the 1970s to take a strong foreign policy stance that resulted in the decolonization of Angola. However, important questions remain unanswered. For example: How do the Nigerian foreign policy decision-makers define Nigeria's national interest? What strategies has the government used to secure those interests? The foregoing are important questions, given Nigeria's prominent regional economic and military position within the West African coastal zone.

Although Nigeria, collaborating with the Republic of Togo, was instrumental to the formation of the Economic Community of West African States (ECOWAS) in 1975, Nigeria has yet to exhibit the presence expected of a regional power. Instead, Nigeria violated the ECOWAS protocol that called for free movement of citizens within the sixteen member countries, by expelling economic refugees from other west African countries during the economic crisis of the early 1980s. Additionally, the Nigeria-led ECOMOG--a Regional Peace Keeping monitoring group established during the Liberian civil war in 1992, (the first of its kind in Africa,) has not yielded any peace or hope for member states. That failure reinforces the need to consider why Nigeria has been unable to realize its potential as an African or West African power despite its substantial natural resource endowments, considerable human capital, and large domestic market.

Understanding economic diplomacy and the politics of economic development in Nigeria during the

Administration of Ibrahim Babangida requires a historical presentation of the foundation and structure of the country's political and economic history. This chapter reviews critical historical events, aspects of the history and examines the linkages between Nigeria's domestic and external economic policies.

Colonial/Post-Colonial Political Economy of Nigeria

Historically, most of Africa had been involved in international trade with Europe and the Arab World before the European colonial conquest of the continent around the 17th century. Clearly, a formal organization of states as currently constituted did not exist on the continent of Africa before European interference, but evidence abounds of trade and warfare between nations and between ethnic groups. These interactions were not limited to African nations. A key difference between what occurred in Africa and in Europe was the tendency for the Europeans to seek conquest outside of the European heartland, while conquest among Africans were largely confined to the continent. The pursuit of external conquest was instrumental to the development and the use of the technology of war, which made it possible for Europeans to conquer and occupy Africa, whose division by the colonial powers was sealed by the Berlin Conference of 1884-1885.[3]

As a consequence of the European partition of Africa, Great Britain was rewarded with vast African territories, including the present-day Nigeria. Although, Nigeria was formally created as a single administrative unit in 1914 by the then Governor General Lord Lugard, British control and rule of Nigeria goes back much further. Political and/or territorial rivalries in Africa before colonialism were even more intense during times of intra-ethnic contestations of power. A good example is the rivalry between King Kosoko and King Akintoye of the erstwhile Yoruba Kingdom in what today is the western part of Nigeria. As Pius Okigbo observes, "In 1861, Lagos had been ceded to the British Crown as a Colony as a result of the rivalries between deposed King Kosoko and King Akintoye and, later, Akintoye's son and successor, Docemo."[4] According to Okigbo, Britain adopted several strategies (treaties, war, cunning and force) to secure access to Nigeria.

With the 1861 treaty, British forces raised the Union Jack over Lagos and established a foundation that made it possible for the Royal Niger Company (a British company that still dominates the Nigerian economy under the new name, the United African Company) to penetrate the hinterland of Nigeria in search of raw materials and other valuables. The occupation of Lagos also meant the end of informal imperialism, whereby Britain's industrial and naval power and belief in free enterprise encouraged its businesses to explore and exploit the undeveloped, natural resource-rich African territories.

Thus, in instances where the "natives" refused to submit to the invaders, the British officials and their agents often asserted their authorities in the name of King George and James.[5] Such dual strategies of the colonialists is reflected in the separate governance of the territories in (Northern, Eastern and Western) Nigeria under the authorities of the British Foreign Office and Colonial Office, and the Royal Niger Company until 1900[6] when it became politically and strategically important that the territories be unified under the control of the British government. "Henceforth, the merchants, missionaries, philanthropists and adventurers had to subordinate themselves to the undivided political authority of the British colonial administration."[7]

Okigbo notes three principal reasons for Britain's decision to unify the governance of the three zones into one administrative unit in 1914. First, the unification was compelled by the increased interest of the French in securing treaties with the deposed King Kosoko of Lagos, and by the attempt to influence the politics of the northern emirates which were politically useful for Britain's formal occupation of Nigeria. The hierarchical nature of authority in the Muslim North made it easy to govern the territory through the emirs without upsetting the existing traditions and culture of the Hausas. Secondly, Britain moved from reliance on corporations to formal responsibility in political governance of Nigeria, in order to forestall the aggressive commercial impulses of the Germans who "... by 1913 had become the largest net importer of Nigerian palm oil with purchases bigger than either Britain or France."[8]

The third reason for amalgamation is worth noting at length, since it provides insight into colonial capitalist accumulation in Nigeria and the extent to which such practices remain a legacy in post-colonial Nigeria. As Okigbo observes:

> Between 1897 and 1901, Britain had expended some £4.26 million on Nigeria, excluding £661,000 spent on the West African Frontier Force, and £865,000 paid to the Royal Niger Company as compensation for the transfer of power to the British Government in 1900. Between 1900 and 1912,

Britain paid approximately £315,500 per annum to the Northern Nigerian administration as subvention and subsidy for its day-to-day expenses. The deficits of the Northern administration ran at an average of £229,000 per annum between 1908 and 1912 and United Kingdom grants had to be fixed at some £100,000 per annum for five years. It was hoped that the resources of Southern Nigeria, which enjoyed a flourishing trade in palm oil, kernels, and cocoa, would give the South the financial capacity to pay to the tune of £70,000 for customs duties collected on goods of Northern origin passing through Southern ports. It followed that the proposed amalgamation would relieve the British taxpayer of at least the cost of the grant-in-aid to the North.[9]

From the above can be drawn a number of conclusions. First, although German trading and commercial aggressiveness and French interests in Lagos and Northern Nigeria were important factors in Britain's decision to assume a formal occupation of Nigeria in 1914, a combination of financial and commercial reasons seem the most compelling for amalgamation.

Secondly, Britain, as evidenced in her decision above, used resources from the southern part of Nigeria to offset losses in the northern zone. As will become clear in this chapter, the practice of robbing the south to pay the north, once institutionalized, has remained a vexing issue impinging on political and economic stability in Nigeria. The same practice is at the root of the current strategy for economic development, manifested either in the form of economic diplomacy or as structural adjustment policies, within which the political and economic interests of the northern oligarchy are protected by the military establishment. Contemporary economic and political policies in Nigeria will be shown to parallel those of the colonial era, especially with respect to development, debt, and funding policies.

Development Planning in Colonial Nigeria

Although Britain occupied Lagos in 1861 and assumed formal responsibility for political administration of Nigeria following the amalgamation of the Northern and Southern zones in 1914, it made no efforts to formalize any kind of development strategy or coordination of economic activities for the development of Nigeria until 1946. Entitled "A Ten-Year Plan of Development and Welfare for Nigeria, 1946-55," the plan was a reflection of the politics of the time in England, when the Labor Party took power at the end of the Second World War. As its title indicates, the document was a blueprint for how England intended to help Nigeria overcome her poverty, hence the notion of "welfare." Because of the relevance of the Ten Year Plan, the first of its kind in Nigeria, and its impact on subsequent development plans, I briefly explore its objectives and relevance to economic diplomacy and the politics of economic development in Nigeria.

The central objective of the *Ten-Year Plan of Development and Welfare for Nigeria, 1946-55*[10], was the improvement of the well-being of Nigerians through the provision of physical facilities such as roads, telecommunications, water supply, hospitals and general improvement in the ability of the people to feed themselves -- through increased agricultural research and yields. An important component of the Plan was the improvement of life in the rural areas through the construction of feeder roads that would connect the rural to the urban centers for easy transportation of agricultural goods, while at the same time curbing the migration of the peasants from the rural to the urban centers. The logic here, according to Okigbo, was derived from the colonialists (mis)perception of Nigerians as happy peasants whose lives revolved around agricultural and pastoral activities, rather than of Nigeria as a potential economic power.

Thus, for all intents and purposes, the Ten-Year Plan was seen by the colonial officials as a service on their part to the "... native who was well adapted to his natural surroundings but would fall into a state of disequilibrium once he was turned loose in the towns where he was, as the colonial official saw him, untamed, obstreperous and ill at ease."[11] Consequently, the Plan envisaged providing "... the minimum necessary for the general improvement of the country and its population."[12]

Indeed, with respect to economic development and industrialization, essential corollaries to the well-being of citizens, the planners simply did not recognize a need, certainly, they did not regard Nigeria as a contender for emergence as an industrial power. The vision of the planners in this regard is quite instructive:

> Due regard will be given to the possibilities of industrialisation where conditions warrant it, and where such production can be carried out economically and at reasonably competitive prices. It is not assumed, however, that Nigeria will become an industrial country as with its large population and area a great deal of its future must rest in agricultural development in its widest sense, and the improvement of village industries.[13]

Consequently, emphasis was placed on research on cocoa, rubber, cotton, tobacco, oil palm, potatoes, sugar, onions and poultry, all of which were needed more for export to England than for consumption at home. One can hardly fault the colonial officials for objectifying their hosts in terms of what the indigenous people consumed on a daily basis; after all, the British were foreigners in Nigeria. But, given how colonial officials overlooked the compatibility between productive agricultural activities and industrial development, it becomes important to consider why that was the case.

Indeed, it is widely accepted that efficient implementation of industrial policies and growth is preceded by productive agricultural activities that provide foods and employment for the citizens, savings for investment and revenue to the government for the provision of infrastructural facilities. The Plan, however, simply assumed that the colonies would concentrate on the production of raw materials and food products needed for industry and consumption in England. As Dupe Olatunbosun observes, the plan for development and welfare in Nigeria

> ... was actually not a plan but a collection of projects which the colonial government felt would help it achieve its twin objectives in Nigeria, mainly to provide markets and raw materials for industries in the 'mother country'. The colonial administrators did not increase investment funds for the rural sector because the export demand requirements were being met. All they had to do was to set up extension services for commodities with special problems.[34]

Olatunbosun's interpretation of the plan is substantially borne out by a look at Great Britain's situation in 1946. A critical part of that situation was the post war flux in world politics. As Segun Osoba explains:

> ... alleged planning initiative by the British was clearly motivated by the realisation that the political forces of socialism and national liberation unleashed world wide by the Second World War made the operation of colonial domination on the old basis of crude coercion and the hollow-ringing rhetoric about 'tutelage', 'dual mandate' and 'trusteeship' unviable.[15]

Furthermore, the British decision to initiate planning and welfare in 1946 unarguably stems from the losses (in this case financial) that Britain sustained during the war; and, the emergence of the United States as the new hegemon of the western alliance, whose policies revolved around self-determination for colonial territories, and the containment of communism[16] through a unified front of the industrialized western democratic countries against the Soviet-dominated eastern communist countries.

Furthermore, Britain, although a victor in the Second World War, was economically devastated and was compelled by necessity to rely on the military and economic leadership of the United States to advance and protect British interests vis-a-vis the interests of the "free" world. As a consequence of British decline and reliance on the U.S., Britain was hard pressed to continue the colonial domination of Nigeria and other territories.

And, although Nigeria consistently traded with Britain and the U.S., and after independence voted with the western governments on major issues before the United Nations General Assembly, Britain was not confident that Nigeria (the most populous and potentially most powerful country in Africa) would not fall to communism.[17] Thus, to ensure that Nigeria remained within the political, ideological, and economic orbit of the west, Britain designed a plan for "development and welfare" without serious thought regarding the goals and the strategies for the accomplishment of the established objectives.

Additionally, funding, a significant aspect of a strategy for reaching the goals of a plan of that magnitude, did not reflect the notion of welfare suggested in the title of the plan. For instance, initial estimated cost of the Ten-Year Plan "... was to be £53 million of which £15.8 million would be raised from loans in the London market, £23 million would come under the Colonial Development and Welfare Act, while

£16 million would be raised from internal Nigerian revenues."[18] The planners saw the above figures as initial estimates pending accurate costing for workers and materials. From £53 million, the planners proposed to spend £20.99 million (39.36% of the budget) on utilities (e.g., water, roads, electricity, telecommunications and marine transportation). Similarly, £14.7 million (27.5%) was budgeted for social services (such as health, education and welfare), while £10.1 million (19.0%) of the budget was earmarked for administrative expenses. Also, while £3.9 million (7.2%) was for debt services--mainly on the loans to be secured from London--"[i]t is noteworthy that productive services like agriculture and industry were allocated a mere £3.6 million (6.8%) of the total."[19]

Clearly, for a "development and welfare" plan to aid Nigeria's development, promote its social betterment and standard of living, an allocation of 6.8% of the total budget on agriculture and industry, fails to support the rationale for the plan advanced by the British colonial officers. Indeed, as a select Committee of the British House of Commons' reservation on the plan shows, even "... if the Ten-Year Plan were carried out overnight the improvement in the condition of the mass of Nigerians would be barely perceptible."[20] Thus, rather than engineering a foundation that could empower Nigeria to participate in the international capitalist system on the basis of its comparative advantage in agricultural products and other raw materials, the first organized development plan simply reflects the politics of the time -- major powers' territorial expansionist policies and a period in which the colonial occupation of Nigeria empowered the British to protect their national interests. In this case, that interest included employment for their citizens, as evidenced by the allocation to administrative services to the tune of £10.1 million-- 19.0% of the estimated budget. It should be noted here that from the 1940s to the early 1960s, most administrative offices in Nigeria were occupied by British citizens, with only a few of those functions being performed by Ford-Foundation-seconded economists sent to Nigeria through the World Bank. The Africanization of the Nigerian Civil Service was not completed until the mid 1970s. Also, worthy of note is the allocation of £3.9 million (7.2%) to servicing the loans which were secured in the London Markets fully backed by the British government.

Even a casual look at the "help" Britain gave Nigeria by securing the loans helps illuminate some cogent issues, for example, the fact that the loans were borrowed from British Banks at interest rates ranging from 4.5% to 10%. It seems plausible here that British companies and colonial officials benefited more from the "development and welfare plan" than their stated target -- Nigeria. Equally revealing here is the fact that the decision to secure loans which were backed by the British, but which would be paid back by Nigerians, lays the foundation for subsequent Nigerian policy makers' practice of seeking loans for development purposes -- a practice directly related to the economic crises of the 1980s to the present. As Ihonvbere and Falola have argued,

> A very major negative impact of the 10-Year Plan was the introduction of the idea which has continued to characterise post-independence plans, that planning involved a search for huge external loans and other forms of assistance.[21]

Furthermore, the large sum allotted to administrative services, which was subsequently spent on salaries and perquisites of the colonial officers, indeed placed a heavy burden on the loans and grants for the 10-Year Plan. Also, the emphasis on hiring foreign development officers/expatriates[22] created an undue reliance on Britain and other international agencies such as the Ford Foundation and the World Bank -- a reliance that persists to the present. Although the British had no reliable data base for the 10-Year Plan,[23] quite frequently, contemporary planners in Nigeria rely on foreign agencies for data on Nigeria for budgetary and development purposes. This reflects the ineffectiveness of the Nigerian state (a weakness directly attributable to colonialism) in planning and executing foreign economic policies.

Britain established several Marketing Boards in the 1940s in Nigeria, to monopolize the purchase of cash crops through middlemen whose agents were the merchant houses in London. The Marketing Boards introduced the idea of import and export control through the licensing scheme, which effectively created an economic culture that marginalized the local entrepreneurs to agent and distributor status. By marginalizing the local capitalists to the status of agents and distributors, the British colonial policy in Nigeria did not expect the possible emergence of Nigerian capitalists as industrialists and manufacturers. As will be discussed in the following chapter, post-colonial Nigerian capitalists remain contractors, distributing agents and middlemen without the expertise to engage in actual production and manufacturing of goods that are necessary for Nigeria's economic development.

Generally, development is driven by change -- from ineffective economic and political policies -- to those policies that reflect the capability and resources of the state in its drive toward economic development. To that end, such policies generally ensure effective economic participation of all citizens; increase in the gross national product, with access to education for everyone, and the incorporation and utilization of the country's human assets and resources. Given that post-colonial policies in Nigeria inherited the "central planning and structure" left by the colonialists in Nigeria, economic and political development policies have changed very little.

Independence - the Pattern Continues

At best, political independence resulted in the changing of guards rather than a substantive dismantling of the colonial structures that fragmented and stunted Nigeria's economic and political progress. As a direct consequence of the colonial structure, post independence policies in Nigeria have been designed to facilitate "central planning" for National Development.

Here, commands flow from the center to the regions without identifiable strategies for filtering any of the various projects into a truly national agenda. The post colonial development plans continue to reflect the 1946-55 "10-Year Plan," with the colonial rulers supplanted by a northern oligarchy that sees itself almost as enjoying a "mandate from heaven" to rule Nigeria. In particular, the post-colonial rulers have continued to rely on cash crops, the existence of Nigerian capitalists as middlemen and/or distribution agents, and have pursued useless industrial projects as national development policies.

With regard to cash crops, it is significant to note that the post-colonial development plans continue to place emphasis on "cash crops" (export crops). The chief difference is that the London merchant houses have been replaced as agents and middlemen by a plethora of hierarchies. These are comprised of self-serving politicians and bureaucrats, who stifle the process of economic competition, thereby undermining innovation, efficiency, productivity and growth.

As can be predicted, a newly independent state like Nigeria is expected to make mistakes in designing its industrial policies where no precedents exists. But, the useless industrial policies that simply continued the colonial practice of relegating Nigeria to the importation of machines and projects that have no relevance to the country partly explains Nigeria's incapacity to develop. For example, policy-induced distortions such as nationalizations and the indigenization of companies,[24] overvalued exchange rates, and the general impotence of state-directed macroeconomic policies, have all contributed to concentration on industrial projects that have no contribution for the economic well-being of Nigeria.

The colonial era was characterized by import substitution industrialization that met the need of the colonialists and the local elites. Surplus proceeds from agricultural cash crops primarily paid for the imports of machines and projects for light manufacturing. The practice was extended to the post-colonial industrial policy, where surplus agricultural earnings was utilized to pay for imports of irrelevant machines and projects into Nigeria. The direct consequence of these policy distortions is elite corruption in the award of contracts to friends and business associates without a mechanism for performance evaluation or maintenance of such projects. For instance, it is common knowledge that road contracts in Nigeria are awarded and paid for several times without the project ever being completed or anyone held accountable. Such policy distortions and elite corruption also allowed the state and privileged societal interests to capture a disproportionate share of the public revenue through blatant hawking of import licenses and predatory rent-seeking activities that eventually led to the economic crises of the 1980s.

Nigerian Economic Crises in the 1980s

In order to explain the current economic and political problems in Nigeria, it is necessary to place the so called "economic crises of the 1980s" in various historical perspectives. Such an approach will facilitate examination of the sources and dynamics of the politics of economic development and economic diplomacy in the country.

Nigeria's economic crises in the 1980s largely result from: (a) the legacy of colonial central planning, (b) the Nigerian civil war, (c) the rise of OPEC in 1973, (d) the pattern of economic mismanagement and (e) the collapse of oil prices and its impact on development planning in Nigeria. It is also important to point out here that the informal period of British influence in Nigeria was characterized by exploitation of Nigeria's economic resources by British trading companies in an era characterized more by mercantilism than free markets.

As previously argued, existing strategies of economic development reflect the colonial model of "central planning" and emphasis on export over consumption products. Thus, with formal occupation (political and economic control of Nigeria by the British government), British interests in Nigeria was consolidated with the help of private British companies and local capitalists. As F. Chidozie Ogene observes, through the activities of the British governments and companies,

> ... they determined the structure of the colonial Nigerian economy, a structure that was largely geared to serve the needs of the British economy. The colonial economy therefore epitomised the maximisation of selfish group interests at the expense of objective interests of Nigerians and the nation.[25]

Consequently, the external dynamics of Nigeria's economic dependency resulting from its colonial history continues to determine the direction of economic (under)development. Although Nigeria has been politically independent since 1960, its economic practices and structures still reflect and respond to the vicissitudes of external demands. More often than not, changes in economic directions abroad result in changes in the direction of economic activities in Nigeria, due mainly to the fact that the Nigerian economy is not sufficiently diverse and productive to contravene external trade or political shocks.

As already established, the colonial state directed economic activities based on Britain's needs for raw materials for industrial inputs and food crops such as cocoa, banana, palm oil, and several others. Also, when raw materials became more abundant, especially from sources such as other less developed countries and synthetic alternatives, Nigeria responded to the international market's demand for petroleum which by 1971 emerged as both the main export product and the main source of foreign exchange as shown in table 4.

For its relevance to the current economic crises, the emphasis on cash crops in colonial Nigeria cannot be overstated. Lacking a viable industrial base and a sustained internal production either of manufactural or agricultural products, Nigeria's economic development has remained dependent on the international price stability of her export products. Given that Nigeria is a price taker rather than a price setter, her economic growth, irrespective of her membership in the

Organization of Petroleum Exporting Countries, is dictated from the outside. That situation was Nigeria's reality in the early 1980s, when the world recession created economic and political crises far beyond what the post-independence foster elites thought possible.

The end of the Nigerian civil war and the politics of reconciliation in the early 1970s were followed by the outbreak of the Arab-Israeli War in 1973, which resulted in the use of petroleum as an economic instrument of foreign policy, on the part of the Arab countries in the Middle East. The Arab countries' boycott of oil exports to the western governments was a stroke of luck for oil-producing countries like Nigeria. As table six shows, Nigeria's foreign exchange earnings increased to such an unprecedented level that the deficit accumulated to prosecute the civil war was wiped out, and its reserve position increased enough to finance Nigeria's imports for two years without Nigeria exporting a cent's worth of goods.[26]

The external dependence of the Nigerian economy is further illustrated by the impact of the world recession between 1979 and 1981. First, Nigeria devalued its currency to keep pace with the major international currencies. Second, the Nigerian government doubled and, in some instances, tripled salaries[27] and paid arrears to civil servants which helped to drain the profits from the oil boom.

Under normal sound economic policies,

> Devaluation is expected to be backed up by the polices of wages and prices freeze in the short and mid-term if it should succeed. In Nigeria the opposite was the case. The excessive money supply arising from the salary increase and arears(sic) led to a strong agglomerative pull on import demands. Nigeria's external reserve was reduced to the lowest ebb to finance the increase in imports on the false belief that prosperity would continue indefinitely.[28]

According to Adebayo Olukoshi, the strong dependence of the Nigerian economy on external inputs and the nature of the import-substitution industrialization policies of the post-colonial economy had serious implications for the health of the Nigerian economy. Olukoshi argues that although increased manufacturing activities were noticeable in Nigeria during the oil boom, there was very low local value and input in the industries. Secondly, no serious attempt was made either by the government or the industries for forward and backward linkages (to ensure that industrialization and agricultural activities complemented each other) in the economy.

As a corollary to the absence of forward and backward linkages in the economy, while the manufacturing activities were mainly concentrated in light industries, "... consumer goods department, the intermediate and capital goods sub-sector [were] virtually non-existent."[29] In fact, and, despite the much promoted Operation Feed the Nation and Green Revolution for agricultural development in Nigeria between 1976 and 1983, Nigeria's food imports was well over $1 billion a year.[30]

The Misuse of Oil Revenue

While oil wealth was to provide a period of growth for other OPEC states, Nigeria's central planning, a colonial legacy, doomed it to fatally mismanage the post 1973 flood of oil revenue to the state. This section chronicles and explains that mismanagement asserting that the new found wealth from oil revenues did not result in a sustainable strategy for long-term development in Nigeria.

In addition to abandoning the agricultural sector, state expenditure rose dramatically from 8.25 billion Naira in 1975 to 13.291 billion in 1979 and 23.695 billion Naira in 1980.[31] As Yusuf Bangura argues, investment expenditure estimated at about 70 billion

Naira in current prices for the period 1973 to 1981 exceeded the value of oil revenues received. Although the economy grew rapidly at 10.4 percent and 6.6 percent in 1976 and 1977 respectively, "... there was quite a lot of waste, over-invoicing and misappropriation of investment capital..."[32] which ultimately undermined the development of the Nigerian economy. Indeed, the new found oil wealth became a curse rather than a blessing to the extent that the Nigerian leadership seemed to have suffered from oil-wealth-induced pathology, where all reasonable counsel fell on deaf ears.

For example, the Managing Director of the state-owned Nigerian National Petroleum Corporation (NNPC), Lawrence Amu, in 1982 noted that "oil revenue is spent on the importation of various consumer goods, capital goods, rice, and other agricultural produce which could be cultivated in Nigeria. Thus we earned our oil revenue only to use it to keep foreign industries going."[33] And, in a recent reflection, Ukpabi Asika, one time civilian administrator of the East Central State under the Gowon administration notes, "oil misled us ... oil created a false impression that all was well and that money was no longer a problem .... The temptations were extraordinary. Nigeria, like many countries, misled by oil wealth, was not strong enough to resist the temptation."[34]

As will be shown below, inadequate planning and a misinterpretation of the situation resulted in the inability of the leadership to reflect on history and plan accordingly. The resulting faulty fiscal and monetary policies drew Nigeria deeper into conditions of dependence and underdevelopment. Asika's reflection would be well-taken if all the countries that benefited from increased oil-wealth in the 1970s had also become worse-off at the end of that period.

However, given that Iran and Saudi Arabia, for instance, were able to use their oil-wealth from the same time period to enhance their economic development and international positions, the question becomes: what explains Nigeria's decline from relative financial independence in the 1970s to an economic crisis from the 1980s to the present? Arguably, the Iranian Hostage crisis (one of the consequences of the 1979 Iranian revolution), and political and security uncertainty in the Middle East fueled the increase in the price of oil from $14.90 per barrel in 1978 to $33 in 1979 and $44.40 in 1980. However, rather than make a realistic assessment of the international political and economic situation and using that to explore how the opportunity provided by increased oil revenue could enhance Nigeria's economic growth and development, the Shagari administration's (1979-1983) strategy seemed based on the belief that high oil prices would continue indefinitely.

As Bangura observes, that false assumption led the government to liberalize the economy, reduce tariffs, increase public expenditure and take "... fiscal measures such as the approved user scheme which deepened the dependence of Nigerian industries on foreign inputs."[35] And, as "the focus of economic activity in Nigeria shifted sharply to international trade, international and domestic finance, services and construction and real estate,"[36] the collapse of the world oil market and inefficient planning resulted in a distressed Nigerian economy.

