Article

Economic Diplomacy and Foreign Direct Investment in Nigeria.

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Introduction

The de-ideologization of international relations following the disintegration of the Soviet Union and the seeming collapse of the socialist bloc has ushered in accelerated economic globalization. This process was initiated at the end of World War II with the creation of international economic institutions against Mercantilism. Hence, Aina remarked that "as a consequence, growing interdependence prevalent in the West since the 70's and 80's immediately spread across the globe and the capitalist rules came to dominate international economy changing alongside, the political face of the world" (Aina, 2006:2).
States with weak economies in the present world order are trapped from growing unless they adapt fast to the new rules of the global regime. This new rule requires a refocusing of foreign policy priorities to economic issues targeted at internal development stratagem. In this process, Nigeria is not left out in the transformation of her foreign policy thrust largely, to economic diplomacy. A country's foreign policy guides and shapes the behaviour of that country in international arena. According to Roseneau (1976), foreign policy may be "aggressive or submissive, long-range or short-range, economic or diplomatic". Similarly, Asobie (1991:35) notes that "while foreign policy is the substantive aspect of external relations, diplomacy is the procedural aspect". It is thus "the process of putting into effect foreign policies of nation states" (Petrovsky, 1998).

By Diplomacy, we refer to "the management of international relations by negotiation, the method by which these relations are adjusted by ambassadors and envoys the business or art of the diplomats" (Nicolson, 1950:15; Asobie,2002:47; Okodolor,2007:l). The process of negotiation leads to compromise as a means of solving political and economic problems in the international arena. Hence, Okolie (2008:1) maintains that diplomacy is the art of making compromises in international political matters that promote rather than jeopardize the basic interest of a nation. According to Asobie, it is the process of bargaining among states in order to narrow arrears of disagreement reached. He further remarks that economic diplomacy may be defined in one of three ways:

> *(a) as the management of international relations in such a manner as to place an ascent on the economic dimension of a country's external relations. Thus, he noted that economic diplomacy is the conduct of foreign policy in such a manner as to give topmost priority to the economic*

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> *objectives of a nation, (b) economic diplomacy as the appreciation of economic instruments in negotiation and bargaining with other countries. (c)...as a set of strategies and tactics formulated and applied for the achievement of a fundamental restructuring of the existing international order (Asobie, 1991:47- 48).*

This definition attests to the fact that at the base of economic diplomacy is the pursuit of foreign policy and the development principles through predominantly economic precepts (Okolie, 2008). Economic diplomacy, therefore, reinforces the effective implementation of economic reforms of national economic empowerment and development strategy. Hence, Nigeria's foreign policy since independence has experienced about five major shifts, which under Abubakar Tafawa Balewa (1960-66) has been characterized as pragmatic. In his words "so far as is possible, the policy for each occasion will be selected with a proper independent objectivity in Nigeria's national interest" (Abubakar, 1960:3).
This is in sharp contrast with the militant radical orientation of General Yakubu Gowon's regime (1966-1975) and the dynamic, radical, nationalistic and even revolutionary reformist posture of General Murtala Muhammed/Obasanjo regime of (1976-1979), Fawole, 2003; Garba, 1979). The withdrawal of the military in politics in 1979 following the election of Alhaji Shehu Shagari as president of the Federal Republic of Nigeria induced the fourth shift which in the perception of the initiator was characterized in Afro centric" terms. In his foreign policy thrust. President Shehu Shagari on March 18, 1980 decried that Africa remains the corner-stone of Nigeria's foreign policy. According to him:

> *My administration is committed to the cause of the total liberation of Africa and the abolition of racism in all its ramification. We shall neither relax nor relent until all Africans and all black men are free… we want a new world, where no man and no nation is oppressed, where men as well as nations are judged by the content and quality f their human resources rather than military or economic powers (Shagari, 1980:5)*

Since Shagari's ouster and the subsequent military regimes of Buhari/Idiagbon and General Ibrahim Babaginda), there has been an oscillation from an assertive nationalist posture (Buhari/Idiagbon) to a retreat from Afro-centrism or continentalism to a personalized, tightly controlled sub-regionialist posture that relies on interventionism and activist foreign policy that divert attention from the strains and stresses of the economy, society and polity. This continentalism has remained a feature of Nigeria's foreign policy since General Sani Abacha supplanted the Interim National Government of Ernest Shonekan in a palace coup d'etat in 1993. Although, economic diplomacy was popularized under the regime of Ibrahim Babaginda, the fifth shift seems to have emerged with the administration of General Abudusalami Abubakar. In his address at the annual patrons dinner of Nigerian Institute of International Affairs held on December 12,1998, he noted as follows:

> *This administration accepts the proposition that a sound economy is the bedrock of a strong and proactive foreign policy by any country. And for us, as nation at the cross roads of history the condition of our national economy will have a decisive impact not only on the sustenance of our*

democratic transition after 29 May, 1999, but also in our role in world affairs (Abubakar, 198:3).

