Conflict and Accommodation in a Post-Imperial Order: Reflections on Nigerian Policy towards Foreign Capital, 1972-2010

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The struggle for the overthrow of colonial rule and the eventual attainment of independence in 1960 fell short of expectations as neo-colonial structures tended to generally undermine the expected gains of political independence. The challenge faced by the ascendant power elites of the post-war Nigerian state is how to redesign, articulate and nurture an auto-centric post-colonial economy. This paper attempts to capture the character of post-civil war policy of the Nigerian state towards foreign capital. Approach to the study is based on the methodology of historiography and the application of secondary data. It examines the main thrust of government’s policy in this regard. The paper concludes that although a crisis of confidence predicates the relationship between the triangular drivers of post-imperial Nigerian political economy, their interest in the preservation of the institutions of private property tend to converge. This convergence dissolves the conflict in the interest of super ordinate objective of capitalist relations of production – the reproduction of a free enterprise system that promotes local and international capitalist interests within the Nigerian state.

Keywords: rentier elites, continuity in change, moderate radicalism, Nigerian techno-structure, state re-appropriation, Obasanjo rapprochement

Introduction

At Independence in 1960, the Balewa government inherited and adopted liberal policies towards foreign capital (Bello, 1963:6). The ruling party, Northern People’s Congress, at independence declared its manifesto as: 1) A dynamic policy adaptable to the circumstances but founded on our fundamental belief (Islam); 2) Membership of the commonwealth; 3) Closer ties with the United Kingdom; 4) Increasing friendships with the United States of America; 5) Friendly relations with all countries in the African continent; 6) Friendly relations with all countries sharing common interest with Nigeria and respecting Nigeria’s sovereignty, and; 7) Acceptance of the principles and obligations of the United Nations charter (Akinjemi, 1974, p. 19). In this sense, the First Republic was simply satisfied with a strategy of development by invitation in order to give meaning and vitality to import substitution industrialization strategy. The sentiments of Balewa, Nigeria’s first Prime Minister are testimonies to the neo-colonial proclivity of the Northern People’s Congress (NPC) leadership. He similarly developed some admirations for western values. In his maiden speech to the members of the House of Representatives (as Prime Minister) on 2 September, 1957, he declared: I should like on this occasion to pay warm tribute to the British statesmanship which has granted to Nigeria the opportunity we are now celebrating today. Our association with the people of the United Kingdom has been a happy one and there has always been tremendous goodwill on both sides...Nigeria’s economy has been closely linked with that of the United Kingdom, and we intend to strengthen that link...We are indeed grateful to the United Kingdom for many things and it is our desire that our association shall continue even closer than ever (Epelle, 1964).

In praise of western capital, he declared before the General Assembly of the UN in 1960:...We are grateful also to those who have brought modern methods of banking and of commerce and new industries...(Epelle, 1964). After the civil war of (1967-70) certain structural changes and philosophical shift that took place in the Nigerian political economy dictated the need to redefine this purely accommodationist policy. The new thinking was influenced by a host of factors. First, the euphoria that greeted political independence was beginning to wane, while economic nationalism blossomed. It had become clear to the Lagos policy elites that ‘Political Independence without economic independence is but an empty shell’. Second, the refusal of Nigeria’s traditional allies, Britain and America to come to the side of the federal
government in nipping the secessionist agenda reversed official thinking in Lagos against colonial and neo-colonial structures anywhere in Africa. This intellectual ferment suggested the urgent need for a reversal of the traditional ‘open door policy’. Thus, while the old policy of accommodating foreign capital continued to be accepted, the need for Nigerian participation in the economy as well as control over major industries was beginning to win greater recognition. It was in the light of these developments that the Nigerian Enterprises Promotion Decree was promulgated in 1972 as an agenda for the transfer of ownership and control of the economy to Nigerians.

The central objective of this paper is to capture and reconstruct the main trends in Nigerian policy towards foreign capital with a view to discovering the philosophical and intellectual foundations of the ongoing crisis of confidence between the triangular drivers of Nigeria’s development process – the state, the local business classes and the multinationals. The paper is concluded with a discussion of continuity in change. The choice of the period 1972-2010 is deliberate for two reasons. First, it is easier to manage; second, it lays the foundations for a post-war agenda.