The Collapse of the World Oil Market

Such a result was inevitable given a context in which agriculture had clearly suffered serious neglect with consequences for peasants, labor and the masses. As Olukoshi states,

> The collapse of the world oil market which resulted in Nigeria's oil earnings falling dramatically from a peak of N10.1 billion in 1979 to about N5.161 billion in 1982 immediately

> triggered a major crisis in industry and the rest of the economy. At the level of industry, many firms either suspended production or scaled down capacity utilization drastically because of the inability of the state to continue to meet their foreign exchange needs. It is generally reckoned that about 50 percent of the total number of manufacturing establishments operating in Nigeria stopped production for some time with adverse consequences for workers who were retrenched in their thousands. An inflationary spiral also took hold in the economy as there emerged an acute shortage of consumer goods and imported food items like rice. The widespread shortfall of consumer goods was the result of both the collapse of many of the factories that produce such commodities and the decline of the import capacity of the state. Having enjoyed a favourable payments position for much of the 1970s, the state began to suffer serious deficits in its external payments from 1982 onwards. Unable to sustain its expenditure at its pre-crises levels, the state also started to run huge deficits in its budget whilst at the same time embarking on foreign borrowing from private and official international sources to sustain some of its spending programmes.[37]

The inability of the government to generate enough revenue to support the domestic economy through the export of crude oil resulted in economic stagnation in Nigeria. Especially affected were those light industries requiring imported raw materials input and the agricultural projects to ensure food sufficiency for Nigerians (a major component of the Fourth Development Plan) that needed equipments from abroad.

It is necessary to note that Nigeria had planned to finance the Fourth National Development Plan (1981-

1985) from revenue generated from the export of crude oil, and thus did not anticipate borrowing huge sums of money from the international capital market. Unfortunately, the planners and the government did not anticipate a slump in the world oil prices. Consequently, to fully implement the development plan, Nigeria's estimated borrowing in 1981 totalled $5.0 billion, and, by 1985 the government had borrowed to the tune of $19.1 billion, mainly from private international sources with high interest rates. These borrowings were carried out within the context of a declining revenue from the export of crude oil, in addition to an already neglected agricultural sector that by the mid 1970s had effectively ceased to contribute to the national account.

Most of the loans were from private sources and were of short term duration. With the fall in world oil prices resulting in the fall in export revenue for Nigeria, the government was unable to make payments and had to seek rescheduling with its creditors. The poor state of the Nigerian economy made it difficult for the government to make interest payments on outstanding loans to the Paris and London Club of creditors. Consequently, the Club of creditors refused to loan Nigeria new money, and effectively blocked other avenues for raising funds. Locally, Nigeria's industries were either closing and laying off workers or greatly reducing their production capacity, with serious consequences for the economy.

Politically, the civilian administration of Shehu Shagari was overthrown by a military coup on December 31, 1983. In a speech broadcast to the country, the incoming administration clearly identified some of the major problems facing the Nigerian economy. The following is from a speech by Brigadier Sanni Abacha:

> Our economy has been hopelessly mismanaged. We have become a debtor and beggar-nation. There is inadequacy of food at reasonable prices for our people who are now fed up with endless announcements of importation of foodstuffs. Health services are in shambles as our hospitals are reduced to mere consulting clinics, without drugs, water and equipment. Our educational system is deteriorating at an alarming rate. Unemployment figures, including the graduates have reached embarrassing and unacceptable proportions.[39]

The new administration under General Buhari did not fare better in its negotiations with the creditors, who insisted that Nigeria devalue its currency, (first by 30-35% and later by 50-60%), liberalize the economy, end or substantially reduce petroleum subsidies, privatize and commercialize the public enterprises, in addition to other demands.

The economic imbroglio that followed the negotiation stalemate with the IMF, the repressive nature of the Buhari administration, a general loss of confidence in the government, and lawlessness in the society, combined to provide the context under which the administration of General Ibrahim Babangida came to office in 1985 with promises to lead Nigeria to new economic and political heights. For political reasons, the Shagari and Buhari administrations had refused to accept the IMF conditions for rescheduling Nigeria's debts. Their fear was that such austerity measures would compromise Nigeria's economic and political sovereignty. To assess the direction the public would like to take the Nigerian economy and to break the deadlock with the IMF, General Babangida declared his intentions to reopen talks with the IMF, and encouraged public debates on all economic issues.

In the process of seeking public inputs and support for dealing with the IMF, a number of explanations and propositions were offered to the new administration. As might be predicted, the IMF (and a number of academic pundits) were troubled about the wisdom of opening up an issue as complicated as international financial negotiations to public debates. There ensued public debates in the forms of speeches, newspaper articles and scheduled debates on television.

In addition, students' and workers' demonstrations, organized seminars at the various think-tanks in Nigeria, and, to some extent, marketplace discussions have gone down in history, marking the most democratic period (albeit, disorganized and ignored by the government) in post independent Nigeria to that date.

At the government level,[39] officials and their orthodox economists' supporters argued that the crisis of the Nigerian economy was a consequence of international economic conditions, which at that point were characterized by a general recession and, specifically, by the international oil market glut. That official view would suggest that since the root of the problem was external to the country, Nigeria was essentially without options, except to wait for an improved international economy and an increase in the international price for crude oil.

By contrast, some commentators and academics asserted that "... the fault is not in our stars but in ourselves."[40] These radicals argued that the looting of the public treasury under the administration of President Shehu Shagari, a general lack of accountability by public officials in Nigeria, lack of planning and commitment to public service, nepotism in the awarding of contracts, and, divisive politics generally, all had promoted the role of middlemen and contractors in Nigeria. These intermediaries, they charged, had promoted private wealth accumulation without production, leading to Nigeria's economic crisis. Without denying that historical external factors were relevant, these critics charged that Nigerians must also bear responsibility for having collaborated with external capitalist forces in fostering the current economic crisis.

Against that background, Nigerians generally rejected continued reliance on IMF loans, and some even argued that the existing debt should be repudiated as un-payable by the Central Bank of Nigeria. Also, some argued that the western banks collaborated in defrauding Nigeria and, as a result, Nigeria should lead a club of debtor countries to reschedule or repudiate the loans.

The tone and intensity of the debates also revealed the extent to which the general public distrusted the government. Consequently, the public was not only opposed to borrowing from the International Monetary Fund, but was opposed to any kind of borrowing by the government.[41] Equally significant was the noticeable rift within the Armed Forces Ruling Council over whether to liberalize the economy and implement the IMF conditionalities, or to maintain an assertive state role in the Nigerian economy.[42] The possibility of a split within the ruling elite over the northern oligarchy's control of the Nigerian economy was not lost on President Babangida, who moved swiftly to stem the tide in his budget speech for 1986. That speech became the foundation for what the administration later referred to as Economic Diplomacy, and the basis for a new direction in Nigeria's foreign policy.

Notes to Chapter Three

[1]This narrative is based on several sources and the author's indigenous knowledge of Nigeria. See Claude Ake's entry in Joel Krieger, ed. *The Oxford Companion to Politics of the World*, (New York: Oxford University Press, 1993):639-640. Michael P. Todaro, *Economic Development*, Fifth Edition, (New York: Longman Group, 1994):55-56. Emeka Oparah, ed. *Nigeria: Handbook and Review*, 5th Edition, (Lagos Nigeria, 1922). *Nigeria: A Country Study*, and *World Development Report*, a World Bank Publication, several issues.

[2]Michael P. Todaro, *Economic Development*, Fifth Edition. (New York: Longman Group, 1994):55-56.

[3]It should be emphasized that the European conquest and occupation of Africa did not begin with the Berlin Conference. The conference merely ratified a process that was already in motion. See, A. Adu Boahen, (ed.,) *General History of Africa: Africa under Colonial Domination 1880-1935*. London: James Currey and UNESCO 1985 and 1990, p. 15.

[4]See P. N. C. Okigbo, *National Development Planning in Nigeria 1900-92*. (London: James Currey, 1989), p.4.

[5]The phrase "in the name of King George and King James," refers to the British strategy of using force and Christianity to occupy a territory. In many instances the elders in Nigeria report that where some communities put up resistance, such as in eastern Nigeria, the British brought in missionaries to win their souls first for Christ and second for capitalism.

[6]As Okigbo, op. cit., states, the name Nigeria became official on January 1st 1900, with three different administrative zones: Lagos Colony and the attached Yorubaland Protectorate with Sir William MacGregor, a medical officer, as Governor, with headquarters in Lagos; the Protectorate of Northern Nigeria with Sir Frederick (later Lord) Lugard, a soldier, as High Commissioner, with headquarters at Kaduna; and the Protectorate of Southern Nigeria with Sir Ralph Moor, an ex-policeman, as High Commissioner, with headquarters in Calabar. As will be later argued, the significance of the above distribution of administrative headquarters and officials during colonial rule remain embedded in the contemporary political and economic structures in Nigeria. Thus, the colonialists may have left, but their legacies remain an impediment to political and economic change in the country.

[7]Okigbo, p. 5.

[8]Ibid.

[9]Ibid., pp. 5-6.

[10]Government of Nigeria, *A Ten Year Plan of Development and Welfare for Nigeria, 1946-55* (Lagos: Government Printer, 1946). P. N. C. Okigbo, *National Development Planning in Nigeria 1900-92* (London: James Currey, 1989). Also, see Julius Ihonvbere and Toyin Falola, "The Illusion of Economic Development," in Toyin Falola, ed. *Britain and Nigeria: Exploitation or Development* (London: Zed Books, 1987), pp. 200-222, and S. O. Osoba, "The Transition to Neo-Colonialism," Ibid., pp. 223-248. W. F. Stopler, *Planning Without Facts: Lessons in Resource Allocation from Nigeria's Development* (Cambridge, Mass: Harvard University Press, 1966). Akeredolu Ale, *The Underdevelopment of Indigenous Entrepreneurship in Nigeria* (Ibadan: Ibadan University Press, 1975). Dupe Olatunbosun, *Nigeria's Neglected Rural Majority* (Ibadan: Oxford University Press, 1975).

[11]P. N. C. Okigbo, p. 21.

[12]Cited in Okigbo, p. 21. Also, see F. E. V. Smith, *Preliminary Statement on Development Planning in Nigeria* Sessional Paper No. 6 of 1945, (Lagos: Government Printer, 1945).

[13]F. E. V. Smith, op. cit., p.5. Also, cited in Okigbo, p. 21.

[14]Cited in Julius Ihonvbere and Toyin Falola, op. cit., p. 212.

[15]Ibid., p. 211.

[16]Although, containment policies did not crystallize in the United States till 1947-48, and, given that U.S. anti-colonial policy was formed during the Second World War, and began to reverse direction in late 1940's because of containment policies aimed at helping the French in Vietnam, the dates are so close that one can deduce that, indeed U.S. anti-communism and anti-colonialism were significant influences on Britain's decision to grant political independence to her former colonies like India and later, Ghana and Nigeria.

[17]See Segun O. Osoba, op. cit., pp. 235-240. Osoba details the efforts of British government to root out communist sympathizers in Nigeria, and, how anti-communist rhetoric affected prominent Nigerian citizens, the labor unions and radical Nigerian students.

[18]P. N. C. Okigbo, op. cit., p. 28.

[19]Ibid.

[20]Cited in Julius Ihonvbere and Toyin Falola, op. cit., p. 213.

[21]Ibid., p. 213.

[22]Given the colonial practice of educating Nigerians to be school teachers, it can be argued that expatriates had to be hired pending sufficient and competent indigenous manpower. However, based on the Ten Year Plan, it is plausible to conclude that the colonial administration had no intention of training Nigerians to replace British citizens as administrators or experts in other areas.

[23]Okigbo, p. 31, states that in 1952 Nigeria undertook a general census in an attempt to remedy the lacuna in the existing data collection, only to find that apart from Lagos, figures for the Northern Provinces were somewhat lukewarm and probably accurate, but those of the Western Province were suspect, while figures for the Eastern Province were non-existent.

[24]Nigeria's industrial policies in the 1970's involved such inward looking strategies as the nationalization of foreign and domestic companies, the indigenization of companies, which reserved certain business activities like cement manufacturing, agro-industrial businesses (whether or not Nigeria had the technology to operate such business) to Nigerians. Such import-substitution industrialization policies would work if the strategies were aimed at the specific goals of developing the country. But as has become evident since the 1980s, the nationalized and indigenized businesses were designed to reward certain classes of Nigerians for their support of central decision-makers.

[25]F. Chidozie Ogene, "Domestic Economic Interest Groups And Foreign Policy," in Gabriel O. Olusanya, Bassey E. Ate and Adebayo Olukoshi, eds., *Economic Development and Foreign Policy in Nigeria* (Lagos: Nigerian Institute of International Affairs Press, 1988), p. 72.

[26]J. K. Onoh, "Nigeria's External Debts and the Western Club of Creditors," in U. Joy Ogwu and R. Omotayo Olaniyan, eds., *Nigeria's International Economic Relations: dimensions of dependence and change* (Lagos: Nigerian Institute of International Affairs, 1989), p. 162.

[27]As the beneficiaries of the two oil shocks in the 1970s, Nigeria enjoyed what seemed like an unstoppable economic boom relative to other non-oil exporting countries, especially in Africa. Consequently, the central administration embarked on the Fourth Development Plan that involved the construction of office buildings, highways and massive industrialization projects that eventually collapsed because these projects lacked coordination or maintenance clauses. Also, the government approved the Udoji Commission proposal to increase the salaries of civil servants, in some instances threefold. The problem here is that the projects and the salary increases were not based on any sound economic policies aimed at sustained economic growth. As tables 2 and 3 show, agricultural production as a percentage of GDP, experienced a steady decline from 1971 and has not recovered its 1970 level. With the oil boom came the "import everything syndrome" from chickens to tissue paper, and with the externally driven imports, the undeveloped Nigerian economy was not cushioned against the impacts of the world recession.

[28]J. K. Onoh., p. 163.

[29]Adebayo O. Olukoshi, "General Introduction: From Crisis to Adjustment in Nigeria," in Adebayo O. Olukoshi, *The Politics of Structural Adjustment in Nigeria* (London: James Currey, 1993), p.3.

[30]J. K. Onoh, op. cit., p. 175.

[31]Yusuf Bangura, "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Programme," in H. V. Havnenik, ed., *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives* (Uppsala: Scandinavian Institute of African Studies, 1987), p. 96

[32]Ibid.

[33]Cited in Julius O. Ihonvbere, *Nigeria: The Politics of Adjustment & Democracy* (New Brunswick: Transaction Publishers, 1994), p. 21.

[34]Ibid.

[35]Ibid.

[36]Cited in Yusuf Bangura, op. cit., p. 96.

[37]Adebayo O. Olukoshi, op. cit., p. 3.

[38]Cited in Julius O. Ihonvbere, "The Economy and Foreign Policy Since 1984," in Toyin Falola and Julius O. Ihonvbere, eds., *Nigeria and the International Capitalist System* (Boulder: Lynne Rienner Publishers, 1988), p. 122.

[39]This section has benefited extensively from the very important analysis of Nigeria's debt trap by Professor J. K. Onoh, "Nigeria's External Debts and the Western Club of Creditors," op. cit., pp. 177-181. Also, see Adebayo O. Olukoshi, "From Crisis to Adjustment in Nigeria," op. cit., p. 4.

[40]See J. K. Onoh, op. cit., p. 177.

[41]For a similar argument, see Yusuf Bangura, "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Programme," in H. V. Havnenik, editor, *the IMF and the World Bank in Africa: Conditionality, Impact and Alternatives.* Uppsala: Scandinavian Institute of African Studies, 1987.

[42]See Thomas J. Biersteker, *Reaching Agreement with the IMF: The Nigerian Negotiations, 1983-1986,* Pew Case Studies in International Affairs (Washington, DC: Institute for the Study of Diplomacy, Georgetown University, 1989), p.27.

Chapter 4

The Sources of Nigerian Underdevelopment

External explanations for Nigerian underdevelopment

Several explanations have been offered for the implementation of the World Bank's and IMF-supervised Structural Adjustment Programs (SAPs) in less developed countries like Nigeria. Most analysts of the programs continue to grapple with the needs of the Less Developed Countries (LDCs), seeking explanations that support continuation of the programs. In general the debate focuses on whether the causes of underdevelopment are internal or external to the LDCs in origin. The two perspectives can be briefly summarized as external and internal explanations.

External Explanations

External explanations include the effect the United States' war in Viet Nam had on inflation (both in the U.S. and around the world); and, the effect United States' domestic programs from the late 1960s to early 1970s had on international monetary stability. Further, explanations are largely based on the dollar.

As the hegemonic economic power in the international system, United States domestic policies had direct consequences for other states, especially for those like Nigeria whose domestic and foreign economic policies were import-dependent on the industrialized countries. With the collapse of the dollar system in 1973, the central function of the International Financial Institutions to stabilize the fixed exchange rates -- by requiring countries to adjust to balance of payments disequilibria -- lost its commanding stature in the liberal international economic system.[1] Two domestic actions by the United States--the devaluation of the dollar and the scrapping of the Bretton Wood system, seemed to undermine economic policies for the less developed countries.

Following the 1973-1974 and 1979-1980 oil price increases, oil reached nearly 20 times its 1960 price. These oil price hikes provide yet another external explanation for the economic problems of the LDCs. The rise in the price of oil was not only economically devastating for the industrial needs of the western countries, but its impact is seen to have been greater for the non-oil exporting, less developed countries.

Mostly import-dependent, many of the LDCs had no foreign exchange earning export products to balance their import consumption. As a result, the oil-boom for the oil-exporting countries became oil-doom for the non-oil exporting LDCs, whose basic necessities had to be met by borrowing from the industrialized countries. That was the beginning of what has become the "debt trap," the vicious cycle of economic underdevelopment, that gave rise to the IMF-supervised Structural Adjustment Programs in many developing countries, including Nigeria, which exports oil but is import-dependent.

Also, legacies of colonialism and imperialism, manifested in the power the western countries have in international institutions like the IMF and the World Bank, are seen as constraining the less developed countries, a phenomenon exemplified by the IMF-supervised Structural Adjustment Programs.

Domestic Explanations

While, most of the exogenous arguments appeal to scholars and policy makers who are sympathetic to problems of the LDCs, the endogenous explanations are mainly, but not exclusively, advanced by scholars with liberal perspectives. From that point of view, economic problems in the LDCs largely reflect inadequate integration of these countries into the international capitalist system. According to the liberal internationalists, the international capitalist system provides an effective structure for development. The LDCs', by taking advantage of their markets and technology, can bring an end to irrational state policies that impede development.[2]

The endogenous argument goes further to cite a lack of technical education, over-population, the monocultural nature of the export economy, government involvement in private sector activities and mismanagement of resources as explanations for the LDCs' need for adjustment programs. It asserts that, based on the logic of free markets, the implementation of IMF-supervised SAP would correct market distortions that result from state interventions, and ensure the most efficient allocation of scarce economic resources.

Also, the neo-orthodox perspective of liberal internationalism argues that, overall, nations are not wealthy in proportion to their natural resources -

otherwise Russia, Angola and Nigeria would be the richest countries in the world.[3] To counter its earlier prescription that non-government intervention in the economy would unleash economic growth through market forces, neo-orthodoxy at the end of the Cold War argues that wealthy nations are those that create a political platform that unleashes the creative and entrepreneurial energy of the citizens. Thus, a strong political structure is required for the rise of an educated middle class, whose interests in property rights under the rule of law would serve as a foundation for institutionalizing political liberties. Those liberties in turn sustain a free market economy within the liberal international economic system.

As a result of the above explanations, understanding IMF-supervised SAP requires analysts to ignore the history behind the political economy of Nigeria, which is shaped by class, ethnicity and power struggles. Furthermore, neoclassical analysts ignore the inequality of states within the structure of international capitalism, as well as the ways in which different states' economic policies are shaped by their political and power positions in the international system. Given that politicians can be selfish individual maximizers rather than general welfare seeking agents, explanations of economic development policies in the LDCs, requires a good knowledge of the particular history and elite composition of developing states.

This chapter examines Nigeria's Economic Diplomacy within the context of IMF-supervised Structural Adjustment Program during the Administration of Ibrahim Babangida, from 1985-1992. The chapter responds to the following questions: Is economic underdevelopment in Nigeria explained by international factors rather than by the legacies of the monocultural economy of colonialism? For central decision-makers in Nigeria, what are the political and economic consequences of implementing a program of Structural Adjustment? What role did politics play in the decision to implement SAP in Nigeria? What, according to the government, are the root causes of economic deformities in Nigeria? What political and economic factors are to be addressed by SAP and what are the expected policy outcomes in Nigeria? The above questions are relevant because the implementation of the IMF-supervised Structural

Adjustment Program in Nigeria is a vital component of the administration's economic diplomacy. Careful examination of these issues will facilitate understanding of the extent to which politics interacts with economic factors to produce unanticipated outcomes.

Colonialism, State Structure and the Nigerian Economy

Given that foreign economic policies are proposed and approved only at the highest level of government, (especially for the LDCs), a systematic discussion of the characteristics of the colonial state, and its legacies in post-colonial Nigerian political economy is necessary for explaining the administration's economic diplomacy. As Claude Ake observes, "...[t]he colonial state was absolutely powerful and absolutely arbitrary. It was absolutely powerful because it was a state of occupation.... It had to subordinate people, forge an identity, create an economy and create the means to exploit it."[4]

As I have shown in chapter three, colonial Nigeria was a creation of England in 1914 for the purposes of economic exploitation, characteristic of imperial expansion during that era. A central feature of the colonial state was dictatorial rule. There were essentially two classes -- the colonizer who gave the orders, and the colonized whose role was to carry out those instructions. The colonized were in no position to refuse the "master's" commands, because to do so often resulted in severe punishment and sometimes death. The colonized were accorded no rights to their physical being, territory or even to their land.[5] According to Ake, the colonial state was one in which dictatorial power determined everything from governance to economic production.

In Nigeria, the use of absolute power was necessary because the colonial state lacked legitimacy with the various nationalities which had been glued together as one political entity in 1914. Consequently:

> The politics that were engendered by these circumstances were simply politics as warfare, politics in which peoples' rights were coextensive with their might, in which the strong took what they could, leaving the weak to suffer what they had to. It was politics of a zero sum game, in which the question of governance or good government was not even relevant, politics reduced to a single issue -- the right to rule. The colonizers asserted their right to rule and the

> colonized rejected this presumption. The result was a confrontation of two exclusive claims to govern which were fought out in terms of the powers of these contending parties. There was no possibility of mediation by a political culture because one did not exist or by constitutionalism because constitutionalism did not exist in spite of laws, rules and regulations.[6]

Within this colonial state, the various nationalities that make up Nigeria were subjected to British political control, whose legacy continues to influence Nigerian political economy.

Although what Britain did in Nigeria is an interesting topic of study, it is not central to our discussions here. The main point is that the Nigerian post-colonial state has systematically replicated the Hobbesian struggle for power that characterized British rule in Nigeria. For example, just as the nature of politics during colonialism centered around the duty to rule by England, post-colonial politics in Nigeria continues that tradition, with the Hausa ethnic group claiming the sole right to rule. This time, the result has been even more devastating, as evidenced by the bloody civil war of 1967-1970.

During colonialism, politics focused on the use of force to exploit the economic resources of the colonial territory. Keeping with that tradition, post-colonial politics in Nigeria focuses on the "right to rule" by self-appointed military generals who, without legitimacy operate a post-colonial style of governance similar to the colonial system. The state in Nigeria, from colonialism until now, remains a prize to be won by force for wealth expropriation, rent-seeking and corruption at the highest level.[7]

The leaders of independent Nigeria have simply "inherited" the colonial state structures without transforming the state to reflect a post-colonial framework that serves all Nigerians equitably. The state remains "absolutely powerful," uses power "arbitrarily," lacks legitimacy with the citizens and fails to mobilize them toward productive economic activity on the national level. As a result, the citizens detach themselves from the state and seek protection, comfort and refuge in their ethnic communities. Such conditions make national economic development impossible.

Furthermore, colonial strategies of indirect rule for the northern region and direct rule for most of the other parts of the Nigerian state resulted in a colonial political structure that encouraged Nigerians to seek political and economic alliances in regional terms. Competition between the different nationalities was an effective tool for British imperialism. For, separated, the colonized citizens could not resist the imposition of a fractured political and economic structure. This stunted their development at the national level.

For example, the Imperial state was able to induce the peasants in colonial Nigeria to focus on increasing the yield of those products needed for British industries through the implementation of such commercial and political instruments as "direct taxation, forced cultivation, and expanded operations by European merchant firms."[8] Similarly, the post-colonial state has been able to direct economic activities away from agriculture, focusing only on revenues from oil by using nationalization and indigenization strategies.

Also, as Watts argues, the nationalization of land in 1907 by the imperial state effectively blocked any efforts that would have resulted in large-scale agricultural production either by Nigerians or by other non-British European settlers. Imperial British nationalization of land in Nigeria had two major implications. First, the need for fiscal self-sufficiency resulted in the use of strategies that maximized profits for Britain. As a result, Britain encouraged regionalism and developed foster elites in Nigeria to do her bidding, reducing the possibility of direct British government official intervention in the production process. Secondly, the international capitalist economic structure created local producers in Nigeria who became entrenched in a "world economy and global capital circuits"[3] that operated on rules and regulations they had not helped create, and therefore did not understand. Nonetheless, these local producers maintained a steady flow of primary products for European industries. As a direct result of the foregoing structure, Nigeria became a monocultural[10] economy whose main role was the production and export of raw materials for use by British industries.

The British government not only encouraged the production of primary (mainly agricultural) products from Nigeria, but demanded that such products be exported to England. The Liverpool Chamber of

Commerce, an agency of the British Government, categorically stated in June 1917 that:

> All the energies of the native peoples should be directed towards the production of raw materials, and should be encouraged to produce greater variety and greater quantities of the produce of their country.[11]

Since Nigeria was an agrarian economy before colonization, it was well positioned for British exploitation in the production and export of crops like cocoa, palm kernels, palm oil and groundnuts to England. Several Marketing Boards set up to aid colonial import and export activities were largely used to coerce the peasants to farm for exports or face the consequences of direct taxation at the expense of food crops. Until 1960 when Nigeria became an independent country, these products comprised the principal exports of the country. If the volume of exports of these products are used as a measure of the importance and the profits England derived from them, then table-1 provides ample evidence for the argument that the economic and political structures in colonial Nigeria were set up to underdevelop Nigeria in favor of England.

