

# External debt and Nigeria's sovereignty

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## ABSTRACT

This paper examines external debt and Nigeria's sovereignty. The methodology of this research is based on content and qualitative analyses. The paper argues that external debt influences the sovereignty of Nigeria in different ways. These include the imposition of adjustment programmes ie privatization, devaluation, deregulation and trade liberalization. These programmes have subjected Nigeria to political control by the international financial institutions and affected Nigeria's sovereignty vis-à-vis the place of the country in the comity of nations. The paper also argues that the imposition of adjustment programmes on the country provides opportunity to the IMF and the World Bank to monitor the implementation of the programmes that infringes on the sovereign right of the country. Furthermore, the paper believes that the imposition of high debt burden on the country infringes on the sovereign power of Nigeria to perform its human rights obligations towards its citizens. Moreover, this research argues that the introduction of debt rescheduling ie debt equity swaps by the creditor countries gives them the opportunity to determine how resources from the debt equity swaps should be invested in the country. Therefore, the paper concludes that for Nigeria to utilize its sovereign power within the comity of nations it ought to have de-implemented adjustment programmes that are agents of imperialist control.

**Keywords:** External debt, sovereignty, adjustment programmes and IMF and World Bank

## 1. INTRODUCTION

Nigeria's external debt started in 1958 when \$2.8 million was incurred to finance railway construction (Anthony, 2005; and Uniamikogbo, 1994). The external debt of \$1 obtained from the International Capital Market (ICM) in 1978 increased Nigeria's external debt to \$2.2 billion. The loan was the genesis of Nigeria's debt crisis because it came with 4 percent interest charges (Anthony, 2005). Subsequently, in the 1970s and 1980s Nigeria obtained external loans from the World Bank to finance economic

sector and other superstructures in the social formation (Alkali, 1997). Specifically, the loans were obtained to finance trade, support balance of payments and achieve socio-economic development (Uniamikogbo, 1994).

External debt is also an instrument of imperialist exploitation and political control because high debt burden is imposed on the weaker debtor nations (Ojo, 1989). For instance, Nigeria's external debt repayments in 2002 amounted to \$1.8 billion. The repayment of debt infringes on the sovereign power of Nigeria to finance economic sector and other superstructures as well as carry out human rights obligations in the social formation. By 1980s, Nigeria's debt crisis became manifest. The crisis could be attributed to poor lending and inefficient loan utilization, mismanagement of external loans, unequal trade and exchange rate policies, accumulation of arrears and penalties, increase in interest rate, poor debt management; and increase in exchange rate. Others include dependent industrialization, the decline in the prices of oil between 1981 and 1982, lack of effective feasibility studies on project to be financed with external debt, the conspiracy of IFIs/West in assisting the corrupt leaders to misappropriate external loans and the adoption of Structural Adjustment Programmes (SAP), (Ojo, 1989). For instance, in the early 1970s the International Financial Institutions charged 4 percent interest rate but in 1989 it reached 12 percent. The increase in interest rate has increased Nigeria's debt overhang to \$28 billion in 1991 (National Planning Commission, 2003). The devaluation of the Nigerian currency, the Naira has also contributed to Nigeria's debt crisis because between 2002 and 2003 the country's external debt increased by \$4 billion due to depreciation in the exchange rate of the Naira to Dollar. In fact, debt crisis and debt burden affect the productive forces, distributive capacity and exchange relations of Nigeria because massive resources are allocated in the payment of debts than in investment, provision and maintenance of economic sector and other superstructures. Arguably, it hinders investment and affects growth and development in the Nigerian social formation. Consequently, this affects social relations of production between Nigeria and international financial institutions in particular and its trading partners in general. Therefore, external debt has far reaching impacts on the sovereignty and political economy of any debtor state. Nigeria, has suffered a lot from the impact of its external debts. In fact, the last two decades have been characterized by a severe economic and social crisis in the country. The prevalence of the crises was as a result of the adoption of capitalist mode of production in response to debt predicament.

External debt is a major challenge to sovereignty. Sovereignty is an important characteristic of a state. The characteristics of a sovereign nation include absoluteness, comprehensiveness and universality, permanence, inalienability, exclusiveness and indivisibility (Chaturvedi, 2006). These are essentials for a sovereign nation to make choices, decisions and take courses of actions that are independent without external influence, manipulations or control (Sadeeque, 2005). However, external debt, an imperialist agenda is tied to acceptance of certain conditionalities and their implementations. These include adjustment programmes, democracy and good governance as well as adherence to rule of law (IMF and World Bank, 2000). The imposition of devaluation, privatization, deregulation and trade liberalization by the IMF and the World Bank on Nigeria interferes with domestic policies of the country that undermines its political sovereignty. External debt is also an instrument of imperialist exploitation and political control because high debt burden is imposed on the weaker debtor nations (Ojo, 1989). For instance, Nigeria's external debt repayments in 2002 amounted to \$1.8 billion. This infringes on the sovereign power of Nigeria to carry out its human rights obligations towards its citizens. Therefore, external debt has far reaching impacts on the sovereignty and political economy of any debtor state. Nigeria, has suffered a lot from the impact of its external debts. In fact, the last two decades have been characterized by a severe economic and social crisis in the country. These arise as a result of adjustment policies in response to debt predicament. This paper examines how external debt influences the sovereignty of Nigeria.

