Nigeria's Economic Development and Shuttle Diplomacy, 1999-2007.

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Abstract

The article examines Nigeria's economic development and its shuttle diplomacy mechanisms, from 1999-2007. The paper evaluates the economic crisis which was created by economic sabotage of the past leaders in Nigeria. The study highlights Nigeria's (Obasanjo) Economic Empowerment and Development Strategies (NEEDS), with its counterpart plan that gave power to State Economic Empowerment and Development Strategies(SEEDS), and the Local Government Economic Empowerment and Development Strategies (LEEDS), the goals of NEEDS are: promotion of national value, poverty reduction, employment generation, and wealth creation, it achieved/recorded consolidation of banks, liberalization of the telecommunication industries, fought corruption through the establishment of ICPC, EFCC, and Due Process Office. The paper also evaluates the impact of the shuttle diplomacy to boast Nigeria's dead image, mobilization of support from comity of nations and influential leaders around the world. The article concludes that NEEDS is seen as Nigeria's plan to prosperity, through the application of shuttle diplomacy.

Introduction

The Nigeria's economic crisis could be traced by the colonized and peoples of contradictions of capitalism, infected by the activities of petty-bourgeois created by the past leaders filled with selfishness and economic sabotage, even in the midst of government's well calculated and articulated policies and programmes. The economic challenges were rooted in the late 1970s and gradually exploded in the 1980s, which could be traced by the external oil sectors and mismanagement issues in the structural deficiencies of the economy as it was characterized by the rising costs of living, rising crimes, decayed infrastructures, dwindling foreign exchange

receipt, mounting debt burden, high unemployment rate, and social tension that led to high rate of violence.

Overtime, there have been declining value of the local currency (the naira), the depreciating purchasing power of the average Nigerian, the drastic decline of the capacity utilization of industries, the 1996-1998 Rolling Plan which brought the institution of Poverty Alleviation Programme could not curtail the challenges. With the above challenges faced by Nigeria and Nigerians, concrete efforts were made to attain the desired lofty economic height, as Nigeria's domestic economic challenges requires strong international relations and interventions that involves the entire globe. To reverse the economic malaise in Nigeria, former President Obasanjo assumed office in 1999, with the speed and determination towards his government belief in shuttle diplomacy at the topmost political level to attract the sympathy of the members of the international community.

Interestingly, President Obasanjo's consistency and resolves to give a new leaf and lift into Nigeria's economic components, made his government to embark on numerous 'Presidential Shuttle Diplomacy' that enhanced the desired results through his government National Economic Empowerment and Development Strategies (NEEDS), 2004-2007, which was a guide to Nigeria's development mechanism.

National Economic Empowerment Development Strategy (NEEDS) is described as "Nigeria's plan to Prosperity" and an avenue in resolving Nigeria's economic crisis. It was a four-year medium term plan for the period of 2003 – 2007. NEEDS – was a Federal Government Plan which also gave power to the states and local government to have their counterparts plans. The State Economic Empowerment and Development Strategies (SEEDS) and the Local Government Economic and Empowerment and Development Strategies (LEEDS), respectively.

NEEDS strategy was articulated in 2004 to guild Nigeria's development in the desired direction. It effectively replaced the previous plans in the country, namely the fixed medium term and rolling plans etc. It identified the problems of the country and accordingly prescribed strategies for developing various sectors of the economy such as: agriculture, industry, infrastructure and social services. The

NEEDS framework was essentially an articulation of planned policy actions of the federal government, which was expected to be complimented by State Economic Empowerment and Development Strategy (SEEDS) at the state level and by Local Economic Empowerment Development Strategy(LEEDS) at the local level, with their counterpart plans.

The Goals of NEEDS: The major goals of NEEDS are as follows: (a) Re-Orientation of national value. (b) Reduction in the level of poverty. © Creation of wealth (d) employment generation. To understand the various achievements of the set goals, the NEEDS document provided segments of the national economy over the period of 2003 – 2007. The GDP growth targets were 5% in 2004, 6% in 2005 and 2006 and 7% in 2007 based on the calculation that these were the minimum needed to achieve adequate per capital income and improvement in the welfare of the citizens (Edo and Ikelegbe, 2014, p.57).