Table 1
Principal Exports from Nigeria, 1900-1960

	Cocoa	Palm Kernels	Palm Oil	Peanuts
Year	(Long tons)	(Long tons)	(Long tons)	(Long tons)
1900	202	85,624	45,508	599
1905	470	108,822	50,562	790
1910	2,932	172,907	76,851	995
1915	9,105	153,319	72,994	8,910
1920	17,155	207,010	84,856	45,409
1925	44,705	272,925	128,113	127,226
1930	52,331	260,022	135,801	146,371
1935	88,143	312,746	142,628	183,993
1940	89,737	235,521	132,723	169,480
1945	77,004	292,588	114,199	176,242
1950	99,949	415,906	173,010	311,221
1955	88,413	433,234	182,143	396,904
1960	154,176	418,176	183,360	332,916

Source: Adapted from *Nigeria Trade Reports,* in Carl K. Eicher and Carl Liedholm (eds) *Growth & Development of the Nigerian Economy (East Lansing: Michigan State University Press,* 1970), p.11.

As Table 1 indicates, although colonial Nigerian economy seemed diversified in terms of products, the evidence supports Walter Rodney's argument that most less developed countries' monocultural economies (mainly in agriculture) are a direct result of colonial economic structure and history. Furthermore, in the case of Nigeria, Table 2 shows that the impact of

British imperialism on the direction of economic activities extends beyond the colonial period.

Table 2
Production of Principal Agricultural Commodities, 1958-1986
(Measured in Metric Tons)

Crop Year	Cocoa	Groundnuts	Palm Kernels	Palm Oil	Cotton
1958-59	134,350	533,362	455,345	184,5	89,122
1959-60	149,001	445,520	425,863	190,234	88,538
1960-61	186,258	631,432	432,681	193,907	153,578
1961-62	194,684	699,250	38,833	176,901	84,339
1962-63	174,417	888,954	369,392	131,116	148,682
1963-64	220,415	802,662	421,321	152,002	131,949
1964-65	299,464	692,514	409,506	150,843	133,427
1965-66	185,347	997,649	458,216	167,441	129,269
1966-67	268,306	1,046,961	422,438	131,886	150,727
1967-68	239,463	692,989	221,896	32,592	80,747
1968-69	218,259	778,515	194,360	4,561	165,638
1969-70	218,970	658,289	235,719	13,895	195,371
1970-71	301,868	286,948	296,166	25,532	115,056
1971-72	256,603	307,142	309,927	31,524	110,895
1972-73	241,290	559,047	268,758	20,914	143,490
1973-74	214,394	44,039	230,450	13,864	86,110
1974-75	214,461	161,927	302,125	24,772	140,026
1975-76	217,493	100,050	278,116	6,189	70,125
1976-77	166,378	148,200	282,059	9,488	212,376
1977-78	204,419	140,000	175,320	3,215	115,029
1978-79	133,436	388	238,479	-	117,291
1979-80	159,509	18,231	230,762	912	117,399
1980-81	146,454	10,812	193,780	n.a.	80,903
1981-82	173,854	5,724	193,865	n.a.	62,513
1982-83	150,309	n.a.	197,708	1,091	56,269
1983	144,664	91	153,506	2,091	61,839
1984	124,586	-	94,173	2,376	37,887
1985	86,257	-	163,397	-	44,235
1986	39,650	-	41,694	-	30,339

Source: Federal Office of Statistics, *Annual Abstract of Statistics* 1965, 1975 and 1981; Central Bank of Nigeria, *Economic and Financial Review*, Vol. 22, No. 3, September 1984; Central Bank of Nigeria, Annual Report, 1986, p. 27.

During the first ten years of independence, the Nigerian economy saw expanded export of agricultural products. The noticeable decline in the production and export of palm oil between 1967-1968 is due largely to the civil war which made it difficult for the war-ravaged Eastern Region, the largest producer of palm oil, to engage in any serious economic activity. The data in Tables 1 and 2 are even more significant when compared to the data in Table 3, which provides the percentage contribution of both agricultural and mining activities to the gross domestic product at constant prices for the period 1960-1986. As Table 3 shows, there is almost an inverse relationship between the contributions of agriculture and mining to the Nigerian economy after independence. While agricultural production and export remained essential components of the Nigerian economy from the colonial to the post-colonial period, mining activities increased in its contribution but at a declining rate compared to agricultural production and export.

Table 3
Percentage Contribution of Agriculture and Mining to Gross Domestic Product at Constant Prices, 1960-1986

Year	Agriculture	Mining and Quarrying
1960-61	63.4	0.9
1961-62	61.7	1.7
1962-63	61.2	2.0
1963-64	61.1	2.2
1964-65	59.2	3.2
1965-66	56.4	5.3
1966-67	54.9	7.2
1967-68	55.9	3.5
1968-69	55.0	2.9
1969-70	53.2	3.7
1970-71	36.0	33.1
1971-72	32.0	39.3
1972-73	27.9	43.4
1973-74	24.7	45.1
1974-75	23.4	45.5
1975-76	22.6	44.6
1976-77	21.9	43.2
1977-78	21.0	41.5
1978-79	20.1	39.6
1979-80	19.0	37.5
1980-81	20.6	14.4
1981-82	20.4	15.3
1982-83	23.3	15.6
1983-84	24.0	16.4
1984-85	25.9	18.9
1985-86	26.6	19.8
1986-87	28.1	18.4

Source: *Second National Development Plan* 1970-74; *Third National Development* 1975-80; *Fourth National Development Plan,* 1981-85, p.15; IanMaclean and Guy Arnold, *Statistical Guide to the Nigerian Market*(London: Kogan Page Limited, 1978), Federal Office of Statistics (FOS), Lagos,*Annual Abstract of Statistics 1982*Edition; CBN, *Annual Report* 1986, p. 16; FOS, *Annual Abstract Statistics*1985.

However, as Table 3 further shows, the increase and relevance of mining activities began a downward slope in the 1980-1981 period and has not recovered to its production level of the 1970-1971 period. And, although agricultural production has remained within a 20% range of GDP, its overall contribution to the Nigerian economy continues to wane. For example, "Over 90 percent of the wheat consumed in Nigeria, 50 percent of the rice, and 20 percent of the corn is currently imported... [for an annual] import bill of $3 billion...."[12] The impact of the decline in agricultural production can be illustrated for example by noting that in 1963, 59% of the National Income was from agriculture, with food production at 41.15% of the GDP and agricultural exports roughly at 7.9% of GDP.[13] Had it been well managed, agriculture might have remained the backbone of the Nigerian economy and the foundation for industrial development.

That possibility was not lost on the first post-independence government of Nigeria. As Akindele notes, "[t]he Balewa administration (1960-1966) was undoubtedly convinced that the economic strength of Nigeria will depend to a large extent upon the further development of ... agriculture."[14] Consequently, the administration's appointed authors of the Second National Development Plan (1962-1968) stated that:

> Nigeria will... make every effort to increase her export earnings. Unfortunately, the world prices for her export goods depend not so much on what happens to Nigerian supplies as upon world demand and world supplies. Until workable international commodity agreements to reduce the fluctuations in export prices and export earnings are arrived at, however, it would be dangerous for Nigeria to reduce her efforts to expand exports. Nigeria must therefore continue to diversify her export production and to increase the choice of her markets. Furthermore, every effort must be made to remain competitive in international markets by improved methods of production and by improved quality of exports. A lowering of the cost of production of export commodities by such means will keep Nigeria's place in the world market secure, while at the same time raising the income to the producer.[15]

Given the government's commitment to agriculture as the foundation of Nigeria's economic growth, it is not surprising that agriculture occupied a dominant position in relation to mining activities in its contribution to Nigeria's GDP at constant prices as shown on Table 3.

Table 4
Oil Export Revenue as a Percentage of Total Export Earnings and Total Revenue, 1965-1985

Year	Oil Export (Millions US$)	As % of Earning	As % of Total Revenue
1965	191	25.4	9.1
1966	258	32.4	11.1
1967	203	29.9	13.7
1968	104	17.5	7.8
1969	367	41.2	16.6
1970	713	57.5	26.3
1971	1,337	93.7	43.6
1972	1,788	82.0	54.4
1973	2,878	83.1	59.9
1974	8,513	92.6	82.1
1975	7,522	94.0	77.5
1976	9,889	91.8	79.3
1977	10,971	92.7	75.2
1978	8,927	89.6	63.1
1979	16,070	93.4	81.4
1980	24,932	96.1	69.5
1981	17,291	96.9	62.4
1982	11,884	97.5	66.5
1983	9,941	96.0	62.0
1984	11,533	97.3	73.7
1985	12,185	97.1	74.7

Source: IMF, *International Financial Statistics* Various Years: Central Bank of Nigeria, *Annual Report* 1986, pp.86, 101; Adapted from R.A. Akindele, "The Domestic Structure and Natural Resources Profile of Nigeria's External Trade," in R.A. Akindele and Bassey E. Ate, editors *Nigeria's Economic Relations with the Major Developed Market-Economy Countries, 1960-1985* (Lagos, Nigeria: Nigerian Institute of International Affairs, 1988), p.75.

And, although, oil exploration and production started somewhere around 1958, its contribution to Nigeria's export revenue, as shown on Table 4, was not significant before 1969, when oil exports went from $104 million or 17.5% of export earnings (and 7.8% of total government revenue) in 1968, to $367 million or 41.2% of export earnings (16.6% of total revenue) in 1969. Of crucial importance however, is the role oil exploration and production was to play in the country's international and domestic political economy from the end of the Civil War in 1970 to the present.

During the Nigerian Civil War (1967-1970), oil exploration and production was at best unstable as the war was largely fought in the Eastern region of the country where most of the oil rigs and drilling activities are located. At this point, a brief history of the political and economic structure in Nigeria between 1960-1970 is necessary for understanding the role of oil in the political economy of the country.

With independence in 1960, Alhaji Tafawa Balewa from the Hausa ethnic group in the northern region assumed the Prime Ministership and Head of State of

Nigeria, while Dr. Nnamdi Azikiwe from the Igbo ethnic group in the eastern region assumed the ceremonial position of the President of Nigeria. Chief Obafemi Awolowo, a member of the Yoruba ethnic group in the western region, led the Opposition Party in the Federal Assembly. As I have argued in Chapter 3, one of the legacies of colonialism in Nigeria is the misconception of the role and power of the state in a multi-ethnic state like Nigeria, in which the state has been euphemistically referred to as a figment of the British imagination.

The structure of the colonial state in Nigeria was set up for the convenience of exploitation of the resources to enhance the wealth and power of Britain. Furthermore, the post-colonial state largely retains its colonial structure, and continues to be seen by both politicians and the foster-elites of colonial imperialism as a platform for the exploitation of national resources in Nigeria.

Consequently, the competition for public offices in Nigeria is neither a competition to serve the masses nor a competition to preside over the economic and political development of the country. Rather, the prize of public office in Nigeria is the opportunity for misappropriation of public funds, rent-seeking, nepotism and the exhibition of power based on ill-gotten wealth.[16] As a result, the competition for power and position at Nigeria's independence came to resemble a Hobbesian state of nature, which reached its peak in the 1966 military *coup d'etat.* Alhaji Balewa and several prominent Hausa and Yoruba politicians were assassinated in the coup. There is no direct evidence that the 1966 coup was entirely an Igbo-orchestrated attempt to assume the mantle of leadership in Nigeria. However, with the subsequent appointment of General Aguiyi Ironsi, the most senior military officer in the Nigerian Army at that time, and an Igbo from the eastern region, the northern officers defined the 1966 crisis in ethnic terms.

The definition of the crisis in ethnic terms resulted in the pogrom of Igbos living in the northern part of the country. And, although the crisis escalated to the counter-coup of July, 1966, which brought Lt. Colonel Yakubu Gowon to power, no serious efforts were made to curb or end the slaughter of the Igbos in the northern region.

As a result, Igbos in many parts of Nigeria fled for safety to their homes of origin in the eastern region. Under the leadership of the military governor, Colonel Odimegwu Ojukwu, the Igbos sought a loose confederation of Nigeria which would effectively ensure the safety of Nigerians in their respective regions. At a 4th January, 1967 negotiation in Ghana to end the crisis, the outcome, generally referred to as the *Aburi Declaration* -- agreed to by Gowon and Ojukwu -- ensured that the autonomy of the various regions would be restored to their political positions prior to January 15, 1966, and to eschew the use of force for settling differences within the country.[17]

As Sarah Ahmad Khan argues, on his return from Ghana, Colonel Gowon reneged on his acceptance of the principles of the *Aburi Declaration*.

> The renunciation of the agreement was related mainly to the issue of *oil revenue distribution* (my italics). The fear that the Eastern region would, in fact, benefit greatly from partial autonomy and therefore greater control over its substantial oil wealth, gave momentum to the degeneration of affairs into civil war.[18]

Out of the Civil War emerged a new class of organized Nigerians who were supported and sustained by the entrenched traditional and religious leaders from the Hausa-Fulani ethnic groups in the north in alliance with senior military officers. By the end of the civil war senior military officers were predominantly of northern Nigerian origin. In control of the state machinery and its bureaucracy, this new class created three new states out of the former East Central State dominated by the Igbos. The net effect was to divide and conquer the oil rich eastern part of the country. Significant to this new process of conquest was the fact that the new states in the eastern region were carefully carved out so that the major oil fields were located within the riverine areas primarily occupied by non-Igbo minorities, whose new found autonomy encouraged their support for the Federal war against the Igbos. Subsequently, the support of the riverine minorities was rewarded with government appointments, infrastructural and project developments.

Similar to the colonial period, the mainstay of post-colonial Nigerian economy was primarily agricultural crops (see Tables 1 and 2). The major difference between the colonial and post-colonial era is that, the masses did not have an effective means to resist forced production before independence in the 1960s, which the nationalist platforms during the march to independence and after provided hope for a better future. Nigeria was now to be led by Nigerians, and the new leaders would implement the covenant contained in the various speeches and slogans: the giant of Africa would now assume her place among the leading countries of the world.

The failure of leaders to match those expectations contributed to the civil war, as well as to the subsequent rise of ethnic -- as opposed to national forms of identity. Ethnic rivalries are exacerbated by class divisions, in which the wealthy few try to maintain the status quo, while the disadvantaged majority is preoccupied with finding food and shelter. As a result, the disadvantaged revolt at the least opportunity, further mocking rhetorical appeals for a united Nigeria. Thus, although the post-colonial government employs the general political platform of the colonial era, the shift to ethnic allegiances makes it difficult for the post-colonial state to motivate the masses to produce for exports. The result has been a decline in agricultural output.

Given that situation, the ruling class, composed of traditional and religious leaders from the north, a handful of business elites from the south and the east, in alliance with the senior military officers from the northern region, are drawn toward using the state and its instrument for wealth appropriation to merely maintain themselves in power. The abundant oil supply is largely used to support this agenda. And as Table 4 shows, the oil supply remains the government's main source of revenue since the end of the civil war in 1970.

Although Table 4 is self-explanatory, it is significant to note that oil, which represented less than 30% of export earnings at the beginning of the war in 1967, rose astronomically to 93.7% of export earnings by 1971, and continues its dominance as both Nigeria's main export and as the major source of revenue for the Federal government. Ordinarily, the rise of oil as the main source of export revenue in Nigeria would strengthen the country's foreign and domestic policies, but as Sarah Ahmad Khan notes, "[t]hirty years of oil money rewarding and encouraging the lack of efficiency and the lack of productivity has taken its toll on the Nigerian economy...."[19] For the masses, oil wealth has become more of a curse than a blessing.

Effective economic growth would clearly require both a leadership concerned with the public welfare, and a strategy based on economic growth rather than theft. Such a strategy would include the liberalization of both the economic and political system, allowing the rise of a leadership committed to mastering international and domestic political and economic prerequisites for capitalist development.

Economic and political development of either capitalist or socialist orientation require *a capable and enabling state* supportive of the citizens' creative energies and entrepreneurial skills. An enabling and supportive-state approach to national development would appear to contradict the liberal internationalist argument that states are obstacles to capitalist development in Africa. However, the bureaucratic-authoritarian models in Latin America and the strong-state model in Southeast Asia, are examples of how states, in alliance with domestic and foreign capital, engineered rapid economic growth. Arguments to the contrary are based on the faulty assumption that capitalism provides "natural" growth.[20] In fact, capitalist economic development requires a strong, engaged state, whether the managers of state power seek to primarily use that power for private profit or to promote the national welfare.

As Leys and Berman note,

> ... in Africa ... the state's involvement with capitalism has so often been both destructive and incompetent. On the one hand, African states have steadily sunk into a parasitic corruption of staggering proportions; on the other hand, they have lost or never developed the capacity to provide capital with the myriad of complementary services it needs in order to develop -- from efficient judicial administration and cheap credit to technical services and reliable information.[21]

And, as Colin Leys argues, "... to acquire a class of parasitic *nouveaux* riches is one thing, but a class of serious wealth creators is quite another; and in most parts of Africa the domestic capitalist class is still at best embryonic and weak."[22] Leys' argument is probably more relevant to countries with serious limitations in human and natural resources; and, both are abundant in Nigeria. However, in the case of Nigeria, the social formation during the colonial era did not allow for the creation of either a middle class, or a capitalist class capable of challenging the colonialists. The social and production relationships were clearly divided into two classes - the colonizer and the colonized. With time, the colonizer class was augmented by a cadre of Nigerian military officers, trained mostly at Sandhurst and Westpoint, whose purpose was defending the interest of Britain in Nigeria.

Consequently, military officers became a well organized class whose praetorian functions gave way to the bid for military control over politics beginning with the civilian hand-over of power to the military in 1966. Aside from the military, a second advantaged class emerged out of the colonial bureaucracy-as Nigerians trained as clerks, teachers and accountants gained control over post-colonial Nigerian Civil Service. The essential point that Leys does not make, but which is implied in Sarah Ahmad Khan's analysis, is that the end of the civil war in Nigeria equally marked the end of a Civil Service based on competence. When the civil war ended, rather than encouraging the well endowed capitalists from the eastern and western regions to re-enter the Nigerian economy, the new ruling elites parcelled out bureaucratic and other government positions on the basis of "federal character" - purportedly intended to create a nationally representative civil service. In fact, the policy privileged the northern elites, with a formula which gave more positions to the numerically larger Hausa-Fulani ethnic groups.

This approach subsequently discouraged a number of well-trained Nigerians who either sought solace in foreign countries or simply joined the corrupt practices of the new occupants of state offices. To be sure, the masses in the Hausa-Fulani ethnic region were as displaced, deprived and generally as neglected as those in other regions. However, the fact remains that the overall economic and political policies of the new bureaucrats privileged even the poor in the northern region over their counter-parts in the eastern or western regions of the country. For example, while northern cow-herders and their cows walk on tarred roads, the middle class in the east drive on dirt roads.

The incompetence, inefficiency and perhaps inability of the new bureaucrats is reflected in the gross mismanagement of the profits from oil exports following the 1973-1974 oil shock. As one analyst asserts, "... what Nigerian-oil-based accumulation produced was a sort of 'organized chaos,' a 'massive foreign debt whose size nobody knows, a mountain of expensive equipment that mostly does not work and a military dictatorship."[23] And, as Lubeck and Watts report, "... the mismanagement of petroleum rents was so egregious that even foreign exchange earnings of $25 billion in 1980 were, by 1983, insufficient to stave off economic crisis and rising foreign debt."[24]

In the midst of the massive debt to foreign institutions and lack of public accountability, the federal government initiated indigenization policies that rewarded political supporters. Eventually, intensified ethnic, religious and regional conflicts, waste and corruption, financial mismanagement, and misplaced economic priorities compelled both the World Bank and the International Monetary Funds to impose a Structural Adjustment Program on Nigeria in 1986, as a condition for further borrowing from the Fund.

Economic Crisis and SAP in the 1980s

As I have previously described, one of the legacies of British colonialism was Nigeria's entry into the capitalist world economy. During the colonial period capitalism in Nigeria had as its major component the export of raw materials needed for industrial utilization in England and other parts of Europe.

As Tables 1-3 show, palm kernel, cocoa, palm oil, groundnut and raw cotton were among the raw materials exported from Nigeria to Europe. Contrary to the assumption of liberal internationalism that lack of integration into the international capitalist system constrains development in the LDCs, Nigeria provides an example of an LDC economy that has long been "integrated" in the capitalist international system. This is evident in the data from *International Trade Statistics* (Tables 5-8) which shows that Nigeria has been consistently trading with the major industrial capitalist economies.

Table 5
Nigeria's Trade with the United States, 1960-1984
(Millions of U.S.$)

YEAR	EXPORTS TO U.S.	IMPORTS FROM U.S.	BALANCE OF TRADE
1960	34.7	32.4	+11.3
1961	53.5	33.3	+20.2
1962	50.9	41.9	+9.0
1963	48.7	50.1	-1.4
1964	40.3	81.0	-40.7
1965	73.7	92.6	-18.9
1966	63.2	116.2	-53.0
1967	53.1	78.0	-24.9
1968	49.1	62.4	-13.3
1969	112.4	82.0	+30.4
1970	71.3	141.6	-70.3
1971	320.0	212.0	+108.0
1972	445.0	156.0	+289.0
1973	836.0	191.0	+645.0
1974	2,523.0	338.0	+2,185.0
1975	2,316.0	663.0	+1,653.0
1976	3,759.0	896.0	+2,863.0
1977	4,682.0	1,228.0	+3,454.0
1978	4,198.0	1,361.0	+2,837.0
1979	7,485.0	1,066.0	+6,419.0
1980	10,471.0	1,265.0	+9,206.0
1981	8,686.0	1,675.0	+7,011.0
1982	6,612.0	1,424.0	+5,188.0
1983	3,530.0	950.0	+2,580.0
1984	2,369.0	635.0	+1,734.0

Source: IMF, *Direction of Trade Statistics* various years

Table 6
Nigeria's Trade with the United Kingdom, 1960-1984
(Millions of U.S.$)

Year	Exports to U.K.	Imports from U.K.	Balance of Trade
1960	220.0	255.9	-35.9
1961	214.4	238.5	-24.1
1962	197.9	206.7	-8.8
1963	207.8	198.4	-9.4
1964	227.2	220.3	+6.9
1965	285.1	238.5	+46.6
1966	296.4	213.5	+82.9
1967	199.0	180.8	+18.2
1968	174.2	167.7	+6.5
1969	246.5	241.8	+4.7
1970	270.3	302.0	-31.7
1971	392.0	482.0	-90.0
1972	458.0	444.0	+14.0
1973	646.0	504.0	+142.0
1974	1,550.0	638.0	+912.0
1975	1,130.0	1,389.0	-259.0
1976	1,123.0	1,910.0	-787.0
1977	937.0	2,423.0	-1,485.0
1978	638.0	2,810.0	-2,172.0
1979	1,057.0	1,777.0	-720.0
1980	320.0	3,079.0	-2,759.0
1981	173.0	3,163.0	-2,990.0
1982	559.0	2,373.0	-1,814.0
1983	537.0	1,332.0	-735.0
1984	442.0	1,114.0	-672.0

Source: IMF, *Direction of Trade Statistics*, various years.

Table 7

Nigeria's Trade with Japan, 1960-1984
(Millions of U.S.$)

Year	Exports to Japan	Imports from Japan	Balance of Trade
1960	6.9	77.9	-71.0
1961	9.4	85.0	-75.6
1962	4.2	69.6	-65.4
1963	6.7	75.5	-68.8
1964	7.2	86.3	-79.1
1965	8.9	71.7	-62.8
1966	12.1	40.1	-28.0
1967	17.4	52.5	-35.1
1968	10.4	20.0	-9.6
1969	9.3	26.4	-17.1
1970	11.6	69.2	-57.6
1971	25.0	128.0	-103.0
1972	84.0	149.0	-65.0
1973	158.0	172.0	-14.0
1974	378.0	254.0	+124.0
1975	280.0	595.0	-315.0
1976	52.0	763.0	-711.0
1977	12.0	1,172.0	-1,160.0
1978	6.0	1,372.0	-1,366.0
1979	19.0	1,109.0	-1,090.0
1980	110.0	1,651.0	-1,541.0
1981	309.0	2,368.0	-2,059.0
1982	7.0	1,329.0	-1,322.0
1983	6.0	626.0	-620.0
1984	6.0	489.0	-483.0

Source: IMF, *Direction of Trade Statistics*, various issues.

Table 8
Nigeria's Trade with France, 1960-1984
(Millions of U.S.$)

Year	Exports to France	Imports from France	Balance of trade
1960	17.8	13.7	+4.1
1961	27.2	16.4	+10.8
1962	18.9	18.8	+0.1
1963	44.6	20.9	+23.7
1964	28.1	27.8	+0.3
1965	51.2	33.9	+17.3
1966	72.7	40.6	+32.1
1967	62.9	26.4	+36.5
1968	32.4	20.1	+12.3
1969	89.5	22.4	+67.1
1970	108.9	32.5	+76.4
1971	267.0	61.0	+206.0
1972	310.0	89.0	+221.0
1973	434.0	132.0	+302.0
1974	922.0	182.0	+740.0
1975	872.0	501.0	+371.0
1976	929.0	611.0	+318.0
1977	877.0	769.0	+108.0
1978	959.0	939.0	+20.0
1979	1,361.0	877.0	+484.0
1980	2,728.0	1,483.0	+1,245.0
1981	1,443.0	1,865.0	-422.0
1982	1,685.0	1,396.0	+289.0
1983	1,779.0	999.0	+780.0
1984	2,010.0	969.0	+1,042.0

Source: IMF, *Direction of Trade Statistics* various years.

Further, the end of colonization did not impede Nigeria's involvement in the international capitalist system. Rather, Nigeria's relationships with her former colonizer and other developed members of the international capitalist system, although unequal, has remained consistent over time (see especially Tables 8 and 9). As international market control and commodity prices are largely determined by the western industrialized countries, the monocultural nature of Nigeria's exports to the capitalist markets ensured that the Nigerian economy remained dependent on the economic and political influences of the industrialized countries.

