



## HYDROCARBON EXPLOITATION, MILITANCY AND ECONOMIC DEVELOPMENT IN NIGERIA

**Enyoghasim, Oguwuike Michael (PhD)**

*Department of Economics and Development Studies,  
Alex Ekwueme Federal University Ndufu- Alike, Ikwo,  
Ebonyi State, Nigeria*

**Adelegan, Edward Abiodun (PhD)**

*Department of Economics and Development Studies,  
Federal University Otuoke, Bayelsa State, Nigeria.*

### ABSTRACT

#### KEYWORDS:

*Hydrocarbon exploitation,  
militancy and development*

#### Jel Classification:

Q2, Q3, Q4 and O13

*This paper is focused primarily on hydrocarbon exploitation, militancy and economic development in Nigeria. The objective of this paper is to examine the relationship between hydrocarbon exploration, militancy and economic development in Nigeria. The study adopted the political economy method to x-ray the issues that are germane to the study. Findings revealed that the problem in the Niger Delta region is beyond the provision of military solution therefore any attempt at militarization of the region will engender and deepen the incidence of militancy agitations. Also, the lack of long term vision at developing the society in general in the context of human capital development is also noted by the paper. Again, the social cultural outlook which engenders disregard for hard work, dignity of labour as well as rentier mentality is another problem tormenting the soul of development in the Niger Delta region. The paper recommends that state governance should be reengineered along the line of socio-political, cultural and economic dynamics such that citizens have decent lives, job, health care, education, security and all forms of horizontal inequalities, injustice and domination. There is a need for mass re-orientation of the people to embrace the tenets of hard work and dignity of labour.*

### INTRODUCTION

Crude oil was discovered in the Western World in 1857 in America. Crude oil has been in the lime-light right from 1911 when the oil industry was globalized, Bhattacharya (2011). The strategic importance of crude oil was established during the First World War and was further accentuated in the Second World War.

Nigeria foray into the wild world of hydrocarbon club began earnestly in 1956 when oil was struck in commercial quantities in Oloibiri in Bayelsa State. By 1958, Nigeria exported her first shipment of crude oil to the world oil market. As at independence in 1960 through the 1970s, the structure of the Nigerian economy was skewed towards agriculture. The Nigerian economy was heavily and reliably built on production of cash crops that were exported for foreign earnings. Nigeria joined the Organization for Petroleum Exploration Countries OPEC in 1971 that was earlier formed in Baghdad in September, 1960.

Right from the 1<sup>st</sup> oil shocks in 1973 through the late 1970s during Iran-Iraq war to 2008, when crude oil price peaked at \$140 per barrel, Nigeria had gained tremendously

from the oil sector. Available data from the Central Bank of Nigeria and EIA sources suggest that as at date 90% of total revenue are from the oil sector, 80% of foreign earnings is from the sector and that the sector contributes about 40% of GDP. From the early 1970s, to date, the Nigerian economy is dangerously skewed towards the oil sector and her economy dubbed a mono-product economy with the attendant issues of resources curse and the incidence of the Dutch disease. On the flip side of the huge earnings from the oil sector is the issue of negative externalities. The Niger Delta region who lay the golden eggs exhibit one of the extreme situations of poverty and underdevelopment in the midst of plenty. The region is characterized by low level of infrastructural development, high poverty and unemployment levels, environmental degradation, however, the fiscal foundation of the Nigerian state is anchored on the Niger Delta region. At the inception of the 4th Republic in 1999, bottled resentments and repressed grievances began to manifest in non-violent demonstration across the oil bearing region. Kalama (2012: 40) opined that due to the neglect and conspiracy on the part of multi-national corporations and the Federal Government

of Nigeria against the Niger Delta people, the crisis escalated from its initial non-violence form to the formation of various armed militia groups in the region. In the same vein, Aaron and George (2010:3) lends credence to the fact that same restive youths pushed by the stark realities of poverty occasioned by the environmentally harmful practices of oil TNCs and institutionalized deprivation of the Nigerian state, and fuelled by the immediate attention and benefits associated with a violent approach, took to arms to press home their demands. The security crisis has left in its trail, pipelines vandalization, incessant attack on oil production facilities and hostage taking of foreign and domestic oil workers by militant groups fighting for greater benefits of the oil wealth for the Niger Delta region.