## 2. LITERATURE REVIEW

Over the years the sovereignty of state has been a determining factor in interstate relations and the foundation of world order (Mangala, 2009). The concept has its origin from customary international law and the United Nations Charter. Sovereignty is an essential element of maintenance of international peace and security and protection of weak states against the strong ones (Boueteflika, 1999). Sovereignty is a complex concept that generates a lot of controversy. For Schrijver (2000: 69-70) who argues that:

Few subjects in international law and international relations are as sensitive as the notion of sovereignty. Steinberger refers to it in the *Encyclopedia of Public International Law* as "the most glittering and controversial notion in the history, doctrine and practice of international law". On the other hand, Henkin seeks to banish it from our vocabulary and Lauterpaeth calls it a "word which has an emotive quality, lacking meaningful content", while Verzij notes that any discussion on this subject risks degenerating onto a Tower of Babel. More, affirmatively, Brownlie sees sovereignty as "the basic constitutional doctrine of the law of nations and Alan James sees it as "the one and the only organizing principle in respect of the dry surface of the

globe, all that surface now... being divided among single entities of a sovereign, or constitutionally independent kind". As noted by Falk, "there is little neutral ground when it comes to sovereignty.

Krasner (2001) differentiates between four meanings of sovereignty. These comprise of interdependence, domestic, Westphalian or Vattelian and international legal sovereignties. Independence sovereignty refers to "the ability of states to control movement across their borders". Domestic sovereignty means the "authority structures within states and the ability of these structures to effectively regulate behaviour (Krasner, 2001). Krasner argued that authority structures could include monarchies, republics, democracies, unified and federal systems. He believed that the loss of interdependence sovereignty tantamounts to some loss of domestic sovereignty. Krasner justified his argument when he said that "if a state cannot regulate movements across its borders such as the flow of illegal drugs, it is not likely to be able to control activities within its borders such as the use of drugs (Krasner, 2001: 232).

Westphalian or Vattelian sovereignty connotes the exclusion of external sources of authority that involves *de jure* and *de facto*. In other words, it means that the state possesses the power to make authoritative decision making within its specific boundaries. In this perspective of sovereignty, it signifies non-intervention in the internal affairs of other states. Finally, international legal sovereignty refers to mutual recognition which in the international practice, is accorded to "juridically independent territorial entities...capable of entering into voluntary contractual agreements" (Krasner, 2001: 233). The above mentioned definitions of sovereignty have identified five key dimensions of sovereignty that need to be analysed.

The first definition gives emphasis on the recognition of state sovereignty. Ashley (1984: 239, 259, 269 and 272) and Miller (1984, 1986) argued that sovereignty is not an attribute of the state but is attributed to the state by other states or ruler. In this circumstance, Jackson (1990) was motivated to state that state depends on other states for its authority. In the modern state system, members recognize the equal authority to employ coercion within their defined territories (Mangala, 2009). For a state to be recognized as sovereign it must be able to decide and initiate alternative courses of actions to overcome internal and external problems (Waltz, 1979:96). In effect, capabilities are actually central to the recognition of the sovereignty of the state (Jackson, and Rosberg, 1982) and Jackson (1990). Given more support to the works of Jackson and Rosberg (1982) and Jackson (1990), Thomson (1995: 220) argued that:

States are recognized as sovereign when they present a fact of sovereignty: that is, states recognize another's sovereignty when the latter has achieved the capability to defend its authority against domestic and international challenges. European history largely supports this argument but the Post-World War II period of decolonization does not. By no stretch of the imagination is it possible to explain the existence of the vast majority of today's sovereign states in terms of their empirical power capabilities. Most cannot defend against either external or internal challenges (...) power capabilities are equally as or more important than outside recognition. It may (...) that sovereignty is limited to those who possess the material resources to defend it while the less powerful are nominally sovereign but in fact are subject to heteronomy.

The second meaning of sovereignty gives it premise on the state dimension of sovereignty. The theory of international relations assumes that sovereignty resides with the state. The assumption has its genesis from the European conquests and annexations that led to the emergence of modern state that resulted from their resisted efforts in which state-builders attempt to monopolize their authorities (Tilly, 1975). On this basis, Giddens (1985:121) was motivated to argue that sovereignty resides with state when such state monopolizes coercion both internally and externally. Similarly, Thomson (1995: 221) concluded that the residency of the state sovereignty is a product of both internal and external competition, of conflict and cooperation.

The third is the authority dimension of sovereignty. In defining authority Thomson (1995: 222) sees it as "political being what is subject to state coercion". Thomson argued that in analyzing sovereignty the main concern should be based on political authority rather on control. In fact, authority and control are separable however they are paramount in providing a clear understanding and measurability of sovereignty. Authority exists when it is being recognized but control is determined by the capabilities of state to monitor and enforce compliance with rules and regulations made by the constituted authority (Mangala, 2009). This line of demarcation made Jackson and Rosberg (1982) to lament that the new African states although not scientifically sovereign possess sovereignty because of the interstate recognition of their sovereignty. For instance, capabilities perhaps might be supplied by other

states or international organizations as in the case of Somalia or the earlier case of Congo where international intervention is aimed at building the state's power capabilities especially the security and police forces.

