

Oil Exports, Socio-economic Underdevelopment and United States' Trade Relations with Nigeria

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Abstract: Trade has continually played a prominent role in the political economy of United States (U.S.)–Nigeria's relations. Conversely, extant literature is inconclusive on the role of Nigeria's oil exports to the U.S. in the socio-economic underdevelopment that is Nigeria. This study discussed the trajectory of the nexus between oil exports, socio-economic underdevelopment and United States' interactions with Nigeria. Data is obtained from primary and secondary sources. Using exploratory research method the resource curse thesis is adopted for the descriptive study. The results of the study indicate that U.S. excessive demand for energy prompted Nigeria's shift of attention to crude oil export. It establishes that the abandonment of the production and exportation of all other sources of foreign exchange for crude oil export to the U.S. is responsible for Nigeria's inconsole poverty. To reverse the socio-economic palaver which bedevils Nigeria the study recommends inward looking diversification development planning.

Keywords: International Trade; U.S. Energy Needs; Nigerian Political Economy

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1. Introduction

Nigeria is well endowed with vast human and material resources that can guarantee sustainable economic growth and development. It has large reserves of solid minerals including bitumen, topaz, lignite, coal, tin, columbite, iron ore, gypsum, barite and talc. The proven reserves of crude petroleum are well over 37 billion barrels, while reserves of natural gas stand at over 187trillion standard cubic feet. These abundant resources available to Nigeria should ordinarily aid the fulfillment of the nation's desire for sustainable development. Nigeria relies heavily on natural resources to fuel its economic development. Past and current production and consumption patterns have underpinned substantial growth in national income.

The nation's approach to the exploration of natural resources leaves its natural environment in a sorry state. Environmental problems associated with the extraction and processing of many materials and natural resources are becoming obvious in

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Nigeria. Concerns about the sustainability of these patterns are mounting, particularly regarding the implications related to resource use and over-use. The problem however is, available literature is yet to explicate the nexus between the U.S.–Nigeria's economic relations and crude oil export and the socio-economic underdevelopment which bedevils Nigeria. As such it is axiomatic to consider the role of oil which has for long been the lynchpin of global capitalism and military power. It is this problem that this study seeks to explore.

2. U.S.–Nigeria's Economic Relations and International Politics of Oil

After the Nigerian civil war, bilateral economic relations between Nigeria and the U.S. began to be cemented after the occurrence of the circumstances that are beyond the control of both parties. That circumstance was the Arab embargo on oil in the 1970s. Since the Arab countries (especially OPEC members) did not supply oil to the Western States (including the U.S.) Nigeria became the last resort for the Americans. Nigeria oil productions have to increase from 1 billion barrel per day to 2.3 billion barrel per day to meet such demands. Thus, between 1970 and 1983 Nigeria's economic relations with the U.S. shifted from aid essentially to trade and, to a lesser degree, investment linkages. This was due partly to the Gulf war. Nigeria became the second most important source of U.S. crude oil needs at a period of critical demand. This made Nigeria reach large trade surplus of \$9 billion against the U.S. in 1980. With that Nigeria became precariously tied to the vicissitudes of the market and the uncertainties of Washington's foreign policy towards Nigeria being a member of OPEC.

In 1975, the U.S. imported 20 percent of its oil from Nigeria and 10 percent of its columbite. Between 1971 and 1981, the U.S. steadily improved its position as Nigeria's economic partner, as a market for Nigeria's crude oil. The U.S. was set on the path of a leading importer of Nigeria's crude oil. By 1976 and 1980 there was increased food exports from the U.S. to Nigeria, increased penetration of American firms and awards of lucrative contracts to American firms in the construction and communications sectors by the Nigerian government. However, by 1976, Nigeria accounted for about 40 percent of total U.S. imports from Africa. American exports to Nigeria in the same year increased by 44 percent. Between 1973 and 1979 Nigeria exported 38-56 percent of its total oil exports (compared to 11 percent in 1965) to the U.S. crude imports (Ate, 1986, p. 71). With this, Nigeria became the second largest supplier of crude to the U.S.

Thus, oil export to the U.S. provided the major source of the foreign exchange reserves available to Nigeria in the period. The contribution of export earnings (from the U.S.) to Nigeria's Gross Domestic Product was very high. Nigeria was continually used as a market for U.S. products in sub-Saharan Africa, the trade

balance between U.S. and Nigeria which earlier favoured the latter, progressively declined from \$9 billion in 1980 to \$7 billion in 1981, down to \$5 billion in 1982. According to Terry Lynn Karl 'By fuelling inflation and dreams of quick wealth, oil revenue has withered African oil economies'. This role of foreign trade with the U.S. is a negative indicator of the Nigerian economy as it leads to a high level of sensitivity of Nigeria to American market trends, and this condition combined with the distorted structure of foreign trade. With the distorted structure of Nigeria's export to the U.S., the balance of payments and the general foreign exchange position of Nigeria became defenseless against the U.S. A large percentage of the domestic stock of investment in Nigeria was owned and controlled by entrepreneurs from the U.S. Most of this investment was done by American oil companies like Gulf, Mobil, Philips, Texas Overseas, and so on. The value of U.S. private investment was \$549 million, representing 25 percent of all private foreign investment in Nigeria in 1971 (CBN, 1976, 15f.)