The unacceptable paradox of poverty in the midst of abundant natural resources is not a product of inaction and inactive squares. On the contrary, government and corporate organization have made attempts to bring about development in order to resolve the conflict in the region. The arrow-head of the various policies and programmes is the amnesty programme of 2009. In spite of various policies and programmes, the region is still experiencing one form of militancy or the other. Against this background, the objective of this paper is to examine the relationship between hydrocarbon exploration, militancy and economic development in Nigeria. For us to achieve the objective of this paper, the paper addresses the following questions. What are the impacts of oil exploration on economic development on Nigeria? What is the relationship between oil exploration, militancy and economic growth? To what extent has militancy impacted on economic development in Nigeria? What are the roles of institutions in overcoming the negative externalities of oil production? What can be done to eliminate or stem the tide of militancy in the Niger Delta region?

In the last three decades, the Niger Delta crisis has come to occupy the centre-stage in the drama that is post colonial Nigeria, Wates (2010).

The search for answers to these questions constitutes the *raison d'être* of this paper.

## **CONCEPTUAL FRAMEWORK LITERATURE REVIEW AND**

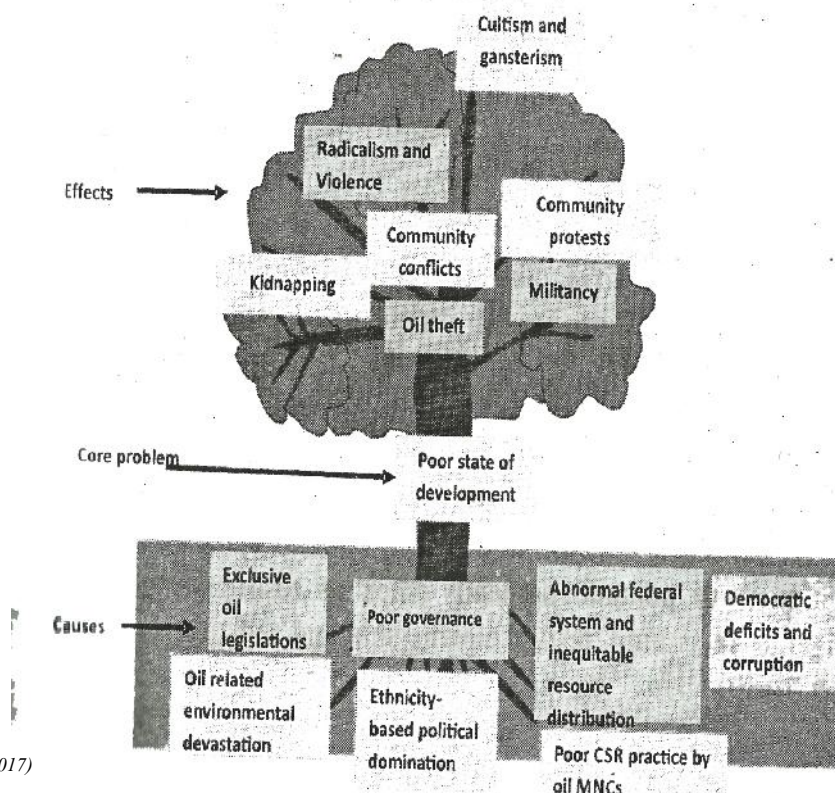
Conceptually, development has been very dynamic with changing contours over time. The classical conception of development equates developments with economic growth. In recent times development has undergone significant changes its definition and scope. Development is seen in broader perspective beyond economic growth to include what actually happens to the growth. Omotola (2011) conceives

development as a multi-dimensional process that transcends the borderlines of economic variables to include political, social and environmental concerns. In the same vein, Lane and Ersson (1997:19) captures these multi-sided process when they define development as a multi-dimensional process involving major changes in social structures, political attitudes and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty. The import of the above assertion is that development is about the people reaching an acceptable level of standard of living; meaning that people have basic necessities such as decent housing, shelter, clothing, nutritionally balanced diet, portable water and clean environment. World Bank (2011) emphasized the centrality of the people to development: human development measured by life expectancy, adult literacy, and access to three levels of education, as well as people's average income, which are necessary conditions for their freedom of choice. Furthermore, development literature has come to emphasize the sustainability of development. The World Commission on Environment and Development (WECD) defines sustainable development as the development that meets the needs of the present generation without compromising the ability of future generation to meet their own needs.

