

**ENERGY CRISIS AND SUSTAINABLE DEVELOPMENT IN AFRICA: THE  
IMPERATIVE OF ECONOMIC DIVERSIFICATION IN NIGERIA**

**Moveh David Omeiza**  
*Ahmadu Bello University*

**Abstract**

The challenge of sustainable development to oil rich African states is exacerbated by an imminent energy crisis- particularly in the international political economy of oil. With an increasing dependence on oil as the driver of industrialization in the west, as well as in the rapidly industrializing economies of china and India, the imperative of diversifying the economic base of oil rich African states can not be overstated; more so, as oil is an exhaustible resource. This paper is a systematic exposition of an impending doom in the international political economy of oil. With particular reference to Nigeria, it submits that in the light of the exponential increase in the demand for oil, energy resources rather than ethnic or civilization considerations will increasingly be at the root of conflict. The paper also contends that the crisis in the global political economy of oil may give rise to an "energy shift" thereby relegating oil. Thus, a genuine diversification of Nigeria's mono-cultural oil economy is the only basis on which it can contemplate any meaningful project on sustainable development.

**Introduction**

The scramble for oil is fast engendering a crisis that portends danger if drastic measures are not taken. With an increasing dependence on oil as the driver of industrialization in the west, as well as in the rapidly industrializing economies of china and India, the imperative of diversifying the economic base of developing countries dependent on oil for foreign exchange can not be overstated; more so, as oil is an exhaustible resource.

Already, fears are being expressed across the globe that we are at the threshold of "peak oil" - a point where the easy to get oil is exhausted. In the light of this, there is an increasing pressure particularly in the United States –which incidentally is the world's largest consumer of oil- to reduce dependence on oil by seeking energy alternatives.

Against this backdrop therefore, is the imperative of diversifying the resource base of the Nigerian economy which has become increasingly dependent on oil as a major foreign exchange earner and as the driver of economic development.

This paper seeks to expose the nature and intensity of the imminent energy crisis in the international political economy of oil. Hopefully, this should bring to the fore the need for drastic measures in Nigeria towards averting an impending doom. Following this introduction is the theoretical framework in which this paper is situated, and then the nature of the global political economy of oil in the 21<sup>st</sup> century is examined. Next is an examination of the political economy of Nigeria and the imperative of economic diversification, then finally conclusion.

### **The International System: A Framework at Analysis**

The fact of interconnectedness in the contemporary world is well known. In the statistics of trade and investment, in the diffusion of conflict from country to country, in the shared vulnerability to poisoned air or encroaching drought and in the fearful antipathies of culture and commerce, identity and technology, democracy and the market. At war or peace, the world has become closer than it has ever been (Smith and Niam, 2000: 3). The inevitable interdependence and interconnectedness of states in the contemporary international environment is a product of an evolutionary process and is firmly rooted in systemic analysis. An understanding of these realities provides a

framework for understanding the impending doom in the international political economy of oil.

### **The Evolution of the International System**

The contemporary international system is usually traced to the treaty of Westphalia of 1648 which brought the thirty years war to an end in Europe. This however does not imply that there was no international system before 1648. Indeed there were several other states systems, like the Greek city states, the imperial Chinese system, the Indian state system, and the holy roman empire, to name but a few. What differentiated these pre-1648 systems from the contemporary international system was the absence of the distinctively modern idea of the state as a forum for public power separate from both the ruler and the ruled and consisting of the supreme political authority within a certain defined territory. The idea of the state as an independent political apparatus distinct from the ruler and which the ruler had a duty to was unheard of (Ojo and Sesay, 1988: 14).

The international system has since the treaty of Westphalia undergone rapid transformation from an essentially European to a global system characterized with a high degree of interconnectedness and interdependence. These transformations have been essentially propelled by the emergence and assertiveness of new states as well as the inherent inability of states to independently satisfy their socio economic and political needs. As Ojo and Sesay (1988: 17) notes, from the 19<sup>th</sup> century till date the system has witnessed several phases of changes not only in terms of number of units but also in regards to its geographical boundaries. In the first instance was the admission of the

United States of America into the European system following the successful rebellion of the thirteen colonies against the British crown and the subsequent civil war which led to the unification of the country in the eighteenth century. Following that inclusion, the Americans temporarily withdrew from the system but they were to re-appear in full force during and after the First World War. The role of president Woodrow Wilson at the peace conference in Versailles and the creation of the league of nations as well as its collapse a decade or so later, was clearly a pointer not only to what was to be expected from the US in the future, but also to the declining status of Europe as the dominant centre in the then international system.

