United States Nigeria’s Trade Relations before The African Growth and Opportunity Act

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ABSTRACT

The study discussed the foundations for United States (U.S.)-Nigeria’s trade relations within the African Growth and Opportunity Act (AGOA). The study is descriptive and data is obtained from primary and secondary sources. The centre-periphery brand of the dependency theory is used to x-ray U.S.-Nigeria’s economic priority to the commencement of the application of the provisions AGOA in 2001. The findings of the study show that though U.S.-Nigeria’s trade relations intensified in the years preceding AGOA there were built-in impediments to the bilateral trade. The study implied that an adequate appreciation of the pre-policy situation is needed for a comprehensive understanding of U.S.-Nigeria’s bilateral trade relations under AGOA.

Keywords: United States; Nigeria; Trade; AGOA.

INTRODUCTION

The application of the provisions of the African Growth and Opportunity Act (AGOA) to United States (U.S.)-Nigeria’s trade relations starting from year 2001 is a radical departure from existentialeconomic relations between the two nations. However, the period, 1960-2000, laid the foundation for U.S.-Nigeria’s trade relations AGOA. In discussing U.S.-Nigeria’s trade relations under AGOA extant literature have not paid adequate attention to an understanding of the pre-policy trade conditions of the trade partners which necessitated the introduction of AGOA. Economic historians might object to the cutoff date of 1960 because they consider pre-1960 interactions as equally important. Important as such interactions may be (or indeed are), they are not crucial to understanding U.S.-Nigeria’s trade under AGOA because it is not concerned with territories or entities or activities except those that took place after the creation of modern Nigeria as a sovereign political unit. As a sovereign political unit in the international arena Nigeria came into being in 1960. Though its making spawns hundreds of years and embraces periods of Arabic influences in the North and European influence in the South [1]. But then, what is AGOA and what is it about U.S.-Nigeria’s economic relations that made AGOA imperative?

AGOA

According to the U.S. Congress, the formulation of AGOA was based on certain findings. Among the findings are (1) the U.S. and sub-Saharan African (SSA) countries have a mutual interest in promoting stable economic growth in SSA;
SSA is rich in natural and human resources; SSA is of economic and political significance to the U.S.; trade represents a powerful tool for economic development; and reduction of trade barriers will enhance SSA’s commercial and political ties with the U.S.

To qualify as an eligible country to participate in AGOA the Act demands that SSA countries meet certain eligibility criteria. AGOA authorises the U.S. President to (1) designate a sub-Saharan African country as an ‘eligible’ sub-Saharan African country if the President determines that the country meets specified eligibility requirements and (2) terminate a designation if the President elects that an eligible country is not making continual progress in meeting those requirements. Some of these criteria are (a) established and making continual progress toward establishing a market-based economy, rule of law, elimination of barriers to U.S. trade and investment; (b) does not engage in activities that undermine U.S. national security or foreign policy interests; and (c) does not engage in gross violations of internationally recognised human rights or provide support for acts of international terrorism and cooperates in international efforts to eliminate human rights violations and terrorists activities.

Based on these criteria, the U.S. monitors and evaluates SSA countries annually to determine which of them should remain eligible to AGOA.

AGOA’s duty-free provisions cover over 6000 articles including steel items, automotive components, handbags, gloves, footwear, iron, oil, petroleum, minerals, precious stones, textiles, apparel and a variety of food products from SSA countries. According to [1] and [2] majority of tariff reduction under AGOA is for non-agricultural commodities such as oil, petroleum, minerals, precious stones, textiles, and apparel. Meanwhile, SSA countries’ articles get to the U.S. market duty-free only when the growth, product, or manufacture of such a country is not import-sensitive in the context of imports from beneficiary SSA countries.

For instance, duty-free applies to SSA countries’ textile and apparel if (1) an effective visa system, domestic laws, and enforcement procedures to prevent unlawful importation to the U.S.; (2) enacted legislation to permit United States Customs Service verification teams to the country; (3) report promptly to the United States Custom Service’s request on the country’s total exports and imports; and (4) report timely to the United State Customs Service’s request for document establishing the place of production, the number and identification of the types of production machinery used, number of workers employed in its production, and certification from the manufacturer and exporter of such articles.