In the Niger Delta area, five distinct strands of militancy are discernable; resource agitation and political inclusion militancy, cult-group militancy, political-things militancy, communal ethnic warlords militancy and oil stealing militancy. Out of the five typology of militancy, resource agitation and political inclusion militancy has stemmed down, however, oil stealing has been on rise based on available data (see table under implications of oil militancy on the Nigerian economy). We cannot predict exactly if resource agitation militancy will rise up again to the level proceeding the amnesty years.

The Niger Delta region's conflicts that have the militancy strand in it could be described by the conflict tree analysis explained by Ibaba (2017). The conflict tree diagram succinctly explains in details the nature, scope and consequences of militancy in the Niger Delta area. A brief historical perspective into the origin of militancy is germane at this juncture.

The conflict tree analysis shows the roots and the fruits of the multifarious conflicts in the Niger Delta region. Also, it has the core and effects aspects of the conflict. The figure below shows the tree diagram indicating that state interventions have focused mainly on the effects and the core of agitations while neglecting the roots. Until the roots are sufficiently addressed, peace may continue to elude the region.



Source: Ibaba(2017)

Economic growth is the economy's most powerful engine for generating long-term increases in living standards, Lipsey and Chrystal (2011). In economic literature, the four most important determinants of growth of total output are growth in the labour force, investment in human capital, investment in physical capital, and technological change. In contemporary studies, other important determinants of growth include institutions and governmental inputs. From the foregoing, a major macroeconomic objective of any nation is to promote a sustainable economic growth that could improve the well-being of the people. Specifically, the works of (Iwayemi, 1983, 1993, 1998; Orubu 2004; Omotor 2007 and Sambo, 2008) demonstrated the importance of energy in the economic development process of developing countries. In the same vein, the link between energy and the economy is more pronounced in the industrial sector. Without a vibrant energy sector, sustainable industrialization is a mere wish and unrealizable dream. It is pertinent to point out that there are negative externalities associated with oil exploration activities. Igbami, Okoli and Okpe (2017) in their study on investigating the economic impact of militant activities on crude oil production concluded that pipeline vandalization, unemployment and crude oil production impacted negatively on Gross Domestic Product. The study employed ordinary least square technique to analyze the data. The regression result was not good enough for any form of policy formulation not with Durbin Watson value of 1.55 and  $R^2$  of 8%.

The prevalent conventional wisdom before the 1980s was that natural resources had positive effect on economic development (Rosser, 2006). The Benign perspective as enunciated in (Akinlo, 2012) encapsulated the positive contribution of the natural resources to economic development. The channels of contribution of natural

resources include accumulation of large volume of revenues that could be massively invested. Also, the oil sector can contribute through the provision of intermediate inputs into other sectors of the economy. Other channels in literature include development market of local business activities as well as foreign direct investment effect. It is important to state that the works of Jerome, et al 2006 Al- Moneef, 2006; Brunnachweiler (2009) lend credence to the thesis of positive contributions of natural resources (oil sector) to economic growth and development on the one hand. Beyond the incidence of the oil price shocks of the 1970s, crude oil brought monumental revenues to oil exporting countries of OPEC, a global recession followed in the 1980s. It was noticed that in the 80s, oil-rich countries perform dismally in various economic parameters. The idea that natural resources abundance was a blessing to development was questioned by researchers. Scholars began to jettison the ideal that the abundance of natural resources is germane to economic growth, indeed critics augured that natural resources abundance is harmful to growth. For instance (see Odularo 2005, Ranis, 1991, Sachs and Warner, 1995, 1999, Auty, 2001). Basically, the various channels through which natural resources, especially oil, harm growth include the Dutch disease syndrome, volatility argument and inefficiency in resources allocation debate. The Niger Delta crises can be traced to the pre-colonial period when legitimate trade replaces slave trade, Kalama (2012). At the Berlin conference in 1884, African continent was sliced into territories and boundaries. The partitioning was skewed in favor of colonial interests. Marginalization of the Niger Delta region in pre-colonial Nigerian was built on signing of treaties and trade agreements. This development compelled Niger Delta chiefs to trade off resources to the colonial masters and their local agents. The

