



## Political Economy of Resource Curse and Dialectics of Crude Oil Dependency in Nigeria

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### Abstract

This paper explores the political economy of resource curse with the view of appreciating the development challenges caused by crude oil dependency in Nigeria. Relying on the systematic analysis of secondary data, it posits that Nigeria, Africa's largest economy, a major oil producer and one of the leading member of OPEC, since the discovery of crude oil, have been awash with petrodollar but without sustainable development and industrialization. The problem attributed to the challenges is the crude oil dependent and rentier economic structure of Nigeria, where crude oil surpluses were misappropriated by the successive governments. To unravel the dialectics of crude oil dependency from a resource curse perspective, the paper argues that crude oil discovery and the oil boom of the 1970s and 1990s rather than bringing about meaningful development, under 'right-talk' led to a series of agitations and violence in the Niger Delta region. To mitigate the challenges of resource curse arising from crude oil dependency in Nigeria, the paper pragmatically recommends the diversification of the economy, transparency and accountability in government, the establishment of sovereign welfare fund and the restructuring of federalism.

**Key words:** Resource curse; Oil dependency; Corruption; Niger delta; Nigeria.

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### INTRODUCTION

Crude oil is central to the global industrial development. The importance of crude oil has always been at the centre of any discussion of geopolitics by the superpower states which are major consumers of the crude oil. Nigeria is naturally endowed with abundant natural resources, especially crude oil deposit, which is critical to the understanding of the trajectory of development question and the challenges facing the country. The discovery of crude oil in the late 1950s and the boom that followed in the early 1970s and 1990s marked a watershed in the quest for Nigeria's industrialisation and development to become a major player in the international political economy system. After several decades, Nigeria is still struggling with developmental challenges. Nigeria presently has over 170 million people; it is Africa's major oil producer and one of the largest economies of the black continent, and an active member of the Organization of Petroleum Exporting Countries since 1971 (Central Bank of Nigeria, 2010), but without substantial evidence of a sustained form of development (Odukoya, 2006).

One phenomenon that has been of serious concern to many crude oil producing countries is the challenges associated with whether the discovery of crude oil is a blessing or a curse. Although, this is not probable in Europe and America, but in less developed countries, particularly in Africa, Latin America, Asia and the Middle-East the situation proves to be a curse rather than a blessing. In this part of the world, evidence abounds that conflict of various complexities that have turned violent have been monstrous, destroying lives and properties and setting off political systems to be unstable and in most circumstances, dysfunctional. The situation point to the paradox of plenty that does not only affect negative economic growth, but also intergroup relations in the global south, which the implication has been poor developmental outcomes.

The poor development conditions in Nigeria are crystal clear that the endowment of natural resources, whether discovered, exploited or deposited is not a necessary precondition for a country to attain a certain level of development. Central to the development is the attitudinal content and the commitment of the people, both horizontally and vertically, in the country that drives development. Unfortunately, these moral requisites are to a large extent absent or inadequate in most countries in the global south. In Africa, for example, this informs the reason why the discovery of new resources, instead of bringing about multi-sector linkages, usually leads to the negligence of other sectors of the economy (Collier, 2007; Sachs & Warner, 1995). In Nigeria, the discovery of crude oil led to the negligence of the agricultural sector, which serviced the process that led to the discovery and survival of the crude oil economy. Not only that, the over dependence of the country on the crude oil production has also undermined the growth and development of other sectors of the economy. Countries in Asia and partly in Latin America proportionately developed based on developing internal dynamics of positive attitude and commitment to the ideas of development by linking the various sectors of the economy, both modern and traditional alike to respond to the international dynamics of political economic relations (Auty, 1993; Di John, 2016; Collier, 2008).

The implications of structural dependency defined by the inability of developing a linkage-driven economy in a country, especially in the global south are enormous. The enormity of the challenges in contemporary times for countries depending on the crude oil economy, especially in Africa takes the form of capital flight, corruption, conflicts and political instability in the struggles among different disenchanted groups to benefits from the wealth accruing from the natural resources (Auty, 2004; Di John, 2011; Collier, 2007; Sachs & Warner, 1995). Hence, Nigeria, in contrast, has been branded a poor and corrupt country, despite the huge petrodollar that is on daily basis realized from the exportation of crude oil worth not less than 2 million barrels per day since early 2000 (OPEC, 2012; Stiglitz, 2007; BBC, 2008). Therefore, this is central to the development challenges of Nigeria after over six decades of crude oil exploration.

According to Dudley Seers (1969) to assess the level of development in any country, three questions are fundamental, which relates to poverty, unemployment and inequality level. A critical look at Nigeria shows that none of these major development challenges have been addressed. Evidence abounds that Nigeria's unemployment rate stands at 12.8%, inflation rate at 13.7%, and the poverty rate at 62% and, on the indices of human well-being, Nigeria is rated 142 out of 149 countries. These indicate that the incidence of development challenges (UNDP, 2016; HDR, 2010; CBN, 2010; NBS, 2012). It is in

this context that this paper attempts an examination of the resource curse to understand why development remained elusive in Nigeria after six decades as a leading crude oil producer and exporter in Africa.

