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Nigeria's Oil Wealth and International Relations

Multilateral and Bilateral Lending and Decolonial Therapies



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Abstract

Oil has an economic, social, political, and environmental character in relations between importing and exporting countries. This alone makes this product a global commodity.

Oil is a foreign policy subject of significant proportions that needs to be understood in the context of Nigeria's relations with the outside world. This brings to focus discussions on how the commodity speaks to the undercurrents of Nigeria's international relations on the multilateral and bilateral fronts. The critical question here is how oil might define the character of international relations. This might be pushing the country to the international credit system or influencing the lending behavior of the same.

This article proceeds on the assumption that oil is a critical element of the global energy system, setting interest-driven national and global relationships within and between importing and exporting countries in motion. Based on secondary data, I argue that oil has long been a subject of international relations that influences the behaviors of multilateral and bilateral actors. Nigeria's subservient foreign policy posture based on a craving for oil and gas investment portends lending behaviors that do not necessarily favor ordinary people.

Over time, a bilateral relationship with China has developed, with oil seemingly serving as collateral for Chinese credit facilities. Nigeria is open to ridiculous lending relationships with China with the consequences of growing indebtedness. The solution seems to lie in decoloniality, defined in terms of citizen-based critical assessment of the lending behavior of the international credit system in the face of the failure of the oil and gas sector to place Nigeria above mindless and unaccountable borrowing.

Résumé

Les enjeux liés au pétrole dans les relations entre pays importateurs et exportateurs revêtent un caractère économique, social, politique et environnemental. C'est ce qui fait de ce produit une marchandise mondiale.

Le pétrole est un sujet de politique étrangère aux implications majeures qu'il convient de comprendre dans le contexte des relations du Nigeria avec les autres États. Pour cela, il est nécessaire de se pencher sur la manière dont ce produit de base influe sur les courants sous-jacents des relations internationales du Nigeria sur les fronts multilatéraux et bilatéraux. La question cruciale ici est de savoir comment le pétrole peut définir le contenu des relations internationales, pouvant à la fois pousser le pays vers le système de crédit international ou influencer le comportement de ce dernier en matière de prêts.

Cette note part du principe que le pétrole est un élément essentiel du système énergétique mondial, qui met en place des relations nationales et mondiales axées sur les intérêts au sein des pays importateurs et exportateurs et entre eux. Sur la base de données secondaires, nous soutenons que le pétrole est depuis longtemps un sujet de relations internationales qui influence les comportements des acteurs multilatéraux et bilatéraux. L'attitude servile du Nigeria en matière de politique étrangère, fondée sur la soif d'investissements dans le pétrole et le gaz, laisse présager des pratiques en matière de prêts qui ne favorisent pas suffisamment les citoyens ordinaires.

Au fil du temps, une relation bilatérale avec la Chine s'est développée, le pétrole semblant servir de garantie aux facilités de crédit chinoises. Le Nigeria est ouvert à des relations de prêt dérisoires avec la Chine, avec pour conséquence un endettement croissant. La solution semble résider dans la décolonialité, définie en termes d'évaluation critique par les citoyens du comportement du système de crédit international face à l'incapacité du secteur pétrolier et gazier à placer le Nigeria au-dessus d'emprunts inconsidérés et non justifiés.

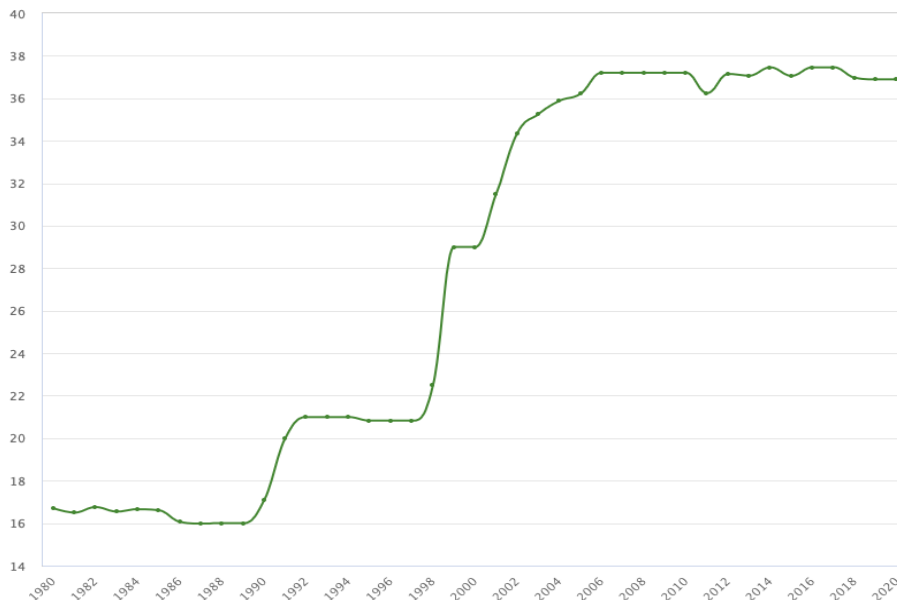
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Introduction

Before Angola surpassed Nigeria as Africa's top oil producer in April 2023, Nigeria was Africa's main oil exporter even before the country gained independence in 1960.¹ Exploratory activities for oil started before World War I and only paused during the war years. British Shell-BP, previously Shell's Diarcy, held the exclusive license for oil prospecting in the country and became the first company to discover the commodity in commercial quantities in 1957. Nigeria recorded its first oil consignment in 1958 and launched itself into the global arena as an oil-producing country. Prior to the country's independence in October 1960, other multinational oil companies were also granted licenses to explore oil in the country. There is no reliable data on the total amount of revenue Nigeria has gained from oil extraction since the industry began exporting the commodity – but some estimate that it amounts to several billions of dollars.² The sector now accounts for 65 percent (%) of the country's revenues and 85% of its total exports.³

Table 1: Trends in Nigeria's proven oil reserve



Source: www.bp.com.