For the most part, Nigeria's export structure was agriculturally diversified until 1965. However, while the colonial economy relied on the export of diversified agricultural products from Nigeria, the discovery of crude oil in large quantities in 1965, led the post-colonial economy towards greater emphasis on the export of crude oil at the expense of agricultural products. Emphasis on crude oil exports to the industrialized countries, coupled with the high volume of oil reserves in Nigeria (see Table 4), the growth in diversity of the country's export economy began to tail off. Eventually, the Nigerian economy came to rely almost completely on one product -- crude oil. Consequently, during periods of price hikes on oil, Nigeria relied on the export of crude oil for over 90% of export earnings.

Had Nigeria invested its oil income wisely, it might have created an economy capable of withstanding the subsequent fall in oil prices. Instead, it wasted its opportunity in two particularly glaring ways. First, the government never pursued mass education, despite wide recognition that education is a crucial prerequisites for national economic development. Second, the Nigerian government failed to create the infrastructure to sustain industrialization. As Alexander Gerschenkron[25] has argued regarding European industrialization, the state is central to economic development and industrialization of backward societies. According to Gerschenkron, the state plays a crucial role in building of such essential infrastructural facilities as railroads. For example, he argues that, "[t]hrough multifarious devices such as preferential orders to domestic producers of railroad materials, high prices, subsidies, credits, and profit guaranties to new industrial enterprises, the [Russian] government succeeded in maintaining a high and, in fact, increasing rate of growth until the end of the century."[26]

Instead of focusing on the establishment of public enterprises in such areas as air, rail and road transportation, telecommunications, export marketing boards for agricultural products, banking and other specialized public companies, the central-decision makers in Nigeria pursued personal wealth. In effect, the central decision-makers acted *as if* the peasants had become an "enemy" of the state, and therefore every effort had to be made to protect the state from the people. To that end, the peasants, uneducated and lacking political or military power, were left disorganized, fragmented and disillusioned.

Most scholars either of the modernization or dependency orientation, long supported the Gerschenkron thesis on the role of the state in economic development.[27] That view was challenged, however, by the ascendancy to power of conservative governments in the United States, England and Japan in the early 1980s. During this period, the conservative governments and their intellectual supporters[28] in the academy, the IMF and the World Bank, began to argue that excessive state intervention in the economy distorts prices and markets, thereby slowing down economic development. In the case of Africa, state intervention began to be cited as the most viable agent for bringing economic development to a halt.

From this newly ascendant perspective, the logical prescription was to roll back the state, and once again "free" the market to function according to its own dynamics. In the case of Nigeria, the IMF-supervised Structural Adjustment Program "... aims at altering and realigning aggregate domestic expenditure and production patterns so as to minimize dependence on imports, enhance the non-oil export base and bring the economy back to the path of steady and balanced growth...."[29] Constrained by poor economic output in Nigeria, the Ibrahim Babangida Administration agreed to work with the IMF to implement those policies beginning in 1986.

The above background leaves important questions unanswered: What did the Babangida Administration hope to achieve with SAP? Given the root causes of the economic crises in Nigeria, were the SAP's expected goals and strategies congruent with each other and realistic for the nation?

Notes to Chapter Four

[1]See for example, *Facing One World*, a report by an Independent Group on Financial Flows to Developing Countries. Chaired by Helmet Schmidt, the Group was made up of General Olusegun Obasanjo, Robert McNamara, Pierie Elliot Trodeau and Paul Volcuer. The influential Nigerian newspaper *The Guardian* serialized the report in three parts. See especially the third part published on Thursday, July 27th, 1989, p. 13.

[2]For a well fleshed out international liberal economic assumptions and their expected impact on the development of the LDCs see Robert Gilpin, *The Political Economy of International Relations*. (Princeton, New Jersey: Princeton University Press, 1987), chap. 7. Also relevant is Stephen Krasner, *Structural Conflict: The Third World Against Global Liberalism*. (Berkeley: University of California Press, 1985).

[3]This view was expressed by the former British Prime Minister Margaret Thatcher in a "State of the World Forum," hosted by Barnard Shaw for Cable Network News, October 1st, 1995. Other participants in the Forum included former Presidents George Bush and Mikhail Gorbachev. Unsurprisingly Prime Minister Thatcher and President Bush fiercely defended the liberal internationalist viewpoints. President Gorbachev, while agreeing with them on most issues, strongly opposed any form of unilateral action by the Western powers -- economic or military -- without consulting other members of the world community within the platform of the United Nations.

[4]Claude Ake, "The Legitimacy Crisis of the State," in David Kennett and Tukumbi Lumumba-Kasongo, eds. *Structural Adjustment and the Crisis in Africa: Economic and Political Perspectives*. (Lewiston, New York: The Edwin Mellen Press, 1992), p.30

[5]Ibid.

[6]Ibid., pp. 30-31.

[7]See Julius O. Ihonvbere, 1994. *Nigeria: The Politics of Adjustment & Democracy*. Op. cit.

[8]Michael J. Watts, "Agricultural and Oil-Based Accumulation: Stagnation or Transformation?" in Michael Watts, editor *State, Oil, and Agriculture in Nigeria*. (Berkeley: University of California, for the Institute of International Studies, 1987), p. 61.

[9]Watts, p. 62.

[10]Mainstream scholars rarely use the term "monoculture" in their discussions of development and underdevelopment. When they do, the term is used to characterize a situation where a country such as Nigeria relies on the export of one product for which it enjoys a comparative advantage for its export earnings. For radical or progressive scholars, "monoculture" denotes an analytical category that captures the "historically assigned Third World role as a periphery in the international capitalist division of labor: that of supplier of cheap natural resources (and cheap labour) for the increasing industrialisation of the advanced center countries." See Chibuzo N. Nwoke, "Mining, Underdevelopment and Nigerian Foreign Policy," in U. Joy Ogwu and R. Omotayo Olaniyan, editors *Nigeria's International Economic Relations: Dimensions of dependence and change*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1989), p.52. See also, Walter Rodney, *How Europe Underdeveloped Africa*. (Washington, D.C.: Howard University Press, 1982), pp. 234-235.

[11]Cited in J. O. Ahazuem and Toyin Falola, "Production for the Metropolis: Agriculture and Forest Products," in Toyin Falola, editor, *Britain and Nigeria: Exploitation or Development*. (London: Zed Books Ltd. 1987), p.83.

[12]Michael J. Watts, op. cit., p. 72.

[13]Ibid., p.70.

[14]R. A. Akindele, "Nigeria's External Economic Relations, 1960-1985: An Analytical Overview," in R. A. Akindele and Bassey E. Ate, editors *Nigeria's Economic Relations with the Major Developed Market-Economy Countries, 1960-1985*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1988), p. 102.

[15]Cited in R. A. Akindele, "Nigeria's Economic Relations," p. 103.

[16]Ideally, good evidence for corruption in Nigeria would be a table showing how much has been stolen and by whom. Of course, if such evidence was available it would legally implicate the culprits. However, one can deduce evidence of corruption from the Babangida transition to democracy program, especially in the race for the presidency. See Julius O. Ihonvbere, *Nigeria: The Politics of Adjustment*, op. cit., Kelechi A. Kalu, "Democratic Transitions in Africa and the 1993 Elections in Nigeria," *CONPO Review*, Vol. 4, No. 2 (1996), pp: 10-22, and Joseph Nanven Garba, *Fractured History: Elite Shifts and Policy Changes in Nigeria*. Princeton: A Sungai Book, 1995.

[17]See Alexander A. Madiebo, *The Nigerian Revolution and the Biafran War*. (Enugu, Nigeria: Fourth Dimension Publishing Co., Ltd., 1980), p. 92.

[18]Sarah Ahmad Khan, *Nigeria: The Political Economy of Oil*. (New York: Oxford University Press for the Oxford Institute for Energy Studies, 1994), p. 10.

[19]Sarah Ahmad Khan, op. cit., p. 8.

[20]Colin Leys and Bruce J. Berman, "Introduction," in Bruce J. Berman and Colin Leys, editors *African Capitalists in African Development*. Boulder & London: Lynne Rienner Publishers, 1994), p. 8.

[21]Ibid.

[22]Colin Leys, "African Capitalists and Development: Theoretical Questions," in Bruce J. Berman and Colin Leys, editors, *African Capitalists in African Development*. (Boulder & London: Lynne Rienner Publishers, 1994), p.12.

[23]See Paul M. Lubeck & Michael J. Watts, "An Alliance of Oil and Maize? The Response of Indigenous and State Capital to Structural Adjustment in Nigeria," in Bruce J. Berman and Colin Leys, editors, *African Capitalists in African Development*. op. cit., p.206.

[24]Ibid.

[25]Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays*. (Cambridge: The Belknap Press of Harvard University Press, 1962). See especially pp. 18-30.

[26]Ibid., p. 19.

[27]Indeed, it is the major role of the state in LDCs economic development which led Hamza Alavi to argue that the post-colonial state is an "over-developed apparatus." For this important discussion and the ensuing debate on the state, see Hamza Alavi, "The State in Post-Colonial Societies: Parkistan and India," *New Left Review*, No. 74, July - August, 1972. Colin Leys, "The 'Over-developed' Post-Colonial State: A Re-Evaluation," *Review of African Political Economy*, No. 5, 1976. John Saul, "The Unsteady State: Uganda, Obote and General Amin," Ibid. R. Murray, "The Internationalization of Capital and the Nation-State," *New Left Review*, No. 67, 1971, and, B. Beckman, "Whose State: State and Capitalist Development in Nigeria," *Review of African Political Economy*, No. 23, 1982. Also relevant is Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. (Princeton, New Jersey: Princeton University Press, 1979).

[28]For a strong argument against state intervention in the market place, see Robert Bates, Markets and States in Tropical Africa: The Political Basis of Agricultural Policies. (Berkeley: University of California Press, 1981).

[29]Eskor, Toyo, "The Impact of SFEM on the Economic Development of the Population in Town and Country," in R. Omotayo Olaniyan and Chibuzo N. Nwoke, editors, *Structural Adjustment in Nigeria: The Impact of SFEM on the Economy*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1990), p.65.

Chapter Five

Economic Diplomacy and the Structural Adjustment Program in Nigeria

Rationale, Goals and Strategies for the Structural Adjustment Program in Nigeria

The Babangida Administration's decision to implement a Structural Adjustment Program in Nigeria has become a serious subject for scholarly debates among analysts of Nigeria's political economic issues.[1] However, the most authoritative source for the rationale, goals and strategies for SAP in Nigeria remains the government's official position papers on the issue. Therefore, the discussion in this chapter largely relies on the foreign policy pronouncements of the top echelon of the Babangida administration.

In an address at the Commonwealth Heads of Government Meeting held in Kuala Lumpur, Malaysia, in October 1989,[2] Chief of General Staff, Vice-Admiral Augustus Aikhomu presented some external and internal reasons why Nigeria embarked on a Structural Adjustment Program. Significant external reasons included: (a) the collapse of the international oil market which led to a drastic drop in Nigeria's foreign exchange reserve from $8.50 billion in May 1981 to $2.85 billion by December, 1981; and (b) the downward slide in Nigeria's terms of trade as a result of fluctuations in the international commodity market. According to Aikhomu, in an attempt to stem the worsening economic situation, the government instituted austerity measures largely targeting Nigeria's "excessive level of imports."[3] When the austerity policy did not succeed, the government turned to borrowing from the international financial market. The situation was also complicated by the increasing interest rates resulting from a general decline in economic productivity in the industrialized countries and the subsequent world-wide recession in the early 1980s.

Aikhomu argued that as a result of the world-wide recession, Nigeria "... could not generate a sufficient volume of exports to service ... [its] ... debt, not to speak of reducing the principal debt stock or financing ... [an] adequate level of current imports."[4]

According to President Ibrahim Babangida, the failure of international financial institutions and private banks

> ...to grant new credits substantially accounted for the widespread shortage of spare parts and raw materials and the under-utilization of productive capacity. And of course of massive lay-offs and retrenchments in the industrial sector."[5]

The immediate impact of both the declining terms of trade, recession, increasing interest rates and the failure of austerity measures was an increase in Nigeria's external debt from $30 million in 1973 to well over $20 billion by 1985.

Aikhomu's diagnosis of the internal reasons for SAP is worth noting at length. He states that:

> ... [Nigeria] had unfortunately grown to depend on oil as the major and dominant export and foreign exchange earner.... [The] bureaucracies were large and unwieldy.... [The] industries were not as efficient as they should have been, and were hampered by structural rigidities, over-dependence on imports and inadequate and unreliable infrastructures. Public sector spending constituted a large proportion of total national income. The combined effects of these external and internal factors was low capacity utilization in ... [the] industrial sector, inflation, high unemployment, and virtual economic retrogression.[6]

According to Aikhomu, the severity of the economic crisis led to a loss of investor confidence, a decline in private foreign investment, and a consequent decline in aggregate demand which led to further reductions in workers and general incomes. The resulting drop in purchasing power meant that, "...there were no market incentives for private sector investors, indigenous or foreign."[7] In short, the Nigerian economy was trapped between "a rock and a hard place." Reacting to these events, the Babangida Administration attempted to solve the problem of underdevelopment in Nigeria through a "home grown" structural adjustment program.

According to the official documents released by the President and his team of foreign and economic policy advisers, the Nigerian structural adjustment program was designed to achieve the following goals:

- restructuring and diversification of the productive base of the economy in order to reduce dependence on the oil sector and on imports;
- achievement of fiscal balance and balance of payments viability;
- engendering and accelerating sustainable non-inflationary growth;
- stimulating domestic private sector involvement;
- creating conducive conditions for foreign private sector involvement, which would bring

in its wake increased inflow of capital, skill, and expertise, and restore investor confidence in the economy;

- releasing the energies of our people for development and non-inflationary growth; and

- using market mechanisms to maintain an exchange rate for the Naira [Nigeria's official currency].[8]

Given the above goals, the government proposed that the following policies would be necessary for their implementation:

- an extensive review and rationalization of ... [Nigeria's] economic projects, past, present and projected, to determine their viability;

- sharp reduction of aggregate public expenditure and budget deficits;

- the reduction of non-statutory transfers to lower levels of Government, which hitherto were used to subsidize ailing or inefficient industries;

- phased removal of subsidies from petroleum production in grants, loans and subventions to government parastatels[9];

- rationalization of customs tariffs to achieve effective protection for domestic industries;

- upward review of interest rates and reduction in administrative allocation of credit;

- review of industrial policies aimed at removing manufacturing and investment obstacles in the economy, such as import licensing and various administrative approvals hitherto required for investment;

- incentives for farmers to increase agricultural production through the abolition of commodity boards;

- enhancement in the efficiency of revenue collection agencies;

- substantial adjustment in the exchange rate, not through traditional devaluation, but with the aid of an inter-bank market; and

- rationalization, commercialization and privatization of public sector enterprises [with a view to pruning down government involvement in the accumulation process].[10]

Unarguably, the complex of policies envisaged in the above set of strategies is intended to open the Nigerian economy to greater domestic and international competitiveness while protecting infant industries from external competition. The prevailing assumption here is that the Nigerian state could finally serve a central role in encouraging a free market economy, and that a "free market system is better for growth."[11]

Further, the objectives and strategies of SAP in Nigeria are premised on the assumption that balanced growth, and indeed equitable redistribution of the gains from capitalism are obtainable and should be expected. Policy makers did not appear to consider whether capitalist development might depend on uneven development between domestic classes, or between developed and underdeveloped countries within the international capitalist economic system. Thus, the expectation by Nigeria's central decision-makers that economic liberalization would lead to an influx of foreign capital investment, and spur economic development overlooked inherent vulnerability to the advanced capitalist powers and to international market fluctuations. As a result, the Nigerian economy has remained highly sensitive to the impact of inflation and interest rates shifts initiated by the industrialized countries, whose diversified economies and manufactured products give them an enormous advantage over LDCs like Nigeria.

Nigeria's economic liberalization, then, suggests two possible motivations. On one hand, the chief decision-makers in Nigeria may have adopted free market ideology without adequately considering its consequences for the people of Nigeria. Alternatively, leaders may have been pursuing a well informed and designed strategy - not to advance the national interest - but to promote their own power and wealth.

Since "... the crises of world capitalism are triggered off by crises in the leading national economy of the system,"[12] Nigeria's integration into the world economy makes it particularly vulnerable to the United States. Since 1945, the U.S. has presided over the formation of international economic regimes within which Nigeria has no effective decision-making role. Instead, Nigeria's economy can only react to interest and exchange rate shifts by U.S. and other industrialized countries.

Economic liberalization was thus inevitably a high-risk policy for Nigeria. In the end, the expected impacts did not materialize, as foreign private investors remained dubious of a profitable return for their investment.

Superficially, it indeed appeared that the devaluation of the Nigerian currency (an essential demand by the IMF and the World Bank for SAP) was responsible for a sharp rise in direct foreign investment in Nigeria - from $381.8 million in 1988, to $1,898.6 million in 1989.[13] In reality, according to the Central Bank of Nigeria, the increase from 1988 to 1989 was accounted for by the sale of federal government shares in Shell British Petroleum which did not represent an infusion of new foreign money into the economy. In his research on adjustment policies, John Ravenhill finds that:

> Despite the widespread adoption of adjustment programs, African countries paid back (a total of $1.8 billion) to the IMF in the years 1986-1990 more than they gained in new borrowing. More than 4% of Africa's exports were devoted to Fund charges and purchases, the highest figure for any continent. Nigeria, which adopted a rigorous adjustment program of its own design in 1986, recorded a net outflow to the World Bank of $34.9 million in 1989. The total net transfer by the World Bank and its soft-loan affiliate, the International Development Association, to the region in 1989 was $876.7 million after taking into account repayments and interest/charges amounting to $1.38 billion.[14]

Specifically for the case of Nigeria, a key reason why currency devaluation failed to stimulate Nigeria's economy was pointed out by Obadan and Ekuerhare:

> Devaluation has no impact on crude petroleum exports which bring in over 95 per cent of the country's export earnings. It is more effective in stimulating manufactured exports, the prices of which are fairly flexible, ... At present, Nigeria has no manufactured exports...[so that] exchange rate manipulation is in itself insufficient to encourage foreign capital inflows or discourage capital outflows....[15]

Given the failure of structural adjustment to benefit Nigeria, some analysts have concluded that, Nigerian foreign policy making personnel simply did not understand the analytical and substantive issues shaping Nigeria's foreign economic relations. In fact, however the senior Nigerian policy advisers - such as Bolaji Akinyemi, Ibrahim Gambari, Gabriel Olusanya, Joseph Garba, Ike Nwachukwu, Walter Ofonagoro and George Obiozor - were trained at places like Oxford, Columbia, Yale, Harvard, Sandhurst and Westpoint. The notion that they collectively failed to comprehend or convey basic facts about Nigeria in the world economy is simply untenable. An alternative explanation for the lack of effectiveness and success in the realization of stated policy objectives of structural adjustment program in Nigeria is therefore required. I offer two alternative (political and economic) arguments for understanding the failure of SAP in Nigeria.

The failure of the structural adjustment program in Nigeria is rooted in the failure of the post-colonial leaders to work towards an effective platform for national economic and political development. By not restructuring the monocultural economy, the leaders neglected the contributions from agriculture - and therefore neglected the peasants and those ethnic minorities whose source of income depended on agricultural products. Predictably, the politics of ethnicity and resource allocation during and after the civil war remained unresolved - and continues to stifle development policies in Nigeria.

Economic explanation for the failure of SAP in Nigeria

For the economic argument, restructuring the Nigerian economy must take into account the existing nature of the economy, which, as I have shown in chapter three, was basically agrarian (see Tables 1 - 3). Agriculture was not only the main source of Nigeria's export earnings during the colonial and early post-colonial eras, but over 70 per cent of Nigerians were employed in agriculture or agricultural related activities.[16] The change from emphasis on agriculture (which was approximately 81 per cent of total exports in 1960, but only 30 percent in 1970) coincided with oil exploration and export in large quantities beginning in 1965, and intensified in 1971.

As Ezeala-Harrison argues, the drastic decline in the contribution of agriculture to Nigeria's export earnings "... was not unconnected with the national crisis of the civil war between 1965 and 1970."[17] Ezeala-Harrison states that, the rapid decline in agricultural produce is evidenced in data such as the following which shows decline in

> ... palm produce (23.6% in 1960 to 2.7% in 1970), timber (4.1% in 1960 to 0.7% in 1970), rubber (8.4% in 1960 to 2.0% in 1970), and hides and skins (2.5% in 1960 to 0.6% in 1970) that mainly came from the war affected Eastern belt.[18]

The Nigerian government not only failed to revive the agricultural capacity of the Eastern Belt, but also failed to diversify the post war economy -- perhaps as a veiled continuation of the policy of starvation used against the easterners during the civil war. Instead, the sudden oil wealth generated by the 1973-1974 price hikes on oil resulted in non-income generating state-supervised investment projects which mostly served to compensate the ethnic minorities, army generals and business tycoons that supported the central decision-makers during the civil war.

Although, several agricultural projects such as Operation Feed the Nation and the Green revolution programs were announced, the government's lack of commitment to agriculture (the main economic activity of the residents of the eastern belt) because obvious as Nigeria went from a major food exporter at independence to the largest importer of food by 1980. According to Michael Watts, the important position of agriculture in 1960 effectively disappeared by 1980. "Food production grew unevenly, but food imports rose by 700 percent, and ... [aggregate food import] ... increased faster than all other import categories ... from $130 million in 1971 to $1.794 billion in 1981."[19]

The decline in agricultural production was accompanied by a general neglect of the rural areas. This resulted in the rural-to-urban migration which reduced the labor capacity necessary for agricultural production, especially for subsistence agriculture. A large number of the young men and women who migrated to the urban centers went in search of "government jobs" where, generally, one can be paid for economic inactivity. As one analyst has argued, the state therefore became a sort of market where "... the allocation of and distribution of political offices, the award of contracts, positions in the corporations and state boards, and the distributions of social and economic benefits"[20] encouraged corruption and mismanagement of public funds from the most highly to the lowest placed government employee.

Also, as Lubeck and Watts have argued, the largely unregulated consumption of the windfalls from the oil boom did not establish an economic structure sufficiently disciplined to encourage competitive indigenous capital accumulation, critical for protecting an economy such as Nigeria's from fluctuations in international market forces. Consequently, world recession, a fall in the price of oil, inflation and the neglect of other aspects of the Nigerian economy resulted in the evaporation of the government's main source of revenue. This situation left the ruling class no apparent option but to borrow from the international financial and private institutions at high interest rates. Further, as a result of the unproductive nature and purposes for which the loans were secured, and in line with previous neglect and practice, the loans were invested in non-income generating projects for the state. As the loans matured, the government sought to reschedule them but without serious commitment to restructuring the economy. Indeed, President Buhari attempted to by-pass the IMF/World Bank conditionalities in 1984 to negotiate directly with the London and Paris Club without success. The military government that overthrew the administration of Buhari were to cite Buhari's economic and political problems as the reason for removing him from office.

Politics and the failure of SAP in Nigeria

The political argument for the failure of the structural adjustment program in Nigeria revolves around the already described ethnic dimension of Nigerian political economy. When President Babangida came to office with promises to negotiate Nigeria's debts with the international financial institutions, he was widely supported by the Nigerian general public. He accepted the IMF and the World Bank conditionalities for SAP in Nigeria, and subsequently rescheduled past debts in 1986. What is not evident so far is the internal dynamic and impact of Babangida's administration on the rest of the country. This section responds to two important questions: why did Buhari (a Northerner) overthrow the civilian elected President Shehu Shagari (a Northerner) in 1983? Why did Babangida (also a Northerner from the middle belt) overthrow Buhari in 1985, and agree to SAP for Nigeria? The relevance of the above questions to the political dimension are described below to facilitate a discussion of some of the internal economic and political issues in Nigeria's foreign economic policies.

First, the election of the civilian president, Shehu Shagari in 1979 was made possible by a political alliance between the Muslin northern oligarchy and their Christian southern and eastern business and intellectual allies. This alliance worked from a written understanding in the National Party of Nigeria's (NPN) manifesto that a Northerner would be presented as a presidential candidate of the NPN first in 1979 and again in 1983. Within this understanding, at the termination of the 1983-1987 term, an easterner would be presented as the presidential candidate of the NPN to be followed by a presidential candidate from the southern region. In this way, the political coalition that won the election in 1979 allowed for a rotational presidency among at least the three dominant ethnic regions in Nigeria. As a result, the transition from military rule to a civilian government was smoothly conducted.

Although the arrangement seemed solid, it was in fact based on a fragile coalition of former politicians from the era of Nigeria's independence whose general inclinations were toward ethnic coalitions and dominance in state issues. The fragile coalition was further complicated by the presence of military officers (a majority of whom are from the North),[21] -- and had ruled the country from 1966 to 1979.

On December 31st, 1983, the beginning of the second term of President Shagari's administration, the extreme right wing of the military in alliance with the northern "Muslim bourgeoisie (i.e., the Kaduna Mafia),"[22] decided that rather than subject leadership transition to the electoral process, the only way to retain state power in Nigeria was to overthrow the government of Shehu Shagari. The coup abrogated all aspects of the Nigerian constitution, all political parties and consequently the agreement for a rotational presidency in the country.

The government of Buhari was overthrown by Babangida because, among other things, "... [t]he ousted military government conducted our external relations by a policy of retaliatory reactions ... rather than taking the initiative as it should and has always done."[23] The ambiguous explanation given for the overthrow of Buhari is clarified by evidence of Buhari's attempt to side-step the International Financial Institutions (IFIs) in solving Nigeria's economic problems. First, while Buhari's intentions may have been the maintenance of the existing power structure in Nigeria, the administration is noted for instilling discipline, even attempting to hold past leaders accountable for mismanaging the Nigerian economy.[24] General Idiagbon, a southern officer in the Buhari regime, is largely credited with the War Against Indiscipline (WAI), a program which made the northern oligarchs somewhat uneasy.

It appears that Buhari was perceived as not "tough enough," and had given a free reign to Idiagbon to clean up house with the possible consequence that the entrenched and corrupt power elites, past and present, were likely to be exposed. Secondly, given that the IFIs would not certify Nigeria financially healthy without SAP, the Buhari administration's attempt to by-pass the IFI's would have exposed the domestic economic situation in the country to market-based competition. In that case, the use of state power as a platform for private wealth accumulation -- favoring the northern oligarchs, and the senior military officers -- would have been greatly compromised. In light of the foregoing, the Buhari regime was overthrown in 1985.

