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Petroleum and The Nigerian Economy (1999–2007): Between NEO-Colonialism and Domestic Collaborators

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Abstract
This paper analyzes the state of the petroleum sector and its impact on Nigerian economy from 1999–2007. The manner in which the sector was managed attracted a wide range of comments on the rationale for the administration's handling of the petroleum industry. Between 1999 and 2007, President Obasanjo's Government failed to reposition the Nigerian oil sector in such a way that it will benefit all Nigerians. Instead, the administration opened the sector to foreign exploitative economic order. The policy during the period is tantamount to development of underdevelopment in the oil sector in terms of management, administration and control. It is a situation in which while oil is produced in Nigeria, Nigerians do not produce oil. The paper starts with an introduction, followed by a brief history of refineries and the development of petroleum industry in Nigeria, and then the state of refineries during the period between 1999 and 2007. The third aspect is the theoretical framework and conceptual issues, deregulation, withdrawal of subsidy and hike in the price of petroleum products. Finally, there is conclusion and recommendations.

Keywords: *Neo-colonialism, petroleum, collaborators, deregulation, hike*

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INTRODUCTION

The monocultural nature of the Nigeria economy made oil to be the major source of Nigeria's income. It is the most controversial and crisis-ridden sector of the Nigerian economy, as it plays a major role in Nigeria's socioeconomic development. About 90% of the business and economic activities in Nigeria depends on oil and gas. Nigeria is the largest producer of oil in Africa, and the sixth largest in the world [1]. Yet, Nigerians pay more for fuel than citizens of many nonoil producers. Nigeria has four oil refineries, but are virtually stagnant due to mismanagement.

Petroleum was first discovered in commercial quantity by Shell-BP at Oloibiri near Port Harcourt in1956 [2–4]. By February 1958, production had reached 6,000 barrels per day; and exporting began. The first export was made at this period of 1.8 million barrels to Britain for N176 million [2]. On the eve of the civil war in 1967, petroleum production in Eastern Nigeria had reached 350,000 barrels per day, from 135 wells in 15 oilfields [4]; even though, oil prospecting in Nigeria started in 1908 when a German Company, the Nigerian Bitumen Corporation drilled 14 wells in Lagos [4, 5]. After the First World War, the Shell-BP took over the interest in oil exploration in the country and later African Petroleum [4, 5].

Production of crude oil by the six sisters as they were called, that is; Shell-BP, Gulf oil, Mobil, Agip, elf, Chevron and Texaco rose to its peak of 2.2 million barrels per day by the middle of the 1970s [2, 3]. By 1971, Shell-BP's annual turnover was N800million. Its grip on the Nigerian economy became enormous; and it took the indigenization Decree coupled with the formation of OPEC and following negotiations with oil companies that Nigeria began to obtain 35% equity share/participation in oil producing companies [2]. Thus breaking the complete monopoly of oil companies and gave room for competition.

According to Kalu [4]:
"*American, Italian and French oil companies flocked to the prey as a galaxy of foreign companies converged on the country. Thus, the development and expansion of the Nigerian oil industry is primarily the result of the heavy financial investment by foreign companies. And with that, of course, comes some form of foreign control. This situation has prompted the cynical but realistic comment that while oil is produced in Nigeria, Nigerians do not produce oil (1987:37)".*

However, this practice continued to prevail during the period under discussion 1999–2007. According to Balarabe Musa [6], former civilian Governor of defunct Kaduna State:
"What is means is that the Nigerian oil will be imported back into the country by foreigners at a price, decided by foreigners (Going by the situation) the Nigerian oil will not be beneficial to Nigerians but only to foreigners (Daily Trust, Tuesday, October 21, 2003:4)".

Kalu further asserted that [4]:
"Nigeria is in grip of a major economic crisis caused by her inability to gain control of her major national revenue earner—oil. The means of production, the amount produced and the money earned by this exhaustible natural resource are all dictated by International economic policies serving the interests of consumer nation (1987:37)".

The aim of this paper is to discuss the state of the petroleum sector in relation to the Nigerian economy between 1999 and 2007. It focuses attention on the way and manner in which the dimension of national leadership and administration play a major role in determining the fate of national economic development between neocolonialism and domestic collaborators in Nigeria.