level of marginalization escalated both in scope and modus operandi after oil was discovered in commercial quantities in Oloibiri in Bayelsa state. The alienation of the people of Niger Delta from their resources led to frustrations and agitations through public petitions which led to the setting up of the Wilkins commissions. The inability of the Nigerian state to implement the recommendations and agreements of the Wilkins Commission prompted further and deeper revolts and agitations in the spirit of Major Isaac Boro's revolt, Movement of the Emancipation of the Niger Delta People and other militants groups. These militants groups through declarations and expressed grievances hoped to improve the social-economic conditions of the region. From the foregoing, Kalama (2012: 35) opined that marginalization, accumulated frustration coupled with neo-colonial conspiracy against the Niger Delta region and its people are factors responsible for militant's crises in the Niger Delta region. Other identified factors include lack of development and skewed revenue allocation formula. The works of (Ikein 1991; Okoko and Nna, 1999, Aaron 2006) have demonstrated that the oil industry has not promoted development in the Niger Delta region rather it has dangerously undermined the region's development.

### **THEORETICAL UNDERPINNING**

Many theories have been used by economists to explain the behaviour of nations with endowed with abundant natural resources and its extraction. These range from the rentier state theory, resource curse theory and the Marxian political economy theory. The rentier state theory centers on economic efficiency and obstruction of socio-economic development through the generation of economic rent. The sharing of this rent breeds conflicts and internal instability. The works of (Beblawi and Luciano(1987); Collier, 2008; Ross, 2001; Karl, 2007) support the rentier state theory. The resource curse thesis basically posits that resource dependent countries do not grow economically as countries without abundance of natural resources. Another theory that is germane to the study of nations with natural resources endowment is the Marxian political economy theory. This theory scientifically studies the society in its totality and takes into consideration the interconnection of social relations class conflict and the organist relationship between the sub-structure (economy) and the super structure (politics). This paper adopts the theory of Marxian political economy as the foundation for the study as well as the Solow growth economy.

### **IMPLICATIONS OF MILITANCY ON THE NIGERIAN ECONOMY AND UNENDING CRISIS IN THE POST AMNESTY ERA IN THE NIGER DELTA**

Economically, Nigeria has been losing tremendously to oil militating activities on a daily basis. Summonu (2014), confirmed that oil theft has reached a crisis situation which is an increasingly dangerous menace. The loss of crude oil due to theft alone in Shell Petroleum Development Company facilities is estimated at over 60,000 barrels per day. Ayamrwhoh (2013) states that Nigeria loses over \$3.65 million annually to oil theft. (see table below).

Available data from EIA(2009) sources attests to the colossal losses suffered by the Nigerian economy for instance, effective oil production capacity is estimated at 2.7 million bpd but actual production figures in 2008 hovered around 1.8 and 2.1 million bpd due to attacks on oil facilities by militants

in the Niger Delta. The Niger Delta area is remarkably noted for three things; oil, poverty and militancy. The security situation in the Niger Delta is such that pipeline vandalizations, incessant attacks on oil production facilities and hostage-taking of both foreign and domestic oil workers, oil theft have become the order of the day. News watch, in its 27 September 2009 edition citing RPTCND documents as cited in Aaron & George (2011) recorded that in the first nine months of 2008, Nigeria lost about ₦3.4 trillion to oil theft and sabotage while an equally whopping ₦2.8 trillion was lost in 2009 through crude oil shut-in and theft. This is besides the ₦ 105.1 trillion that the country lost as a result of shut-down of the Soku Gas plant by Shell since November 2008 following fears of militant attacks of the facility which supplies a substantial chunk of the gas needs of the Nigeria Liquidized Natural Gas (NLNG). Specifically, the report added that there were 31 cases of attacks in 2007 and 66 attacks in 2008 resulting in loss of about 1000 lives and hostage taking of 300 persons.