The Nature of U.S.-Nigeria’s Economic Relations Prior to AGOA

Prior to the creation of AGOA British colonialism in sub-Sahara Africa prepared the ground for economic relations between the U.S. and Nigeria. The external economic relations structure left behind in Nigeria by the British in 1960 was predominantly Anglo-centric. From the 1960s, a bilateral relationship developed between Nigeria and the U.S. after the former’s independence from Britain. This began with the understanding that the veto of the U.S was required for Nigeria’s entry into the United Nations Organisation and becoming a member. The U.S. was, however, conscious not to disrupt the links between Britain and Nigeria lest British economy be dislocated. This was due to the substantial British investments in Nigeria
immediately after colonialism. So, the U.S. simply followed Britain’s lead in economic relations with Nigeria. As a consequence, up till the 1970s, the U.S. neither had nor adopted a coordinated or coherent economic view for its relations with Nigeria. This was excused on the understanding that the U.S. does not enjoy a deep-seated historical relationship with SSA. The fact that the U.S. was never a colonial power made it somewhat distant to Nigeria. At most, Washington was contented with its ally’s (Britain’s) hold on Nigeria in so far as it was seen as an attempt to keep out Nigeria from communism. The economic relation between Nigeria and the U.S. was understood and projected on that basis. Consequent upon that, the two countries for a long time never had a coordinated economic policy towards each other. Therefore, U.S.-Nigeria’s economic relations emerged not through the dynamics of economic linkages, but from British colonialism. U.S. policy towards Nigeria after independence snowballed from the established presence of its ally, the United Kingdom, in the country. Beyond Britain, it became expedient that U.S.-Nigeria’s economic relations be anchored on certain foreign economic policy for national self-adjustment and adaptation to the external world. In the words of Akindele. It is by the means of such a policy that the country communicates its economic ‘demands’ and needs to the external world, advertises its domestic economic resources for export purposes, seeks to augment its resource deficiencies, defines and articulates its conception of a just and equitable international economic order and participates generally in the continuously expanding cobweb of international economic transactions [3].

The main objective of such a policy, in the context of the competitive struggle for power, influence and domination in the global economic system, [3] went further, is to, ... promote the country’s national interest, especially by seeking not only to influence the external behaviour of other states in the image of its preferences but also to minimise the influence of other states in its actions [3].

The submission by [3] agrees with the report of one United States Special Mission to Africa which defined American interest in Africa (including Nigeria) as follows:
An interest in the evolution of Africa in a manner not inimical to our democratic type of government, the exclusion of influences unfriendly to our way of life, the hope of having access to the raw materials of that continent, primarily to safeguard our minimum strategic needs; to increase our trade with all African countries, and to exercise moral leadership as benefits our honourable traditions [4].

Notwithstanding, it was not until 1976 when Jimmy Carter came to power in the U.S. that Washington started what can be regarded as a coordinated economic policy towards Nigeria. Carter's administration had many young black citizens like Andrew Young. The administration was thus disposed towards SSA in general and Nigeria in particular. Carter tried to ‘weave a world wide web of bilateral, political and, where appropriate, economic relations with new emerging regional “influential”’ [5]. In pursuit of this, in 1978, Carter visited Nigeria. This was the first visit by an American President. The U.S. and Nigeria have a few similarities and dissimilarities. While Nigeria has the largest concentration of black people in Africa, the U.S. house the largest number of blacks in the Diaspora [6]. Nigeria is characterised by underdeveloped and dependent economic system and by a low standard of living for the majority of its people. Nigeria's peripheral position in the international capitalist system is largely a function of its colonial conquest, which is maintained today through the neo-colonial processes. The U.S., on the other hand, is characterised by a strong commitment to liberal, democratic, political values. It has also been characterised by sustained economic growth and technological progress, almost full employment, structurally transformed and flexible economic system with a considerable amount of international economic, financial and military power. The U.S. occupies a hegemonic position in the contemporary international system why Nigeria attempts to occupy such a position in Africa. From the onset, the relationship between the U.S. and Nigeria was anchored on the great differences in resources, technologies, interests, perceptions and influence [6]. While Nigeria recognises the limits of its power the U.S. opted to integrate Nigeria into its sphere of influence by offering patronising aid and hand-downs. Indeed, domestic economic considerations of both U.S. and Nigeria have been the foundations of the relations. This is not really different to what generally happens at the international arena. As a matter of fact, the history of international economic interactions portrays a saga of cheating, chicanery, and all manners of both tasteful and distasteful appropriation and maneuver of economic position. In this saga, the successful states have often been those defined the rules to cheat and maneuver economic position to prevent
economic parity. This shows that in real economic life, growths rarely ever occur by the charity or benevolence of states. Rather, what winning states do is to develop through foreign and domestic policies the application of economic policies for domestic use and later for international exploitation. That is why the critical parameter for assessing economic proficiency in a state is whether that state benefits maximally from its economic interactions.

The Nigerian economy is a typical Southern peripheral, mono-cultural economy. Nigeria’s participation in international trade has been based on the production of primary commodities-oriented mainly towards the market of U.S. (among others). Because of the international capitalist division of labour and the law of comparative advantage, what Nigeria owns in the U.S.-Nigeria’s economic equation, as its national asset, is only raw materials (crude oil and gas) which are mostly exhaustible. This is in contrast to the U.S. that owns; controls and dominates capital and technology, the instruments that mediate between man and nature in production.