A BRIEF HISTORY OF REFINERIES AND THE DEVELOPMENT OF PETROLEUM INDUSTRY IN NIGERIA

Nigeria is the largest producer of petroleum in Africa, the 8th largest oil producer in the world and the 6th largest depositor of natural gas in the world [7]. It is also an active member of the Organization of Petroleum Exporting Countries (OPEC) (National Statistics Department, 2009:65). The first refinery in Nigeria is the Port Harcourt Refinery and Petrochemical, built in 1965. It was initially operated and managed by Shell-BP with a total capacity of 35,000 barrels per day [4]. Federal Government of Nigeria took over the ownership of the refinery in 1970 and upgraded it in 1971 to a total installed capacity of 60,000 barrels per day [8]. Another refinery was built in Port Harcourt. It is a deep conversion facility, with an installed capacity of 150,000 barrels per day. It was commissioned in 1989, bringing the combined capacity of the refinery to 210, 000 barrels per day.

The third refinery in the country was the Warri Refinery and Petrochemical, which was commissioned in 1979 with an estimated capacity of 100,000 barrels per day. In 1988, it was expanded with the addition of a petrochemical plant with a capacity to produce 35,000 metric tons and 18,000 metric tons per annum of propylene and carbon black, respectively [8].

The fourth refinery in the country is the Kaduna Refinery and Petrochemical, which was commission in 1980, with an initial capacity of 100,000 barrels per day. Later it was integrated with a petrochemical plant in 1988 with the capacity of producing 30,000 metric tons of linear alkyl benzene [8].

THE STATE OF REFINERIES AND THE INTERNATIONAL PRICE OF CRUDE OIL PER BARREL DURING THE PERIOD 1999–2007

During the period under review, 1999–2007, all the four refineries mentioned above produced below the expected total installed capacity due to the government's lackadaisical attitude linked to deregulation and privatization. Previously, the four refineries produced at a total installed capacity of 800,000 barrels per day; it dropped to 455,000 barrels per day, which is far below the capacity produced in the 1970s. The price of crude oil during the period under discussion 1999–2007 in the international market rose to an unprecedented $140 per barrel, which resulted to excess crude revenue. For instance, in the year 2000, the price of crude oil per barrel was $40; in the year 2001, the average price of oil per barrel was $24; while in the year 2002, the price of oil per barrel was $25; and in the year 2003, the price of crude oil was $28 per barrel; and between 2004 and 2005, the price of crude oil was between $60 and $70 per barrel, respectively [9]. In 2006, the price of crude oil per barrel was $80 while in the year 2007; it rose to $140 per barrel. Therefore, if one calculates the international price of crude oil, for instance, when it was $70 in 2005 per barrel multiplied by 800,000 total produced capacity per day amounted to $56,000 a day, in a year it will amount to $2.4 billion. But instead of utilizing the excess crude revenue plus the proceeds realized between 1999 and 2007 in the improvement of the four refineries as some successive governments did, the Obasanjo's government failed to do that.

During the period under review 1999–2007, the government had planned to build an independent power project instead of refineries. In the year 2000 President Obasanjo through the Managing Director of Nigerian National Petroleum Company (NNPC), Funsho Kupolokun gave approval for Exxon-Mobil to lift 30,000 barrels per day for two years in exchange for building the Bonny Independent Power Project in Rivers State with the capacity amounting to 22 million oil barrels [10]. For instance, at this period the cost of one barrel of crude oil to be lifted daily for 365 days for two years, meant Exxon-Mobil would be entitled to 21.9 million (approximately 22 million) barrel of crude oil for that period, which if multiplied by $40 as at then the oil company would gain $876 million. If the agreement was reviewed, it means that Exxon-Mobil would have earned much higher than the estimated income, as oil prices rose to between $60 per barrel and $70 per barrel between 2004 and 2005 (Sunday Trust, March 23, 2008:1) [10].

THEORETICAL FRAMEWORK AND CONCEPTUAL ISSUES

Global liberalism is aimed at attaining the "liberalization" of the political and economic system of the world under a single and monopolized parameter of control. The liberal capitalist system therefore controls the global economic system.

According to Kwame Nkrumah, *"Imperialism is the highest stage of capitalism"* [11]. This implies that imperialism is the edifice that holds the world economic system under global liberalism. André Gunder Frank is of the view that *"The basis of Western (Liberal) capitalism is imperialism and exploitation of other nations by underdeveloping them for their own development" [12]*. This is the case between Nigeria and the liberal capitalist nations more especially during the period 1999 and 2007 in which the administration of President Obasanjo deregulated the Nigerian petroleum sector for the benefit of the western capitalist nations. The situation made Nigeria to be at the receiving end of secondary refined oil. As oil is produced in Nigeria, Nigeria is importing oil! And as a core primary producer, Nigeria only pumps raw crude oil for export and cannot afford to process its crude oil at home as all the existing refineries at Warri, Port Harcourt and Kaduna are dormant.