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1. M. Izuaka, "Angola Overtakes Nigeria As Africa's Top Crude", *Premium Times*, May 13, 2023.
 2. D. O. Olanyundbo, "Effects Of Oil Export Revenue on Economic Growth in Nigeria: A Time Varying Analysis of Resource Curse", *Resource Policy*, Vol. 64, December 2019.
 3. *Ibid.*

The oil industry in Nigeria has a long history of involvement with international politics, reflecting the country's colonial roots. The sector has been driven by international capital since its inception, with investment in the colonial state being a key factor. The colonization of Nigeria began in the late 19th century with the arrival of British traders and missionaries. Originally a small coastal town, Lagos became a British colony in 1861. In 1914, the British consolidated their control over the entire region by merging the Northern and Southern protectorates to form the colony and protectorate of Nigeria. British colonial rule in Nigeria lasted from 1861 to 1960 when Nigeria gained independence.⁴ The country was significantly influenced by British political, economic, and social control during this period, which was marked by events, such as the imposition of British law and governance structures, the exploitation of natural resources, and the establishment of indirect rule in which traditional leaders were co-opted to help administer the colony. As a result, the country of Nigeria was affected by colonization, which influenced its socioeconomic, political, and economic structures. Specifically, the control of the global credit system by advanced countries of the West has had implications for the role of oil in the country's international relations and access to fair and equitable borrowing.⁵

This reflects Nigeria's oil wealth's role in international relations, both in terms of its effects on domestic politics and with multilateral and bilateral lenders.⁶ The paper is divided into five sections. After discussing how oil relates to international relations, I will discuss Nigeria's oil wealth and its impact on socio-economic development. I will then assess the effects of oil on the country's relationship with bilateral and multilateral lenders and finally argue how the decolonization of the oil industry in Nigeria is a solution to its current shortcomings.

4. P. P. Ekeh, "Colonialism and the Two Publics in Africa: A Theoretical Statement", *Comparative Studies in Society and History*, Vol. 17, No. 1, 1975, pp. 91-112.

5. O. G. Adekola, "New Perspectives to Nigeria's Foreign Policy Towards China", *IOSR Journal of Humanities and Social Science*, Vol. 6, No. 5, available at: <https://doi.org>; G. P. Atsiya and M. Tenuche, "Nigeria-China Economic Relations and Development in Africa, 2006-2016", *Journal of African Foreign Affairs*, Vol. 6, No. 2, pp. 101-121, available at: www.jstor.org.

6. I. Taylor, "Chinese Interest in Nigeria's Oil and the American Context", *Canadian Journal of African Studies/Revue Canadienne des Études Africaines*, Vol. 48, No. 3, pp. 391-404, available at: www.jstor.org.

Oil and international relations

The established literature on the relationship between oil and international relations largely focuses on its role as a commodity in global economic, social and political connectedness. The world relies mainly on oil for energy, making it a critical foreign policy instrument. For example, during apartheid, South Africa came under serious pressure to control oil supplies to the country.⁷ Similarly, Saudi Arabia imposed an embargo on oil supplies to France and Britain in 1956 after they seized the Suez Canal because of Egypt's policy of nationalization of the canal. In 1973 and 1974, the Arab member states of the Organization of Petroleum Exporting Countries (OPEC) decided to boycott the United States, Portugal, Netherlands, and South Africa as these countries had supported Israel during the Yom Kippur War. The boycott was extended to Portugal, the Netherlands, and South Africa, which were seen as supporting the colonial regimes in Angola and Mozambique, respectively. These countries were major oil importers from OPEC member states, and the boycott was intended to pressure them to change their policies. The oil embargo significantly impacted the global economy, with oil prices quadrupling in just a few months. It also led to a rethinking of energy policies in many countries, with an increased focus on energy conservation and developing alternative energy sources. Such examples prove that importing and exporting can be used as a weapon to influence oil prices in different ways. As such, oil raises several questions about national security and development.⁸ Oil-producing countries dispose of a precious natural resource commodity, which can increase their power within the web of international and geopolitical relations. Oil embargos are a recurrent power tool to impact international negotiations and reshape the balance of power in international policies.

States tend to invest in the energy sector or participate by ensuring a policy framework that supports national energy security. A lot depends on the politics of energy production regarding international relations. For example, Cheon and Urpelainen⁹ have argued that countries tend to invest in energy to pursue energy security, especially when they perceive a risk or

7. K. Crane, A. Goldthau *et al.*, "Oil as a Foreign Policy Instrument" in: K. Crane (*et al.*), *Imported Oil and U.S. National Security*, RAND Corporation, 2009, pp. 25-42, available at: www.jstor.org.

8. Y. Guzansky, T. Fadlon and D. Rakov, "Oil, Economics, and Geopolitics: Relations Between Saudi Arabia and the UAE", *Institute for National Security Studies*, No. 1499, July 26, 2021, available at: www.jstor.org.

9. A. Cheon and J. Urpelainen, "Escaping Oil's Stranglehold: When Do States Invest in Energy Security?", *The Journal of Conflict Resolution*, Vol. 59, No. 6, September 2015, pp. 953-983, available at: www.jstor.org.

threat to their energy security. Energy security means that energy is affordable and available to people.¹⁰

Nigeria, one of the largest economies in Africa and a significant energy producer, has a complex relationship with international donors and the broader aid/development ecosystem. This relationship is notable when compared to the experiences of other African nations, particularly those without substantial hydrocarbon reserves. While Nigeria's oil wealth provides it with a degree of economic independence, it also introduces complex dynamics that influence its participation in aid and development initiatives.

Nigeria's prominent position in the international economic landscape is a result of its substantial hydrocarbon reserves. Nigeria, unlike many African nations that do not produce oil, has the means to finance a portion of its development initiatives with hydrocarbon revenues. This has occasionally resulted in a sense of self-sufficiency, allowing the country to allocate resources to sectors of its choosing.¹¹

The volatility of global crude prices, however, has exposed Nigeria to economic uncertainty and the fluctuations in oil revenue can cause fiscal strain. Lacking such revenue sources, non-oil-producing nations frequently rely more heavily on foreign aid to stimulate their economies. Furthermore, Nigeria's reliance on oil can also lead to misalignment in economic sector prioritization. Due to the perceived stability of oil revenue, there is a risk that agriculture, manufacturing, and non-oil industries may be given less consideration in policy and planning due to the perceived stability of oil revenue. In contrast, African nations that do not produce energy must consistently search out diverse sources of growth, placing agriculture and other sectors at the forefront of their development agendas.

The relationship between Nigeria and the aid and development ecosystem has evolved over time. It has shifted from receiving foreign assistance to actively participating in regional development initiatives. The country's status as a regional superpower enables it to contribute to the economic integration and stability of West Africa.

Nigeria's relationship with donors and the aid/development ecosystem is complex due to its oil-rich status. Economic diversification and self-sufficiency remain a pressing concern. Lessons in sustainable development can be learned from the experiences of other African nations, which must rely significantly on foreign aid due to a lack of hydrocarbon wealth. As Nigeria navigates its development path, strategic cooperation with international partners and efficient use of oil revenues will be essential to attaining sustainable and equitable growth.