State and Foreign Capital in Nigeria: A Conceptual Statement

Marxist and neo-Marxist creeds have linked the character of Nigerian politics and state policies to the configuration of political processes and interests within a state system in which transitional capitalist and local associates’ competition and conflict constitute the dominant forces. In this ‘competition complex’, the Nigerian crisis is situated in the ‘Triple Alliance’ theory articulated by Andre Gunder Frank and Peter Evans in their study of Latin American dependent industrialization (Turner & Badru, 1983; Frank, 1967; Evans, 1975; Evan, 1977).

The Nigerian state is thus viewed as a nexus of TNOCs and their local Nigerian associates in which the dominant forces of the transnational groups and state functionaries drive a triangular relationship, with the preservation and protection of foreign capital as the super ordinate interest (Turner, 1978).

The central theme of the ‘hegemonic alliance model’ has been well documented elsewhere: “…Nigeria is a mere geographical expression created by multinational companies and continues to be governed by multinational companies…” (Omeje, 2005; Douglas, 2010). The thrust of this neo-Marxist thinking is that local middlemen and designated government functionaries sponsor and promote policies that drive the interest of transnational investment regimes in which local interests are embedded. However, this notion of foreign domination by proxy through the instrumentality of a puppetized local upper class has been controverted by empirical evidence from Zambia and Nigeria (Sklar, 1975). The Nigerian state is not a pun in the hands of the West. It has the capacity to troubleshoot, disagree and reconcile to protect capital.

The Gowon Era: Philosophy of Participation and Control

The Balewa administration was reputed not just for purely accommodationist policy but for inheriting the package of colonial policies designed to nurture a foreign capital economy. He equally adopted a series of post-colonial policies that gave his administration the character of a classical neo-colonial order. However, the Gowon administration brought some changes to this policy. Although the administration continued to pursue the policy of accommodating foreign capital and even invited new foreign investors, the need for indigenous participation and control won greater recognition. During this period, Nigerian policy towards foreign capital became assertive for the first time. In 1966, an Expatriate Quota Allocation Board was established to give meaning to the immigration laws of 1952 and 1962. The primary objective of this new policy thrust was to restrict the influx of expatriates and create more opportunities for Nigerians to exercise control over the economic resources of their country (Asiodu and Kayode, 1977). The general thrust of the new vision was captured by the framers of the Second National Development Plan (1970-1974):…government will establish a strict timetable for the Nigerianization of various sectors of the economy, taking into consideration the peculiar manpower requirements of individual industries. The plan further declared at page: 289, Another dimension of indigenization of ownership and control experience has shown through history that political independence without economic independence is but an empty shell. The validity of this statement derives from the fact that the interest of foreign private investors in the Nigerian economy cannot be expected to coincide at all times and in every respect with national aspirations…A truly independent nation cannot allow its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors. It was in the spirit of this new policy thrust that Gowon promulgated a Petroleum Decree in 1969. The Decree stipulated that within ten years of the grant of
lease to an oil company in Nigeria, not less than 10 percent of all grades of its workers must be Nigerians. The Decree further stated that within ten years, Nigerians in managerial, professional and supervisory grades should reach at least 75 percent of the total number of persons employed by the company in those grades (ARB, 1969, pp. 1536-1539). When in 1972 Nigeria joined the Organization of Petroleum Exporting Countries (OPEC), the need to streamline Nigeria’s oil policy with those of other members of OPEC added more urgency to the need to indigenize the Petroleum industry. The 1971 initiative to establish the Nigerian National Oil Corporation (NNOC) charged with the responsibility for managing government’s investment in oil companies was vindicated by her new OPEC membership. The NNOC first acquired 35 percent equity in the shares of the foreign oil companies. As a response to public pressure for increased government control of the oil companies, coupled with the desire to earn more revenue, government equity stake was raised to 55 percent in 1974 by the Gowon administration. And on May 1, 1973, a government owned Mining Corporation, which was to take part in the mining industry in collaboration with private (foreign) companies, was formally inaugurated in Lagos. This corporation was to exploit all minerals except petroleum and coal. This initiative according to Alli Monguno (the then Federal Commissioner for Mines and Power) was to ensure that the mining industry would ultimately become “largely dominated, managed and controlled by our own people” (Monguno, ARB, 1973, p. 2179).