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## 1. CRUDE OIL DEPENDENCY, RESOURCE CURSE AND THE RETIER STATE

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The debate over crude oil dependency and the continuous dialectics of resource curse still remain alive in the parlance of political science. This is because there is a synergy between the crude oil dependency, resource curse and rentier with countervailing effects on the states that possess crude oil resources. Crude oil dependency reflects a situation of non-diversification of the economy through multi-sector linkages, but constitutes a holistic commitment to the discovered crude oil as the major source of income generation and financing the affairs of the country. This character of dependency in resource abundance countries in the Middle-East and North and West Africa such as Pakistan, Libya, and Nigeria among others, manifest in a way that rent is collected and used to achieve certain objectives (Yates, 1996; Ross, 2001).

In countries where this is evident, it is because of the availability of natural resources, and there is always the tendency of triggering conflicting relations (Ross, 2004). The tendency is the fact that the state depends on rent. Rent seeking implies a situation where countries derive a large fraction of their revenues from external rents, who exploit their internal resources (Krueger, 1974; Drzen, 2002). According to Yates (1996), rentier is a system of relationship which stems from the collection of rents, the excess value or surplus, left over after the cost of production had been met and paid to the owners of the land for the use of its natural resources. Rent seeking countries are usually accompanied by poor economic governance (Ross, 1999, 2001; Rosser, 2006), which has the tendency of leading to mismanagement, smuggling, black marketeering, corruption, predatory and patron-client practices that have the tendencies of dissenting the country into conflicts and instability arising from wealth distribution (Krueger, 1974). This is because rent does not only structure the nature and character of the national economy, but also structure the pattern of interaction and functionality of the state and its institutions.

The manner in which crude oil wealth is distributed in rentier state weakens the state capacity and aggravates divisive consciousness and tendencies of transforming the groups into insurgents, who also take advantage of the resources to fund their rebellion against the state. In this context, what obtains is that the state is in a flux due to weakening economic capacity as a result of the conflict arising from competing for social forces in demand for a share of the national cake (Kendhammer, 2015). This

becomes the curse of natural resources (Sachs and Warner, 2001; Rosser, 2006), and the consequences of resource abundance that tends to generate negative developmental outcomes, including poor economic performance, growth collapse, and high levels of corruption, ineffective governance and greater political violence, especially in developing countries (Di John, 2007). In other words, this presents a situation of “paradox of plenty” where resources are not effectively used to engender development in the country (Karl, 1997).

The implications are enormous to include indices of extreme dependence on wealth for fiscal revenues, export sales, or both; low saving rates; poor growth performance; and high volatile resource revenues (Auty, 1993). In developing countries where this situation is prevalent, natural resource is deemed to be more a “curse” than a “blessing” (Ross, 2006, 2008; Di John, 2011; Ross, 2001, 2006). Although the resource curse thesis has been criticized on the ground that resources enhance the development capacity (Obi, 2010, p.489), it reveals how the transnational social forces and power relations in collaboration with the indigenous bourgeoisie within the arena of globalised capitalism and industrial power contribute in fuelling the conflicts arising from resource abundance in developing countries (Ferguson, 2005; Obi, 2010).

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## **2. TOWARD THEORETICAL ORIENTATION: THE POST-COLONIAL STATE THEORY**

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The post-colonial state theory provides the spectacle to investigate the political and economic dynamics of resource curse and the dialectics of crude oil dependency in Nigeria. The post-colonial state theory is not a single coherent body of thought, but a collection of perspectives from scholars with neo-Marxist orientation. Some of the scholars that provided the basis for the post-colonial state theory consist of radical Marxists such as Hamza Alavi, Collin Leys, John Saul, Claude Ake, Samir Amin, and Gunnar Myrdal (Ugwu & Okoli, 2014, p.182). These scholars studied the colonized states to understand and ascertain their role in the socioeconomic and political development. In their respective arguments, the state occupies the locus of politics and driver of development. Therefore, the actions and inactions of the state toward the various competing social forces determine the level of internal stability or conflicting relations.

In the discourse on the nature and character of the state, Ake (1985) asserts that the political structures of the post-colonial state is overdeveloped but has a low level of development in terms of productive forces. Because of the low-level development of productive forces, the approach of the state to development is viewed from the state-centric perspective, which creates the Web of

prebendal and patrimonial relationships. The post-colonial state has a direct bearing on the politics of exclusion in which certain individuals and groups tend to be excluded and become disenchanting with the state (Richard, 1987). In this context, the political elites in the effort to break open the social, political and economic spaces, aggravates disruptive centrifugal identity questions to destabilize the political order (Nwosu, 2000). The manifestations of these disruptive tendencies come about as a result of competition for the control of resources, particularly in a situation where resources are in acute scarcity. The control of state power provides the privileges of determining “who gets what, when and how” (Barongo, 1980; Ugwu & Okoli, 2014), therefore becomes a factor in conflict and indeed, violence.

