

A Historical Contradiction of a Mono-Cultural Economic System: Implication for Economic Diversification in Nigeria, 1960-2016

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A b s t r a c t

Since independence, African states are still plagued with the challenges of western hegemonic influence, lack of self-reliance and crafting of an indigenous African economic agenda; a legacy that is still hunting the African child from the realization of its manifest destiny as a potential global driver; rather than passenger in the international highway. The aims and objectives of this paper is to identify other key areas of revenue generation in Nigeria; giving the dwindling oil price in the international market, and the volatility of the sector. Certain variables have been identified in this regards; these include, quality leadership at the continental and national levels, diversification of economies and productive industrialization, less importation of consumer goods and technical services, manpower skills development, agricultural mechanization and stable political system. The paper adopts qualitative approach, utilized both primary and secondary sources of data collection.

Keywords: *Economic diversification, Industrialization, Revenue generation*

Background to the Study

Since the discovery of oil in Nigeria during the late 50s, the economy of Nigeria had been driven on the wheels of oil and gas for foreign exchange earnings; and became absolutely so, when Nigeria moved away from regional system of government due to enunciation of unification degree that bestowed on the central government the exclusive right to access all revenue from every sector of the economy within Nigeria territorial boundary. Even on introduction of Federal Constitution in 1979, the omnipotence of the Federal government in terms of revenue generation, expenditure and appropriation remain exclusive preserve of the centre. It is regrettable that even the proposed 2017 budget is tied to “*dollar/barrel*” ratio.

Economic diversification without a substantial infrastructural development in maritime; deep sea ports, wharfs on one hand; and expansion of rail way and access roads to connect the entire country, if not the whole of sub-region on the other hand would remain effort at lip service. Opening of communication channels by itself is revolutionary in character and developmental in nature. Economic diversification is capital intensive, as such requires the government to develop a plan, it is the plan that would guide the action of the government. Diversifying Nigeria economy from somewhat over reliance on oil and gas had been a policy that had received recurring attention from successive governments in Nigeria. With recent crash in oil price, it becomes imperative and mandatory to diversify.

From the progress report at the World Economic Forum on Africa held at Kigali on 11 to 13 May, 2016, African economies is receiving boost; the resilience of large parts of Africa in the face of challenging conditions reflects continuing diversification in many of the continent's economies. Between 2010 and 2014, services generated 48% of Africa's GDP growth, up from 44% in the preceding decade. Growth in Africa's manufacturing sector has been low at 4.3% a year between 2010 and 2014, but utilities and construction achieved significant expansion to ensure that industry overall generated 23% of Africa's growth, up from 17% in the preceding decade¹. Resources made a negative 4% contribution to growth between 2010 and 2014, compared with a positive direct contribution of 12% during the previous decade.

Finally, Africa is still urbanizing and much of the economic benefit lies ahead. Productivity in cities is three times as high as in rural areas and, over the next decade, an additional 187 million Africans will live in cities, according to the United Nations. This urban expansion is contributing to rapid growth in consumption by households and businesses. Household consumption grew at a 4.2% compound annual rate between 2010 and 2015 – faster than the continent's GDP growth rate – to reach \$1.3 trillion in 2015. We project Africa's consumers will spend \$2 trillion by 2025. But companies will need to gather detailed market intelligence on where the most promising consumer markets are. Just 75 cities accounted for 44% of total consumption in 2015. Nigerian consumers alone may account for up to 30% of Africa's consumption growth over the next decade. Other segments to target include households earning more than \$20,000 per annum in South Africa and Morocco, two of Africa's most diversified economies with a large consumer base, or those earning \$5,000 to \$20,000 in some of the fast-growing economies of East and West Africa.

¹Proceeding on The World Economic Forum on Africa Taking place in Kigali, Rwanda from 11 to 13 May, 2016

Conceptual Literature

Economic Diversification

Economic diversification is an economy that has a number of different revenue streams and provides nations with the ability for sustainable growth because there is no total reliance on one particular type of product or services for revenue generation. This diversification provides nations with the security and reliability that they need so that if one economic revenue stream should fail, the nation knows that they have several other options for revenue, (Eluogu, 2016)². Diversification in the present Nigerian economic context simply means a shift from total dependent on oil and gas sector to creating new avenues for stimulating economic growth.