Nigeria’s energy resources, Nigeria’s very life-blood, is controlled by the world market and continued to feed the American economy, which dominates the international system of management. Not even OPEC has been able to help Nigeria flex its economic muscle as an owner of an important resource needed by the U.S. Rather Nigeria has been at the mercy of the U.S. concerning demand and prices. For instance, in 1974, the U.S. in concert with other Western governments set up the International Energy Agency (IEA) with the function to abolish competition resulting from the energy crisis between Western consumer governments. The long-term strategy of IEA is to enforce a uniform strategy for the defence of the common interests of the Organisation for Economic Cooperation and Development (OECD) governments, vis-à-vis OPEC governments, like Nigeria’s. Its tasks include guaranteeing the supply of oil to all its members, coordinating measures to reduce consumption of OPEC’s, nay Nigeria’s, oil, establishing an information system on the oil market, and drawing up and implementing a long-term cooperation programme for a more rational use of energy and for production of substitutes and alternative sources of energy [7].

Despite the skewed beginnings of U.S.–Nigeria’s economic relations aid and development assistance were early starters in the bilateral interactions. According to the U.S. State Department, ‘the primary interest of the U.S. in Nigeria is to see it grow and prosper, within the free world, as a leader and good example for other African countries’ (U.S. Department of State, 1964, SP70D191114862:3). For instance, in the 1962-68 National Development Plan the sum of $949.2 million (for public expenditure and constituting 50 percent of the total cost of the plan) was to be raised through external loans and grants. Of this amount, the U.S. alone provided more than 50 percent. In the immediate aftermath of Nigeria’s independence in 1960 a five-man U.S. delegation visited Nigeria to study areas of possible economic cooperation. On the basis of the economic mission’s recommendations the U.S. government announced that it would provide Nigeria with $225 million aid which was given through USAID. In 1964, Nigeria received 50 percent of U.S. overall aid to Africa [8]. The disbursement of the aid package, which proceeded unevenly had a particular significance and laid the foundation for expansion in U.S.–Nigeria’s economic relations. The aid offer opened
a floodgate for increased economic ties; it became an avenue for a great influx of American technical assistance personnel, while it stimulated American companies' investment prospects in Nigeria. Consequently, Nigeria developed a dependent asymmetrical network of relationship with the U.S. over time. By 1966 the U.S. has become the largest single contributor of aid and technical assistance to Nigeria which amounted to 49.5 percent and 52.2 percent respectively [9]. Overall, the United States government and its related agencies constituted the dominant source of foreign aid for Nigeria in the period. U.S. contribution of technical assistance personnel by 1966 was about 52 percent.

Between 1960 and 1967 capital aid and technical assistance were the centre-piece of U.S.–Nigeria’s economic relations. In the area of foreign trade, about 80 percent of Nigeria’s exports went mainly to Britain and the United States. Seventy percent of its imports came from the same sources. Nigeria concentrated its fullest economic attention in the United States and Britain and cooperated rather intimately with the U.S. on major contemporary African issues. The simple reason for this is that the Nigerian leadership of the time and other factions of the ruling strata were products and beneficiaries of the United States. As a matter of fact, the Nigerian government of the era espoused definite interests whose attainment they considered possible only within a framework of a neo-colonial relationship with the United States [9].

**Local Industries and Businesses in Nigeria Prior to AGOA**

Between 1960 and 2000, Nigeria’s economy was underdeveloped and primarily resource-based. Its manufacturing sector, engaged predominantly in consumer goods production and, is heavily import dependent. For instance, the nation’s apparel production sector comprised primarily of a cottage industry of small or individual tailoring operations scattered throughout the country’s informal sector markets. There was only one apparel facility in the Export Processing Zone in Calabar that adds value to tee shirts by packaging them. This is known locally as a 'packet shirt' operation (Personal interview at Manufacturers Association of Nigeria (MAN) office, Lagos, 2016). Nigeria has other apparel making firms like:

i. Afprint of Lagos is one of the largest textile groups in Nigeria. As a member of a multinational conglomerate, Afprint has sister companies in the Philippines, Indonesia, Sri Lanka and related businesses in 25 other countries.

ii. Bhojsons Industries of Lagos manufactures cotton and polyester yarns and fabrics. With 152 looms and 113 jets up to 153cm widths, they are able to manufacture mattress covers and are exporting cotton sheeting to Europe.

iii. The Church gate Group of Lagos is a large industrial conglomerate with eight textile related companies including state-of-the-art cotton and polyester spinning and weaving, textile supplies and an export business. They supply men’s suiting and shirting to the European markets in a wide range of weaves, weights, blends and yarn counts. Sister companies are involved in chemicals and dyes, research and development, and textile finishing.
iv. United Nigerian Textiles of Kaduna employs about 20,000 people in its cotton African print operations. This company now exports to ECOWAS countries used to export to the US and Hong Kong.

v. African Textile Manufacturing, Ltd. in Kano is a four-year-old manufacturer of African printed cotton with about 2,000 employees [6].