The entrepreneurs from the U.S. tend to own and control new investment and the most important sectors of Nigeria's economy, such as mining and agriculture, export and import trade, manufacturing and financial institutions. American Transnational Corporations (TNCs) were present in the strategic oil sector, where they dominate production through the monopoly of technology and know-how. All the contracts, leases and concessions that these American TNCs negotiated with Nigeria allowed a fairly unequal distribution of the benefits in favour of the U.S. This happened all the time in natural resource operations. Meanwhile, the exhaustible resources in question are Nigeria's only national economic asset. The natural resource contracts are a reflection of Nigeria's neo-colonial status in U.S.-Nigeria's economic relations. Through Americans' expropriating of most of the economic surplus of these sectors through profit repatriation, royalty and licenses' fees, American entrepreneurs sap most of the means of accumulation and development in Nigeria by and large, by establishing capital-intensive production in Nigeria, American investment contributes to unemployment. This also aggregate Nigeria's uneven distribution of income and displaces local entrepreneurship and local capital.

Nigeria's dependence on oil export to the U.S. made the nucleus of Nigeria's economy to fall apart. Dr. Chu Okongwu notes that.

The heavy dependence of the country (Nigeria) on oil and imported inputs rendered the economy highly vulnerable to external shocks. Consequently, with the collapse of the world oil market which started in mid-1981, an economic crisis emerged... [Also] the country's official foreign exchange reserves, which stood at about \$8.50 billion at the end of May 1981, declined sharply to only about \$2.85 billion by the end of December 1981 (Ogwumike, 1995, p. 5).

Consequently, the U.S. shifted its oil demands from Nigeria to Britain, Mexico, Canada and Saudi Arabia as Nigerian oil became over-priced in the American

market. Thus, at a time when Nigeria's source of national revenue recklessly depends on American demands of its oil Nigeria was pushed from the second to the seventh position as a major supplier of oil to the U.S. President Shehu Shagari consequently began to beg President Ronald Reagan to mediate between Nigeria and the International Monetary Fund (IMF) to grant a \$2 billion loan to adjust Nigeria's balance-of-payment deficit. The balance-of-payment deficit was the result of large-scale importation of basic food items like wheat and rice from the U.S.

But Nigeria refused to accept IMF conditions for the loan. Therefore when the Board of Management of IMF was to be reconstituted, the U.S. insisted that no Nigerian is allowed to be part of the Committees of the Board. Meanwhile, the stringent "conditionality" was meant to open up Nigeria for further penetration by countries like U.S. However General Ibrahim Babangida eventually adopted the American recommended Second-tier Foreign Exchange Market (SFEM) policy. With SFEM, the Naira was devalued between 66 and 75 percent. This milder option pleased Washington. Thus, Ambassador Princeton N. Lyman explains

The Structural Adjustment Programme...provided an economic framework that reflected Nigeria's true economic situation and gave promise that resources would henceforth be used in a more efficient manner. Changes in foreign exchange values and practices, incentives to agriculture, and reduction in restraints on market activity eliminated barriers that had virtually choked off any form of international cooperation ... Once the new policies were in place, the fundamentals in our relationship would be engaged to generate solid support ... (Lyman, 1987, p. 3f.)

Working in concert with other capitalist interests, the U.S. lured Nigeria into taking the first loan of \$1 billion. The loan came with inextricable conditions. The explanation was that the country needed the jumbo loan to build up investor confidence so that the American investors would come in and develop the country.

Though with its buoyant oil resources, Nigeria had earlier turned down previous offers of American financial assistance and had fought a civil war without external debts Nigeria accepted the spurious loan. Nigeria has since remained entrapped and has undergone many debt refinancing and rescheduling agreements with the Paris Club of Creditors. The agreements merely made the debt burden sustainable without any prospects of liquidating the total stock. As a matter of fact, the debt stock constantly grew due to interest, penalties and arrears capitalisation and compound.

Meanwhile, the immediate consequence of Nigeria's trade dependence on the U.S. is a sensitivity in trade relations vis-à-vis the U.S. with which a large junk of the trade is transacted (relational trade dependence). This relational trade dependence is the result of Nigeria's direct economic dependence on the U.S. It is a function of Nigeria's neo-colonial penetration and a manifestation of the dominant position and structural effects of American capital in the main sectors of Nigeria's economy. This dependence is intense due to the narrowness of Nigeria's internal market

accompanied by monoculture syndrome of extensive single-natural resource export. Nigeria's trade dependence on the U.S. is strong and their effect dangerous because the domestic market and the number and variety of its export products are small, relative to that of the U.S.

The preferences strategy of AGOA may just be another means by which the U.S. seeks to maintain this relational trade dependence. The disadvantages from Nigeria's trade dependence on the U.S. are many. The U.S. determines, or at least influences the terms of exchange (such as the volume of trade, price relations and point of time) according to its interests and uses this dependence to exert pressure upon Nigeria when trying, for example through trading blackmail tactic, to influence Nigeria's foreign policy. The distribution of value added to the products traded between the U.S. and Nigeria was heavily weighted in favour of the former. Nigeria received only a minute fraction of the final price that the consumers in the U.S. paid for its export products. This is so because most U.S. bond Nigerian products are exported raw. Moreover, Nigeria is the weaker and poorer partner of the U.S.–Nigeria's economic system and therefore unable to exercise any significant control over the processing, shipping and marking of its exports.