The fourth is the coercion dimension of sovereignty. Weber (1964:154) defined coercion as "a monopoly on the major organized forces of violence". A prerequisite for recognizing the sovereignty of a state is its ability to regulate and control its territory (Ashley, 1984: 272). Coercion is central to understanding the sovereign nature of a state because the exercise of absolute authority depends largely on it (Blau, 1963: 313). The manifestations of the monopolization of coercion was facilitated by the European conquest and annexation of the third world nations and gradually achieved by the late nineteenth century. They employed the use of maxim guns and coerced the conquered territories. Therefore, European invaders were able to have absolute control over coercion through foreign military interventions and resulted to the eroding of the sovereignty of the independent states of Africa (Cornwell, 1999).

The last is the territorial dimension of sovereignty. In international politics sovereignty provides a linkage between territory and political authority. Indeed, Skocpol (1979:29) argued that territorial sovereignty is vested in "a set of administrative policing and military organizations headed and more or less well co-ordinated by an executive authority". Thomson (1995:227) demarcated sovereignty from authority not on the basis of function but on geography. The dimension of sovereignty separates sovereignty from heteronomy. The basis of territorial sovereignty could be Euro-centric in nature and extended to non-European territories in order that international politics is based on sovereignty. Territorial sovereignty has been legally extended to political authorities or state that lack European state sovereignty (Bull and Watson, 1982:2 and 123; Miller, 1984:285; and Strang, 1991a, 1991b). This movement is known as globalization of sovereignty (Thomson, 1995:227). Despite the formal extension of sovereignty to third world nations their sovereignties have been seriously eroded by the developed countries in order to protect their economic and political interests. In line with this, Wendt and Barnett (1993:335) and Onuf and Klink (1989:164-170) argued that sovereignty resides with the developed countries.

Furthermore, Thomson (1995:227) maintained that:

At one level, territory is simply a geographical space whose limits are defined by physical borders-lines on a map. With sovereignty, however, states mutually recognize one another's exclusive authority over what is contained in that space. The essence of the state-building process has been the state's drive to penetrate, exploit and mobilize those resources for interstate competition and war. One of those resources of course, is the people who live within the state's borders, and part of the state-building process- still incomplete in most of the world- entails creating a "society" or nation out of these people; that is forging their loyalty to and identification with the state. So, the territorial dimension of sovereignty entails not just the defense of geographic boundaries but tight linkages between the state and people.

The concept of sovereignty has been criticized by many scholars. Krasner (1999) perceived it as an "organized hypocrisy" while Flower and Bunck (1995:21) view sovereignty as "of more value for the purposes of oratory and persuasion than of science and law". Weber and Biersteker (1996:278) reconstructed sovereignty to mean "social construct" which has no identifiable features and its nature is determined by the customs and practices of nation-states and international system and liable to change overtime. This argument was supported by Scheimers (2002:185, 192) who maintained that:

Sovereignty has many different aspects and none of these aspects is stable. The content of the notion of "sovereignty" is continuously changing, especially in recent years (...). From the above we may conclude that under international law the sovereignty of states must be reduced. International cooperation requires that all states be bound by some minimum requirements of international law without being entitled to claim that their sovereignty allows them to reject basic international regulations. Thirdly, we may conclude that the world community takes over sovereignty of territories where national governments completely fail and that therefore national government sovereignty has disappeared in those territories. The world community by now has sufficient means to step in with the help of existing states and has therefore the obligation to rule those territories where the government fails.

In fact, there are limits to sovereignty of the state. These could either come from the customary international law or treaty obligations. For instance, Chapter VII of the UN Charter. Also Articles 1(2) and 2(7).

The criticisms presented by some scholars have been the instrumenting force that resulted to the reconstruction of the concept of sovereignty. It has been intensified and reinforced by the emergence of globalization. The spread and development of globalization had generated an intellectual tempo for debunking the state-centric approach to international relations. The state-centric theories assume that states are by nature sovereign. In other words, states are territorial political units, having political independence, free from external control and possess de facto autonomy (Krasner, 2001:230). While the rationalist theories of international relations ie realism and liberal institutionalism view state sovereignty as the genetic material of the international system (Waltz, 1979; Keohane, 1984). But constructivists believe that the sovereignty of the state is an expression of the mutual understanding between and among many states (Ruggie, 1998).

The state-centric approach to international relations was criticized in the late 1970s and early 1980s by liberalism and maintained that the sovereignty of the state had been eroded by the economic interdependence, growth and development of global technology and institutionalization of democratic politics (Cooper, 1972; Keohane and Nye, 1972; Morse, 1976; Resecrance, 1986). The scholars believe that states could no longer be able to control their borders due to forces of globalization. Specifically, the development of modern technology has empowered non-state and sub-state actors to control the movements of goods, people and information across states' territorial boundaries. Capital accumulated could also move across national boundaries and currency has the opportunity to escape state fiscal and monetary policies (Cooper, 1972). Furthermore, the development of computer and telecommunication technologies has shattered down the efforts of states to defend their cultural values (Rosecrance, 1986). The above challenges to state sovereignty became manifest since the end of the cold war that led to the emergence of new globalization.

The new globalization poses a serious challenge to the sovereignty of the state because it erodes the power of the state to have control over the activities within its defined territories. In addition, the activities of the United Nations, the International Monetary Fund (IMF), the World Bank, the World Trade Organization, the wave and spread of democratization and technology, the dubious activities of multinational enterprises and the atrocities committed with the cyberspace could not only erode the power of the state but also the structure of the state authority (Mangala, 2009). Evans (1997) and Kreijn et al (2002) attributed the "disintegration of state, its "collapse" or the emergence of a powerless state to the outcome of globalization.