Nigeria had all of the necessary competitive elements for a successful apparel manufacturing industry. This includes:

1. Installed textile manufacturing base and materials cluster with world-class potential to service AGOA quota;
2. Cotton producer—medium staple adequate for many apparel applications;
3. EPZ capability with legal provisions for soft working capital and subsidised utility infrastructure;
4. Ample labour at competitive rates;
5. More favourable port location in comparison to Mauritius, Madagascar, South Africa, etc. — import economy with huge backhaul availability at competitive cost saving 2-8 days shipping times over Eastern African ports;
6. History of FDI from Asia and India;
7. Large rural population—apparel manufacturing plants can do well competitively if they are located a significant distance from large cities [6].

But, during the period under study, local industries and businesses in Nigeria could not utilised the advantages due to several challenges. To start with, technology exchange between the U.S. and Nigeria during the period explains the difficulties experienced by local industries and businesses. The growth of knowledge intensify production by increasing scientific and technological interactions and the need for innovation complicates the importance of the four dimensions of a national system of innovation — human capital, knowledge creation, supply innovation capacity, demand innovation capacity and their complementarities — as a force majeure in determining Nigeria’s potential. Institutions in Nigeria have benefited from facilities like the internet online learning, telemedicine and teleconferencing with their partners in the U.S. (Personal interview at USAID office, Lagos, 2016). This U.S. to Nigeria’s technology transfer occurred through a variety of processes, including licenses and patents, supplies of machines and equipment, exchange between scientific bodies of Nigeria and the U.S. (Personal interview at FIIRO office, Lagos 2016). Others came in through purchases of technical publications, consulting and engineering services of Americans (Personal interview at United States Agency for International Development (USAID), Abuja, 2016). The rest were acquired through on-site training of Nigerian personnel by American experts (Personal interview at Nigeria national Petroleum Corporation (NNPC) Headquarters, Abuja, 2016), and Nigerians studying in the United States. However, estimates of U.S.-Nigeria technology flow vary from the modification and adaptation process actually costing Nigeria more than if it had developed its own technology to a value added of fourteen times what would have been received if developed domestically by Nigeria.

It is clear that the fundamental challenge in Nigeria is the appallingly inadequate
infrastructure and sore lack of capacity. The search for new inventions and innovations as vital resources to position Nigeria on the path of economic development cannot be over-emphasised. That is why a major concern of local industries and businesses in Nigeria relates to the ‘appropriateness’ of the meagre technology that came to them from the U.S. (Personal interview at OPEXA office, Lagos, 2016). Much of the technology transferred was typically capital intensive and labour saving, whereas the chief problem in Nigeria was unemployment (Personal interview at FIIRIO office, Lagos, 2016). Given Nigeria's need to provide employment those technologies are inappropriate for local industries and businesses (Personal interview at MAN office, Lagos, 2016). The problem was compounded by different circumstances under which such technology was developed and the unwillingness of U.S. multinational corporations to adapt them to the Nigerian settings (Personal interview at FIIRIO office, Lagos, 2016). Additionally, most of the machinery and equipment transferred to Nigerian local industries and businesses from the U.S. were ‘inappropriate’ because they were machines of older vintage (Personal interview at MAN office, Lagos, 2016). Not only was the technology out of date their consumers in Nigeria were charged high prices. The contradiction between local industries and businesses' needs for modern technology and the desire to pay only 'justifiable prices' is a function of the different values of global economy.