Perhaps, in international relations and diplomacy, governments reacts and act as the onus of making foreign policies, which predominantly lies in the hands of the President or heads of state with the Ministry of Foreign Affairs. It's a remarkable event, as during the administration of former President Olusegun Obasanjo, his government was bent on consistence and continuous travels abroad towards the advancement and development of Nigeria and Nigerians, by re-integration of Nigeria into the comity of nations because of the bastardized image of the country by the former military regimes, recovery of stolen resources that was stashed abroad, debt cancellation, which brought chronic danger and negative effect on economic growth and development, as they contracted high interest rate that yielded loans that could not be paid, and also using loans to finance burguos government's projects and finally, foreign direct investment in which Nigeria's domestic environment could not guarantee the needed safety and adequate provision of infrastructure like power generation for foreign investment. Therefore, former President Obasanjo's was determined to right the wrongs and reverse the economic woes in Nigeria through his effective application of shuttle diplomacy.

The target rate of inflation on the other hand was set at 10% in 2004 and less than 10% up to 2007. The fiscal deficit/GDP ratio was targeted at no more than 3.2% per

year. In the external sector, external reserves were projected to increase from US$ 7.7billion in 2004 to US$10.7billion in 2007. Poverty incidence was expected to reduce by 5.0% per year up to 2007. In the infrastructure subsector, power generation in megawatts was projected to be 4,000mw in 2004, 5,000mw in 2005-7, 000mw in 2006 and 10mw in 2007. (Edo and Ikelegbe 2014, p.57). Progress in achieving the Millennium Development Goals (MDGs), now Sustainable Development Goals (SDGs), was also expected to be substantial. Aggregate investment was expected to increase from N2.071.2 billion in 2004 to 4.663.7 billion in 2007, with the private sector expected to contribute the lion share in investment. The broad terms, NEEDS was expected to achieve its goals through the following measures:

(a) Privatization and deregulation/liberalisation of key sectors of the economy (b) Coordination of national and sectoral development strategies for agriculture and industry with emphasis on Small and Medium scale Enterprises (SMEs) as well as tourism © Development of infrastructure electricity, water supply and transport. (d) Strengthening the financial sector to mobilization of saving towards long-term investment (e) Targeting programmes that promote private sector growth and development. (f) Creation of effective regulatory systems (h) Special support to agriculture in irrigation, mechanization and crop varieties.

The performances of the economy under NEEDS are: there was improvement compare to the previous plans. The inflation targets for 2004 and 2006 were achieved but the rate increased to 11.6% in 2005. National savings improved, but gross capital formation remained low (11.9% in 2004 and 12.0% in 2005), which implied that the relatively high savings rate could not be translated into investment. The fiscal position of government improved in the first two years with reduced fiscal deficit in relation to the targets but the recurrent expenditure/total budget ratio were still higher than the targets (Edo and Ikelegbe, 2014).

Prospects of the economic development mechanism: One of the performances was on external sector which improved significantly. The overall balance of payments recorded huge surpluses compared with the projects deficits, while external reserves shot up significantly above the maximum target of US$10.7

billion to US$28.3 billion in 2005. This outstanding performance of the external sector was due to positive developments in the international oil market.

Furthermore, noticeable achievements were recorded in the consolidation of banks and the liberalisation of the telecommunication industry, with the introduction of MTN, GLOBACOM, etc. The Nigerian telecommunication industry became one of the fastest growing in the world. The privatisation of publicly owned enterprises also progressed appreciably with about 110 privatisation transactions effected between 2000 and 2006 (NPC, 2007).

By July 4, 2004 the administration launched the Nigerian Image Project called "The Image Project and Economy" to confront headlong the image perception and stero-type that had confronted Nigeria for a long time, with the objective to ensure that the right kind of information is received about Nigeria locally and internationally, promote economic advancement and national prestige (Samuel, 2008, p.258). Nigeria's debt in this era was most significantly in the sense that President Obasanjo's government continued to build other instruments to improve on its image with regards to fighting corruption. These efforts include the settings up of the Independent Corrupt Practices (ICPC) and other related offenses in 2001 and Economic and Financial Crime Commission (EFCC) in 2003. These bodies particularly the EFCC have apprehended and recovered stolen public money from some top government officials. This enhanced the credibility of the country at both domestic and international levels (Ismaila, 2013, p.103).

