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Nigeria and oil production: Lessons for future

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Abstract

The understanding of the political economy of a country is essential in grasping the political and economic environment in which the country operates. Nigeria, the 12th largest producer of oil % gas in the world has its political economy around oil even though this later came to be after years of dependence on agriculture. The shift in focus from agriculture to oil is fascinating given the short period of time and total neglect of the agrarian sector. This paper seeks to assess Nigeria's economy before oil discovery in Oloibiri six decades ago and how this golden resource has [or has not] turned the economy around whilst drawing inference for future lessons on how to re-drive the economy from its mono-product status to one fully diversified and technologically efficient. The paper however contends that oil production has changed the political realities in the country and has seen many 'rushing' into politics to have a taste of the largesse. Of course, this cannot be allowed to continue.

Keywords: Political economy, Oil production, Petroleum products, Mono-product, Oil boom, Oil doom, Resource curse, Oil earnings

Introduction

That Nigeria as a great nation, as the giant of Africa, and as the most populous black nation in the world, is blessed with numerous natural resources ranging from gas, coal, gold, to oil [to mention a few] is no gainsaying. As a matter of fact oil production in Nigeria has taken total control of the economy and there is no way one will discuss the economy of the country without giving recourse to oil production, there is no conversing the post-independence politics of the country without mentioning oil [which has largely shaped the post-colonial Nigerian state], there is no speaking of the politics of the country without acknowledging the role of oil. In other words, oil production is a common equator to any discourse in Nigeria and has thus assumed a dominant role in both the economy and politics of the country; in short, the political economy of Nigeria revolves around oil.

Nigeria is the 10th largest hydrocarbon reserve and is the 12th producer of oil & gas in the world, contributing approximately 3% to global production. It also holds an estimated 36.5 billion barrels of crude oil & condensates and 180.4 trillion standard cubic feet of gas reserves mostly domiciled in the Niger–Delta (Ngwu, 2014) [9]. In view of this, oil has been regarded as the 'mainstay' of the Nigerian economy with an alarming dependence on it which has invariably turned the economy of the country to a mono product economy. The need for, demand for, and wealth from oil has placed Nigeria in a cynosure amongst comity of nations, after all, oil is a major foreign exchange earner and a major contributor to federal reserves. External trade has increased since oil discovery while the rate of expatriates into the country has not been in a diametric position either. Away from external affairs, politics within the country has seen an influx of actors with blazing interest; and has even birthed politics of bitterness, war-like election etc.

The political instability faced by the country since independence can be attributed to the increase in federal revenue derived from oil sales. This has favoured both military and civilian interest in power both at the federal and other levels respectively. Little wonder, ethnic, regional and religious tensions have dominated the post-colonial history- the case of Niger Delta agitation and recently Niger Delta Avengers is a case in point. According to Osaghae (2002:20) [12] "the post-colonial state centralizes the production and distribution of national resources, and in the context of state capitalism this encourages the perception of the state as an instrument of accumulation and the patron-client ties as the dominant mode of political relations".

The cancerous menace of corruption in the country can also be attributed to the affluence gotten from oil; or how does one explain that Nigeria a large oil producer still has a significantly large part of its citizens living in abject poverty as against the significant few enjoying the opulence of oil and [Nigeria] still depends on foreign aids to meet up with its primary responsibility of providing social amenities. As Aghalino and Eyinla (2009) [1] puts it "…the paradox of the Niger Delta is that of a region rich in natural resource but with significant percentage of its population living below the poverty line".

Luqman and Lawal (2011) [8] gave a clearer picture when they averred that:

> *Nigeria's oil wealth and the revenue derived from the industry over the decades have not manifested in improve infrastructural development, wealth generation, poverty reductions and appreciation in living standard for majority of Nigerians. Poorly conceived economic policies, and inconsistent implementation have constrained Nigeria from availing itself of the maximuim benefits of it large natural resources endowment. The failure of economic policies in Nigeria have manifested in stagnation of the nation economy, over-dependence on a single commodity for export and revenue, the neglect of the agricultural sector, decaying infrastructure and poor delivery of social services.*

It is unarguably factual that oil has shaped governance in Nigeria since the 'oil-boom' epoch, even though many nomenclature has been given to this era; oil doom, oil curse, resource curse etc. The point remains that oil has significantly impacted the Nigerian political terrain and has since affected its relationship with other nations of the world. Ehinomen and Adeleke (2012:233) [5] maintain that "the tremendous growth in oil earnings has influenced significantly Nigeria's international relations, and sometimes the politics of oil has taken centre stage in the nation's history of international relations in the last few decades".