Similar efforts were also made by the administration to encourage state participation in banking. On April 3, 1972, Alhaji Shehu Shagari (the then Federal Commissioner of Finance), announced plans by the Government to acquire 40% equity shares in foreign banks (Shagari, ARB, 1972, pp. 2331. In keeping with the policy, the government acquired 40% shares in Barclays Bank of Nigeria (now Union Bank Plc), Standard Bank (now First Bank Plc) and French-owned United Bank for Africa in 1973 (ARB, 1972, p. 2625).

The general thrust of Gowon’s initiative was indigenization of ownership and control. However, the policy was not simply discriminatory or industry specific but was embedded in the First Nigerian Enterprises Promotions Decree of 1972 which became effective 31st March, 1974. This policy applied to the entire Nigerian economy. The first decree recognized two schedules of enterprises. Enterprises under schedule I were those reserved ‘exclusively’ for Nigerians, while those under schedule II were the enterprises in which Nigerian participation was made mandatory and pegged at 40 percent minimum indigenous participation. However, several weaknesses in the decree came to light and the commission of inquiry set up in 1976 by the government, resulted in the second ‘Indigenization Decree’ of 1977. Unlike the first decree, the new decree recognized three schedules of enterprises. Enterprises under the schedule I were set aside ‘exclusively’ for Nigerians while schedule II covered enterprises in which Nigerians were expected to hold at least 60 percent of equity shares. Schedule III contained enterprises in which Nigerians were expected to hold at least 40 percent of equity shares. Compartmentalization under the two decrees was meant to reflect the level of technological intensity. Although they differ in scope and strategy of implementation, both the NEPD 72 and the NEPD 77 have common aims and objectives. These are:

- To create opportunities for indigenous businessmen;
- To maximize local retention of profit;
- To raise the level of production of intermediate and capital goods;
- To raise the proportion of indigenous ownership of industrial investments;
- To increase Nigerian participation in decision-making (Ebohon, 1986, p.112; Ezeife, 1981; Eghosa, 1975).

**Murtala-Obasanjo: The Philosophy of Moderate Radicalism**

Murtala-Obasanjo administration shared the vision of increased Nigerian participation and control over the economy with the Gowon administration. In a broadcast to the nation on 29th June, 1976, General Obasanjo announced that as from September 30, 1976, all foreign-owned banks in Nigeria could only hold 40 percent equity while the other 60 percent must be indigenous. During the same year, the former Head of State (then Colonel Buhari and Federal Commissioner for Petroleum Resources) announced in Lagos that a National Petroleum Corporation – the Nigerian National Petroleum Corporation (NNPC) was to be set up to carry on the functions of the Ministry of Petroleum Resources and those of the NNOC (Buhari, ARB, 1976:40-41). And on October 5, 1976, Major General Muhammed Shuwa (the then Federal Commissioner for Trade) announced that the government had decided to abrogate all monopoly and sole agency agreements between Nigerian importers (mainly the multinational trading houses) and foreign manufacturers (Shuwa, ARB, 1976:10374). In 1979, the government increased Nigerian stake in the foreign oil companies from 55...
percent to 60 percent. However, the Obasanjo administration went beyond merely extending Gowon’s policies and adopted more radical measures. In 1978, the government ordered all public agencies to withdraw their funds immediately from Barclays Bank, because of the bank’s continued collaboration with the South African government. At the same time, ten of the bank’s thirty expatriate staff were given one month within which to leave the country in line with a reduction of the bank’s ‘expatriate quota’. A Cabinet Office statement in Lagos on March 21, 1978 stated that the bank’s policy: “has turned out to be that of collaboration with the apartheid system in South Africa and to be completely at variance with the declared stand of the Federal Military Government” (ARB, 1978:4633). And on the eve of the Commonwealth Conference in Lusaka in 1978, British Petroleum’s (BP) remaining stake in Shell-BP was nationalized by the government. This development also followed the British government’s granting of permission to BP to sell ‘non-embargoed’ crude to South Africa in a swap arrangement. The government also directed that all expatriate staff of BP must leave the country by August 31, 1979. However, the government took steps to assure the other foreign oil companies not to entertain any fear as long as they respected the policies of the Nigerian government and the feelings of all Nigerians especially in the sensitive area of the apartheid and obnoxious racist policies of Southern Africa. Similarly, the government also banned all ships with the slightest connection with South Africa, Namibia, Zimbabwe and Israel from Nigerian territorial waters in 1979. And in May of the same year, Nigeria seized a South African tanker – Kulu – and forced it to discharge its cargo, which belong to BP (ARB, 1979:5270). Another initiative was taken the same month to ban British firms from tendering for Nigerian contracts as retaliation against what was seen in Lagos as Thatcher government’s pro-Kulu line in Zimbabwe and Rhodesia.

