

Oil Trade, People and Power Relationship: Exploring a Possible Point of Convergence for Nigeria

**Olumide Abimbola Ajayi
Africa Leadership Forum**

Oil continued to influence the dynamics of power and international relations because of a wide spectrum of internal and external interests associated with the exploration and utilisation of its revenue. In spite of cumulative revenue of \$400 Billion since the oil boom of 1970s, 70% of Nigerian citizens are still living below \$1/day. The paper used resource-curse theory, comparative analysis and a robust literature review to examine the various issues around oil in Nigeria, exploring possible point of convergence between trade in oil, people and power relationships that can deliver tangible benefits to Nigerians and possibly citizens of other oil producing countries.

INTRODUCTION

The advent of oil has significantly altered the socio-economic and political dynamism of the world so much that it has become a major deciding factor in global affairs. The consumption of oil for energy and other uses bring in hundreds of billion dollars for oil producing nations. Saudi Arabia, Kuwait, Nigeria, Angola, Russia, Norway, Mexico and other oil producing nations have made fortunes from oil sales in terms of revenue earnings. In 2006, Organization of Petroleum Exporting Countries (OPEC) countries made US\$ 650 billion compared to US\$ 110 billion in 1998. However, the huge revenue earnings from oil have not translated into viable economic developments for most of the oil producing nations especially in Southern Sahara African countries. Rather, it has succeeded in creating a bloc of corrupt powerful elites in the oil producing nations while a large percentage of the population continued to live below poverty lines. With the exception of Norway, which has been able to justify substantial developments from oil money, many other countries that depend on oil for revenue suffer from what The Economist magazine, called 'Poverty of Policy'.

In Nigeria, a fraction of the population which constitute the ruling elites have benefitted largely from the oil industry at the expense of about 70 per cent of the population which live on a less than \$1 a day. Yet Nigeria has earned over \$400 billion from oil, since oil boom of 1970s. Oil has also changed the game of international power relations among comity of nations due to vested interests of home government of multinational companies in oil exploration business across oil-producing countries. For instance, the vested interest of the US and Britain in the Persian Gulf in Asia and the Niger Delta region in Nigeria is a pointer to oil as a major focus of their foreign relations/interest. Investigation is still on in Britain and the US to ascertain the real motive behind the war against the regime of Saddam Hussein of Iraq, as some critics have alleged that it has more oil content than any other reason.

Today, the politics of oil is part of international relations and foreign policy advocacy for many nations. There is always serious external concern for hostility in an oil producing nation, as such could

trigger immediate price increase, owing to shortfall in supply. At the peak of militant activities in the Niger Delta, every interruption to the activities of oil companies reduce Nigeria's daily production and cause oil price to rise. Oil has also become a major issue in the internal politics of oil producing nations. This is evident in continuous agitation among ethnic nationalities, political parties' rivalry and fierce battle among politicians to gain power so as to control the petro-dollars accruing to the state.

The main objective of this paper is to engage in an exploration of possible point of convergence between trade in oil, people and power relationship and plot a path that can deliver tangible benefits to citizens and people of oil producing countries.

In the rest of this paper, section two deals with the review of relevant literature, section three- theoretical framework, section four- Nigeria as a case study and section five- Looking for point of positive convergence, avoiding oil curse and recommendations.

Review of Relevant Literature

Oil has become the mainstay of the economy of several countries with the capacity to produce in large commercial quantity. According to mbendi.com, "the countries with the largest 2006 oil production were, in this order, Saudi Arabia, Russia, the USA, Iran, China, Mexico, Canada, the UAE, Venezuela, Norway, Kuwait and Nigeria". However both Nigeria and Norway were not among the top 10 in 2008 going by the ranking posted by David (2008) topforeignstock.com indicating production in million barrels per day: Russia (9.76), Saudi Arabia (9.22), USA (5.17), Iran (3.90), China (3.80), UAE (2.85), Mexico (2.81), Canada (2.68), Kuwait (2.55) and Venezuela (2.39). This huge production has translated into high foreign revenue earnings for countries that export oil.

Virtually all members of OPEC, who depend on oil for economic survival, rely solely on the oil industry for approximately 95% of export earnings and 80% of government revenue (Shell, 2010). In 2009, OPEC, according to statistics from US Energy Information Administration (EIA), earned \$571 billion in net oil export revenues, which represents a 41 percent decrease from 2008 revenue level. Also, EIA in its Short Term Energy Outlook (STEO) projected that OPEC members could earn \$750 billion of net oil export revenues in 2010 and \$847 billion in 2011.

However, irrespective of billions of dollars from petroleum sales, (Schubert, 2006) observed that "oil rich states manifest some of the greatest inequalities imaginable". They lack transparency, press freedom, and accountability and tend to have stratified social classes, with a tiny minority earning millions at the detriment of the majority of the population who wallow in abject poverty. Prof Terry Lynn Karl (2010) of Stanford University observed in (North, 2010) that:

Even though petro-states earned billions of dollars for their oil exports, almost none of them were able to use their earnings for sustained, balanced growth. Instead, they ended up in chronic economic crisis, with collapsing agriculture, nonexistent manufacturing sectors, very high unemployment, enormous debts to Western banks, growing political instability, and in some cases, ferocious violence.

