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**EFFECT OF SANCTION ON THE NIGERIAN ECONOMY**  
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**ABSTRACT**

*Sanction is a punitive actions initiated by one or more actors against one or more others (targets) for not conforming to societal norms and standards over time and this is with a view to bringing them (targets) to conformity. Economic or financial sanction as applied in this paper may take the form of universal, multilateral or unilateral sanction. Whichever form the effect on Nigerian trade and finance is worrisome. Suspension of development aids/grants such as exchange programmes, scholarships, military goods and services, training programmes have been identified among others, as sanction. These have negative effect on the economy generally and Nigeria trade and finance in particular. It therefore call for appropriate preventive measures by the Federal government especially in the area of respect for the dignity of man, local and international laws and democratization of the polity.*

**INTRODUCTION:**

Nigeria, since her independence in 1960, has been controlled and ruled by three main governments. They are the military, civilian and interim governments with the military government dominating the scene. Specifically, the country has witnessed seven (7) military governments and one interim government. This ugly trend has not augured well for the development of the nation especially in the development of the economic sector. The rulership of Nigeria by the military started on the economy by the late 70s when economic crunch indicated its visit to the country as the external reserve decline from N3.7b in 1975 to N1.4b in 1979. (Akpara 1987: According to World Bank ratings, Nigeria has declined from being a middle income economy to being a low-income economy. In fact, virtually all the economic indexes have shown persistent decline. Thus, the Nigerian economy since the continued rulership of the country by the military has been characterised by declining industrial and agricultural output, heavy dependence on crude oil and declining foreign exchange earnings. It has also been marked by price distortions, non-optimal public investment and expenditure, irrational importation of consumer goods, etc. politically and socially, there have been continuous abuse of human rights and neglect of human dignity by the military government, fraud at highly technical level. These

negative trends have tremendously affected the economic, social and political development and growth of the Nigerian nation. In the midst of all these, the western nations are not folding their hands. They have been proffering economic policies and political ideas aimed at alleviating the problem of the suffering masses. They have been pressuring the military junta at various times to no avail. Sanctions have been imposed.

In 1993, actions and events leading to the controversial annulment of June 12 presidential election attracted sanction by Western nations. Recently, the judicial murder of Ken Saro Wiwa, spokesman of the Ogonis, author and playwright, and eight other Ogoni leaders on Friday 10 Nov. 1995 has attracted to Nigeria and its military junta strong condemnation and punishment by America, Russia, Britain, France and the rest of the Western World.

With sanctions already imposed and more severe ones yet to come, one wonders the likely effect of these sanctions on the economy in general and Nigeria's export trade and finance in particular. This paper will unveil this with a view to suggesting preventive measures and solutions.

**Sanctions: An Overview** - The terms boycott, embargo and sanctions are almost the same thing although they are technically different. They are used here interchangeably for purposes of comprehension.

The word sanction is one of those rare terms (like sanguine) that means the opposite of themselves. As a verb, it means to give permission. At the same time, sanctions have come to mean those actions, usually economic, used to punish a nation. Thus, in one sense, the word means 'permission' to be coveted, and in the other sense, the word means penalty to be abhorred. Adopting the latter sense, Danodi and Dajani (1983) defined sanction as a collective action against a state considered to be violating international law taken to compel that state to conform. Precisely, economic sanctions (coercion) are actions initiated by one or more international actors (the senders) against one or more others (the targets) with either or both of two purposes: to punish the targets by depriving them of some value and/or to make the targets comply with certain norms the senders deem important. They are attached punitive in nature. Sanction is oriented in the justice Model which simply states

that punishment is justified wherever a person has done something wrong enough to this response. (Von Hirsch et al, 1976 in William, 1990). It promises a philosophically sound sanctioning policy which supposedly respects human dignity and reflects the best traditions of justice.

Five different types of sanctions can be identified. They are the normal, diplomatic, financial, economic and military. Our focus here is on economic and financial sanctions and those who impose them are called sanctioner (senders). Essentially, different categories of economic or financial sanctions can be identified:

1. Universal sanctions which are those punitive actions by World organisations like the League of Nations and United Nations.
2. Multilateral Sanctions which are those punitive actions by multiple-state collective actions like loose coalitions e.g.. Arab states, Regional Alliances e.g.. Organisation of African Unity (OAU), etc.
3. Unilateral sanctions which is one-state punitive actions e.g.. United states, Germany, Britain etc.
4. Economic sanctions of different categories have been imposed to different target group(s) at different times as tabulated below.

