

May, Ranald S.

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# Nigeria since the Civil Conflict

by Ranald S. May. St. Andrews \*

**It is now over three years since hostilities ceased in Nigeria and "Biafra" was re-absorbed into the Federal Republic. A sufficient period has now elapsed to enable one to judge the extent of Nigeria's economic recovery from the ravages of the Civil War and to make projections as to the likely future growth and change of the economy.**

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Just how Nigeria progresses is of considerable importance to Africa and to Europe. The Nigerian population, at approximately 65 mn, is by far the largest of any single state in the Continent and despite low *per capita* incomes of some US \$ 120, the total Gross Domestic Product is the largest in developing Africa. Nigeria is also the natural centre of gravity for any future West African Common Market, as well as an economy of much significance not only to Britain as the former colonial administrator but also to Western Europe as a whole. The United Kingdom still retains a large share of Nigeria's trade (about a third of its imports) while the EEC, excluding Britain, is responsible for another quarter. The whole of Western Europe, too, benefits from the growing oil imports from Nigeria — a very useful alternative source of supply, especially since it is located away from the sensitive Middle East area.

## **Economic Development until 1970**

Substantial economic progress had already been achieved by Nigeria by the time civil disturbances broke out in 1967 with an average rate of some 5.0 p.c. being recorded from 1950. Nigerian development had also been helped by the diversification in its exports — palm products, groundnuts, cocoa and tin being main products — which made its economy less sensitive to the fluctuations in the world market for any single commodity. Towards the end of the 1950s there was further fortunate development, which was to be of considerable importance in later years — the discovery and export of crude oil. This coincided with the formation of the 1962 to 68 Development Plan — the first serious attempt at comprehensive development planning.

The tragic events of 1966–1969 which brought this plan to a premature close are only too well known. Considerable economic dislocation took place: particularly badly hit was the petroleum industry,

whose exports had increased dramatically in the period immediately preceding (see Table 1).

As a result of the internal conflict the Nigerian Government was forced not only to undertake much more direct control of the economy but also to cut development spending. The economy, however, showed remarkable resilience under the stress. Both industrial and agricultural sectors responded to the new demand situation by increasing production, which helped to restrain the rise in prices: the restrictions were also especially stimulating to import substitution industries.

Nevertheless this is not to deny the serious detrimental effects of the War — the extensive social and economic dislocation and physical damage to productive facilities (estimated to be in the region of N£ 300 mn); the increasing inflationary pressures; a Balance of Payments deficit and the backlog of suppliers' payments and dividend remittances.

## **Reconstruction and Rehabilitation**

There were a number of essential economic tasks that had to be undertaken after the cessation of hostilities in January 1970, but prime among them was "reconstruction and rehabilitation". It was not long, however, before these activities were incorporated into the 1970–74 Development Plan, which also attempted to make up for the previous years' diversion of resources away from development by careful allocation of resources to investment designed to raise the rate of growth of aggregate National Income.

With regard to the immediate task of reconstruction, very substantial progress has been achieved. The alleviation of distress and the restoration of normal economic conditions proceeded in a much more satisfactory fashion than many observers had anticipated in the closing stages of the Biafran conflict. By the end of 1972 the task had been virtually fulfilled.

\* University of St. Andrews, Scotland.

**Table 1**  
**Nigeria's Exports – Contribution of**  
**Crude Oil 1960–1972**  
**(N£m.)**

Year	Total exports	Non-oil exports	Oil	p.c. Oil
1960	169.7	165.3	4.4	2.6
1961	173.7	162.2	11.5	6.6
1962	168.5	151.8	16.7	9.9
1963	189.6	169.4	20.2	10.7
1964	214.6	182.5	32.1	15.0
1965	268.3	200.2	68.1	25.4
1966	284.1	192.2	92.0	32.4
1967	241.8	169.4	72.4	30.0
1968	210.0	173.0	37.0	17.6
1969	318.2	187.2	131.0	41.2
1970	443.6	188.9	254.7	57.4
1971	646.7	170.2	476.5	73.7
1972	707.3	129.1	578.2	81.7

Source: derived from Digest of Statistics, Lagos

Generally, the period since 1970 has been one of considerable economic progress. To a very considerable extent these favourable results were due to the remarkable development of the oil sector. As indicated in Table 1, its share of exports had risen sharply to some 80 p.c. of the total. Already by the second year of the Plan the net impact was some 50 p.c. higher than that projected for the fourth year – and over the Plan period 1970–74 as a whole the net contribution to the Balance of Payments is estimated at some N£ 500 mn more than anticipated. As a result there should be no foreign exchange constraints at least in the short and medium term. Table 2 shows also that about a half of the very substantial rate of growth achieved in 1971–72 was due to oil activities.

The contribution of the oil sector to government revenues has also been rising rapidly. It is estimated at 75 p.c. of Federal Government revenue for the current financial year and should continue to increase, both absolutely and relatively.

#### Government Participation in the Oil Industry

Although these are very acceptable developments, it does mean that Nigerian economic development is, in a number of important aspects, becoming more and more dependent upon the prosperity and successful development of a single sector. The critical question then arises, to what extent is the oil industry in Nigeria soundly based? The greatest concern must be with the maintenance of an investment climate sufficiently good to continue to attract the very large sums required for further expansion. Here there have been a number of developments.

In the Second Development Plan 1970–74 it was proposed that there should be government participation in the oil industry. As a result, the Nigerian National Oil Corporation (NNOC) was establish-

ed in April 1970, in which was vested all areas not covered by existing oil mining leases. Nigeria also joined the Organisation of Petroleum Exporting Countries (OPEC) in 1971, and, following that organisation's decision to secure a substantial equity participation in all oil companies, Nigeria commenced discussions with the oil companies with a view to implementing this aim. After successful negotiations with a number of smaller companies agreement was reached in June of this year with Shell-BP, by far the largest company and responsible for some two thirds of total oil production: the terms provided for an immediate acquisition of 35 p.c. of the equity rising to 51 p.c. by 1982.