Accordingly, Alavi argued that the problem with the post-colonial state stems from the fact that it is not established by an ascendant native bourgeoisie but by the foreign capitalist bourgeoisie, and because of this situation, the post-colonial state present a complex interdependence and interrelations, which tend to make the state to be autonomous from the society (Ugwu & Okoli, 2014). It creates the condition for competing interests of the metropolitan bourgeoisie, the indigenous bourgeoisie and the landed class relationships with the state, at the same time acting on their behalf to preserve social order in which their interests are paramount. In a nutshell, the manifest dynamics of the post-colonial state are a reflection of colonial imperialism that produced the major and complex processes in the specific political, economic and social matrix of post-colonial relations (Gutkind & Wallerstein, 1976).

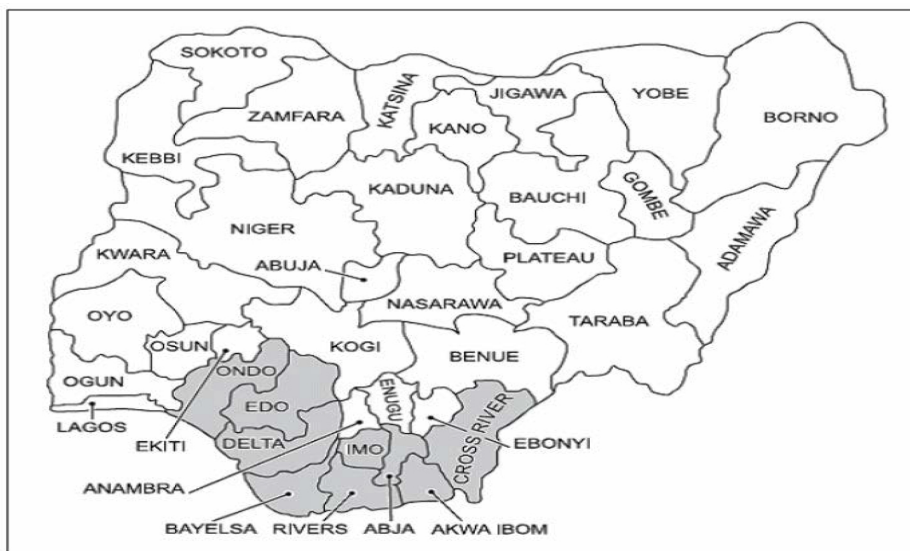
The failure to develop an effective indigenous capitalist class to extract and process internally natural and material resources in the post-colonial state is arguable because of the heavy dependence on the externalities of the development driven economic system. In the post-colonial state, for the political class to sustain themselves in power, they depend on the internal strings of informal relations, whether ethnic and or religious and the external webs of both informal and formal relations to shut out other groups disenchanting with the distributive capacity of the state. The disenchanting groups resort to alternative options to situate their grievances taking advantage of the resource abundance in their regions to deny the state the required loyalty and to request for expanded political, social and economic spaces for inclusion in the state. At some point, they even demand a change in the regime otherwise they choose to move out of the federation due to perceived inequality and demean condition of livelihood. From the foregoing, it is evident that the post-colonial state theory appropriates the realities in African states and indeed, Nigeria, where resource abundance has given rise to the emergence of disenchantments in the effort to control resources.

### 3. NIGERIA ECONOMY AND CRUDE OIL DEVELOPMENT

Nigeria is a post-colonial state with a long history of economic prosperity. The origin of the rent-seeking economy and crude oil sector development in Nigeria dates to the colonial era. However, it is important to state that before colonialism in Nigeria, there has been varied indigenous economic systems serving bio-social relations at the level of the family, community and the society. The social relations of production were traditionally based and dependent on farming, hunting, trade and exchange by barter. During this period, in most parts of Nigeria, the bourgeois class that could lead to the exploitation of relationships was undeveloped until the period between 15<sup>th</sup> and 19<sup>th</sup> century when the local slave trade developed.

The political economy relation was transformed to meet new ends during the colonial era. The production relations changed from production to satisfy bio-social relations of production for exportation. Cash crops such

as cocoa, cotton, groundnut and rubber in commercial quantities were produced and exported to the detriment of indigenous economies. Also, laws in the administration of tax were promulgated, labour became for sale, marketing boards were set up and the slave trade became a big business. Because of colonial activities, agriculture contributed to more than 70 percent of Nigeria's Gross Domestic Product (GDP) (Nwozor, 2010). Through the indirect rule system, the Royal Niger Company and British colonial administration set up policies to benefit from the exploitation of the people and alienation of Nigeria's wealth which was mainly agriculture driven. This era lasted from 1860 to 1960. Nigeria's major specialization was the production and export of raw materials and importation of finished goods from Britain and other parts of Europe. The discovery of crude oil at Oloibiri in January 1956, the old Rivers state (now, Bayelsa State) in the Niger Delta region (see Figure 1), and the attainment of independence on 1 October 1960, marked the beginning of rent-seeking economy and crude oil dependence in Nigeria (Amune, 2013).



**Figure 1**  
**Constituent States of the Niger Delta, Nigeria**

Source: Idemudia, U, & Ite, U. E. (2006, p.195).