### 3. EXTERNAL DEBT AND NIGERIA'S POLITICAL SOVEREIGNTY

In the 1970s, before Nigeria became highly indebted, its annual budget were internally scrutinized and later presented to the public. But beginning from early 1980s when Nigeria's debt crisis became manifest coupled with the adoption of adjustment programmes, the country's debt overhang and debt burden became unbearable, the political sovereignty of Nigeria began to be severed (Aiyedun, 2005). During the period, Nigeria's budgets in 1986, 1987, 1988, 1989, 1990 etc respectively were approved by the IMF and the World Bank before presenting it to the nation (Aiyedun, 2005). This was done to ensure that Nigeria complies with the implementation of adjustment programmes (IMF, 1989). This compliance with the dictates of the IMF and the World Bank on budget proposal indicates that Nigerian state has seemingly loss a very important political power of policy-making and execution. This is because budget is a very important instrument of national public policy. Similarly, during the civilian administration of Obasanjo NEEDS was created. It was aimed at wealth creation, reducing poverty, employment generation and attainment of Millennium Development Goals (MDGs) NEEDS Document (2004). This homegrown economic policy was also submitted to IMF for approval to qualify for fresh loan facility and secure debt relief. The effect is that Nigeria has bargained its political right at the expense of qualifying for creditworthiness (Anthony, 2005). Bamiduro further argues that NEEDS was an externally driven economic policy designed for Nigeria as an instrument of debt trap because it gives the country the opportunity to further obtain fresh loan facilities in the mist of debt overhang and debt burden (Bamiduro, 1999). Therefore, external debt overhang provides opportunity for the Bretton Wood institutions to control or influence the leadership in Nigeria through the dictates of economic and social policies that are coined within the vicious circle of debt trap (Bamiduro, 1999). This reinforces the integration of country into the global capitalist exploitation. In this act of integration, politico-economic sovereignty is also seriously affected.

Before the adjustment period, Nigeria adopted a mixed economic system where state intervened in the management of the economy with private enterprise development (Anyanwu, 1997). However, as the country applied for structural adjustment facilities to address its economic crisis, Nigeria was advised by the IMF and the World Bank to adopt privatization, devaluation, deregulation, trade liberalization and reduce public expenditure as conditionalities for incurring external debt (Hussain and Faruqee, 1993). Thus, the implementation of these adjustment programmes has affected Nigeria's sovereign power to continue with it mixed economy. The effect is that Nigeria has aligned itself with the ideological bloc of the capitalist economy and integrated it into the exploitative international capitalist system.

Representatives are also sent by the IMF and the World Bank to assess the progress of adjustment programmes in Nigeria (Akubo, 1985). In fact, a permanent representative of IMF advised Nigeria to obtain external loans to address its economic problems. His advised motivated the country to apply for structural adjustment programmes loan facility (Hussain and Faruqee, 1993). This served as the basis for the adoption of SAP in Nigeria. In addition, the representatives of the IMF are sent to Nigeria on quarterly basis to monitor the activities of CBN to ensure strict compliance to continuous devaluation of the Naira. Similarly, IMF monitoring team was sent on quarterly basis to assess the progress of NEEDS during the civilian administration of Obasanjo. This influences the IMF and the World Bank to intervene in Nigeria's sovereignty power. This is a violation of the internal sovereignty of a country.

Third world nations depend on external debt to address economic crises and finance development projects. This gives the World Bank and the IMF the opportunity to enslave them to their whims and caprices (Dlakwa, 2009). In fact, the World Bank and IMF have become international brokers for the rich countries and financial houses. The effect is that the financial institutions exploit the opportunity by imposing policy options on weaker debtor nations as guarantee against default in debt repayments (Dlakwa, 2009). The imposition of adjustment programmes on sub-Saharan Africa is an example of IMF's interference in policy choices that affect the best interest of the citizens. Perhaps this infringes on their sovereignty. In addition, the IMF and the World Bank have been playing a major role in rolling back the frontiers of government responsibilities and assigning more responsibility to private sector. This started during the military administration of Babangida and continued by his successors. For instance, Obasanjo implemented deregulation inspite of public outcry against the policy. Furthermore, the prices of petroleum products were increased by 50 percent in 2003, inspite of its opposition by the civil society organizations. In a related development radical economists and policy makers from the South accused the IMF and the World Bank for intervening into the domestic affairs of the debtor nations. For instance, Cheryl (1982) argued that the World Bank:

Has deliberately and consciously used its financial power to promote the interests of private international capital in its expansion to every corner of the "underdeveloped" world.

Similarly, he argues that:

... The Bank is perhaps the most important instrument of the developed capitalist countries for prying state control of its Third world member countries out of the hands of nationalists and socialists who would regulate international capital's inroads (Cheryl, 1982: 20).

In an address delivered by Obasanjo at the G-8 Summit in Cairo, Egypt on 25<sup>th</sup> February 2001, he was skeptical about the survival of democracy in developing countries of Africa, Asia and Latin America under an intense debt burden. According to him:

... Debt erodes the will of government to address the needs of its people. Democracy, which we all want, and which we all practice is seriously threatened by an environment of strangulating debt, where there are social and economic needs to be satisfied (Ad'obe, 2001:267).