Certain fiscal policies considered unfavorable by foreign companies were also adopted at the height of this conflict. In an attempt to raise revenue and reduce imports, the administration decided in 1978 to impose heavy taxes on foreign airlines and shipping companies. The tax on the two types of companies was set at 10 percent of their Nigerian turnover or any cash they remitted out of the country (ARB, 1978:4785). Following this development, a section in the Nigerian Companies Acts of 1961, which exempted from tax, airlines and shipping companies from countries offering reciprocal exemption for Nigerian companies was scrapped. To pursue these objectives further, remittances for management and technical agreement services were reduced from a maximum of 3 percent of gross profit to a maximum of 3 percent of net profit. In addition, management agreements as opposed to consultancy agreement were no longer to be entertained from well established companies who were expected to have instituted local training programs and engage the necessary local staff when specialized services are needed. Government was also to ensure that foreign companies enjoying overdraft did not remit money overseas until such overdrafts were cleared, while the maximum fee for a non-resident director of a Nigerian company payable from Nigeria was pegged at N4,000 annually. And while the proceeds from the sales of shares of dis-investing plant under the indigenization Decree not exceeding N300,000 could be repatriated immediately on approval, any excess was subject to repatriation at the rate of N300,000 every six months. In addition, applications for requests to repatriate proceeds were expected to be accompanied by documentary evidence of approved status or evidence of capital importation.

Shagari Era: Open Door Policy

Due to the prospect of getting more oil revenue, the Shagari administration brought considerable changes to these policies. He thought that Obasanjo’s restrictions were not only not in accord with the philosophy of the free enterprise economy of which his National Party of Nigeria (NPN) was an advocate, but that the policies tended to slow down the pace of economic activities. In his first budget speech, Shagari threw the door open once again. Firms importing industrial raw materials and spare parts were exempted from pre-shipment inspection. The compulsory advance deposits, which he inherited from previous administration, were no longer required, while his Finance Minister promised modification of the ban on air freighting of goods which could be imported by sea. Increases in payment of technical services and consultancy fees, as well as royalties were approved. The outstanding balances on the proceeds of sales of disinvested shares under the 1977 indigenization decree were to be repatriated subject to a maximum of two years. The government undertook to grant special permission to affected foreign companies in order to be able to remit everything within the stipulated period.

The 1979 import restriction policy of the Obasanjo administration was revoked, while all goods hitherto banned were placed under license. In addition, male and female expatriates were allowed to repatriate 50 percent of their net salary, a privilege hitherto enjoyed by only male expatriates. While throwing the door open, the Shagari administration
continued to embrace the principle of giving Nigerians opportunities to participate in the direction and ownership of economic activities. This was in line with the aspirations of the Nigerian capitalist elements who dominated the ruling party (PNP). However, as economic crisis started to loom by 1981, Shagari reversed his open door policy in order to salvage the economy. Consultancy firms were to have their 30 per cent allowance of offshore cost reduced to 20 percent, while all foreign financial transactions were expected to have a Central Bank cover before any bank could make any draft. Foreign exchange had to be rationed to firms for the importation of raw materials and spare parts. In July 1982, the government imposed a temporary ban on issuance of expatriate quota to any company. Whilst these measures were necessary for meeting the exigencies of a fragile economy in the throes of collapse, the virtual absence of the political will to implement them led to Shagari’s overthrow in December 1983 (ARB, 1982:6524), while the subsequent economic crisis unleashed led to the adoption of the Structural Adjustment Program of 1986.