To stabilize the charged atmosphere in the country from what seemed to many observers as the inevitable (however unacceptable) political logic behind the coup to oust Buhari, Babangida ascended to the leadership position. He immediately reversed two important decisions taken during Buhari's regime. First, the WAI was declared too harsh on Nigerians and had to be stopped, and, second, the president calmed the nerves of the IFIs and those of the ruling class when he declared that Nigeria would abide by all its existing treaties and responsibilities, including paying its debts.

With respect to Nigeria's economic problems, Babangida opted for an alliance with southern technocrats who generally favored deregulation and the operation of market forces. For instance, "Samuel Oluyemi was appointed secretary to the federal government; a former World Bank official, Kalu I. Kalu, was [appointed] finance minister; and Chu Okongwu..."[25] served the administration both as finance and later as budget minister. As Lubeck and Watts have argued, the implementation of SAP, which resulted in a restructuring of an economy addicted to importation and dependence on oil as the main source of revenue, led to a nationwide decline in living standards. Consequently, with an increased opposition to SAP and the political weakness of his technocratic allies, President Babangida abandoned his technocrats for a solid alliance with the politically powerful members of the northern oligarchy. Subsequently, the managed return to civilian rule slated for 1992 resulted only in the laying of the ground work to once again elect a Northerner as president.

In spite of the contrived nature of the managed transition back to civilian rule, Nigerians overwhelmingly voted for Chief Moshood Abiola, a Yoruba from the western region, as president of Nigeria. The election of Abiola marked an unprecedented alliance between the easterners and southerners to wrest control of political power from the northerners in 1992. However, Babangida, the master strategist of military politics in Nigeria, was not to be out-foxed. He promptly annulled the results of the presidential elections and, as Nigerians took to the streets in protests and demonstrations, stepped down as president and appointed Ernest Shonekan, a well-known Yoruba business man (from Abiola's hometown), as president of an Interim Government, with General Sani Abacha (a Northerner) retaining all military command powers pending a new election. The political saga did not end with Shonekan's appointment. He was promptly forced from office by Babangida's number two man, General Sani Abacha.

To place the foregoing discussions in proper analytical context, the extent to which the senior military officers and the northern oligarchs would go to maintain the existing power and production relations in Nigeria is explored below.

The Complex coalition of Economic Diplomacy in Nigeria

From the political economy of colonialism, to the political crisis of 1965, to the economic crisis of the 1980s, northern aristocrats, largely united by the Muslim religion and common language have tended to form and retain alliances that have placed them in strategic political and economic positions in Nigeria. During the colonial period, the aristocrats acted as middlemen for British exploitation of Nigeria, especially after the unification of northern and southern Nigeria in 1914.

Post-colonial power arrangements in Nigeria privileged the aristocrats over the southern politicians -- an alliance largely forged by the nationalists whose common interest was the decolonization of Nigeria. The crisis of 1965 was largely a reflection of the inability of the ruling coalition, dominated by Northerners, to unify the country under a specific purpose. The civil war was an attempt to settle the disproportional allocation of federal resources from the south to the north. The fear of an independent Biafra becoming a communist state unified western response (except France) to support the northern aristocrats in their quest to dominate the political and economic power in Nigeria.

The end of the civil war resulted in a different power arrangement based on the alliance of senior civil servants, mostly from the north, and army generals whose cohesion and power emanated from their "status-honor" in what Lubeck and Watts refer to as "a bourgeois alliance."[26] According to Lubeck and Watts, as a power bloc, the coalition has consistently dominated the state apparatus, be it a civilian or military regime, due largely to the Northerner's inability to effectively compete with their more technical and economically advanced Christian, southern Nigerian rivals in an open market.[27] Lubeck's and Watts' insights on Nigerian politics are worth noting at length. They argue that structural adjustment policy has affected the structure of the Nigerian bourgeoisie. To that end:

> Reduction in state economic involvement and the institutionalization of market forces obviously threatens northern hegemony and the competitive advantage of the northern bourgeoisie on the one hand, and privileges the more competitive cultural capital and industrial location of the southern bourgeoisie on the other. Obviously, the dominant class coalition controlling the Nigerian state is at a disadvantage under neoliberal policies like the SAP, for this fraction of the Nigerian bourgeoisie requires an active, interventionist

> state in order to ensure northern regional economic parity with their southern competitors and, equally important, to provide renter accumulation opportunities for the rapidly commercializing aristocracy and their commoner allies.[28]

Given that effective implementation of SAP would have privileged competence, merit and talent over "status-honor," and the old political rent-seeking coalition, the Babangida administration accepted the argument of regional northern supporters over an economic logic that would have set the Nigerian economy on a path to development and growth. The economic problem is further compounded by policies that are announced and implemented in slogans only. For example, in an attempt to make Nigeria sufficient in wheat production by 1992, President Babangida, in 1986, announced a total ban on the importation of wheat, a staple mainly consumed in the northern region and used in the south by the flour mills for making bread and general purpose flours. The announcement was followed by "... a staggering 650% increase in producer prices between 1986 and 1988, ... [and the cultivation] ... of 200,000 hectares of wheat ... in five northern states, the center of which was Kano."[29] And, although, celebrity farms owned by mostly northern merchants and military generals were soon established, the rent-seeking generated by influential politicians -- whose only productivity is in the hawking of import licenses[30] acquired through political connections to the government -- eventually forced Babangida to lift the wheat ban in October 1992.

There are obvious limits to the extent to which a non-hegemonic state that has served the interest of the ruling class, can preside over its own reform. In the case of Nigeria, one must question the extent to which "the alliance of bourgeoisie," composed of aristocrats, merchants, civil servants and army generals who have historically depended on the state for personal and collective wealth accumulation, can be expected to effectively implement SAP. Such "policies which emphasize financial rationality, accountability and discipline are usually resisted by elites who are used to using public positions for accumulation and relying on connections with public officers to get rich."[31]

Conclusion

The success of economic diplomacy either in the form of a structural adjustment program, or a more interventionist strategy by a less developed country like Nigeria, depends on a correct reading of the political and economic constraints of the international political and economic system. A correct reading of the international system's constraints may provide leeway for negotiating externally induced market fluctuations that may require political, rather than economic solutions. It seems that in Nigeria, SAP was accepted for its benefits to the "alliance of bourgeoisie" who competently appropriated SAP to maintain the status-quo.

Thus, SAP as the foundation of Economic Diplomacy of the Babangida Administration aimed at restructuring, diversifying and making the Nigerian economy more independent and assertive in regional and international diplomacy failed on the basis of sectionalism and ethnic politics. The politicization of SAP within Nigeria's domestic economy is reflected in the annulment of the election won by Chief Abiola in June, 1993; the imprisonment of both Abiola and the former head of state Obasanjo (a Yoruba by origin), who has been an advocate of democracy and economic restructuring in Africa; the coup that reestablished the northern hegemony in power; the silencing of pro-democracy organizations; and the Ogoni crisis.[32] Chapter six evaluates how well economic diplomacy in Nigeria is explained by realism, liberal internationalism and dependency theory.

Notes to Chapter Five

[1]See for instance, R. Omotayo Olaniyan and Chibuzo N. Nwoke, editors, *Structural Adjustment in Nigeria: The Impact of SFEM on The Economy*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1989. Gabriel O. Olusanya, Bassey E. Ate and Adebayo O. Olukoshi, editors, *Economic Development and Foreign Policy in Nigeria*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1988). Adebayo O. Olukoshi, editor, *The Politics of Structural Adjustment in Nigeria*. (London & Ibadan: James Currey & Heinemann Educational Books Nigeria Plc, 1993), and, Adebayo O. Olukoshi, R. Omotayo Olaniyan and Femi Aribisala, editors, *Structural Adjustment in West Africa*. (Lagos, Nigeria: Pumark Nigeria Limited (Educational Publishers for Nigerian Institute of International Affairs, 1994).

[2]The President's foreign policy pronouncements are contained in George A. Obiozor, editor, *Basic Issues in Nigerian Foreign Policy: IBB's Foreign Policy Pronouncements (1986-1991)*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1992). The Vice-President's foreign policy pronouncements are also contained in George A. Obiozor, *Nigerian Foreign Policy in Perspective: Admiral Augustus Aikhomu's Foreign Policy Statements from 1987-1992*. (Lagos, Nigeria: Nigerian Institute of International Affairs, 1992).

[3]George A. Obiozor, *Nigerian Foreign Policy in Perspective,"* op. cit., pp. 66-67.

[4]Ibid., p. 67.

[5]See George A. Obiozor, *Basic Issues in Nigerian Foreign Policy,* op. cit., p.7.

[6]George A. Obiozor, *Nigerian Foreign Policy in Perspective,* op. cit., pp. 67-68.

[7]Ibid.

[8]A primary source for the government's position on SAP is Federal Government of Nigeria, *Structural Adjustment Programme for Nigeria, July 1986-June 1988*. (Lagos, Nigeria: Federal Government Printer, 1986). Other relevant sources include, George A. Obiozor, *Nigerian Foreign Policy in Perspective,* op. cit., pp. 68-69; John C. Anyanwu, "President Babangida's Structural Adjustment Programme and inflation in Nigeria," *Man & Development,* (June, 1990), PP. 14-26; R. Omotayo Olaniyan and Chibuzo N. Nwoke, editors, *Structural Adjustment in Nigeria,* op. cit.; and Adebayo O. Olukoshi, editor, *The Politics of Structural Adjustment in Nigeria,* op. cit.

[9]Predictably, as economic policies result in gains and loses, the potential losers of government policy that is aimed at phasing out subsidies to federal government parastatels (notably the army generals and their northern allies) effectively organized against such policies and therefore against the Structural Adjustment Program in Nigeria. See chapters 4 and six of this work.

[10]Ibid., but see especially, Aaron T. Gana, "Reflections on the Structural Adjustment Programme," in Olaniyan and Nwoke, editors, *Structural Adjustment in Nigeria*, op. cit., pp. 86-95.

[11]See P. N. C. Okigbo, *National Development Planning in Nigeria 1900-92.* (London: James Curry & Heinemann, 1989), p.176.

[12]See Eskor, Toyo, op. cit., p. 68.

[13]Cited in H. Assisi Asobie, "Nigeria: Economic Diplomacy and National Interest - An Analysis of the Politics of Nigeria's External Economic Relations," in U. Joy Ogwu and Adebayo Olukoshi, *The Economic Diplomacy of the Nigerian State - a special issue of the Nigerian Journal of International Affairs*, Vol. 17, No. 2, (1991), p. 81.

[14]See John Ravenhill, "A Second Decade of Adjustment: Greater Complexity, Greater Uncertainty," in Thomas M. Callaghy and John Ravenhill, editors, *Hemmed In: Responses to Africa's Economic Decline*. (New York: Columbia University Press, 1993), p. 39.

[15]Michael I. Obadan and Bright U. Ekuerhare, "The theoretical bases of structural adjustment programmes in Nigeria: an appraisal," in *International Social Science Journal*, (May 01, 1989) Vol.41, No. 2, p.217.

[16]See Fidel Ezeala-Harrison, "Structural Re-Adjustment in Nigeria: Diagnosis of a Severe Dutch Disease Syndrome," in *American Journal of Economics and Sociology*, Vol. 52, No. 2 (April, 1993), p.195.

[17]Ibid., p. 198.

[18]Ibid.

[19]Michael J. Watts, editor, *State, Oil, and Agriculture in Nigeria*, op. cit. pp. 71 - 72.

[20]Cited in Michael Watts, ibid., p. 64.

[21]When Nigerian nationalists wrest control of political power from Britain, the country was far from united. Political parties, alliances and coalitions formed along ethnic lines. For example, before independence, the Igbos formed the bulk of the commissioned officers in the Army. With the contrived nature of political transfer of power from Britain in 1960, the Hausa-Fulani ethnic group that dominated central-decision-making power proceeded to restructure the composition of the military. As Chief N. U. Akpan, a prominent player during the First Republic reports, to "redress the imbalance, the quota recruitment system was introduced in 1961 when the then Minister of Defense, Alhaji Muhammadu Ribadu, a member of the Hausa-Fulani dominated N.P.C., the dominant partner in the Federal Government, officially laid down that, "a rigid quota system should be instituted. In the future 50 percent of all cadets must be from the North, and this was to apply both in the initial selection board, and to the final pass list, whatever the order of merit." See: Ntieyong U. Akpan, "The Position and role of Nigeria's Ethnic Minorities in War and Peace," in Tekena N. Tamuno and Samson C. Ukpabi, editors, *Nigeria Since Independence: The First 25 Years, Vol VI - The Civil War Years*. Ibadan: Heinemann Educational Books (Nigeria) Ltd, 1989, pp.:125-148. As a consequence of the above:
"By 1962 when the quota system was introduced, of the 157 Nigerians who had got their commissions, roughly two-thirds were from the Eastern Region of the Federation. The rationale and effect of the quota system are perhaps best shown by contrasting the distribution by rank and region of those recruited into the commissioned ranks between 1955 and 1960 on the one hand, and 1963 and 1964 on the other. Of those recruited in the former period, who by 1965 had risen to the ranks of Lieutenant-Colonel and Major, 36 percent of the former category (Lt. Cols.) were from the East, 14 percent from the west, 21 percent from the North and 29 percent from the Mid-West. Among the rank of Major, 60 percent came from the East, 22 percent from the West, and 6 percent from the North and Mid-West respectively. In contrast, of the 163 commissioned in 1963/64, and who were Second-Lieutenants by 1965, 25 percent were from the East, 19 percent from the west, 42 percent from the North, and 14 percent from the Mid-West." See B. J. Dudley, *Instability and Political Order: Politics and Crisis in Nigeria*. Ibadan, 1973, p.92 and cited in N. U. Akpan, op. cit.

[22]See Lubeck and Watts, op. cit., p. 211. The Kaduna Mafia is reputed to be behind all major economic decisions in Nigeria, but especially political decisions with regard to the presidency and appointments to important political offices.

[23]Cited in Julius O. Ihonvbere, "The Economy and Foreign Policy Since 1984," in Toyin Falola and Julius O. Ihonvbere, editors, *Nigeria and the international capitalist system*. (Boulder: Lynne Rienner Publishers, 1988), p. 127.

[24] For example, with the assistance of some Israeli intelligence officers, the Buhari regime attempted to kidnap Umaru Dikko (a northerner and former Minister of Agriculture) from Britain in 1985 to account for his role in the rice importation scandal to the tune of several hundreds of millions of dollars. Although, the plot was unsuccessful, Umaru Dikko has since been brought back to Nigeria by the Abacha regime and remains a key political player in Nigerian politics. The views of Adamu Ciroma, a northerner and former governor of the Central Bank of Nigeria and himself a former Minister of Agriculture not to probe or censure previous civilian or military regimes is perhaps representative of the cult of silence among the northern oligarchs in their quest to maintain the existing political structure. He argues, that "... instead of probes it is more practical and more purposeful to make a clean break from the past, while leaving those who may have abused public trust to their conscience and their God." See *African Concord,* 23 March, 1992, p. 33.

[25] See Lubeck and Watts, op. cit., p. 212.

[26] Lubeck and Watts, op. cit., p. 211.

[27] Ibid.

[28] Ibid.

[29] Lubeck and Watts, p. 221.

[30] In "Political Passions and Economic Interests: Economic Reform and Political Structure in Africa," op. cit., p. 492, Thomas M. Callaghy argues that, with the deregulation of the banking industry as required by the IMF-supervised SAP, the powerful old rent-seeking coalition was able to continue its old practice in the guise of positive change. He states that, "The frantic search for foreign exchange simply moved from import licenses to bank licenses after the former were abolished. Bank licenses became as political and rent-seeking as import licenses... which allowed for the subversion of the centerpiece of the reform effort," - a devaluation of the Nigerian currency based on its market value relative to international currencies.

[31] Julius O. Ihonvbere, "The Crisis of Structural Adjustment Programs In Africa: Issues and Explanations," in *Philosophy and Social Action,* Vol. 18, No. 3, 1992, p.56.

[32]Shell British Petroleum has been prospecting and drilling oil from the delta territory known as Ogoni in Rivers State of Nigeria since 1958. The environmental degradation and abject poverty of the Ogoni indigenes led one of its highly accomplished sons, Ken Sara-Wiwo, (an accomplished scholar and a Pulitzer prize winning playwright) to advocate for the independence of the Ogonis. Incidents involving an employee of Shell in the region forced the Corporation to withdraw drilling operations from the Ogoni territory in 1993, with consequences to revenue collections for the Federal government. While the details of the crisis are not the subject of my research, it is interesting that the Ogonis who have lived with their neighboring ethnic communities without conflicts at least since Nigeria's independence in 1960, are suddenly alleged to be at war with each other -- an excuse for military occupation of the territory, the accusation, trial and hanging of Ken Sara-Wiwo in 1995, and the subsequent resumption of oil operations in the region.

Chapter Six

Realism, Liberalism and Dependency theory: Analysis of Economic Diplomacy in Nigeria

Introduction

Realism, liberal internationalism and dependency theory make claims regarding the nature and power of external constraints on relatively weak states like Nigeria. This work has been considering the freedom of a weak state like Nigeria to design strategies for economic development. Nigeria's economic diplomacy has aimed to secure development, political and security objectives of the state. For Nigeria, the specific objectives of Economic Diplomacy, as specified by the government, are:

- To attract more foreign investment and to channel it to preferred sectors of the economy, especially agriculture and industry;
- To attract more soft loans and grants for the purpose of financing the country's development projects;
- To reschedule the country's external debt on terms that are favorable to Nigeria;
- To promote Nigeria's external trade with a view to widening its scope, increasing its range, and diversifying its content to the country's advantage;

- To encourage Nigerian business groups to invest abroad and help widen the foreign exchange base of the economy.[1]

To achieve these objectives, the Nigerian government created a unit for trade and investment promotion within the Ministry of External Affairs, offered incentives (such as easy incorporation of companies, tax relief and larger ownership of businesses previously reserved for Nigerians) to foreign investors, strengthened the trade desks in many industrialized countries to promote the advantage of Nigeria's natural resources endowment, and organized several trade and investment missions in Nigeria and the targeted countries.[2]

Also, and, as enunciated by the Minister of External Affairs, Ike Nwachukwu, Economic Diplomacy was connected to the structural adjustment program demanded by the IMF and the World Bank, which was implemented in 1986 by the Babangida Administration. As has been established in chapter five, Economic Diplomacy in the form of structural adjustment was a victim of the historical colonial legacy of a weak state involved in ethnic and class struggles for power. Under the Babangida Administration, Economic Diplomacy was a strategy to maintain the ruling coalition of army generals, business tycoons and the northern oligarchy, in control of political and economic decisions in Nigeria.

How does the Nigerian case fit prevailing theories of international relations? This chapter considers the extent to which realism, liberal internationalism and dependency can explain the politics of economic development in Nigeria. First, I briefly examine the linkage between foreign policy and strategies of economic development, with specific focus on how African writers have explained Africa's foreign relations. Second, I will examine how Stephen Krasner's "Modified Structural Realism" helps explain Economic Diplomacy in Nigeria. The discussion of realism will be followed by evaluating how liberal and dependency theories fare in explaining Economic Diplomacy in Nigeria. I will conclude with a systematic discussion of the politics of economic development in Nigeria.

Analytical Differences in Foreign Economic Policy

While many studies of developing states focus on económic development or foreign policy, few consider the interaction between these two policy arenas. Consequently, most of the research on African foreign and economic policies do not go far enough in explaining the domestic basis for foreign economic policies.

Existing studies also largely reflect the theoretical disagreements between realism, liberal internationalism and dependency theory, with inadequate comparative assessment of how well these theories explain African foreign and economic policies. Such limitations bring to mind Chris Allen's contention that:

> ... most international relations work on Africa can be safely neglected...there are also very few studies of African foreign policy that are not both theoretically crude and largely descriptive....[3]

In a similar vein, Mark Delancy complains of

> ... the high proportion of case studies and single-country studies and the rather small number of really comparative undertakings among researchers. Related to this is a lack

> of up-to-date, general studies covering the entire scope of African international politics. There is a lack of comparison and a lack of generalization.[4]

One effort to address such critiques of the field has been undertaken by Timothy Shaw and Olajide Aluko. In *The Political Economy of African Foreign Policy: Comparative Analysis*,[5] Shaw and Aluko argue that a political economy framework can provide the best insight into the dynamics of African foreign and economic policies for the following reasons: (a) the level of analysis is substructural rather than superstructural, (b) the mode of analysis is critical and analytical rather than descriptive, (c) the method of analysis is materialist rather than behavioral and (d) the implications of a political economy analysis calls for a radical change in order to transcend dependency and underdevelopment.

However, Shaw and Aluko do not provide a definition of what within the substructure (e.g., social class or ethnicity) would constitute important areas of study. Even though Shaw and Aluko acknowledge that there are similarities as well as differences, such as colonial heritage, and geographical location, their work does not appreciate the historical nature of

African countries' incorporation into the international capitalist system. While the authors are correct in their claim that Africa's place in the international system is important, and that "... foreign policy 'choices' on the continent have to take into account salient aspects of the national political economy...,"[6] their research agenda fails to articulate the convergence of the politics/economics and the domestic/external influences on African countries' inability to transcend underdevelopment. My position in this work is that understanding Africa's foreign policy and economic development requires a simultaneous analyses of the external and domestic connections in the formulation of policies.

In contrast to Shaw and Aluko, Olatunde Ojo, Orwa and Utete, assert that, "[t]he systems theory of international relations is not particularly well suited to Africa ... because it was developed to explain international relations in the industrialized world...."[7] However, the authors also argue that "[a] critical look at African international relations reveals the dominance of power politics.... [which is] ... valuable for any descriptive analysis of ... [events] ... within the continent... [while] Dependency theory draws our attention to variables outside of Africa."[8] If power politics is relevant for understanding Africa's international relations, there remains a need to specify the context, location and the type of influence that power plays among African countries. Clearly, one cannot ignore the most central and obvious implication of realist theory for Africa - the severe constraints faced by African states due to their relative lack of military, technological and economic power.

Yet, Ojo, Orwa and Utete do not explore the possibility that what they perceive as power-politics within Africa may be largely driven by extra-continental interference in African countries. Nor do they consider the power struggle for control of the state apparatus between various classes, economic and political coalitions or ethnic groups.

The process of state formation in most African countries, including Nigeria, did not yield to an effective institutionalization of the state with the capacity to be a significant actor in the international system. As a result, those who have appropriated the instruments of state power in Zaire, Ghana, Kenya, Zimbabwe, Nigeria and elsewhere, have turned domestic politics into a struggle for power reminiscent of Thomas Hobbes's state of nature. In short, the existing literature on Africa has yet to explore the extent to which politics in African states can be understood in terms of the principles of power politics, perhaps especially in multiethnic and multireligious states.

Instead most of the research has employed explanations that have mostly been either orthodox[9] or radical in approach. Toyin Falola and Julius Ihonvbere criticize the orthodox school's failure to capture the internal dynamics of African states, and propose an alternative materialist framework for transcending orthodoxy. Falola and Ihonvbere argue that:

> Given ... [the orthodox school's] largely descriptive, behavioral, and superstructural focus, the traditional perspective has been unable to provide a consistent and holistic framework within which to understand the extent to which the domestic economy influences and conditions foreign policy. Orthodoxy's ideas of dependence and interdependence as analytical, and perhaps more appropriately, synthesizing, concepts have not been able to fill the gap either.... The specificity of the history of a particular formation, the nature of social forces, their accumulative base, the nature and power of the state, and dominant forces -- these, more often than not, determine position, participation, and power within the world system.[10]

While that view is persuasive, it does not offer a theoretical framework for studying how and why the domestic economy influences foreign policy. Also, Falola and Ihonvbere do not differentiate between the orthodox and interdependence views of power. This is important because most of the revisions within realism by regime theorists or by liberal internationalism have been on realists' excessive focus on power defined in military terms, and the inability to explain the significant influence and leverage exerted in 1973 by the oil producing states with insignificant military power. One such revisions (modified structural realism) is described below that helps provide a framework for evaluating the politics of economic development in Nigeria.

Modified Structural Realist Explanation of Economic Diplomacy

As explained in chapter one, Nigeria's foreign economic policies cannot be explained using the classical and neorealist perspectives on international relations. The approach which Stephen Krasner has called *"modified structural realism,"* complemented by Gourevitches's *"second-image reversed,"* provides a better framework for understanding the role of domestic politics in foreign economic policies.

In *Structural Conflict*, Krasner argues that, the political and economic realities of the third world countries, whose comparative economic output is far smaller than those of industrialized countries, suggest that the LDCs "cannot directly influence the international system;" that the LDCs will therefore continue to be subjected to external influences that they cannot change, and therefore, that the foreign economic policies of the LDCs will continue to be largely shaped by the world economy.[11] Indeed, Krasner acknowledges that the social formations in most third world countries were influenced by "internal mobilization and global values." But, the fact remains that the "...states are not a product of autochthonous political, economic, and social forces."[12] The colonial and imperial contrived nature of the states' existence results in their constant subjection to the influence of the existing international system characterized by liberal values and transnational actors.

Regarding the size, nature of existence and location of states in the international system both realist and modified realist perspectives assert the importance of states and their pursuit of power. They insist that both are a function of the size of their economy, military budget, population and natural resource availability. However, Krasner notes that, "[t]he size of a state, ... does not determine its internal capacity to modulate and adjust to the pressures emanating from an uncertain international environment"[13] even if such a state has flexible and mobile resources -- which most LDCs do not have. Krasner's view that capacity is more important than the size of a state in the international system would be relevant if one fails to acknowledge the role of Cold-War politics in the development of East Asia. The strategic location and importance of South Korea, Taiwan, Singapore and Indonesia to U.S. Cold-War interests, focused more development opportunities in the area, than in countries such as Nigeria and Ghana located on the west African coast and away from the strategic traffic of the cold-war highway.

Whether the state structure is externally contrived or imposed, the fact is that the LDCs are severely constrained by an external environment characterized by economic and military dominance by the

U.S., Russia and Japan. So, then, external constraints that denies the LDCs' leeway on foreign economic policies, challenges Krasner's assumption that some LDCs may "... [internally] generate the national power capabilities needed to cope effectively with the existing international system."[14] A better explanation is one that describes the implicit and explicit linkages of economic success of the small East Asian countries to the "national interest" of the major powers. Indeed, within a modified structural realist framework, regimes, norms and rules are established and maintained by the dominant industrialized military powers, whose political and economic interests dominate existing international institutions like the IMF.