10. *Ibid.*

11. M. Izuaka, "Angola Overtakes Nigeria As Africa's Top Crude", *op. cit.*

Oil and the wellbeing of citizens

It is generally assumed that countries with natural resources, such as oil, will use the revenues generated by the resources to improve the well-being of their citizens.¹² However, this basic expectation has remained difficult to achieve in most oil-producing countries, with Nigeria serving as a prime example of this challenge.

The local population was largely unaware of the benefits and pain they would experience following the 1956 discovery of oil in commercial quantities at Oloibiri (now Bayelsa State). The primary focus was on achieving political independence. The oil industry, which started with blind and capital-intensive seismic and exploratory activities by the colonial state, certified international business entities with no interest in the wellbeing of the host community people. As a legacy of colonialism, multinational companies have no sense of obligation to the host communities. They are more concerned with licenses that give them the freedom to operate in communities. This exclusion of the host community was an essential element of oil governance during the colonial era and became a legacy to contend with in the postcolonial state.

Governance, which involves leadership processes in connection to society, is an essential component of any debate on the nature of the oil sector and its influence on Nigerians' well-being. Resource governance has raised significant political and economic questions about resource ownership, the distribution of benefits, environmental challenges, and corruption.¹³ The Natural Resource Governance Institute (NRGI) described

12. F. Allen, "The Enemy Within: Oil in the Niger Delta", *World Policy Journal*, Vol. 29, No. 4, December 1, 2012, pp. 46-53, available at: <https://doi.org>; U. G. Josiah and G. H. Amah, "The 'Mourning' of the Land as Occasioned By Oil-Mineral Pollution in the Niger Delta of Nigeria", *Journal of Environmental Science, Toxicology and Food Technology*, Vol. 4, No. 6, July-August 2013, pp. 44-49 available at: <https://doi.org> ; E. Lenning and S. Brightman, "Oil, Rape and State Crime in Nigeria", *Critical Criminology*, Vol. 17, December 24, 2008, pp. 35-48, available at: <https://doi.org>; C. I. Obi, "Oil Extraction, Dispossession, Resistance, and Conflict in Nigeria's Oil-Rich Niger Delta", *Canadian Journal of African Studies/Revue Canadienne des Études Africaines*, Vol. 30, No. 1, January 2010, pp. 219-236; J. Schritt and N. Schareika, "Crude Moves: Oil, Power, and Politics in Niger", *Africa Spectrum*, Vol. 53, No. 2, 2018, pp. 65-89, available at: www.jstor.org.

13. E. M. Akpabio and N. S. Akpan, "Governance and Oil Politics in Nigeria's Niger Delta: The Question of Distributive Equity", *Journal of Human Ecology*, Vol. 30, No. 2, 2010; B. Tantua, J. Devine and R. Maconachie, "Oil Governance in Nigeria's Niger Delta: Exploring the Role of the Militias", *Extractive Industries and Society*, Vol. 5, No. 3, July 2018, pp. 302-307, available at: <https://doi.org>; U. Ukiwo, "Nigeria's Oil Governance Regime" in: U. Ukiwo, A. Langer and P. Mbabazi (eds.), *Oil Wealth and Development in Uganda and Beyond*, Leuven: Leuven University Press, 2020, pp. 309-330, available at: <https://doi.org>.

oil and gas resource governance in Nigeria as “weak” in its 2021 Governance Index report.¹⁴ Improvement in the sector’s governance to address critical issues that affect not just the daily production volume but also those that pertain to the distribution of benefits in the context of the geopolitical and ethnic configuration of the country has been a subject of interest. It is also important to consider the issue of resource ownership claims by communities that are directly affected by the side-effects of companies’ activities in the industry, particularly in light of the legal claims that the Nigerian state may bring against them.¹⁵ It should be noted that, by law, oil and gas are the property of the federal government in Nigeria.

There have been different regimes regarding the governance of the oil sector in Nigeria. A regime is defined as a combination of rules, laws, policies, and institutions governing oil and gas resources. They are the pre-independence regime (1956-1960); the nationalistic regime (1960-1969); the military regime (1966-1979); the post-military regime (1999-2015); and the current regime (2015-present). However, the regimes have one thing in common: state and multinational oil companies play dominant roles in the determination of rules, policies, and regulations, mainly excluding those who are at the bottom of society in communities hosting oil companies. This kind of regime began in the pre-colonial era and has continued into the postcolonial era, resulting in many shortcomings in managing its resources that serve citizens’ interests. For instance, the environment cannot be protected from the destructive extraction of oil and gas, the communities are not included in decision-making processes, and their rights to express their preferences are barely recognized.¹⁶ At the community level, the gaps around resource ownership struggles, fairness in the distribution of benefits, and protection of the environment led groups in the Niger Delta to adopt violent strategies for engaging the Nigerian state. Militia groups emerged in the 2000s and started to attack government security and oil facilities belonging to multinational oil companies. They kidnapped oil workers to protest their marginalization from the oil industry and the lack of community development. These attacks caused a decline in daily production from 2 million to as low as 1.2 million barrels. The administration of President Musa Yar’Adua (2007-2010) considered this situation completely unacceptable since the country depended on daily production at a permissible quota among OPEC for revenues and foreign exchange. The federal government interpreted what was happening as a threat to national security and quickly tried to solve the problem by

14. F. Asu, “Nigeria’s Oil Sector Governance Is Weak, Worrisome, Says NRG1”, *Punch*, October 28, 2021, available at: <https://punchng.com>.

15. F. Allen, “Politics of State/Oil Multinational Alliances and Security Response” in: E. Ndimele (eds.), *The Political Ecology of Oil and Gas Activities in the Nigerian Aquatic Ecosystem*, Lagos: University Press, 2018, pp. 295-305, available at: <https://doi.org>.

