

Interrogating Nigeria's foreign policy and foreign direct investment under Obasanjo's administration, 1999-2007

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ABSTRACT

Since the enthronement of civil democratic rule in Nigeria in 1999 after so many years of military rule, President Olusegun Obasanjo has undertaken so many diplomatic efforts to restore the country to mainstream of comity of nations. He indeed utilized Nigeria's foreign policy to laundered the battered image of the country so as to attract foreign investors and other international business/development partners to do business in the country. Obasanjo's eight-years tenure actually witnessed the influx of more FDI into the country; but with the tip tilting more in favour of Oil and Gas (O&G). There was however underperformance of the country's foreign policy where it failed to support its economic relations instrument for directing the attracted FDI towards boosting the industrial and manufacturing sector and subsector of the economy. These critical sectors and sub-sectors have the highest likelihood of expanding the country's foreign revenue sources through the manufacture of unique products and goods in which Nigeria has comparative advantage in the international market. It is this failure that motivate the study. The study is a qualitative one where data was analyzed through discourse and explanatory method. At the end, recommendations were made for effectively utilizing the country's foreign policy for attracting more FDI that should be directed at the manufacture of unique products and goods that will expand Nigeria's foreign revenue sources towards the general development of the domestic economy.

Keywords:

Foreign Policy, Foreign Direct Investment, Economic Relations, Manufacturing, Industrial, Foreign Revenue.

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1. INTRODUCTION

With the enthronement of civil democratic government in Nigeria on May 29, 1999 under President Olusegun Matthew Aremu Okikiola Obasanjo, it ushered in a new paradigm in both the country's domestic and foreign policies. The two policies have to be taken simultaneously because the latter is not only a reflection of the former, but its determinant and that of the eventual economic relations. Having emerged from a background of muffled foreign policy and downgraded (battered) external relations during the immediate past military regimes, President Obasanjo's foreign policy from the outset was anchored on domestic imperatives. Such include – the creation of a better image for Nigeria in the comity of nations and the shedding-off of Nigeria's pariah status; confidence building for foreign investors, upgrading of domestic infrastructures and the re-integration of the country into the international system. This Obasanjo did by immediately changing the posture of Nigeria's external relations from hostility to friendship. This could be described as foreign policy of rapprochement or fence-mending of its downgraded (battered) external relations. At the domestic front, he embarked on several reforms such as those of the energy and power sector, public services (transparency, accountability, the fight against corruption, strict observance of rule of law, due process in the public service), guaranteeing of fundamental human rights, good governance and best practices as well as general attitudinal change on the part of Nigerians so as to re-brand and re-package the country for global acceptability. Other attributes of Obasanjo's new foreign policy focus include: concerted efforts to recover Nigeria's looted funds stashed away in foreign banks, to press for debt relief, and to aspire for deserved foreign goodwill from more affluent friendly countries or even generous world class Non-Governmental Organizations (Aderemi, 2007).

2. METHODOLOGY

Qualitative method was adopted in generating data from secondary sources for the study. The research, which is interrogation of Nigeria's Foreign Policy and Foreign Direct Investment under Obasanjo is descriptive and explanatory. Document studies was adopted and utilized in generating data from secondary sources. The documents scrutinized include, policy documents, official documents, internal memoranda, journal articles, newspapers, internet materials and scholarly papers.