Kalu observed that:
"The clandestine activities of foreign private investors in the country would not have been possible without the connivance of the local elite. It is this category of elites who are chosen as presidents during civil rule. They pitch themselves in battle against outspoken supporters of the masses who prefer heroic suicide to the dishonor of seeing the country in chains. Their mentors deploy them to sow death, fire and destruction whenever the statusquo is threatened. This alliance has sapped the country of her enormous resources. It has taken over national trade and industry…oil and fiscal agencies thereby taking the country backward to outright colonial slavery (1987; 58)".

This is what happened during the period under review 1999–2007. Madunagu is also of the view that:
"Our leaders (in Nigeria) fail to admit that neocolonialism is the form which the world capitalism economic system through imperialism assumes in this part of the world, and that they themselves, are its local agents and operators (Cited in Musa, 2005:20)".

Madunagu further defined neocolonialism as:
"A continuation of the colonial economic heritage, which represents a compromise between the indigenous and alien economic interest. The primary aim … is to maintain the former colony (like Nigeria) as dependency, as a controlled source of raw materials as well as market for investment [6]".

DEREGULATION, WITHDRAWAL OF SUBSIDY AND HIKE IN THE PRICE OF PETROLEUM PRODUCTS

The issue of deregulation of the downstream sector, withdrawal of subsidy and increase in the price of petroleum products form part of President Obasanjo's economic reform agenda. When Obasanjo's Government implemented the above in the oil sector, it aided in fueling numerous socioeconomic problems in the country, such as the sharp rise in transportation fare, school fees, agricultural produce and other basic necessities of life, leading to criminal tendencies among the people. This has attracted comments from different scholars and analysts. Professor Sam Aluko raised alarm and warned that:
"President Obasanjo will ruin the Nigerian economy. (Obasanjo's) philosophy is that, government must withdraw … (subsidy and essential relief in every sector of the economy). An economy of withdrawal is an economy of disaster [13]".

Since assumption of power in 1999, President Obasanjo's Government withdrew subsidy in the downstream sector, especially on petroleum products for more than five times. As NLC publication observed: -
"Between January 6, 1978 and May 27, 2007, the various regimes increased fuel prices a total of 18 times. Most of the increases occurred in 1999–2007 period when petroleum products' prices were adjusted upwards sometimes even twice in one year (May 11,2009:1)".

In 1999, government withdrew ₦2; in 2001 the same government withdrew ₦4; in 2003, it was ₦8 that was withdrawn (Nda- Isaiah in Daily Trust, September 22, 2003:40). However, the withdrawal continued up to the end of his second tenure in 2007. The administration of Olusegun Obasanjo 1976–1979 and 1999–2007 as well as Ibrahim Babangia's Government are the worst in the frequency of petroleum and gas hike in Nigeria. However, it was Obasanjo who first started the hike in the price of petroleum in Nigeria when he was Military Head of State. Obasanjo on assumption of power as Military Head of State in 1976 raised the pump price of fuel to 8 Kobo per liter across the country; he hiked it to 15 Kobo per liter in 1978. The government gave excuse that Nigerians were using fuel (petroleum) for pleasure by owning more than one car (Nda- Isaiah in Daily Trust, September 22, 2003:40). But is that the right step of a patriotic leader? Patriotic leaders are for public welfare. According to Sunday Awoniyi in a media statement chat: *"Obasanjo loves watching people suffer"* (Nda-Isaiah in Daily Trust, September 22, 2003:40). This is the quality of domestic collaborators of western exploitative nations they go against public welfare.