In contrast, the U.S. was not in such a predicament. On the contrary, the U.S. used its economic resources and political and military power to control all the phases of products' production, export and distribution, often including its subsidiary companies within Nigeria, and to handle even local distribution of its products. Perhaps if Nigeria was able to exercise control over the production and distribution of its U.S. bond products to the same degree that the U.S. did, over its Nigerian bond exports, and if Nigeria had gotten back a similar proportion of the final consumer price, the U.S.–Nigeria's economic relations would have been different. Thus, Nigeria's crushing poverty was dialectically linked with U.S. opulent affluence.

Consequently, there was no actual wealth creation in Nigeria. Nigeria's oil exportation to the U.S. facilitated the entrenchment of "pirate" (Schatz, 1984, p. 45ff.) or "drone" capitalists. These people are famous for their 'consumerist and comprador proclivities' and their reluctance to embrace 'really productive activities as long as sufficient oil revenue can be siphoned off' (Joseph, 1983, p. 26). To worsen the situation, every kobo that accrues to the Nigerian government was shared on arrival as part of the excess crude oil account. Every such Kobo shared by the ruling elites came at the expense of public welfare. They were not used to mitigate any of the shortfalls in civil infrastructure but raked-in for the thieving ruling elites. There were indeed no plans to meet the socio-economic needs of the citizenry. Funny enough, the oil windfall was even barely ever enough to meet the material needs and to satisfy the worldly wants of the kleptomaniacal elites.

The ruling elite class, while being a tiny fraction of the Nigerian people, has an oversized influence on the direction of the society. They belief Nigeria belongs to

them, and they have the discretion in using it as they deemed fit. This clique, stunted by ineptitude, distracted by power games and the pursuit of material comforts, was unwilling of improving Nigeria. What however united the ruling elite forces was the appropriation of state power for self-serving personal ends. The acquisitive tendencies of the elites personalised and supplanted the rule of law. Consequently, economic grandeur in Nigeria was hereditary but among the elite cohorts. Therefore, Nigeria was not poor; wealth was just lopsided. Consequently, as the Nigerian system stays rigged against Nigerians, and one set of rules exist for the elites and other for everyone else; the bonds that tied the Nigerian society remain weak and loose.

At another level, despite U.S.–Nigeria’s trade relations over the years, Nigeria’s human resource, and intellectual capital, had relatively stagnant conditions. This conduces for the prevalence of excruciating poverty and socio-economic backwardness in Africa’s most populous country. The U.S.’s attention in Nigeria was focused on oil. But the crude oil economy (earnings from crude oil export constitute more than eighty percent of the government’s total income) atrophies Nigeria. The imperative of oil exploitation and control corralled the agents of government into an alliance with American transnational economic actors against Nigerians. Aside from that, Nigeria’s exportation of oil to the U.S. brought in more unearned revenue to government coffers which invariably allows government officials to stay in power without having to develop indigenous state institutions to raise taxes.

Thus, the incapacity of Nigeria was reinforced as U.S.–Nigeria’s trade relations gave privileges to politicians and rulers but regards the interest of the people as incidental. With that, the government was able to continue constant alternation between gross indifference and callous brutality not only because it did not have to raise taxes, but most significantly because it did not need to levy them. It was not just that Nigeria failed to extend its rule and increase the number and variety of collective goods available through it; it was also that in reality there was no occasion to do so. This explains the undisguised contempt that Nigerian rulers have for “their” people. The state violated the socio-economic rights of the “citizens” with reckless abandon and impunity. This was done without any serious fiscal consequences. In other words, by putting more petrodollars in the hands of an already unaccountable state, U.S.–Nigeria’s trade relations successfully made it even more unaccountable to society. Ultimately, the U.S. successfully takes away more resources than it paid the thieving elites in Nigeria for. This development stunts, or even obliterates, the economy of Nigeria. That explains why, the proceeds from agriculture, manufacturing, and other sectors of the economy was consistently low. Thus, the Nigerian economy encapsulated an apriori of imbalance: Nigeria’s non-oil commodities supplied about seventy-five (75) percent of Gross Domestic Product; its government remained

almost entirely dependent on hydrocarbon wealth, which, as mentioned earlier, accounts for roughly up to ninety percent of government revenues.

The foregoing discussion shows that the U.S. has contributed gravely to the dismal performance of socio-economic indicators in Nigeria. That explains the reason for the introduction of the African Growth and Opportunity Act (AGOA). Gone are the days when preferential trade agreements were produced to fight underdevelopment. Underdevelopments are produced in the world in order to sell preferential trade agreements. The other side of the discussion is that Nigeria's problem has been blamed on endemic corruption, political ineptitude and structure of governance. That is, those that should work for Nigeria's economic development profit immensely from its underdevelopment. Thus, achieving Nigeria's economic development in the strict sense of it will remain a tall dream for a long time to come because the leaders are *chichi-dodo* (a bird that eats maggot which grows in faeces but hates faeces).