3. RESULTS AND DISCUSSION

3.1 Obasanjo's Diplomatic Visits

Obasanjo knew quite well that the task before him was a daunting one; as such he discarded the traditional arm-chair external relations and adopted a more result-oriented foreign policy instrument and economic/external relations of "wandering around" through personal diplomatic visits to countries of the world during his eight-years tenure. Between May 29, 1999 and August, 2002 Obasanjo was known to have embarked on one hundred and thirteen (113) foreign trips spending about three hundred and forty (340) days out of the country. The 113 trips covered the period of three (3) years three (3) months which is converted to thirty-nine (39 months). Even though the forays of his high level diplomatic visits actually started meeting his initial set target of bolstering the country's image and of attracting the inflow of foreign capital from foreign investments, foreign goodwill and remittances from Nigerians in Diaspora; yet domestic opposition elements were very critical of the choice of this foreign policy instrument of 'Globe-trotting' describing it as wasteful (Ogwu & Alli, 2006). Nonetheless, if the tempo of such foreign trips had been sustained throughout his eight (8) years tenure, Obasanjo would have succeeded in making two hundred and seventy-eight (278) foreign trips within the period. When you divide 278 trips by 8 years you will arrive at 34.75 (278÷8=34.75 [equivalent of 35]) trips in a year on the average. While, to obtain the monthly average rate of foreign trips by Obasanjo between May 29, 1999 and May 29, 2007; you have to divide the 278 trips by 96 months (in 8 years) and you will arrive at 2.89 (an equivalent of 3) foreign trips a month. This according to his critics, amounts to colossal waste of the country's resources and man hour that ought to have been devoted to other critical sectors of the economy by the President (Saleh, 2008). Notwithstanding the barrages of criticism made against his foreign policy of 'Globe-trotting' by opposition parties, President Obasanjo has performed exceptionally well during his first four years in office as manifested in the reversal of Nigeria's pariah status, removal of stigma on Nigeria and Nigerians, easing of visa problems and the bolstering of Nigeria's global image. His wider engagement with great powers more especially of the West; was tactfully sustained so as to remain in the good books of these countries to who Nigeria was greatly indebted. Coupled with his position as the AU Chairman, Obasanjo had to maintain cordial relations with the Western world so as to get listening ears from them on issues that affect Nigeria such as trade concession, debt relief and high

expectations of foreign goodwill. This facilitated the recovery of huge chunk of Nigeria's looted monies in Swiss, British and European Banks. With massive assistance of the Western world, Nigeria had its huge external debt of \$35 billion US-dollars slashed by up to 60% (equivalent of over \$18 billion US-dollars) by the London and Paris clubs in 2005 (Ajayi, 2006).

Other aspects of his 'shuttle diplomacy' include: the hosting of the Commonwealth Head of Government Meeting (CHOGM) held in Abuja in 2002, hosting of All Africa Games (COJA) in Abuja in 2003 and Chairmanship of the Group of 77 (G77) in 2005. In summary, President Obasanjo has visited China in 1999, 2001 and 2005 (official capacity), 2010 (private visit); Russia in 2001; Germany in 1999 and 2003; Brazil in 2005; India in January, 2000, 2004; Geneva in 2005 etc., (Aderemi, 2007; in Akinterinwa, 2007; Adebajo, 2010; Anofi, 2010).

3.2 Obasanjo's Foreign Investment Drive

Obasanjo's much vaunted wooing of foreign investors also yielded huge dividends when many foreign investors started doing business in Nigeria in their numbers. This is attested to by the steady increase in foreign investments in all sectors of the economy between 1999 and 2007 where it recorded ₦4,035.50bn in 1999, ₦16,453.60bn in 2000, ₦4937.00bn in 2001, ₦8,988.50bn in 2002, ₦13,531.20bn in 2003, ₦20,064.40bn in 2004, ₦26,083.70bn in 2005, ₦41,734.00bn in 2006 and ₦4,324.86bn in 2007 totaling ₦140,152.76bn with annual average of \$17,519.01bn. The inflow of foreign investment to Nigeria shows an annual average increase of ₦15,572.53bn which peaked at ₦41,734.00bn in 2006 from an initial paltry sum of billion ₦4,035.50bn in 1999. As stated earlier, this is as the result of Obasanjo's shuttle diplomacy that laundered the image of the country (Adelagan, 2000; Central Bank of Nigeria Statistical Bulletin, 2014; World Bank, 2010). Even though the total annual average above indicated positive performance for Foreign Direct Investment into the country, but sectoral performances indicated that the scale between 1999 and 2006 has tilted more in favour of the Oil and Gas (O&G) sector. The O&G sector alone with total foreign earnings of \$16,650.48 billion which represents over 80% of the overall Foreign Direct Investment of \$20,651.67 billion; actually quadrupled the combined foreign earnings of the remaining non-oil sectors which totaled at \$4,001.19 billion (40% of the cumulative). Vital sectors such as Agriculture, Industrialization and Manufacturing that are supposed to be the drivers of the national economy and employment generators; performed so poorly with a combined total earning of \$965.92 million where the Agricultural sector recorded \$36 million and the Manufacturing sector with \$929.92 million. Whereas, the Infrastructure and Services sectors with combined foreign earnings of \$2,831.72 billion; are derived mostly from foreign goodwill. The Solid mineral sector and the Chemical/Pharmaceutical sector with \$20.82 million and \$9.2 million respectively, are the least receivers of foreign investment inflow to Nigeria between 2002 and 2006. Much need to be done by the country's foreign policy managers and the political leadership to adopt more proactive strategies towards wooing foreign investors to invest in these and other sectors that are lagging behind. Pursuant to this, our Ambassadors, High Commissioners, Foreign Affairs Ministers and the political leadership have to brace up for this reward-yielding economic diplomacy to ensure the pragmatic expansion of the country's external sources of revenue that will eventually bring to the citizens the required dividends of democracy and good governance (CBN-Statistical Bulletin, 2016; Adebajo & Mustapha, 2008; World Bank, 2010, CBN-Statistical Bulletin, 2014).