Nigeria is also incensed by the fact that payments for technology strain its balance-of-payment position vis-à-vis the U.S. (Personal interview at Ministry of Trade and Investment, Abuja, 2016). One contributor to the unnecessarily inflated price of the technology which Nigerian acquired from the U.S. has to do with the fact that technology is often sold in packages (Personal interview at OPEXA office, Lagos, 2016). For example, tie-in clauses in certain contracts compel a license to purchase unpatented goods from the licensor; in other cases, technology are supplied only through turnkey operations where the U.S. undertakes full responsibility for construction of a plant and managing it until local personnel are ready to do so (Personal interview at OPEXA office, Lagos, 2016). Particularly where the recipient of the technology is a subsidiary of the supplier, as often was the case, Nigeria acquires little, if any, ‘new’ technical know-how. What local industries and businesses in Nigeria find most repugnant is that more often than not some elements of the package are overpriced, unnecessary, and or available locally (Personal interview at OPEXA office, Lagos, 2016). Generally, the technology available to Nigeria was much more heavily reliant on the use of raw materials and has a lower marginal product of labour (Personal interview at MAN Office Lagos, 2016), and so firms using that technology pay lower wages. Meanwhile, the wages that are paid within a nation are dependent on the extra output that an extra worker is able to produce (the marginal product) and the cost of the other inputs (capital, materials etc.) required to enable that worker to produce. But economic development through productive activities occurs mostly through the channel of wages (Personal interviews in Lagos and Abuja, 2016). A few local industries and businesses in Nigeria were, however, exposed to new technology and employee training (Personal interview at OPEXA office, Lagos, 2016). But, the skills needed to maintain, use and develop the knowledge were not transferred. This
means that Nigeria remains stuck in the primary sector. To worsen the case, most American consumers do not expect to find processed food and consumer products in their local Wal-Mart with a ‘made in Nigeria’ label, without the exploration and development of new sectors equalling the global economic trading of services and technology. The overwhelming proportion of Nigerian firms and businesses regard power and voltage fluctuations as major obstacles to their operations (Personal interviews in Lagos and Abuja, 2016). Most of the firms and businesses ranked electricity as their number one problem. This is followed by problems associated with road networks and third, by telecommunications. Most Nigerian firms and businesses, for example, have to make a significant investment in the private provision of generators as insurance against uncertainties associated with poor publicly provided electricity. Thus, the need for back up alternatives in respect of power supply contributes significantly to the cost of doing business and the lack of competitiveness in external markets. Ultimately, the costs of doing business in Nigeria remain among the highest in the world. This submission agrees, substantially, with the [10] report which stated that it costs 80% of an average Nigerian’s annual salary to register a company in the country.

In sum, the U.S. undermined Nigeria's production base in favour of American manufactured goods (Personal interview at MAN office, Lagos, 2016). The status of local industries and businesses in Nigeria shows that Nigeria lacked the capabilities to attain economic development. Nigeria tended to have neglected the iron law of industrialisation that stipulates convergence of domestic use of resources and consumption (Clive Threat) as the foundation for autonomous development. For instance, Nigeria has not been able to effectively implement policies on research; expatriate quota has been abused, the educational system, the foundation of all development has been riddled with crisis and for some inexplicable reasons, Nigeria did not to come to terms with the idea that only Nigerians can and will develop Nigeria while foreign interests will only play in accordance with the environment they meet.

Opportunities and Challenges of U.S.-Nigeria’s Trade Relations prior to AGOA

Before the emergence of the African Growth and Opportunity Act (AGOA), U.S.-Nigeria’s economic relations were characterised by disarticulation and incoherence. U.S.-Nigeria’s economic relations was characterised by the absence of forward and backward linkages, complementarity and reciprocity in production. There was an absence of reciprocity of exchange between them. The extraction of resources in Nigeria was dictated, partly, by the needs of the U.S. It appears that the Nigerian extractive industries were purely functional for gathering and exporting the commodities of Nigeria, to the U.S. It did not constitute in any way a coherent line of production. Neither did it contribute to the building of a coherent economy with Nigeria. The story of the Nigerian extractive industry, especially crude oil, illustrates the haphazard development. The oil industry of Nigeria is an excellent example of the disarticulation of U.S.-Nigeria’s economic relations. Nigerian refineries were non-functional. The incoherence of the oil industry rendered related ancillary industries chaotic as well. Optimum performing refineries are lacking in Nigeria; since the extractive industries are posed to supply unrefined...
crude to the U.S. rather than get finished products to local consumers. This means that the extractive industries were not designed in a way that they would yield maximum benefit to the growth of Nigeria. And, U.S. demand for Nigerian oil makes the exploitation at Nigerian oil fields uneconomical.

Something similar to the activities of extractive industries happened in the development of Nigerian primary commodities for the American market. The U.S. was naturally interested only in the most profitable Nigerian commodities. To obtain an adequate supply of the preferred commodities the U.S. covertly discouraged the production of some other commodities. This was done by refusing to buy such commodities from Nigeria. When this happens, it was accepted without too much thought on the implications of encouraging the production of particular commodities. It was assumed that what was good for international capitalism of the U.S. was good for Nigeria.

Nigeria’s trade with the U.S. was characterised by reliance on a few export commodities for foreign exchange earnings, especially oil. It would be recalled that it was after the arrival of American oil multinational corporations that crude oil was successfully exported from Nigeria. Nigeria had not started exporting crude oil until about 1947. But the exportation of crude oil grew so rapidly that it soon began to dominate the Nigerian economy. By 1971 the country was already the biggest exporter of crude oil in SSA. By 2000 crude oil accounted for about 80% of the value of Nigeria’s exports. The problem of a narrow resource base is related to the basic fact that the U.S. trade with Nigeria was done in the interest of capitalist accumulation and not in the interests of growing Nigeria’s economy. The U.S. made Nigeria to put a lot of effort in the production of crude oil, because overseas demand was good starting from the 1970s, through incentives. Before export of crude oil from Nigeria its exports had been dominated by palm kernels, palm oil, groundnuts, cocoa, and bananas [11]. Instead of adding to the old sources of foreign exchange the new commodity replaced the old ones so that the composition of export commodity changed without achieving diversification. Thus, in U.S.-Nigeria’s economic relations oil replaced palm kernels and groundnuts and cocoa instead of supplementing them. It might be tempting to attribute this narrow base for foreign exchanges earnings to the natural endowments of Nigeria - its mineral endowments, and its climatic conditions. But this would be quite mistaken because U.S.-Nigeria’s economic relations had much to do with it. In the main, Americans tried to market what manufactured goods they could. They encouraged the development of export commodities when and where it was profitable to do so and did not really bother themselves much with the question as to how their economic relations fitted in with the overall growth of Nigeria. With this, Nigeria began to experience shortages in the supply of traditional food crops, changes in land use creating changes in land tenure, uneven distribution of wealth, dependence on a few export products. Associated with all these sort of changes were profound economic imbalanced and growth which led to social disequilibrium that upsets the balance of the Nigerian economy.