The second major development in the globalization of the international system was the independence of the Spanish colonies in Latin America and their subsequent recognition as such by Britain in the first quarter of the 19th century. Their admission did not only increase the number of units within the system but also extended its geographical boundaries. A third development was the acceptance of Japan into the system following its unexpected defeat over Russia in 1905. That defeat of what was definitely a member of the dominant European system then was a warning that events in the international system would no longer be dictated purely by the centre. This was to be emphasized later with the admission and subsequent withdrawal of Japan from the League of Nations, its attack on US fleet at Pearl Harbor and the course of the Second World War. Other developments in the globalization process of the international system include the integration of China in the United Nations in 1971, the admission of the Arab states following the break up of the Ottoman empire as a result of its defeat in the first world war and the independence of the former European colonies in Africa and Asia. The

independence and admission of these former colonies in Africa and Asia saw the expansion of the system to all continents of the world and also more than doubled the number of units within it.

At over three and a half centuries old the international system has developed into an intricate whole characterized with a high degree of interconnectedness and interdependence. This is particularly so in the economic sphere where developments in all nations are conditioned by events external to their environment- herein lies the rationale for the systems theory in this paper.

### **A Systematic Analysis of the International Political Economy of Oil**

A system may generally be defined as a combination of related parts organized into a complex whole. In international politics however, the concept of "system" has been defined in several ways by scholars of international relations. Beer and Ulam (1962:26) for instance contend that "by a system we mean at least a high degree of interdependence". And according to Me Clelland (1966: 20) "any system is a structure that is perceived to have some identifiable boundaries that separate it from its environment". An international system according to Frankel (1973:4 7) "consists of a number of units which interact". Frankel further contended that "it is clear that these units conduct their relations not in a social vacuum but within a broader system which evolves its own structure, norms and rules of behavior". Thus, central to any systematic analysis is the idea of interdependence and interaction.

The idea of conceptualizing the International environment as a system derives from the natural sciences. International relations analysts imply in their analogy that we can liken the global system to a human body - a biological system; they further reason

that just as a biological system like the human body can be sub divided into sub- systems such as the respiratory system, or the digestive system, so it is with the international political and economic system. Thus, within the international political and economic system are sub-systems comprised of states and non state actors which are not only in constant interaction with each other but are also affected by each other.

The foregoing analogy however, had at a point in time been faulted. Ojo and Sesay (1988:4) for example have argued that unlike with the biological system where the entire system cannot subsist when a sub-system is in crisis, a sub-system within the international system may be in crisis without affecting the functioning of the entire system as a whole. Although this may not be incorrect, the same cannot be said in regards to the international political economy of oil as a system due to the high degree of interdependence and interconnectedness inherent within this system.

The case of oil in the international system shows clearly how political, economic and social forces outside of nation states influence and shape their destiny. In addition, politics, economics and social issues surrounding oil have also become so tightly intertwined that it is very difficult to distinguish between them. Furthermore, the case of oil clearly demonstrates that international political economy issues are not merely international but global in scope involving all nations and a variety of other actors at once, neither states, society nor markets alone determine outcome in this interdependent, intertwined global system. In this context, the Organization of Petroleum Exporting Countries (OPEC) was established as a balancing act between a variety of political, social and economic forces (Balaam and Veseth, 2005: 404).

A careful examination of the past activities of OPEC reveals the increasing interdependence and interconnectedness of states in the international political economy of oil. In 1973 the lives of people everywhere in the world were disrupted at the level of personal, business, national and global relations when the US support of Israel in the Yom Kippur war with Egypt caused the Arab members of the oil cartel (OPEC) to ban export of petroleum to the US and other allies of Israel. In only a few days' world oil prices on the barrel skyrocketed, gasoline shortages appeared and plans to ration gasoline were made (Balaam and Veseth, 2005: 405). Because oil had become so vital to every aspect of an industrial society, every element of daily life in much of the developed world was altered. By the time the dust had settled a year later the world oil market was dominated by OPEC. Oil prices continued to rise and the changing pattern of world payments caused sudden and dramatic shift in the global distribution of wealth (Balaam and Veseth, 2005: 405). Individuals, industries and nations that were once rich or at least relatively well off were suddenly heavily burdened by oil payments. On the other hand, oil rich African states such as Nigeria and Gabon that were major oil exporters at the time recorded significant increases in the wealth accruing from oil. In the history of these two African countries, it was a period of unprecedented economic boom. Thus, the OPEC oil embargo of 1973-1974 was like an earthquake that rocked the international political economy with short, sharp jolts that shook international institutions and changed the global political and economic landscape for years to come (Balaam and Veseth, 2005: 405).