President Obasanjo's administration between 1999 and 2007 recorded the highest inflow of Foreign Direct Investment (FDI) to Nigeria, which totaled \$140,152.76 billion. It started with ₦4,035.50 billion in 1999 where it catapulted to ₦16,453.60 billion in year 2000, ₦20,064.40 billion in 2004, ₦26,083.70 in 2005, ₦41,734.00 in 2006. It should be noted that this, overall national FDI performance, increases and peaked during President Obasanjo's administration (1999-2007) which totaled ₦140,152.20bn. Events preceding this gargantuan performance by Obasanjo, was his effort at attracting foreign investors to Nigeria, where he got the country on board the International Investors Council (IIC) in 2003. The IIC, which is an international business organization concerned with the boosting of favourable investment climate in member countries, has been and still is, under the leadership of a former British Lady politician, Baroness Lynda Chalker. At the point of joining the IIC, Obasanjo assured the international community that, with the enthronement of democratic governance in Nigeria and the accompanying domestic reforms in critical key sectors of the economy, the country is now investment-friendly and can be, referred to as a Clean Business Environment (CBE) (MFA-AR, 2012; World Bank Development Indicators, 2014, 2017).

This is as presented in Table 1 and Figure 1 below:

Table 1: Comparison of Oil & Gas, Non-oil (minus Manufacturing) and Non-Oil (Manufacturing) Foreign Direct Investment Inflow to Nigeria under Obasanjo's Administration (1999-2007)

S/N	Year	General FDI Amount (\$bn)	Non-oil (minus Manufacturing) Amount (\$bn)	Oil & Gas FDI Amount (\$bn)	Non-Oil (Manu) Amount (\$bn)
1.	1999	\$4,035.50bn	\$928.17bn	\$3,026.52bn	\$0.81bn
2.	2000	\$16,453.60bn	\$928.17bn	\$12,340.02bn	\$329.07bn
3.	2001	\$4,937.00bn	\$1,135.51bn	\$3,702.75bn	\$0.99bn
4.	2002	\$8,988.50bn	\$2,066.55bn	\$6,741.38bn	\$179.77bn
5.	2003	\$13,531.20bn	\$3,112.18bn	\$10,148.40bn	\$270.62bn
6.	2004	\$20,064.40bn	\$4,614.81bn	\$15,048.30bn	\$401.29bn
7.	2005	\$26,083.70bn	\$5,999.25bn	\$19,562.78bn	\$521.67bn
8.	2006	\$41,734.00bn	\$9,598.82bn	\$31,300.50bn	\$834.68bn
9.	2007	\$4,324.86bn	\$994.72bn	\$3,243.65bn	\$0.87bn
	Total	\$140,152.76	\$32,234.31	\$105,114.30	\$2,539.77

Source: Generated by the Researcher in 2025 as adapted from Central Bank of Nigeria Statistical Bulletin, 2014, 2016, World Bank, 2017, 2023

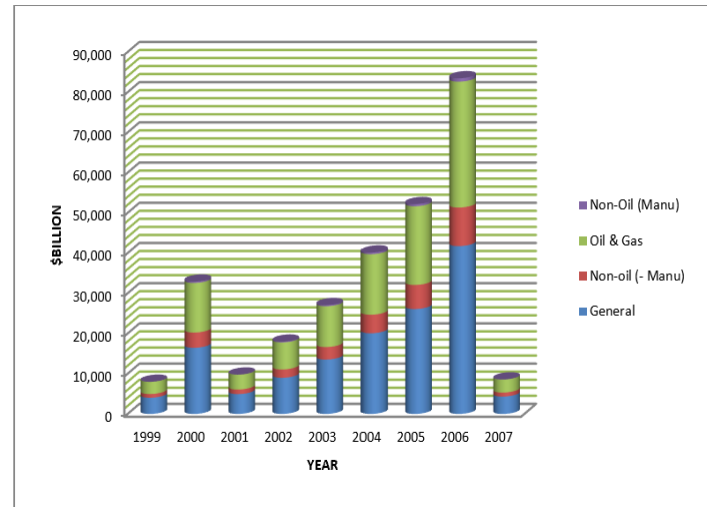


Fig. 1: Comparison of Oil, Non-oil and Manufacturing Foreign Direct Investment Inflow to Nigeria, 1999-2016