16. C. I. Obi, “Oil Extraction, Dispossession, Resistance, and Conflict in Nigeria’s Oil-Rich Niger Delta”, *op. cit.*

convincing the aggrieved armed militias to stop the attacks. In 2009, the government initiated an amnesty program offering approximately 20,000 armed militia members a range of incentives, including monthly stipends, scholarships for overseas and local university education, and vocational training opportunities. In exchange for the amnesty, those armed militia members who accepted surrendered their guns. Most people in Nigeria believe that oil has had a minimal impact on the country's citizens. Instead, the industry has bred corruption and caused a decline in other sectors such as agriculture, manufacturing, and indigenous technological advancement. Oil has been described as a curse rather than a blessing in the Nigerian context due to its many negative impacts on society.¹⁷

While oil has been a significant source of revenue and foreign exchange, its impact on the well-being of citizens is complex and multifaceted. Oil provides only about 10% of jobs in Nigeria.¹⁸ On the other hand, oil production has had social, environmental and health impacts on communities and the wellbeing of citizens. One of the most significant challenges facing Nigeria is the mismanagement of oil revenue. Corruption, embezzlement, and a lack of transparency have led to the misappropriation of oil revenue, depriving citizens of the benefits of oil production.¹⁹ The contamination of water sources, soil, and air caused by oil spills, gas flaring, and other forms of pollution affects the health of nearby communities. The Niger Delta region of Nigeria has suffered widespread environmental degradation and health problems, including skin rashes, respiratory problems, and cancer.²⁰ While oil provides limited job opportunities in Nigeria, it has generated significant revenues and foreign exchange. However, the negative environmental and health impacts of oil production are already having a profound effect on host communities.

17. "Nigeria's Oil Boom and Bust Cycle", *Al Jazeera*, October 3, 2022; "Nigeria's Oil Industry: Turning Black Gold Into Environmental and Social Devastation", *Amnestyinternational.org*, September 14, 2022; "Nigeria's Economic Paradox: Plenty Of Oil, Not Enough Prosperity", *CNBC*, November 16, 2021.

18. *Labour Force Statistics: Unemployment And Underemployment Report Q4*, National Bureau of Statistics, 2020.

19. "Corruption Perceptions Index", *Transparency International*, 2020, available at: www.transparency.org.

20. L. C. Osuji, V. I. Onyia and H. C. Nwosu, "Impact of Oil Spills on Human Health in the Niger Delta Region of Nigeria", *Journal of Environmental and Public Health*, 2020.

The economic paradox: Nigeria's oil burden

Poverty, unemployment, and income inequality remain Nigeria's greatest challenges. These issues relate to the paradox of abundant oil and gas resources in the context of a broader analysis of the challenges posed by natural resources in numerous African nations. Initially, the oil surge in the nation led to substantial economic expansion. Nonetheless, over time, the country's economy has become susceptible to fluctuations in global oil prices due to its excessive reliance on crude exports. When crude prices decline, Nigeria's revenue and foreign exchange earnings suffer, resulting in a recession and high inflation. A second factor contributing to Nigeria's economic paradox is its feeble institutional structure. Corruption, inefficiency, and a lack of transparency in government institutions have hampered economic growth and development. Nigeria's unfavorable ranking on the Global Corruption Perception Index discourages foreign investment and economic growth. More than 60% of employment in Nigeria is in the informal sector. This sector is marked by low productivity, low wages, and inadequate working conditions. Additionally, unregulated informal sectors make it challenging for governments to collect taxes and develop the economy. Nigeria's economic paradox is the result of its over-reliance on oil exports, weak institutional framework, heavy dependence on the informal sector, and corruption. To address these challenges, it will be necessary to implement significant reforms of economic policies, governance, and institutional frameworks. Until then, the country will continue to suffer from poverty, unemployment, and income inequality.

International relations: multilateral and bilateral lenders

During the Nigerian International Economic Partnership Forum at the United Nations General Assembly meeting on September 22 in New York, Chief Timipri Sylva, Minister of State for Petroleum, announced that investors in the country's oil and gas sector in the Muhamadu Buhari administration would enjoy a 10-year tax holiday when the country's new petroleum law, the Petroleum Industry Act (PIA) 2021, becomes fully operational.²¹ The government conveyed its desire for increased investment in a crucial sector of the nation's economy. The Nigerian Oil and Gas Industry Content Development Act (NOGICDA) of 2010 is a key policy promoting oil and gas investment in Nigeria. It aims to increase local content in the oil and gas industry and ensure that Nigerian companies and citizens receive priority consideration when contracts are awarded. This has prompted foreign firms to form partnerships with indigenous Nigerian firms in order to explore and produce oil and gas.²² In addition, the Nigerian government has established numerous investment incentives and tax exemptions for oil and gas companies including a pioneer status incentive that grants tax holidays, exemptions, and capital allowances to companies participating in the development of gas infrastructure. In addition, the Nigerian government has continued to invest in developing the nation's oil and gas infrastructure, including the construction of pipelines and refineries and the attraction of foreign investment.²³ According to the Nigerian National Petroleum Corporation (NNPC), the government-owned oil corporation, Nigeria has attracted significant investment in the oil and gas sector over the past two years, with over 10 billion dollars (\$) committed. The NNPC also noted that the country had received significant investment in gas infrastructure development, with several companies taking part in constructing gas pipelines and processing plants.

This approach provides insights into how the oil and gas sector shapes the country's international economic relations with state and non-state

21. E. Addeh, "Sylva: Oil and Gas Industry Operators to Get 10-Year Tax Vacation When PIA Takes Off Fully", *This Day*, September 23, 2022, available at: www.thisdaylive.com.

22. *Nigerian Oil and Gas Industry Content Development Act*, Nigerian Content Development and Monitoring Board, 2010, available at: www.nigerianbar.org.

23. "Nigeria: Oil and Gas Industry Seeks More Incentives From Govt", *All Africa*, January 22, 2021.

actors, both as critical components. The Petroleum Industry Act is Nigeria's most elaborate in the postcolonial state until now. The law is designed to attract foreign investment in the sector as a key economic foreign policy approach, with a particular focus on the natural gas sub-sector, where the country is seeking to drive its energy transition. The oil sector has traditionally been dominated by multinational companies such as Royal Dutch Shell (UK) ExxonMobil (USA), Chevron (USA), Total (France), and Eni (Italy). These companies have long-standing relationships with the Nigerian government and have played a significant role in the sector's development. However, there has been an effort to diversify partnerships in the sector in recent years. Investors and partners in Nigeria's oil sector include various joint ventures and production-sharing agreements with international oil companies, including the Chinese National Offshore Oil Corporation (CNOOC), which reported in December 2018 that it had acquired a 45% stake in Oil Mining Lease 130. This contains the Bonga oilfield, one of Nigeria's largest oil fields. Another is ExxonMobil which, in 2019, announced plans to invest over \$10 billion in its Nigerian operations over the next decade to expand its existing oil and gas facilities. Similarly, Total, announced in 2018 a \$16 billion investment in Nigeria's oil and gas sector, including the development of the Egina deepwater field. In 2018, Eni signed an agreement with NNPC to develop oil and gas resources in Nigeria's onshore and offshore areas. The Nigerian Agip Oil Company (NAOC), a subsidiary of Eni, NAOC, has been operating in Nigeria for over 50 years and is involved in various joint ventures and production-sharing agreements. Seplat Petroleum, a Nigerian oil and gas firm, has been expanding its operations recently and has partnered with companies such as Maurel & Prom and NNPC. Addax Petroleum, a subsidiary of Sinopec, has operated in Nigeria since 1998 and is involved in various joint ventures and production-sharing agreements.