Mauritius, South Africa, Madagascar, Cameroon, Senegal, Kenya, and Côte d'Ivoire occupy the top tier of the diversification ranking. Ethiopia, Zambia, Ghana, Burkina Faso, Gabon, Botswana, and Nigeria are in the bottom third. Rwanda and Benin improved dramatically (5 and 4 places respectively). A big part of the change in Rwanda was the expansion of nontraditional exports, particularly vegetables and beverages. Uganda, Burundi, and Ethiopia also made good progress on diversification, with Ethiopia adding horticultural and leather exports. Regional integration agreements, such as the Southern African Development Community and the East African Community, have benefited Kenya, Uganda, and Tanzania. The removal of requirements for export registration, licensing, and surrender of proceeds— and the elimination of most commodity export taxes—facilitated their export diversification.

Mono-Cultural Economic System

Mono-cultural economy is an economic system that have a single revenue stream from a major product or services as a mainstay. Nigeria economy from the years of independence had shown a remarkable level of diversification based on the type of politico-economic system practiced then. Each regional government was responsible for the developmental programmes that would generate revenue and accrue dividend to the region. Indeed very healthy competitive structure that was dismantled by decree 1 of 1966 during the first military encounter in Nigerian politics. The discovery of oil in the late 50s and subsequent exploration in the late 60s further exacerbated the situation as emerging economies in Asia and Latin America were in dire need of the liquid gold.

Comparative Survey of Diversified Planning (Oil Economy)

Saudi Arabia

Saudi Arabia's National Transformation Plan, which outlines the key elements to shift the kingdom's economy away from its dependence on oil, was expected to be approved by the cabinet in a late-night session in Riyadh yesterday. The plan is the centerpiece of the "Vision 2030" reforms set out earlier this year by Saudi deputy crown prince Mohammed bin Salman, who is looking to change the country's public sector-dependant ethos into one that promotes and fosters private sector entrepreneurial spirit³.

²Being an interview granted by Eluogu, A Legal Practitioner based in Lagos on Way Forward for Nigeria, December, 2016

³Saudi National Newspaper, Sunday 17 January, 2017, p. 5

The cabinet's plan received the seal of approval from the powerful Council of Economic and Development Affairs, chaired by Prince Mohammed, on Sunday as it winds its way through the government process. The broad vision has been blessed by a wide array of independent commentators, including the International Monetary Fund last month, but it still lacks key details that are now to be fleshed out by the heads of the relevant government departments over the summer. Much of the focus so far has been on the steps to partly privatise the state oil company, Aramco, which dominates the Saudi economy. That would be to serve the twin objectives of making Aramco more transparent and dynamic, as well as providing a catalyst to shift Saudi's Public Investment Fund toward becoming a more fully-fledged, diversified sovereign wealth fund.

The breathless talk of a "US\$2 trillion initial public offering" of Aramco at the start of the year has given way to a more detailed assessment of the difficulties involved in privatizing a company whose main wealth – its oil reserves – is ring-fenced as public property by the Saudi constitution. In one of the OPEC meeting in Vienna, Saudi minister for energy, industry and mineral resources, Khalid Al Falih, said Aramco would require "extensive rewiring" before a small portion – less than 5 per cent – of the commercially "delineated" part of the company would be listed, probably in 2018.

It is an indication of the work still ahead for the NTP just on its basic logistics, not to mention the long-term, fundamental change that many commentators have pointed out must be addressed in order to foster real change. This includes the labour market. The Saudi government's labour report last October showed that "Saudisation" of the private sector is slow going, with only about 15 per cent or 22 per cent of private-sector jobs held by Saudis (the labour and statistics department report widely differing numbers). Public sector employees account for at least three times as many jobs as the private sector and the labour market report forecast that Saudis will need 2.2 million private sector jobs by 2025 to reach full employment, even assuming a further 1 million public sector jobs are available. "With a population of 20 million people it is very difficult for people to all attain highly-paid jobs in the private sector to match what has been available in the public sector," said Jason Tuvey, Middle East Economist at Capital Economics. "Equally, the government no longer is in a position to hand out well-paid public sector jobs; there has to be a shift," he added.