The above policy thrust underscores the primacy of economic issues over security matters in this era of global economic liberalization. Hence, emphasis shifted to adapting to the new competitive rules of the game. Despite at! odds, Nigeria, attempts to survive and prosper economically by adjusting in line with the dictates of the new global regime rooted in capitalist hegemony. In this process, the role of economic diplomacy as a tool for promotion of national interest gained primacy within foreign policy strategies. This informed economic diplomacy that featured in Olusegun Obasanjo's regime. In this study, we analyzed economic diplomacy of national economic empowerment and development strategy of the regime with emphasis on foreign direct investment. However, the nexus between foreign policy and economic diplomacy will form our point of departure.

Theoretical Compass of Analysis

In the midst of a variety of tools used in explaining the conduct of Nigeria's foreign policy, we adopted some basic propositions emanating from theory of Social Production and Reproduction despite the fact that "attempts by scholars and practitioners to evolve universally applicable theoretical framework in the explanation of global issues has always ended in contradictory intellectual nullity and barefoot prognosis (Okolie 2007:146). Hence, Asobie (1990:3-52) unfolds the "competing paradigm and theoretical tradition" existing in the literature on Nigeria's foreign policy and identified the realist paradigm, the behavioural approach and the Marxist political economy as the dominant paradigmatic orientations in the study and analyses of foreign policy.

Above arguments notwithstanding, theory of social production and reproduction forms the plank of our analysis. Social production is akin to Marxist political economy paradigm which started with Karl Marx (1818-1883) and Fredrick Engels (1820-1895). The Marxist sees political economy as a comprehensive social science of change from the profit and exploitative capitalist class to a humane, social and public property system. Classical Marxian political economy analysis conceives political economy in terms of the laws governing the social relations that evolve between people in the process of production, distribution, exchange and consumption of the material benefits in human society at various stages of its development (see Marx and Engels 1975; Nikitin 1983; Buzuev and Gorodov 1987).

According to Ogban, the dynamics of social production posists among others that:

- The fundamental concern of human beings, and perhaps of other living things, is survival and security.
- And that for the human being to survive and have security he/she must produce and reproduce human needs, including the production and reproduction of human kind. It is also accepted as self- evident that managerial production and reproduction of human needs is essentially so (interpersonal relation), not individual.
- In every social production and reproduction system, there must be someone or people to make binding decision on what is produced, distributed, exchanged, and or consumed by who and for who.
- Those who decide, choose what to produce, when, how, where, by who and for who, also control the social production process and in their favour. Those who do not decide/choose what to produce are generally at the receiving end of the social production system. They generally have

the least of what is produced and they are often not satisfied and usually want to change the system in their own favour.

- Each human being/nation/union endeavours/struggles to attain and remain/maintain a favourable position in the social production process so that his needs/interest can be met and protected.
- Those whose survival, security and interest are satisfied in their social production and reproduction relationship tend to defend, consolidate such relationship and want it to continue while those who perceive their marginalization tend to oppose it (Ogban , 2005:15-18).

This theory X-rays economic relations among states and the international conditions of production including international division of labour, international exchange, the world market and crisis. Hence, the reform package cr" new economic empowerment and development strategy was complemented by adjustment in international behaviour/relations of Nigerian State to suit the interest of the dominant class that initiated the reform agenda as follows:

First, theory of social production explains the interest of the dominant class in contemporary international system which is market expansionism. Industrialized countries control the global economic pot and they have also open influence on determining what happens at international financial institutions like the International Monetary Fund and the World Bank. The framework enhances our appreciation of the fact that the principles of anti-protectionism of liberalization, deregulation, devaluation, removal of subsidies and monetization imposed on us are mere exploitative design by the industrial West.

Secondly, although liberalization impacts positively on expansion of Nigerian market through inflow of foreign goods, capital, resulting in the increase in foreign direct investment from advanced countries, it benefits them more because their goods find solace in Nigerian markets to the detriment of our domestic goods. Our asymmetrical economic relationship with the industrialized countries empowers them to decide, choose what to produce, distribute and mode of exchange all in their favour. Hence, the dominance of multi-oriented reform packages aimed at transforming our economy is more of a design for the survival and security of the West. The economic structure of exploitative production relations with Nigeria enhances role dominance in international economic relations.

Thirdly, the reform's welfarist policies impacted negatively on the people as they were forced to pay more for social services with a fall in real income and unemployment becoming endemic. The application of this theory in this study demonstrates the current repackaging of structural adjustment programme in the name of national economic empowerment and development strategy to us as a reform model to consolidate the economic interest of the West.