As the hike in the price of petroleum started in 1978 from 8 Kobo to 15 Kobo, it remained so until 1990 when General Babangida's military regime raised it to 60 Kobo. In 1992, it went to 70 Kobo before it was increased to ₦2.25 in 1993 [14]. Similarly, with the inception of President Obasanjo in 1999–2002, the increase in the price of petroleum products, started and labour unions had to battle with the government to reduce the price from ₦22 to ₦20. When the government of Obasanjo made it to ₦20, again Nigerians were confronted with another hike in December 2001 from ₦22 to ₦26, and before June 2003, the hike moved from ₦26 to ₦34 and later reached ₦40 without stoppage till the end of the second tenure in the year 2007. All these hikes affected the economy and the condition of living of Nigerians deteriorated. General Sani Abacha's military regime that many Nigerians including President Obasanjo referred to as "despot" "inhuman" as well as "wicked" man on earth, only made the hike once and with human face. He only hiked the pump price of petroleum from ₦9 to ₦11 per liter within five years, and the hike led to the establishment of the Petroleum (special) Trust Fund (PTF), which distributed the gains from the increase on social and infrastructural projects. Unlike the administration of President Obasanjo, General Abacha utilized the difference in the hike of ₦2 in the service of humanity under the PTF, which operated only between 1995 and 1999. The ₦2 difference in the hike (increase) was saved into an account that was utilized in running PTF projects meant for ameliorating the suffering of the people. What PTF had put in place only funded by the ₦2 subsidy which began with an initial capital of ₦60 billion in 1996 from petroleum was much more efficient in touching the lives of Nigerians in every aspect of the Nigerian economy—health, education, agriculture, transportation etc. An estimated ₦187 billion was what the government committed to all PTF projects and programmes in four-year-period 1995–1999. Compared to the whole of President Obasanjo's economic policy put together plus all his agenda in the first and second tenure 1999—2007, including the revenue generated and spent to the tune of ₦ 3.3 trillion in four years (1999–2003) and ₦16 trillion in the two-terms tenure of eight years (1999–2007). Unfortunately, the fact remains that the hike in the pump price of petroleum and withdrawal of subsidy during the period under review (1999–2007) was guided and supported by the philosophy of global liberalism through the foreign agencies such as the IMF, the World Bank and the Paris Club, as precondition for loan, debt relief and aid for the restoration of democracy. Professor Sam Aluko, during the period under review observed that:

"The World Bank and IMF are all behind the problems Nigeria has today. During, our time *(when he was an Economic Adviser to General Sani Abacha)*, General Abacha did not listen to them *(the Foreign Lending Institutions and Co.)*, that was why they said *(after his death)* he *(Abacha)* had stolen all the money in Nigeria. It is all part of western conspiracy against *(General)* Abacha to dehumanize him for not allowing them to come in and have a field day when he was Head of State [15]".

Obasanjo's Government allowed them to come in and have a field day so much so that aid and debt relief became an avenue through which the government's economic agenda's reflect their precondition and philosophy.

Labour unions in Nigeria such as the Nigerian Labour Congress (NLC) did not leave things to go through their antineocolonial struggle against the philosophy of global liberalism. As Fashina (2002) [16] observed during the period under review that:

"Recent (between 2000 and 2002) workers struggle in Nigeria must be interpreted politically. The popular anti-fuel hike strike led by the Nigerian Labour Congress (NLC) was a struggle against global liberalism… (2002:9)".

This antineocolonial struggle by labour unions in Nigeria attract an antilabour Executive Bill sent to National Assembly in 2003 which the World Bank and IMF as well as some forces (domestic collaborators) are working toward ensuring that the major labour organizations in the country, Nigeria Labour Congress (NLC) and the Trade Union Congress (TUC) are dissolved and marginalized so that they become dysfunctional (Nigerian Compass, Saturday, April 4, 2009:5). In the words of the NLC Deputy President, Peter Adeyemi:

"The World Bank, IMF and some forces that had hitherto worked to see the labour body dissolved in the past were at work again through some provisions in the bills (Cited Nigerian Compass, Saturday, April 4, 2009:5)".

Apart from the increase in the fuel pump price, petroleum was also imported into the country by the private sector. In the words of President Olusegun Obasanjo when he was on power around 2003:

"The problem of inefficient deliveries and shortages of petroleum products would be solved by bringing in private sector of the petroleum industry and the deregulation of prices [17]".

However, in the process of importation, the Federal Government was spending billions of dollars. For instance, in 2007, Federal Government spent $5 billion; the breakdown is as follows— $4.14 billion for 5.8 million tons of PMS otherwise known as petrol, and $956 million for 1.3 million tons of DPK popularly known as kerosene. Therefore, the total figure of the $5 billion represents an increase of about 10% of the money value spent on importation of oil in 2006 [18]. This amount of money is enough to have built four new functional refineries in Nigeria. Studies showed that during the period under review it cost not less than $350 million (about N42 billion) to $400 million (about N53 billion) to build a new refinery, which can be done within 2 years [8].