Source: Generated by the Researcher in 2025 as Adapted from Central Bank of Nigeria Statistical Bulletin, 2014, 2016, World Bank-Development Indicators, 2017, 2022

General Foreign Direct Investment inflow to Nigeria between 1999 and 2007 stood at \$140,152.76bn. Oil and Gas FDI for the same period stood at \$105,114.30bn representing 75% the general FDI inflow. Non-Oil FDI (minus Manufacturing) stood at \$32,234.31bn representing 23% of the general FDI inflow. While, the Manufacturing FDI inflow for the same period stood at \$2,539.77bn representing 2% of the general FDI inflow (CBN-Statistical Bulletin, 2014, 2016; World Bank Development Indicators, 2017, World Bank Development Index, 2023). From the analysis above, it has shown that Nigeria has experienced an increase in the inflow of FDI during Obasanjo's tenure. However, bulk of the attracted FDI was in the Oil and Gas (O&G) sector covering 98% of the total for the whole sectors of the economy. The non-oil sector, which includes primary commodities, industrialization/ manufacturing, tourism, etc., share only 2% of the total attracted FDI. This portrayed the failure of Nigeria's foreign policy to support FDI by way of directing more towards the industrial/manufacturing sector/sub-sector where locally manufactured unique products (goods) with comparative competitive advantage will be, sold in the international. The export of these "made-in-Nigeria" products will lead to the expansion of the country's foreign revenue sources. If this is sustained, it will eventually serve as a viable alternative foreign revenue source that will move the economy towards NIRP's "Zero oil" policy of the Federal Ministry of Industry, Trade and Investment. It will further remove the country from the shackles of overdependence on oil, which is an unreliable and exhaustible source of foreign revenue (Awolusi, 2013).

3.3 Obasanjo's Engagement with the D8 and OPEC

Even though Nigeria's engagement with the D8 was dated back to 1997 under the military regime of Late General Sani Abacha, President Olusegun Obasanjo continued with Nigeria's membership of the trans-regional economic body made up of mainly Islamic countries of the OIC. Though Nigeria and Bangladesh have been trailing behind other members of the D8 in terms of GDP, GNI, Export, Merchandise Trade, Services Value Added, FDI, and Macro-Economic Indices, it unfortunately performed very well occupying the second position as the highest

consumer nation of the Group behind Iran who occupied the first position in this regard (MFA-AR, 2012). President Obasanjo continued with Nigeria's membership of the Organization of Petroleum Exporting Countries (OPEC) where it remained loyal to all conditions guiding production quotas and prices. Nigeria's prominence in the organization was on the increase with the corresponding global influence exerted by the country. The country has actively participated in all summits and conferences organized by the group throughout Obasanjo's eight-years tenure in spite of its comparative low production quotas (Onakoya, 2012).

3.4 Inflow of Home Remittances and FDI by Nigerians in The Diaspora Under Obasanjo's Administration, 1999 and 2007

With the enthronement of civil democratic rule in Nigeria on May 29, 1999, coupled with the image-laundering visits undertaken by the four Nigerian Presidents between 1999 and 2017; it has motivated Nigerians in the Diaspora to repatriate back home, huge chunk of their incomes/profits for investment in the domestic economy. Therefore, the breakdown of home remittances from Nigerians in the Diaspora between 1999 and 2014 shows that in 1999 total of \$575 million was remitted back home. In 2000, the sum of \$728 million was, received in the country. In 2001, \$950 million was remitted back home. The sum of \$1.4 billion was, received in 2002. While in 2003, the sum of \$2.3 billion; was remitted to the country. In 2004, the country received \$3.7 billion from NIDO. In 2005, \$4.7 billion was, realized. The sum of \$5.25 billion was remitted back home in 2006. In 2007, \$6.05 billion was, netted-in from NIDO. Total home remittances from NIDO between 1999 and 2007 stands at \$22,633.00 billion (Awolusi, 2013; World Bank, 2016; Migration Policy Institute, 2016, 2023; World Bank, 2017). This is presented Table 2 in Figure 2 below:

Table 2: Summary of Home Remittances/FDI from Nigerians in the Diaspora under Obasanjo's Administration, 1999-2007

S/No.	Year	Amount (4Billion)	Rate of Increase	Rate of Decrease	Annual Average
1.	1999	\$575.00 million	\$575million	-	\$2,514.77billion
2.	2000	\$728.00 million	-	-\$153million	\$2,514.77billion
3.	2001	\$950.00 million	\$222million	-	\$2,514.77billion
4.	2002	\$1,400.00 billion	\$450million	-	\$2,514.77billion
5.	2003	\$2,300.00 billion	\$900million	-	\$2,514.77billion
6.	2004	\$3,700.00 billion	\$1,400billion	-	\$2,514.77billion
7.	2005	\$4,700.00 billion	\$1,000billion	-	\$2,514.77billion
8.	2006	\$5,250.00 billion	\$550million	-	\$2,514.77billion
9.	2007	\$3,030.00 billion	-	-\$2.220billion	\$2,514.77billion
Total		\$22,633.00 billion	\$5,097billion	-\$2,373billion	\$22,633.00 billion

Source: Generated by the Researcher in 2025 as adapted from Migration Policy Institute, 2013, 2023

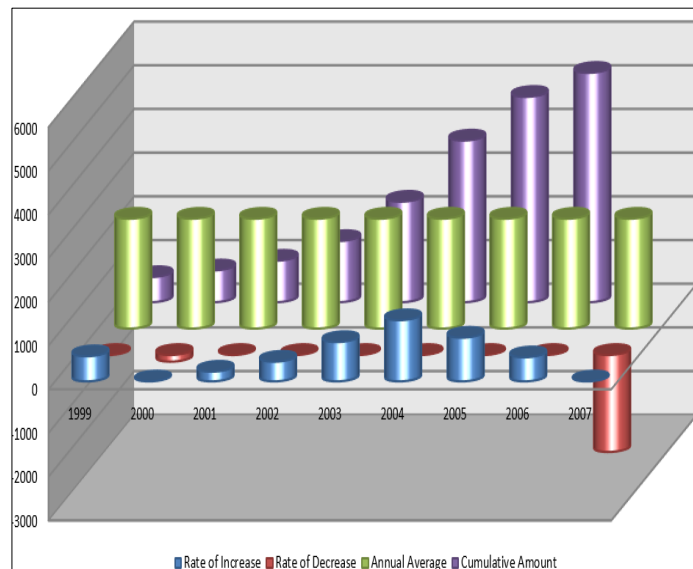


Fig. 2: Summary of Home Remittances under Obasanjo's Administration, 1999-2007
Source: Generated by the Researcher in 2025 as adapted from Migration Policy Institute, 2013, 2016, 2023

3.5 Summary of Nigeria's Economic Relations under Obasanjo's Administration, 1999-2007

The eight-year tenure of President Olusegun Obasanjo characterized with high-level personal diplomacy has yielded greater economic benefit for the country totaling \$961.77 billion (Awolusi, 2013).

This is as presented in Table 3 Figures 3 and 4 below:

Table 3: Summary of Nigeria's Economic Relations Under Obasanjo's Administration, 1999-2007

S/No.	Foreign Revenue Sources	Source Average	Annual Average	Amount (\$bn)	%
1.	USA	\$80.15bn	\$120.22bn	\$234.68bn	24.40%
2.	Russia	\$80.15bn	\$120.22bn	\$4.00bn	0.42%
3.	China	\$80.15bn	\$120.22bn	\$44.60bn	4.64%
4.	Brazil	\$80.15bn	\$120.22bn	\$13.50bn	1.40%
5.	India	\$80.15bn	\$120.22bn	\$142.2bn	14.79%
6.	EU	\$80.15bn	\$120.22bn	\$13.30bn	1.38%
7.	D8	\$80.15bn	\$120.22bn	\$59.80bn	6.22%
8.	World Bank	\$80.15bn	\$120.22bn	\$18.09bn	1.88%
9.	WMT/WCST	\$80.15bn	\$120.22bn	\$242.7bn	25.24%
10.	Home Remittances	\$80.15bn	\$120.22bn	\$22.63bn	2.35%
11.	Foreign Goodwill	\$80.15bn	\$120.22bn	\$26.1bn	2.71%
12.	Foreign Direct Investment	\$80.15bn	\$120.22bn	\$140.15bn	14.57%
	Total	\$961.77bn	\$961.77bn	\$961.77bn	100%