The Nexus between Foreign Policy and Economic Diplomacy

Economic globalization has increasingly made economic diplomacy an indispensable factor in foreign policy. Foreign policy, though without any concise or an accepted definition, has been defined variously by scholars. Adeniji (1992:4) observes that foreign policy is "in fact a projection of the state's national interest into the transnational arena and the conquest interaction of one with the other". Wallace (1971:10) sees foreign policy as 'that area of politics which bridges the all-important boundary between the nation-state and its international environment. Similarly, Olusanya and Akindele (eds,) (1986) states that foreign policy is the "country's national interest in its interaction with the outside world and relationship with specific countries in the international system". Frankel (1975:21) defines it "as a dynamic process of interaction between the changing domestic demands and supports and the changing international environments". For London (1965), foreign policy may be called the father of all things in international relations. Indeed, the fate of the world depends upon wise foreign policy. The above definition seems not to have taken care of the dynamics of contemporary international relations.

In our considered opinion, foreign policy is the policy thrust of states, geared towards achieving the national interest of states in their relationship with states in international political environment. Foreign policy pronouncement is different from foreign policy implementation because the pronouncement is no more than an articulation of the general principles or policy that forms the basis of government decision-maker's action in foreign affairs. In such foreign policy articulation, the decision-makers declare national goals, interest and priorities which they consider to be of primary concern to them in international affairs.

Foreign policy implementation is, therefore:

> *Any concrete action taken by a state in response to real or potential or alleged threat to its national interest, its security and its internal stability. This action taken in response to such threat could be within or outside the country. One fundamental trait of this action is that it may or may not conform to policy pronouncement (Eze, 2009:35).*

Some realists maintain that a foreign policy consists in bringing into balance, with a comfortable surplus of power in reserve, the nation's commitments and the nation's power. These views indicate that what is imperative in a nation's foreign policy is the promotion and sustenance of her national interest. Morganthau (1962) is of the view that the best interest of a nation is a matter of objective reality. Although his view seems to underscore the nexus between foreign policy and interest of states at international arena, it fails to capture issues of economic diplomacy in the contemporary global economic relations.

Meanwhile Harun (2008:2) correctly remarks that "economic globalization has made it increasingly difficult to draw a clear cut distinction between what are domestic and what are international components of a product as economies of various countries are integrated". According to him, economic diplomacy in the past was known as trade diplomacy concerned with economic policy issues. To him, economic diplomacy "is the decision-making, policy-making and advocating of a country's business interest which requires the application of technical expertise that determines the effect of a country's economic situation on economic interest of other countries."

In addition, economic diplomacy employs economic resources, either as rewards or sanction, in pursuit of a particular foreign policy objective; this is sometimes called "economic statecraft." This covers policies relating to production, movement or exchange of goods, services, instrument (including official development assistance), money information and their regulation.

Berridge and James (2001:185), state that "economic diplomacy is concerned with economic policy questions including the work of delegations to conferences sponsored by bodies which employ economic resources either as rewards or sanctions in pursuit of particular foreign policy objective". Similarly, Rana (2007:3) sees economic diplomacy "as the process through which countries tackle the outside world, to maximize their national gain in all fields of activity including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage, it has bilateral and multilateral dimensions, each of which is important". Rana, concentrates on economic relations thus neglecting the political content that reinforces the economic bid of states. In addition to the above, Asobie argues that:

> *the term economic diplomacy may be discussed in one of these ways. First, it may be understood as the management of international relations in such a manner as to place accent on the economic dimension of a country's external relations; it is the conduct of foreign policy in such a manner as to give topmost priority to the economic objectives of a nation" A second and equally limited notion of the concept is that which sees economic diplomacy as "the application of economic instruments in negotiation and bargaining with other nations. Third, economic diplomacy may be seen as a "set of strategies and tactics formulated and applied for the achievement of fundamental restructuring of the existing international economic order. It consists of policies aimed at establishing a new international division of labour, targeted at bringing about a radical redistribution of the pattern of ownership and control of economic resources in the international system, (Asobie ,1991:35-36).*

Although, Asobie itemizes all attributes and approaches to economic diplomacy he fails to unvail the intrigues, manipulation by actors involved in economic diplomacy. Arising from these opinions, economic diplomacy entails compromise between actors in international politics. This informs Okolie's view that economic diplomacy "is the art of making compromises in international political matters which promote rather than jeopardize the basic interest and security of a nation" (Okolie, 2008:1). However, these scholars failed to appreciate that compromise has been and remained a very big tool in international politics because the ability to make a compromise implies a high level of political culture of those who actually make compromise in practice. Apart from this, they glossed over the fact that negotiation as well as compromise did not eliminate the struggle between the actors. Hence, in our considered view, economic diplomacy "is a peaceful form of struggle engaged by foreign policy activist as a means of solving mostly economic problems in international arena. This struggle manifests through intrigues, maneuvering, and manipulation between and among ambassadors, envoys and foreign affairs ministers in the process of discussion and negotiations" (Eze, 2011:14)). In effect, "compromise do not make who will defeat whom irrelevant since it implies maintaining a certain equilibrium" (Lebedev, 1989: 6). As a corollary of the above, "economic diplomacy engages contacts in foreign and sending states institutions, businesses and international organizations to advance the sending states economic interest" (Sinclair, 2007:10). Hence, economic diplomacy is being pursed at different levels to achieve objectives of protection and projection of a country's major economic interest, multilateral trade and economic negotiations, regional and bilateral trade agreements, access to foreign resources, promotion of experts and promotion of foreign investment.