El-Rufai Nasir (2003:41) argued that privatization "is the key economic policy of the new world of globalization, democracy and market economy". It is superimposed on the weaker debtor countries. Privatization erodes national sovereignty by transferring ownership of public enterprises to foreign investors (Dinnega, 2006). Therefore, Nigeria's political sovereignty has also been infringed as a result of adjustment programmes being adopted in the country (Kukah, 1999, Aiyedun, 2005 and Umoren, 2001). For instance, the second phase privatization of Cement Company of Northern Nigeria (CCNN) in 1999 has transferred state power of management of the enterprise into the hands of Nowegians and Chinese. Dinneya (2006) argues that the sovereignty of a country is limited when its leaders misappropriated the loan resources and deposited it in foreign countries. He argues that "where your wealth is, there will your heart be". A typical example can be seen from the Ajaokuta debt buy-back fraud that involved \$6 billion in Nigeria. The misappropriated resources were deposited into the Bank for International Settlement, Switzerland (NEIC Report, 1997). The implication is that the military administration of Babangida was committed to promoting the interest of the foreign banks at the expense of its domestic ones. This limited the sovereign power of Nigeria to protect and promote its national interest. However, Dinneya (2006) argues that privatization that allows foreign investment in the debtor nations does not undermine their sovereignty under a pure democratic system.

Privatisation, denationalization and reliance on market forces had compounded the weaknesses of African state (Ake, 2001). Ake (2001) and Ayaji (1997) argued that they are instruments of debt trap. The negative consequences of privatisation had engendered hostility to the state that undermined its legitimacy. In fact, it has generated popular unrest against the state (Ake, 2001). For instance, between 1990-2000 about 1 million workers were involved in public sector industrial unrest (Dinneya, 2006).

Modern liberals argue that state is established to provide welfare services to the citizens (Rawls, 1970 cited in Heywood, 2004).



Thus, demand for loan facilities warranted the IMF to impose expenditure cut on Nigeria (Ayagi, 1997). This makes the state to cut expenditure for the provision of social services to its citizens despite constitutional provision for welfarism in Nigeria. This has been responsible for the deterioration of infrastructural facilities in the country (Jega, 2006). For instance, the dictates that has been made by the World Bank, IMF and other imperialist international financial institutions and aid agencies to influence the government of Obasanjo to impose unpopular anti-people and pro-rich petroleum product prices affects human rights and sovereignty of Nigeria. He also pursued the policy of removal of subsidies on social services such as health and education (Fadahunsi, 1999). This affected the sovereign power of the country to carry out its human rights obligations. Consequently, the ordinary citizens are turning to non-governmental organizations to provide them social infrastructure (Ake, 2001). By implication the sovereign power of the country to allocate sufficient resources for the provision of social services has been undermined.

WTO is an instrument of promoting international capitalist exploitation of the weaker nations (Aiyedun, 2004; Dukor; 2006). The sovereign rights and bargaining power of Nigeria on its trade with international communities has been jeopardized by the unfavourable rules and regulations of WTO (Ogbu, 2004). In fact, the power of the Nigerian government to regulate its economy has been undermined by the rules of World Trade Organization (WTO). This makes Dinnege (2006) to argue that undue dependence on foreign investment diminishes the political sovereignty of the Nigeria to interact with comity of nations. For instance, during the regime of General Abacha the international capitalist system under the auspices of the International Economic Order dictated at the Geneva "Uruguay Round" deliberations of the Group of Seven nations that Nigeria should adopt trade liberalization as a policy instrument for addressing economic crisis in the country (Ojowala, 1993: 34). As a result, Nigeria became a member of World Trade Organisation (WTO) in 1994 and adopted the trade liberalization policy of the international organization. This has undermined the political sovereignty of Nigeria because it has abandoned its restrictive trade policy in place of trade liberalisation. However, Elzinger cited in Zwick (1999: 48-50) maintained that despite the trade liberalization as advocated by the WTO the European countries adopted protectionism in the North-South dialogue under the conception of the "Rule of Three". These are concurrence, whereby companies have agreed not to underbid each other; coordination in which firms create mechanisms to carry out their play; and compliance through which conspirators enforce their plan.

A recent amendment to fresh external debt and debt relief is aid conditionalities. These include approval and implementation of adjustment programmes, good governance and democratization and suspension of any form of aid for government accused of human rights violations (Islam, 1994:21). In addition, the European Union (EU) insisted that intensive dialogue with the governments of African, Caribbean and Pacific (ACP) on the economic priorities should be conducted. Indeed, EU argued that their development experts have a larger say on how to manage the economies of the ACP countries (Islam, 1994:21). This limited the power of the ACP to take independent decisions. To ensure that ACP countries adhere to the economic reforms as directed by the international financial institutions, the practice of providing the needed resources at the commencement of the projects has been replaced by step-by-step disbursement. Offiong (2001:164) argues that the system was designed to:

To encourage countries to spread up to the implementation of projects and programmes and the size of subsequent allocations and the speed with which they are released will be contingent on ACP countries' ability to put its first instalment to good use (Offiong, 2001: 164).

The instalment disbursement of loan facility to ACP countries for the development of human resources and environmental protection are only based on the approval of specific projects. In addition, they are directed to encourage the growth of private sector and ensure that the local entrepreneurs could get access to the resources (Islam, 1994). These policy options are good to ensure transparency in the implementation of projects funded with external debt. However, the IMF and the World Bank have been making policy prescriptions on the weaker debtor countries that interfered with their political sovereignty.