Notwithstanding, Nigeria attempted to improve its trade relations with the U.S. through a variety of measures. The measures took on the shape of economic reforms. These reforms open up the economy to the U.S. They were largely in the form of neoliberal capitalist revolution. Such measures include: amendments to the Customs and Excise Management Act (CEMA) of 1990 to forestall trans-shipment of textiles and apparel; the establishment of national supplementation and advisory committee (2001–2003); appointment of a national adviser on AGOA (2003–2007); conduct of Market Surveys to develop product profiles from AGOA; sensitisation Workshops/Seminars to create awareness of AGOA opportunities; capacity building workshop in collaboration with the United States Trade Representative (USTR) in Nigeria; establishment of a Human Resource Centre in Lagos for skills acquisition in garment manufacturing; establishment of TIFA Council as well as Nigeria–U.S. Joint Economic Partnership Committee (JEPUC); trade missions to several countries to promote active private sector participation; product adaptations programme for several agricultural products such as Shea butter, frozen shrimps, footwear, garments, dried fish, cashew nuts, etc. Additional measures were to improve the standards and quality of made in Nigeria products through the efforts of National Agency for Food and Drug Administration and Control (NAFDAC), Standard Organisation of Nigeria (SON), Federal Institute of Industrial Research, Oshodi (FIIR).

Others were; production of an export manual by the NCS to ensure compliance and increase AGOA benefits; collaboration with the World Trade Organisation (WTO) to introduce Standards and Trade Development Facility (STDF) for some selected products such as Shea Butter and Sesame; the design of a new Trade Policy as part of efforts to clearly map out strategies to address various trade impediments in the country; the design of a new industrial master plan for Nigeria to increase the sector's

contribution to Gross Domestic Product (GDP). In all these cases, Nigerians passed through fireworks and exerted mountains of social sacrifice.

In sum, the U.S.–Nigeria's trade relation did not help solve the mayor problems of the Nigerian side of the bilateral trade relations. U.S.–Nigeria's trade relations did not translate to substantial improvement in healthcare delivery, literacy level, calorie intake, life expectancy, infrastructure, respect for human and labour rights, reduction in corruption, and harmonised trade standards. No new hospitals or medical facilities were constructed. No new healthcare initiative was launched. No innovation or any reform to transform the decadent education system from its dilapidated physical and content structure towards a 21st century system of innovative learning. Death on the roads increased and persisted. Nigerians end up disappointed with unfulfilled hopes and expectations, unmet needs, increased poverty, hunger, anger, and hopelessness. U.S.–Nigeria's trade relations contributed less to nothing towards increasing the number of Nigerians who live in humane accommodation. The number of Nigerians who can afford to provide balanced meals for their households did not increase. The number of Nigerians who have access to quality health care did not increase. The type of transport system that majority of Nigerians travel by did not improve. The number of Nigerians who can send their children to the schools of their choice did not increase. The number of Nigerian public schools that have desks and chairs for pupils did not increase. Thus, U.S.–Nigeria's trade relations prior to AGOA was for waffling and shuffling without improving economic development in Nigeria. Perhaps the crisis of U.S.–Nigeria's trade relations was integral to the multidimensional crises of the Nigerian state. The leadership is rogue. Education is misaligned. The economy is junk. Society is dysfunctional. The state space is contested. Regarding democracy, the rule of law, the social distance between the rich and the poor, Nigeria is nothing to write home about. For the purpose of human security no social or economic policy for development was instituted, and so nothing seriously progressive took place in Nigeria. Rather, the nation retrogressed.

At the close of the 20th century, Nigeria's economy remained non-organised and riddled with a combination of high inflation and unemployment (stagflation). The result was increased discomfort suffered by most Nigerians, and the development index steadily remained below 0.5 indicating low human development. The precarious position of Nigeria in the global economy stems from some practices. In fact, the country had no political economy to sustain its social system. These practices conduced to inhibit and then prevent the development of a socio-economic structure. They largely help to retain the country in its peripheral space in the comity of civilised nations. For instance, throughout the period, export earnings from one single commodity – oil – consistently accounts for at least 75 percent of Nigeria's foreign exchange. Meanwhile, the oil earnings were simply shared between and among the ruling elites at the three (3) tiers of government (federal, state, and local) without any fiscal federalism to prompt economic development.

Nigeria retains its status as a middle-low-income developing country, a wretched compromise between abundant resources and extreme poverty. The nation remained an economic backwater. Socio-economic indicators did not record much positive development. Except for quantitative cosmetic changes here and there – Nigeria did not make much progress. Therefore, the questions on the lips of most people are: when would the socio-economic gains begin to trickle in for citizens of Nigeria? When is Nigeria going to have electricity without which the industries would not run, an input so vital without which the dreams of small and medium industries would remain a dream? When are Nigerians going to stop reading about megawatts without electricity? When is Nigeria going to have modern and efficient railways? Would the time ever come when a budding Nigerian entrepreneur would be able to access ready credit without the frustrating requirement of impossible collaterals?