Moshud Khan, the newly appointed Foreign Minister of Bangladesh argues that:

> *Globalization and the new global agenda have prompted a significant shift in priorities; trade not aid is the order of the day. He decried that Bangladesh Ambassadors must become the salesman of the country; their performance would be judged on the basis of the foreign investment,*

> *exports and employment for Bangladeshis that they can generate. They must either produce result or they will be recalled'(Khan, 2000: 4).*

The above statement underscores the importance they attach to the application of economic diplomacy as a tool of foreign policy. The above view buttresses the fact that the disintegration of the bipolar system of international relations and a whole range of major political and economic consequences that followed as a result, made necessary a switch over for foreign policy priorities and those of economic diplomacy to different directions.

> *In today's world In which international relations, including economic ones, represent a system of relations of power, political and economic, a new system seeking to curb the influence of states and individual economic players is gradually taking shape. Economies are losing ever more their national characters and becoming increasingly global, thus turning into a transnational division of labour (Saner and Lichia, 2007:46).*

They identified the relation of power in the process of diplomacy but could not identify the struggle inherent in power relations in applications of foreign policy. However, despite this obvious trend in international political and economic relations, the role of states and diplomacies, as tools for the promotion and protection of interest of countries remains highly relevant, in particular, in the sphere of economic relations.

This calls for attention because the most developed countries that base their power on economic superiority, military supremacy and supremacy in the domain of production are increasingly transforming their foreign policy priorities to the economic sphere and linking them to that sphere, endeavouring to accommodate their interest, inter-alia through a thrust of economic diplomacy. As a consequence, the contemporary system of international economic relations and the process of globalization and integration impose the need for intensified activity of economic diplomacy aimed at the realization and protection of economic priorities and interest.

Developing countries and states in transition are bound to embrace this pattern of the developed countries in determining their priorities in the domain of foreign policy and those in the economic sphere.

National Economic Empowerment and Development Strategy: Foreign Direct Investment

This section examines the policy impact of national economic empowerment and development strategy on foreign direct investment in Nigeria. This will assist us delineating and interrogating the influx of foreign capital into Nigerian economy.

Economic Diplomacy and Primacy of Foreign Direct Investment

In this study, we made effort to interogate if there is any relationship between foreign direct investment flow into Nigeria and the introduction of national economic empowerment and development strategy. In other words, we examined the primacy given to FDI particularly, in the conduct of Nigeria's economic diplomacy we also examined the trends of FDI in the conduct of Nigeria's economic diplomacy. As noted earlier, the cardinal Financial objective of Nigeria's economic diplomacy is to maximize the mobilization of external resources for economic development of the nation.

Hence, the primary strategy of Nigeria's policy of economic diplomacy was to attract foreign direct investment (FDI) and increase the investor's confidence in the country. In fact, the importance of FDI to national development cannot be disputed, as noted by Okolie (2007), Foreign Direct Investment is a major component of international capital flows (investments) which involves not only a transfer of funds (including the investment of profits) but also a whole package of physical capital, techniques of production, managerial and marketing expertise, products advertising and basic practice for the maximization of global profits. In summary, Okolie (2007) conceives foreign direct investment as embracing new equity from the foreign company in the host country; and reinvested profits from foreign business concerns.

Emphasizing the primary position given to FDI in the conduct of Nigeria economic diplomacy, Olukoshi and Idris (2002:188 - 189), have pointed out that "in order to achieve the objective of economic diplomacy, several steps were taken at the foreign policy level, complemented by a host of domestic measures". Specifically, as regards foreign investments, they noted that a unit for Trade and Investment Promotion was established in the Ministry of External Affairs. Information officers in the embassies were also instructed to include publicity on the country's natural resources endowment and the investment opportunities available as part of their normal schedule of duty. Moreover, within the period, various trade and investments missions were organized by the Ministry of External Affairs, in conjunction with other governmental departments to various parts of the world.