Although the future may appear reasonably bright for the oil sector, there are a number of weaknesses in other parts of the economy which give rise to concern. Prominent among them is the poor export performance of the agricultural sector, and indeed its rather sluggish overall rate of growth until very recently, when rapidly increasing commodity prices, especially for cocoa, have been an additional benefit to the economy. These problems appear to be the result of a number of causes. One to which a considerable amount of critical attention has been paid recently has been the depressing effect of policies adopted by the Marketing Boards resulting in smuggling of produce to neighbouring countries as well as, in general, reduced supplier response.

The relative stagnation in the agricultural sector has accentuated another of Nigeria's economic problems, that of a growing level of unemployment, most noticeable in both its "open" and its "disguised" types in urban areas as the drift to the towns increases.

This is another vital reason why much greater emphasis should now be placed on Nigerian agricultural development. Hearteningly, there is growing recognition by the Government of this need as shown not only by public statements but also the recently announced reorganisation of the Marketing Boards. It is hoped that, as a result of the relatively higher producer prices, farmers will be

**Table 2**  
**Contribution by Sector to Aggregate Growth Rate**  
**1971–72**

Sector	p.c.
Agriculture	2.0
Oil	5.7
Manufacturing	1.2
Government	0.2
Building and Construction	0.7
Others	2.2
Overall Growth Rate	12.0

Source: First Progress Report on the Second Development Plan

encouraged to increase production. Meanwhile there is an urgent need for more effective implementation of the Plan projects in this agricultural sector, especially in view of the very low performance ratio actually achieved over the last two years.

Another problem facing Nigeria, together with many other countries, is that of inflationary pressures, the overall price index since the Civil War having risen at an annual rate of some 6 p.c. and the retail consumer index at about double this.

Generally the indications are that such pressures are currently being reduced but are still inherently dangerous — especially in view of the potentially difficult labour situation. A “conflict situation” therefore could well arise in the near future between the labour unions and the Government. Nor should one easily dismiss the potential effectiveness of such industrial action as was demonstrated in Nigeria in 1945 and 1964, despite the fact that it is taking place in a less developed country. The shortage of trained labour, even of a relatively low-skilled level, is a very relevant consideration, from both management and employee viewpoints. It is indicative of the seriousness of the problem that inflation was singled out in the 1973 April Budget Speech as being “the country’s main economic problem”, requiring a special attack on the twin fronts of agricultural production and housing.

#### **Restrictions of Foreign Investments**

Another matter which is of great importance to Nigeria’s future economic development is that of the maintenance of a favourable climate for foreign investment. Despite a thriving entrepreneurial spirit in trade and, to some extent, construction, Nigeria’s modern sectors will be dependent for some time to come on foreign skills, both technical and managerial. Of course, they might be obtained by means of management contracts, turnkey projects and the like, but the experience of these has not been a particularly satisfactory one. Official policy has thus been to stimulate foreign investment of the right type and on the right conditions. Generally interpreted this has meant investment in directly productive activities directed away from sectors in which there was a particular indigenous interest, mainly agriculture, services and distribution.

Attempts have been made to maximise the benefit to the local economy. In 1971 the Government indicated that certain sectors of the economy, particularly distribution, services and small-scale industry, would be formally reserved for Nigerian businessmen. It was also indicated that in other sectors the role of foreign businessmen would be restricted. The “Nigerian Enterprises Promotion Decree” promulgated in February 1972 was a

further logical development of the policy of increasing indigenous control of the economy. Due to come into force in March 1974, its effect was not only to exclude expatriate companies completely from certain activities of the type previously mentioned, but to reduce their participation in all others to 60 p.c. Companies new to Nigeria would be expected to raise 40 p.c. of their equity capital locally while existing firms would have to make arrangements for a similar proportion to be released for purchase by private individuals and indigenous institutions. The general effect of this measure has been to create a considerable degree of re-assessment by expatriate companies of their future prospects within the Nigerian economy.

#### **Association with Economic Groupings**

Finally, another factor which will affect the future course of Nigerian economic development, although more in the long than the shorter term, is that of association with regional economic groupings — the proposed West African Common Market and the European Economic Community. It is Nigeria’s aim to secure greater cooperation with neighbouring countries as evidenced by official statements of hope and intent. Some practical steps have been undertaken in recent years — Nigeria’s membership of the Lake Chad Basin and River Niger Commissions. Little progress however has been made towards the formation of a West African Common Market. Similarity of products, difficulties of communication, little intra-regional trade, as well as a degree of mutual suspicion and jealousy, are likely to retard this development for some time.

As far as the European Economic Community is concerned, there appear to be three main choices as regards the type of association — first, along the lines of the Arusha Agreement already established between EEC and the East African states of Kenya, Uganda and Tanzania; secondly, a Yaounde-type convention as exists with the African Francophone countries; thirdly, a Trade Agreement. To date, although there have been a number of preliminary meetings and negotiations, no final decision has been made; but it seems likely, according to recent statements made by ministers, that the final choice will be of the third type of agreement.

Nigeria has made a remarkable recovery from the ravages of the Civil War. Not only has the initial task of rehabilitation and reconstruction been largely completed, but the critical targets for the first half of the 1970–74 Development Plan have all been substantially exceeded. The savings and foreign exchange constraints to development have been considerably eased. The forward projections, also, are generally optimistic and it would appear that the current Plan will be successfully completed.