For instance, it was due to the rampant cases of corruption among government officials that Nigeria has been receiving unfavourable ranking from Transparency International (TI). In a study conducted by TI which was compiled by Lambsdorff (2010, p.1) on corruption perception index in different countries around the world, Nigeria was in 2005 ranked as the 3rd most corrupt country in the world after countries like Chad, Bangladash in the first position and Haiti, Myanmar etc in the second position respectively. In 2006 Nigeria ranked 5th position after counties like Haiti (1st), Myanmar and Iraq (2nd) Sudan, Congo Democratic Republic etc (3rd) Equatorial Guinea, Cote d' Ivoire etc (4th). In 2007, Nigeria was in 32nd position in the category of the corrupt nations in the world.

Another progress made was the instrument put in place to improve Nigeria's image through Due Process Office (DPO) in the Presidency at the federal level, the functions were to offer financial advice to the government and to ensure that government contracts are awarded in accordance with the laid down regulations, it also monitor all government expenditures so as to ensure that they comply with financial regulations (Ismaila, 2013, p.103). The Nigerian Extractive Industry Transparency Initiative (NEITI), and the introduction of mechanism for Budget Monitoring, aimed at improving the image of the nation and its profile with respect to resources management.

The adoption of the National Economic Empowerment and Development Strategy (NEEDS), which could be considered a response to the demand of the creditors also contributed to the growing profile of the administration as one that was focused to strengthen its credibility, the government invited the IMF to monitor the NEEDS programme every quarter. The NEEDS programme has prescribed a certain level of debt repayment which IMF in its 2005 Report had accepted to the effect that Nigeria should continue its debt services payment at the level already agreed (Joy and Alli, 2006, p.43).

The plan's choice of personnel for his vision and economic reform agenda has been of great benefits to his debt relief campaign. From the beginning of his second term, the Economic Team were made up of Dr. Ngozi Okonjo Iweala, former Minister of Finance, Professor C. Soludo, former Governor Central Bank of the Due process Office, Dr. Mansur Mukhtar of DMO, Mr. Nasir el-Rufai, the former Minister of FCT, Nuhu Ribadu, the former Chairman of the EFCC, have all gained international recognition and respect which was very useful for diplomacy and campaign for debt relief (Joy and Alli, 2006, p.44).

It was accepted by the plan that Nigerians foreign debt stood at about $34billion which indicate that $28 billion or 85% of the debt was owed to the Paris Club of 15 creditors nations, only 8% owed to the multilateral institutions while the 7% is owed to the London club of the commercial creditors as well as the holders of the premissory note. Nigeria does not owe the IMF but the Paris Club (Okonjo Iweala, 2001, p.1).

But with the advent of full blown democracy in 1999 and the creation of a debt. Management office (DMO), Nigeria's total external debt stood at about US$35billion at the beginning of 2005 (David 2006, p.231)

Draw-Backs of the economic development Mechanism: In the financial sector, the growth rate of major monetary aggregates recorded below the prescribed targets in 2004 with credit to government also recorded negative growth. In the area of infrastructure and social services, power generation remained very low and below the prescribed targets, which slowed the growth in various sectors of the economy that depend on electricity supply. Unemployment recorded appreciable growth GDP which also failed to impact positively on the standard of living in the country.

Shuttle Diplomacy and its impacts on Nigeria economic development: On the plan's Debt relief shuttle diplomacy, having established the quest for debt relief as a major focal point of his administration's foreign policy. From the 2000 onwards the president's debt relief diplomacy took him to countries as far as Japan, Italy and Canada trying to mobilized support from influential leaders around the world and also from the international bodies which were significantly the group of (G8) industrialized nations, United Nations, Commonwealth and the African Union. The former President also combined the pursuit of debt relief with the demand for the repatriation of funds that has been looted by past leaders and their subalterns. His efforts were to expose the inherent contradiction between the conspiratorial role played by Western banks in facilitating the illegal transfer of funds from Nigeria on one hand, and the insistence by Western creditors on the continued servicing of a clearly unsustainable debt shock (Agaba 2006, p.165).

On his shuttle diplomacy, the then Prime Minister, Tony Blair, of the United Kingdom, and the former President of the World Bank, James Woldfensohn, Former President Obasanjo appealed for their assistance in influencing the Paris Club to consider the granting of debt relief and other concessions to Nigeria. The President and his team argued that Nigerians high debt profile, which needed annual commitment of US$4.9 Billion for servicing alone, rendered any form of development impossible and emphasized that Nigeria could not afford such

amount by way of debt service and still have anything left for purpose of national development (Joy and Alli 2006, p.166).