However, the search for crude oil by the colonial government mineral survey corporation dates to 1903. A German company Bitumen also made the attempt without much success in 1907. A subsequent search was hindered as a result of the First World War. In 1937 Anglo-Dutch Shell D'arcy explored for crude oil in Nigeria. The outbreak of the Second World War interrupted the search. By 1947 Shell D'arcy came back as Shell-BP Petroleum Development Company, which in 1958 resulted in a breakthrough in the discovery and production of crude oil in commercial quantities (Nwozor, 2010; Shel, 2005). The daily production capacity of crude oil in 1958 was 5,100 barrels per day, and in 1965 crude oil production rose to 1.68 million barrels (Amune, 2013; Okonta & Oronto, 2003).

It suffices to state that what brought this transformation was the decision by the government in 1960 to give exploration rights to other foreign companies for onshore and offshore crude oil businesses. In 1971 crude oil production capacity rose to 558.9 million barrels. This coincided with the period Nigeria became a member of the Organization of Petroleum Exporting Countries (OPEC). In 1977 the government created the Nigerian National Petroleum Company (NNPC) as a state-owned company to control the production of crude oil by the upstream and downstream sectors (Odularu, 2008; Nigerian National Petroleum Corporation 2008; Central Bank of Nigeria, 2008; Amune, 2013). In the operations and performance of the crude oil sector through joint

ventures and partnership between NNPC and oil majors, the Shell-BP has the largest joint venture. Shell-BP alone produces 50 % of Nigeria's crude oil, while ENI/Agip, Exxon Mobil, Chevron, Total, and Texaco put together to share 50% of Nigeria's crude oil production (Nigerian National Petroleum Corporation 2008; Central Bank of Nigeria, 2008; Odularu, 2008).

The military incursion in politics consequently made crude oil the major foreign earnings for the country. Under the military, the control of crude oil and its revenue became centralized unlike during the first republic when regional governments were to a greater extent independent of the

control of the central government. With the centralization of the government, the military distributed crude oil resources arbitrarily and primitively accumulated wealth for themselves. Although exploration had started in the Niger Delta region and a refinery was already in place in Port-Harcourt as in 1965 before the civil war, other refineries were constructed subsequently by the military government. These refineries included those of Warri, Kaduna and second refinery in Port-Harcourt. They were constructed to satisfy domestic fuel needs of the country. See table 1 for the list of the refineries, year of establishment and their respective capacities.

**Table 1**  
**Refineries, Year Established and Refining Capacity in Nigeria**

S/No	Refineries	Year established	Refining capacity
1.	Port-Harcourt Refinery	1965	35,000 bpd (later upgraded to 60,000 bpd)
2.	Warri Refinery	1978	100,000 bpd (upgraded in 1986 to 125,000 bpd)
3.	Kaduna Refinery	1989	100,000 bpd (expanded in 1986 to 110,000)
4.	Second Port-Harcourt Refinery	1989	150,000 bpd to supply both domestic needs and to export the surplus

Source: NNPC, 2004; SHELL, 2005; Odularu, 2008.

Since the discovery and exploration of crude oil in Nigeria, successive governments took advantage of the opportunity provided by the petrol economy to execute projects that in most circumstances were unrealized. The programmes of the government were reflected in the several development plans, which included the Nigeria's First Development Plan (1962-68), Nigeria's Second Development Plan (1970-75), Nigeria's Third Development Plan (1975-80), and the Nigeria's Fourth Development Plan (1981-85). Subsequent national

development plans under different nomenclatures that were made included the Green Revolution, Operation Feed the Nation, Vision 2010, 7Points Agenda, New Economic Empowerment Strategy (NEEDS), and Vision 20:2020 (Sunusi, 2010; CBN, 2008). Between 1960 and 2008, the percentage of revenue generated from both crude oil and non-crude oil sector of the economy was enormous, but with little to show in terms of development. See table 2 for detail of percentage of oil revenue in Nigeria between 1960 and 2008 presented in millions of Naira.

**Table 2**  
**Percentage of Oil Revenue in Nigeria, 1960-2008 (Million Naira, NM)**

Year	Total revenue	Oil revenue	Non-oil revenue	% of revenue
1960	223.65	0.00	223.65	0
1965	654.34	0.00	654.34	0
1970	634.00	166.00	467.40	26.1
1975	5,514.70	4,271.50	1,243.20	77.4
1980	15,223.50	12,353.30	2,880.20	81.1
1985	15,050.40	10,923.70	4,126.70	72.5
1990	98,102.40	71,887.10	26,215.30	73.2
1995	459,987.30	324,547.60	135,439.70	70.5
2000	1,906,159.70	1,591,675.80	314,483.90	83.5
2005	5,547,500.00	4,762,400.00	785,100.00	85.8
2006	5,965,101.90	5,287,566.90	677,535.00	88.6
2007	5,715,600.00	4,462,910.00	1,200,800.00	78.0
2008	7,868,590.10	6,530,630.10	1,335,960.00	82.9

Source: CBN *Annual Statistical Bulletin*, December 2008 in Luqman & Lawal, 2011.

The priority areas of the government during this period were reconstruction after the civil war, industrial and agricultural development, building of hydroelectric power dams and Ajaokuta steel industry, reduction of the unemployment rate, indigenization policy, increase

national income, balanced development, and self-reliance and harnessing of national resources for the benefit of the citizenry. In a nutshell, these plans were geared at the provision of social services, constructions of infrastructures, bringing about industrialization and

developing and nurturing an enduring democracy. The quantum of export of crude oil in percentage from 1963 to 2006 is presented in Table 3.