The political sphere has been greatly affected by the management of revenue from oil earnings. In their contribution, Gboyega, Soreide, Le & Shukla (2011) [7] pointed out that "the political environment has been described as one in which individual politicians rely on nondemocratic mechanisms to sustain their power and private agendas have been important drivers for political decisions. Prevailing patron-client politics may explain why welfare-enhancing political solutions have been eschewed if vested interests would be threatened. The power of the political elite has been enhanced through the party machinery, which has made it possible to control the selection of new candidates and their behavior. The impact of the political elite's resource control and allocation of revenues on core democratic mechanisms is central to understanding the obstacles to development and governance failure.

Aigbedion and Iyayi (2007) [3] observed that despite the nation's huge endowment of crude oil and gas, and the extensive infrastructures available in the sector for distribution and marketing of petroleum products, the downstream sector has been hit by increased instability, hallmarked by a dearth of product to supply. Particularly, this problem became noticeable in the last ten years. This has led to massive importation of petroleum products by government and major oil marketers in Nigeria. Until recently, the sector was heavily regulated, with government maintaining a monopoly of supply of petroleum products. However, in line with the nation's economic reform agenda, which was launched in the 1980 and 1990s, policy makers have embarked on a regime of deregulation of the sector, allowing private stakeholders to complement the government efforts in developing the industry. Poor maintenance of Nigeria three refineries located in Warri, Port Harcourt and Kaduna with a combined installed capacity of 445,000 bpd, led to a drastic fall in production level to 15 % of the total installed capacity in 2004. The sudden closure of the Kaduna and Warri refineries during this period to allow for the turnaround maintenance (TAM) contributed to the decrease in production.

Nigerian Economy before Oil Discovery

Colonial Nigeria's economic activities were mostly peasant-based with major regionally-based export commodities such as cocoa in the West, oil palm production in the East, and groundnuts and cotton in the North. Such regional specialization presented remarkable opportunities that were harnessed by the colonial State to enhance the survival of the central government (through direct taxation and forced cultivation) as well as facilitate the export of basic foods and raw materials (through the Marketing Boards and corporations). (Akpan, 2012) [4]

While agriculture was at the center of both household food subsistence and national exchange. Ahazuema & Falola, (1987) [2] reported that the plantation agriculture accounted for about 70% of Nigeria's total export in colonial times. The rural areas consequently played host to what Watt (cited by Akpan, 2012) [4] described as 'forced cultivation and expanded operations by European merchant firms-to induce peasant producers to expand their output of those export commodities required by the British industrial capital. The Nigerian colonial economy, which was mostly rural-based, was heavily structured to enhance the economic success of the colonizing powers, in a manner that subjected peasant farmers to exploitative relations mediated by notable British companies such as United Africa Company, John Holt, Paterson and Zochonis (PZ) and Lever Brothers (Ajayi, 1999 as cited in Shokpeka & Nwaokocha, 2009) [14].

The emergence of such regional and rural based agricultural activities had important effect of local labour mobilization. Able-bodied men and women assumed various roles in productive agricultural activities, not only to serve their food needs, they filled the commercial and mercantile interest of the colonial masters. Rather than the colonial agricultural development policies and strategies remained relevant in the post-independence Nigeria up to the early 1970s. Olorunfemi and Adesina (cited by Akpan, 2012) [4] had argued that agriculture assumed the centre-stage of Nigeria's economy in the decade 1960-1970, when it was nationally reckoned and utilized as the major income earner for both the people and the government. Besides supplying local food needs for the population, the production of such cash crops as cocoa, groundnuts, palm produce etc. were regionally strengthened as the major sources of Nigeria's foreign exchange earnings. Given that the greater percentage of agricultural activities in Nigeria takes place in the rural areas, the early post-independence rural development practice were mostly centering on agrarian production and development in contents, policies and practices. In this case, the rural areas still served as major centres for resource extraction for foreign exchange earnings, national income and urban development. There was absolutely no conscious efforts at transforming the rural areas beyond investment in agriculture and agriculture-based infrastructures. While the State could not use agricultural development in transforming the rural livelihoods, agriculture itself was important and natural livelihood facts that sustained the rural population in employment, food, income as well as serving as a bridge in fostering social relations. These socioeconomic and livelihood realities have been structurally internalized and reproduced across generations and regions.