Several studies (Okoko 1998; Ibaba 2005; Opukere and Ibaba(2007); Egbon (2014); have demonstrated the impact of the oil sector on the economy and society of the Niger Delta. Environmental degradation in form of oil Spillage kills fish and reduce the productivity of the land. Also, gas flaring has the same effect on land productivity (Salau 1993; Adeyemo 2002). The impact of oil militancy comes via spills on the land from oil stealing activities. Other effects of oil exploration and militant activities include productivity losses, occupation displacement and increased poverty (UNDP 2006; World Bank 1995). From the foregoing, the Nigeria Government under President Umaru Yar Adua took a non-violent route in resolving the crisis through the amnesty policy. The policy amongst other exigent political reasons paved way for a south-south president from 2009 after the death of President Umaru Yar 'Adua. Since the adoption of the amnesty policy, a whole lot of ammunitions, machine guns and grenade launchers have been turned in. Ex-militants have been on one form of training or the other for effective absorption into the society. It is not clear if resource agitation militancy will escalate to the level preceding the amnesty years in the future however the incentives for crude theft is still alluring.

By way of background, the repression, frustration and anger that were pent up during the long years of military rule from 1983-1999 started emptying with the advent of democratic governance in May 1999. Specifically in 2006, the eruption needed at climax with massive bombing of several critical oil installations and abduction of oil workers especially foreign nationals. The insurgency came to an end when provident Yar 'Adua offered amnesty, vocational training and monthly stipend. Cash payments to nearly 30,000 militants at a yearly cost of about \$500 million, Onuoha (2017). Relative peace returned to the Niger Delta following the adoption of the amnesty programme.

Data from NNPC source reported that crude oil exports increased from 700,000 barrels per day (bpd) in mid 2009 to 2.4 million (bpd) in 2011. Many ex-militants were given mouth watering pipeline surveillance contracts. The programme was intended to end in December 2015 but President Muhammadu Buhari extended it to east till December 2017.

President Buhari in his inauguration speech made it clear that he planned to reduce the loss of the amnesty programme significantly. By June, 2015 he terminated the surveillance contracts given to ex-militants. In the budget cut for 2016,

about the amnesty programme funding was reduced by 70% and the government cited corruption as the major issue surrounding the amnesty programme. From the aforementioned issues highlighted so far coupled with incoherent postures of the government on many local government, the bomb for militancy was once again ignited.

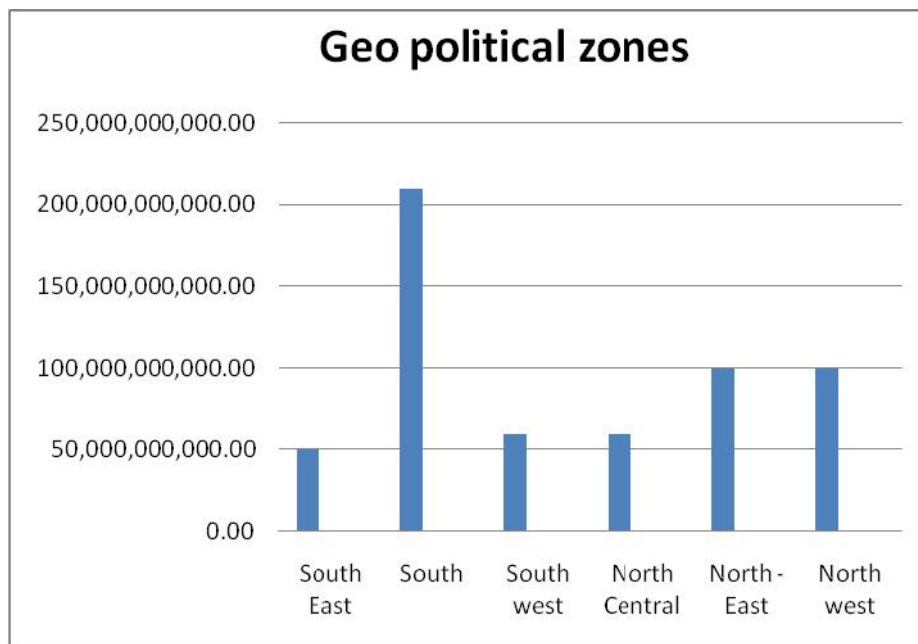
Several attacks were visited on oil installation across the Niger Delta see for instance Amaize and Perez (2016), Okere, Salam and Okafor (2016). The renewal attacks has reduced crude oil production from 2.2 million bpd to about 1.4 million bpd. Nigeria lost huge crude oil proceeds from the closure of Qua Iboe terminal. Furthermore, the power sector was badly affected as electricity generation dropped from about 4,800 megawatts in August 2015 to 1,000 megawatts in May 2016. The issue of maritime security is another thorn in the flesh of the Nigerian economy. Onuoha (2017) surmized that an estimated 70% of all piracy related incidents in the Gulf of Guinea were traced to militants group in the Niger Delta. The owners of vessels attacked are scared to continue cooperating within these territorial waters.