While undeveloped human capital and poverty were overriding headache of Nigerians as the factories shut their gates and threw their employees into the labour market already bursting its seams; government luxuriated in a fictive agenda with promises in some distant moon. Nigeria's economic development suffered because the ruling elites (political, economic, and social) were money ravens and vultures of rotten carcass. The elites kept much of the proceeds of economic activities which ought to have been expended on infrastructure and other public works for themselves and became richer than the state. The elites are indeed a state within Nigeria. Only rarely did the elites work for the interest of the Nigerian state. They were indeed a heavy burden on the meagre resources of Nigeria. A great deal of Nigeria's economic activities was not embossed by the elites was squandered on white elephant projects of no socio-economic value. All these conduced to constrain the ability of Nigeria to make much progress in social and economic development. It is easy, therefore, to see why U.S.–Nigeria's trade relations prior to the creation of AGOA did not contribute to stimulating Nigeria's economic development. It is true Nigeria's economic development has not been, entirely, one long, unrelieved history of despair for Nigeria. Yes, there were a few bright spots. But they were too few to matter. There were some enterprising and bright institutions. But they were way too few to mention when one is looking at the big picture. Indeed, every so often something wonderful and encouraging and significant came out of Nigeria. But for the most part, nothing extraordinary came out of Nigeria's trade relations with the U.S. Therefore, more than any other time in Nigeria's contemporary history, the crucial national crises bedeviling the country's economic relations with the U.S. at the close of year 2000 border on socio-economic development.

3. Nigeria's Constitution and Socio-economic Development

The mechanistic theory as postulated by Thomas Hobbes (1558-1679) describes government as the agency by which men sought self-preservation from the warlike

state of nature. Contemporary scholars are yet to refute the fact that the protection and preservation of life and properties were not only the motivation for the establishment of government, but the primary end of government once established. According to Omoweh (2002).

Because the state is central to the accumulative process, and will remain so for a long time to come, it needs to reorient itself across all the various groups that it encompasses. This orientation should be one that makes people, instead of wealth, the centre-piece of development; one that places a high priority on the need to develop local productive forces rather than promoting an exchange economy; and one that encourages local private capital to engage in real production, not in merchandising (Omoweh, 2002, p. 12)

It is for this reason that the 1999 Nigerian Constitution (as amended) states in section 16 that, the State shall:

Control the national economy in such a manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice, equality of status and opportunity; without prejudice to its right to generate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy; the State shall direct its policy towards ensuring: the promotion of a planned and balanced economic development and that the material resources of the community are harnessed and distributed as best as possible to serve the common good.

Economic, social and environmental developments are embedded in many parts of the Constitution. As the policy and legal basis of socio-economic, the Constitution, in particular, states that the Federal Republic of Nigeria is “a State based on the principles of democracy and social justice”. The Constitution prescribes a capitalist economy for Nigeria. Chapter II of the Constitution, fundamental objectives and directive principle of state policy, provides in section 16 (d) that “without prejudice to the right of any person to participate in areas of the economy within the major sector of the economy, protect the right of every citizen to engage in any economic activities outside the major sectors of the economy”. Therefore, the Constitution promises to all Nigerian citizens’ justice encompassing the social, economic, political, equality of status, opportunity and the dignity of the individual.

According to Article 1 (sub-section 2) of the Constitution, the State shall (a) harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-reliant economy; (b) control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of status and opportunity; (c) without prejudice to its right to operate or participate in areas of the economy, other than the major sectors of the economy, manage and operate the major sectors of the economy; and (d) without prejudice to the right of any person to participate in areas of the economy

within the major sector of the economy, protect the right of every citizen to engage in any economic activities outside the major sectors of the economy. To do this effectively, the State shall direct its policy towards ensuring: (a) the promotion of a planned and balanced economic development; (b) that the material resources of the nation are harnessed and distributed as best as possible to serve the common good; (c) that the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or of a group; and (d) that suitable and adequate shelter, suitable and adequate food, reasonable national minimum living wage, old age care and pensions, and unemployment, sick benefits and welfare of the disabled are provided for all citizens.

Article 17 (sub-section 2) in particular emphasises a “State social order is founded on ideals of Freedom, Equality and Justice’ in which (a) every citizen shall have equality of rights, obligations and opportunities before the law; (b) the sanctity of the human person shall be recognized and human dignity shall be maintained and enhanced; (c) governmental actions shall be humane; (d) exploitation of human or natural resources in any form whatsoever for reasons, other than the good of the community, shall be prevented; and (e) the independence, impartiality and integrity of courts of law, and easy accessibility thereto shall be secured and maintained.

4. Oil: The Resource Curse of Nigeria

Since the discovery of oil Nigeria has become a chronic exporter of energy products, the lynchpin of global capitalism and military power. Oil was thus responsible for a large increase in Nigeria’s income. This reasons for this has to do with the increase in crude oil export. There was also skyrocketing of oil price at the global market. At the same time global oil demand peak and talk of a post petroleum economy begun in earnest. But, how did oil become a curse for Nigeria?