In the argument of Watts and Bassett (cited by Akpan, 2012) [4], '…after a half-century of colonialism the contours of Nigerian rural life in the 1960s remained stubbornly intact. However, the resilience of some aspects of peasant social relations often obscures the fact that ….commodity production had become internalized in the cycle of household reproduction of Nigerian producers, signifying that quite important changes had indeed occurred in patterns of differentiation and surplus extraction' Bernstein (cited by Akpan, 2012) [4]. The emergence of petroleum oil production in the 1970s significantly altered the structure of the Nigerian economy and consequently led to a new political-economic orientation as the national wealth was expanded with new opportunities for rent-seeking behaviours. 'oil boom' soon changed the structure of state-society relations with the emergence of highly centralized state administrative structure (e.g., Lagos and later Abuja) as well as new centres of urbanization (Port Harccourt, Warri, Lagos, Kaduna, Ibadan, etc). New States were politically created (from 12 to 19 States between 1970 and 1980) with new capitals as new urban centres (Akpan, 2012) [4].

Osaghae (2002:50) [12] puts it aptly when he says “cocoa was the chief foreign exchange earner, and Nigeria was the world’s largest exporter of oil palm. At independence in 1960 and all through First Republic, agriculture accounted for over 50 per cent of GDP and, on average 75 per cent of export earnings. By 1965, however, crude oil had become a major source of revenue”.

Nigerian Economy after Oil Discovery

Oil was discovered in Nigeria in 1956 at Oloibiri in the Niger Delta after half a century of exploration. The discovery was made by Shell-BP, at the time the sole concessionaire. Nigeria joined the ranks of oil producers in 1958 when its first oil field came on stream producing 5,100 bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the EA field was discovered by Shell in shallow water southeast of Warri. In 1970, the end of the Biafran war coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and downstream sectors (Blair 1976, pp. 98-120, cited by Odularu, 2007) [10]. Shell D'Arcy Petroleum thus began production in 1958 in Oloibiri in Eastern Niger Delta and in less than two decades Nigeria was already producing over crude oil of over 2mbpd which did not decline till the country witnessed economic slump in the eighties. There was a total rejuvenation of oil production to 2.5mbpd in 2004 which was aimed at 4mbpd in 2010. Petroleum thus came to be the country's dominant export product account for about 90% of her earnings.

In his submission, Onigbinde (2014) [11] noted that in the 1970s, Nigeria was able to generate tremendous wealth as a result of the increase in the world oil price. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Company (now the Nigerian National Petroleum Corporation [NNPC]) in 1977. The NNPC is a state-owned company as well as a major player in both the upstream and downstream sectors of the Nigerian oil and gas industry. Nigeria, as a country, attained the status of the major oil producer ranking seventh world in 1972, and has ever since grown to become the sixth largest oil producing country in the world. Though this might have looked promising for the country and even assured her citizens of a brighter future where social amenities, social benefits, developmental projects, human development and the likes becomes the norm. The reality is however far away from the wishful thoughts as the majority of the populace became marginalized from the benefits or proceeds of oil earnings.

In short it has been said that the story of oil production in Nigeria is a case of blessings and curse, fortune and misfortune, good and bad, depending on what effect one is feeling and who is feeling it. Nigerians came to reality with happenstance when oil which already took the center stage in foreign exchange earnings drove agriculture- the hitherto traditional mainstay of the economy, to the background. What was supposed to confer independent economic development instead spelled doom and dependence. The thirty months civil war which started 6 July, 1967 had great impact on oil production and was salvaged by oil boom right after the war which soon shifted to oil shock.

Eromosele (1997) [6] observed that after almost half a century of oil exploration in Nigeria, the oil industry is earning a mature status in comparison to other industries in the country such that significant progress has been made in terms of oil exploration and sale of crude oil abroad. Unfortunately, the domestic management of petroleum resources is fraught with a number of problems. There are occasional product shortages, inefficient product distribution and contending pump price of petrol. These problems are compounded by ethnic and civil disturbances in the Nigeria-Delta oil producing areas. This situation sometimes leads to destruction and vandalization of oil pipelines, disturbances in operation of the oil explorations and damage to life and properties.