The United States-African Trade Bill of 1998 also contains certain market oriented economic policies that ought to be implemented by individual countries before the disbursement of funds (Madarshahi, 1998: 12). These are privatization, elimination of tariff and non-tariff barriers, reduction of business and commercial taxes and regulation (Madarshahi, 1998: 12). The effect is that adjustment loan facility is withheld whenever policy implementation and macroeconomic performance are not achieved (Smith, 1994:15). The conditionalities perhaps may be good for developing countries to manage the resources and avoid its misappropriation or transfer to western banks. For instance, many African countries have implemented devaluation of their national currencies in their bid to obtain external loan (Offiong, 2001). Specifically, this started in Nigeria during the regime of Babangida and had been continued by his successors. Therefore, the fear for withholding external resources for project financing becomes instrumental for the debtor nations to succumb to the whims caprices of the creditors that clash with the sovereign power of the debtor countries to carry out state obligations.

In 1994 Cameroon was suspended by the IMF because it was 60 days overdue for the payments of \$46.6 million external loan

facility. Sierra Leone too was also suspended on 25<sup>th</sup> April 1988 due to accumulation of debt that amounted to \$85 million. Nigeria also experience unhealthy cordial relations with IMF and World Bank because of its failure to meet the track record of performance as demanded by the institutions. In essence, external loan conditionality provides opportunity for the international financial institutions to control weaker debtor nations. However, on 28<sup>th</sup> March 1994, the IMF approved the sum of \$163 million for Sierra Leone after lifting the six months ban on lending. This resulted from the payments of its external debt. Similarly, the IMF approved SDR 47.56 (\$66.7 million) for Senegal in April 1994 due to its good economic behaviour for twelve months (Offiong, 2001).

According to Onimode SAP has unstated objectives which its wants to achieve. These are:

To decolonise Nigeria and other Third world countries; to ensure the payments of often “bogus” foreign loans; to keep Nigeria and other countries of the South down and deny them opportunity to rise and challenge the hegemony of the West; imposition of massive currency devaluation; and to ensure that industrialization eludes Nigeria and other countries implementing the SAPs conditionalities (Nwosu, 1994: 11).

The effect of these conditionalities is that SAP is an instrument that is employed by the international financial institutions to politically control the debtor nations. For instance, When General Abdulsalami Abubakar emerged as the Head of State in Nigeria in 1998 the IMF and the World Bank directed the government to implement the policy of economic liberalism as conditionality for external loan facility. In fact, in 1998 when the government of Abdulsalam sought to negotiate with IMF medium-term economic reform programme, the government was directed to privatise state-owned enterprises. In addition, for Nigeria to establish mutual understanding with IMF and the World Bank and obtain debt relief from the Paris Club, it has to express greater commitment to privatization and liberalization (Offiong, 2001). In essence, due to coercive demands of the international financial institutions and creditor nations, Nigeria sold about 40 percent of its equity share in public enterprises to strategic investors which control the management of the enterprises (Offiong, 2001). These conditionalities are instrument of political control, integrated Nigerian economy into the global political economy, compounded its neo-colonial dependency that could affect its sovereignty.

The intensity of the conditionalities for external debt has made many Third world nations to submit themselves to policy commitments as directed by the international financial institutions. For instance, Uganda made 79 policy commitments between 1991 and 1992. Cummulatively, African countries conducted over 8,000 negotiations with creditor nations. The effect is that it infringes on the domestic policy of the debtor nations (Smith, 1994). This jeopardizes the political sovereignty of the debtor nations Nigeria inclusive.

Oman (1994:68-69) presented the impact of globalisation via external debt on the Third world nations. He argues that:

The current process of globalisation diminishes the capacity of national government to assert their economic policy or sovereignty. Globalisation thus makes international policy coordination as well as domestic policy coherence-increasingly indispensable. The choice for a country is therefore whether to actively engage in such coordination through some form of regional integration, perhaps pooling its sovereignty to some degree with other countries in the sub-region in order to collectively strengthen it; to do so passively, which will eventually mean aligning its policies with those of others without playing a strong role in their definitions, or to be by-passed by the globalisation process, as has so far been too much the case (Oman, 1994: 68-69).

The World Bank attributed the failure of SAP in Nigeria to lack of good governance. As a result, it has been encouraging the country to ensure effective utilization of resources, efficient management of the institutional structures and good governance (World Bank, 1998). As the country return to democratic government in 1999, the US Ex-Im Bank provided a sum of \$100 million to finance short and medium term insurance in the private sector. In addition, in 2000 the Bank also provided Nigeria a loan of \$1.2 billion for medium and long- term investment (Dinneya, 2006). The entrenchment of democracy and ensuring good governance in Nigeria encourages the World Bank and other financial institutions to provide new loan facilities to the country. This enables the state to finance its human rights obligations.