The Federal Government's sledgehammer approach to the violence may provoke further instability in the area. It is in this vein that Philip Hammon, the British Foreign Minister admonished the Govt. to avoid military confrontation that could end in disaster. The nagging headache is when will

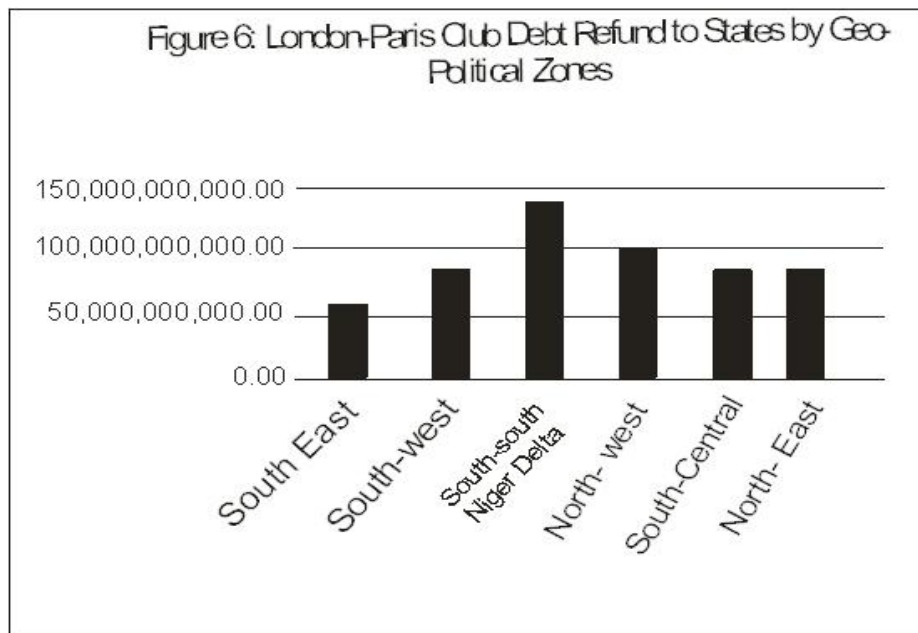
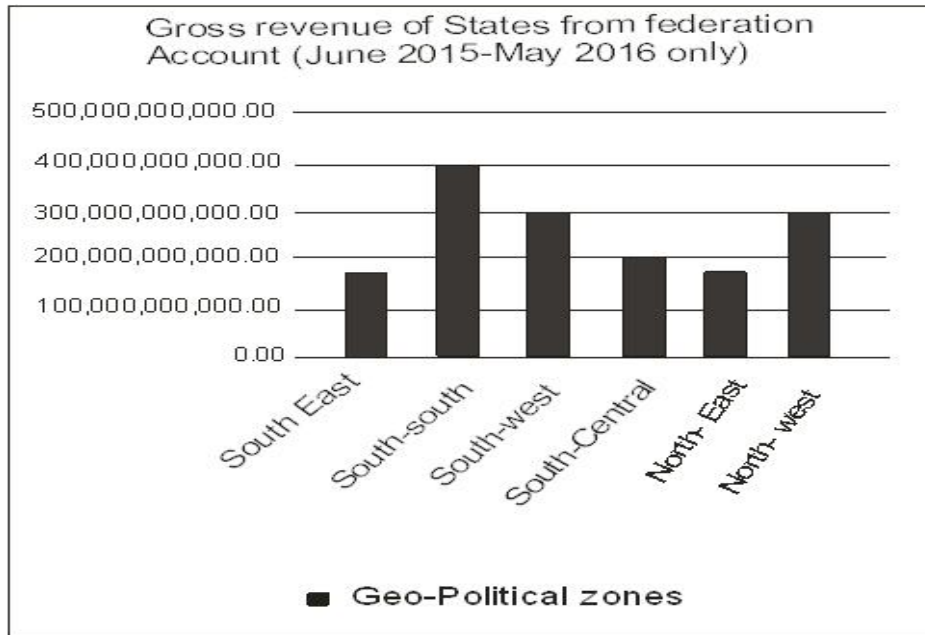
violence and militancy be wiped out in the region? New militants groups keep springing up every now and then.