Apart from this foreign policy dimension, Olukoshi and Idris also note that efforts were also made at the domestic level to make the economy more attractive to foreign investors. These include the adoption of a new investment code whose overall objective was to make the process of company incorporation simpler. There was also the amendment of the indigenization decree of the 1970s to increase the influx of foreign investors in the economy. Thirdly, there was the elimination of bureaucratic procedures associated with profit repatriation and dividend remittance, and the introduction of new tax relief measures. All these were done by the Ibrahim Babangida administration to encourage the inflow of foreign direct investment into Nigeria.

Essentially, attraction of FDI has occupied prominent position in the conduct of Nigeria's economic diplomacy. For example, much of the shuttle diplomacy embarked upon by Professor Bolaji Akinyemi, Nwachukwu's predecessor as Foreign Minister, centered on attracting the goodwill of the West in such matters as debt rescheduling and attraction of foreign direct investment. Similarly, in 1987, at a conference on Economic Development and Foreign Policy, Professor Gabriel Olusanya, Director-General of the Nigerian Institute of International Affairs at the time, stated the need to establish a direct linkage between Nigeria's domestic economic requirements (especially attraction of FDI) and its foreign policy with a view to ensuring that the latter served the needs of the former more systematically (Ogwu & Olukoshi, 2002:16).

The prominence given to foreign direct investment in the conduct of Nigeria's economic diplomacy was predicated on the argument that since independence in 1960, Nigeria had pursued a foreign policy line that was too heavy on politics or in which the country's own needs and interest in terms of economic well-being were relegated to the background. This alleged deficiency is, in part, what economic diplomacy seeks to redress by placing much emphasis on the attraction of FDI. In fact, Nwachukwu, in an address to newly appointed Nigerian Ambassadors in 1991, stated unequivocally that:

> *The ball-game today in international relations is self-interest and economic development..in your utterances and in your behavioural pattern, please remember that Nigeria is a developing country. It needs support from the international community and that support can only come when you can win the confidence of whose support you seek (Nwachukwu, 1991:38).*

Nwachuwku went on to tell the diplomats that: "You begin to win that confidence through friendliness and loyalty to their cause (i.e. the cause of those whose support you seek). What matters is our ability to win for Nigeria what we cannot for ourselves, that is, the economic well-being of our people and physical well-being of Nigeria" (Nwachukwu, 1991 in Ogwu & Olukoshi, 2002:18). Apparently, this statement shows that the attraction of FDI into Nigeria is one of the cardinal points of Nigeria's economic diplomacy as all efforts are made to attract and increase the level of FDI in the country. The priority given to the attraction of FDI in Nigeria's economic diplomacy becomes apparent when one examines extra efforts made by the Nigerian government to secure and retain the goodwill of the leading Western powers. For instance, in 1988, against strong domestic opposition and even in contempt of the advice of the Foreign Minister, the Nigerian government received in Lagos, Margaret Thatcher, the then British Prime Minister, whose government's inflexible policy on South African was the very antithesis of Nigerian government.

Similarly, the Nigerian government took several steps calculated to bring the country closer to the United States and other Western countries. In fact, Nigeria, became one of the African champions of the American-sponsored move to bring about a political settlement between the two-warring parties in Angola, namely UNITA and the government-led MPLA. It accepted, under the Structural Adjustment Programme, to embark on significant reversal of the indigenization decrees of 1972, 1974 and 1977; privatization of the economy; liberalization and devaluation of naira. Again, the regime also, contrary to the demand of leading Nigerian political forces, put Nigeria under a controlled return to civil rule, under an American-type constitutional democratic arrangement.

Furthermore, the Nigerian government made overtures to both France and West Germany. The Nigeria President paid a state visit to France in early 1990. Early in 1988, the West German President, Frederick Von Weisacker, had paid a state visit to Nigeria when he was given both a National Honour and an Honorary Degree. The determination of the Nigerian government to be in the good book of the leading Western powers was essentially an expression of its economic motive of attracting FDI which is the cardinal objective of Nigeria's economic diplomacy.

As an expression of the pursuit for FDI, some Western-sponsored projects which Nigeria either spurred or reluctantly supported in the pre-economic crisis days are now enthusiastically embraced. For instance, Nigeria was initially a reluctant party to the Lome Conventions, but with the advent of her economic diplomacy especially since 1986, Nigeria's attitude changed such that under Lome III, Nigeria had the largest share of the aid allocations and disbursements. It has also been noted that one of the pillars on which the New Partnership for Africa's Development (NEPAD) was launched and especially spearheaded by the Nigerian government of President Olusegun Obasanjo, was to increase available capital (in this case FDI) through a combination of reforms, resource mobilization and a conducive environment for FDI (Funke and Nsouli, 2003).