As Odulari (2007) [10] puts it: starting in 1973 the world experienced an oil shock that rippled through Nigeria until the mid - 1980s. This oil shock was initially positive for the country, but with mismanagement and military rule, it became all economic disaster. The larger middle class produced by the oil boom of the 1970s gradually became disenchanted in the 1980s, and rebellious in the 1990s. The enormous impact of the oil shock could not escape scholarly attention. For almost twenty years (1970s - 1990s), the virtual obsession was to analyze the consequences of oil on Nigeria, using different models and theories.

Political Economy of Oil Production

For four decades Nigeria’s economic policies, growth, and other related activities has been largely influenced by one sector, the oil industry and one commodity, crude-oil production and export. To say that the economy is heavily dependent on the oil industry will amount to an understatement as the oil industry is nothing short of a life-blood for the Nigeria economy. Like all energy resource dependent economy, the Nigeria economy remains highly unshielded from the swing and volatility that characterized the world energy price. Thus, circles of boom and bust in the international price of crude-oil has seriously affected macro-economics stability of the economy. Nigeria case is worsen by the failure of the state to diversify the economy away from it four decades of over-dependence on crude-oil production and export (Uwakonye, Osho and Anucha, 2006).

a) Oil Wealth and National Politics

The Nigerian politics in the 21st century have evolved directly from the struggle by various interest groups to get access to oil revenues. The prize in Nigerian politics is control of the federal government, which has power to grant access to the oil wealth. In terms of political power, positions in the oil ministry and NNPC the agencies which oversee the government‘s interests in the sector are next in line, and then followed by control over states and local governments (Gboyega, Soreide, Le, & Shukla, 2011) [7].

b) Executive Control on the Sector

Since the 1970s when oil became prominent in the economy, the federal government has maintained a strong hold on oil and gas resources, passing many laws giving it exclusive rights to the deposits.8 Among such laws are the Territorial Waters Act, Exclusive Economic Zone Act, Land Use Act, Oil Pipelines

Act, Petroleum Act, Minerals and Mining Act, and National Inland Waterways Act. These laws are reinforced by some sections of the Constitution. The federal government‘s control over oil and gas resources was achieved when Nigeria was ruled by a military regime. This regime did not invest the revenues to create conditions for sustainable development—what Collier (cited by Gboyega, Soreide, Le, & Shukla, 2011) [7] calls a catastrophic failure of public policy. Instead, the oil and gas resources became instrument of politics. Successive regimes could buy political support through the award of oil blocks, crude oil lifting contracts, and licenses for imports of refined products. Oil has been used to promote Nigeria‘s foreign policy through concessionary sales and credit arrangements to African countries, including Ghana, Kenya, Namibia, Niger, and South Africa (Gboyega, Soreide, Le, & Shukla, 2011) [7].

The transfer of rights to the oil and gas resources to the federal government has had many consequences for politics in Nigeria. In particular, the federal center has been dominated over prolonged periods by sectional military and civilian elites who shaped the institutions to cement their control. This control is expressed, for example, in changes in the revenue allocation formula, which progressively eroded the weight attached to derivation as a principle of revenue allocation. This control also affects the weight of other factors, such as population and landmass, which disadvantage the Niger Delta. Such control also affects the distribution of revenues to states and local governments, all of which affect what the different regions receive from the Federation Account. Oil is produced in only nine states, and the modifications of laws over the years gradually led to their economic and political marginalization and partly explains the conflict in the Niger Delta (Gboyega, Soreide, Le, & Shukla, 2011) [7].

c) Control of Appointments in Petroleum Management

Political power and access to petroleum revenues have been bolstered through control over appointments to positions in petroleum management. In line with the patronage-based political power, appointments into the petroleum ministry and NNPC are highly coveted. Appointments are closely monitored politically to see which ethnic group is gaining ascendancy and at whose expense. The sensitivity of appointments into the top echelons of the NNPC was highlighted in July 2009 when the government announced dismissal of the corporation‘s top management staff and their replacements. Of the 13 people dismissed, 11 were southerners, and only 2 were northerners. Of the 11 new heads of departments announced in the reorganization, 7 were northerners and 4 were southerners. Perceived lopsidedness of the top management appointments at the corporation has been corrected and made more ethnically plural. This generated many adverse comments from southerners, especially those from the Niger Delta. In this context, the Nigerian constitution has provisions for the reflection of the ―federal character‖ of the country in all public sector appointments, which essentially means balancing the different ethnicities and regions as much as possible (Gboyega, Soreide, Le, & Shukla, 2011) [7].