Oil windfalls hurt other sectors of the economy by pushing up the real exchange rate of the currency and thereby making most other exports noncompetitive. Called the “Dutch Disease”, it is more pronounced when the boom that started the problem reverses itself. In Nigeria, the lull in the oil sector which led to a fall in revenue between 1980 and 1986 and between 2012 and 2015 left the economy bare, with an unsustainable import and capital intensive production structure. This led many farm workers to migrate to urban sector in search of higher nominal (temporary) wages. The long-term price deflation and price volatility of the international primary commodities market are disruptive of economic development. This has been prevalent since 1970 when oil prices were twice as variable as those of other commodities. This volatility puts negative influence on investment, income distribution and poverty alleviation. The enclave nature of the oil industry together

with its capital intensity fosters weak linkages to the broader economy and does not create much employment. As the world's most capital intensive industry fewer jobs are created per unit of capital invested, and the skills required by these jobs usually do not fit the profile of the unemployed.

Countries that are dependent on oil exports are usually susceptible to policy failure. This is due to the weakness of pre-existing institutions where oil export is found, their frequently authoritarian character and the transformative power of the export sector. The education sector also suffers neglect in countries that are dependent on oil resources. The nonchalant attitude towards the development of their human resources due to inadequate attention and low expenditure, affects future prospects for growth. Consequently, the educational system in Nigeria has experienced deep crises. Most countries have accelerated sustainable socio-economic transformation largely with the use of their vast human and natural resources to alleviate poverty and to harness the potentials of the citizens for self-actualisation and to ensure promotion and protection of their individual welfare. It is obvious that the readily available mechanism for this mission and fighting poverty is education. African Peer Review Mechanism reports that education received low priority in the 1980s and a fall in budgetary allocation (Omotola, 2008, 9). This has led to the present state characterised by: Decayed and crumbling infrastructure, an inappropriate educational curriculum at all levels, funding constraints, gender gaps, poorly trained teachers and low staff motivation (APRM, 2008, p. 12ff).

5. Oil Revenue and Underdevelopment in Nigeria

The socio-economic history of the world demonstrates that there is nothing innate or culturally specific about 'development,' or 'underdevelopment' for that matter. Instead elite agency can work either to salvage a thoroughly hopeless situation or to snatch defeat from the jaws of possible victory (Cartwright, 1983, p. 8; Southall/Melber, 2006, p. 67; Kirk-Green, 1991, p. 10). In the meantime Nigeria's reliance on natural resources destabilises conventional understanding of the relationship between infrastructure and revenue, and the role of revenue in the socio-economic development of the state and the improvement of its infrastructure. Levi (1988) summarises the traditional argument on the rule of revenue thus:

One major limitation on rule is revenue of the government. The greater the revenue of the state, the more possible it is to extend rule. Revenue enhances the ability of rulers to elaborate the institution of the state, to bring more people within the domain of those institutions, and to increase the number and variety of the collective goods provided through the state (Levi, 1988, p. 23).

The evidence from Nigeria negates this proposition. It is just that greater revenue has not automatically led to the state extending its rule. In Nigeria, the domain of the

state has actually shrunk, which makes it doubly ironic that many state bureaucracies have actually “swollen” in inverse proportion to the diminishing of actual state capacity (Diamond, 1987, p. 17). Indeed, the (physical and symbolic) reach of the Nigerian state over society has drastically contracted even as the state has accumulated such income as to allow it to project and extend itself.

The collective goods which Levi talked about are things that people cannot provide individually. The list of collective goods and services include: security, public roads, schools, hospitals and control on epidemic diseases; a functioning and effective judicial and police/penal system; efforts to encourage people to invest in productive assets and enterprise; measures to combat domestic violence, cash transfer programmes for the poor, limits on emissions etc. and all those many other ways in which “public authorities” (people who have authority to act on behalf of collectives) try to make the society more livable and on the long run, generally more developed. Rather than bring more people within the domain of the state institutions, Nigeria has actually managed to alienate more people, and the ‘variety of the collective goods provided through the state’ has certainly not increased. Indeed, more often than not, it is not only welfare schemes that are lacking but any visible sign of government presence besides the coercive personnel.

Nigerian leaders are hardly bothered by the socio-economic stagnation that their irresponsibility inevitably produces. By contrast, socio-economic hardship actually makes their regulating of political society easier. With their hands firmly on the spigot (Cooper’s metaphor couldn’t be more apt), the rulers basically determine when to turn on the faucet of socio-economic opportunity, and for whom. And since this cannot possibly be done according to any transparent set of rules, a situation is created in which ‘political means of access to resources’ are more important than merited access, and whatever surplus that actually accrues from economic activity is directed at creating or enforcing social relations “rather than to produce or acquire the means of production per se” (Berry, 1984, p. 5).

6. Socio-economic Development in Nigeria

According to the World Bank (2005) socio-economic indicators are indicators used in determining the extent of socio-economic development and the good quality of life of a people in a given society or country. Some of the key socio-economic indicators are: rate of poverty; life expectancy at birth; adult illiteracy; access to health care services; access safe water; access to sanitation; infant mortality rate; maternal rate; prevalence of malnutrition, population estimates; Gross National Product (GNP) per capital; aggregate net resources flow; net better terms of trade; consumer price inflation; and total external public debt.