While multinational oil companies still play a significant role in Nigeria's oil sector, partnerships have gradually diversified in recent years. This has led to Chinese and Nigerian companies assuming a more prominent role.

To this end, the government is pursuing partnerships with countries such as Morocco and others in West Africa in order to construct a 7,000 kilometers gas pipeline from Nigeria to Morocco and cover regional and European demand. The government seeks to achieve this through its Trans-Sahara pipeline, which will transport gas to Algeria via Niger. The PIA's departure from the previous regime's approach to the governance structure of the oil and gas sector includes the separation of government as regulator and business. Under the law, the Nigerian National Petroleum Company Limited (NNPCL) has been established on the business side. On the other hand, the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) and the Nigerian Upstream Petroleum Regulatory Commission (NURC) were created as regulators in the

Muhammad Buhari administration. All of this is aimed at making growth in the sector possible through investment opportunities.

The status of Nigeria as a significant oil and gas-producing country has historically shaped its economic and political relationships with other countries and private investors. Over the years, Nigeria's multilateral and bilateral relationships have been shaped by its oil wealth, which began to be a significant factor in the country's political and economic history almost from the beginning of its independent state. Oil is a key international relations commodity and remains a factor in the decisions taken by international financial institutions or credit systems, whether to lend and the conditions for lending to a country like Nigeria.²⁴ Nigeria has used oil as a soft power to attract investors to secure production and revenues. However, this has not been based on agreements that benefit parties on equal terms with the oil majors and their countries of origin. Nigeria belongs to the Organization of Petroleum Exporting Countries (OPEC), which coordinates oil production and prices.²⁵ The Nigerian government extensively leverages its oil resources to influence global oil prices and ensure its economic interests are represented in the global oil market (OPEC, n.d.). Nigeria has also leveraged its oil resources to foster diplomatic relations with other countries. For instance, it provided oil to Cuba in the 1970s and 1980s as part of a diplomatic agreement between the two countries. At the regional level, Nigeria's oil and gas resources have also been used to influence West Africa. For example, Nigeria has used its oil wealth to support regional initiatives, such as the West African Gas Pipeline, which aims to connect Nigeria's gas resources to neighboring countries. In terms of energy cooperation, Nigeria has signed agreements with other countries to cooperate on energy issues. For example, Nigeria signed a memorandum of understanding with China in 2018 to collaborate on oil and gas exploration and development.

Nigeria is active in the Organization of Oil Exporting Countries (OPEC), an organization founded in 1960 to stabilize oil prices by influencing the actions of oil companies. OPEC's primary objective is to coordinate member countries' petroleum policies and regulations and to address the impact of one-sided cuts in oil prices on member governments' revenues. The recognition of Nigeria as a significant member of the organization is not far from its record as the largest producer on the African continent.

24. A. Genova, "Nigeria's Nationalisation British Petroleum", *The International Journal of African Historical Studies*, Vol. 43, No. 1, 2010, pp. 115-136, available at: www.jstor.org.

25. E. Penrose, "Oil and International Relations" *British Journal of International Studies*, Vol. 2, No. 1, April 1976, pp. 41-50, available at: www.jstor.org.

The importance of OPEC was first recognized during the 1970s energy crisis, which led to a period of economic growth in its member countries.²⁶ The United States was the largest oil consumer in the world at the time, and energy security was a major issue for that country. With 40% control of global oil production, OPEC member states received surplus funds. In the case of Nigeria, it was commonly believed that the country did not know what to do with the money. The economic boom favored members financially but created other problems. Member states invested some of the funds received in developed countries such as the United States and the United Kingdom instead of using the funds to drive sustainable industrialization, at home as expected. The stabilizing price efforts of OPEC did not immediately yield benefits until the boom of the 1970s, when many funds entered member countries, including Nigeria.

Securing loans from the International Monetary Fund/World Bank is subject to conditions determined by the global market order and the interests of countries controlling these organizations. Nigeria experienced significant economic development during the 1970s because of its crude exports. The oil boom prompted the Nigerian government to pursue international loans to finance numerous development initiatives. Nigeria obtained loans from international financial institutions such as the World Bank and the International Monetary Fund (IMF) to finance infrastructure projects, industrialization, and other initiatives designed to diversify the economy away from its reliance on oil. Despite initial optimism, Nigeria encountered difficulties in managing its external debt. The global oil price crises of the late 1970s and early 1980s had a significant impact on the country's income, resulting in difficulties in loan repayment. This marked the beginning of Nigeria's battles with external debt, which would continue to impact the country's economic stability for decades. In the 2010s, Nigeria once again sought loans on the international market, this time to address budget deficits, finance infrastructure projects, and manage economic challenges. To obtain funds from international investors, Nigeria issued Eurobonds – bonds denominated in foreign currencies – during this time period. However, the sustainability of Nigeria's debt was also brought into question by its increasing external borrowing. There were concerns about the country's ability to generate sufficient revenue to service its debt, despite efforts to invest in crucial sectors such as infrastructure. Global economic unpredictability, crude price fluctuations, and domestic economic challenges have made Nigeria's borrowing landscape highly complex. Late in the 2010s, there were discussions about the need for Nigeria to concentrate on diversifying its revenue sources and reducing its reliance on external financing, particularly given its economy's vulnerability to oil price fluctuations. Notably, the specifics of Nigeria's financing activities, the

26. R. El Mallakh, "Oil and the OPEC Members" *Current History*, Vol. 69, No. 407, July/August 1975, pp. 6-47, available at: www.jstor.org.

terms of loans, and their impact on the country's economy can change over time and depend on a variety of factors, such as global economic conditions, domestic policies, and geopolitical influences.