Some economists have argued that 'most of the oil producers would have been better off if oil had never been discovered in their territories at all'. This would later lead us to the Resource Curse Theory associated with oil. Joseph Stiglitz, a Nobel Prize winner in economics and former chief economist of the World Bank (In Schubert, 2006) described the petro-states as "rich countries with poor people." Also lending credence to this position, Jeffrey Sachs, who later head U.N.'s millennium development project, observed that 'countries rich in resources grew slower than those without'. Posted on globalwitness.org:

Many countries that are rich in oil, gas and other minerals are nonetheless mired in poverty because the public revenues earned from selling these resources have been squandered through corruption and lack of government accountability. Citizens of resource-rich countries cannot hold governments and extractive companies to account

and ensure that mineral resources are used in a fair and sustainable way unless they have full information about the management of these resources.

Prof Karl in (Schubert, 2006) noted that the situation is worse than first thought, as major oil producers such as Algeria, Angola, Iran, Saudi Arabia, Venezuela and Trinidad Tobago have experienced fundamental declines in per capita incomes in recent decades. Findings further reveal that oil dependent states have performed 1.7% worse in terms of economic growth than non-oil states in recent years, while in the last 30 years or more, the numbers of people living in abject poverty in big oil-producing states like Nigeria, Venezuela, and Angola have increased dramatically. "In short, oil exports as a revenue source for development don't seem to work. Most countries that have come on-line in the last twenty years are exhibiting increased poverty, not less, slower growth, not more, weaker institutions, and regulatory frameworks, not stronger (Schubert, 2006)". A 2004 survey by Transparent International (TI) revealed that oil wealth is often a breeding ground for corruption. The report estimated that billions of dollars are lost to bribery in public purchasing, citing the oil sector in many nations as a particular problem. Bangladesh, Haiti, Nigeria, Burma, Azerbaijan, Paraguay and Chad were seen to be the most corrupt (bbc.co.uk, Oct 20, 2004).

"As the Corruption Perceptions Index 2004 shows, oil-rich Angola, Azerbaijan, Chad, Ecuador, Indonesia, Iran, Iraq, Kazakhstan, Libya, Nigeria, Russia, Sudan, Venezuela and Yemen all have extremely low scores. In these countries, public contracting in the oil sector is plagued by revenues vanishing into the pockets of Western oil executives, middlemen and local officials," (Peter Eigen, the chairman of Transparency International, 2004).

Former Nigerian anti-graft chief Nuhu Ribadu quoted in *Boston Globe* (Dec 17, 2004), noted that "corruption and mismanagement swallow about 40 percent of Nigeria's \$20 billion annual oil income", while oil industry sources say "at least 100,000 barrels, or 4 percent, of national oil exports are stolen every day in Nigeria" (Reuters, 2004). Former Nigerian military head of state, General Muhammadu Buhari, said while campaigning for the 2007 presidential elections remarked that "corruption has been worse with oil because oil has brought more money," (Thompson, 2007). Yet, the theft of crude oil has continued unabated in the Niger Delta region of Nigeria, spurred by chronic under-development, a disaffected youth, and increasing lawlessness (IRIN, 2008).

Studies, according to (Schubert, 2006) have shown that oil dependence leads to a skewing of political forces. It concentrates production to geographic enclaves and concentrates power into the hands of a few elites. That is why (Alnasrawi, 2002) recognized oil as a strategic factor in power relations between some five oil producing Asian countries and other foreign partners. For instance, he stated that world oil reserves in 1999 amounted to 1,033 billion barrels of oil with two-thirds of these reserves found in Saudi Arabia, Iraq, Iran, Kuwait, and the United Arab Emirates. Consequently (Alnasrawi, 2002) posited that:

"What happens to the oil industry in any one of these countries will affect the economic fortunes of its neighboring countries. Moreover, the high degree of concentration of oil reserves, output, and exports in these five countries make them a constant target of outside power machination and interference. It is a well-known fact that the oil sectors in these five countries have been, until recently, under the direct control of a handful of multinational oil corporations (BP, Exxon, Mobil, Shell, Texaco, Gulf, and Chevron). Thus in the span of four short decades culminating in 1990 one can make the case that oil, or more precisely, the management of the oil wealth was responsible in varying degrees for all the major changes that engulfed Iraq, be it economic development, the Iraq-Iran War, or the invasion of Kuwait and the economic sanctions under which the country is still labouring".

Due to foreign interest in the Persian Gulf oil, Dr Mosedeq, the political leader of Iran was overthrown with the assistance of the West, and replaced by the Shah of Iran to make it easier for Western oil companies to explore for oil in the country. The multinational companies did not like Mosedeq's threat to nationalize the oil industry. "The Shah was put in power and propped up supposedly to stabilize the country for the oil business and the security of the Persian Gulf Region" (Torulagha, 2004). For instance, critics have argued that the 2003 invasion of Iraq was neither motivated by the existence of weapons of mass destruction nor by its links to al-Qaida, an assumption which (Perezalonso, 2006) supported. Oil has also played significant role in shaping the relationship between powerful nations of the world as it relates to their interests in third world nations. For instance, energy security is now playing an increasingly significant role in Sino-U.S. relations leading to policy disagreements between the United States and China over Sudan. While the US favoured sanction against the Sudan for its very negative human rights records, China, which gets 7 percent of crude oil supply from the country, has concluded that Sudan is very strategic to its energy security and the rapid growth of its economy (Shinn, 2011).

China is the second largest consumer of oil behind the US in the world and has continued to expand its foreign interest especially in Africa. The continent's oil now covers almost one-fifth of the US imports and a third of Chinese imports (Afriqueavenir.org, 2010). The expanding interest of China in Africa is due to its strategic hold of proven oil reserve. A publication of Stellenbosch University on monthly China Monitor observed that the involvement of Chinese companies in Angola's oil industry is characterized as one marked both by instances of mutually beneficial cooperation and by exploitation (Shinn, 2011).

