



## Oil Politics and the Niger Delta Crisis: Implications for Nigeria's Development and Economic Growth

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### Abstract

The National question is a vexed one that has defiled all attempts of the federal government to resolve. The debate of oil politics may not have assumed the level of the popular IMF debate of 1986, a situation where the ex-military President, Ibrahim Babangida, left for Nigerians the decision as to whether or not the country should obtain loans from the Bretton Woods Institutions. Thus, the continual orchestration of militant activities and strong agitation for resource control by the people of the Niger Delta has, as a consequence, created a frontal relationship between militants on the one hand, and the Nigerian government and its multinational partners on the other. This has resulted in the slow pace of development and economic growth in the Niger Delta region and other parts of the country. Methodologically, the study was carried out using content analysis. Various existing document such as historical evidence, newspaper reports, journals and existing archival records were content analyzed. Thus, the activities of the Niger Delta militants have resulted in the Nigerian government not been able to meet up with the desired revenue projection for the annual budget of the country. The delta today is a place of frustrated expectations and deep-rooted mistrust. Unprecedented restiveness at times erupts in violence. The fallout of this is the sabotage of oil production that hurts the economy through the loss of sorely needed foreign exchange to finance national development. This paper examines the problem associated with the above scenario and proffers solutions on the way forward.

### Militancy, Development, Economic Growth, Resource Control, Federalism

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**Keywords:** Militancy, Development, Economic Growth, Resource Control & Federalism

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### Introduction

Nigeria is a country of 36 states with an estimated population of 150 million people at the turn of the millennium. Nigeria (including other countries like Algeria, Libya, and Angola) boasts of multiple representations in the league of over 114 countries ranked as oil producers of different capacities. Oil is unarguably the natural resource most exported from Nigeria.

That the country is blessed with this very essential natural mineral is not arguable. But unlike some Western, Middle East and Asian counterparts, the positive direct or indirect effects of this oil wealth have not been effectively translated to economic success stories on the Nigerian state. An October 16 2004 Associated Press, London report on transparency international's findings suggest that most oil-producing

nations are also rife with corruption. This is a good example of Nigerian situation.

For more than 55 years, the Nigerian government has colluded with multinational companies such as the Royal Dutch Shell, Exxon Mobile, Chevron-Texaco, Agip, and the rest, to allow unregulated oil production in the Niger Delta. These oil companies, in turn, provide finance, weapons, and transportation to Nigeria Military to keep the local resistance in check. Such measures have resulted in unrestrained violence and egregious human rights violations which have affected the Nigerian economy both internally and externally. Why then is crude oil extraction such a violent endeavour? Why is that each time there is crisis in the Niger Delta it affects the Nigerian economy? Why does it have such explosive consequences on oil producing communities? What has been the role of Nigerian State in this delicate nexus? What has been the response of the international community to Nigeria's internal contradictions and deepening economy?

The struggle for political power and the process of resource allocation at the centre have always been very contentious in Nigeria. Politics, to David Easton (1961) entails the allocation of values authoritatively. Weber (1947) view politics from a sociological angle, to Weber politics means striving to share power or striving to influence the distribution of power among individuals and groups within a state. Violence is present in these two definitions. Violence according to Okeke (2011) entails unlawful exercise of physical force, or acts that are intended to intimidate or injure the opponent by causing apprehension or physical harm.

From the analysis above, with the benefit of hindsight, this paper is an attempt to answer the above questions against the backdrop of the foregoing. It starts with an introduction, followed by historical antecedent and a theoretical framework of analysis. It however continues with an analysis of the themes and concludes by proffering the necessary solutions on the way forward.

### **Historical Antecedent**

Oil was discovered in the early part of the 20<sup>th</sup> century in the Niger Delta (Watts, 1999). The concept of oil politics has traveled a very long and languid road to its present connotation. In the era of aggressive British imperialism in the late 18<sup>th</sup> and early 19<sup>th</sup> centuries, it was seen as agitation by indigenous people of the Niger Delta to partake in the vibrant oil trade and in the politics of self-determination in the area. In this period, oil politics produced the first nationalists in the Niger Delta. These nationalists were merchants who, as it were, insisted that trade with their European counterpart must be fair. However, overtime, European greed and intolerance manifested as these rulers/merchants were marked down for elimination as they were alleged to be threat to "legitimate commerce". In this regard, King William Dappa Pepple, of Bonny was an early casualty of the intrigues of British imperialism when in 1859 Consul Beecroft exiled him to Fernando Po and later Clarence (Aghalino, 2006).