In April 2020, Nigeria secured a \$3.4 billion loan from the IMF under its Rapid Financing Instrument to help address the economic impact of the COVID-19 pandemic. The loan was designed to support the country's healthcare system and provide emergency financing to address the impact of the pandemic on the economy.²⁷ In 2018, the country secured a \$2.5 billion loan from the World Bank to fund various projects including improving access to electricity, expanding social safety nets, and promoting private sector development. The loan was part of the World Bank's Power Sector Recovery Program, which aimed to enhance the reliability and quality of Nigeria's electricity supply.²⁸ Before that, in 2016, Nigeria secured a \$1 billion loan from the African Development Bank (AfDB) to finance its budget and address its foreign exchange shortages. The loan was designed to stabilize the country's economy, which had been negatively impacted by low oil prices and a recession.²⁹ Similarly, in 2014, Nigeria was granted a \$500 million loan from the World Bank to support its efforts to improve maternal and child health. The loan was part of the World Bank's Results-Based Financing for Maternal and Child Health Program, which aimed to reduce maternal and child mortality rates by incentivizing health providers to boost their performance.³⁰ Similarly, in 2010, Nigeria secured a \$200 million loan from the World Bank to support its efforts to improve public financial management. The loan was part of the World Bank's Fiscal Governance and Growth Development Policy Loan, which aimed to strengthen Nigeria's fiscal management and stimulate economic growth.³¹

Richer countries' dominant and unequal power status shapes relations with countries like Nigeria and the rest of the oil-producing countries in diverse ways. One such way is the reliance on Western technology and knowledge of the functioning of the oil industry. Nigeria, for instance, lacked local technology, even in manufacturing and maintaining oil facilities. Corruption and a lack of capacity have prevented the refineries from functionally making the country self-sufficient. To maintain these facilities, Nigerians must import technical know-how from Europe or North America and, growingly, from China. However, it has been difficult to

27. "Executive Board Approves US\$3.4 Billion in Emergency Support to Nigeria to Address the COVID-19 Pandemic", International Monetary Fund, April 28, 2020.

28. "Nigeria to Access \$2.5 Billion from the World Bank and Others to Boost Power Supply", World Bank, June 20, 2018.

29. "African Development Bank Approves a \$1bn Budget Support Loan for Nigeria", African Development Bank, September 28, 2016.

30. "World Bank Approves \$500 Million Credit to Improve Maternal and Child Health", World Bank, June 12, 2014.

31. "Nigeria: World Bank Approves \$200 Million for Fiscal Governance and Growth", World Bank, May 26, 2010.

achieve knowledge transfer through a relationship with technical partners. This situation worsens with the doors of corruption often opened through contract inflation in government establishments. Ultimately, Nigeria depends on other countries for the technology that drives the oil industry. In the Onne Oil Free Zone established by Decree 8 of the federal government on 29 March industry operators have been encouraged to import oil-related equipment without tariffs or duties. The dominance of the oil sector by companies from richer countries such as the United States of America, the United Kingdom, France, Italy, and China in recent times has meant framing national and local policies with the interests of these countries in mind. This also manifested through the delay in formulating a comprehensive oil-related environmental policy and explains why it took decades to start decolonizing petroleum laws in Nigeria. Even now, the lack of full implementation of relevant laws guiding operations of the industry remains an issue often blamed on the interference of the interest of international oil companies and their home governments.

Global alliance structures such as OPEC, the Organization of European Community and Development (OECD) and the bilateral influences of the United States and China significantly impact the decisions Nigeria takes concerning the oil industry. The relationship between multinational oil companies from these alliance structures and countries has been collaborative.³² This collaboration is defined by interest. Nigeria's joint venture oil production model is based on a collaborative and interest-driven approach. Oil and gas exploration and production are conducted in Nigeria through joint-ventures (JV) between Nigeria National Petroleum Corporation (NNPC) and international oil companies (IOCs). While the IOCs provide the technical expertise, capital, and equipment needed for exploration and production, the NNPC represents the Nigerian government and holds a minority stake. Typically, the NNPC holds 60% of the stake in a JV, while the IOCs hold 40%. The IOCs provide the funding for operations, while the NNPC contributes by owning oil and gas resources. Profits and losses are shared between JV partners based on their interests. JVs have dominated oil production in Nigeria since the 1970s and have enabled the development of the country's oil and gas resources, which has generated significant revenue for the government. However, this model has been criticized for inefficiencies, including a lack of transparency in financial reporting and governance issues. Nigeria's government has recently attempted to reform the JV model to increase efficiency and transparency. A production-sharing agreement (PSA) has been introduced as an alternative to joint ventures in these efforts. However, the JV model remains crucial for the country's oil and gas industry.

³² F. Allen, "Politics of State/Oil Multinational Alliances and Security Response", *op. cit.*

One example of the US's impact on Nigerian oil and gas decisions is the involvement of US oil companies in the Nigerian oil industry. For example, ExxonMobil, Chevron, and ConocoPhillips are among the major US oil companies with significant operations in Nigeria. These companies have played a role in shaping Nigerian energy policy and have had to navigate the country's complex political and security challenges. In addition, the US government has supported the development of Nigeria's energy sector, including technical assistance and funding for infrastructure projects. An example of China's impact on Nigerian oil and gas decisions is its growing investment in its energy sector. China has become a major investor in Nigerian oil and gas projects in recent years, with state-owned companies such as China National Offshore Oil Corporation (CNOOC) and China Petroleum & Chemical Corporation (Sinopec) making significant investments in Nigeria's oil and gas industry. China's interest in Nigerian energy resources is driven by its need for reliable and affordable energy sources to support its growing economy.³³ These examples illustrate how the US and China both play pivotal roles in shaping oil and gas decisions in Nigeria. They also illustrate how their interests and investments can significantly impact Nigeria's energy sector.

Nigeria has grown cold with direct loan-seeking behavior from the IMF/World Bank in recent times. Nigeria's borrowing behavior changed in the early 2000s due to several factors. The increase in oil export revenue is largely responsible for this shift. As one of the largest oil-producing countries in the world, Nigeria has been able to generate significant revenue from its oil exports, reducing the need for direct loans from international financial institutions. Another contributing factor is the expansion of access to alternative sources of financing, such as sovereign bonds and commercial loans. The Nigerian government has implemented a number of economic reforms with the aim of improving the country's fiscal position and reducing its reliance on external financing. These reforms have included measures to increase revenue, reduce corruption, and improve the business environment. It is worth noting, however, that Nigeria continues to receive technical assistance and policy advice from the IMF and World Bank. It has also benefited from their support in health and education.