The achievements of Obansajo shuttle diplomacy on debt relief, came from James D. Wolfensohn, then President of the World Bank. Echoing a typically Bretton-Woods position, he argued that for Nigeria to attract the sympathy of its international creditors towards debt cancellation the country must demonstrate the ability to reorganize its economy and ensure the proper use of money in dealing with issues of poverty and corruption.

However, at the middle of 2000, three countries, France, Spain and the United States of America, made pledges, offering varying degrees of debt relief for Nigeria. Firstly, the Deputy Chairman of French Parliament indicated his country's readiness to write off an undisclosed amount of debt owed by Nigeria in order to assist in the country's political and economic development efforts. The Spanish government through its then Minister of State for Foreign Affairs, also pledged to cancel Nigeria's debt amounting to $100 million before the end of 2000 (Enwerenmadu, 2000, p.2). The US government, as part of an economic package to be unveiled during President Clinton's visit to Nigeria, promised to assist in rescheduling about 80% of Nigeria's foreign debt ($ 32 billion) in order to give some respite to the country's weak economy. Even while it remains a far cry from the debt cancellation being sought by Obasanjo, the reprieve it brought was the temporary reduction of the $ 3.5 billion spent annually on debt servicing to $1.5 billion (Joy and Alli, 2006, p.169).

At the beginning of 2001, the Paris Club eventually announced that Nigeria would be given a three-year moratorium on the payment of her $23.4 billion to the club, and a rescheduling of debt payment over a period ranging from 11 to 20 years after 2003. The reprieve symbolised an improvement in relations between Nigeria and her international creditors as well as reflecting the growing confidence in Nigeria new democracy or as a reward for President Obasanjo efforts at mobilizing international support for Nigeria over her debt problems. It was not a good development for Nigeria because she called for debt cancellations. The World Bank's former Senior Vice President, Mr. Nicholas Steven who insisted that Nigeria did not deserve debt cancellation under the HIPC initiative. He maintains

the country had the ability to service its debts and that her exports debt service ratio made her unqualified for debt forgiveness (Subair, 2002, p.40).

However, on the basis of the reprieve granted by the Paris Club, Nigeria in the second half of 2003, signed debt rescheduling agreement with government of Germany, Switzerland, and Australia totally $3.238 billion in December 2001 (Obimuyiwa 2001, p.3). Also with Israel, Spain, France, United Kingdom, United States, Belgium, and Denmark. Furthermore, this position was affirmed by the leaders of group of eight (G8) Industrialized countries during their annual meeting in June 2004 at Sea Island, Georgia, when they completely rejected pleas by African leaders for sweeping debt cancellation. Instead, the G-8 leaders offered a two-year extension of the HIPC initiative. They also offered a vague promise to "top up where appropriate", the HIPC initiative, without specifying a sum, and they also offered to consider measures that would help the poorest countries address the sustainability of their debt (Joy and Alli, 2006, p.171).

Indeed, for the country's re-integration to the comity of nations, Nigeria played host to the former U.S President Clinton and Jacques Chirac, Prime Minister of France, and other leaders of world. Also, as at then, Nigeria pledged her support to the Third World Group (G77) in which President Obasanjo, during the G-77 meeting at Havana, Cuba, was appointed the Chairman for a period of one-year term. Nigeria also became the initiator and major promoter of the Conference on Security, Stability, Development and Cooperation in Africa (CSSDCA), and the Millennium African Programme, all these brought a sense of belonging to Nigeria's dying state. For the stolen money stashed abroad in which Gen. Abacha's regime stole USD55b, the shuttle diplomacy of the Obasanjo's administration yielded the desired results as the government secured the return of USD700m, and the USD640m stashed in Swiss Banks, and were frozen. Nigeria, also won a case that enabled her to recover DM300m in a British court. For Foreign Direct Investment, the government guarantee an enabling environment for investors.

Conclusion

The adoption of the National Empowerment and Economic Development Strategies (NEEDS), was considered a response to the demand of the creditors, and contributed to the growing profile of Obasanjo's administration, and also, his

administration's reintegration of Nigeria to the comity of nations. However, in spite of these seemingly good performances, there was a strong concern that the micro impacts of the macroeconomic reform measures are very limited. It is also noteworthy that the efforts under NEEDS have been completed by the Seven Point Agenda (SPA). The government shuttle diplomacy has achieved a lot through the re-integration of Nigeria into the comity of nations, recovery of stashed money into foreign banks, numerous cancellations of debt that was hanged on the country, and enabling environment for investors.

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