"With almost 10% of oil reserves in the world, Africa is, more than ever, the center of attention. Producing as much as Iran, Venezuela and Mexico combined, African oil production increased by 40% between 1990 and 2004, and it should represent almost 15% of the world production by 2020. With such figures, the continent is attracting investments from large companies in the sector. The investments on the continent increased by 4% in 2009 while they declined by 16% worldwide. They should reach 30% of global offshore investments by 2030 (Afriqueavenir.org, 2010)".

The oil industry has shaped power relations in Nigeria both internally and with foreign partners. According to Vanguard Newspaper in its 'Sweet crude' publication, a monthly review of the Nigerian Energy Industry in January 2011, "since the discovery of oil in commercial quantity, in the late 50s in Nigeria, every politician has struggled to get a chunk of the oil wealth or petrodollars popularly referred to as 'national cake'. Before the advent of democratic rule, Oronto Douglas in (Environmental Watch Nigeria, 2007) noted that here is a symbiotic relationship between the military dictatorship in Nigeria and the multinational companies who grease their palms regularly. Oil has become a central focus in the agitation over resource control, which was a subject of intense national discourse during the President Olusegun Obasanjo's administration. During the heat of the debate over resource control, (Balarabe, 2003) observed that "much of the environmental-political debate since 1999 have shifted emphasis from environmental management issue like water and air pollution, desertification, loss of bio-diversity to resource control.

(Oliveira, 2008) in a study observed that oil has had a powerfully negative effect on the quality of government in Africa and expressed worry that regardless of thriving oil economy due to high oil prices and significant new investment from Western oil companies, the welfare and security need of the people is still far from being met, while the revenues from oil is use to enrich small elites and to protect their hold on power. With huge revenue earnings from oil, Nigeria could not boast of efficient and sufficient refineries, but import bulk of its fuel for domestic consumption. Unfortunately, high volume of petroleum imports has led to the near collapse of the nation's downstream sector and significantly contributed to the crisis in the banking sector (Sweet Crude, 2011). Issue of oil continued to spur agitation in the Niger Delta, with US showing great concern over its effect on the rest of the world. Former US Ambassador to Nigeria, Ms. Robin Renee Sanders, said "issue of oil price jumping up after every attack in the area affects everybody in the world". Consequently, she said that "there is a legitimate concern in the Niger

Delta both politically and economically (Ohia and Ibiam, 2008). Oil has brought more disaster than blessing and it has not proved to be a means out of poverty or for rapid development (Schubert, 2006).

Theoretical Framework

The ‘Resource Curse’ theory provides a veritable framework for this paper, dwelling on the assertion that “Mineral and fuel abundance does not determine either the political or economic trajectory of less developed countries” (John, 2010). Although the idea that oil is an economic curse than a blessing began to emerge in the 1980s, it was not until 1993 that the term resource curse thesis was first used by Richard Auty to describe how “countries rich in natural resources were unable to use that wealth to boost their economies and how, counter-intuitively, these countries had lower economic growth than countries without an abundance of natural resources” (Economist’s View, 2008). Several other studies have also shown a connection abundant natural resources and poor economic growth.

“The big idea behind the ‘resource curse’ is that mineral and fuel abundance in less developed countries (LDCs) tends to generate negative developmental outcomes, including poor economic performance, growth collapses, high levels of corruption, ineffective governance and greater political violence. Natural resources, for most poor countries, are deemed to be more of a ‘curse’ than a ‘blessing’” (John, 2010).

Karl and Gary (in Schubert, 2006) lend credence to resource curse theory by pointing out that “countries dependent on oil as their primary export perform significantly worse than other developing economies across a wide range of economic indicators”. This is supported by Birdsall, who noted that “throughout history; countries with natural resources have fared worse than ‘poorer’ nations”. Karl who dwelt extensively on the oil curse concept, described it as ‘Paradox of Plenty.’ In 1997, she published ‘The Paradox of Plenty: Oil Boom and Petro-States, stating that “even though petro-states earned billions of dollars for their oil exports, almost none of them were able to use their earnings for sustained, balanced growth” (North, 2010).

However, a report in science by C. N. Brunnschweiler of the Swiss Federal Institute of Technology and E.H. Bulte of the Oxford Center for the Study of Resource-Rich Economies, contended that “resource curse” theory is dubious, noting that the causation goes in the opposite direction:

Conflicts and bad policies created the heavy dependence on exports of natural resources. When a country’s chaos and economic policies scare off foreign investors and send local entrepreneurs abroad to look for better opportunities, the economy becomes skewed. Factories may close and businesses may flee, but petroleum and precious metals remain for the taking. Resource extraction becomes “the default sector” that still functions after other industries have come to a halt (Tierney, 2008).

John (2010) averred that the ‘resource curse’ proposition is not supported by comparative or historical evidence. Consequently, he explained that “the extent to which mineral and fuel abundance generate developmental outcomes depends largely on the nature of the state and politics as well as the structure of ownership in the export sector, all of which are neglected in much of the resource-curse literature”. Brunnschweiler and Bulte found that “the curse vanishes when they look not at the relative importance of resource exports in the economy but rather at a different measure: the relative abundance of natural resources in the ground”

Schubert (2006) offered a plausible explanation to the oil-curse theory which covered both side of the divide. He stated that despite empirical evidences showing “the numbers of people living in abject poverty in big oil-producing states like Nigeria, Venezuela, and Angola increased dramatically over the last 30 years of the twentieth century”, “there exist, a country like Norway where oil has not destroyed democracy and also Indonesia, which has weaned itself away from its negative effects”.