Another key step for reform, the Saudi government accept, is a fundamental shift in the Saudi educational system that will focus more on the skills needed for a modern economy. That would take at least a generation to bear fruit.

Khartoum

Sudan economy on September, 2016 enunciated an Economic Memorandum recommended reforms in key sector and policies. The report entitled "Realizing the Potential for Diversified Development", shows that Sudan's economy has undergone three distinct periods of varying economic growth between 1988 and 2013. Between 1989 and 1997, Sudan's gross domestic product (GDP) averaged 4.9 percentage points, mainly due to growing labor and total factor productivity (TFP). Between 1998 and 2007, GDP growth picked up the pace and economic activity increased by 6.1 percentage points due to the advent of oil revenue; in the "oil

economy”, physical capital became the major driver of the country's economy. However, the oil economy started to decline in 2008 where negative TFP growth set in. This was compounded by the secession of South Sudan in 2011, which resulted in the loss of the majority of oil reserves and related fiscal revenues and dealt a heavy blow to Sudan's economy. “It is essential that Sudan undertakes a broad set of reforms so as to successfully diversify its economy,” said Xavier Furtado, World Bank Country Representative for Sudan. “This includes exchange rate reforms as well as ensuring a key role for the agriculture sector, which suffers from under-investment and very low yields, yet holds so much potential,” he added.

The report notes that economies with successful diversification endeavors have three things in common: the ability to manage natural resource rents, provide public services, and create a business enabling environment. Sudan has major weaknesses in all these areas, which are often complicated by conflict, fragility, and lack of clarity in the assignment of responsibilities in a decentralized public administration. The report also emphasizes the need for a sectoral focus, as agriculture is expected to play a bigger role in the country's economy in the foreseeable future in the absence of dominant resource-based exports.

Major findings of the report indicate that with no lasting structural change, the contribution of higher productivity economic activities will remain marginal and it will be difficult to achieve enough growth momentum in the country to reduce poverty. High, and volatile inflation, budget deficits and low savings brought on by the dramatic decline of oil revenues have also been identified as key challenges. The report argues that Sudan's real exchange rate (RER) has been greatly overvalued for most of the past 40 years with detrimental effects on competitiveness and export sectors⁴.

Khartoum's Plan Recommendations

1. Remove exchange restrictions to unify official and black-market rates and enhance policy consistency. Given the ever-changing black market rate and the earlier attempts in 2012 and 2013, gradual but ongoing devaluation may be the approach of choice for Sudan.
2. Increase agriculture productivity through a set of key (policy) changes in the areas of centralized markets, subsidies, and the promotion of fertilizer usage.
3. Improve the management of natural resource rents through strengthening institutions for diversification and rethinking the role of natural resource exploration in the economy.
4. Address broader business constraints to create space for structural transformation. There is a need to improve the regulatory framework for economic activity particularly to facilitate the development of an agro-processing and light manufacturing sector.
5. Build human capital to support skills-intensive modern services and reduce spatial disparities, especially by increasing education levels across the board to address the lack of an educated workforce in Sudan.

⁴<http://documents.worldbank.org/en/news/press-release-2016/0925>

Norway

In November 2013, Norway's Prime Minister, Erna Solberg, said that "We have to prepare Norway for an economy that [has] less oil income, directly, and less oil activity ... That's a 20-year perspective, not a four-month perspective." The Nordic country, where crude and natural gas accounted for 41 per cent of exports in the second quarter, gets about 25 per cent of its total economic output from oil and gas. As Norway has worried for some time about its diversification, so have the GCC countries, especially since the collapse of oil prices in 2014. The difference is that in the GCC, the 20-year perspective on diversification is more about creating the right preconditions than it is about opening the taps of government spending.