The credibility of these financial institutions as development agencies has been called into question. The country's experience with the Structural Adjustment Programme (SAP) in 1986 remains bitter, even though the government continues to depend on them for monetary advice and influence regarding decision-making. SAP was a set of economic policies and reforms implemented by the Nigerian government in collaboration with the IMF and the World Bank. The policies included the devaluation of

33. N. Umukoro, "China–Nigeria Relations in Crude Oil Production and Local Initiatives for Petroleum Refining", *Journal of Contemporary African Studies*, Vol. 40, No. 4, 2022, pp. 511-525.

the currency, reduction of government subsidies, privatization of state-owned enterprises, and deregulation of the economy. The implementation of SAP led to significant social and economic dislocation in Nigeria, including high inflation, job losses, and a decline in living standards for many Nigerians. Critics of SAP argue that the policies were implemented without sufficient consideration for their potential impacts on the most vulnerable members of society. Private international credit institutions played initial significant roles as sources of investment funds before that time. As the risks multiplied, Nigeria, like many other oil-exporting countries with records of an inverted product value in terms of impact on the economy and wellbeing of citizens, began to look up to these international institutions for aid.

As of September 2021, Nigeria's total external debt stood at \$33.34 billion, according to data from Nigeria's Debt Management Office (DMO). Of this amount, multilateral debts (which include debts owed to international credit institutions such as the International Monetary Fund and the World Bank) account for \$17.83 billion.³⁴ In addition to its multilateral debts, Nigeria also has bilateral debts (owed to other countries) and commercial debts (owed to private lenders). As of September 2021, Nigeria's bilateral debts stood at \$4.19 billion, while commercial debts amounted to \$11.31 billion. It is important to note that Nigeria's external debt profile is constantly evolving as the government borrows and repays loans over time. The most recent data on Nigeria's external debt can be accessed on the Debt Management Office of Nigeria website.

On the bilateral front, Nigeria's loan-seeking behavior toward China started in 2016 with a decision to borrow \$12 billion to cover the deficit in the 2016 budget.³⁵ However, relations with that country are based on unequal exchanges. Nigerians have expressed scathing comments regarding Chinese loan requests for infrastructure development such as railways under President Muhammad Buhari (See Table 2). The revitalization of the railway system should be a key priority for the Buhari administration's development agenda. Securing credit facilities from China for these projects was described not only as opaque but in opposition to the long-term interests of Nigeria.

Oil is the basis of the strategic relationship Nigeria has with China. In 1998, trade relations between the two countries reached \$384 million.³⁶ China's interest in the country's oil emerged when the United States' interest had waned. China's National Offshore Oil Corporation is playing a production role in the oil and gas sector under an agreement signed with

34. "Nigeria's External Debt Stock at 30th June 2021", Debt Management Office of Nigeria, 2021.

35. G. P. Atsiya and M. Tenuche, "Nigeria-China Economic Relations and Development in Africa, 2006-2016", *op. cit.*

36. I. Taylor "Chinese Interest in Nigeria's Oil and the American Context", *op. cit.*

the government. In July 2005, through Nigeria's National Petroleum Company, the government signed an agreement to secure daily production of 30,000 barrels. In 2006, the government offered four oil exploration licenses to China for \$4 billion.³⁷


Table 2: Loans obtained from China Exim


DEBT MANAGEMENT OFFICE
NIGERIA

STATUS OF LOANS OBTAINED FROM CHINA EXIM AS AT MARCH 31, 2020
AMOUNTS IN MILLIONS OF USD

S/N	Project Description	Loan Amount	Agreement Date	Terms and Conditions				Amount Disbursed		Payment		Amount Outstanding
				Interest Rate (p.a.)	Grace Period	Maturity Date	Tenor	Amount	Percentage	Principal	Interest	
1	Nigerian National Public Security Communication system Project	399.50	20-Dec-10	2.50%	7 Years	21-Sep-30	20 Years	399.50	100.00%	76.83	84.92	322.67
2	Nigerian Railway Modernization Project (Idu- Kaduna section)	500.00	20-Dec-10	2.50%	7 Years	21-Sep-30	20 Years	500.00	100.00%	96.15	74.52	403.85
3	Abuja Light Rail Project	500.00	7-Nov-12	2.50%	7 years	21-Sep-32	20 years	500.00	100.00%	19.23	60.63	480.77
4	Nigerian ICT Infrastructure Backbone Project	100.00	5-Jan-13	2.50%	7 years	21-Sep-32	20 years	100.00	100.00%	0.00	9.38	100.00
5	Nigerian Four Airport Terminal Expansion Project (Abuja, Kano, Lagos & Port Harcourt)	500.00	10-Jul-13	2.50%	7 years	21-Sep-34	20 years	455.28	91.06%	0.00	40.58	455.28
6	Nigerian Zungeru Hydroelectric Power Project	984.32	28-Sep-13	2.50%	7 years	21-Sep-33	20 years	518.24	52.65%	0.00	19.28	518.24
7	Nigerian 40 Parboiled Rice Processing Plants Project (Fed. Min. of Agric & Rural Dev.)	325.67	26-Apr-16	2.50%	7 years	21-Mar-36	20 years	0.00	0.00%	0.00	0.00	0.00
8	Nigerian Railway Modernization Project (Lagos - Ibadan section)	1,267.32	18-Aug-17	2.50%	7 years	21-Sep-37	20 years	759.84	59.96%	0.00	19.11	759.84
9	Nigeria Rehabilitation and Upgrading of Abuja - Keffi - Markurdi Road Project	460.82	18-Aug-17	2.50%	7 years	21-Sep-37	20 years	80.64	17.50%	0.00	1.84	80.64
10	Nigeria Supply of Rolling Stocks and Depot Equipment for Abuja Light Rail Project	157.00	29-May-18	2.50%	7 years	21-Mar-38	20 years	0.00	0.00%	0.00	0.00	0.00
11	Nigeria Greater Abuja Water Supply Project	381.09	29-May-18	2.50%	7 years	21-Mar-38	20 years	0.00	0.00%	0.00	0.00	0.00
Total								3,313.50		192.21	269.68	3,121.29

Source: Debt Management Office


18/6/2020

Source: Debt Management Office.