The numbers don't tell the whole story. There are examples of countries that broke the oil curse and others that avoided it altogether. The latter group consists predominantly of states that were already democracies long before oil came along. These states had years, even centuries to develop robust institutions to protect against corruption, patronage, and self-aggrandizing fiscal imprudence. Among them are the United States, United Kingdom, Norway, and Canada. Another group, however, has successfully moved from oil cursed to oil blessed. These include Indonesia, Mexico and to a great extent the small emirate of Dubai.

Nigeria as a Case Study

The first discovery of oil in commercial quantity in Oloibiri (now in the present day Ogbia local government area of Bayelsa State), on Sunday 15th January 1956, ended 50 years of unsuccessful oil exploration in Nigeria by various companies. However, production did not start until late 1957 and early 1958, when the first oil production from the field came at the rate of 4928 barrels per day. The successful exploration from the Nigeria's first commercial oil field immediately launched the country into limelight of Petro-State, leading to a gradual change in economic priority. Agriculture had been the mainstay of the Nigerian economy, until the advent of oil. Unfortunately, successive governments did little or nothing since independence to diversify the economy but allowed oil to totally erode agriculture and other productive sector base of the economy, especially with the boom recorded in the 1970s. Today, Nigeria now depends on the oil industry for approximately 95% of export earnings and 80% of government revenue. (Nigeria-Planet.Com, 2006) puts in this perspective:

New oil wealth, the concurrent decline of other economic sectors, and a lurch toward a statist economic model fueled massive migration to the cities and led to increasingly widespread poverty, especially in rural areas. A collapse of basic infrastructure and social services since the early 1980s accompanied this trend. By 2000 Nigeria's per capita income had plunged to about one-quarter of its mid-1970s high, below the level at independence. Along with the endemic malaise of Nigeria's non-oil sectors, the economy continues to witness massive growth of "informal sector" economic activities, estimated by some to be as high as 75% of the total economy.

The Challenges of Oil Exploration and Trade in Nigeria

Numerous challenges abound with the discovery of oil in Nigeria, even as the country continue to grapple with environmental and social problems, corruption and mismanagement of the treasury, including the threat of oil vanishing in the next 30 years. Nigeria fall into the category of countries placed in the context of the 'Resource Curse' theory. (Schubert, 2006) stated that Nigeria has earned over \$340 billion dollars in oil revenues in the last four decades, yet 70 per cent of the population live on less than \$1 a day.

An investigation and report by Essential Action and Global Exchange in (Shah, 2010) found the following about the oil situation in Nigeria:

- i. Oil corporations in the Niger Delta seriously threaten the livelihood of neighboring local communities. Due to the many forms of oil-generated environmental pollution evident throughout the region, farming and fishing have become impossible or extremely difficult in oil-affected areas, and even drinking water has become scarce. Malnourishment and disease appear common.
- ii. The presence of multinational oil companies has had additional adverse effects on the local economy and society, including loss of property, price inflation, prostitution, and irresponsible fathering by expatriate oil workers.
- iii. Organized protest and activism by affected communities regularly meet with military repression, sometimes ending in the loss of life. In some cases military forces have been summoned and assisted by oil companies.
- iv. Reporting on the situation is extremely difficult, due to the existence of physical and legal constraints to free passage and free circulation of information. Similar constraints discourage grassroots activism”.

Foster (2007) described the Niger Delta as a place of fantastic contrasts and corruption. “Despite producing tens of billions of dollars worth of oil every year -- and 80 percent of the country's revenue -- the delta remains one of the poorest and underserved regions in Nigeria. Most live on \$1 or less a day and are without power, potable water and other basic services”. This is a further illustration of the challenges oil has thrown up in Nigeria. There have been wide spread criticisms on the way the oil companies have neglected the surrounding environment and health of the local communities in the Niger Delta. It is regarded as the richest area of biodiversity in Nigeria, but Regular oil spills that are not cleaned up has destroyed the rich biodiversity of the Niger Delta, including dumping of industrial waste. While the oil companies have been regularly alleged of not doing genuine Environmental Impact Assessment (EIA) to the detriment of the area, failed promises of development projects have however added to the problems.

Corruption is a major challenge to Nigeria and has been greatly influenced by oil money, which has not been properly accounted for till date. Toward the 2007 Presidential elections, General Muhammadu Buhari, while observing that "Oil has been a disappointment," said regrettably that "corruption has been worse with oil because oil has brought more money," "Now corruption has eaten away at our industries and society generally" (Thompson, 2007). Nuhu Ribadu, former chairman of Nigeria's Economic and Financial Crimes Commission (EFCC) said in a lecture in Lagos in 2006 that "over \$400bn in oil money has been stolen by bad leaders." The sentiment of corruption infested system through oil money, have been shared by all Nigerians and interestingly too by leaders who have been or are being alleged of corruption.

The oil boom in the 1970s was badly managed to the extent that it eroded agricultural sectors as successive governments failed to diversify the economy, thereby creating a monolithic economy solely depending on oil for survival. Virtually, every policy attempt to revive the agricultural sector and return it to its previous position as a major revenue earner through OFN, Green Revolution, DFRRI and other initiatives have failed. “Agriculture in Nigeria used to be the power house of the national economy, providing more than 85 percent of the country's foreign exchange earnings and abundant and cheap food for the people” (Alademerin and Adedeji, 2010). There has been about 25 percent decrease in the contribution of agriculture to the nation's GDP, which stood at 65.7 percent in 1957. Nigeria has lost its status as a net exporter of agricultural products, while local food production cannot keep pace with the increasing population (encyclopedia of the Nations, n.d).