Sanctioner	Target	Date
World Organisations		
League of Nations	Yugoslavia	1921
	Paraguay	1934
	Italy	1935-6
United Nations	Spain	1946
	China	1951
	North Korea	1951
	South Africa	Dec. 1963
	Rhodesia	Nov. 1965 - Dec. 1979.
	Iraq	1990
	Nigeria	1995
	Libya	1992
	Sarbia	
	Somalia	1992
Common Wealth	Nigeria	1995
Loose Coalitions		
Western Nations (led by Britain) in support of multi- national oil companies.	Iran	1951-3
Arab States	Companies owing	1955

	business property in Israel.	
iii. Arab oil producing countries	United States Britain and West Germany	June 1967 Sept. 1967
C. Regional Alliances		
i. Inter-American	Dominican Republic	Aug. 1960
ii. Organisation of American States (OAS)	Dominican Republic Cuba	1961 Dec. 1963 - July 1975.
iii. Organisation of African Unity (OAU)	South Africa Portugal Rhodesia Israel	1963 July 1975 Oct. 1965 Nov. 1973
iv. Arab League (AL)	Israel	1984
v. Organisation of petroleum Exporting countries (OAPEC)	United States South Africa The Netherlands,	Oct. 1973 March 1974
vi. Coordinating Committee on	Portugal, Rhodesia Communist Bloc,	1947
vii. Council for mutual Economic Assistance (COMECOU)	Western Alliance Albania	1949 1962
viii. European Economic community (EEC)	Iraq Argentina	April 1980 - Jan 1982 April 1980 - Jan 1982.
D. One-State (Nation-to -Nation)	Yugoslavia	1948 and 1957
i. Soviet Union	Australia Israel Finland China Albania	1954 1956 1959 1959-1960 1960-1961
ii. United States	Japan Dominican Republic Cuba Indonesia United Arab Republic	1941 1960-1962 1960 1963-1965 1965

	India	1965-1967
	Chile	1972
	India	1972
	Angola	1976
	Uganda	1978
	Iran	1979-1980
	Soviet Union	1980-1981
	Poland	1982
	Argentina	1982
	Nigeria	1995
iii.	Britain	Soviet Union Rhodesia Argentina Nigeria
		1933 1965-1979 1982 1995
iv.	Nigeria	Biafra
		1967-1970
v.	India	Hyderabad Geo
		1948 1954-1961
vi.	China	United States
		1905
		Britain Japan Russia
v.	Japan	1925-1928 1931-132 1907.

Sources: Selected United Nations Publication of various Years and Duoudi and Dajani (1983).

From the table, it is obvious that sanctions have a global connotation ensuring that any nation(s) violating international law is punished accordingly. However, this does not apply always. For instance, the Vetoes, as practised in United Nations, have prevented the Security Council of the body from taking action against an aggressor in numerous instances. For example, the vetoes by Britain and France precluded action in the 1956 Suez Crisis. Similarly, vetoes by the Soviet Union frustrated the Council's efforts after the 1962 Goa incident, during the Indian-Pakistani war in 1971, and following the Soviet invasion on Afghanistan in 1979. In another episode, in the wake of the euphoria of the Gulf war, the United Nations security Council took no action in the Spring of 1991, when rebel forces of the National patriotic front of Liberia invaded Sierra Leone.

**Objectives and Limitations of Sanctions:** There are numerous objectives for the imposition of sanctions to deserving target country. The pursuit of one objective(s) depends on the choice and intension of the sanctioner. Generally, the following objectives can be identified

- to maintain the illusion that the sanctioner is inflicting damage on the target nation.
- to express morality and justice.
- to signify disapproval or displeasure

- to satisfy emotional needs
- to maintain sanctioner's positive image and reputation.
- to relieve domestic pressure
- to inflict vengeance
- to restore self-confidence and self-image
- to defer third states from following the example set by target nation.
- to cause severe economic deprivation, impoverishment and hardships.
- to overthrow target's government
- to change target's political system.

These list of objectives have been pursued at different times by different group(s) of sanctioners. For Nigeria, Western nations have imposed sanctions (severe economic sanctions yet to come) to express morality and justice, to signify disapproval and displeasure, to effect change of Nigerian military government. These, objectives notwithstanding, there is widespread skepticism about the efficiency of sanctions for a number of reasons. In the words of Richard H. Ullman (1979) in Daoudi and Dajani (1983) "in fact, the issue of sanctions is now more symbolic than real, for sanctions have been only partially effective. Although foreign trade and investment have diminished, the shrewd white Rhodesians have managed to market their country's chrome and tobacco, and to get the foreign goods they have needed-including, especially oil and weapons. Lifting sanctions now would make foreign sales and purchases easier, but alone would have no major impact upon Rhodesia's economy. Although that economy has been badly hurt in the past few years, it is the escalating war and not sanctions that has done the damage". This implies that economic sanctions are not likely to produce the desired result. The reasons for this according to Dauodi and Dajani (1993) include:

1. The difficulties in gaining universal agreement as to which issues require actions and as to the means of achieving support for the application of sanctions to such issues;
2. The difficulties involved in the option and implementation of collective sanctions.
3. The willingness of other suppliers to provide the target nation with needed commodities because the economic and at times, the political incentives to do so will be too tempting to turn down.
4. The difficulties involved in extending the sanctions beyond tolerable time limits. Paradoxically, the longer the sanctions that are imposed, the more diverse become the

opportunities to circumvent them. Long-term imposition of sanction is seen to permit diversification of the economy, including substitution of products, development of alternative sources of supply and arrangement of barter deals for provision of necessities.

5. The difficulties of preventing supplies from being rerouted through third parties, particularly some international companies who specialise in sanction-busting owing to the enormous profits involved;

6. The resilience and adaptability of target states. As sanctions will strike a serious blow against the foundation of the political regime of a target nation, those in power will resist the imposition of sanctions by making necessary changes in the state's economy.

7. The difficulties of political-economic coordination between the sanctioning parties themselves and also between third parties, neutrals and other major powers.

8. The fact that not all states are equally sensitive to economic pressure - an agricultural, self-contained community is obviously less vulnerable to such coercion than an industrial one.

9. The fact that not all states cooperating in the economic sanctions will bear an equal burden, and that sometimes the burden may prove intolerable, leading to the breakdown of the sanctioners' esprit de corps.

10. The threat that an effective sanction may cause a humanitarian problem, since financial pressures hit not only the political regime but also innocent civilians, who may suffer most from it.

The possibility that an embargo will not defer from any country which is convinced it can bring a war to a successful conclusion within a short time, or has since accumulated large stocks of essential materials.

12. The fact that an aggressor, single-mindedly determined to achieve his ends by force strikes swiftly and hard, while an international organisation composed of more than 150 nations with diverse interest must at best move slowly

13. The difficulties of imposing sanctions against powerful nations which might have perpetrated greater crimes against international peace than those against whom sanctions were actually imposed. With their veto power in the Security Council, the superpowers not only will not allow sanctions to be imposed on themselves, but will also veto any sanctions

resolution directed against their allies or client states.

### The other side of sanctions

The difficulties itemised above dislodges sanctioners from attaining their broad and specific objectives. In addition, it has been maintained by analysts that sanctions have counter-productive effects on the sanctioner but productive effect on the target nation. Some of the effects include:

1. That sanctions serve rather to unite than to fragment the society of the target country.
2. That sanctions stimulate the country's economic development by promoting greater self-reliance and self-sufficiency. They provide the target nation with a drive to produce the necessary commodities themselves and promote their efforts to develop alternative sources and substitute.
3. That sanctions create a confused international market situation resulting in higher costs and expenditures for all-sanctioners, target and the third parties.

In Nigeria, Momoh (1995) predicted that sanctions will promote nationalism and patriotism internally, enhance the sovereign value of the naira and prolong military rule. This is not the expectation of the western nations but they may have to stay. Again, sanction will inculcate and encourage maintenance culture and adaptability. The case of Biafra best illustrates this point. However, one needs not to over-emphasise this aspect of sanction.

### Present and Future Effects of Sanctions on the Nigerian Economy

The imposition of sanction is based on the intended objective(s) of the sanctioner as highlighted above. In the same way, the effects depends on the direction of the sanction. At times, sanctions have multi-linkage effect, affecting the various sectors of the economy of the target nation.

Presently, Nigeria has been suspended from the 53 - member commonwealth of Nations which consequently lead to the suspension of development aids. For example, European commission Suspension of \$66.6 (N 778m) development aid to Nigeria. This action has put much pressure on the fiscal policy of the government as funds are now allocated to those areas that were covered by such suspended development aids. The signing of agreement on the Liquefied Natural Gas (LNG) project between Shell and the Federal Government has also been suspended. This has also blocked the foreign exchange earnings realisable from the project, since the projects products cannot be exported as planned. The suspension of scholarship for 8 young

Nigerian graduates into the Danish Business School in London to be sponsored by Nigerian-Danish Chamber of Commerce. Industry and Agriculture has gone a long way in reducing our foreign reserve by the monetary value of the scholarships. This has contributed in weakening the economy. The major components of the economic, technical, scientific, educational and co-operative agreements between Nigeria and Romania established in 1984 has almost dried up. This has already cost the Nation millions of dollars that would have been directed elsewhere. Again the country's suspension from the commonwealth has cost the nation the body's technical co-operation, its foundation for socio-economic assistance, its science council assistance, amongst others. The imposition of the following limited sanctions on the military by the United States and Britain has affected Nigerian export trade and finance.