Krasner argues that confirmation for a modified realist perspective is evident in the formation of the Organization of Petroleum Exporting Countries (OPEC) as well as the New International Economic Order (NIEO)--two attempts by the LDCs to change the existing structure of liberal capitalist international rules, norms and regimes. Given the relative success of OPEC and the complete failure of the (NIEO), Krasner argues that the attempt by the LDCs to cooperate is a function of the LDCs' understanding of the subjective and objective conditions that affect their position in the existing international capitalist system. First, the subjective condition is a function of the historical impact of colonial policies that resulted in the underdevelopment of the LDCs, which placed them in a peripheral and inferior position relative to the industrialized countries. The third world countries' less powerful positions, and their apparent incapacity to transcend their subjective conditions, result in the second condition: international and domestic weaknesses which prompt the third world countries to want to cooperate with each other against the liberal international capitalist system.[15]

Krasner's overall argument is that international regimes may be established by hegemonic powers, but once established, the tendency is for less powerful states such as the LDCs to collectively or individually want to change the regimes to their advantage. Although, Krasner is careful to point out that the efforts of the LDCs will continue to meet the resistance of the industrialized capitalist countries, he does not provide any political explanation behind the resistance of the west (which realism would characterize as self-interest) and the failure of the south. Whether foreign economic policies are made in the industrialized or less developed countries, the capitalist outcome always involves winners and losers. Therefore, in the next section, I will explore the role of domestic politics and effect international politics has on the ruling coalition in Nigeria. I will then describe the extent modified realism explains foreign economic policy in countries like Nigeria.

Krasner's *"modified structural realism"* can usefully be joined to arguments presented in the *"second image reversed"* by Peter Gourevitch. Gourevitch's central argument is that understanding foreign economic policies requires comprehension of the extent to which the domestic structure is shaped by the country's place in the international system -- and vice-versa. However, beyond the structural dynamic of states in the international system, the role of decision-makers' within those structures tend to impact foreign economic policies.[16]

Modified Realism and foreign economic policy in Nigeria

Modified realism would suggest that Nigeria is a small country whose existence was contrived by British colonial policy in 1914, and that its incorporation into the liberal capitalist international structure put Nigeria in a position of weakness relative to the existing industrialized countries. Furthermore, the contemporary international capitalist system, under United States' hegemonic economic power, serves the national interest and values of the industrialized countries through the existing international regimes in such powerful institutions as GATT, IMF and the World Bank. Finally, according to Krasner, although, it takes a hegemon to create and institutionalize international regimes, such regimes assume a life of their own and are only susceptible to change by countries with the domestic capacity to effect change.

Within this context, a less developed country such as Nigeria, by itself or in cooperation with other LDCs, will remain weak and less likely to influence the existing regimes. Though, Krasner points out that regime norms do permit modest challenges by the weak, the fact is that only weak states with access to industrialized markets and consistent national development policies have the potential capacity to seek change and or modification of existing regime norms. But, then, only if such weak states' policies are consistent with existing norms.

Krasner would argue that, (a) the existing international regimes are maintained by their competence in redistributing gains on the basis of some measure of competence, and the ability of countries in navigating the international system, and, (b) that the notion of sovereign equality of states makes it possible for the ruling class in every state to react to the international system on the basis of the state's "national interest." Krasner clearly acknowledges the centrality of power in shaping interstate relations. Yet he ignores the impact of power struggles within states - assuming that the leaders of each nation will act as general welfare-seeking rather than self-seeking agents.

Modified realism generally neglects the role of domestic politics and how different coalitions gain control of the state to enhance their economic positions. Staunchly realist in perspective, Krasner's implicit acceptance of a free market system neglects the role of politics correctly appreciated by mercantilists. He ignores reality that the structure and rules of the international economic system which create international regimes are largely determined by the structure and distribution of political power in the international system.

As Spero states:

> political factors also influence economic policies... Throughout history, ... national policy has shaped international economics. In the mercantile period, governments regulated economic activity and acquired colonies. In the nineteenth century, the British repealed the Corn Laws and the navigation acts and adopted free trade. At the end of that century, public policy turned to the annexation of territory in Asia and Africa. In the years since World War II, foreign policy has focused on a multilateral, free-trading system.
>
> These national policies were, in turn, determined by internal political processes. Economic policy is the outcome of a political bargaining process in which different groups representing different interests conflict over different preferred policy outcomes.[17]

The domestic political bargaining and the conflation of politics and economics as well as national and international policies are reflected in such visible policies in the United States as "the National Defense Highway Act," "the National Education Act" and the "Wagner Act." Such policies show why the notion of a "pure market economy" is a myth, and illustrate the linkage between economic and political issues at the national and international level. Open international markets necessarily requires the full cooperation of power elites who see benefits in free trade and investment. Therefore, foreign economic policies are inherently politicized at both the domestic and international levels.

With regard to the structural adjustment program in Nigeria, modified realism would maintain that Nigeria is disadvantaged and therefore vulnerable to influence by the IMF and the World Bank. Specifically, under the assumptions of modified realism, Nigeria is still a sovereign country whose foreign policies are largely focused on security issues. However, its power relative to the major powers remains insignificant. Further, although Nigeria is a sovereign state with the option of participating in the existing international regimes, it cannot threaten to increase the price it charges for a barrel of petroleum, nationalize transnational corporations or repudiate her debts to western banks, the IMF or the World Bank, without severe political and economic sanctions. Therefore, Nigeria cannot change her position of weakness by threatening either the major powers or the international financial institutions (IFIs) created to advance the interests and values of the liberal capitalist states.

Simply stated, Nigeria will continue to be marginalized in the international division of labor and power. There, according to Robert Tucker, even though colonialism no longer exists, the disadvantages that the "unjust history" conferred on the LDCs are such that "the laws of the market insure that between states unequal in economic power and at very different stages of development there can only be further inequality."[18]

Modified Structural Realism does not account for the impact of domestic coalitions which is crucial for understanding the politics of economic development in Nigeria. In the assumption that the policies of states reflect rational cost-benefit calculations, and that states communicate their policies to the external environment *as if* such policies were unanimously reached without domestic disagreements, realism and its modified version ignore a crucial role that domestic coalition interest plays in the formulation of foreign economic policies in countries like Nigeria.

Liberal Internationalist Explanation of Economic Diplomacy

Classical liberal internationalists such as Adam Smith and David Ricardo were mainly concerned with the extent to which entrenched political interests were using the state to subvert market forces. Arguing against the mercantilist policies of his time, Smith held that wealth in society is created by individuals and firms pursuing their self-interest. Smith rejected the mercantilists' idea of using the state for wealth accumulation, which he believed fueled conflict between states.

Generally, Smith argued that if states do not intervene in the operation of the market, domestic economic development and growth will tend to increase the overall welfare of everyone. Also, and in contrast to realism and mercantilism, Smith suggests that international economic interactions within the framework of a free market, do not result in a zero-sum outcome. Consequently, international conflicts can be mitigated by the individuals' and firms' pursuits of selfish economic interests unfettered by states' need for storing wealth through colonial expansions and war-- which Smith saw as hindrances to economic growth.

The logic behind Smith's free market argument is the division of labor, which suggests that if individuals and firms can concentrate their energies on producing those products in which the individual or firm has comparative advantage, then economic growth is likely to result from the efficient production and consequently increased wealth for everyone. If states at the international level eschew economic nationalism, concentrating in the production of goods and services in which the state has comparative advantage, their wealth will tend to increase, and the resulting economic interdependence will tend to mitigate political conflicts.

As I have argued in chapter one, Adam Smith propounded his theory with the full knowledge of the domestic and international political consequences that could result from free market and economic interdependence. Therefore, Smith cautioned that (a) "free trade may be limited by the exigencies of national security," (b) that "import duties" should be used as a strategy to protect domestic production, (c) "duties" should be imposed as a retaliation against high tariffs by other countries and, (d) free trade should be introduced in phases to cushion its effect on domestic industries and labor from international competition.

Similarly, David Ricardo argued that the intervention of politics in the operation of the market is a hindrance on economic growth. Where Smith blames the problem on mercantilist policies, Ricardo argued that high prices for food will tend to increase profits from agriculture to the benefit of land owners, which in turn reduces the profits that industrialists need for expansion and economic growth and, consequently, a reduction in the level of development. To cure that problem, Ricardo suggested that foreign trade, to the extent that it lowers wages, is desirable if its effect will be an increase in profits.

According to Ricardo, given that a national economy is constrained by "finite resources and conflicting interests," international trade based on comparative advantage is a plausible strategy for expanding wealth and economic growth. The assumption that "resources were finite" and therefore immobile has been seen as a flaw of Ricardo's thesis. Although Ricardo implied the existence of conflicting interests at the domestic level, the extent to which such conflicts could affect international free market operation were unexplored. Thus, the concepts of "sensitivity and vulnerability"[19] of different countries at different stages of economic development have not been pursued using Ricardo's thesis. As such, the market mechanisms became an antidote to domestic and international economic sluggishness and political conflicts that tend to arise from lower wages, higher prices of goods and services, domestic economic protectionism and international economic competition.

Contemporary liberal internationalists'[20] argument is largely an attempt to refute realists' claims that states are dominant actors in the international system, and that military issues (especially for the major states) will tend to dominate the focus of central decision-makers on foreign policy. Therefore, liberal institutionalists argue that although powerful states (principally the U.S.) established post-war international institutions such as the IMF and the World Bank out of self-interest, the norms and rules that evolved in such institutions are enduring. Also, these norms and rules mitigate the effect of excessive focus on states' national interests, and at times act to constrain states from violating them. To that end, liberals generally support international institutions and their policies, believing that economic development of the LDCs requires the framework of a free market economy supported by international institutions like the IMF.

In explaining structural adjustment policies in Nigeria and the general economic diplomacy of the Babangida administration, liberals would therefore applaud the administration in its policy of privatizing and commercializing government parastatals, removing subsidies on petroleum products, devaluing the Nigerian currency, and generally leaving the Nigerian economy to the dictates of free market mechanisms. From the liberals' viewpoint, such an argument is based on the assumption that an over-valued currency, government investments in public enterprises, and maintenance of subsidies on petroleum products, distort the market and therefore retard economic growth. Liberals would argue that Nigeria should concentrate on products that give Nigeria a comparative advantage relative to other states (e.g. exports of crude petroleum). Furthermore, even if Nigeria must remain a primary product exporter, buying technology and other manufactured products from the industrialized countries, free market policies are superior to strategies like economic nationalism or autarchy.

Regarding the impact of structural adjustment policies on the economy and the citizens, liberals would argue that negative impacts such as consumer price increases are temporary, and that SAP would reduce the price of imports, making it possible for citizens to purchase items that were initially too expensive. If SAP is simultaneously implemented with political liberalization, those that benefit from the implementation of SAP would form a coalition to protect the policy and, in the long run, the net effect would be a stronger economy that expands wealth for capitalists and provides high paying jobs for workers.

Given that the administration's Economic Diplomacy is focused on increasing Nigeria's capacity for economic self-reliance as a foundation for influencing regional and international events, liberal prescriptions would tend to support such foreign economic policies as a positive move so long as the projection of influence does not result in a challenge to existing international regimes. Consequently, liberals do not see the IMF-supervised SAP as a form of external interference in Nigerian affairs. Rather, Nigeria is supposed to be aware of international regime norms, rules and procedures, which include the fact that borrowing money from the IFIs compels obedience to these rules.

In sum, although the IFIs were established by the industrialized countries, supported by the dominant economic and military powers, these institutions are now world entities with rules and regulations beyond the control of any one country. Indeed, the regimes that emanate from the IFIs are as constraining to the U.S. as they are to Nigeria, although not equally for all issue areas.

Liberals would argue that because of the advantages of economic interdependence inherent in a free market environment, LDCs such as Nigeria derive benefits in lower transaction costs when they sell their primary products and buy technologies from the industrialized countries. Thus, technology transfer, access to markets in industrialized countries and management of trade through international institutions such as the IMF and GATT, within the framework of a capitalist international economic system, are benefits that could accrue to the LDCs in general and to Nigeria in particular -- based on her primary export of crude petroleum. Therefore, further integration into the international economic system would greatly benefit Nigeria, leaving the market to its demand and supply mechanisms that maximize economic efficiency and growth.

Dependency Analysis of Economic Diplomacy

Karl Marx, from whose work most dependency approaches originate, was concerned with the subjugation of workers by capitalists, and the prospects for a revolution by the world's workers. Marx saw capitalism as an essential step toward realizing the goal of socialism and eventually communism.

An important application of Marxist theory to the colonial world was Lenin's theory of imperialism. Lenin argued that the saturation of the domestic economy is responsible for capitalist expansion overseas in search of new markets and profits with the support of the state. The implication here is that, capitalists' competition for overseas market will bring mercantilism full-circle with its political consequences. With regard to the LDCs, Marxist-Leninist doctrine enjoined the less developed countries to emulate the industrialized countries in taking the capitalist path because it is more efficient in realizing the goals of industrialization.

According to this view, such a path, will eventually hasten capitalist contradictions and class conflict that will lead to the demise of capitalism and the birth of socialism. Interestingly similar to an important realist assumption of the centrality of the state in international politics, Lenin's *State and Revolution* acknowledged the importance of the state as a central player in the game of international capitalist competition. However, Lenin's argument posits the state as eventually "withering away" with the birth of a classless society.

Dependency theory presents a number of arguments to help illuminate the plight of the LDCs. Generally, dependency scholars agree that underdevelopment in the LDCs is a historically verifiable condition. Another basic claim is that capitalism is characterized by both inequality between capitalists and workers and between the developed and the underdeveloped nations. Finally, because the dependency of the former colonial states is structurally determined, their continued integration with the capitalist system, ensures they will remain weak and poor.

This last argument is open to challenge. After all, several countries which were once undeveloped later attained a high level of development without delinking from the international capitalist system. Since some have escaped underdevelopment, it becomes crucial to investigate the domestic factors which shape economic development. The next section addresses the gap that dependency perspectives, modified realism and liberal internationalism ignore, by exploring the contribution of domestic forces in shaping foreign economic policy.

Coalitions and Politics of Economic Development.

One of the main contributions of the *second-image reversed* argument is its explanation that foreign economic policy in a weak but industrialized state like the United States is best understood as a struggle for influence among domestic social forces or political groups.[21] Gourevitch's weak/strong states categories are relevant for understanding foreign economic policies across several states, whose sensitivities and vulnerabilities to the effects of externally-induced policies can thereby be more closely approximated.

Gourevitch's argument is more relevant for theorizing about countries that share similar political institutions like democracy or authoritarian structures. As has been demonstrated by the rich literature on democracy and war initiation, while democratic states are less likely to declare war against other democratic states, they are as war prone as non-democratic states in defense of their values. Domestic structure characterized by competition by special interest groups for influence, tend to force democratic states to be weak in formulating foreign economic policy. However, in interstate relations, democratic states' domestic passive position changes to a more assertive posture if the issue-area under discussion is relevant to national security, and if the policy process involves a negotiation with dissimilar political structures and therefore values..

A domestic coalition or interest group may be important because it has access to decision-makers and can influence foreign economic policy (the case of industrialized democratic states). In an LDC like Nigeria, such a group may even appropriate the state and use it as an instrument for advancing its particular interest. The definitions of strong and weak states are context specific. In interstate relations, strong states are those with military and economic resources (like the U.S.) and the willingness to use those resources to influence other states. Weak states are therefore, those (generally referred to as the LDCs, like Nigeria) whose resources are inadequate for projecting power beyond its territorial boundaries. Then, within domestic politics, strong states are generally characterized by their non-democratic and centralized system of governance. Such states as Iraq and Nigeria are seen as strong because the military regimes tend to be the only well organized group in society without a rival for power. In contrast to democratic states -- characterized by competitive elections and influence -- they tend to be analyzed as weak, precisely because the leaders are assumed to be accountable to the citizens and therefore, face serious competition in policy formulation from organized interest groups.

Within the above context, the states in industrialized democratic countries tend to be weak at the domestic level but strong at the international level where the major powers have economic and military advantages over weak states. Conversely, the states in the LDCs generally tend to be weak at the international level due largely to its economic and military weakness relative to the industrialized states. The states in

LDCs are strong at the domestic level where the ruling class or coalition has historically dominated their competitions by co-optation or brute force as the case of Nigeria demonstrates.

Predictably then, influential economic and political interests groups within a democratic state will always compete with other coalitions to influence policy outcomes at the domestic level. Such influential coalitions also tend to impact its state's foreign economic policies. Thus, at the international level, the state acts to protect the interest of the influential economic and political coalitions as well as the general interest of its society. In the same vein, coalitions tend to form across states - industrial democracies and the G-7 Summits - based on common economic interests. Then, on issues involving economic development, where gains and losses have the potential to redistribute wealth especially between the industrialized and the less developed countries, pure market mechanisms give way to politics with the tendency that each state individually or in coalition with similarly positioned states will act to either minimize their losses or increase their gains.

As Miles Kahler[22] has demonstrated, the liberal international political economy is characterized by states' intervention in both domestic and international economic policies. Policy coordination among the G-7 (the U.S., Japan, France, Germany, United Kingdom, Italy and Canada) in the international financial institutions (the IMF and the World Bank) ensures the dominance of the G-7 through the rule of weighted voting. On some important issues such as monetary matters, "special majorities voting requires more than a simple majority of votes"[23] in reaching a decision. This tends to encourage block voting between the U.S. and the Europeans as a coalition against the LDCs.

Kahler further argues that for most of the 1980s, the industrialized countries acted as a group to reduce the possibility that the LDCs could have any serious gains in their negotiation with the IMF. In fact,

> The debt crisis, which began in late 1982, only heightened G-5 support of sharp adjustment in order to guarantee [LDCs] repayment to commercial creditors. These preferences in the design of IMF programs matched those of the bureaucratic actors who stood behind the Executive Board: usually the finance ministers and central banks of the industrialized countries.[24]

In discussing the reflation-induced Bonn Summit Conference of 1978, Putnam argues that domestic and international factors were essential in reaching an accord between the industrialized countries.

Putnam insists that, "[i]n the end, each leader believed that what he was doing was in his nation's interest -- and probably in his own political interest too...."[25] The "creditor coalition," composed of the IMF, the World Bank, commercial banks and the industrialized countries, whose main interest is the maintenance of the liberal international political economy, act as a block in their negotiation with the LDCs. As a result, even though agreements with the IFIs do not enjoy the status of international treaties or law, and reneging on such agreements does not carry reputational consequences, the LDCs by virtue of their weak economic and political positions relative to the industrialized countries in the international system, are constrained from exercising alternative choices like the formation of a debt cartel against their creditors. And, although some of the creditors are corporations without sovereign state standing, they are able to extract concessions from the LDCs due largely to the political power of their home bases and the complementary interests of ruling elites within the LDCs. As Putnam argues, agreements are possible in foreign economic policies if a powerful minority within each of the negotiating states favors the outcome of such an agreement.[26]

Although, there is no formal agreement for collaboration between the industrialized countries, the actions of the "creditor coalition" which is based primarily on ideological acceptance of capitalism is consistent with the following assumptions of coalition politics:

> (1) parties entering into a coalition must recognize their respective self-interests, (2) each party must believe it will benefit from a cooperative relationship with the other or others, (3) each party must have its own independent power base and also have control over its own decision making, and (4) each party must recognize that the coalition is formed with specific and identifiable goals in mind.[27]

The industrialized countries generally work to ensure a capitalist international economic structure, free of governmental intervention by others, especially the LDCs. They work to ensure that established international institutions and regimes are sustained over time. To ensure the foregoing, such institutions as GATT, IMF and the World Bank are presented *as if* they are neutral economic agents without political support from the industrialized countries.

However, where the LDCs attempt to restructure the existing institutions and regimes, such as the effort to create the NIEO and other raw materials cartels as OPEC, the industrialized countries have been consistent in their efforts to thwart such redistribution of resources and influence. Similarly, in instances where the action of a strategic ally of an industrialized country has the potential for destabilizing the existing international institutions or regimes, as the currency crisis in Mexico illustrates, the general tendency has been a unilateral action (in this case by the U.S.) to stem the tide. Thus, for the "creditor coalition," the game of foreign economic policy, whether played at the domestic or international tables, is primarily based on the rules, regulations and sanctions established by the industrialized countries.

For the industrialized and developing countries, foreign economic policies are played like a game on two tables.[28] At the international level, national governments seek to maximize their ability to satisfy domestic pressures, while minimizing the adverse consequences of foreign developments, especially in their relationship with important allies. Similarly, at the national level, domestic groups pursue their interests by pressuring the government to adopt favorable policies, and politicians or army generals seek power by constructing coalitions among the various economic and political groups. As Putnam argues, "neither of the two games can be ignored by central decision-makers, so long as their countries remain interdependent, yet sovereign."[29]

Assuming a two-persons' game or coalitions (for instance, Nigeria versus IMF on behalf of the "creditor coalitions"), each negotiator or decision-maker sits at both game boards. Across the international table sits his foreign counterpart, and across from the domestic table sits representatives of various domestic coalitions and advisors. Moves that are rational at the international game board (such as accepting IMF conditionalities, and thereby implementing SAP to please the IFIs) may be unwise for the same player at the domestic board, where those who are likely to be negatively affected by SAP will mobilize in opposition and potentially prevent implementation of the structural adjustment program.

According to Putnam, "there are powerful incentives for consistency, and ultimately differences in rhetoric between the two tables may be tolerated."[30] In the end, either SAP is implemented, or it is not. Either way, there are political and economic costs which will affect the final decision, and ultimately the interests of the dominant economic and political coalitions will clearly control policy implementation.

The IMF-supervised structural adjustment program is one such game played between the IFIs and Nigeria. For the IFIs, the *laissez-faire* ideological basis of capitalism forms a unifying point in its negotiations with Nigeria. However, a cursory examination of the main functions of the IMF[31] shows, among other things, the promotion of exchange rate stability, international monetary cooperation, expansion and balanced growth of international trade, and the promotion and maintenance of high levels of employment and real income within the framework of capitalism.

The assumption in the foregoing is that, every state pursuing a free enterprise economic practice will benefit from the existing international monetary system managed by its permanent institution, the IMF. Although there is no provision in the IMF Articles of

Agreement for adjusting countries to institutionalize democracy as a condition for economic relations with the industrialized capitalist countries, democracy and free market have become two sides of the SAP coin.

Generally, the IFIs aim at ensuring their central mission of free market through the promotion of exchange rate stability and expansion of international trade. Specifically, in the case of Nigeria, the IFIs have to ensure that Nigeria pays back the loans it borrowed from western commercial banks and other institutional and government creditors. Furthermore, the promotion of democratic ideology as a complement to the foreign policies of the industrialized capitalist countries are now part of the win-set in the negotiations between the IMF and Nigeria. It is worth noting here that the prevailing assumption within the neoclassical prescriptions for Nigeria is that economic development and democracy can be simultaneously institutionalized.

According to the IMF Managing Director, Michel Camdessus, if African countries are to be fully integrated into the global economy with the economic benefits thereof, "there must be improvements in governance. Governments must be accountable and participatory; laws must be transparent; nonessential regulations eliminated; and the competence and impartiality of the legal system ensured."[32] Therefore, if non-democratic countries find themselves in the unpleasant position of owing private commercial institutions and other international organizations supported by the major powers in the international system, and if a country like Nigeria is unable to repay the loans without significant political and economic costs to the ruling coalition, the government's position of weakness offers the IFIs a chance to link political reforms to economic ones without sometimes considering the logic of such linkage to the economic and political stability of the country. In a nutshell, neoclassical economic theory based on the principles of free market economy without government intervention becomes simply a theory with no practical basis.

In practice, although the IMF, the World Bank and other private western financial houses are not recognized sovereign entities in the international system like Nigeria and other LDCs, the politics of economic development ensures the intervention of major powers in economic relations between developing countries and private western commercial institutions to guarantee that the options open to the LDCs do not include reneging on their promise to repay their creditors. As previously argued, while domestic economic coalitions such as farmers, the auto industry and several other interest groups in the western countries are able to persuade their respective governments on the need for protectionism at home and free market abroad, the view presented to the LDCs is that the free market enterprise will ensure integration into the global economy along with the benefits that accrue from the promise of comparative advantages.

What remains unclear for the IMF and other IFIs in their negotiations with the ruling class in Nigeria is that the realities for the government leaders is neither based on neoclassical economic theory nor on the need to institutionalize democracy. Therefore, at the international table, ruling elites agree to the rhetoric of the IFIs as (1) a strategy to increase foreign aid receipts from the western institutions and governments, and (2), to enable the government to reschedule the mature debts which also serves a useful purpose of opening more lines of credit from western donors and banks for the government.

The strategies, incentives and rationales for negotiation at the domestic level require a systematic discussion of how ethnic politics impacts the formulation and implementation of economic development in Nigeria. Beyond colonialism and its neocolonial legacies in Nigeria, there are inherent deformities in the strategies and rationale for implementing import-substitution and industrialization policies in the country. These legacies include, but are not limited to: (a) the impact of the international liberal capitalist system, (b) the effect of major powers' economic and political policies on foreign economic policies in Nigeria, (c) the inherent fallacy of in the idea that policies that benefit one country are likely to benefit other countries simultaneously pursuing a similar policy, (d) the effects of international financial institutions, transnational corporations, capital flight, economic protectionism overseas, and the wave of regional economic blocs in reaction to the end of the Cold War.

However, the over-riding problem for Nigeria remains the impact of ethnicity on the making and implementation of economic development policies. The dominant political autocracy, from independence to the present, constrains economic development perhaps in the hope of maintaining its control of political outcomes in Nigeria. The ethnic politics argument is clarified by the following table:

Table 9
Leadership Transitions in Nigeria from 1960 to Present

Period of Rule	Head of Government	Ethnic Group	Type of Government/ Type of Transition
1960-1966	Sir Tafawa Balewa	Hausa	Civilian Rule Coup d'etat
1966 Jan- July	Ironsi[33]	Igbo	Military Rule Coup d'etat
1966-1975	Gowon	Hausa	Military Coup d'etat
1975-1976	Mohammed	Hausa	Military Coup d'etat
1976-1979	Obasanjo*	Yoruba	Military Elections
1979-1983	Shagari	Hausa	Civilian Coup d'etat
1984-1985	Buhari	Hausa	Military Coup d'etat
1985-1993	Babangida	Hausa	Military Stepped down
1993 Jan-Nov	Shonekan	Yoruba	Civilian Coup d'etat
1993-	Abacha	Hausa	Military Promises a democratic transition

From the above table, it is clear that the government of Nigeria since independence from colonial rule has largely revolved around army generals. It is equally obvious that the predominant strategy for leadership transition is by military coup d'etats. Therefore, the political structure necessary for sociopolitical stability as a condition for economic growth has not materialized in Nigeria. The question is, why has the Hausa ethnic group ruled approximately 32 of 37 years of political independence in Nigeria? And, if during its dominance of political control in Nigeria, the country has continued to show decline in all development indicators, how would the ruling coalition composed of army generals and oligarchs from the Hausa-Fulani ethnic group benefit from implementing a structural adjustment program in Nigeria?