Furthermore, U.S. economic relations with Nigeria did not do very much to encourage the growth of manufacturing. U.S. economic interest in Nigeria lay primarily in the fact that it was a source of raw materials and market for American
manufactured goods. American companies doing business in Nigeria did not consider that the industrialisation of the country merited serious attention. The Nigerian government itself appeared to have had little or no enthusiasm for manufacturing. Manufacturing was further discouraged by the rudimentary development of the infrastructures in the country as well as the limited possibilities of economies of scale.

However, some degree of development in manufacturing took place though the manufacturing or industrial activity was of a most rudimentary nature: food and beverages, tobacco, base metal, non-durable consumer goods, basic chemical products, building materials, furniture, leather and leather products. The reasons for the rudimentary development of manufacturing in Nigeria are discernible. Those who made investment decisions did so according to the necessities of the process, particularly the quest for maximum return on investment in the minimum amount of time. To sum up, the factors for minimum manufacturing in Nigeria are as follows: the multiplicity of decision centres, the ad hoc and interest-oriented character of investment decisions, the reliance of the manufacturing sector on imported materials, the non-availability of infrastructures which especially influenced the type and location of investment.

In contrast, the Nigerian oil economy displays a pathological maturity, like a highly accelerated ageing process. The oil economy suffered the disadvantages of monopoly without having enjoyed the advantages of competition. On the one hand, a typical monopoly economy thrives by the continuous capitalisation of surplus-value. It creates and sustains demand for the goods and services which it offers. When the monopolist is able to beat competitors and corner the market all the better for it. To improve its competitive status, the monopolist tries to expand production to take advantage of economies of scale and reduce his unit cost. He may also try to increase the productivity of labour by introducing mechanisation and thereby increasing the organic composition of capital. Here lies the positive role of monopoly and competition.

On the other hand, the competition among capitalists leads to the development of productive forces – as capitalists expand production to reduce costs, develop new tools, introduce new machines that make things better or cheaper, gain new sources of the supply of raw materials, and develop new processes of production. This is why capitalism has contributed more to the development of productive forces than all the modes of production which preceded it, and it has been able to do so because of the dynamics of competition inherent in it. But in the Nigerian capitalism – oil exploration and export – short-circuited history and moved directly to a monopoly stage. This monopoly hampered the development of productive forces by discouraging competition. This point bears importantly in any attempt to understand the persistence of Nigerian underdevelopment.

To take on another dimension to the underdevelopment of Nigeria, the control of Nigeria's reserves and the issues of currency rested in the U.S. – through the International Monetary Fund (IMF). Such control was justified by arguing that it gave Nigeria monetary stability and international status and helped its trade. However, Nigeria's monetary dependence on the U.S. was essentially a means of exploitation. For instance, the IMF
mobilised capital from Nigeria’s external reserves and loan it to American businessmen. The exploitation of Nigeria’s monetary dependence was done mainly through the manipulation of Nigeria’s reserves and currency. The Nigerian Naira issued by the Central Bank of Nigeria (established in 1958) was to be backed by the dollar reserves held in the U.S. Now, the foreign exchange which Nigeria earned by the sale of its exports was held in the U.S. Therefore, through its membership of neo-liberal institutions of capitalism (The IMF, the World Bank and the WTO) and friendship with the money lenders in the triad: America, Western Europe and Japan, that controls globalised capitalism, Nigeria agreed to abdicate its primary responsibilities to the citizenry namely: the provision of basic needs of the people. These needs include basic education, basic healthcare, shelter, water, employment, individual and collective security, electricity, means of transportation and communication. The elimination of the developmental state and the promotion of the market is the policy prescription imposed on the countries of the Global South by neo-liberal institutions of capitalism.