The Babangida Era: From Adjustment to Privatization and State Re-appropriation

The overthrow of the Shagari administration by the Buhari-Idiagbon junta in 1983, following Shagari’s failure to address the economic crisis unleashed by the falling global commodity price and rising profile of Nigeria’s debt, set the stage for a new legitimacy crisis for the Nigerian state. The Shagari government did not only run out of capacity to finance import bills in the face of open-door policy, it also squandered the democratic goodwill promised on October 1, 1979. Its legitimacy deficit led to the regime’s overthrow by General Buhari on December 31, 1983. However, having run out of legitimacy for adopting highly draconian authoritarian profile in the pretence of constructing a disciplined society, General Babangida quickly organized a palace coup that sent the Buhari-Idiagbon junta out of public space.

Challenged by the problem of managing a depressed economy in the face of falling commodity prices, global depression, rising unemployment at home, industry mortality and consumer resistance, General Babangida took refuge under the Structural Adjustment therapy of the 1980s introduced to manage internal and external disequilibria. This reform agenda which implied deregulation of the economy and the attendant devaluation of the Naira was foisted on the Nigerian state by the World Bank and International Monetary Fund (IMF). These global financial institutions were in the early 1980s significantly influenced by conservative regimes in the West: Margaret Thatcher’s government in the United Kingdom and Ronald Reagan’s Republican government in the United States (Osagie, 2008). As an ideological ferment extolled and marketed by World Bank-IMF Chief Priest, Milton Friedman, Structural Adjustment Program laid the foundation for the new face of post-imperial globalization project regime that became popular following the collapse of the Soviet Union, the fall of the Berlin Wall and the end of apartheid rule in South Africa.

Following the adoption of the Structural Adjustment Program in 1986, the Babangida administration devalued the Naira and proceeded to open up the economy by removing artificial barriers to Nigeria’s trade with global investment interests. This program saw the repeal of the Gowon indigenization decrees of the 1970s. On this basis, Babangida celebrated his acceptance of the IMF/World Bank open-economy, and the hands off market driven, non-interventionist development model premised on Adam Smith’s invisible hands’ (Oyeonoru, 2003).

As a follow up on the Structural Adjustment Program announced in July 1986, the government in July 1988 promulgated the Privatization and Commercialization Decree which took effect in November of the same year. The aims and objectives of this decree as stated by government include:

- Improving the performance of government enterprises through improved performance and exposure to foreign competition;
- Improving government’s financial standing through sales of government enterprises;
- Reducing the size of the public sector;
- Promoting self-reliance and reducing dependence on government support;
- Strengthening market forces and competition within the economy;
- Creating more jobs and acquiring more knowledge and technology;
- Promoting wide share ownership among employees and the larger public;
- Developing domestic capital market; and
- Raising funds for financing development activities in such areas as health, education and infrastructure.

On the whole, the opening up project translated into re-appropriation of the state by local and foreign capital while government believed that such program in the era of globalization and deregulation would greatly influence the level and velocity of growth in the Nigerian economy. It was thought that a market driven strategy canvassed by the World Bank and
IMF would encourage interaction and competition between Nigerian and foreign investors; to increase inflow of foreign currency, leverage foreign reserves, reduce and minimize existing knowledge gap, as well as indigenization of foreign technology. However, the Babangida structural adjustment program and the implied deregulation soon translated to the engine of disaster capitalism in Nigeria. Instead of laying the foundation for actualizing a new dream of development, SAP unleashed job losses, factory closures, capital flight, armed robbery, violence, infrastructural decay and declining life expectancy. His privatization and commercialization programs as SAP pillars patronized the local and foreign business interests as projects of state re-appropriation and not as projects in state development. The reported increases in cumulative foreign private investment in Nigeria from N10,899 million in 1989 to N53,507 million in 1993 and inflow of foreign private capital from N6,236 million in 1988 to N42,624.9 million in 1993 amounted to lower pre-SAP value in the context of depreciated Naira (CBN Bulletin, 1994, pp. 205, 214).