At Independence, Nigeria was ruled by a coalition of government of Northern Peoples Congress (NPC) with its power base in the Hausa-Fulani ethnic group, and the National Council of Nigeria Citizens (NCNC) whose power base spanned regions and ethnicity, but was more popularly identified with its leader, Dr. Nnamdi Azikiwe. Together, the coalition set out to deal with two important problems Nigeria faced at independence--the control of the economy by mostly British citizens and firms in coalition with powerful Nigerian politicians. According to one observer,

> ... the most important problem was the unfriendly relations among the regions of Nigeria. A constant source ... of political friction was the imbalance in the size of the regions. Population figures arrived at after two bitterly controversial census showed the largely Northern region to have some 29 million people. This was more than half the country's population and ensured virtual built-in control of the Federal legislature and institutions.[34]

And, although the coalition government identified the above problems, there are no indications that any sustained efforts were made to correct them. Especially controversial were the disputed census figures which formed the bases for federal appointments and revenue sharing across the country. To further complicate the issues, the Yorubas were largely left out of the coalition government and relegated to the role of opposition party members through the Action Group, whose power base was in the western region of the country, the ethnic home of the Yorubas. The above issues remained unresolved leaving the three dominant regions (east, north and south) to become a haven for the citizens from the various regions, who then began to see their ethnic origins as more secure than the federal center. Inevitably, the country was headed for a defacto disintegration.

The problem became a crisis following a struggle for power in the western house of assembly in 1962, which resulted in the declaration of a state of emergency in the western region and the ousting of the highly respected Yoruba leader, Chief Obafemi Awolowo, with the support of the Federal government dominated by the Hausas. The threat posed by Awolowo's potential as President of Nigeria was eliminated when he and his associates were arrested, detained, tried and convicted on charges of treasonable felony in 1963.

The NPC then consolidated its powers both in the western and northern regions. It remained a regional party and made no efforts either to resolve the problems in the country, or to ensure that its membership reflected the character of the country. The possibility of peaceful resolution of the perceived ethnic bias in Nigerian politics deepened with the 1964 elections.

In the meantime, Chief Akintola, who out-maneuvered Chief Awolowo (then in prison) in the western house formed a coalition with the NPC -- the Nigerian National Alliance (NNA) -- at the federal level which left the Igbos from the eastern region out of the federal government. Subsequently, the Igbos formed an opposition party called the United Progressive Grand Alliance (UPGA) from the NCNC and what was left of the Action Group from the west.

In the election of 1964, several charges of unfair practices, electoral malpractices, and rigging were leveled at the NNA. With the boycott of the elections by the UPGA coalition, the NNA won considerably and with much stronger representation in the Federal Legislature. The resulting crisis of confidence intensified to the extent that, for several days the President could not form a new government as required by the constitution. The country was effectively divided and manipulated by politicians along ethnic lines. The problem was further accelerated by the regional election to the western house of assembly in 1965 where NPC's support was crucial for Chief Akintola's NNA victory in the western region, and charges of rigging and other electoral malpractices were (once again predictably) ignored. Rather than recall the elections, the NPC-dominated federal government declared the election results legal and consequently, disturbances erupted in the western region and elsewhere.[35]

As previously argued, the military was the only organized class during British rule in Nigeria. Consequently, on January 16th, 1966 Nigeria had its first military coup d'etat. The Military Government under the leadership of Major-General Aguiyi Ironsi argued that given that the federal structure had encouraged politicians "... to play on tribal passions to cement their supporters and thus had driven wedges between the country's regions,"[36] Nigeria's stability and growth would be better served by a unitary system of government, and subsequently decreed as such. The Head of State's address to the nation on January 28th, 1966 is worth citing at length. Among other policies, the address provided the following explanations for the first military coup in Nigeria:

> The Government realises that a few unscrupulous foreign and Nigerian businessmen and contractors have contributed their own share to the tragic plunders and waste of the past. There will be no place in the new order for such profiteers and adventurers.
>
> The Government, however, reassures all honest businessmen and genuine investors who are in the majority and who can contribute to the country's development that they are most welcome.
>
> An end will be put to extravagance and waste in public expenditure. I have already reduced the number of Ministries and I have ordered the Military governors to take similar steps in their areas. I have

> abolished the offices of Agents-General in London. Overseas tours by officials in Government, public corporations and other public bodies will be drastically curtailed....
>
> Public corporations all over the country have been a source of public waste. As a first step towards reforming these statutory bodies and State-owned companies, all political appointees and other non-official members of their boards shall cease to be members....
>
> We realise the important role of industrialisation in the rapid development of the economy. We will ensure that industrial development is co-ordinated on a national basis to avoid wasteful duplication of industrial projects. Where Government is a partner in an industrial venture, it will ensure that it is profitable and that it promotes genuine development.[37]

The policies of the first military government as reflected in the above citation was intended to stabilize the sociopolitical crisis and build confidence in the citizens. Directly relevant for this study, it also aimed to establish a foundation for economic growth, industrialization and development within the framework of capitalist development. It is significant to note that these policies bear a striking similarity to the current IMF package for economic reforms in Nigeria.

The policies outlined by the Head of State in 1966 touched on some sensitive economic and political nerves. If implemented, the policies would have privileged merit over ascription, functional specialization over diffusion, and generally, privileged the better educated Igbos and Yorubas over the Hausas. Also, the policies would have effectively delinked Nigeria's economic development and foreign economic policies from Britain, perhaps initiating a search for relevant economic partners or an effort at autochthonous development. The military government and its policies were greeted with a sigh of relief, by the Nigerian public and both were seen as a nationalist effort to ensure political and economic stability in Nigeria.

In reacting to what it perceived as a snub on its economic contributions to Nigeria, Britain interpreted the military coup in ethnic terms. According to the BBC, England "... did not see the coup as a bid for clean government but as an Igbo power play to smash the Northern grip on the country."[38] Similarly, the Hausa-Fulani military officers and traditional rulers interpreted the coup as a bid by the Igbos to dominate the country and, subsequently, engineered a counter-coup that resulted in the assassination of the Head of State and several non-Hausa officers and politicians. The Hausa-Fulani officers claimed their action was in retaliation for the loss suffered in the January 15th Coup.

The coup was followed by an unprecedented pogrom of Igbo residents in the northern region of the country and the subsequent decision by the remaining Igbo officers in the Nigerian army to encourage a massive return of Igbo indigenes from other parts of Nigeria to the east (which later became Biafra) for their safety.

As a consequence of the first coup and counter-coup in 1966, relations between the various ethnic groups degenerated to a 30 months' civil war in which over one million lives were lost. To unify the rest of the country against the Igbos, the federal government now again under the control of the Hausa-Fulani, strategically created twelve states in Nigeria from the existing four regions.

It carefully granted statehood to the minority groups surrounding the Igbo territories, with the result that the Igbos were hemmed in for the duration of the war. To ensure that the Yorubas did not secede from Nigeria as threatened by Chief Obafemi Awolowo, he was appointed to a vice-presidential post after his release from prison. Later, he became Finance Minister under General Gowon's administration. On his part, Awolowo in his new found position of power, proceeded to implement starvation as a policy of war against the Igbos by blockading the various possible relief avenues to the eastern region. In anticipation of a return to civil rule, and, to eliminate potential rivals from the eastern region in his quest to become the first civilian president after the war, Awolowo implemented another policy which decreed that, irrespective of how much balance an Igbo family had in their bank accounts before and after the war, each individual account was worth only twenty pounds. To ensure the success of the policy, the Nigerian currency was changed and a deadline set within which all accounts not submitted for a payment of twenty pounds were to become dormant.

The policy was clearly intended to impoverish surviving Igbos. It proved quite effective, as it took several years before most Igbo families became politically and economically relevant again in Nigerian affairs. Although these policies are no longer relevant, the betrayal and distrust it created is embedded in the body-politic and has serious consequences for political stability and economic growth in Nigeria. Although Nigeria continues to be ruled by military and civilian officers from the Hausa-Fulani ethnic groups -- to the disappointment of the Yorubas and perhaps the Igbos -- the latter two groups have been effectively kept apart, and therefore remain unable to form a winning coalition that can wrest the control of the federal government from the alliance of army generals with religious and traditional autocrats in the north.

Domestic politics, based on distrust and lack of merit is also played out in Nigeria's foreign economic policies. The reasons for the July 1966 coup are yet to be resolved. For instance, contested census figures remain a basis for revenue sharing, and where the NPC cannot rule in its civilian form, the army (mostly sons of the north) takes over in status-honor uniforms. Creation of new states continue to privilege the Hausa ethnic group over the Yorubas and, the Yorubas over the Igbos. States and population continue to be used for national revenue sharing, while the location of industrial projects are based on politics rather than proximity to raw materials and economy of scale.

Collectively, the foregoing results in expanded federal structures and institutions which are unequivocably based on intra-ethnic alliances in political and economic policies, with no relevance to economic development or industrialization of the country. Therefore, while the ruling coalition recognizes its weakness at the international negotiating table and thus accepts the IMF-supervised structural adjustment program in Nigeria, the domestic game is characterized by realpolitik. The realities of internal politics in Nigeria sketched above are relevant for understanding why the government of President Shehu Shagari failed to accept the IMF loans and conditionalities, and why he was overthrown in a military coup by a fellow Hausa on the 31st of December, 1983. The National Party of Nigeria (NPN) led by Shagari was by all accounts a continuation of the NPC. And, as Yusuf Bangura has observed:

> The execution of the IMF programme would have required a major overhaul of the National Party of Nigeria's party machine and a shift in power relations from the "easy money-making" clique of contractors, traders and real estate, banking and construction magnates to a new financial/industrial oligarchy that would be prepared to absorb the high dose of monetary and fiscal discipline demanded of the Fund's programme.[39]

The implementation of the IMF policies would have resulted in serious government divestment from its holdings in public corporations to the disadvantage of the ruling class and its coalitions. Policy-wise, the IMF policies would have taken Nigeria back to the policies laid out by the Ironsi regime in 1966 that called for merit as a basis for appointments and reduction of public excesses through political appointments.

Indeed, SAP would have resulted in the establishment of a more open criteria for power transition through its political liberalization component. Economic reform and political liberalization would have ended the successive governments' manipulation of ethnicity for sustaining itself in power. The ruling current coalition is incapable of establishing a foundation for merit in Nigeria precisely because the government and the state apparatus it represents is non-hegemonic and lacks legitimacy in the eyes of the citizens. Further, since it is focused on representing its own interest, such a government does not negotiate in good faith, either with the international financial institutions or with the various domestic coalitions. Three examples will suffice.

First, Babangida's coming to power was to forestall the possibility of isolating the international community by the Buhari regime, which had opted to allow Nigerians to work out their problems by establishing a process of both continuing to make payments on Nigeria's matured debts without new borrowings and institutionalizing a procedure for discipline in public enterprises and in civil society. Buhari overthrew Shagari to prevent the implementation of the NPN presidential zoning policy that would have brought an Igbo or Yoruba person to power. His policies, however, which sought loans from non-western sources, raised the debt service ratio and used counter-trade strategies to restructure the economy in order to stabilize the economic crisis in Nigeria -- offended the ruling coalition, and resulted in his subsequent removal.[40]

Buhari was removed because the high debt service ratio and counter-trade strategies threatened the profits of the entrenched northern oligarchy, whose rent-seeking activities would have undermined its own power base through the government it controls. This illustrates that rather than general welfare seeking agents, policy makers driven by the goal of protecting their own power and wealth.[41]

Secondly, Babangida's Economic Diplomacy was simply rhetoric aimed for two audiences. The external audience applauded his budget speech in 1986, in which the president articulated policies that included acceptance of the IMF conditionalities and further integration of the Nigerian economy in the global market system. Perhaps what was unclear for western audiences is the constant use of free market and political reform as a strategy to secure debt rescheduling concessions, investments and western aid which could then be taken advantage of by the ruling coalition without actual implementation of the proposed policies.

To the national audience, Babangida's administration rejected the enthusiasm with which many Nigerians wanted to solve the economic crisis by internal efforts. While the business class and civil servants from different ethnic groups feared increased production costs and, therefore, lay-offs from their employment as a basis for rejecting the IMF conditionalities, a significant voice for rejection came from

> ... the urban, lower petit-bourgeoisie of traders, road side mechanics and road transport drivers. An excessive increase in prices and fares would undermine sales and

> expose the group to the wrath of the consumers (through riots) and government intervention. *They therefore rejected the loan and showed tremendous enthusiasm, more than any other group, to substitute the IMF loan with an internally generated loan. Market women raised the possibility of a structural adjustment levy among their members and road transport drivers actually announced a 50K levy per day on members as their contribution to the economic emergency fund* (my italics).[42]

For political and economic reasons, the Babangida administration could not have allowed ordinary Nigerians to dictate solutions to the economic crisis. Politically, most of the petit-bourgeoisies are of Igbo and Yoruba origins. Therefore, if they helped design solutions to the crisis, the result could be the establishment of an organized group with formidable political clout, and perhaps a chance to govern should the country return to a democratic system.

Economically, without rescheduling the loans, the government's access to foreign exchange, a major source of rent-seeking by the ruling coalition, could suddenly dry up with a possible threat to the leadership's capacity to hold on to power. Babangida had to present a solution that would satisfy the citizens without jeopardizing the power of the ruling coalition. When he assumed leadership of the country, Babangida had stated that one of the reasons for ousting Buhari from power was the excessive burden Buhari's policies placed on ordinary Nigerians.

Also, in responding to the rejection of the IMF conditionalities, Babangida's finance Minister, Chu Okongwu, argued that the relevance of the IMF and its role in monitoring the Nigerian economy was so central that rejecting the IMF loans must not be interpreted as a rejection of the IMF as an institution. Consequently, to please the external audience, former World Bank technocrats such as Kalu Idika Kalu and Olu Falae, who are known to favor deregulation of the economy and IMF conditionalities, were appointed to key financial institutions by Babangida. For the domestic audience, the president refocused most people's attention away from his acceptance of the IMF conditionalities without necessarily borrowing money (either from the institution or from wealthy Nigerians) to a policy of political liberalization with time-tables and institutions for returning the country to a democratically elected civilian government.

The foregoing decision did two things for the ruling coalition. First, although no new money was borrowed, the matured debts were rescheduled, giving the government a breathing space to work out its finances. Also, the decision was subsequently followed by the World Bank's support for Agricultural Development Projects (ADPs) in Nigeria.

As Lubeck and Watts observe, the acceptance of IMF-supervised SAP "... expanded the accumulating activity of a distinct stratum, if not a separate class, of farmer-traders who owned and farmed hundreds and sometimes thousands of hectares."[43] Instantly, many retired politicians and army officers became celebrity farmers with strong ties to the government and aristocratic families in the northern region of Nigeria.

The creation of a new accumulating class, composed of members of the existing coalition and some new members, expanded and further consolidated the power of the ruling coalition. In recent years, a significant proportion of agricultural products sold in the western and eastern regions of the country are products farmed in the northern region.[44] Currently, the traditionally agrarian eastern and western regions of the country are not only neglected in industrial projects locations and establishment of infrastructural facilities, they are also neglected in the location of new World Bank rural development projects.

It is necessary to point out once again, that the peasants in the northern region are as badly off as peasants in other regions. The only difference in the current structure is that a peasant in the north with money is more likely to buy food items at a lower cost than peasants in other regions, due largely to added transport costs in moving the items produced in the north to other regions.

Finally, after several postponements on the promised return to civil rule, the Babangida administration established two ideologically different political parties, financed the candidates and held a presidential election on June 12, 1993. Consistent with the counter-coup of July 1966 and the coup of December 1983, both transitional periods in which a non-northerner either ruled or had a good chance of ruling the country, the Babangida administration annulled the June 12 elections when Chief Moshood Abiola won the elections over its preferred candidate.

It is important to note here that the only time a military leader has handed over power to civilians in Nigeria was in 1979, after General Olusegun Obasanjo completed the tenure of Murtala Mohammed -- who was assassinated in an abortive coup in 1976. And, consistent with the Machiavellian politics by the northerners, Babangida hand-picked a Yoruba businessman, Ernest Shonekan (who until his appointment was the Chairman of the United African Company, a long time British concern in Nigeria) from the hometown of Chief Moshood Abiola to head the Interim Government (IG) pending new elections.

Further, since independence in 1960, the Nigerian Head of State has also always been designated the Commander-in-Chief of the Armed Forces; but not this time. Instead, General Sani Abacha, a close associate of Babangida, was designated Commander-in-Chief with all military decisions to be made and approved by him. This split in designations reflects the original intent of both the transition to civil rule and the appointment of an Interim Government aimed to ensure the continued dominance of the ruling coalition from the north.

With the above decisions, Ibrahim Babangida stepped down from power. And, as many close observers of Nigerian politics expected, General Sani Abacha forced Shonekan from power after eleven months. As several pro-democracy and human rights groups, labor unions, students and market women continued to protest the blatant power play, several individuals who were considered a threat to the status quo were arrested. Among those arrested was Chief Moshood Abiola, General Olusegun Obasanjo, Shehu Yaradua, Obasanjo's Chief-of-Staff during his tenure as president, and several prominent group leaders who have since been secretly tried and convicted of treason and other offenses.

The foregoing discussion illustrates the extent to which externally imposed state structures are inadequate for institutionalizing democracy and capitalist development in Nigeria. The Nigerian State is neither neutral in the allocation of scarce economic resources nor in the conflicts between the different coalitions, whose aim is to capture the state apparatus for individual and coalition accumulation of wealth.

Foreign and domestic economic policies have implications for winners and losers. And, quite frequently, the winners resort to force in order to hold on to power. The politics of economic development in Nigeria suggests that foreign economic policy is simultaneously domestic policy-designed to reward the powerful both on the national and international levels.

The resulting intricate relationships discussed here suggest that if domestic political conflicts remain unresolved, Nigeria will remain unable to transcend the constraints of the external environment. Therefore, understanding the failure of structural adjustment programs in Nigeria requires in-depth comprehension of who benefits from the policies, the nature of the internal social formations, how the citizens perceive the role of the state, and the extent to which the policy makers understand external and internal constraints on decision-making. Understanding the foregoing would greatly enhance scholars' capacity for theorizing about the less developed countries and their seeming inability to transcend underdevelopment.

Notes to Chapter Six

[1]Adebayo Olukoshi and Aminu Idris, "Europe 1992: What Implications for Nigeria's Economic Diplomacy," in *Nigerian Journal of International Affairs*, Vol. 17, No.2, (1991), p. 163.

[2]Ibid.

[3]See Chris Allen, "A Bibliographical guide to the study of the political economy of Africa," in Peter C. W. Gutkind and Immanuel Wallerstein, editors, *Political Economy of Contemporary Africa*. (Beverly Hills: Sage Publications, 1976), pp. 298-300.

[4]Mark W. Delancey, "Current studies in African international relations," *Africana Journal*, vol. 7, no. 3, (1976), p. 220.

[5]Timothy M. Shaw and Olajide Aluko, editors, *The Political Economy of African Foreign Policy: Comparative Analysis*. (New York: St. Martin's Press, 1984).

[6]Ibid., p. 8.

[7]See Olatunde J.C.B. Ojo, D. K. Orwa and C.M.B. Utete, *African International Relations*. (New York: Longman, 1985), pp. 14-15.

[8]Ibid. Realists emphasize the dominance of states and dependency emphasizes the role of class in the international system, both approaches are systemic and differ only on the factors that influence the behavior of either the state or class.

[9]African scholars largely use the orthodox concept to delineate the difference between scholars whose writing on Africa is largely influenced by western viewpoints, from those whose focus is on the dynamic imperatives of the African condition. As Richard Sklar has noted, most of the important studied political problems in Africa have not been specifically or generically African. The general tendency has been to impose western institutional, cultural and political categories on Africa. For example, African Marxists categorize realism and modernization as "orthodox" perspectives. My point here is that attention to specific African social formations helps explain development and underdevelopment in the continent.

[10]Toyin Falola and Julius O. Ihonvbere, "Domestic Economy and Foreign Policy," in Falola and Ihonvbere, editors, *Nigeria and the International Capitalist System*. (Boulder: Lynne Rienner for GSIS Monograph Series in World Affairs, 1988), pp: 2-3.

[11]Stephen Krasner, *Structural Conflict: The Third World Against Global Liberalism.* (Berkeley: University of California Press, 1985), p.39.

[12]Ibid., p. 41.

[13]Ibid., p. 39.

[14]Ibid., p. 269.

[15]Ibid., pp. 307-308.

[16]Peter Gourevitch, "The Second Image Reversed: the international sources of domestic politics," *International Organization*, 32, 4, (Autumn 1978), p. 884. For further arguments on the relationship between domestic politics and foreign economic policy, see Peter J. Katzenstein, editor, *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States.* (Madison: The University of Wisconsin Press, 1978). Peter Katzenstein, *Small States in World Markets: Industrial Policy in Europe.* (New York: Cornell University Press, 1985). Joan Edelman Spero, Fourth Edition, *The Politics of International Economic Relations.* (New York: St. Martin's Press, 1990). Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments.* (Princeton, New Jersey: Princeton University Press, 1989). Stephan Haggard and Robert R. Kaufman, editors, *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State.* (Princeton, New Jersey: Princeton University Press, 1992). Joanne Gowa, *Allies, Adversaries, and International Trade.* (Princeton, New Jersey: Princeton University Press, 1994). Robert Gilpin, US Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment. (New York: Basic Books, Inc., Publishers, 1975) and Albert O. Hirschman, *National Power and the Structure of Foreign Trade.* (Berkeley and Los Angeles: University of California Press, 1945).

[17]Joan Edelman Spero, *The Politics of International Economic Relations.* op. cit., pp. 7-8. For a similar argument see, Stephen Blank, "Britain: The Politics of Foreign Economic Policy, the Domestic Economy, and the Problem of Pluralistic Stagnation," in Peter J. Katzenstein, *Between Power and Plenty.* op. cit. pp.89-137.

[18]Robert W. Tucker, *The Inequality of Nations.* (New York: Basic Books, 1977), p. 68.

[19]Keohane and Nye argue that the extent to which a state is sensitive to economic interdependence can be measured by how effective the state can adjust to externally-induced policies. If the state can effectively adjust, which usually is a function of the availability of alternative sources of products, influence or

services, then such a state is sensitive but not vulnerable to the effect of interdependence. But, if a state cannot significantly adjust to externally-induced policies such as IMF and World Bank structural adjustment conditionalities, then the state is vulnerable to the politics of interdependence. For further discussion on this issue see Keohane and Nye, *Complex Interdependence*. op. cit., especially chapters 1-3.

[20]Scholars in this category include, Keohane and Nye, *Complex Interdependence*, Keohane's *After Hegemony*, Katzenstein's *Between Power and Plenty*, and *Small States in World Markets* and Krasner's *International Regimes*. op. cit.

[21]See G. John Ikenberry, David A. Lake, and Micheal Mastanduno, editors, *The State and American Foreign Economic Policy*. (Ithaca and London: Cornell University Press, 1988).

[22]See Miles Kahler, "Bargaining with the IMF: Two-Level Strategies and Developing Countries," in Peter B. Evans, Harold K. Jacobson and Robert D. Putnam, editors, *Double-Edged Diplomacy: International Bargaining and Domestic Politics*. (Berkeley: University of California Press, 1993), pp: 363-394.

[23]Ibid., p. 367.

[24]Ibid., p. 368.

[25]Robert Putnam, op. cit., p. 433.

[26]See Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," in Peter Evans, et. al. *Double-Edged Diplomacy*. op. cit.

[27]See Stokely Carmichael and Charles V. Hamilton. *Black Power: The Politics of Liberation in America*. (New York: Random House, 1967), p. 75. Also, Paula D. McClain and Joseph Stewart Jr. *"Can We All Get Along?": Racial and Ethnic Minorities in American Politics*. (Boulder and New York: Westview Press and Harper Collins Publishers, 1995), p. 127.

[28]Robert Putnam's "Two-Level Games" metaphor is relevant for understanding the argument here. Both the LDCs and the industrialized countries play at two tables -- the national and the international tables. And, as previously argued, the industrialized democratic countries may seem weak at the domestic level due primarily to coalition politics or the leaderships' need for re-election, but remain strong at the international level in contrast to the LDCs who are strong at the domestic level and weak externally. Describing the domestic structure and coalition helps understanding of the impact of the northern oligarchy and the military in foreign economic policy in Nigeria.

[29]See Putnam, op. cit., p. 436.

[30]Ibid.

[31]See IMF, *Articles of Agreement*, (Washington, D.C., 1985), pp: 2-3).

[32]See Washington Report on Africa, Vol. XIII, No. 13, (July 15, 1995), pp: 5-8. The address which Camdessus delivered at the Society for International Development in Washington on December 14, 1995, is a fleshed out position on what Africa needs to do to avoid further marginalization in the global community of the 21st century. See "Africa: Adjustment Through Cross-Fertilization," in *IMF Survey*, (January 8, 1996), pp: 21-24. Some of the suggestions by Camdessus such as the need for regional economic integration in Africa, social expenditure that encourage female education, improvement in public infrastructures and prevention of corruption reflect serious rhetoric that casts the IMF as encouraging "adjustment with human face." Indeed, the inherent fallacy of composition in the wave of regional economic blocs and its expectation to lead to sustainable development in Africa is based on a faulty logic derived from the neoclassical economic theory which states that free market will lead to economic growth which in turn will create winners and losers, and the winners will form a domestic coalition composed primarily of a middle class capable of defending their economic gains within a democratic system of government that will ensure further growth in the economy and increased defense of property rights. As will be shown below, the economic and political logics in Nigeria do not quite follow the above logic.