The Niger Delta is a region of tropical rain forest and deltaic agro-fishing communities comprising some of the highest population densities in Africa. It is a region of unimaginable culture and ethnic complexity – in which ethnic minorities are sitting on

some of the largest and good oil, if not the highest quality petroleum reserves in the world (Idahosa, 2010).

Paradoxically, however, these vast revenues from an international industry have barely touched the Niger Delta's pervasive local poverty. This has spurred formidable challenges to sustainable human development in the region, particularly as conflicts over resources tighten their often vicious grips.

Apart from the Niger Delta there are two other deltas in the world, namely: Mekong Delta in Hong Kong, China and Mississippi Delta in United States of America (USA). Whereas the three Deltas have similar problems and require similar attention for development, the Governments of China and USA have addressed and promoted their Deltas to the point that they are now part of the United Nations General ledger for development, leaving that of Nigeria to decay (Etekpe, 2007). This captured the reason why a scholar David Lockwood (Kirby et al, 2002) opines that:

...Economic resources and property... are crucial elements in determining people's chances and the fact that these are unequally distributed is an important basis for conflict because it leads people to differing materials interests.

This explains why the government and the multinational oil companies are at logger heads with each other because of the rich mineral resources of the Niger Delta people. In the region, there is high unemployment rate among the youths, while over 40 percent of the people are illiterates. As it is also observed that pollution and continuous flaring of

prospecting and production have created health hazards, which have rendered fishing and farming activities almost impossible. The activities of oil companies in Niger Delta and its attendant's abuse on the environment has been more conspicuous resulting to grave damage on aquatic and marine life that sustained the communities. According to Georges Nzongola – Ntalaja:

The revolt in the oil rich and crisis-ridden Delta region of Nigeria is strictly tied to the lack of human security, together with destruction by the oil companies and the neglect by the oil companies and the neglect of the population by the state at all three levels of government: Federal, State and Local.

The long years of neglect and seeming insensitivity of both Federal Government and Oil Companies have resulted to the volatile situation in the region.

The oil boom of the 1960's and 1970's converted Nigeria into a mono-economy; oil accounts for 90 percent of export revenues and over 80 percent of fiscal budget. The proliferation of petrodollars channeled into the country's treasury unleashed a period of state-led development in which oil rents simultaneously served political ends fabulously corrupt and undisciplined form of capital accumulation (Idahosa, 2010). Chinua Achebe refers Nigerian state capitalism as "one big crummy family" (Watts, 1999). By the 1980's Nigeria was enmeshed in debt, economic recession, in neo-liberal reform (structural adjustment), and surrounded by tumbling oil prices as a result of mismanagement of revenues from oil.

In Nigeria, oil became the basis for important forms of political engagement and mobilization which were brimming with violence. This new strategic phase began in 1990 with a programme of mass action and passive resistance and a renewed effort to focus on the environmental consequences of oil (Shell's role in particular).

It was not surprising that when the prominent indigenous groups of Ogoni land came together in August 1990 to form MOSOP, both Shell and the Nigeria government took more than a passing interest in its activities. A watershed in the history of the movement was reached in October 1990, when Ogoni Bill of Rights was endorsed by all the traditional rulers and elite of Ogoni land and presented to Nigerian government. However, the hanging of Ken Saro – Wiwa and the Ogoni Nine in November 1995 (accused of murdering four Ogoni leaders who professed opposition to MOSOP tactics) and the subsequent arrest of nineteen others on treason charges, represented the summit of a process of mass mobilization and radical military in that era.

In 50 years, peaceful resistance of minority ethnic groups across the Niger Delta has met with brutal repression and broken promises of oil companies, with no opportunity to dialogue or genuine negotiation. In this environment, the armed resistance group, the Movement for the Emancipation of Niger Delta Peoples (MEND) emerged in 2006 (Idahosa, 2010).