In Norway, to promote a more diverse economy, Ms Solberg's Conservative Party has so far focused on cutting taxes and boosting public spending. The government of Norway plans to withdraw money for a second consecutive year from its US\$880 billion wealth fund and spend 226bn krone (Dh97.64bn) of its oil revenue, equal to almost 8 per cent of the economy. General government spending is already topping 50 per cent of GDP, a level not reached in 20 years. Meanwhile the GCC economies, to achieve economic diversification, should continue to strengthen macroeconomic stability and improve regulatory and institutional frameworks. These preconditions to diversification will make markets more flexible and competitive to spur the innovation for goods, services and job creation. Transitioning to a diversified economy with robust and nimble tradable sectors requires additional policies and strategies to develop local technological capability, promote the processing of natural resources, improve the competitiveness of non-oil exports and broaden the export base through integration into global value chains to encompass higher value-added activities.

Attracting foreign direct investment (FDI) in the non-oil sector would support a wider economic growth model. The oil and gas sector has been the largest beneficiary of FDI in most GCC countries. In Oman, for example, about 50 per cent of FDI is invested in the oil sector. As manufacturing and service export bases remain limited in many of these countries, specialization and entrances in a specific segment of a global production chain could also benefit from FDI while improving export quality and sophistication, and accelerating technology and knowledge transfers, specifically in the form of FDI. Improving the climate for foreign investment in non-oil industry may involve lowering entry requirements, creating investment promotion intermediaries and streamlining tax structures. For instance, some countries impose a requirement of a majority domestic ownership that is a deterrent to FDI and should be eliminated or at least limited to strategic sectors.

United Arab Emirates

The UAE on January 10 announced plans to invest Dh600bn in projects to generate almost half the country's power needs from renewables. The UAE is a top oil exporter but has taken steps to reduce its dependency on fossil fuels to generate power, including building nuclear facilities. The country's energy mix by 2050 will comprise 44 per cent from renewables, 38 per cent from gas, 12 per cent from clean fossils and 6 per cent from nuclear energy, said Sheikh Mohammed bin Rashid, Vice President and Ruler of Dubai. The plan aims to increase usage efficiency by 40 per cent and increase clean-energy contributions to 50 per cent. Such plans should allow not only for energy diversification but FDI that can act as a lever of foreign investment attractiveness, value-added production options and growth.

Global Value Chains (GVC) are an additional mechanism through which firms in the GCC could access the world market and technologies. There is scope to join networks of supply chains and specialise at certain stages of the production of complex economic goods.

Identifying Key Performing Sectors for Diversified Stimulus

Quality Leadership: There is nothing wrong with Nigeria as a nation-state, potentially an emerging global power from Africa, due to its large human deposit, enormous material and human resource potential, to be seating at the global driver's seat and drive the world like China and India. Possessing much more it takes to terrify the international community like the Hitler's era. However, one fundamental weakness has crippled the eagle permanently as a neophyte among other species of birds; that is bad leadership since January 15, 1966. When for the first time Nigerian military intervened in politics and had remain bad omen for the nation up till date. Nigerian polity space became characterized by a tea party of Ex-Generals' and their cronies who avertedly remain in the business of looting the State treasuring, rigging of election, and to perpetuate their stay as states men and women whether or the masses want them or not. A situation that is breeding insecurity, agitations for self-determination, ethnic conflagration and armed violence to mention the least. Bad leadership, corruption, bad state of the roads and dilapidated and obsolete infrastructure had caused some of the multi-national corporations to relocate from Nigeria to other African countries such as Ghana, Kenya, Egypt and recently, Angola. Finally, Nigeria is seating on a keg of gun power of which the end justifies the means.

Maritime: The Chinese example of spanning wharfs and Sea Ports is glaring in the speed and momentum at which they are lithering the international community of standard and substandard goods and services. The maritime industry is a key sector of the Nigerian economy. As an oil producing and exporting country, as well as a consumer nation, the country is a large market for foreign goods, owing to its population. In this regard, the maritime industry holds the key to the nation's growth and development. Hence, to ideally unlock the potential in this sector, policies and programmes, that have numerous ways and capacity to boost the nation's economy, must be implemented.⁵

Concerted efforts have to be made to address the problems militating against the industry's efficiency. Nigeria's strategic location in Africa puts her at advantage in becoming the hub of shipping activities. The country is a coastal state, with extensive coastline and vast exclusive economic zone. It has inland waterways and large volume of various commodity, oil and gas exports. Therefore, if the vision of increasing local content participation in the Nigerian maritime industry is pursued vigorously, the sector will fall in tandem with Goldman Sachs' 2003 report, in which it was predicted that Nigeria was one of the identified countries with the potentials to be like Brazil, Russia, India and China.