The Economic Diplomacy of Dependent Import Substitution Industrialization

Another form in which attraction of FDI was given primacy in Nigeria's economic diplomacy was in the form of the much vaunted import-substitution strategy. Hence, the great powers were seen as channels for attracting foreign direct investment (FDI). The goal in view was the establishment of industries in Nigeria, which would produce locally, those goods previously imported from other countries. Thus, in this connection, it was perceived that a positive relationship could be established between Nigeria's economic diplomacy and industrial development fostered via import-substitution-industrialization. In support of the need to grant attraction of FDI prominence in the conduct of Nigeria's economic diplomacy, the then Nigerian Prime Minister, Sir Abubakar Tafawa Balewa argued that "at present, we lack the necessary capital and technical skill to develop our own resources by ourselves alone... how are we to obtain help from outside and still keep free from being under the influence of one power bloc or another?" (FGN 1991, in Asobie 2002:54).

Apparently, during this era, attention was placed on attraction of foreign direct investment for economic development. Further, because economic development was defined in quantitative terms largely as growth in the GNP, it mattered little whether it resulted from the increased capacity of indigenous input or from rise in the proportional contribution of external inputs. As noted by Asobie (2002), quite a number combined to place the attraction of FDI in position of prominence in the conduct of Nigeria's economic diplomacy. First was the capitalist structure of the inherited economy, together with its external orientation. Second, and more important, was the vested interest of the Nigerian political leaders in perpetuating that structure and the orientation of the economy. Hence, the choice of industrial development strategy, namely dependent-import-substitution-strategy, was the product of the orientation of these vested interests. The third was the competition for external financial and among the regional governments and the political parties which controlled them.

As a result, the Nigerian political leaders in the 1960s, operated on a number of premises. One was that the infusion of foreign direct investment was indispensable for the attainment of industrial development. Others include: that Nigeria's foreign policy could be conducted in such a manner as to achieve a net inflow of foreign direct investment from a variety of international actors; that international actors were basically friendly and selfless; they would, therefore, show interest and willingness in assisting Nigeria to develop. It was on these premises that Nigeria's economic diplomacy of the 1960s was built - a diplomacy directed primarily at attracting foreign investment without putting in jeopardy, Nigeria's internal security and political independence (Asobie, 2002). This view informs the argument that Nigeria's economic diplomacy placed much emphasis on the attraction of foreign direct investment into the country because it is believed that FDI inflow will boost economic growth and development in the country. This is a negation of the purpose of foreign direct investment in international economic relations since all FDI inflow into a country is not always for charity but for enhancement of national interest.

Assessment of Nigeria's Economic Diplomacy and FDI Performance

It is now widely acknowledged that attraction of foreign direct investment (FDI) is one of the pillars of Nigeria's economic diplomacy. On a general note, UNCTAD (2001) notes that FDI in the world rose from US $57 billion in 1982 to US $1,271 billion in 2000. Even so, only a few countries have been successful in attracting significant FDI flows. Indeed, Africa as a whole and Sub-Saharan Africa in particular, seems to have not particularly benefited from the FDI boom. For most of the time since 1970, FDI inflows into Africa have increased only modestly, from an annual average of about US$1.9 billion in 1983 - 87 to US$3.1 billion in 1998 - 2002 and US $4.6 billion in 1991 - 1997.

However, Nigeria is one of the few countries that have benefited from the FDI inflow into Africa albeit minimally. Nigeria's share of FDI inflow to Africa average around 10%, from 24.19% in 1990 to a low level of 5.88% in 2001 up to 11.65% in 2002. In fact, UNCTAD (2003) showed Nigeria as the continent's second top FDI recipient after Angola in 2001 and 2002 (Ayanwale, 2007:15). The table below further shows the details of FDI inflow into Nigeria for the period 1980 - 2003.

Table 1: Nigeria Net Foreign Direct Investment Inflow 1980-2003 (in US$ million)

Year	Africa	Nigeria	% of Africa
1980	392	-188.52	-
1990	2430	588	24.19
1995	5119	1079	21.07
1997	10667	1539	14.43
1998	8928	1051	11.77
1999	12231	1005	8.22
2000	8489	930	10.96
2001	18769	1104	5.88
2002	10998	1281	11.65
2003	15033	1200	7.98

Source: UNCTAD FDI (in Ayanwale, 2007:15)

From the above table, it is apparent that FDI in Nigeria has risen from a discouraging US$-188.52 to an appreciable height of US$1200 in 2003. It is pertinent to note that prior to the early 1970s foreign investment played a major role in the Nigerian economy until 1972, when much of the non-agricultural sector was controlled by large foreign owned trading companies that had a monopoly on the distribution of imported goods. "Thus, between 1963 and 1972, an average of 65% of total capital was in foreign hands" (Jerome and Ogunkola, 2004 in Ayanwale, 2007:16).