MEND claims it has the capacity to shut down oil production for four days (The 92

Reports, 2008). That MEND was able to carry out a successful attack on oil distribution jetty in Lagos on July 2009 exposes the underbelly of Nigeria as unsafe and unsecured country.

The crisis in the Niger Delta comes at a point in history when issues of peak oil and world energy crisis are global issues. The US, EU, China e.t.c. are closely aligned with guaranteeing oil supply from the Gulf of Guinea. The crisis also emerged at a time when Nigeria dwindling economy needs serious attention. This, in effect has a serious implication on Nigeria economy growth and development.

### **Theoretical Framework**

Dualism provision is the veritable tool of analysis in this paper. Dualism is a phenomenon of two constructing condition (Thirwall, 1989). Within development though, dualism is implicit in structural change theories and exploit in international independence theories (Todaro, 1985). Dualism manifests as economy and social division in an economy. For instance, we can have differences in the degree of geographic development among others and it can be imposed or imported (Thirwall, 1989). No matter the source, dualism creates sharp differences that result in crisis and wars. Particularly, if it is politically engineered, the tendency to dominate others by politically powerful groups conflicts with the need for independence and to be a master of one's life in the oppressed. As a result, wars and other social crisis continue.

Todaro further contended that there is a co-existence of small group of "progressive" wealthy elites with masses of traditionally- oriented poor. In the Nigeria

and Niger Delta case, the so called progressive and wealthy few constitute the political class. Here the political machinery is a tool for corruption and perpetuation of personal gains (Idisi, 1999). The foregoing presupposes that upon identifying “the components of the situation”, the next thing was to find the most effective way to resolve the identified problem. Further dualism applies also to the internal economies of many developing nations. For instance, there are great variations in the standard of living among the populace, majority of those with high incomes lives in urban areas while the poor live in rural areas. Under such conditions, if rural poor people become sufficiently knowledgeable that their plight is not God made and that it can be redressed, anarchy and crisis become imperative. For instance in Nigeria, we have well developed oil and gas companies, estates and factories sharing boundaries with villages and slums. Such development possesses the capability to induce war and agitations for egalitarian restructuring. The former existence is desired from the later oil and gas resources.

### **Oil, Politics and Development in the Niger Delta**

Environmental degradation occasioned by decades of oil exploration in the region since 1937 and unequal power relations at the center have translated into underdevelopment of the Niger delta. The region is among the least developed in the country. Rather than attract development, oil (and the politics behind it) have actually devastated and underdeveloped the region (Ikelegbe, 2004). This is evident in the extent of poverty, unemployment and shortage of basic infrastructure that plagues the region.

Ibeanu (2008) noted that the ugly irony of penury amidst prosperity in the region is as a result of neglect and the use of oil proceeds to develop other parts of the country. The present ‘affluence and affliction’ situation can be traced to the gradual decline in the percentage of derivation the region enjoys from the “national cake”. As at independence in 1960, the regions in the country enjoyed as much as 100 per cent derivation on agriculture production. However, with the advent of oil wealth, the revenue sharing became centralized and the derivation formula decreased further to 50 per cent, 45 per cent, 20 percent and recently 13 per cent. This has resulted in less revenue for development of the Niger Delta. Worse still, the existence of perennial unemployment, pervasive poverty and social inequality is further testament to the fact that no sincere deliberate efforts to address the many challenges that confront the region have been made.

Today systemic environmental degradation is a constant feature in communities that host oil exploration. With a complex network of pipelines intersecting the whole region, continuous gas flares, consistent oil spillage, pollution of water sources through chemical discharges, air pollution and other environmental hazards, the traditional occupations of the people –farming, hunting and fishing- have been severely affected. Ikelegbe (2008) has pointed out that the regime of massive oil spillages and gas flares have destroyed or devastated enormous land and water resources, which has led to soil fertility loss, agricultural decline, forest loss, fisheries decline and biodiversity depletion.