Perhaps there was no alternative course of action for Nigeria. Thus, as a matter of necessity and to interact successfully with the United States, Nigeria agreed to carry out economic reforms based on the ‘Washington Consensus’. The reform prescriptions favoured by the World Bank, the IMF and the United States Treasury. As a matter of fact, the U.S. all-purpose solution to Nigeria’s economic backwardness was rapid ‘downsizing’ of government, de-regulation, liberalisation and privatisation, focusing not on equity and social justice concerns but sterile gross domestic product (GDP) growth figures. According to the U.S. when Nigeria grants unfettered freedom to the market, all its problems will be solved. Contrary to that view, Russia has shown that privatisation has often been abused by powerful groups and those with political connections. De-regulation, on the other hand, has often increased the risks to the poor in some countries without necessarily delivering sustained growth. Needless to say that, the chief beneficiary of the de-regulation of the Nigerian economy is the U.S. economy. The de-regulation results in a massive increase in the rate of capital flight from Nigeria as American monopoly investors (among others) take advantage of the liberal environment to repatriate profits, dividends, royalties, technical fees and all manner of payments, including through transfer pricing, to the detriment of Nigeria’s poverty alleviation programmes.

Given America’s domination and control of the Nigerian economy and coupled with Nigeria’s dependence on American finance capital the country lacked the leverage to take any proactive action. Thus, American finance capital collaborates with a powerful group of Nigerian allies to implement neo-liberal economic policies and makes the Nigerian economy neo-colonial. Meanwhile, the bedrock of the Washington Consensus economic reform favoured by the U.S. is the unfettered right of capital to move about the globe demanding low taxes, little regulation of wages and work conditions, small government, privatisation and anti-people policies. And, the unrestricted right of international capital is the most profound cause of Nigeria’s economic poverty. The pattern of U.S. investment in Nigeria shows that the result of unrestricted international capital has not always been positive as domestic forces are not able to ensure that U.S. enterprises work in tandem with local development policies.
U.S. investments are invariably conduit for illegitimate capital outflow. They tend to indulge mostly in assemblies without R&D. They exclude Nigerians from critical skills. In many cases, they imported patented goods rather than working the process thereby precluding the opportunity for the acquisition or transfer of technology. Thus, the weakness of the Nigerian economy is the result of the peripheral position which Nigeria occupies in the international capitalist division of labour as a producer of raw materials for export to the United States. As a result of the position, the Nigerian economy is characterised by excessive dependence on international finance capital (which largely comes from the U.S.), a weak production base, lack of internal inter-sectorial linkages, and lack of internal coherence, mass poverty, technological dependence, and excessive external orientation.

Within the period under study, Nigerian leaders seem to have accepted the U.S., and its economic and financial institutions, as senior partners whom they surrendered all decision-making about financial and credit policies, economic system, and political organisation. Legume (2006) talks about how U.S. has ruled much of sub-Saharan Africa through the IMF and the World Bank since the 1980s.

Elected governments did formally take policy decisions and passed laws through their parliaments. However, the budgets of governments under SAPs had to be approved by officials of one or both of these international financial institutions, and there was often neither the expertise nor the confidence on the part of developing countries to protest against this perverse process. The omnipotence of the Bank and the Fund was such that opposition to their policies was apparently impossible. Moreover, it did not take long for aspiring politicians to understand what policies to propose to garner powerful foreign support. The global market ideology has consumed governments everywhere, especially since the fall of the Soviet Union in 1991[12].

Unlike the World Trade Organisation (WTO) which has responded to its numerous critics who see it as the Worst Trade Organisation, by claiming to now promote development and raising living standards, rather than maximising trade,
the U.S. could not respond. The U.S. continued to see the trade with Nigeria as an end in itself. The U.S. sees the trade with Nigeria as synonymous with development [13]. Trade is the lens through which the U.S. sees Nigeria’s development. Thus, U.S.–Nigeria’s economic relations have a market access, rather than development, mindset.

The U.S. carries on with the belief that further integration of the Nigerian economy into the global economy will lead to economic growth and development and reduce poverty. But the whole concept of getting growth through trade is controversial. Thus, the U.S. economic relations with Nigeria is imperialism as it (a) foists, or attempts to foist on Nigeria, capitalist values, capitalist institutions, and capitalist development; (b) it focuses development analysis on the question of how to make Nigeria more like the U.S.; and (c) it propagates mystifications and modes of thought and action which serve the interests of the U.S.

The year 2005 was declared the United Nations (UN’s) ‘Year of Development’. By September that year, the UN Millennium Summit Meeting of Heads of States publicised a report. The report contains the advanced countries’ intention to review the extent of the fulfillment of their promise to each provide 0.7 percent of their Gross National Product (GNP) for aid to poor countries on a path of meeting the MDGs. But the 0.7 percent of GNP target was set several decades before. In the heat of the Third World’s struggle for a New International Economic Order (NIEO), is it not curious that that odd figure of 0.7 per cent has continued to be retained for several decades? Even at that, many of the developed states, including the U.S., did not meet the target.