d) Corruption

From inception, oil production in Nigeria has been associated with a widening of the income gap as well as increasing poverty and corruption of state institutions. Weak control on petroleum governance made corruption possible (Gillies, 2009 in Gboyega, Soreide, Le, & Shukla, 2011) [7]. Rent-seeking in regulation and at political levels could continue for decades. According to international rankings, Nigeria‘s corruption level is perceived to be among the highest in the world. It constantly was ranked among the bottom three of Transparency International‘s Corruption Perception Index (CPI) from 1999-2005, after which its ranking began to improve. Particularly the 2010 CPI report indicates that Nigeria was ranked 134 of the total 178 countries (Transparency International 2010). Perceived improvements are the result of strenuous efforts by the Economic and Financial Crimes Commission (EFCC) to arrest and prosecute those guilty of advance fee fraud, money laundering, bribery, and other financial crimes. The EFCC has strategically targeted high-profile political office holders, especially state governors, who frequently were accused of money laundering by the President and Minister of Finance. The former governors of Bayelsa and Plateau were impeached following the EFCC‘s charges of money laundering, although the methods by which this impeachment was accomplished fell short of strict constitutional and legal stipulations (Gboyega, Soreide, Le, & Shukla, 2011) [7].

Citing Auwal and Mamman (nd) Ngwu (2014) [9] rightly noted that the Nigerian economy has been starkly dominated by the petroleum industry since the oil boom of the 1970s, and that its economic growth and development is also dependent on the production and consumption of petroleum products, hence the close connection between the state and oil in Nigeria. Citing Wurthmann (2006) Ngwu noted that oil accounts for about 40 per cent of Nigeria’s GDP, 70 per cent of federal government revenue and 92 per cent of its foreign exchange earnings. Also, daily domestic demand for petroleum products stands at 530,000 barrels per day (bpd) which is 85,000 bpd more than the never-made 445, 000 bpd installed refining capacity of Nigeria’s refineries as a result of which petroleum products supply has remained an acid test for successive governments in Nigeria. According to them, with the inception of democracy on May 29th, 1999, the supply of petroleum products improved but not without a price – frequent increases in petroleum products price. For instance, between 1999 and 2007 the price of fuel increased nine (9) times.

Auwal and Mamman in Ngwu (2014) [9] further observed that notwithstanding the stance of petroleum to the economy, Nigeria progressed from being a net exporter to net importer of refined products. In addition, over-dependence on oil has resulted to the suppression of diversification and creativity as well as a considerable loss of refined petroleum products; higher propensity to general violence; demand outweighing supply as well as substantial negative economic cost with varying intensity, thus making petroleum availability a curse instead. Auwal and Mamman cited by Ngwu (2014) [9] suggested that:

> *Attempts to improve such situations in Ghana, Cameroon, Venezuela,Malaysia, Norway, among others, focused on structural reform of petroleum markets as the critical component of macroeconomic policies. The role of the government in the petroleum sector is redefined and markets are being deregulated (i.e. state intervening such as preferential treatments of state-owned oil companies, price controls and monopolies eliminated) resulting to increased*

participation of private firms (Auwal and Mamman, cited by Ngwu, 2014) [9].

Due to the country's continuous dependence on oil, the non-oil exports (export of cocoa, groundnut, palm produce, rubber, cotton, textiles, processed agricultural products, and the likes) have not had significant improvements in the Nigerian trade balances. The non-oil sub-sector has continuously faced balance-of-payments deficits notwithstanding federal government's efforts to embrace incentives aimed at encouraging non-oil exports. This observation would suggest alternative implementable strategies for shifting emphasis from oil to non-oil exports (Onyemaechi, 2013) [13].

Table 1: Nigerian Foreign Trade Balances, 1980 – 2010 (N'million)