Source: Generated by the Researcher in 2025 as adapted from World Bank, 2017, 2023

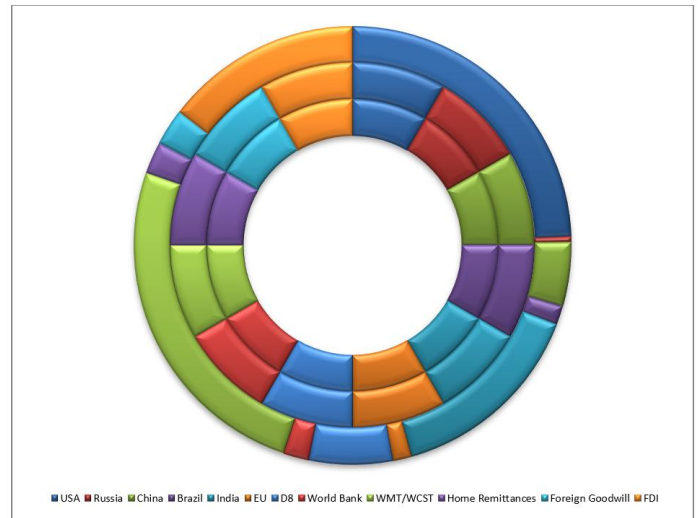


Fig. 3: Summary of Nigeria's Economic Relations Under Obasanjo's Administration, 1999-2007

Source: Generated by the Researcher in 2025 as adapted from World Bank, 2017, 2022, 2023

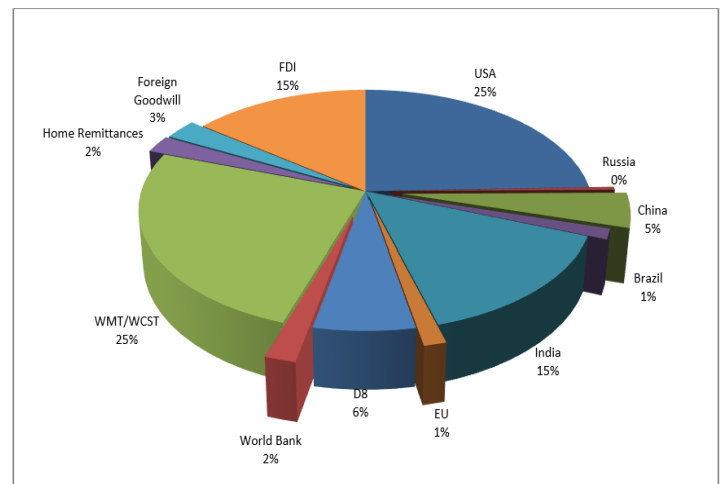


Fig. 4: Summary of Nigeria's Economic Relations under Obasanjo's Administration, 1999-2007 in Percentage (%)

Source: Generated by the Researcher in 2025 as adapted from World Bank, 2017, 2022, 2023

4. DISCUSSION AND CONCLUSION

From the analysis so far, conclusion can be drawn that though President Olusegun Obasanjo inherited almost a decayed political and socio-economic system from the military on 29th May, 1999, his diplomatic wizardry did not only succeed in exhuming Nigeria from the doldrums of global exclusion; but brought a lot of economic benefits and fortune for the country. Apart from wooing a lot of FDI and other international business/development partners to come and do business in Nigeria, his administration has also succeeded in carrying out domestic reforms that made the economy to grow that also impacted positively on GDP and general development. However, in spite of all these giant stride embarked upon by Obasanjo between 1999 and 2007; his administration failed to re-direct and utilize the attracted FDI in growing the industrial and manufacturing sector/sub-sector for the manufacture of unique exportable products and goods in which the country had comparative advantage in the international market. The sale of these products and goods would have aided as an alternative major foreign revenue source for the country. It would have acted as an effective anchorage on which the economy will rest for a very long time to come and to seriously reduce the country's overdependence on petroleum oil. This is based on the fact that most serious countries like USA, China, Japan, Germany and France depends less on fossil fuel or other exhaustible energy source to power their economies. As such manufacturing is not only a vogue, but a global requirement in the 21st Century. Nigeria therefore must key into this if she wants to go nearer her aspiration of being one of the 20 greatest global economies by the year 2050.

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