**Table 3**  
**Petroleum Exports as Percentage of Total National Exports**

Year	1963	1965	1970	1975	1981	1991	2000	2006
Percentage	11	26	58	93	97	97	99	98

Source: Mahler, 2010.

It reveals that by now Nigeria supposed to have industrialized, with high level of human development index, reduction in poverty ratio and with a sustained means of livelihood for the majority of Nigerians. Unfortunately, the situation is different, situations are worsening every day. From the foregoing Tables 2 and 3, it is evident that Nigeria has accrued foreign earnings worth over one trillion dollars from crude oil export since the 1970s; the standard of living has remained deplorable.

The situation has worsened in recent times, following current economic recessing due to reliance on the crude oil as a major source of Nigeria's export. The poverty level in Nigeria has been alarming. In 1980 the poverty level was 27.2%. It rose to 65.6% in 1996. The rate of increase in poverty was about 141.2%. In absolute terms, the poverty rate rose from 67 million in 1996 to 68.7 million in 2004. The proportion of poverty rate among urban and rural poor was about 40% and 60% respectively. Poverty rate reached a higher level in 2010 where 70% of the Nigeria population lives under \$1 per day, and no less than 92% of the population live under \$2 per day (Aigbakon, 2008; Ucha, 2010; CIA World Book, 2011).

Some of the major reasons for the situation in Nigeria are structural conditions, such as the persistence of stagnation, inadequate inter-sector linkages, rural spatial structures, inequality in economic capacity, and frequent political instability as some of the challenges. The other challenges include the character of the Nigerian state which includes political clienteles, unnecessary spending by government, power tussle and widespread corruption in and outside government necessitated by the national cake syndrome, and above all, the lack of commitment to implement development plans. No wonder most of Nigeria's mineral resources have remained untapped.

#### **4. RENT SEEKING ECONOMY, RESOURCE CURSE AND DIALECTICS OF CRUDE OIL DEPENDENCY**

The major cause of Nigeria's crude oil dependency is the phenomenon of the "Dutch disease" which set in during the period of the crude oil boom in the 1970s, to the neglect of other sectors of the economy. With crude oil boom exchange rates increased due to the inflow of

foreign earnings as a result of crude oil resource export. This migrated labour and capital from other productive sectors of the economy and affected the domestic production of the agricultural and manufacturing sectors of the economy. It also affected their competitiveness against the crude oil export. Since the discovery of crude oil, even though agriculture has remained the only sector that absorbs about 70% of the labour force in Nigeria, and the industrial and service sectors absorb only 10% and 20% of labour force respectively. The use of the vast arable lands for agricultural production, although the dominant source of employment, it contributes to about 30% to the Gross Domestic Product, while crude oil exports contribute 95% of the revenues accruing to Nigeria (CIA World Book, 2011, Beblawi, 1990, p.87).

As a characteristic of rentier state, corruption and webs of political patronages developed, both within and outside the country, the crude oil resources became the basis for debt accumulation. Niger Delta region, where the Nigeria's crude oil is exploited, increasingly became prone to conflicts as a result of environmental pollution caused by the multinational corporations. The military regime was blamed for creating the enabling environment, which the MNCs in the region used to destroy the environment. The government was not concerned about the condition of the people of the Niger Delta. Rather, it continues to sustain the culture of corruption, violence, repression and the lack of due process in the governance and management of the crude oil wealth. This generated disenchantment among the people of the Niger Delta region who felt shut out of the Nigeria political arithmetic, despite the environmental destruction caused by MNCs on which from ancestry depends their livelihood.

In the region, Adaka Boro was the first to lead a rebellion against Nigeria seeking autonomy of the region, unfortunately, the rebellion was crushed effectively by the national government. Subsequently, Ken Saro-Wiwa and his other kinsmen executed in 1995 had agitated against the government under the Ogoni bill of rights (Agbo & Lenshie, 2010). This situation changed with the political landscape between Niger Delta, MNCs and the federal government to that of violent confrontation. The military government in 1978 had carried out a reform in the land use decree to secede the entire lands in the country to the federal government. The government became the new landlords, which contravened the

traditional land rights in Nigeria (Ifesinachi & Aniche, 2014).

In this context, the military used the decree to distribute crude oil rich lands in the Niger Delta to themselves and accolades, both within and outside the country. The General Ibrahim Babangida and General Sani Abacha regimes were indicted the most for the deplorable environmental condition in the Niger Delta region. They make use of the agitations of the Niger Delta people, which started peacefully and turned it in a matter of politics to generate identity crises to further deepen the North-South divides (Agbo & Lenshie, 2010). While this was going on, they were looting public fund generated maximally from the sales of crude oil. During this period, over 12.2 billion US dollar crude oil revenue disappeared during the Babangida era and over 3 billion US dollars was personally looted by General Sani Abacha. The situation also became sustained under civil rule. Because of the level corruption, it was difficult to differentiate between civilian and military (Jega, 2007; Bakare, 2016).