Neglected Activities that Could have Generated Income

According to the Indigenous Ship Owners Association of Nigeria (ISAN), despite the country's large export of crude and import of over 100 million tons of general cargo, no

⁵Premium Times Nigeria, March 13, 2017, p. 6

Nigerian flagged ship is currently plying international routes. Nigeria is also the only oil producing nation without a national fleet, whereas Angola, which recently joined the ranks of oil producing countries, has a fleet for her oil deliveries.

Some other shocking statistics indicate that Nigeria exports about 900 million barrels of crude oil annually, but foreign vessels earn the freight of about \$2.25 billion, yearly, carrying the country's crude with no freight earning benefits to Nigeria. This must be addressed if there is going to be a change of fortune in the maritime domain and Nigeria's economy, in general.

Positioning to Reap Rewards if Diligently Harness

More opportunities await the country if it expands the coastal areas by dredging the waterways for future bigger vessels, such as the Post-Panamax Vessels, Triple-E Vessels, Ultra Large Crude Carriers, and Average Freight Rate Assessment Vessels; the list is endless. These vessels will increase the bulk movement of crude oil, petroleum products and other capital goods through loading of freight of about 18,000 containers.

The major seaports in Nigeria are too small for all these listed vessels to load or discharge goods. Moreover, the sea depth of the Nigerian waterways is not deep enough for the navigation of these larger vessels. These setbacks will reduce the involvement of the Nigerian maritime industry in the vast international trade and key global economic participation. Finally, the Nigerian government should learn from the likes of Panama, UEA and other maritime nations, by contributing to the development of major maritime activities within the international seaborne trade

Agriculture: There can never be a sustainable development in any country without a bed rock on agricultural development. Food security is product of sustained agricultural policy, planning, practice and implementation, other words, the population is unsecured. By the time Nigeria gained independence from Britain in 1960, agricultural sector was the only dominant driver of the economy, contributing about 70% of the Gross Domestic Product (GDP); employing about same percentage of the population, and accounting 90% foreign exchange earning of the Federal Government of Nigeria, (CBN,2005).⁶

But with discovery of oil in late 50s and subsequent exploration activities, attention was now shifted from agriculture to manufacturing in the 70s, contributing about. (Aigbokhan, 2000) assertion⁷ collaborated with that of the CBN, stating that agricultural sector is estimated to be the largest contributor of the non-oil foreign exchange in Nigeria, contributing to the gross force. A strong agricultural economy is essential to economy development and stimulate support for other non-performing sector of the economy. Nonperformance in agricultural sector, reflects the nonperformance of the Nigeria economy. Ukeje work on "Oil and Violent Conflict in the Niger Delta", a publication of the *Centre Development and Conflict Management* (CEDCOMIS), Ile-Ife provides an overview of the relationship of the Nigerian State with oil; and of the oil communities engaged in violent conflict. It contained the nature and causes of conflict in the Niger Delta, including grievances of the oil communities, women and youth agitations.⁸

⁶Central Bank of Nigeria, 2002

⁷Ben Aigbokhan, Poverty, Growth and Inequality in Nigeria: A Case Study, Nairobi: African Economic Consortium, 2000, p.2-4

⁸Charles Ukeje, Oil and Violet Conflict in the Niger Delta, Ibadan: Obafemi Awolowo University Press, 2003, p. 1-16

Mining and Industry: Historical studies revealed that mining was a major driving engine of the colonial economy. Why then did Nigerian state not been able to key into this aspect of lucrative economic venture? Is lack of knowledge of the past or a deliberate attitude of the state political elites whoeasily access and share oil revenue and blocks?