The foregoing event within the international political economy of oil during the Yom Kippur war is a concrete evidence of how happenings within the international

system affect the various sub-systems. In like manner, when the world oil market experienced a glut in the late 1970's resulting in a fall in the price of crude oil, the Nigerian economy was plunged into a crisis even though this phenomenon was advantageous to the advanced countries which had to pay less for crude oil. Within this framework of analysis, the global political economy of oil is here, taken as a system, and developments across the globe are examined and explained, with insights from history.

### **The Global Political Economy of Oil in the 21<sup>st</sup> Century- An Impending Doom**

Petroleum or oil has become almost indispensable for modern industrialized societies. This is due to the fact that it not only constitutes 40 percent of the world's energy supply, but also because it is yet irreplaceable in the transportation sector oil provides 98 percent of the world's transportation energy ([www.motherjones.com](http://www.motherjones.com)). Oil is also essential for military operations. No other substance or material is so vital for the prosecution of warfare than petroleum. Thus, the United States being the world's ultimate global power is highly dependent on oil.

There are two remarkable interrelated phenomena in contemporary times that suggest an impending doom in the international political economy of oil. These are the insatiable desire for a diminishing pool of oil- resulting in an exponential increase in its demand as well as the environmental degradation that results from oil exploration and other oil related activities.

#### *1) An Insatiable Desire for Oil*

In recent years, the demand for oil across the globe has increased exponentially that there is much talk about a crisis. According to Salameh (2008) "at present the world has the capacity to exhaust thirty one billion barrels of oil a day but only five to six



billion barrels is exhausted daily". Although it has been argued that there are adequate world energy supplies and that market and energy institutions will be able to absorb energy shocks suggesting therefore that the impending energy crisis is exaggerated (Van Der Veer: 2006), it cannot be contested that the increasing dependence on oil is leading to an apparent scrounging around the world for additional oil supplies and competition for a declining pool of essential petroleum. Making matters worse is the fact that most of the worlds remaining pool of oil is in the developing world in the middle east, Africa, Latin America and central Asia- areas that are politically unstable.

In the light of the foregoing, the United States- the world's largest consumer of oil and the world's ultimate global power is becoming more dependent and competing with other countries for access to a diminishing pool of oil in politically unstable areas. Thus, the crisis in the political economy of oil manifests in an exponentially increasing demand curve. Rapidly industrializing nations such as china and India and established but increasingly competitive energy consumers such as the European Union are adding to an already stretched demand for long term reliable supply of cheap oil. This has aptly been described as a recipe for disaster (Klare, 2004).

In any case, a proper understanding of the imminent cataclysm in the global political economy of oil is possible when we extrapolate from events leading up to the First World War. Just as competition amongst nations and empires for colonies and resources across the globe in the early twentieth century culminated in the First World War, the emergence of china and India in the contemporary world economic scene coupled with the limited availability of oil is increasing competition for the resource (oil) in a manner that is in many respects similar to the period before the first world war. This

however, is not to suggest that we are at the threshold of a third world war, but that energy rather than ethnic, civilization or religious differences will increasingly be at the root of conflict- internal and interstate. Mamdouh Salameh, an international oil expert and a World Bank consultant on energy noted this when he asserted "wherever there is oil there is a potential for conflict" (Salameh, 2008).