Between 1970 and 1999 the Nigerian petroleum industry generated about 231 billion US dollars in terms of revenue. If the money was distributed, every Nigerian was going to earn 1,900 US dollars each. During this period, Nigeria's real income per capita fell from 264 US dollars to 250 US dollars per year, with poverty caused partly by the decades of poor governance, which due to corruption drained over 380 billion US dollar in terms of resources from the Nigerian population. In 2007, Nigeria's budget was 19.5 billion US dollars, of which only 5.4% was spent on health and 8.2% on education (Oxfam, 2009, p.22).

These critical sectors were undermined among others in Nigeria. Also, annual subsidy payment was N151.9 billion in 2006, N188 Billion in 2007, N256.3 billion between January and July 2008, N421.5 billion in 2009 and N673 billion in 2010. The subsidy payment in 2011 suddenly spiked to N1.3 trillion, which was later revised upward to N2.19 trillion, amounting to 225.4% increase in one year (Bakare, 2016).

These explain some of the reasons the Niger Delta people resort to militancy to push their grievances against the Nigerian government (Obi, 2007). Some of the agitated groups included the Egbesu Boys of Africa (EBA), Niger Delta People's Volunteer Forces (NDDVF), Niger Delta Vigilante (NDV) and Movement for the Manic Patria of the Niger Delta (MMND). Other powerful groups include Movement for the Emancipation of the Niger Delta (MEND), Movement for the Sovereignty of Ogoni People (MOSOP) (Ukiwo, 2007; Onuoha, 2008; Amune, 2013), and recently the Niger Delta Avengers (NDA). These groups have sought for redress and reparation for environmental pollution, benefits from the petrodollars known as "national cake" as well as resource control (Odukoya, 2006; Obi & Rustad, 2011; Osaghae, 2015). The activities of these groups have led to kidnappings, killing and destruction of crude oil pipelines and crude oil bunkering (Watts, 2007), while government engages them violently, and often dialogues, to end the restiveness in the region (Ikelegbe, 2006; Watts, 2007). Since the agitations of the Niger Delta became intense, Nigeria has recorded serious losses in terms of the quantity of crude oil production in barrels per day measurable in US dollar value. See Table 4 and Table 5 for detail.

**Table 4**  
**Quantity of Crude Oil Loss in Barrels Per Day/Amount in US Dollars for 2006 (Based on the Exchange Rate of 175)**

Month	Estimated qty of barrels of oil loss per day	Total barrels of oil loss for the month	OPEC basket price for bonny light crude oil for the month in US\$	Total amount loss for the month in US\$
January	700,000	21,700,000	64.04	1,389,668,000
February	700,000	20,300,000	62.12	1,261,036,000
March	700,000	21,700,000	63.80	1,384,460,000
April	700,000	21,700,000	71.80	1,507,800,000
May	700,000	21,700,000	71.75	1,556,975,000
June	700,000	21,700,000	70.22	1,474,620,000
July	700,000	21,700,000	75.49	1,638,133,000
August	700,000	21,700,000	75.29	1,633,793,000
September	700,000	21,700,000	63.87	1,341,270,000
October	700,000	21,700,000	58.57	1,270,969,000
November	700,000	21,700,000	60.32	1,266,720,000
December	700,000	21,700,000	64.28	1,394,876,000
<b>Grand Total</b>				<b>\$17,120,320,000</b>

Source: Ajaero, 2009, p.19.

**Table 5**  
**Quantity of Crude Oil Loss in Barrels Per Day/Amount in US Dollars for 2008 (Based on the Exchange Rate of 175)**

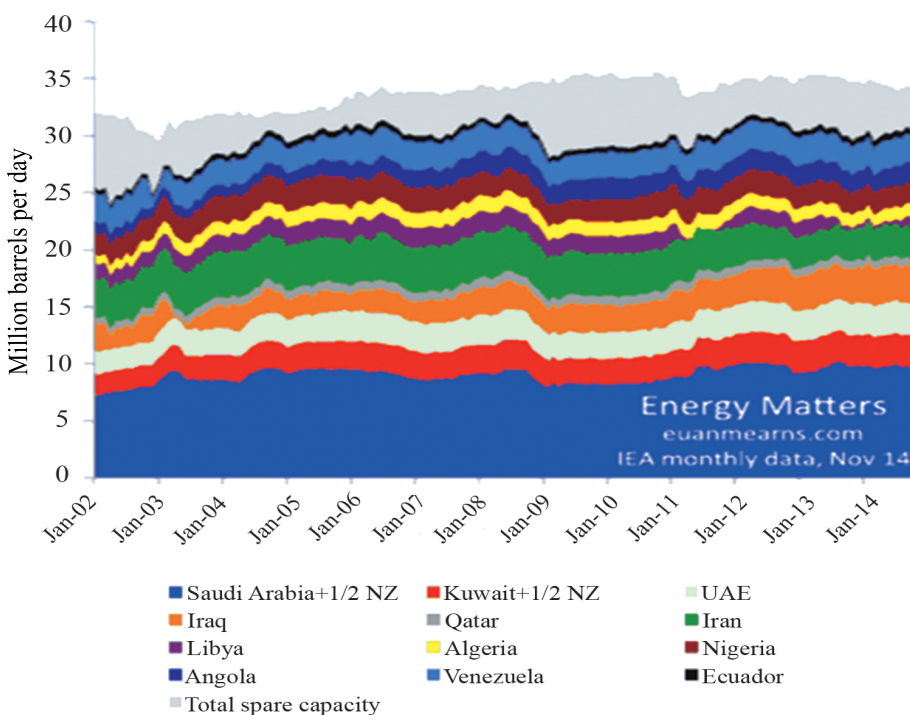
Month	Estimated qty of barrels of oil loss per day	Total barrels of oil loss for the month	OPEC basket price for bonny light crude oil for the month in US\$	Total amount loss for the month in US\$
January	700,000	21,700,000	88.5	1,917,195,000
February	700,000	20,300,000	90.64	1,839,992,000
March	700,000	21,700,000	99.03	2,148,951,000
April	700,000	21,700,000	105.16	2,208,360,000
May	700,000	21,700,000	119.39	2,590,763,000
June	700,000	21,700,000	128.33	2,694,930,000
July	700,000	21,700,000	131.22	2,847,474,000
August	700,000	21,700,000	112.41	1,633,793,000
September	700,000	21,700,000	96.85	2,439,297,000
Grand total				<b>\$20,720,842,000</b>