In counter attacking the statement of President Obasanjo who ascribed the failure to government on her inability to properly maintain and provide efficient services through public enterprises, which has no ground. Sam Aluko said that if that is the case, The Asian economy could not have been developed to its present stage. But it was developed essentially by the government and then later developed by the private companies [13].

The failure of the government can be ascribed to neocolonial tendencies. The government through neocolonial collaborators deliberately liquidated and ruined the economy, and later blamed the public enterprises. For instance, Venezuela, which is a small country compared to Nigeria, the government owned and maintain ten to fifteen functional refineries [13]. But does the government of Venezuela invite the private sector before it developed? Similarly, Malaysia which is a nonoil exporting country has fifty-one (51) oil refineries owned by the government [8]. Similarly, Petronas Malaysia control the oil refineries, it also provides services ranging from basic design, engineering, procurement and construction management to the oil, gas and petrochemical industries in the country and abroad; a role, which the Nigerian National Petroleum Company (NNPC) is unable to provide.

Nigeria's oil industry is dominated by foreign interest directly and indirectly and this makes Nigeria's oil not be beneficial to Nigerians, but only to comprador bourgeoisies and their foreign collaborators. With reference to the period under review 1999–2007, President Obasanjo acted solely as the Minister of Petroleum throughout his tenure, and Nigeria lost over $3 billion that was unaccounted for [19]. However, crude oil, the nation's most priced foreign exchange earner is exported over the years in its raw nature and yet petroleum products for domestic consumption are imported [19]. In addition to this, Nigerian leaders as compradors/collaborators are not aware of the exact quantity of oil being produced by the oil companies, which are owned by the foreign neocolonial governments, but instead relied on what the foreign oil companies tell them. For instance, a former Head of State in Nigeria once told a delegation of the Traditional Rulers of Oil Producing Communities in Nigeria (TROMPCON) that, he had no knowledge of the quantity of oil being produced by the country except what the oil companies themselves told him [20].

The same thing applies to the importation of petroleum into Nigeria, because the President did not know the exact quantity of crude oil the foreign oil companies are lifting abroad. This suggests that the persistence of the neocolonial phenomenon accounts for why in spite of the huge amount of revenue that accrued from oil, the Nigerian economy in the period under review, 1999–2007, remains backward with indicators of mass failure, which resulted to mass poverty. As Kalu observed the situation in Nigeria in which:

"The foreign businessmen control local and international commerce. Corporate financiers, through their own cartels, successfully eliminate competition. Foreign shipping companies monopolize ocean and sea transport. Multinational corporations continue to dominate all sectors of the Nigerian economy in terms of land, labour, capital management and technology (more especially in the oil subsector of the economy) (1987:2)".

In a nutshell, Kalu remarked that:

"By failing to gain control of her petroleum sector, Nigeria has successfully mortgaged her entire economy to the whims of a capricious, exploitative international order (1987: 37)".

CONCLUSION

This paper analyzed the state of petroleum sector and its impact on Nigerian economy from 1999–2007, and the manner in which it was managed. This attracted a choice on the tendency and philosophy adopted by the administration, between neocolonialists and the Nigerian collaborators. Because President Obasanjo's government in Nigeria between 1999 and 2007 failed to gain control of almost all the sectors of the Nigerian economy especially the major national revenue earner-petroleum sector. Instead he mortgaged it to foreign exploitative economic order. The policy during the period is tantamount to development of underdevelopment in the oil sector in terms of management, administration and development. Also, it equal to what Kalu said *"while oil is produced in Nigeria, Nigerians do not produce oil"* [4].

RECOMMENDATIONS

In order to ensure orderliness in the Nigerian petroleum industry, the following recommendations are hereby put forward to the government for implementation:

(i) The government should revive all the dormant refineries for the benefit of Nigerians, and institute stiff penalty on people found sabotaging the effectiveness of the refineries.
(ii) The government should henceforth stop the deregulation of the oil industry, because the masses are suffering, which may lead to a rise in criminal activities in the country.
(iii) The government should reject or refuse any international economic relations (aid, loan, debt, etc.) that will attract harsh or stiff conditionalities that may become a danger to the nation's social, economic and political development efforts.

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