[33]Both Major-General Aguiyi Ironsi and General Olusegun Obasanjo became Heads of States as the most senior Military Officers after foiled coups by junior officers.

[34]See James O. Ojiako, *13 Years of Military Rule: 1966-79*. (Lagos, Nigeria: Daily Times of Nigeria, Ltd., 1979), p. 1.

[35]Ibid., p. 3.

[36]Ibid., p. 33.

[37]Ibid., pp. 22-23.

[38]Ibid., p. 33.

[39]Yusuf Bangura, "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Programme," in H.V. Havnenik, editor, *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives*. (Uppsala: Scandinavian Institute of African Studies, 1987), p. 101.

[40]Ibid., p. 103. Buhari has since been reappointed by the Abacha regime as Chairman of the powerful Petroleum Trust Fund.

[41]The hanging of Ken Sara-Wiwo is another illustration of the extent to which the ruling coalition is willing to go in defense of its power base, the status quo and its dominance of state machineries in Nigeria. It is not a coincidence that days after the hanging of the Ogoni Nine, Shell announced a "$3.6 billion project for liquified natural gas...," and defiantly carries on its operations in the delta region of the country. See "Nigeria Foaming," *The Economist,* (November 18th, 1995), p. 15-16.

[42]Yusuf Bangura, p. 107.

[43]See Lubeck and Watts, "An Alliance of Oil and Maize?", op. cit., p. 219.

[44]Observation by author during 1995 travel in Nigeria.

Chapter Seven

Conclusion:
Lessons for Nigerian Policy - Toward an effective economic Strategy

Understanding the existing structure of the international system and the policy positions of the dominant economic powers is a necessary but not sufficient condition, for transcending the system's constraints on the less developed countries. The leeway a small state has in the international system is largely dictated by its geographic location, and the degree to which its government officials accept ideologically constructed free market rhetoric as a basis for economic development.

However, the principle of self-help suggests that states must depend on themselves for survival, choosing when and how to participate in the international political and economic system. In the absence of a world government, Nigeria is solely responsible for advancing its national interests as defined by its own government.

The extent to which Nigeria's interests are achieved at home and abroad, then is relative to the power of other states in the international system, and the type of constraints and opportunities that international regimes provide. Whereas, anarchy ensures that, the dominant powers in the international system will establish international regimes that reflect their national interests, the less powerful states may choose whether to participate in such regimes or not. Exploiting available opportunities will depend on the interests of elites, as well as in their competence to rationally calculate means to ends.

For example, if rational calculation led the Babangida Administration to its policy of Economic Diplomacy as a framework for economic development in Nigeria, then the government's provision of basic economic infrastructures such as roads, protection of property rights, stable supply of electricity--for private and industrial needs, safety and security for all citizens, and a stable currency within the framework of "free market" as established in the policy, should result in a concerted effort by the government to utilize its human and natural resources in pursuance of the policy goals. However, if the government fails adequately to galvanize its domestic resources, its ability to mitigate the effects of international constraints, or take advantage of international opportunities will be seriously reduced.

Similarly, if government officials understand the principle of self-help, foreign economic policies will tend to reflect the reality that states are largely concerned with their national advantages rather than some nebulous global or continental welfare. As Kenneth Waltz and Joseph Grieco have demonstrated, states are not only concerned with their own absolute gains, but with their relative gains or losses.[1]

Therefore, in pursuing its foreign economic policy, the Nigerian government has to be sensitive to how other states perceive the success or failure of economic diplomacy relative to Nigeria's position in the international system.

In addition, since economic diplomacy is inherently anchored in trade relations with other states, and gains from trade can be used to enhance a state's military power and political influence, major states will monitor the extent to which their interests are protected by the existing international policies, norms and rules.

As Krasner has demonstrated, countries whose power led to the establishment of the existing international regimes will tend to work to protect the existing regimes, in contrast to the less developed countries, whose collective policies will tend to aim at changing or restructuring the existing rules to their advantage.[2] The advanced countries will seek strategies for maintaining their dominance of the international economic and political system, while the LDCs will try to reduce their marginalization in the international divisions of labor and power.

In this regard, the more strategic the location of an LDC to the interests of a major power relative to its competition, the more likely the LDC will have unrestricted access to the markets of the major power, resulting in relative economic development in the LDC (e.g., the case of the Asian NICs). However, such development can only occur with the concerted efforts of the citizens and a government, whose officials make policies that reflect an understanding of its decision-making milieu.

Invariably, such policies will be sensitive to the mechanisms of existing international regimes and strategies in ways that will be advantageous to the nation and its citizens. In contrast, the great distance of some LDCs from the strategic interests of the major powers will tend to result in some level of inaccessibility to their markets, with serious implications for economic development (e.g., the case of Sub-Saharan African countries).

First, even if Sub-Saharan African countries should provide propitious economic and political contexts for investment,[3] there are no guarantees that multinational corporations will invest and eventually provide the necessary technology and capital for development.

Secondly, the assumption that capital will select any favorable environment presupposes the existence and practice of a free market economy with no government intervention. Such assumptions account for neither the role of politics in international economic relations nor how domestic level government policies result in gains and losses to firms, individuals and coalitions, as has been demonstrated in this work.

The classical liberal assumption that states in international trade are better off than in protectionism, or autarchy, is also inadequate in practice. This is mainly because economic liberals tend to ignore the political dimensions of the international economic structure, in which the positions of states create constraints and opportunities on the bases of relative political and military power.

In assuming that imports and exports strategies can be harmonized in ways that benefit all states, free market liberals ignore the reality that foreign economic decisions within a capitalist contextual framework are inherently hostile to freedom. This is especially true with regards to the political freedom necessary for the survival of capitalism in a world system characterized by anarchy. According to Robert Heilbroner:

> The normal relation of capital to state power is therefore pragmatic, gladly accepting the use of military, bureaucratic, legislative, or other state interventions when they favor accumulation, resisting them when they do not. To put it differently, capitalists have no interests as *capitalists* in promoting the cause of freedom. They are indeed more likely to have opposed interests, insofar as freedom may create subversive attitudes toward the regime of capital....[4]

Consequently, foreign economic relations are inherently high foreign policy writ large.[5] As Callaghy argues, foreign economic relations are political by nature, impinging on such political and central issues as sovereignty, political and social order, development and class formation, all of which are not neutral in their effects on foreign economic policies. Thus, foreign economic relations have "very powerful domestic roots and consequences."[6]

For Nigeria, the influence of the northern oligarchy -- in alliance with the army generals -- on foreign economic policies, has been demonstrated in chapter six. Katzenstein, Krasner, Cooper, Mastanduno, Gilpin, Gourevitch, Rogowski, among others, have demonstrated the extent to which domestic economic interests impact foreign economic policies in the industrialized countries. Their findings are consistent with both mercantilist and classical liberal prescriptions and practices.

States' use of their powers in the process of gold accumulation in the mercantilist era, demonstrates the extent of political impact on economic accumulation. In contrast, and as demonstrated in chapter one, liberals advocate non-government intervention in the market. However, Adam Smith, the father of free market economy, did recognize the need for protecting "infant industries" against the impact of foreign competition. Furthermore,

> politicians and political economists have articulated important rationales for protection based on the "public interest." Jean Baptiste Colbert's mercantilism, Alexander Hamilton's "infant industry" argument, the German historical school, and MITI technocrats in Japan all maintain that protection is in the national interest at certain stages in a country's economic development."[7]

As Krasner has argued, other states have to abide by the values and interests of international regime norms established by powerful states. Invariably, such values and interests primarily reflect the needs and objectives of the major states.

The IMF-supervised structural adjustment programs in the LDCs, then mostly reflect the economic interests of the United States, and other industrialized countries. As a result, there is no inherent logic of development in the structural adjustment programs for the LDCs. In the case of Nigeria, whereas the theoretical significance of SAP would suggest an enhanced capacity for it to develop within the framework of capitalism, neither the IMF nor its member coalitions deny the reality that SAP is also intended to ensure that Nigeria and other LDCs continue to repay their debts to the industrialized countries.

By requiring political reform as a condition for debt rescheduling, the end result of SAP seeks to: (a) ensure the dependence of the political dimension of the LDCs on the industrialized democratic countries and, (b) lead to complete integration of the LDCs in the global market economy. The foregoing conclusion is evidenced by the fact that "... 80 percent of Africa's debt is government or government-guaranteed medium and long-term debt and thus is rescheduled by Western governments through the Paris Club, not by the private banks as is the case in Latin America."[8] As Peter Katzenstein has argued, the "... main purpose of all strategies of foreign economic policy is to make domestic politics compatible with the international political economy."[9]

Contextually, the LDCs are encouraged to (a) open their markets, (b) liberalize their political systems, to encourage protection for property rights and (c) eschew economic nationalism. The policies and strategies of international institutions like the IMF, have been to "aid" the LDCs in servicing their external debts without regard to the domestic consequences of such policies on vulnerable citizens. For example, while Africa paid approximately $449 million in debt service in 1970 to the western banks and government institutions, its debt service skyrocketed to $7.4 billion by 1984 -- a sixteen-fold increase.[10] Predictably, the overall economic growth in the continent stagnated with severe consequences for retrenched workers, and reduced or completely neglected public services.

Indeed, the foregoing payments on principles and interests are possible only as a result of the IMF-supervised structural adjustment programs, which ties the percentage payments to the exports of goods and services of adjusting countries. In the case of Zaire, for example, Callaghy reports that the IFIs, supported by western governments, took more extreme measures such as placing an expatriate team "... directly in management positions in the Bank of Zaire, the Office of Debt Management, the finance and planning ministries, and the customs office."[11]

For Nigeria, in an attempt to bypass the IMF's and the World Bank's financial constraints on Nigeria, President Buhari applied to Saudi Arabia for loans to enable Nigeria to pay its debts without subjecting the Nigerian economy to IMF conditionalities, but, "[t]he IMF, acting through the US, blocked the loan application to Saudi Arabia; and stalled the negotiations with the creditors, thus putting considerable pressure on the economy."[12]

From mercantilists' to contemporary neoclassical viewpoints on the relationship between politics and economics, the government continues to play a significant and compelling role, largely because economic policies can not be made in a vacuum. As demonstrated in this work, economic policies are not made by general welfare-seeking agents; rather, the linkages between foreign economic policies and domestic politics show quite clearly that the gains from economic policies benefit those groups whose interests tend to dominate the political arena.

In contrast, individuals and groups consistently lose when they either lack mechanisms for effective organization and articulation of their interests, or are simply marginalized by those who, possessing such mechanisms, are able to determine the rules and shape the parameters of action to consolidate their political and economic powers.

Within the international political economic system, the liberal assumption that a free market economy benefits its participants (even unequally) is contradicted by the consistent intervention in the economy by various governments, especially when the national or specific interest of a given coalition is threatened. The contradiction is largely the result of the apolitical analyses inherent in the liberal assumption that the political arena can be separated from its economic counterpart.

Marxists are substantially correct in their claim that the economic substructure determines the political superstructure. Understanding the politics of economic development requires an articulation of the mode of production, and identifying those that benefit from the existing system. The relevance of this approach is evidenced in the fact that the political superstructure is a function of the mode of production which, in the current international system, is characterized by the competition between industrialized countries, and between them and the underdeveloped countries.

To the extent that the logic of analysis within the dependency approach is based on Marxist theory, however its relevance for understanding the politics of economic development ignores the dynamic nature of power arrangements within and between nations. For Nigeria, in addition to becoming conversant with the external dynamics affecting its foreign economic environment, it becomes important to understand its political economy, in a manner that has relevance to the ruling coalition's mechanisms for power consolidation, independent of external influences in domestic and foreign economic policies.

By focusing explanations at the systemic level, both the liberal and dependency approaches tend to ignore the reality that foreign economic policies in the LDCs in general and, in Nigeria in particular, are rooted in domestic politics. As Katzenstein has argued, the aim of all foreign economic policies is to make domestic economic policies compatible with the external environment, whose impact will largely determine the success or failure of such domestic policies. According to Alexander Gerschenkron, industrialization and economic development for backward countries in an environment where some countries are already industrialized and developed, require that the state uses its political power to ensure protection for the infant industries and protect the domestic economy against foreign competition--realities earlier articulated and prescribed by Adam Smith, Alexander Hamilton and Jacob Viner among others.

For Nigeria, this work has demonstrated that the state, one of several legacies of colonialism, is a non-hegemonic entity -- unlike its western counterpart. Thus, it does not enjoy either abstract or real stature, lacks the capacity to effectively shape and implement domestic and external policies, and remains unable to promote cohesion and unity among its constituent parts. As shown in chapter six, Nigerian politicians and military generals tend to work within a framework that regards the state as a prize to be won for personal gain.

Thus, the problem with Nigeria is not the absence of capitalism (instead there may be too much of it); rather, capitalism with its inherently anti-political freedom dynamics, especially freedom of the state to constrain capitalist methods of accumulation, has found a fertile ground in Nigeria, largely because the state is weak and incapable of protecting its own interests against international capitalism. From this viewpoint, the hanging of Ken Sara-Wiwo in 1995, which continues to draw significant international condemnation, demonstrates the weakness of the Nigerian state against the major powers and relevant multinational corporations such as Shell BP. But, as the history of political economy in Nigeria demonstrates, the weakness of the state in its external relations does not affect the willingness of the elites to use force against internal critics of the government.

The Nigerian civil war resulted in the internal rearrangement of power within the military establishment, and brought to the forefront a ruling class made up of a coalition of the northern oligarchy in alliance with army generals, whose continued disregard for the peasants, political and human rights, demonstrate their general lack of commitment to economic development in Nigeria.

Whether the issue has been the Nigerian civil war, the various coups and counter-coups, or the religious riots and demonstrations that have claimed the lives of millions of Nigerians, there has been a noticeable absence of international mobilization against the repressive regimes in Nigeria. The exception of the Sara-Wiwo incident, may have to do with the fact that western governments and institutions felt slighted by the Abacha regime's disregard to their threats and pleas for clemency.

However, this work has shown that rather than interpret the Nigerian government's action in international terms, it seems more plausible to conclude that the make up of the ruling coalition does not command the respect of the ordinary citizens, cannot function as a legitimate state apparatus and cannot promote unity in Nigeria. Rather, it encourages rule by threats and physical violence against the citizens.

On the domestic economic level, the location of industries based on political rather than economic logic continues to foster Nigeria's underdevelopment by the ruling class through its blatant corruption and abuse of state powers. As a former governor of Kaduna state, himself a member of the ruling alliance from the north, observed in 1982,

> Instead of a *democracy* in which you have in operation, government for the people, by the people, and of the people, you have a *contractocracy* in which government is for contractors, by contractors and of contractors. Politics is being reduced to a fight between one gang of greedy tycoons, each backed by their foreign business masters and others: and each waving some tribal or sectional banner to confuse and divide our people.[13]

By manipulating ethnic, religious and sectional sensitivities, the ruling coalition is able to articulate its specific interests mostly in terms of embezzlement of public funds, rather than the extent to which such funds can be reinvested to further the coalition's accumulation, or, better still, for national economic development.

Given its mostly self serving agenda, a general lack of interest in the general welfare or national economic development, the ruling coalition has been unable to ask very fundamental questions, such as: What is the nature of the production that Nigeria is investing in? What exactly is Nigeria producing? To what extent are the projects viable, and how can the contractors' and products' efficiency and relevance for Nigeria be evaluated?

In light of the foregoing, the Economic Diplomacy of the Babangida administration was destined to fail as it could not be effectively implemented by a weak state, whose economic policies are sensitive and vulnerable to external market fluctuations. This vulnerability was amplified by the state's failure to address the internal economic policies that neglected agricultural production performed by the majority of Nigerian citizens before the civil war. Since foreign economic policies in Nigeria largely reflect the interests of the ruling class, then, how the government succeeds or fails to provide the necessary incentives for economic growth would not concern realists.

Realists would be concerned, however, to the extent that Nigeria attempts to use force beyond its borders, because of the possibility that such action could lead to interstate conflicts and insecurity in the region. However, as shown in chapters two and three, the imposed Nigerian state is also weak relative to states outside its borders.

Therefore, major powers, international financial institutions, and the western based multinational corporations will continue to be sources of constraints on a weak state' foreign economic policy, as has been demonstrated in the case for Nigeria. For Nigeria, economic diplomacy could become a realistic strategy for conducting foreign economic relations only when its human resources and raw materials are unified in coherent efforts at economic development and industrialization. Nigeria's economic development will take off when competence, rather than ethnic factors are used as criteria for employment and location of industries.

The development of Nigeria therefore has to be premised on the idea, that the state is a public institution without obvious bias against any class, social group or ethnic region, and, consequently, government employment has to be seen as *public service*, rather than private or regional property.

Finally, foreign economic policies in Nigeria have to be based on the understanding that international capitalism can effectively serve Nigeria when government policies are based on viable projects. In alliance with international capitalism, technocrats, relevant domestic groups (such as market women), businesses and political elites can then provide opportunities for economic development in Nigeria.

To accomplish the foregoing, further research and analyses in the role of women, language and technology in economic development are essential and urgent. Useful questions for further research include: What roles did *women* play in the pre-colonial social formation in various regions of Nigeria? To what extent can Nigeria develop without effectively incorporating the largest of its population groups? Given the pre-colonial economic accomplishments of women in Ghana, Nigeria and elsewhere, what strategies are necessary for women's re-incorporation into public policies and service, especially in commerce and mediation, where women have excelled in the past?

Essential to all cultural discourses, *language* defines the parameters of both political and economic relations, remaining central to the promotion and unification of diverse and discrete groups. Identifying and naming all the people as well as their positions within a culture, it defines the core relations, and is central to political and economic development. To what extent will Nigeria develop without harmonizing the various languages in the country? Regarding the necessity for a careful evaluation of the language question, one of the central issues following the 1959 elections and the decision to explore the applicability, in Nigeria, of the American presidential system in 1979, is the direct consequence of the use of the concept of *opposition party* to the social formation of the Yorubas, in the western part of Nigeria. The opposition party in the Westminster system of government is essentially a shadow government--euphemistically referred to as a *Loyal Opposition,* that has to conduct itself as a clear and positive alternative to the party in power. In most

African languages, the notion of opposition mostly means and implies antagonism, disagreement and conflict. In the political arena therefore, the concept of opposition party began to mean opposition to everything the ruling party stands for to a point of conflict. In a nutshell, an opposition is synonymous to an enemy party, whose consequences in Nigeria has been well documented.

If it is not possible to use an African language as a *lingua franca*, what strategies can help Nigeria overcome the conflict inherent in its different languages? What was needed in the above example was an interpretation of the Westminster system itself such that similar concepts from Yoruba political traditions, if they existed, would become evident and usable.

Finally, important to the foreign economic policies and economic development issues in Nigeria is the question of *technology*. What is the relationship entrepreneurship and technology? Which of the concepts is more relevant to Nigeria? What type of technology does Nigeria need? To what extent can a country develop with imported technology? Suffice it to conclude that, no country has developed without autochthonous science and technology programs tailored to the nation's needs and without external dependence.

Theoretically, not only is realism relevant for understanding major power's foreign policies, it is also illuminating in understanding the nature of domestic politics in a less developed multiethnic state such as Nigeria. Similarly, liberal internationalism is relevant for studying the foreign economic policies of hegemonic liberal states. But, without a discussion of politics, liberal internationalism does not offer much insight into whether LDCs can transcend the effects of international capitalism, especially in their relationship with multinational corporations, and international institutions, established and maintained by the advanced industrialized states.

Likewise, beyond identifying the historical roots of underdevelopment and the effects of international capitalism on the LDCs, dependency theory is inadequate by itself for explaining the extent to which the LDCs can or cannot transcend the constraints of international capitalism. Dependency's suggestion of autarchy is simply not practical in the contemporary international system. Therefore, to enhance our understanding of the complex relationships between domestic politics and international policies in Nigeria and other less developed multiethnic countries, it is necessary to develop a theory that (a) straddles the national and international level of analysis, (b) examines the social formations, ethnic and class factors combined to examine the interaction of politics and economics and, (c) delineates a process of reconciliation among winners and losers.

Such a project would require a clear description of internal power arrangements, and the processes of power transition in the relevant country. Significant to the investigation would be the exploration of the extent to which both hegemonic and non-hegemonic states succeed in promoting economic development despite the constraints of the international political and economic system. Stephen Krasner's Modified Structural Realism joined with Peter Gourevitch's "second image reversed" provides such a framework and seems to best account for politics of economic development in Nigeria, and might well help explain the policies of other less developed countries. The relevance of modified structural realism[14] is briefly presented.

Modified Structural Realism - A Hybrid Theory for explaining politics of economic development in the Third World

This work shares the realist view that states remain the main actors in the international system. Assumptions of structural realism in this work is that the capabilities of each state is actually a function of domestic political factors which affect strategies of economic development and foreign policies. Also, in contrast to conventional structural realists' claim that the domestic and external levels of analyses are separate, I contend that for peripheral states such as Nigeria, domestic policies such as taxation[15] become, *ipso facto,* foreign policy decisions that impact upon other countries' policies on foreign aid, investment and debt refinancing for the peripheral state.

By straddling the two levels of analyses, this study has sought a common ground for unifying the domestic and external explanations of structural realism and dependency, through an in-depth examination of the extent of Nigeria's freedom in designing her foreign policies and strategies for internal economic development. Also, by supplementing the approach of structural realism, I hope to expand the explanatory boundaries of the realist framework to include the impact of domestic politics and relevant social forces, that will enable better understanding of the foreign policies and strategies for economic development in the developing countries. This framework is necessary because the definition of power in this case is based on the position and interest of any given state in the international states' system and the fact that the system itself is centered around the idea of states as relevant actors within the environment of anarchy and their central function of the pursuit of power.

Under these conditions, the states' minimum motivation is the need to survive; at most, each states' need is to strive to dominate other states within the system. Thus, the capacity of each state defines both its realm of interests and the strategies for the attainment of those interests. In addition, given that states are agents of society whose functions sometimes are in congruence with domestic pressures -- as evidenced in ethnic or coalition patterns, the framework suggested by this study provides avenues for a better explanation for the success of some and the failure of other states. The framework also is helpful for understanding why some states may not be able to meet the Realists' criteria of primary attention to power politics, but instead focus on economic development - i.e., the case of the Newly Industrialized Countries -- an explanation that the Dependency theoretical framework inadequately articulates.

Notes to Chapter Seven

[1] See Kenneth N. Waltz, *Theory of International Relations.* (Reading, Mass.: Addison-Wesley, 1979); and Joseph M. Grieco, *Cooperation among Nations: Europe, America, and Non-Tariff Barriers to Trade.* (Ithaca & London: Cornell University Press, 1990).

[2]Stephen D. Krasner, *Structural Conflict: The Third World Against Global Liberalism.* (Berkeley & London: University of California Press, 1985).

[3]For a counter argument, see Thomas M. Callaghy, "Africa and the World Economy: Caught Between a Rock and a Hard Place," in John W. Harbeson and Donald Rothchild, editors, *Africa in World Politics.* (Boulder: Westview Press, 1991), p.40.

[4]Robert L. Heilbroner, *The Nature and Logic of Capitalism.* (New York: W. W. Norton & Company, 1985), pp: 127-128

[5]See Thomas M. Callaghy, "Between Scylla and Charybdis: The Foreign Economic Relations of Sub-Saharan African States," *The Annals of the American Political and Social Science,* Vol. 489, (January, 1987), p. 149.

[6]Ibid.

[7]See David A. Lake, *Power, Protection, and Free Trade: International Sources of U.S. Commercial Strategy, 1887-1939.* (Ithaca & London: Cornell University Press, 1988), p.20.

[8]Thomas Callaghy, op. cit., p. 43.

[9]Peter J. Katzenstein, *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States.* (Madison, Wisconsin: The University of Wisconsin Press, 1978), p. 4.

[10]Thomas M. Callaghy, op. cit., p. 153.

[11]Ibid., p. 152. Callaghy states that with an average payment of 31.1 percent of export earnings to the IFIs, African countries have the highest debt service ratios in the world. For example, Nigeria's debt service ratio stood at 36.2% from 1986-1987, 48.6% for 1986-90 and 38.9% for 1991. We must note that the data for Nigeria coincides with the same year (1986) that the Babangida administration launched its economic diplomacy as a strategy for economic development and industrialization in Nigeria.

[12]See Yusuf Bangura, "IMF/World Bank Conditionality and Nigeria's Structural Adjustment Programme," in H.V. Havnenik, editor, *The IMF and the World Bank in Africa: Conditionality, Impact and Alternatives*. (Uppsala: Scandinavian Institute of African Studies, 1987), p.104. Indeed the high debt service ratio of 44% of export earnings announced by the government, failed to satisfy the IMF and the World Bank, and the western governments backed Paris Club who insisted on SAP before any agreement could be reached between Nigeria and the IFIs.

[13]Cited in Yusufu Bala Usman, "Middlemen, Consultants, Contractors and the solutions to the current Economic Crisis," *Studies in Politics and Society: Journal of the Nigerian Political Science Association*, Issue No. 2 (October, 1984), p.23.

[14]"Modified Structural Realism" to the best of my knowledge was first coined by Stephen Krasner in his book *Structural Conflict: The Third World Against Global Liberalism.* Berkeley: University of California Press, 1985. Krasner uses the term to move beyond conventional realists' view of regimes as epiphenomenal. He acknowledges that political power is important for creating international regimes, but argues that once created, regimes not only can assume a life of their own but could indeed be altered by new members, such as the failed attempt by the Third World to alter the international economic system through their call for a New International Economic Order in 1977. I use Modified Structural Realism in my work because the term allows me to bridge the gap between external and internal sources of foreign policy in the direction suggested by Peter Gourevitch in his "second image reversed," op. cit. In this respect, international politics is assumed to be both a consequence and a cause of domestic politics, especially for African countries whose colonial and post-colonial political and economic structures respond to the vicissitudes of the international political and economic systems.

[15]Although, taxation policies do affect small and big powers (for example, England's high tax rate pre-Thatcher) which was largely used to pay for the welfare state, which as a consequence affected the movement of capital out of Britain until the Thatcher government reversed the policy, my contention here is that less developed states like Nigeria have even fewer options, and more constraints from the international system, that domestic policies such as taxation will be even more constraining if external actors, investors, etc., object to such a policy.

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