On a general note, the inflow of foreign investment in the face of economic diplomacy was considered low. Babangida accepted this fact in his 1992 budget speech (Saliu, 2006, p. 144). Comparative data revealed that in 1990 two years after the launch of economic diplomacy total US investment in Nigeria was $161 million. While the figure for 1991 rose to $611 million, the figure for 1992 slumped to $274 million (Funk & Magwalls Corporation, 1994, p. 177). During this period, South Africa and apartheid enclave attracted $956 million volume of foreign investment in 1990, $857 million in 1991 and $871 million in 1992 from the USA alone (Funk & Magwalls, 1994, p. 177).

A number of factors explain this poor rating of Nigeria as an investment destination. The first is that the west was not impressed with Nigeria’s rate of economic development. The main economic indicators pointed in a negative direction. A World Bank report had castigated Nigeria for sacrificing her development efforts for the selfish interest of her political leaders. In addition, the disclosure by the Bank on how the extra earnings from the Gulf War were mismanaged did not help Nigeria’s rating in the western world. Such unacceptable level of corruption and authoritarian temptations coupled with his desire to transit into an imperial president did not help Nigeria’s image in the international community. Thus, in his transition to an executive military president, his bad human rights records, his corrupt practices as well as the construction of endless political transition program that sought to reproduce himself as sit-tight life president, Babangida earned negative sanctions from western capitals. His dubious political agenda was betrayed with the annulment of June 12, 1993 presidential election adjudged the freest in Nigeria’s political history. These developments did not only undermine the inflow of western investments capitals, it engendered a general loss of goodwill from the west. Faced with declining western goodwill, Babangida headed for East Asian diplomacy on the illusion of the middle range powers. This was seen as a possible way of developing local technology through the Asian late industrialization strategy (Amsden, 1989).

### Abacha: From Civil Imperial Temptation to Pariah Consolidation

General Abacha’s political armies which paraded and monopolized the political space from 17th November, 1993 to 1998 inherited a basket of debit image from the Babangida administration. In the reconstruction of the debit notes crafted by Obasanjo and Buhari erstwhile military heads of state, they observed: One legacy that this administration (Babangida’s) would be leaving us (was) not only making every Nigerian 500 percent poorer but moving Nigeria from among one of the leading 50 nations of the world economically to one of the 25 poorest nations (Obasanjo Interview, 1993:13). Buhari (1994) also observed that in the last few years (1985-1993), there had been a general and rapid deterioration in the conditions of Nigerians due partly to the global economic downturn but more particularly to the wanton corruption in government on a scale unimaginable.

It is in this context that Ciroma (1995) contextualized Babangida’s generation of “…distrust for himself and his successor military regimes in the circles of the western government because of the way he mishandled the transition process, especially the annulment of June 12 election”.

The Abacha regime lost image before it was established. The western world declared the government illegal, unconstitutional and politically immoral because of the circumstances surrounding its birth. In this respect, the west demanded immediate resignation of Abacha as president of the Federal Republic and the swearing in of Chief M.K.O. Abiola as the duly elected Head of State of a democratically constituted government. His insistence on holding on to office as President and the eventual imprisonment of Chief M.K.O. Abiola eventually earned Nigeria a pariah status in most of the western world. Matched with suppression of public opinion, press gag, imprisonment and assassination of opposition leaders like the wife of Chief M.K.O. Abiola, Mrs. Kudirat
Abiola, the attempted murder of Mr. Alex Ibru, judicial murder of Ken Saro-Wiwa and eight other activists, closure of media houses, it became clear that the Nigerian government was in the hands of a maximum leader. Groaning in the throes of a pariah state normal diplomatic channels were jettisoned in favor of image laundering organizations in Euro-Americas to build Nigeria’s image abroad.

Thus, inter-state and multilateral approaches to conduct of diplomatic business were circumvented. Top government functionaries especially military leaders were barred from entering the west. Nigeria changed her diplomatic root with the west while showing preference for the East Asian world. In addition, Nigeria sought to strengthen diplomatic ties with known enemies of the west as an observer intimate: Irrespective of the diplomatic climate in Turkey, Libya, Cuba, Niger and other undeniably pariah nations, Nigeria’s warmness to them and South East Asian countries even if necessitated more by political imperatives, had served as a loud protest against global isolation (Saliu, 2006, pp. 342-343).