Today, individuals and groups that should be ordinary less enthusiastic about power are now fiercely fighting for it to have control over the oil resources of the country. Oil has heightened the intensity of individuals and ethic battle for the control of power at the federal, state and local government levels in Nigeria, due to revenue allocation coming majorly from oil.

The Benefit of oil to Nigeria

Although Nigeria is properly captured in the context of the ‘Resource Curse’ theory, however, the oil industry is not all about doom and negative propositions. Since Nigeria is running a monolithic economy, solely dependent on the oil industry, therefore, revenue accruing from oil sale is largely a benefit, contributing to economic survival. The government has done little or nothing to invest in a viable alternative or demonstrates the will to do so; hence oil money which has been regularly shared by all the three tiers of government and used for developmental projects remain a major economic benefit to the country. Irrespective of criticism and concern, mismanagement and corruption, Nigeria has benefitted immensely from the oil industry, as every sector is affected by oil revenue. Aside the monetary value, oil has made Nigeria a major player in the international community. If Nigeria sneezes, the rest of the world could catch cold because of her strategic position as a major supplier of crude oil through OPEC to the world market. Former US Ambassador to Nigeria, Ms. Robin Renee Sanders, had been quoted earlier in this paper to have said that the “issue of oil price jumping up after every attack in the area (Niger Delta) affects everybody in the world”. That is how strategic Nigeria is to the rest of the world.

Oil money has helped Nigeria to effectively play the big brother role in Africa, enabling its financial muscle to act as a power broker and influencing its foreign relations. Nigeria has been involved in several peace keeping operations and has funded many in the African countries with its own resources to ensure

peace and stability in the continent. The country has also conducted military intervention through the Economic Community of West African States Monitoring Group (ECOMOG) in Liberia, Sierra Leone and Guinea Bissau. It has also supported neighbouring countries in terms of economic challenges like Ghana, including granting food/financial aid to other countries like Niger Republic for regional stability and economic growth.

There is always future assurance that irrespective of previous mismanagement of the oil revenue, an accountable, transparent and development oriented government can still make judicious use of the earnings to improve the Nigerian economy, ensure good standard of living and even develop an alternative productive industry sector like the agricultural sector. The oil industry has helped to create thousands of jobs for Nigerians, while its oil reserve (36.2 billion barrel of proven oil reserve as at 2007), has also helped to create confidence of sort especially for foreign investors. Though, with the capacity to produce about 3 million barrels per day, Nigeria currently produces an average of 2.5 million barrels of crude oil per day, making it the 10 largest oil producers in the world. With oil as a major energy demand globally, Nigeria will continue to remain relevant in international relations.

Without ginsaying, the oil industry has continued to be the major important contributor to the national treasury, while taxes and royalties from it sales have made possible, massive infrastructural and social development throughout the country. The gain also include the construction of high ways, schools and hospitals in selected rural and urban areas, though some of these are highly motivated and driven by political rather than economic considerations. The ability of government to employ many more due to the oil boom has indeed helped to fashion a remarkable economic landscape and has continued to give semblance of hope for a better future.

Oil and Human Development Deficit

Decades of government mismanagement and corruption have only succeeded in lining the pockets of small elite, while the vast majority of Nigeria's 150 million people survive on less than \$2 a day. The oil industry has helped to create the super rich, while those in the corridors of powers and their cronies have over the decades corruptly enrich themselves with cornered oil money. The gap between the rich and the poor is very wide, and while the rich are getting richer, the poor appeared to be getting poorer without sustained concerted effort by the government and stakeholders to bridge the gap. The situation is further compounded by lack of basic amenities and necessary infrastructure that could have helped in a way to leverage the condition of the poor.

The oil traders/dealers who had held the industry down for a long time has succeeded in ensuring that they perpetually put the sector under their firm grip. This they have achieved by ensuring that Nigeria does not have a refining capacity to meet local consumption so that they can continue to make huge profits from importation of fuel. Despite being an oil producing nation, the bulk of Nigeria fuel is imported by few oil cartels that have ensured the four refineries in the country does not work or work below the optimal level. Even though at optimum capacity, they cannot meet the needs of the country. The four refineries in the country have a combined capacity in excess of 445,000 barrels per day, but could only refine mere 80,757 metric tons of petroleum products for most part of 2010. However, the country spent about \$7.6 billion on importing about 8.1 million metric tons of petroleum products for the same period the year before. The government during the period continues to subsidize petrol by N46 per liter, from a landing cost of N111, with the consumer paying N65 (Sweet Crude, 2010). Unfortunately the only beneficiary of this arrangement is the few individual marketers who have made fortunes, while the money that could have been used to better the lots of the people is utilized for fuel subsidy. It is taking the government, hundreds of billions of naira to subsidize fuel yearly, a situation that could have been avoided if successive governments have invested in upgrading existing refineries and constructing new ones. Over the years, it either that those in government becomes part of the oil mafia, or the cartel, penetrate the government, but with the connivance of the multinational oil companies who helped in most cases to launder money (Sweet crude, 2010). In essence, at the expense of the majority only very few privileged individuals benefit from oil money.

Oil Factor in Nigeria Power Relations

The advent of oil indeed marked a turning point in Nigeria's internal and external power relations. Oil instantly made Nigeria a bride for other nations, especially the West who fancied Nigerian crude. Nigeria's standing and prowess increases in the international community as a major player in the oil industry. It is obvious today that China, equally a Super power nation has been doing all it could to pry Nigeria away from the US, including making frantic effort to get as many oil blocs as possible in the country. Oil more than anything else determines our trading partners and influence our foreign policy. Irrespective of the socio-economic challenges, Nigeria is still regarded as the most strategic country to Africa development among the comity of nations.