However, at the Millennium Summit; new ‘commitments’ were made concerning trade and aid. On aid, the discussion centred, once again around the progress towards achieving the old target of 0.7 as well as the conditions attached to them. However, the high-level Millennium Summit discussions were informed by two (2) flawed assumptions: (a) that developed countries like the U.S. is serious in taking actions that can materially shape development in Less Developed Countries (LDCs) like Nigeria; and (b) that these actions should consist largely of providing financial resources to poor countries. The effects of aid on Nigeria belie both assumptions. It is indeed not in the objective interest of the U.S. to ensure economic independence of Nigeria. Therefore, it is an illusion for the U.S. to pose as the guarantor of growth for Nigeria by offering financial resources and trade contracts, especially as these come under restricting conditions.

In the period under study, U.S.–Nigeria’s economic relations centred on Nigeria’s removal of tariff and non-tariff barriers to U.S. goods. But even Adam Smith, the father of classical economics and champion of capitalism and free trade, had warned about the dangers of free trade for countries like Nigeria when he wrote that;

> Were those high duties and provisions taken away all at once, cheaper foreign goods of the same kind might be poured so fast into the home market as to deprive all at once many thousands of our people of their ordinary employment and
means of subsistence. The disorder which this would occasion might no doubt be very considerable [14].

By the close of the 20th century the proposition of Adam Smith had been fulfilled in all segment of the Nigerian economy. But, while the U.S. chanted market access mantra in Nigeria, it carefully preserved its protectionist policies at home. It gave massive support to its agriculture sector. It did this while mounting very high tariffs on many products from Nigeria [15]. To seal the fate of Nigeria, the U.S. branded the protection of Nigerian industries heretical. [15] has rightly observed that

Through a combination of ideological dogma, conditions attached to aid and loan, and straightforward bullying, poor countries have been convinced, forced and threatened into accepting that free trade is their only option.

In pursuit of free trade, the principle of government intervening to safeguard people’s livelihoods and set their course for growth and development - something that has worked in the past for almost all of today's developed countries - has been wrongly abandoned [15].

The major instruments used to achieve U.S. objectives were the World Bank and the IMF. The influence of the twin Bretton Woods institutions in Nigeria is immense. By attaching trade liberalisation conditions to grants and loans and by offering trade liberalisation-based 'advice' to Nigeria, the IMF and the World Bank tore down many barriers to U.S. market penetration of Nigeria.

By history and by experience, by temperament and by inclination, Americans and Nigerians are ill-prepared to admit the inevitable outcomes and challenges which their economic relations have brought about. The interactions have been made too suddenly, and the demands of relations have increased too rapidly, for the evolution of a satisfactory economic agreement. Moreover, the state of U.S.-Nigeria’s economic relations has been such that a satisfactory economic agreement is probably impossible. U.S.-Nigeria’s economic relations satisfy no one. That is why at the end of the period under study, questions arose on the possibilities for Nigeria. Questions such as what sort of accountability the decision-makers are subject to, what sort of regulation they have to face, who are they answerable to are crucial. As soon as you talk about that, you get into the political structures of which trade agreements are signed. What political
structures have been set up which guarantee that those who are the decision-makers; President, Cabinet ministers, face some tough test from the civil society. Do Nigerians question their leaders, do they renew them, do they throw them out because no matter what you say, it the poor who pay the price of economic retardation. As the century ebb to a close, it was hoped that the two sides (the U.S. and Nigeria) will turn the bitter lessons of their economic relations into constructive venture in bilateral relations. AGOA reflects that idealism.

CONCLUSION

This study illuminates one central fact about Nigeria’s economic relations with the U.S. before AGOA. That is, no nation, no matter how populous or geographically impressive is economically self-sufficient and every nation in one form or the other imports/exports some types of economic goods/service from/to one or more other state(s). Nigeria’s economic relations with the U.S. have greatly intensified over the years, despite ostensible efforts at diversification and professed promotion of intra-African economic promotion. The U.S. was a primary source of Nigeria’s imports, private investment, technologies, and external development capital. Nigeria’s exports to the U.S. are constituted of primary commodities which suffered habitual price distortions and fluctuations. Nigeria’s export activities with the U.S. account for the bulk of its gross national product (GNP) and as the source for procuring foreign exchange. On the other hand, U.S. exports to Nigeria were dominated by industrial and processed consumer goods with continuously escalating prices. The study shows that there are built-in impediments in the pattern of trade between Nigeria and the U.S. This made Nigeria export primary products to the U.S. and imported industrial goods from it. The years of trade relations simply expanded areas of further penetration by American capital, agencies, personnel, contractors, and consumer goods (including food). This strengthened Nigeria’s dependence on the U.S. prior to AGOA.

REFERENCES


12. Moore, M. (June 19, 2000), 'The WTO is a Friend of the Poor', *Financial Times*, p. 27.