(i) Rate of poverty: Apart from the use of GNP per capital income in determining the rate of poverty in a particular country, the percentage of people living on less than \$1 (US dollar) a day (PPP) at 1995 international (purchasing power parity) prices is also used. That is a person is said to be poor if he or she lives in a household whose total income or consumption per capital is less than \$1 (US dollar) i.e. he/she lives below poverty line.

(ii) Life Expectancy at Birth: This is the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to be the same throughout his life.

(iii) Adult Illiteracy: This is the proportion of adults age 15 and above who cannot read and write a short simple statement on their everyday life.

(iv) Access to Health Care Services: This is measured by the share of the population for whom treatment of common diseases and injuries including essential drugs on the national list is available within one-hour work or travel.

(v) Access to Safe Water: This shows the percentage of the population with reasonable access to adequate amounts of safe water (including treated surface waters or untreated but uncontaminated water from sources such as springs, sanitary wells, protected boreholes and taps). In urban and rural areas a source must not be more than 200 meters away and members of the household do not have to spend a disproportionate part of the day fetching water.

(vi) Infant Mortality Rate: This is the number of deaths of infant under 1 year of age per thousand live births in a given year.

(vii) Maternal Mortality Rate: This is the number female deaths that occur in pregnancy and immediately after childbirth per 100,000 live births.

(viii) Gross National Product (GNP) Per Capital: It is the ratio of the country's total population to the national income, converted to US dollar using the World Bank's Atlas methods.

(ix) Average Annual Inflation: This is measured by the rate of change in the GDP implicit deflator. The implicit deflator is calculated by dividing annual GDP at constant prices both in national currency. The GDP implicit deflator in the broadest-based measure of inflation, showing price movement for all goods and services produced in the economy.

(x) Net Present Value of External Debt: This is the value of short-term debt plus the discounted sum of existing loans at current prices.

Thus socio-economic development is determined by the availability of social infrastructural services (such as portable water, sanitation services, health care services, etc.) and the peoples' accessibility to these services and the growth of a

nation's GDP. While World Bank (2005) expressed good quality of life while Ijaiya (2012, 12ff.) includes (i) material well-being which is often expressed as having enough (material well-being comprises of bodily well-being, which include being strong, well and looking good); (ii) social well-being, which include caring for and settling children; (iii) having self-respect, peace and good relations in the family and community; (iv) having security, which include civil peace, a safe and secured environment, personal physical security and confidence in the future; and (v) having freedom of choice and action, which include being able to help other people in the community.

Shortly after independence, Nigeria enjoyed economic boom that was however short-lived. In the 60s and 70s, Nigeria's economy was very stable and was hinged on agriculture. Nigeria was the world's largest producer of groundnut, rubber, palm oil and kernel, soya beans, beni-seed and also a major producer of cotton, 2nd world producer of cocoa. Solid minerals such as coal, tin and columbite, were mined in economic quantities and Nigeria was known to be a major world player in the production of these minerals. The buoyancy of the economy was further boosted with the discovery of oil (black gold) and gradually, emphasis shifted from agriculture to petroleum - the mainstay of the Nigerian economy. Nigeria was well served by road, rail, sea and air transport. During this period, there were over 95,000km of tarred roads; over 3,200 km of one-metre gauge railway and Nigeria had just two international airports at Kano and Lagos. Both the northern and southern parts of the country attracted significant investments in infrastructural and human capital development and then Nigeria Airways was the pride of West-Africa.

Since then the quest for socio-economic effervescence in Nigeria remained a herculean peregrination, pipe dream and a mirage. Within this period even the modest goal of stopping the traumatic march of poverty eluded Nigeria. By the threshold of the twenty-first century the country was confronted with entrenched socio-economic maladies evident in high level of poverty, inflation, foreign debt overhang, closure of industries, epileptic power supply, budget deficit, absolute lack of good governance at the grass root, environmental degradation and high unemployment. The indices of the failure of the Nigerian state were apparent in the pervasive cases of hunger, inflation, budget deficits, debt overhang, street begging, prostitution, frauds, high crime rates in major cities, collapse of manufacturing industries, corruption in public service and stagnation in entrepreneurial development. Scholars cannot but wonder at the paradoxes of gross socio-economic inadequacies bedeviling Nigeria and the abundant resources the country is blessed with.

7. Poverty in Nigeria

Statistical data from the Federal Office of Statistics (FOS) indicate that by 1960 poverty covered about 15% of the population of Nigeria and by 1980, it grew to 28.1%. By 1985, the extent of poverty was about 46.3% and then dropped to 42.7% by 1992. By 2017, poverty incidence in Nigeria was estimated to be about 65.6% in a total population of about 160.3 million. According to the United Nations Reports (2017), Nigeria's Human Poverty Index (HPI) was only 41.6%, which places the country among the 25 poorest nations in the world (FOS 2018). Additional data from the FOS (2018) further indicate that life expectancy for Nigeria was 51 years, literacy rate was 56% and 70% of the rural population do not have access to potable water, healthcare facilities and electricity.