The mining of minerals in Nigeria accounts for only 0.3% of its GDP, due to the influence of its vast oil resources. The domestic mining industry is underdeveloped, leading to Nigeria having to import minerals that it could produce domestically, such as salt or iron ore. Rights to ownership of mineral resources is held by the Federal government of Nigeria, which grants titles to organizations to explore, mine, and sell mineral resources. Organized mining began in 1903 when the Mineral Survey of the Northern Protectorates was created by the British colonial government. A year later, the Mineral Survey of the Southern Protectorates was founded. By the 1940s, Nigeria was a major producer of tin, columbite, and coal. The discovery of oil in 1956 hurt the mineral extraction industries, as government and industry both began to focus on this new resource. The Nigerian Civil War in the late 1960s led many expatriate mining experts to leave the country. Mining regulation is handled by the Ministry of Solid Minerals Development, which oversees the management of all mineral resources. Mining law is codified in the Federal Minerals and Mining Act of 1999.⁹ Historically, Nigeria's mining industry was monopolized by state-owned public corporations. This led to a decline in productivity in almost all mineral industries. The Obasanjo administration began a process of selling off government-owned corporations to private investors in 1999.¹⁰

Efficient Railway System: Efficient rail transport is critical to the sustainable development of the country, writes Sunday Okobi in an article featured on This Day Newspaper of February 6, 2015 titled "Rail Transport As Catalyst For Development" highlighted the neglect of the Nigerian rail transport, purposively enumerated the benefits if revamp and harness. The role of transportation in the economic, political and social development of any nation cannot be over-emphasised. This is understandable given the fact it is the sector that connects all other sectors of the economy.¹¹

Education: Education remain the only key for unlocking the potential for socio-economic and political development in Nigeria. Education could be considered in terms of formal and informal; education is a human right, and, like other human rights, it cannot be taken for granted. Across the world, 59 million children and 65 million adolescents are out of school. More than 120 million children do not complete primary education. Behind these figures there are children and youth being denied not only a right, but opportunities: a fair chance to get a decent job, to escape poverty, to support their families, and to develop their communities. This year, decision-makers will set the priorities for global development for the next 15 years. They should make sure to place education high on the list. The deadline for the Millennium Development Goals is fast approaching. We have a responsibility to make sure we fulfill the promise we made at the beginning of the millennium: to ensure that boys and girls everywhere complete a full course of primary schooling. The challenge is daunting. Many of those who remain out of school are the hardest to reach, as they live in countries that

⁹Agence France Press July 5, 2008, Two Millions Nigerians are at risk of radioactive waste.

¹⁰Vanguard News Paper Retrieved 04-12-2008

¹¹Sunday Okobi, "Rail Transport As Catalyst For Development", *This Day News Paper*, February 6, 2015. P. 5

are held back by conflict, disaster, and epidemics. And the last push is unlikely to be accompanied by the double-digit economic growth in some developing economies that makes it easier to expand opportunities. Finally, investing in education, and education all; meaning liberating several millions citizens of Nigerians who have been denied of their basic human rights, freedom from the chains of leadership bondage, until then shall Nigeria be classified among the committees human nations.

Conclusion

Economic diversification is an onerous task for a developing economy like that of Nigeria. Even advanced economy like those of Euro-America experienced sharp fall in income or wages an attempt to chart new investment opportunities. However, having a number of different revenue streams and provides nations with the ability for sustainable growth because there is no total reliance on one particular type of product or services for revenue generation. Even at the individual level, several revenue streams keep one at all-time liquidity and able to meet personal human needs. From what had been observed in the first quarter of 2016 after a change of administration, a sharp fall in the price of crude at the international market left Nigeria destabilised since then now.

Economic recovery is still being far from attainment, largely due to fluctuation and instability in oil price per a barrel. Each time the price of oil slumps, the Nigerian stateshivers in its spine. Oil revenue had been the major driver of the economy, contributing about 90% of the foreign exchange earnings of the Federal Government of Nigeria since 70s. Oil had remain a pendulum that regulates the tune of the bell for Nigeria.

Finally, it would of important to note here that apart from diversifying the Nigerian economy, it would be worthy to suggest that over centralization of governmental functions in a single exclusive list negates the very tenets of federalism in which case advocate for even development. Federating units of Nigeria; that is States and Local Government should be given opportunity to exploit their resources and send to the centre a certain portion as obtain in other countries practicing federalism.

The Land Use Act of the Federal Government of Nigeria should be revisited by the National Assembly for possible amendment or repeal. This extant law is anti-agricultural development, counterproductive and inimical to national development.