It is pertinent to know that huge revenue inflows have accrued to region since the implementation of the 13% derivation policy which was a fall out of agitations carried out by various stakeholders in the region. For instance, available date from the Ministry of Finance records revealed that between 2000 and 2008, the South-South region received over N2.5 trillion naira from the federation account. Ibaba (2008) argued that in comparison with other geo-political zones, the Niger Delta region have received more revenue than other regions of the Nigerian federation. A peep into revenue inflows into the region from June 2015 – May 2016 also revealed that the Niger Delta region received the highest allocation from the federation account. See figures in the next page.

The impact of the huge inflows into the region ordinarily ought to change the architecture of development but the stark reality is that poverty, unemployment and inequality are still endemic in the region. The monies received have ended up in financing elitist and white elephant projects, maintaining members of the executive and legislative arms of the government while projects that could get people out of poverty have been jettisoned. Such is life in the Niger Delta region.



Source: Ibaba(2017)



Source: Ibaba(2017)

**CONCLUSION AND RECOMMENDATIONS**

Bearing in mind the recurring militant agitations in the Niger Delta region that has become perennial and unabated, this paper sought to examine the relationship between hydrocarbon exploration, militancy and economic development in the Niger Delta. The study employed the political economy method and attempted to answer the questions as stated in the introductory section of the paper. This paper recognizes that the problem in the Niger Delta region is beyond the provision of military solution therefore any attempt at militarization of the region will engender the deepen the incidence of militancy agitations. Also, the lack of long term vision at developing the society in general in the context of human capital development is also noted by the paper, again, the social cultural outlook which engenders disregard for hardwork, dignity of labour as well as rentier

mentality is another problem tormenting the soil of development in the Niger Delta region. Closely linked to the above is the issue of insincerity, abuse of office and contempt for advancing the public good within the leadership cadre. On the basis of extensive literature review carried out and the analysis emanating from the study of we recommend the following.

1. The Federal government should not relent efforts at developing the Niger Delta region. The structure in place at present such as the Niger Delta Development Commission, the Ministry of Niger Delta and the Nigerian content Development Monitoring Board be strengthened and made to deliver according to the mandate establishing them.
2. Apart from maintaining normal security over strategic oil infrastructure, overt militarization of the region should be avoided in order not to deepen the incidence of militancy.

3. It is evident that huge revenue inflows have been recorded in the region since 1999, yet the desired development have eluded the area. State governance should be reengineered along the line of socio-political, cultural and economic dynamics such that citizens have decent lives, job, health care, education, security and all forms of horizontal inequalities, injustice and domination.
4. There is a need for mass re-orientation of the people to embrace the tenets of hard work and dignity of labour.