These developments took root in the context of a new “…global conflict (in which) democracy and dictatorship… is at war… (with) the latter losing everywhere.”Russia and Eastern Europe are democratizing rapidly and seeking closer ties not only with the western powers but with NATO, its military wing as well (Fafowora, 1997). So, there is no hiding place or future for military (and civilian) dictatorship anywhere, including Nigeria. Abacha’s imperial presidency project, popularized with “who the cap fits” slogan further distanced the administration from Nigeria’s known western friends.

Obasanjo Rapprochement and Foreign Capitalism

The establishment of democratic governance in 29th May, 1999 opened a new chapter in Nigeria’s relationship with western capitalism and set the space for the end of pariah state status. In addition, democratic rule also offered a new guarantee for the rule of law, observance of human rights and the free enterprise system. During his first 100 days in office, President Obasanjo embarked on extensive fence mending tours to the western world in order to end Nigeria’s pariah status.

Democracy opened a new vista of relations between Nigeria and international institutions. This paved way for relationship between the west and multilateral organizations that is based on mutual respect. On this ground, promises of financial aid, technical assistance as well as debt rescheduling/cancellation were made by western powers.

This development culminated in full repayment and cancellation of debts by London and Paris clubs. With the new rapprochement and window into western capitalism, the Obasanjo/Atiku and Yar’Adua/Jonathan set to recapture and redefine Nigeria’s economic space through oil sector reform.

The post authoritarian state had become conscious of the fact that the Structural Adjustment Program of 1986 and the implied globalization process have not only failed to yield the expected results, it has been blamed for the continued industry fatality and extraversion of the economy. This is because; the SAP has neither added value to local production structures and processes nor promoted the transfer and indigenization production technology.

In responding to this challenge, the Obasanjo-Atiku and Yar’Adua-Jonathan administration accelerated the oil industry reform project which though initiated by the Obasanjo/Atiku administration was however completed and signed by President Jonathan on April 22, 2010.

The package derived from the work of the Oil and Gas Sector Reform Implementation Committee (OGIC) inaugurated on the 24th of April, 2000. The Act which seeks to improve local content and enhance local skills component defines Nigerian content as the quantum of composite value added to or created in the Nigerian economy by a systematic development of capacities through the deliberate utilization of Nigerian human and material resources and services in the Nigerian oil and gas industry (Federal Government Policy, 2010). The Act sets the stage and context for the revival of the abandoned indigenization program aborted by the adoption of SAP and globalization process in seeking to increase local competitiveness and Gross Domestic Product in the industry. The vision statement of the National Oil and Gas Policy reads: ‘to maximize the net economic benefit to the nation from oil and gas resources, while meeting the nation’s need for fuel at a competitive cost and accomplishing all in an environmentally acceptable manner’.

To realize this vision, the underlisted sectoral policy objectives were declared by the government: Clear delineation of roles and functions in the petroleum industry; Local value addition; Increased Nigerian content; Domiciliation of petroleum technology; Greater environmental protection; Strictly business oriented (operations); Participatory schemes involving host communities; Strong, viable and independent downstream sector; Optimum utilization of natural gas for domestic and export markets. The new hydrocarbon nationalism has two pillars: The Petroleum Industry Bill and the Nigerian Content Development Act.
The petroleum industry bill

This pillar, as umbrella legislation on the oil and gas industry, seeks to repeal the existing 16 laws and regulations governing the industry. The draft bill has provision for a wide range of industry matters including fundamental industry objectives; institutions and framework; upstream operations, downstream petroleum production operations; downstream gas operations; fiscal provision; health, safety and environment; community affairs; repeals, transitional and savings provision; as well as interpretations and citations.

The Nigerian oil and gas industry local content development act 2010

The central concern of this pillar is the development of local capacity in a way that can promote local value addition in the areas of local expertise in managerial and entrepreneurial skills. In strengthening local capacity, this pillar seeks to stimulate the context for improved indigenous autonomous oil sector industrialization and the growth of a truly indigenous industrial estate that can reverse ‘resource curse’. In contending with the challenge of developing and mainstreaming local capacity, the following clauses are provided in the Act.