Amnesty International in its annual reports and publications exposed to the international community the human rights abuses particularly during the regime of Abacha. In fact, between 1996 and 1997, AI published over 14 reports indicting the military administration of Abacha because of its human rights violation (Amnesty International, 2002). Similarly, Transparency International in its first publication on Corruption Perception Index involving 45 countries rated Nigeria as the most corrupt nation in the world. This was more peculiar to the regime of Abacha. TI also accused the military regime of Abacha for its human rights violation and poor



transparency (Transparency International, 2002). Between 2001 and 2004 TI rated Nigeria as the second most corrupt country in the world. However, in 2005 Nigeria was placed in the third position in corruption rankings (Transparency International, 2005). This shows the increasing involvement of international actors in Nigeria's domestic affairs. The effect of these human rights violation is that the International Financial Institutions refused to negotiate Nigeria's debt.

The Commonwealth of Nations through its Committee for the Defence of Human Rights (CDHR) also indicted Nigeria due to gross human rights violations. CDHR accused the military administration of Abacha for incarceration of Chief Abiola, the acclaimed winner of June 12 presidential election; torture and extermination of security personnel; arbitrary arrests and detention of opposition groups without trial; replacement of judiciary with military tribunals; and assassination of Ken Saro-Wiwa and nine Ogoni environmental activists (Commonwealth Human Rights Initiative, 1997). These human rights violation are against Harare Declaration set up in 1991 to promote democracy, human rights and good governance in Africa (Dinneya, 2006). As a result, the Commonwealth Ministerial Action Group (CMAG) imposed certain sanctions on the country. These range from oil embargo, a ban on airliks with Nigeria, freezing of bank accounts in foreign countries of the members of the repressive military leadership and suspension of the country from the Commonwealth of Nations (CHRI, 1997). This made Nigeria's relations with IMF and the World Bank uncordial. By implication the International Financial Institutions refused to grant Nigeria fresh loans and negotiate its external debt.

The United States of America also accused Nigeria for official corruption, human rights abuses and reluctance to fight drug trafficking. Based on this, the United States Aviation Authorities in 1993 suspended its flights to and from Nigeria. The suspension was made on the ground that the Nigeria-US route was considered to be biggest in narcotic trade (Dinneya, 2006). Sanctions were also imposed on foreign aid and foreign investment in Nigeria. Due to the indictment of Nigeria by the US-based International Narcotic Control Strategy (INCS) on its drug trafficking the United States of America blocked Nigeria's request for financial assistance from the IMF and the World Bank. In 1995 an American Multinational Export/Import Guarantee Bank, the Ex-Im Bank suspended its financial cover of \$2 billion meant for the construction of Liquefied Natural Gas (LNG) industry in Finima, Rivers State (Dinneya, 2006). This made the Japanese and other creditors who were committed to co-financing the project to withdrew their support. The implications of these sanctions and indictments on Nigeria's political sovereignty were that Nigeria was denied financial assistance from the international financiers; the co-financing of project by creditors was discontinued; and Nigeria was denied its rights to participate in the international economic interchange despite the propaganda for globalisation by the international capitalist system.

The Nigerian-American Chamber of Commerce (NACC) also accused the Nigerian political environment to be characterized by democratization crisis, human rights abuses, insecurity, drug trafficking and official corruption (*Punch*, 1997). This made the environment to be unhealthy for foreign investment. To this end, in July 1997, four major US cities, Amherst, Berkeley, Massachusetts and Oakland imposed trade embargoes on Nigeria (Dinneya, 2006). This trade embargoes further reinforced the Export Credit Guaranteed Agencies to suspend their insurance cover for Nigerian imports. This affected business at activities in the country.

The 1999 Constitution of the Federal Republic of Nigeria as well as the regional and international conventions have empowered Nigeria and other countries of the world to provide their citizens with economic rights to food, shelter, work and income; social rights to security, physical and mental health; and cultural rights to education and non-discrimination (AFRODAD, 2007). Section 18 sub-section 3 of the 1999 Nigerian Constitution prescribes that the government shall strive to eradicate illiteracy and where applicable provide free, compulsory and universal primary education; and free secondary, tertiary and adult literacy programme. Similarly, Article 26 Section 1 of the Universal Declaration of Human Rights (1948) states that:

Everyone has a right to education. Education shall be free at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit.

Article 55 of the International Convention of Economic, Social and Cultural Rights (ICESCR) states that:

In accordance with article 55 and 56... with well-established principles of international law, and with the provisions of the [ICESCR] itself, international cooperation for development and thus for the realization of economic, social and cultural rights is an obligation of all states. It is particularly incumbent upon those states which are in a position to assist others in this regard (ECOSOC, 1991:23).

Within the context of global external debt predicament, the article stipulates legally that the creditors have the human rights obligations to fulfil in the debtor countries. Put differently, the creditors are under the law bounded to ensure that debt related

policies ie privatization, devaluation, liberalization and deregulation do not adversely affect the fulfillment of human rights in the debtor nations. In connection to this argument Skogly (2006:298) argues that the creditor countries are:

Obligated to consider how individual projects, programs, and policies may affect the population in the countries where they are to be implemented and later to alter them when necessary to avoid possible human rights violations.

On the monetary policies carried out by the creditor countries in the debtor nations Sanjay (2005:221) argues that:

Substantial external effects of monetary decisions can generate obligations to take into account the concerns of non-citizens or justify claims on the part of non-citizens that they be consulted about, or included in the making of the decisions.