Nigeria has signed several development agreements with China, including an export credit worth \$500 million.³⁸ China agreed to repair the Kaduna Refining and Petroleum Company and build the hydropower plant in Mambila in exchange for oil blocs.³⁹ Oil blocs are land or offshore areas allocated to oil companies by the Nigerian government for oil exploration and production that are typically awarded through bidding processes. The winning bidders receive exclusive rights to explore and produce oil within the bloc. Critics argue that Nigeria's allocation of oil blocs is opaque and often benefits a small group of politically connected individuals and companies. There has been a call for reforms in the allocation process to make it more transparent and inclusive. Some reforms have been aimed at addressing these concerns, such as introducing a new policy in 2018 requiring the disclosure of the true owners of companies bidding for oil blocs. Yet, many still argue that more must be done to ensure the allocation

37. *Ibid.*

38. *Ibid.*

39. *Ibid.*

process is fair and transparent so that it benefits the Nigerian people. The allocation of oil blocs in Nigeria is a complex issue with significant economic and political implications. In particular, the country's relationship with China, which has become a key player in the country's energy sector in comparison to other partners, is of great importance.

Decolonial therapies

Oil revenues in Nigeria are not a reliable source of funding for development projects that benefit. Instead, they are subject to forces that draw from international credit regimes and bilateral donor and lending behaviors focusing on the oil economy as collateral. Oil revenue, which should be invested in sectors that will yield long-term benefits for the country's resilience in the face of global financial challenges, is shared by three levels of government. The country's reliance on oil for national development plans has undermined the real productive, manufacturing, and human resource capacity sectors. Decision-makers in these governments are more interested in their political survival than in transforming society and making the oil money responsive to the practical needs of ordinary people. This trend has encouraged wastage through corruption and left the country at the mercy of bilateral donors for infrastructure development. The scenario is clear: the oil industry defines the character of Nigeria's international relations. The nationalization of Shell-BP in 1979 by the Nigerian government is one example of the crucial role oil plays in the country's relations with the outside world. However, it has pushed the country into an international credit system unequally and exploitatively, shaping the lending behavior of its bilateral investors. The solution lies in a critical reassessment of the role of oil in the country's relationship with these investors who will not reinvest in areas that support the long-term people-oriented development aspirations of the country.

In the current economic climate, there has been a great deal of pressure from investors in Nigeria. This is also true of most African politicians whose governments rely on fossil fuels and other natural resources for revenue. Investment in non-oil sectors such as manufacturing and capacity building for technological breakthroughs and participation in the super-tech world remains marginal and offensive to the continent's future. Instead, the conditions created by oil serving as the basis for the country's multilateral and bilateral relationships reveal steady disadvantages to the well-being of ordinary citizens through problems such as lack of access to basic social infrastructure. The consequences are multidimensional, including the existence of "state failure" elements seen in the state's inability to tackle problems of insecurity and criminality due to rising unemployment and lack of social security.

The solutions include fixing the local credit system to respond to national and local needs for development. It also requires regimes and political values that take the non-oil sector more seriously as a drive for a resilient economy. Nigeria's oil-dependent economy has been particularly

vulnerable to external shocks, including the COVID-19 pandemic, due to its reliance on oil exports for most of its revenue. The pandemic has severely impacted global oil demand and prices, leading to a significant drop in Nigeria's oil revenue.⁴⁰ The government was forced to revise its budget and introduce austerity measures to address the resulting budget deficit.

Compared to other economies, Nigeria's reliance on oil exports has made it more vulnerable to the effects of the COVID-19 pandemic. In contrast, countries with more diversified economies have been able to withstand better the impact of the pandemic on their economies.⁴¹

Nigeria's oil sector has also been plagued by corruption and mismanagement, which has further weakened the economy and hindered its ability to respond to external shocks.⁴² The government has been criticized for failing to diversify the economy and reduce its dependence on oil.

Nigeria's economy, which is heavily reliant on oil, has become more susceptible to external shocks such as the global pandemic. The government's failure to diversify the economy and reduce its reliance on oil has weakened its ability to respond to such shocks.

The pandemic demonstrated the vulnerability of oil economies to global challenges. Oil-exporting countries were among the most vulnerable to the pandemic with its effects still being felt.⁴³ Oil was not only sold at unprecedentedly low prices during the epidemic but also reduced travel and productive activities that rely on fossil fuels worldwide. The story circulating among some environmental justice groups was that the environment benefited from limited production activities. It means that while exporting countries may have lost revenues, the non-financial benefit of less pollution is one side to the issue in an environment where households' ability to survive in difficult times matters.

40. O. Oyewole, N. Adeleye, O. Ogunyomi and A. Adeleke, "Impact of COVID-19 on the Nigerian Economy", *Journal of Economics and Behavioral Studies*, Vol. 12, No. 4, 2020, pp. 110-120.

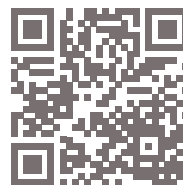
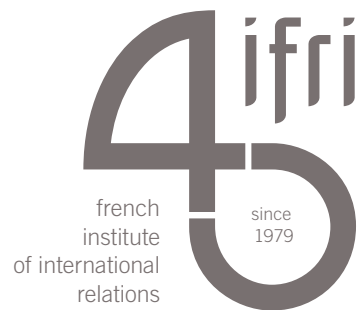
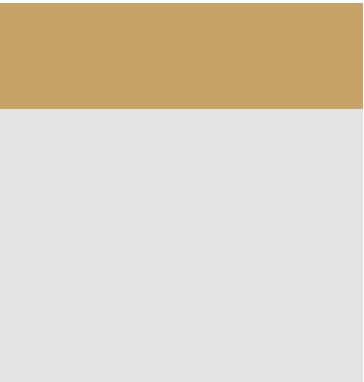
41. *Nigeria: Overview*, World Bank, 2021, available at: www.worldbank.org.

42. F. C. Onuoha and D. D. Umoru, "Oil and Governance in Nigeria" in: S. Chaturvedi (et al.) (eds.), *The Palgrave Handbook of Development Cooperation for Achieving the 2030 Agenda*, Cham: Palgrave Macmillan, 2021, pp. 387-407.

43. *African Economic Outlook 2021 – From Debt Resolution to Growth: the Road Ahead for Africa*, African Development Bank, 2021.

Conclusion

This article illustrates that Nigeria's oil wealth has long been a major subject of international relations in both the multilateral and bilateral arenas. It provides insights into the unfolding of these relations and their underlying decolonial therapeutic implications. Oil is a foreign policy instrument based on the established belief that the resource is a national security issue that requires investment guarantees. Meanwhile, bilateral relations with countries such as China are dominated by oil and have several trends. The social consequences are often ignored or regarded as secondary effects and ordinary citizens often have doubtful benefits. The consideration of oil as a foreign policy issue between Nigeria and the outside world flows from the role the commodity is already playing or going to play in individual countries.



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