Based on the data from the FOS, the State-by-State poverty incidence in Nigeria between 2008 and 2017 clearly indicate high and varying poverty levels among the states of the Federation. The data further shows that poverty in Nigeria increased sharply both between 2015 and 2017. Furthermore, by 2007, only 10 States have more than half of their population in poverty, but by 2017, all States except Bayelsa have more than half of their population in poverty. As at 2017, the incidence of poverty rose to 70 percent at the national level. The increasing incidence of poverty, both within and among locations, was in spite of various resources and efforts, exerted on poverty alleviation related programmes and schemes in the country, thus suggesting that the programmes and schemes were ineffective and ineffectual. On zonal basis, the actual incident of poverty in the South-South is about 35.06%, South-East 26.74%, South-West 43.01% while North-Central, North-East and North-West is 66.97%, 72.16% and 71.17% respectively (CBN, 2017, 6ff).

The above analysis reveals the status of poverty in the six geopolitical zones of Nigeria. It shows that half of the people in the South of the geo-political zones are relatively better than their Northern counterpart. Ironically, political leaders from the North have been in power more than their Southern counterpart, but with little impact on the wellbeing of their people. The emergence of militant groups and youth restiveness in some parts of the country are part of the products of years of neglect of the people by their governments. In the 2008 World Bank Atlas, Nigeria ranked as the 12th poorest country in the world with a GNP per capita of #300.00 as at 2006. Using the World Bank Atlas method, it therefore means that Nigeria with a per capita income of #300.00 falls within the category of absolute poverty. The foregoing conclusion on poverty situation in Nigeria might not be out of place as the 2000 World Bank World Development Report had stated that any person whose income fell below three hundred and seventy dollars (\$370) is poor. The World Bank Report had earlier on drawn up a cut-off living standard below which a person is classified poor.

The FOS in its publication: Socio- Economic Profile of Nigeria 1999 was definite in categorizing the causes of poverty in Nigeria into problems of access and endowments such as: Inadequate access to employment opportunities for the poor: This is often caused by the stunted growth of economic activities or growth with labour saving device; lack or inadequate access to assets such as land capital by the poor: this is often attributed to the absence of land reform and minimal opportunities for small-credit; inadequate access to the means of fostering rural development in poor regions: the preference for high potential areas and the strong urban bias in the design of development programmes is often assumed to be its primary cause; inadequate access to markets for the goods and services that the poor can sell: this is caused by their remote geographic location or other factors; inadequate access to education, health, sanitation and water services. The multidimensional nature of poverty is obvious in the above causes.

Thus, in terms of potential and possibilities, Nigeria is the most disappointing country of the 20th century. The agenda to renew the state by bringing back the social contract is annulled by the catastrophic recession of governance, the tyranny of unproductive institutions presided over by full time crooks as well as the restructuring of top heavy and over-centralised federation. Nigeria's economic and political elite get what they can get, can what they get, and seat on the can. The citizens are so debased and dehumanised that many have no inkling of how bad things are. By the year 2015 Nigeria has become a country where poverty, in all its dimensions and ramifications, is the new normal. Surprisingly the development challenges are well-known and documented. It is indeed remarkable to note the consistency at which the major economic development issues often feature at different national and international fora.

The most unfortunate effect of the failure of socio-economic development on Nigeria is not just its estrangement from the rest of society, but more importantly the almost complete erosion of its credibility as the vehicle of change and prosperity. Evidence abounds of diminishing control, repression and extraction, resilience of traditional authority patterns, corrupt and inefficient administration, enormous waste, poor performance, debt and infrastructure crises, curtailment of capacities, endemic political instability, and societal resistance and withdrawal (Callaghy 1988, p. 3). The Nigerian state is become too remote to manage the problems of daily life and too constrained to confront the global problems that affect it. Whether it is a question of the traditional functions of sovereignty, like defense or justice, or of economic competence, the nation appears increasingly like a straitjacket, poorly adapted to the growing integration of the world.

8. Recommendations and Concluding Remarks

Fatton has long informed us that;

The African state, however molded it may be by extra-continental agents, is above all a domestic structure of repression through which indigenous ruling classes organise their dominance. Thus, while dependence is real, extensive and constraining, it is neither absolute nor unilateral. The ruling classes of Africa have demonstrated Machiavellian imagination and statecraft in maneuvering the terms and conditions of dependence to their own corporate advantage (Fatton, 1989, p. 183).

Consequently, Nigeria is at a crossroads because it neither organises a major development effort nor serves to mobilise the people's energies in any significant international cause; nor does it function to render a "nation" of the great diversity of peoples living within (its) borders (Clark, 1998, 109ff).

Therefore, to ensure effective socio-economic development in Nigeria the nation should develop; 1. a political system that secures effective citizen participation, 2. an economic system that is able to generate surpluses and technical knowledge on a self-reliant basis, 3. A social system that provides for solutions for tensions arising from disharmonious development, 4. a production system that respects the obligation to preserve the ecological base for development, 5. a technological system that can search continuously for new solutions, 6. an international system that fosters sustainable patterns of trade and finance, and an administrative system that is flexible and has the capacity for self-correction.

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