In view of the fact that successive Nigeria governments have viewed FDI as a vehicle for political and economic domination, the thrust of government's policy through the Nigeria Enterprise Promotion Decree (NEPD) (Indigenization policy) at that period was to regulate rather than promote FDI. The NEPD was promulgated in 1972 to limit foreign equity participation in manufacturing and commercial sectors to a maximum of 60%. In 1977, a second indigenization decree was promulgated to further limit foreign equity participation in Nigeria business to 40%. Hence, between 1972 and 1995 official policy towards FDI was restrictive as the regulatory environment discouraged foreign participation resulting in an average flow of only 0.79% of GDP from 1973 to 1988 (Ayanwale, 2007).

As noted earlier, Nigeria's commitment to the pursuit of economic diplomacy was "first officially stated in June, 1988 by the Retired Major-General Ike Nwachukwu in his first policy address as Nigeria's Foreign Minister" (Ogwu and Olukoshi, 2002:16). This pursuit initiated the process of termination of the hostile policies towards FDI. A new industrial policy was introduced in 1989 with the debt equity conversion scheme as a component of portfolio investment. The Industrial Development Coordinating committee (IDCC) was established in 1988 as one-step agency for facilitating and attracting foreign investment flow. This was followed in 1995 by the repeal of the Nigeria Enterprises Promotion Decree and its replacement with the Nigerian Investment Promotion Commission Decree 16, of 1995.

The NIPC absorbed and replaced the IDCC and provided for a foreign investor to set up a business in Nigeria with 100% ownership. Upon provision of relevant documents, NIPC will approve the application within 14 days (as opposed to four weeks under (IDCC) or advise the applicant otherwise. Furthermore, in consonance with the NIPC decree, the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree 17 of 1995 was promulgated to enable foreigners invest in enterprise in Nigeria or in money-market instruments with foreign capital that is legally brought into the country. The decree permits free regulation of dividends accruing from such investment of capital in event of sale or liquidation. Furthermore, an Export Processing Zone (EPZ) scheme adopted in 1999 allows interested persons to set up industries and business within demarcated zones, particularly with the objective of exporting the goods and services manufactured or produced within the zone.

> *Essentially, the policies of economic diplomacy embarked on by the Nigerian government to attract foreign investors which is also encapsulated in SAP could be categorized into five: the establishment of the industrial development coordinating committee (IDCC), investment incentive Strategy, Non-Oil Stimulation and Expansion, the Privatization and commercialization programme, and the shift in macroeconomic management in favour of industrialization, deregulation and market-based arrangements (Ayanwale, 2007:17).*

More so, Table 1.2 provides details of FDI inflow into Nigeria for the period 1970 to 2002. The nominal FDI inflow ranged from N128.6 million in 1970 to N434.1 million in 1985 and N115.952 billion in 2000. This was an increase in real terms from the decline of the 1980s.

Table 2: FDI Inflow into Nigeria from 1970 - 2002

Year	Nominal FDI (N million)	FDI as percentage of	Real FDI (N million)
1970	128.6	2.47	1,190.70
1975	253.0	1.21	1,222.20
1980	-404.1	-0.81	-955.32
1985	434.1	0.61	434.10
1990	4,686.0	1.81	1,598.23
1995	75,940.6	3.87	3,721.85
1999	92,792.5	2.91	2,763.66
2000	115,952.2	2.39	2,955.09
2001	132,433.7	2.39	3,102.90
2002	225,036.5	3.93	4,368.37

Source: CBN Statistical Bulletin (various years), (in Ayanwale, 2007:16)

The figure of the FDI percentage of GDP is represented in the above table. It reveals that FDI as a percentage of the GDP has equally increased over the years from 1970 to 2002. The increase is more significant in the period under our investigation, that is, from 1999 to 2007 when the FDI as a percentage of GDP never went below 2.0%.

Sectoral Analysis of FDI Inflow in Nigeria

Although, there has been some diversification into the manufacturing sector in recent years, FDI in Nigeria has traditionally been concentrated in the extractive industries. Agriculture, transport and communications, building and construction remained the least attractive hosts of FDI in Nigeria. Nigeria is currently described as the fastest growing mobile phone market in the world. Since 2001, when the mobile telecommunication operators were licensed, the rate of subscription has gone up and does not show any sign of fluctuating. In fact, MTN (Nigeria) - the leading mobile phone operator, V-mobile, Glo, Etisalat and M-tel - are currently engaged in neck and neck competition that has forced the rates down

and in the process fostered consumer satisfaction. The effect of this development is yet to be translated to the rest of the economy. However, Table 3 shows the sectoral composition of FDI in Nigeria from 1970 - 2001. Data from the table record a diminishing attention to the mining and quarrying sector, from about 51.2% in 1970 - 1974 to 30.7% in 2000 /Ol.
On the average, the stock of FDI in manufacturing sector over the period of analysis compares favourably with the mining and quarrying sector, with an average value of 32%. The stock of FDI in trading and business services rose from 16.9% in 1970 - 1974 to 32.6% in 1985 - 1989, before fluctuating to 8.3% in 1990 - 1994. However, it subsequently rose to 25.8% in 2000/01.