Numerical strength aside, the huge revenue generated from oil has empowered Nigeria to perform a Big Brother role in Africa. That is why Nigeria has been able to lead and finance military operations in countries like Liberia, Sierra Leone and performs peace keeping operations in some African countries. As one of the 10th largest exporters of crude oil in the world, Nigeria is a factor to be reckoned with in the international community. As an oil producing nation, Nigeria's internal security is a concern to the rest of the world. Any time there is unrest in the Niger Delta region, it automatically affects world oil price because of the disruption in daily quota allocated to Nigeria by OPEC.

Oil Has Played a Significant Role in Nigeria's Internal Power Relation

With huge revenue coming from crude oil sales, the power game among the elites and ethnic nationalities in Nigeria has over the decades changed. Power relationship is now defined by the power of oil as evident in mutual suspicion between the North and the South. For a long time in Nigeria, there has been much attention on who occupies the Petroleum Ministry than any other appointment, which often generates arguments between public commentators in the South and in the North. So also is the politics over the allocation of oil blocs, which in many instances has been treated as reward to the elites who "oiled" the political machinery and ascendancy of rulers both at the centre and state level.

Critics in South, especially in the Niger Delta have often contended that the North has exploited the advantage of their long held rule over the country to favour the people of the region in the allocation of oil blocs. While the Niger Delta region produces the oil, a good number of people that have occupied strategic government positions in the oil industries are from the Northern part of the country. Therefore, for a long time, oil has become a major issue in Nigeria's internal affairs with military and political actors setting eyes on the sector and the proceeds from it.

There have been several agitations over oil, with oil producing states demanding for resource control. At the heat of this agitation, political leaders in the North and the South have had cause to disagree, even with the threat of secession by the Niger Delta region. Due to sustained pressure, the oil producing states got 3 per cent oil derivation and later 13 per cent, but this did not assuage their feelings owing to many years of neglect. Until recently when the federal government engaged the restive youths and militants in the Niger Delta on the path of peace by declaring amnesty and with a promise to address their concerns, Nigeria was gradually drifting into a crisis ridden State.

Indeed oil has changed the internal power relation in Nigeria compared with what was obtained at Independence and when each region depends on what it can produce. Now, with the 774 local governments, 36 states of the federation and the federal government at the centre depending on oil for revenue, every aspect of Nigeria's national life is dictated and affected by it. In Nigeria today, the most powerful group are the oil merchants whose influence have grown to the point of influencing government's policies and programmes.

Using Nigeria as a case study, a number of issues relating to oil trade, people and power relations are very obvious even to the least discerning eyes.

In Search for a Point of Positive Convergence

There is an urgent need to reconstruct the benefit of oil for the greater majority of the people on one hand and also refocus the relationship between trade in oil and power relations on the other hand. The oil curse syndrome is not an automatic spell that debut with the advent of oil. It comes due to lack of sincere

and efficient policy framework to guide the oil sector, ineffective leadership, absence of strong government institution manned by highly skilled personnel, greed and corruption, wastages, lack of due diligence and transparency and also undue politicisation of the economy. Norway which is the world's third-largest oil exporter, behind only Saudi Arabia and Russia, and the seventh-largest oil producer offers an interesting model for Nigeria to consider in overcoming the oil curse.

Avoiding Oil Curse: The Norway Example

Norway is one nation that has insulated itself from oil curse, embracing best practices, transparency, accountability and futuristic in the management of its oil wealth. Today, Norway is a model for any nation to be assured that the advent of oil does not automatically debut with curse, but it depends on how it is handled by the government and stakeholders. Norway's has about \$322bn (£197bn) Sovereign Wealth Fund (SWF), derived from oil revenue. The Norwegian economy is heavily dependent on oil like those nations held down by oil curse, its Petroleum industries account for about 17 percent of Norwegian GDP and a 45 percent of exports. But contrary to the mismanagement of oil price gain in other countries, for Norway, any sudden increase in oil prices means larger inflows to the SWF and enhanced long-term welfare for its citizens.

Also **Ghana** who recently joined the oil producing and exporting league has benefitted from the expertise of Norway. On the prompting of former Secretary-General of the United Nation, Mr. Kofi Anan, Norway has sent a government delegation to advise Ghana, on how to avoid the oil curse challenges. The Scandinavian country has proven that oil does not have to be an obstacle to stability and long-term growth. The West African country is now being expected to develop a fund for oil revenue similar to the Norway's SWF.

Nigeria has a lot to learn from Norway to get out of the oil curse bondage and efficiently utilize her oil wealth. The establishment of the Sovereign Wealth Fund by the Federal Government similar to that of Norway as a replacement for the Excess Crude Oil Account to take care of excess oil gain is a noble initiative. However, there is a need for the total cleansing of the oil sector and reconstruction of the utilization oil proceeds for greater majority of Nigerian.

The Federal should be very bold and painstaking by embarking on the holistic reform of the oil sector learning from the Norway model. The Nigerian government should redefine the policy framework guiding the oil sector to encourage sound long-term economic planning, eliminate corruption and promote robust economic development.

“Norway has pursued a classically Scandinavian solution. It has viewed oil revenues as a temporary, collectively owned windfall that, instead of spurring consumption today, can be used to insulate the country from the storms of the global economy and provide a thick, goose-down cushion for the distant day when the oil wells run dry (Gross, 2004).

Federal government and stakeholders in the oil sector must show total commitment to the Nigeria Extractive Industries Transparency Initiative (NEITI), which is a global initiative aimed at following due process and achieving transparency in payments by Extractive Industry (EI) companies to governments and government-linked entities.