With respect to Sanjay's argument prudence and foresight need to be developed by the creditors to ensure that their economic and social policies in the debtor nations do not undermine the debtor's sovereign power to promote the human rights of their citizens. For instance, in Nigeria between 1999 and 2005 the civilian administration of Obasanjo made substantial investment in education that amounted to ₦400 billion in tertiary education, however the figure did not meet the UNESCO recommendation of 26 percent annual budget to education. Indeed, it was only 5 percent to 10 percent in 2001. UNDP Report (2007) stated that over 70 percent of Nigerians are poor and WHO Report (2006) shows that the average income per capita in Nigeria was \$430 that was lower in sub-Saharan African countries put at \$601. The organization also ranked Nigeria's health facilities as the 187<sup>th</sup> among 191 member states. In the area of security Nigeria requires sufficient security agencies to secure an enabling environment for its nascent democracy; protect and prevent capital flight abroad; and encourage investment from abroad. The Federal Government Presidential Committee on Police Fund reported that the police department requires ₦100 billion to ensure adequate operational tools, equipment and welfare package (*This Day*, 2006). With regard to food security, Nigeria tops the list of countries with the highest number of malnourished children in the world. According to the UNICEF Report out of a total of 146 million underfed children in the world, 73 percent live in Africa countries and Nigeria came first with 6 million malnourished children (Ogunfowora, 2006). In terms of housing, the UN reported that Nigeria has a housing deficit of 17 million units and ₦31 to ₦36 trillion is required to address the problem (UN Report, 2006). From the above economic and social indexes Nigeria could not meet its human right obligations to its citizens due to scarcity and non-availability of resources to finance the sectors sufficiently. The scarcity of resources was warranted by high debt burden and looting of public treasury by the leaders. Villaroman (2010) argues that massive debt repayments undermine the resource capacity of the poorer debtor countries to perform their human rights obligations. He identifies three ways through which debt repayments undermine the sovereign power of a state to fulfil its human rights obligations. These are: a debtor nation that diverts its resources for debt repayments and fails to utilize them maximally; when a debtor nation becomes incapable to satisfy the minimum level of its human rights obligations because debts repayments have drained the available resources; and when a debtor nation deliberately adopts certain measures to save and allocate more funds for debt repayments. Villaroman further argues that:

On the basis of their extraterritorial human rights obligations- a necessary offshoot of their duty of international cooperation and assistance – creditor countries have a corresponding obligation not to undermine or frustrate debtor countries' efforts to realize their peoples' ESC rights. Creditor countries' insistence on debt repayments, despite the clearly adverse impact on debtor countries' ability to realize ESC rights, is legally incompatible with such a duty (Villaroman, 2010:7).

In fact, excessive external debt repayments over the years have undermined the sovereign power of Nigeria to allocate sufficient resources to meet its human rights obligations to its citizens.

Debt-equity swaps allow debt to be bought from the secondary market and sell it to debtor countries in exchange for local currency. The proceeds are later utilized in financing business ventures in the debtor countries. For instance, Ford Motor Company (Ford) bought \$50 million Mexican debt from the secondary market at \$29 million. Later, the company sold it to the Mexican government at \$43.5 million in local currency. Similarly, this was adopted in Nigeria during the regime of Babangida. The debt equity swaps or debt conversion was conducted through the establishment of Debt Conversion Committee (DCC) in February 1988. Between July 1988 and June 1989 the total amount of debt converted was \$160.7 million and the discounted value was \$88.6 million representing an average discount of 44.8 percent. The cumulative external debt converted between 1992 and 1996 was \$448.5 million (CBN, 1996). The implications of debt equity swaps on the economy and political sovereignty are numerous. Debtor countries

are subjected to political control due to foreign control of the local assets and investment opportunities; exchanging local currency for debt causes inflation in the country; there is the danger of local currency devaluation because the debtor countries perhaps may need more local currency to purchase foreign debt.

Political conditionalities are new external loan criteria designed by the IMF and the World Bank. These are respect for human rights, democracy and good governance and fight against corruption (Offiong, 2001). In 1992, the international financial institutions suspended loan facility to Kenya for its failure to implement adjustment programmes. But in 1993, the institutions agreed to negotiate with the government of Kenya for the disbursement of loan facility subject to implementing economic reform agenda, fighting corruption, respect for human rights and good governance (Offiong, 2001). The institutions also directed Kenya to pay its debt arrears. Despite the directives given by the financial institutions Daniel Arab Moi reversed the economic and political conditionalities with domestic ones. He argued that it became necessary to reverse the conditionalities because they could only intensify the existing unemployment, decline in per capita income, devaluation, cut in expenditure for crop production and affect the sovereignty of the country (Offiong, 2001). Similarly, Zambia had complained of undue interference by the international financial institutions and protested against imposing governance and performance without agreed parameters and precise definitions (Smith, 1994: 15). In fact, the interference was very intensive that the IMF and Paris Club conditionality for renegotiation of debt terms has conditioned many African countries confronted with debt problems to submit to perpetual negotiation with IMF over their economic policies (Smith, 1994). This tantamounts to external control and promotes a relationship that affects the sovereignty of the debtor nations.

#### 4. CONCLUSION

Sovereignty is an important characteristic of a state. It provides the state the power to make independent decisions that protect its national interest. As Nigeria applied for an IMF loan facility, the international financial institutions imposed certain conditionalities for obtaining the loan. These include devaluation, privatization, deregulation, and trade liberalization. The adoption of these conditionalities has integrated the country into the international capitalist system and subjected Nigeria to political control. This paper concludes that the sovereignty of the country would continue to be infringed as far as the country continues to commit itself to neo-liberal policies.

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