In the light of the foregoing, the increasing conflicts in many African states including Nigeria have arisen among other factors from struggles over access to energy resources. Commenting on the damage of oil to the Nigerian political system (Shaxson, 2005: 28) aptly notes:

*Oil has undoubtedly intensified the competition for power between groups which has resulted in numerous forced changes of government since independence in 1960... more recently, the competition has become ever more fragmented in the producing areas in the Niger delta, with groups such as the Mujahid Dokubo Asari's Niger delta people's volunteer force militia stealing oil from pipelines and using the proceeds to buy arms.*

At the governmental level, Shaxson continues thus:

*Politicians loose interest in the difficult challenges of national development and instead spend their time working out how best to get at the oil money for themselves (Shaxson, 2005: 18).*

Suffice it to say that the internal political crisis engendered by oil in Nigeria has exacerbated traditional and ethnic differences and pushed people into conflict with one another. As for international conflicts the focus is also particularly on oil. There seems to be an apparent panic in the major industrialized countries about the future availability of oil and natural gas. This is causing the United States, china, India, Japan and other large industrial countries to try to gain control over foreign sources of oil and natural gas particularly in Africa, the Middle East and central Asia. In this regard, for example is the

suggestion that the U.S is reluctant in quitting its occupation of Iraq despite increasing opposition to the war due to oil.

## *2) Oil Exploration and Environmental Degradation*

Perhaps a more important indicator of the imminent crisis in the global political economy of oil is the environmental degradation that continues unabated from oil exploration. Global warming, which is an increase in the average temperature of the atmosphere, oceans, and landmasses of Earth that began with the rise of human civilization about 8,000 years ago and especially since the Industrial Revolution in the mid 1700s, is at an all time high due to the exponential increase in the emission of green house gases, particularly from oil related activities. The widespread use of fossil fuels (particularly oil) is releasing carbon dioxide and other greenhouse gases into the atmosphere and threatens to warm the planet's surface. This global warming could melt glaciers and the polar ice caps, which could flood coastlines around the world and many island nations. In the light of this, research into the viability of bio- fuels and other environmental friendly sources of energy is taking centre stage.

Furthermore, the environmental degradation resulting from oil related activities gave rise to the Kyoto protocol which was meant to stem the increasing tide of global warming by cutting down on the emission of green house gases. Technically, this could mean an "energy shift" and by implication, a reduction in oil consumption.

Of more importance here however, is the fact that the brunt of the energy crisis in the global political economy of oil shall be borne in the developing countries, particularly in those countries where oil has become the mainstay of the economy. In Nigeria for

example, where oil continues to account for a significant portion of the foreign exchange, what happens when the oil dries up? If on the other hand alternative energy sources become popular, what do we do with our oil?

### **Political Economy of Nigeria- The Imperative of Economic Diversification**

The transformation of the Nigerian state from an agrarian economy to a rentier state dependent solely on rents from the exploitation of oil by Oil multinationals was swift. Consequently, the place of the petroleum industry in national development has been paramount in Nigeria ever since the launching of the first national development plan, (1962-1968). The overriding strategy from the first national development plan to the fourth national development plan (1981-1985) has been to employ the resources realized from crude petroleum for the expansion of the productive capacity of the economy in order to lay a solid foundation for self sustaining growth and development (Angaye, 1986: 50). Subsequent development agendas necessitated by the continued degeneration of the Nigerian economy were also tied to petro- dollars - directly, or indirectly in collaboration with international financial institutions- which are more or less partners with oil multi-nationals due to their common attribute of a monopoly of global capital.

The dependent capitalist orientation of the Nigerian economy, coupled with the discovery of oil, and the subsequent mono-culturalization of the economy have ensured that the country becomes more vulnerable and subjected to forces beyond its control. Indeed, the lowest point in the history of Nigeria's economy was not only a function of its dependent orientation but also as a result of the glut in the international oil market. It did not take long for the oil boom of the 1970's to bring with it fundamental changes such that prior to July 1986 Nigeria witnessed a traumatic economic crisis.

The Nigerian economic crisis of the late 1970's/early 1980s was the result of two major interrelated factors. These are, the shift from a diverse agricultural economy to a mono-cultural economy dependent solely on oil exports and the glut in the world oil market in the 1970's/80's. The dependent capitalist orientation of the Nigerian economy exposed its vulnerability to externally induced shocks, particularly in the global oil market activities.

The glut in the world oil market and the resultant fall in oil export and its prices were reflected in revenue. Crude oil prices which rose rapidly from U.S\$20.94 per barrel in 1979 to U.S \$36.94 in 1980 and US \$40 in 1981, fell to US \$29 in 1983 and to a low level of U.S \$5.2 in 1986 (CBN:1990). Consequently, external reserves fell sharply and foreign debts mounted. In addition to this, the prevailing structure of policy incentives and control encouraged an import oriented production and consumption pattern. This inevitably plunged the Nigerian economy into a crisis it is yet to fully recover from.