A New Future Direction with the Petroleum Industry Bill (PIB)

The much anticipated holistic reform in the oil industry may eventually take shape with the passage of the PIB. The new hydrocarbon bill is expected to create a new policy direction that will drive the future of the industry, restructure the oil sector with the objective of improving efficiency, raising government stake and increasing natural gas utilization. Although the draft bill which has generated intense debate is still under congressional review, It is expected the present National Assembly will pass it into law.

The draft Petroleum Industry Bill (PIB) was designed to act as an all-encompassing piece of legislation and as a result, some 15 pieces of existing legislation will be revoked upon ratification. It will create a number of new institutions with mandates over the upstream sector as shown below:

TABLE 1
NEW STRUCTURE OF THE INDUSTRY

S/N	Function	Organisation
1	POLICY	NATIONAL PETROLEUM DIRECTORATE
2	TECHNICAL REGULATOR	NATIONAL PETROLEUM INSPECTORATE
3	COMMERCIAL REGULATOR DOWNSTREAM	PETROLEUM PRODUCTS REGULATORY AUTHORITY
4	COST REGULATOR UPSTREAM	NATIONAL PETROLEUM ASSETS MANAGEMENT AGENCY
5	COMMERCIAL	NNPC LIMITED
6	RESEARCH	NATIONAL PETROLEUM RESEARCH CENTRE
7	FUND	PETROLEUM TECHNOLOGY DEVELOPMENT FUND
8	FUND	PETROLEUM EQUILISATION FUND
9	TRAINING	PETROLEUM TRAINING INSTITUTE

Source: Reginald Stanley (2009) "Petroleum Industry Bill (PIB) and Deregulation of the Downstream Sector, Paper presented at the Minister of Petroleum Resources Consultative Forum for PIB, July 16th, 2009.

Specifically, the policy making function will reside with the Petroleum Directorate. The Petroleum Inspectorate will replace the Department of Petroleum Resources (DPR), currently within the Ministry of Energy. This commission will act as the independent regulatory body and licensing agency for the upstream sector.

On the operational side, the Nigerian National Petroleum Company Limited (NNPC) will be turned into an integrated oil and gas limited liability company to be known as NNPC Limited. The National Petroleum Investment Management Services (NAPIMS), currently part of NNPC, will be replaced by the National Petroleum Assets Management Agency (NAPAMA). This body will monitor and approve all upstream costs and manage tax/royalty oil (but not prospect for oil). NAPAMA will exist outside of the NNPC Limited as a separate and independent agency. The Research and Development division within NNPC will be carved out into an independent entity, the National Petroleum Research Center. A separate Frontier Service will also be created.

Overall the new bill and its proposed structural changes is expected to promote operational efficiency, product availability, space for new participants, full cost recovery, better margins for investors and better regulatory environment. However in the immediate term, there is likely to be policy confusion and significant delays for project decisions and approvals as the new institutions are staffed, trained and become operational.

Exploring Oil Advantage for Better Power Relations

Nigeria by the design of this vital natural resource called oil is a strategic country to global economic stability; hence it should at all time negotiate for a better deal with focus on human and infrastructural development. The PIB and the purposeful utilization of oil revenue should drive our engagement with the rest of the world. Nigeria is often at a disadvantaged position when she trades or engaged in diplomatic initiatives with other countries. While highly industrialized countries like US, Britain, China will consider their national interest first in dealing with any country or global issues, Nigeria play the role of "Father Christmas" most of the time especially with other African countries. Arguments still subsist that Nigeria is one country that is oblivion of her diplomatic responsibility to her citizens when dealing with other nations either for economic, political or peace keeping agenda. The logical path to follow therefore is for Nigeria to reconstruct and pursued a self-enlighten interest foreign policy initiative that is mindful of her resource relevance, population and economic size within the global arena. Nigeria must now consider

thoroughly what it stand to gain in peace keeping initiative, military intervention and diplomatic involvement in Africa. You cannot use your resources to support other nations and not be in a position to define the expected dividends and windfall.

Nigeria must consider what it stand to gain in economic partnership with China, USA and other developed and fast developing countries. Developing critical infrastructure like the Modern Mass Rail System in sales for oil may be a better way to bring development to the people rather than cash.

Oil has become a major factor in Nigeria's internal relations. To curb agitations occasion by oil in Nigeria, the Federal government and stakeholders should develop a 10- year road map on 'Resource Control and Fiscal Federalism. The road map should be designed in such a way that non-oil producing States are supported to become self-sustaining by less depending on federal allocation until they become financially autonomous. The roadmap should encompass short, medium and long term strategies that will bring development to every region and state of the federation.

Recommendations

In order to arrive at a point of positive convergence between oil, people and power relationship, the government of Nigeria and oil industry stakeholders will need to adopt and implement the recommendations identified below:

- i. Adoption of a new paradigm called "Oil for Development Initiative (O4DI)" This new paradigm should drive the implementation of PIB, the SWF and the national development with emphasis on human development and upliftment aimed at the rapid reduction in the national poverty index across all the geo-political zones of Nigeria
- ii. Logical and complimentary to O4DI is the need to shift focus from resource control to resource management with benchmark indicators for all tier of government. It is not control that matters but what you achieve with the control that you have. A national accountability law is required to monitor utilization of oil revenue if we are to deal with resource curse
- iii. An independent O4DI monitors made up of national and international personalities should be put together to conduct periodic review of oil revenue utilization trend especially in Nigeria's Delta region.
- iv. The revenue allocation formula should be redefined and skewed towards the State rather than Federal Government. The power squabble and intense agitation that accompanies it is coming largely from the concentration of huge resources at the centre
- v. The continued disregard for sustainable development and escalating environmental degradation calls for urgent need to build the capacity of State government to actively participate, monitor and conduct periodic strategic environmental assessment of the operation of oil and gas companies across Nigeria. People and their livelihood should come first in oil-power relations with foreign countries and companies;
- vi. Nigeria Extractive Industry Transparency Initiative (NEITI) should be made to play prominent role now that it has achieve international agreed standards in its operation.
- vii. Beyond the amnesty, the skill acquisition and re-integration of the militants is the need to embark on a cultural re-orientation for the younger Nigerians from the Niger Delta, backed up with massive investment in education, road development, health facilities and rehabilitation of the environment. Growing in an oppressive and degraded environment will ultimately alter your psyche and defined your behavioural tendencies and disposition in life.