Year	Import		Export		Balance of trade	
	Non-Oil	Oil	Non-Oil	Oil	Non-Oil	Oil
1980	8,868.20	227.40	554.40	13,632.30	-8313.80	13,404.90
1981	12,719.80	119.80	342.80	10,680.50	-12377.00	10,560.70
1982	10,545.00	225.50	203.20	8,003.20	-10341.80	7,777.70
1983	8,732.10	171.60	301.30	7,201.20	-8430.80	7,029.60
1984	6,895.10	282.40	247.40	8,840.60	-6648.50	8,558.20
1985	7,010.80	51.80	497.10	11,223.70	-6513.70	11,171.90
1986	5,069.70	913.90	552.10	8,368.50	-4517.60	7,454.60
1987	14,691.60	3,170.10	2,152.00	28,208.60	-12539.60	25,038.50
1988	17,642.60	3,803.10	2,757.40	28,435.40	-14885.20	24,632.30
1989	26,188.80	4,671.60	2,954.40	55,016.80	-23234.20	50,345.20
1990	39,644.80	6,073.10	3,259.60	106,626.50	-36,385.20	100,553.40
1991	79424.90	7,772.20	4,677.30	116,858.10	-74,747.60	109,085.90
1992	125,974.20	19,561.50	3,973.30	201,383.90	-122,000.9	181,822.40
1993	124,771.10	41,136.10	4,991.30	213,778.80	-119,779.8	172,642.70
1994	120,439.20	42,349.60	5,349.00	200,710.20	-115,090.2	158,360.60
1995	599,301.80	155,825.90	23,096.10	927,565.30	-576,205.7	771,739.40
1996	400,447.90	162,178.70	23,327.50	1,286,215.90	-377,120.4	1,124,037.20
1997	678,814.10	166,902.50	29,163.30	1,212,499.40	-649,650.8	1,045,596.90
1998	681,564.50	175,854.20	34,070.20	717,786.50	-627,494.3	541,932.30
1999	650,736.00	211,661.80	19,500.00	1,169,476.90	-631,236.0	957,815.10
2000	486,963.30	220,817.70	24,805.00	1,920,900.40	-462,158.3	1,700,082.70
2001	1,121,073.50	237,106.80	28,008.60	1,839,945.30	-1,093,064.9	1,602,838.40
2002	1,150,985.30	361,710	94,731.80	1,649,445.80	-1,056,253.5	1,287,735.80
2003	1,681,313.00	398,922.30	94,776.40	2,993,110.00	-1,586,536.5	2,594,187.60
2004	1,668,930.60	318,114.70	113,309.40	4,489,472.20	-1,555,621.2	4,171,357.50
2005	2,003,557.40	797,298.90	105,955.90	7,140,578.90	-1,897,601.5	6,343,280.00
2006	2,479,680.90	932,455.70	133594.90	7,191,085.60	-2,346,086.0	6,258,590.00
2007	3,561,965.70	819,964.24	169,709.70	7,950,438.00	-3,392,256.1	7,130,474.10
2008	5,001,370.20	920,079.52	94,316.70	9,680,194.20	-4,907,053.5	8,760,114.70
2009	4,038,990.20	1,063,544.20	289,152.60	8,067,233.00	-3,749,837.6	7,003,688.80
2010	5,931,795.20	2,073,579.00	396,377.20	10,639,417.40	-5,535,418.0	8,565,838.30

Source – CBN Statistical Bulletins, 2000, 2008, and 2010 in Onyeamachi (2013) [13]

In spite of the contributions of the earnings from oil production and export, there is yet to be a meaningful and milestone development to compensate for the abandonment of other sectors of the economy; especially agriculture and technology. As Odularu (2007) [10] noted, "the oil industry in Nigeria now has substantial foreign exchange reserves and is in the healthy position of being able to finance the foreign exchange cost of her development programmes. The industry's contribution to foreign exchange is not measured by the gross value of crude oil exports because the practice followed by the oil companies is to retain the entire proceeds from exports abroad, and to remit to the producing country only the amount needed to sustain their local operations".

Conclusion

Clearly, Nigeria with a onetime agriculture-based economy has shifted its focus to oil production and sales and has since relied on it for foreign exchange earnings and has thus had a large chunk of her GDP from oil export. The departure from agriculture to oil should have translated to economic growth and development of the country but the opposite has been the case. The largesse from oil which should be benefited by all has found its way into a kleptomaniac few thus leaving the rest of the populace to live off the crumbs. The implication of this has been the rush and madness of all for power which is a direct and sure way to feed from the national cake. Aside from the violence attached to elections, there has been ethnic conflicts majorly from areas where the oil is domiciled and whose environment have been degraded by oil exploration. This would have been enough to contend with if it hasn't been mixed with other factors such as political instability, dependence, glorification of corruption, communal disturbances, oil spillage, foreign aids, neglect of other sectors, warring factions, smuggling, fraudulent domestic practices, products adulteration and such anomalies; all of which has constituted a bane in Nigeria's development. In light of this, it behooves the Federal Government of Nigeria to diversify the economy from being oil dependent so as to purge the curse currently realized from oil production-dependence, for the stability and growth of the political environment and the economy likewise.

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