## REFERENCE

1. Aaron, K.K (2006). *Can a Privatized State Privatize? Insights and Experience from Nigeria* Privatization Programme. THEDI Monograph No 1, Port Harcourt.
2. Adeyemo, A.M. (2002). *The Oil Industry. Extra-Ministerial Institutions and Sustainable Agricultural Development: A Case Study of Okrika LGA in Rivers State. Nigeria Journal of Oil and Politics* 2(1).
3. Al-Moneef, M. (2006). *The Contribution of the Oil Sector to Arab Economic Development. OFI Pamphlet Series* 34, Vienna.
4. Auty, R.M. (1993). *Sustaining Development in Mineral Economy: The Resource Curse Approach*, London: Routledge
5. Beblawi, H and G. Luciani, (1987). *In the Rentier State*. Groom Helm: London.
6. Beblawi, H. (1987). *The Rentier State in the Arab World*, in Beblawi, H and Luciani G. (eds). *The Rentier State*, New York: Croom Helm.
7. Bhattacharyya, S.C (2011). *Energy Economics. Concept, Issues, Markets and Governance*, London: Springer-Verlag.
8. Collier, P and Hoeffler, A. (2001). *Greed and Grievance in Civil War*. Washington D C: World Bank.
9. Egbon, P.C (2011). *Nigeria and the World Economy: Restitution of self-Reliance as Cradle for National Rebuilt*. 23<sup>rd</sup> in the series of Inaugural Lectures of Delta State University Abraka, Nigeria.
10. Egbon, P.C. (2014). *Environmental Degradation and Corporate Social Responsibility: experience*. *Nigerian Journal of Oil and Politics*, Vol.1 No.1
11. Ibaba, S.I (2005). *Understanding the Niger Delta Crisis*. Port Harcourt: Amethyst and Colleagues.
12. Ikein, A. (1990). *The Impact of Oil on a Developing Country: The Case of Nigeria*. Ibadan Evans Brothers Limited..
13. Kalama, J.T. (2012). *Minority Revolts: The Niger Delta Crisis and the Amnesty Question*. Port Harcourt; Pearl Publishers.
14. Karl, L. (2007). *Oil Field Development, Social, Political, and Economic Consequences*. CDDRL Working Papers in http:
15. Lane, J.E and Ersson, S. (1997). *Comparative Political Economy. A Development Approach*, London: Printers.
16. Okoko, K. and Nna, J. (1997). *Federalism and Resource Allocation: The Nigerian Experience*. *Nigerian Journal of Oil and Politics*, Vol. 1 No. 1.
17. Omotola, J.S (2011). *Conceptual and Theoretical Issues in Development with Referen to the Niger Delta*, in Aaron, K.K and D. George (eds). *Placebo as Medicine: The Poverty of Development Intervention and Conflict Resolution in the Niger Delta Region of Nigeria*. Port Harcourt, Kemuela Publications.
18. Opukri, C.O and S.I. Ibaba. (2008). *Oil Induced Environmental Degradation and Internal Population Displacement in Nigeria's Niger Delta*. *Journal of Sustainable development in Africa*, 10(1)
19. Orubu, C.O. (2003). *The Development and Contribution of the Petroleum Industry to the Growth of Nigerian Economy* in Iyoha, M. A and Itsede, C. O. (eds). *The Nigerian Economy: Structure, Growth and Development*, Benin City; Mindex Publishers.
20. Ross, M. (2007). *Does Oil Hinder Democracy? World Politics*.
21. Rosser, A. (2006). *The Political Economy of the Resource Curse: A Literature Survey*. IDS Working Paper 268.
22. Sachs, J. and A. Warner (1995). *National Resource Abundance and Economic Growth*, in Meier, G. and Rauch, J. (eds). *Leading Issues in Economic Development*, New York: Oxford University Press.
23. Salau, A.T. (1993). *Environmental Crisis and Development in Nigeria*. 23<sup>rd</sup> in the Series of Inaugural Lectures of University of Port Harcourt, Nigeria.
24. Sumonu, M. (2012). *How they Steal the Nation's Oil*, Tell, 29 May, <http://www.tell.ng.com>