In sections 2 and 3, Nigerian companies with proven competence, ownership of necessary engineering equipments, appropriate indigenous skills and capacity to execute projects on land and swamp operating areas must be given exclusive consideration in contract bids. Section 4 outlaws existing laws on local content, while section 5 provides for the establishment of a Nigerian content Development Board charged with monitoring of compliance by foreign investors. Consideration for Nigerian content in bid evaluation is provided for in section 19. This section stipulates that where bid tenders are within 1 percent of each other, priority shall be given to the bid with the highest level of Nigerian content, provided that such Nigerian content is at least 5 percent higher than that of the closest competitor. Sections 25, 26 and 27 provide for training and employment of Nigerian personnel and expatriate quota registration while sections 31 and 32 provide for transfer of technology and research and development obligation.

However, the Act, guarantees foreign participation by compliant companies. It is to be noted that the International Oil Companies (IOCs) have been uncomfortable with the bill. Sebastian Carbah, Managing Director of a U.S. based consulting firm has been quoted as saying that “the PIB is a disincentive for offshore investments”. In a similar vein, Shell’s Regional Executive Vice President for Africa, Ann Pickard has stated that the bill is not only slow and cumbersome; it lacks insight into the very basis of the Nigerian oil industry (Ibrahim, 2010, pp. 50-51). In addition, the media has reported IOCs’ use of diplomatic channels to whittle down certain aspects of the reform bill that may promote Nigeria’s corporate interest in the industry. The rentier elites, an outgrowth of the point resource character of the Nigerian petro-state, with a fundamental vested interest in alliance with foreign capital runs a clandestine agenda with the IOCs. This alliance blocks meaningful transition in the industry. IOCs in collaboration with the rentier elites (which they constructed) have blocked the rise of a Nigerian techno structure Galbraith, 1979). The history of this collaboration is well documented in the triangular relationship between the Nigerian state, the local comprador class and the IOCs in the Nigerian state (Nove & Turner, 1980).

Conclusion

Empirical data from this study suggest that while the Shagari policies were more open than the policies of Gowon and Obasanjo, all policies since 1960 to 2010, have demonstrated the desire of Nigerian governments to develop an alliance with foreign capital. The radicalism of Obasanjo was not sustained for a long time. One central feature of the policies towards foreign capital was the frequency with which government sanctions were invoked and subsequently revoked. Barely four months after barring British firms from tendering for contracts, the government hurriedly revoked the ban. And barely one year after barring public sector agencies from maintaining accounts with Barclays Bank, government also revoked the order.

In an address to the ambassadors of industrialized countries in Lagos on July 23, 1976, Major General Garba, summarized the general philosophy on which Nigerian policy towards foreign capital since 1970 is based: Although our policy is now 60 per cent (Nigerian) participation in certain enterprises, the government still wants, and indeed expects full involvement of foreign partners in these enterprises. No country can forever leave her economy solely in the hands of foreigners and no self-respecting government can afford to ignore or abandon its responsibility in this regard. Our policy on participation is not right or left, capitalist or communist, it is purely and simply designed to benefit Nigeria and friends of Nigeria (Garuba, 1976, pp.3973-3974). It is within this philosophical framework that the Structural Adjustment Program of 1986 and 1988 which legitimized Nigeria’s acceptance
of Adams Smith’s doctrine of the open-economy, driven by invisible hands was rationalized by the Babangida administration. Similarly, the Yar’Adua-Jonathan Local Content Development Act of 22nd April, 2010 derives from the same philosophical parentage. These schemes eventually pointed to state re-appropriation by local and international capital.

Such new themes in Nigerian policy towards foreign capital since the Gowon administration brought no radical departure to the traditional open-door policy of accepting foreign capital as the engine of growth. Successive governments continued to believe in the accommodation of foreign capital, while at the same time encouraging indigenous participation and control. These goals are not inconsistent or contradictory. They simply manifest the government’s desire to develop a capitalist economy in alliance with foreign capital but an economy, which has to be dominated and controlled by Nigerians. The analysis suggests that while a crisis of confidence predicates the relationship between the triangular drivers of post-imperial Nigerian political economy, their interest in the preservation of the institutions and values of private property tend to converge. Such convergence dissolves the conflict in the interest of the superordinate objective of capitalist relations of production—the reproduction of a free enterprise system that promotes local and international capitalist interest within the Nigerian state.

References


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