Source: Ajaero, 2009, p.19.

The activities of the militant in the Niger Delta have had direct implications for Nigeria’s economy as a result, crude oil dependency as a major source of foreign earnings, depicting that the country is not only rentier state but a country suffering from the resource curse. The role of the state in Nigeria’s divided society has been challenged by disenchanted social forces in the Niger Delta due to poverty and other human security challenges

(Onuoha, 2008), and the Igbo people in South-East Nigeria, particularly with President Goodluck Johnathan’s failure to retain the presidency in the 2015 presidential election. Before this period, particularly between January 2002 and January 2014, the crude oil production has been on the increase (see figure 2).

Figure 2: OPEC 12 Crude Oil Production Capacity (IEA)



**Figure 2**  
**OPEC 12 Crude Oil Production Capacity (IEA)**  
Source: IEA Monthly data, November 2014.

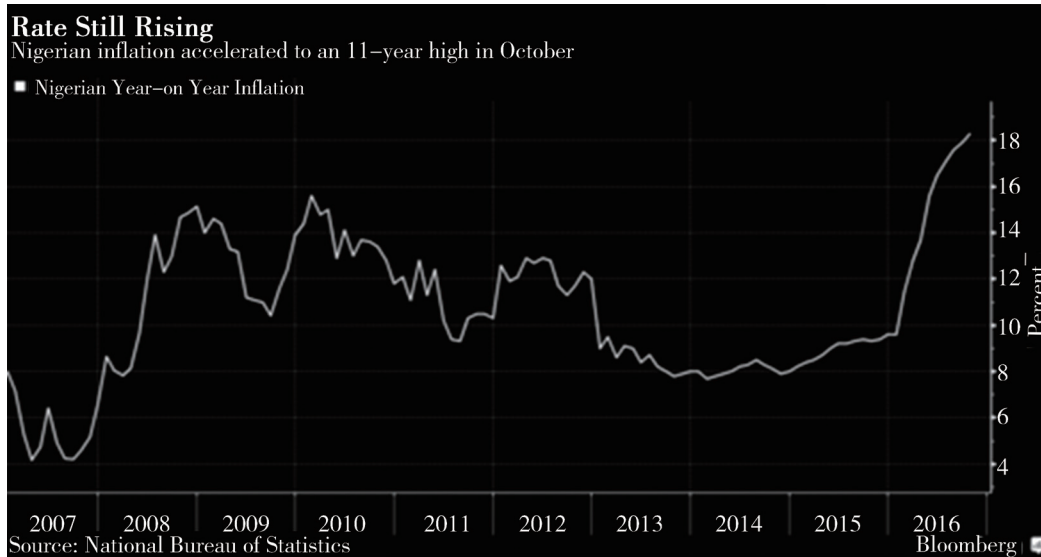
With relative stability in the Niger Delta region following the Late President Yar’adua administration’s amnesty programme and the stable crude oil price in

the international market enabled successive Nigeria’s government to experience democratic progress. The inflation rate, though fluctuating in 2007 there was a fall in