Table 3: Sectoral Composition of FDI in Nigeria, 1970 - 2001 (%)

Year	Mining &Quarry	Manufacturing	Agriculture	Transport & Communicat	Building
1970-74	51.2	25.1	0.9	1.0	2.2
1975-79	30.8	32.4	2.5	1.4	6.4
1980-1984	14.1	38.3	2.6	1.4	7.9
1985-89	19.3	35.3	1.4	1.1	5.1
1990-94	22.9	43.7	2.3	1.7	5.7
1995-99	43.5	23.6	0.9	0.4	1.8
1999-01 .	30.7	18.9	0.6	0.4	2.0
2000-2001	30.3	32.2	1.7	1.1	4.7
2001-2007	31.3	34.5	1.6	1.3	5.4

Source: CBN Statistical Bulletin (2008)

Global FDI Performance and Economic Diplomacy

Examination of global trend in FDI inflow to Nigeria from 1999-2000 points to great upward trend in the inflow of FDI from advanced capitalist countries to Nigeria. Table 3 presents global picture of FDI inflow to Nigeria for different regions from 1999 to 2006. All the regions showed insignificant increase in FDI inflow from the 1999 level. Thus, the upward increase in the aggregate FDI flows to Nigeria from about $190.61 million in 1999 to about $4169.14 million in 2006 is a joint increase in the levels of FDI by all the regions.

Table 4: Foreign Direct Investment in Nigeria, 1999-2006, $ Million

Region/Country	1999	2000	2001	2002	2003	2004	2005	2006
North America	7.35	9.84	12.10	36.16	40.34	4354.14	5166.32	1601.28
South America	1.15	2.96	0.39	0.05	7.14	60.04	24.56	11.26
Asia/Pacific	2.94	5.93	4.45	5.17	1.54	32.12	47.29	39.63
China	0.02	1.08	2.39	0.0	0.05	0.51	1.88	5.50
Middle/Far East	7.41	2.75	10.92	5.30	6.74	23.27	21.22	13.39
Europe	164.95	136.46	98.86	200.24	293.66	2624.30	3084.68	2441.52
Africa	6.79	9.45	8.24	24.30	91.41	173.62	169.04	56.06
Total	190.61	168.47	137.35	271.22	440.88	7268.00	8514.99	4169.14

Source: Based on Data from Nigerian Investment Promotion Commission (NIPC)

Relative to other regions, South American region contributed the least to the level of FDI inflow to Nigeria. This was followed by the Asia-Pacific region. By 2006, though the relative positions remained unchanged as the South America maintained its position, FDI inflow from Asia Pacific region has surpassed the inflows from the Middle and Far East region. Thus, between 1999 and 2006, FDI inflows from Asia-Pacific region to Nigeria increased at a higher rate than their similar inflows from the middle and Far East region. This suggests increasing importance of China in the observed trend. This analysis of inflow of FDI from this region revealed that although China ranked 5th in the magnitude of FDI inflows from the region to Nigeria behind India, Singapore, Hong Kong and Japan in that order, the country seems set to overtake these leading countries. This signifies that Chinese FDI inflows to Nigeria increased for an average of $0.55 million in 1999-2000 to about $5.5 million in 2006. This is a tenfold increase compared to nine-fold increase by the region as a whole.

Summary and Conclusion

Our argument is that attraction of foreign direct investment (FDI) has been given top priority in the conduct of Nigeria's economic diplomacy. In order to attain this objective, various strategies were employed among which is the Dependent Import-Substitution-Industrialization, the reduction of unnecessary expenses in playing 'the good neighbour" in Africa etc. Again, empirical evidence shows that there has been increase in the inflow of FDI into Nigeria especially in the telecommunication sector. Nevertheless, in real terms, what is seen as investment in developing economies were strictly speaking not FDI but mopping up of speculative capital which adds little to domestic capital stock. Rather than bring improved management, new production techniques, quality control and access to foreign markets, as well as exerting competitive pressures on local producers, foreign investments rather decapitulate the economy and intensify capital flight as the actions of investors in the communication sector of African economy shows (Okolie, 2007). Further, our analysis shows that there is positive correlation between this increase in FDI inflow to Nigeria and Nigeria's policy of economic diplomacy of national economic empowerment and development strategy although other factors especially the wave of globalization and the concomitant liberalization of investment practices have contributed to inflow of FDI to the country. This underscores the central thesis of this study that the use of economic diplomacy in the conduct of Nigeria's external relations is pronounced each time the political leadership is desperately pursuing received development model from advanced capitalist economies. The study recommended among others, a pro-active foreign policy of economic diplomacy that will enhance sustainable development of Nigeria. This entails concentrating on production/manufacturing driven foreign investment drive against the present trade investment pattern which discourages industrialization.

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