Along with the socio-psychological trauma, untold hardship and suffering is the order of the day. More so, negative oil exploration has adversely affected the health index. In some areas, existing primary health care facilities can only adequately serve as little as 2 per cent of the population

Life expectancy rate has deteriorated. Accordingly, the United Nations Development Programme (UNDP) has asserted that the region scored 0.564 in the Human Development Index (HDI) in 2006. This is especially low compared to the scores of several other oil producing regions in the world, such as Venezuela (0.772), the United Arab Emirates ( 0.849), Saudi Arabia (0.800), Kuwait ( 0.844), Indonesia(0.697), and Libya (0.799) (UNDP, 2006).

The bane of underdevelopment in the region is also evident in the poor infrastructure situation. It only boasts of 2 percent federal roads which are hardly in good condition. This is in a region whose oil wealth finances infrastructural development in other parts of Nigeria and expensive peacekeeping activities in other parts of Africa. This general neglect of infrastructure is often rationalized by the difficulty of the region's terrain (UNDP, 2006). The energy situation is no better. For a region that provides one-fifth of the energy needs of the United States, and despite producing over two million barrels of crude oil per day, its citizens still import fuel. Hence, the prices of petroleum products in the region are among of the highest in the country. The power situation is worse compared to other regions in the country that do not produce natural gas. Only about 40 per cent of its settlements

have electricity. Moreover, educational facilities are inadequate in most communities.

In summary, the description of the region by the UNDP (2006) as suffering from administrative neglect, crumbling social infrastructure and services, high unemployment, social deprivation, abject poverty, filth and squalor, and endemic conflict, is very appropriate. Ikelegbe (2004) has further alluded to this disturbing situation. He noted that the trickle of inadequate resources from the center and the oil companies and the effects of environmental degradation have resulted in massive poverty, unemployment and malnutrition among the people. These factors have been responsible for the frustration, restiveness, anger, bitterness and aggression expressed against the country and the oil companies. Oil exploration and exploitation has further led to family feuds, intra-communal, inter-communal and inter-ethnic conflicts in the region (Ikelegbe, 2004)

Efforts by the Niger Delta people to get the Nigerian state to address the aforementioned issues started in 1958, two years before independence with agitations for creation of separate states of their own, requests for environmental remediation and later demands for more oil revenues for the development of the region. However, in response to these demands, the colonial government of the day decided that a better option was the creation of the NDDB (Niger Delta Development Board). Since then subsequent governments have towed the same line. Development agencies have been established overtime with a view to bringing development to the delta region. These include the Oil Minerals Producing

Areas Development Commission (OMPADEC), created by the Babangida military regime; the Niger Delta Development Commission (NDDC), created by an Act of the National Assembly in 2000 during the Obasanjo administration; and the Niger Delta Ministry recently set up by the late Umaru Musa Yar' Adua administration. Unfortunately the activities of these institutions still leave much to be desired, as corruption, negative politics and restiveness in the region have to a great extent undermined their efforts.

It is this dynamics of the oil economy and oil politics within the Niger Delta and the larger Nigerian polity that increased the spate of kidnappings, sabotage of oil facilities and other militant activities in the region prior to the Amnesty Programme.

#### **Economic Implications of the Niger Delta Crisis on the Economic Growth of Nigeria**

The conflict in the Niger Delta region is an expression of long and deep geography of exclusion and alienation by which it came to suffer all social and environmental harms of the oil industry and yet receives in return, very little of the revenues. The inability of successive governments to redress the anomalies and the failure of the multinational oil companies to apply good corporate ethics in their operations resulted in a situation of disruptive restiveness in the region. An essential but easily negligible economic factor in the chain is that as liquid energy (oil) prices rise, all associated price rise. Even if oil sells for \$300/bbl, everything built with this \$300/bbl oil will experience the same price increase, and likely more. This includes all plastics, steel, transportation and chemicals. The victim is the common man on the Nigeria Street.

In Nigeria today, it is becoming more and more difficult to place a price or quantify the social and human costs of oil exploration to sustainable local development, regional stability and international peace. So, Nigeria's oil - wheeled economy does not seem to be rolling smoothly in spite of the huge income generated by the sector. Unfortunately, the ceaseless violence has serious implications for the nation's economy growth. The failure of government to tame the rampant violence in the region partly explains why the country is always referred to as a failed State. Apart from the concern that the revenue projections for the 2017 fiscal year may not be met, statistics released by the Department of Petroleum Resources raises the fear that the restiveness may deter the country from achieving its set targets of 4 million barrels per day by 2016/2017.