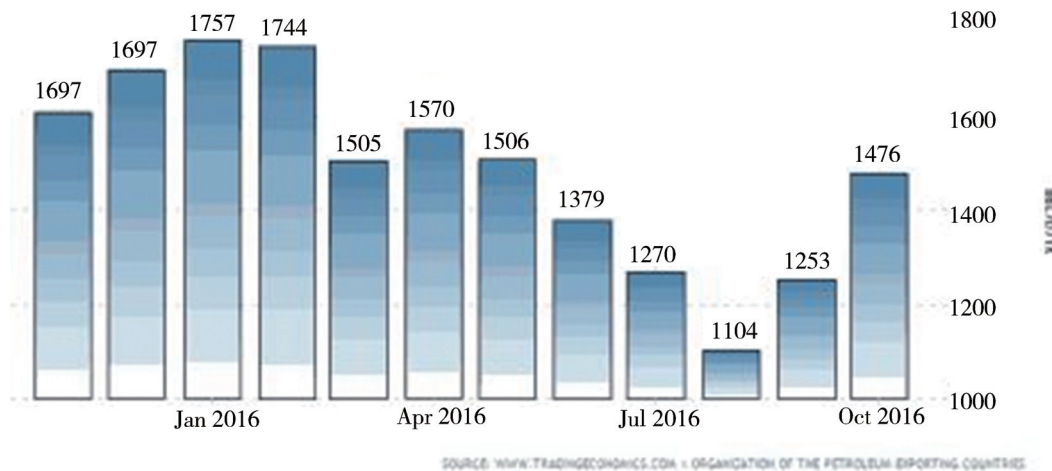


the rate but rose steadily and became all-time low between 2013 and 2014 and started rising in 2015 reaching its peak in October 2016 (see Figure 3), a period less than one year into President Muhammadu Buhari administration. The reasons for the decline in crude oil production in Nigeria are necessitated by two factors. The first is an internal factor,

which is associated with the activities of the Niger Delta Avengers that has been losing 800,000 barrels per day since Buhari's ascension of the presidency. The crude oil output has been on reduction to 1.4 million bpd, the lowest in 22 years (see Figure 4), causing a dwindling economic progress in Nigeria (Editorial, *ThisDay Newspaper*, 2016).



**Figure 3**  
**Nigeria's Inflation Rate, 2007-2016**  
 Source: National Bureau of Statistics, 2016.



**Figure 4**  
**Nigeria Crude Oil Production, January 2016-October 2016**  
 Source: Organisation of Petroleum Exporting Countries, 2016.

In January 2016 the crude oil production capacity experienced steady growth. The growth rate steadily experienced a decline in April and reached a free-fall in June 2016. This was a result of the activities of the militant groups in the Niger Delta over non-responsiveness of the government to the aspiration of the people to fix the means of livelihood in the region. In October 2016, production rate has been on the increase, but epileptic due

to the adverse resilience of the militant groups, making Nigeria fall behind Angola which now tops the lists of crude oil producing countries in Africa. The Nigeria's rentier situation is compounded by the fall in the value of the Nigeria Naira since independence (Editorial, *ThisDay Newspaper*, 2016). The second factor is associated with the crude oil price fall in the international market, and indeed, the global economy meltdown contributed to

the current challenges Nigeria is facing in contemporary times. There is the likelihood that if the Niger Delta hostility continues, the Buhari administration will look toward the Niger Republic to import crude oil for refining to respond to the domestic need for fuel in Northern Nigeria.

The implication of turning to the Niger Republic for crude oil supply is that there will be a huge capital flight into the Nigerian economy and undermine development in Nigeria. This situation points to the fact that Nigeria is a dependent economy, rent seeking from the crude oil sector is its major source of revenue. According to World Bank (1990), rent seeking countries depend largely on crude oil to the tune of 35%. Beblawi and Luciani (1987) put it at 40 percent. In the case of Nigeria, crude oil dependency is over 75%, which presents it as higher rent-seeking (Beblawi, 1990; Oxfam, 2009; CBN, 2010; Mahdavy, 1970). In Nigeria, crude oil dependency and distributive inequality reinforce perceptions of relative deprivation, especially among crude oil producing communities (Jega, 2000, p.28), with incessant conflicts as the effects of the resource curse.

## CONCLUSION

In this study, the paper examined the political economy of resource curse with the view of appreciating the development challenges caused by crude oil dependency in Nigeria's rentier economy. The rent-seeking economies depending on the crude oil as the basis for generating foreign earnings for financing the affairs of their country do face challenges arising from the resource curse. In Nigeria, the resource curse challenges arise from the distributive politics of the revenue accruing from the surpluses of the crude oil exportation. The inequality in the distribution of the crude oil wealth has generated agitations, particularly the Niger Delta militants with damages on the crude oil infrastructures and rendering production marginal. The other challenges faced by Nigeria have been the overbearing influence of the military and civil regimes in the control and management of crude oil resources and surpluses, which is widely held to serve the interest of the political class as against the people, especially the Niger Delta people whose environment has been rendered deplorable as a result of crude oil exploration.

In this respect, the attitude manifested by the military and civil government alike, have been characterized by corruption, nepotism and patrimonial character in the distribution of extractive licenses, primitive accumulation in collaboration with both internal and external collaborators among others, have continued to undermine the capacity of the state to deliver dividends of governance to generating disenchantment from dissident groups from the Niger Delta region. In recent times, the

activities of militants in the region have led to the fall in revenue generation and indeed distribution. This situation is the implication of rent-seeking economy and the Dutch disease called the "resource curse". To come out of these challenges there is the need for the diversification of the economy, transparency and accountability in government, good governance by being responsive to the demands of the citizenry, restructuring federalism to reflect the internal dynamics of the Nigerian societies, and the development of sovereign welfare fund to meet headlong the enormity of challenges facing the Nigerian people, especially in the Niger Delta region that has posed challenges to effective exploration of crude oil on which the Nigerian economy is dependent.

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