REFERENCES

Afriqueavenir.org (2010) Rise of Africa Oil Production:
http://www.defenceweb.co.za/index.php?option=com_content&view=article&id=8609:rise-of-african-oil-production&catid=7:Industry&Itemid=116

Alademerin, E & Adedeji, T (2010) Developing an approach for a sustainable agricultural revolution: A prescription for the private and public sectors in the Southern states of Nigeria. *International Journal of Vocational and Technical Education* Vol. 2(3), pp. 27-32, July 2010
Available online at <http://www.academicjournals.org/IJVTE>

Alnasrawi, A. (2002) *Iraq's Burdens: Oil, Sanctions, and Underdevelopment*: Westport, C.T: Greenwood Press. Retrieved from <http://www.questia.com/PM.qst?a=o&d=102137938>

Economist's View (2008) *The Perplexing Paradox of Plenty*
<http://economistsview.typepad.com/economistsview/2008/07/the-perplexing.html>

Editorial review- http://www.amazon.com/Paradox-Plenty-Petro-States-International-Political/dp/0520207726/ref=sr_1_1?s=books&ie=UTF8&qid=1282238502&sr=1-1

Environmental Watch (January 14, 2007) *Nigeria and the Multi-national Oil Companies*.
www.environmentalwatch.blogspot.com/2007/01/Nigeria-and-multi-national-oil.html

Gross, D (2004) *What Norway Can Teach Iraq*. <http://www.slate.com/id/2108873/>
http://www.eia.doe.gov/cabs/OPEC_Revenues/Factsheet.html

<http://english.peopledaily.com.cn/90001/90783/91321/7166951.html>

http://en.wikipedia.org/wiki/Oloibiri_Oilfield

<http://www.globalwitness.org/campaigns/corruption/oil-gas-and-mining>

<http://www.irinnews.org/Report.aspx?ReportId=81507>

<http://www.nationsencyclopedia.com/economies/Africa/Nigeria-AGRICULTURE.html>

<http://www.nationsencyclopedia.com/economies/Africa/Nigeria-AGRICULTURE.html>

<http://news.bbc.co.uk/2/hi/business/3758798.stm>

North, J (2010): *The 'Oil Curse' Explains Iraq Power Struggle Better Than Sunni-Shiite Divide*.
<http://mondoweiss.net/2010/08/the-oil-curse-explains-iraq-power-struggle-better-than-sunni-shiite-divide.html>

Ohia, P. & Ibiam, A. (2008) *Nigeria: Our Interest in Niger Delta*, by U.S. .
<http://www.khilafah.com/index.php/news-watch/africa/3089-nigeria-our-interest-in-niger-delta-by-us>

Oil and Nigeria <http://www.nigeria-planet.com/Oil-And-Nigeria.html>

Oliveira, R (2008) *Oil and Politics in the Gulf of Guinea*:
<http://www.foreignaffairs.com/articles/63381/nicolas-van-de-walle/oil-and-politics-in-the-gulf-of-guinea>

Perezalonso, A (2006) *Not just about oil: Capillary Power Relations in the US as the motives behind the 2003 war on Iraq Peace Conflict & Development* www.peacestudiesjournal.org.uk

Resource Curse (2011) http://en.wikipedia.org/wiki/Resource_curse

(Reuters, 2004)

http://www.boston.com/news/world/africa/articles/2004/12/17/corruption_costs_nigeria_40_percent_of_oil_wealth_official_says/

Revenue Watch Institute, (2008-2011) Oil, Energy and Power in Sino-Angolan Relations

<http://resources.revenuwatch.org/en/official-document/oil-energy-and-power-sino-angolan-relations>

Thompson, C (2007) 'Curse of oil' sees corruption soar in Nigeria.

Tierney, J (2008): Rethinking the Oil Curse. <http://tierneylab.blogs.nytimes.com/2008/05/05/rethinking-the-oil-curse/>

Torulagha, P (n.d): The Niger Delta Oil and Western Strategic Interests: The Need for an Understanding

http://www.nigerdeltacongress.com/narticles/niger_delta_oil_and_western_stra2.htm

Shah, A (2010) Nigeria and Oil <http://www.globalissues.org/article/86/nigeria-and-oil>

ABOUT THE AUTHOR

OLUMIDE ABIMBOLA AJAYI holds a Ph.D. in Agric Economics, Planning and Management. He is currently the Deputy Director and Chief of Programmes of the Africa Leadership Forum (ALF); Director of Business School Netherlands International (BSNI) Nigeria and the Project Coordinator of the Entrepreneurship Development Centre, Lagos. Prior to this time, he has worked in various executive capacities in the private sector in addition to holding junior research and teaching positions in the University of Ibadan. He possesses very robust experience in key development areas such as enterprise development, gender, governance and economic development. He is an administrator, trainer, mentor, author and development consultant.