- i. Suspension of a N450,000 aid for military education and training.
- ii. Review and denial of application for commercial export of defence articles meant for Nigeria.
- iii. Embargo on posting of a new defence attachee to Lagos and expulsion of Nigeria's equivalent from Washington.
- iv. Expulsion of Nigerian Military officers studying in the United States under the International Military educational training (IMET) programme.
- v. Restriction of Nigeria's military officers' access to the US government.
- vi. Total ban on the sale and repair of military goods and services.

All these, amongst others are capable of undermining efforts at national economic recovery and self-reliance.

The future effects of sanctions on Nigerian export trade and finance is severely negative, especially if the clamour for oil sanction comes through. Already, the economic weather has subjected the nation into untold hardship in varying dimensions. Then the implementation of the proposed oil sanction by western nations will be adding salt to injury. Specifically, oil sanction would make Nigeria pay dearly for refusing to diversify the economic base of the nation over the past years.

As an import-oriented country, the ugly side of import dependence would manifest, as companies would close shops for lack of foreign exchange with which raw materials and spare parts are imported. They cannot do otherwise because foreign sellers would not be ready to grant credit facilities. Meanwhile, companies are responding to the harsh economic condition blowing the nation with most of them

closing shops and those managing to operate are doing so far below capacity level with several hands retrenched. This is going to continue and even worst.

It is on record that 95 percent of Nigerian foreign earnings come from oil. With imposition of sanction on this sector, exportation of oil and its products to western Nations (sanctioners) will be cut off and this will go a long way in reducing significantly earnings from export-trade which by extension affects foreign exchange used in importing essential goods and services needed for the domestic economy. Such goods include raw materials, drugs, food technical assistance, etc. The effect of this on the economy in general and the standard of living of the people in particular is depressively multi-dimensional. In fact, the collapse of the entire economy is very eminent given the monopolistic nature of the Nigerian economy. The fundamental disequilibrium in Nigeria balance of payments is expected to persist and this will consequently affect the nation's international credibility.

Apart from the above mentioned effects, other possible future effects of sanction of Nigeria export trade and finance are summarily itemised as follows:

- International lending agencies (World Bank, IMF, Paris Club, London Club, etc.) will close shop lending and moratorium will be withdrawn. This will go along way in
  1. Distorting all development projects associated with funds from these agencies.
  2. Increased external debt.
  3. Further depreciation of the Naira
  4. Increased death rate resulting from starvation, as importation of drugs, raw materials and other essentials of life would have closed doors.
  5. Capital flight will be on the increase. This will retard the progress of development in the country.
  6. Stag-flation. This is where inflation exist side by side with stagnation of all activities and sectors of the economy.
  7. Low productivity
  8. Dumping: This is a situation where domestic price is higher than price abroad.
  9. In order for industries to cope with the envisaged ugly economic situation, they are likely to confine with non-growth strategy example, retrenchment
  11. General lack of funds for development and other investment.
  11. Capital market operation will be affected because of massive withdrawal of shares resulting from reduction in the level of dividend declared.
  12. Waste of resources especially export products.

ilateral relationship will be worsened. This will affect the country's technological development.

#### RECOMMENDATION AND CONCLUSION:

From the list of possible effects of sanctions on Nigerian export trade and finance highlighted above, it is quite obvious that the pains associated with it are far more damaging to the development and growth of the individual, the government and the economy. It therefore, calls for appropriate preventive measures by the Federal Government. To this end, Government should work out ways of avoiding the imposition of sanctions by respecting the dignity of man and allowing the wishes of the people to prevail. Local and international laws should be respected to the latter. Government should use dialogue in handling the issues at stake. They should create room for World understanding and apologetic in their approach. The democratization process should be hastened and made realistic. The idea of government "remote controlling" the election process should be discouraged. All these will make Western Nations see reason into the government's approach to a better Nigeria.

It is a known fact that sanctions will keep Nigeria in a state of complete diplomatic isolation, force the government to go on struggling for economic survival at ever rising costs to itself, encourage and strengthen internal opposition to the government by demonstrating confirming Western World interest in its cause and sustain the world view of the acceptability of the government. To avoid these, the suggestions preferred above, should be seen with all amount of seriousness it deserves. Nigeria will only move forward if diplomatic relationship between her and the rest of the world is very cordial.

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