Throughout its post independence history, especially with the arrival of oil on the economic scene, there has been an apparent failure to successfully diversify the economic base of Nigeria. The culture of rent seeking in the heterogeneous Nigerian state, desperately struggling on the path to nationhood seems to have taken root amongst its political elite. In this regard, efforts at diversifying the Nigerian economy have achieved very minimal results as the country continues to be very heavily dependent on rents from oil. Perhaps this is attributable to the patrimonial character of the Nigerian state, a situation which results in a high incidence of corruption. The Nigerian political elites have become contented in receiving rents- a large portion of which they embezzle- without, undertaking any productive venture. In fact, the situation in Nigeria has

deteriorated to the point that production is seen almost as an unproductive venture! This (as in other oil rich African states) has been a major obstacle towards embarking on a comprehensive programme of sustainable development. As Ibrahim aptly notes:

*A rentier economy is one that relies on substantial external rent. The creation of wealth is centered around a small fraction of the society; the rest of the society is engaged mainly in the distribution and utilization of the wealth so created. In a rentier state the government is the main recipient of external rent. One of its major features is that production is relegated to the background and, in fact, there is at best a tenuous link between individual income and activity. Getting access to the rent circuit is a greater preoccupation than attaining production efficiency (cited in Jega, 2000: 48)*

Nevertheless, the history of Nigeria's post independence economy particularly up till the 1980's when the economy became enmeshed in a crisis, as well as trends within the global political economy of oil should serve as an impetus for introducing fundamental changes towards a genuine diversification of the resource base of the Nigerian economy. It is on this basis that any meaningful project on sustainable development can be contemplated.

## **Conclusion**

This paper systematically examined events within the international political economy of oil and its implication in the goal of sustainable development in Nigeria. It observes that as two major happenings in the contemporary global political economy of oil- that is the exponential increase in the demand for oil and the increasing tide of climate change -highlights the imperative of reducing dependence on oil, the Nigeria economy, as in most other oil rich African economies continues to be an oil based economy. This portends danger for sustainable development in the country. The crisis experienced in the Nigerian economy in the 1980's is a good evidence of the fact that

negativities within the international political economy of oil as a system have dire consequences for the economy.

The scramble for oil - of which we have in limited supply, is at an all-time high. While at the moment this may be resulting in increasing reserves, the foregoing events in the global political economy of oil suggest that there is bound to be a point where this will no longer be the case. It should also be noted that the Stone Age did not come to an end because we ran out of stones- there is therefore no guarantee that we have to run out of oil for the scramble over oil to end. The time to act is now.

## References

- Angaye G. (1986), "Petroleum and the Political economy of Nigeria", in *The Nigerian Economy: A political economy approach*, Longman, Lagos state, Nigeria.
- Balaam D. N and Veseth .M, (2005), Introduction to International Political Economy, Pearson education incorporated, upper saddle river, New Jersey.
- Central Bank of Nigeria (1990), Annual Report and Statement of Account for the Year Ended 31st December 1990. Central Bank of Nigeria, Abuja.
- Frankel .J. (1973), Contemporary theory and the behavior of states, oxford University press.
- Jega .A, (2000), Identity Transformation and Identity Politics under Structural Adjustments in Nigeria, Nordic African institute, Uppsala, Sweden.
- Klare. M .T (2004), Blood and Oil: The Dangers and Consequences of America's Growing Dependency on Imported Petroleum, Henry Holt and company, LLC 111 West 18th Street, New York.
- McClelland .C.A (1966), Theory and the international system, Macmillan, New York.
- Ojo .O. and Sesay. A. (1988), Concepts in international relations, JAD publishers, Victoria Island, Lagos, Nigeria.
- Salameh .M. (2008), Inside story- an interview on AI-Jazeera news network,
- Samuel .I.H, Beer and Adam. B. Ulam (1962), Patterns of government, Random House, New York.
- Smith. G. and Niam. M. (2000), Altered States: Globalization, Sovereignty, And Governance, International Development Research Center, Canada.
- Van Der Veer. J, (2006) "World Economic Forum: No Looming Economic Crisis": A Paper Presented at the Annual Meeting of the World Economic Forum in Davos, Jan 29th 2006.
- African report (2005), oil and politics: leaving countries hostages to fortunes by Nicholas Shaxson. P 28-31

www.motherjones.com