Partly owing to the crisis, the nation's four refineries with total capacity of 445,000 b/d are virtually out of business. There are also strong indications that blackout may worsen throughout the country as militants have resolved to continue to sabotage gas pipelines that feeds thermal stations. Especially now that the Pan Niger Delta forum (PANDEF) led by former Minister of Information Chief Edwin Clark, has given ultimatum on sixteen point agenda by November 1, 2017, or the federal government risk its withdrawal from ongoing negotiations that had calmed nerves in the oil-rich zone in the last one year.

Furthermore, the "oil effect" on Nigeria's economy growth is all too clear. The over – dependence of all the state governments on

oil funded economy is, to say the least, unhealthy. While recognizing that oil based economy is not very safe, with the industry ever more volatile, the equally distributing trend is the primitive disposition of the government to fold its arms, in spite of the enormous technology available for industrial development, and by praying for a fair oil prices in the international market.

Also, compensation by oil companies for land appropriation and for spillage has been minimal and is constant sources of tension between company and community. Shell, which was deemed the world's most profitable corporation in 1996 by Business Week

(Watts, 1999) and which nets roughly \$200 million profit from Nigeria each year, by its own admission has provided, (for example) only \$2 million to Ogoni land in 41 years of pumping (Watts, 1999). Besides, the often cited community development schemes of the oil companies only began in earnest in the 1980s and have met with minimal success (Ikporuko, 1993).

Oil has brought neither prosperity nor tranquility to the Niger Delta economy or the Nigerian economy as whole. Perennial violence, militant insurgencies and endemic corruption in Nigeria underscore the nation's economy. Nigerian democracy remains fragile, dominated by oligarchy of "godfathers" who are bent on sabotaging the nation's economy.

### **Policy Options**

The Niger Delta crisis has been aggravated by the heterogeneous nature and the weak capacity of the Nigerian state. As a result, the politicization and ethnicization of the resource allocation process by the state and its elites have heightened the series of

contestations and crisis in recent years. The failure of government over the years to redress the defects in the system has heightened the crisis level while the government was quick to brand the activity as mere criminality to be dealt with by military force. The application of force increases the level of the crisis.

Another issue to address is the corrupt tendencies of the leaders in the areas. The Niger Delta States have money much more than the other States of the federation but the Governors and other political leaders often embezzle this money instead of investing it in development. For, instance, most of the former and present Governors from the Niger Delta was accused of series of alleged corrupt practices (Idahosa, 2010).

As in many developing and fledging economies, oil businesses have to deal with uncertainties stemming from weak institution, corruption and crime, favoritism, an easily influence judiciary and weak property right regime. Hence, deeper and more radical reforms will be necessary if Nigerian economy is to increase productivity and stay globally competitive on oil revenues (Chimezie Oguzie, 2010).

The blessings and benefits of oil resources cannot be counted until oil revenues are judiciously used as foundation for a wide spread economic revolution on the continent. If the economy of Nigeria is to become considerable competitive and reasonable viable, oil resources should channeled to providing high – quality infrastructure, flexible and efficient markets, healthy and well – educated workforces and high level of technological readiness and innovative capacity would have to be their basic traits.

The international community has an important stake in the resolution of Delta crisis. Nigeria's oil is vital for global energy security; the security of the Gulf of Guinea is likewise a requirement of international maritime trade. Militarization of the Niger Delta cannot guarantee stability of oil supply to the international market. Naked force, even with the best technical advisers and electronic gadgets (especially through multinational companies operating in the area), is doomed to fail and risks sliding more deeply into a low grade civil war (Idahosa, 2010). The current amnesty extended to the militants lacks merit and

the much needed confidence to effectively resolve the crisis. The Federal Government has to look beyond the amnesty offer. The sources of illicit funds through oil theft for the procurement of arms and ammunition by criminal elements in the region should be investigated and blocked. The creation of Niger Delta Ministry is a good initiative but there must be adequate funding and monitoring for their developmental projects. The need to diversify the nation's revenue base is long overdue. The only way out in achieving this is to immediately set in motion the process of returning the country to fiscal federalism.

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