Nigeria oil & external exposure: the crude gains and crude pains of crude export dependence economy

Augustine A. Ikein
Federal University of Nigeria, Bayelsa, Nigeria

We (U.S.A) shall not end dependence on imported oil, nor end dependence on the volatile middle East, with all the political and economic consequences that flow from that reality, - - "instead of energy security, we should have to acknowledge and to live with various degree of insecurity." Stated James Schlesinger, former U.S secretary of defense at congressional hearing 2005. As quoted by the economist January 7th 2006 P.63

The catastrophe that may befall Nigeria is better imagined than described if a big bang dries up all oil wells or scientists find an oil substitute and oil is no more marketable and there is little or nothing to share in the Federation Account (Prof. Gesiye Salo Angaye, 2008: 177).

Abstract

This paper attempts to demonstrate that strategic raw material export dependency and external exposure is simply a reflection and extension of the structure of dependence propounded by Theotonio Dos Santos, 1970. By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The concept of dependence permits us to see the internal situation of these countries as part of world economy. The working of dependency has its own pragmatic equivalence in the world energy market. It is the process of constituting a world economy that integrates "the national economies" in a world market of commodities, exchange system where the market participants are unequal because development of parts of the system occurs at the expense of less powerful nations who are mostly raw material exporters.

The OPEC Cartel was formed to break the power of dominant forces that controlled the oil market scene as a body of concert power to which Nigeria is a member. The Cartel power was periodically successful and enjoyed high oil revenues and oil also became a weapon of choice to influence world geo-politics. The record of OPEC success was never permanent for major oil consumers formed their own oil "Monopsony Cartel" power to counter OPEC to sustain their control and interest in the supply of oil to which their economies depend. Nigeria became highly dependent on mono commodity export economy in highly volatile and unstably oil markets such that decline in oil prices negatively affect its revenues. Oil market is highly venerable to international geopolitics of major powers and oil is known to be a weapon of choice for both consumers and producers alike. For Nigeria and other oil producers a period of high oil prices create a good stream of benefits in increased income. In time of oil price down turn the country Nigeria suffers from serious economic dislocation as a result of oil related external exposure. This pattern has plagued Nigeria for decades because of excessive oil dependency and inadequate diversification to enhance its commodity export base. In this paper the author has proposed how Nigeria, can relief itself from dependency and improve the nation's economy. The paper also calls for the super powers that lead and dominate the world energy scene, cooperate to sustain their moral stewardship to ensure the economic survival, security and development of all sectors of the world community. The dependency system that some nations suffer because of the dominate powers of the world commodity exchange relations should now give way for partnership and cooperation to seek the common good.

1. Introduction

This paper attempts to demonstrate that strategic raw material export dependency and external exposure is simply a reflection and extension of the structure of dependence propounded by Theotonio Dos Santos, 1970.

According to Santos by dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of inter-dependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development. The concept of dependence permits us to see the internal situation of these countries as part of world economy. It is the process of constituting a world economy that integrates "the national economies" in a world market of commodities, exchange system where the market participants are unequal because development of parts of the system occurs at the expense of less powerful nations who are mostly raw material exporters. It is further reasoned that inequalities and unequal exchanges transfer resources from the less powerful nations to more advanced nations because of dominant nations having better financial leverage and technological advantage.

One of such unequal exchanges exists at the world energy market between oil producers and major oil consuming countries. The world oil market – began with Posted prices to the disadvantage of oil producers but, that was before the formation OPEC Cartel. The OPEC Cartel was formed to break the power of dominant forces that controlled the oil market scene. Thirteen OPEC member countries organized to form a Cartel of concert power to control production and pricing of oil. The Cartel power was periodically successful and enjoyed high oil revenues and oil also became a weapon of choice to influence world geo-politics. The record of OPEC success was never permanent for major oil consumers formed their own oil "Monopsony Cartel" power in the formation of International Energy Agency to counter OPEC to sustain their control and interest in the supply of oil to which their economies depend.

2. Review of Nigeria Oil Export Dependency

Nigeria is a major oil exporter in Africa and became a member of OPEC in 1971 and enjoyed the oil boom and suffered the period of oil burst. Nigeria, from the past empirical studies show that the nation's economy is highly vulnerable to oil price shocks. There is always a pattern of increase in national income through higher export earnings in periods of oil price hikes then offset by low income earnings during periods of lower oil prices. Thus, there is direct relationship between oil price changes and government revenues and expenditures patterns. At dawn of the 21st century up to the year 2016, Nigeria's oil export dependency and its implication have been replicated. An empirical study by Eme Akpan 2009 noted that: Since the first oil shock in 1974, oil has annually produced over 90 percent of Nigeria's export income. In 2000, Nigeria received 99.6 percent of its export income from oil, making the world's most oil-dependent country. Despite the huge earnings from oil, Nigeria remains one of the most food insecure countries in the word. Oil production has also had profound effects on Nigeria's domestic sector. This paper thus analysis the dynamic relationship between oil production and food insecurity. The year 2014 – 2016 is another period of oil price decline and burst to its economic outlook.

A pattern of large fluctuations in oil prices is evident especially since Nigeria started to sell her oil at non-posted prices. For instance, the price fluctuated between a low of US $11.5/bbl and US $40.9/bbl over the 1980-1992 periods, while the mean price over this period was US $19.6/bbl. Oil exports amount to about 90 percent of total exports. The exposure to risks associated with oil and LNG is largely influenced by the public sector either in the form of variable tax revenues from foreign companies or through the sales of Nigeria's oil shares. Non-oil commodity export is less significant to the nation's revenue base.

3. Oil Export and External Influence in Retrospect:

The dramatic turn of events in the former Soviet Union and the impact of uncertain environmental policies have widened the range of the oil price forecast between $10/bbl and $23/bbl in 1995 within 70 percent "Confidence Interval". The world oil market also remains susceptible, perhaps increasingly so to supply disruptions since future oil supplies increasingly concentrated in a few countries in the Middle East, as well as the impact of the Middle East geopolitical crisis on volatility of the international oil market. Oil price vitality implied by the market prices of crude oil options on futures increased to between 40 percent and 70 percent in the early 1990s, and reached over 100 percent, to be specific, following the outbreak of hostilities in 1991 Gulfwar. Nigeria was one of the major crude export revenue beneficiaries during the Gulfwar years. Nigeria earned some $20b and more specifically $12b windfall profit but lost it through the crevasses of corruption and mismanagement according to Okigbo committee report Odeku 2006.

4. Nigeria's External Exposure and Diplomacy: Historical Perspective

In early post independence era and after the Nation's Civil War, Nigeria made Africa as its center piece of foreign policy. That was understandable as an emerging regional power and prime actor in Africa decolonization process and elimination of apartheid in South Africa. An extension, that foreign policy principle was the country's determination to fight racism and restore the dignity of Black race anywhere in the world. As its foreign Minister Aja Nwachukwu puts it "under no circumstance should apartheid and subjugation of Black man in any country be considered domestic affairs. He further maintained that Nigeria cannot be indifferent to the killing of her allies in Africa. The success of Nigeria African liberation policy or the Africa centered foreign policy was largely fueled and financed by oil wealth. Nigeria also added a new dimension to its foreign policy on a regional power though in 1970s to 1990s the country in most part was ruled by the military and nondemocratic but ironically Nigeria was fighting and promoting sustainable democracy in other Africa countries through military intervention in civil wars in the African sub region. Nigeria spent $10 billion to restore democracy in Liberia, Sierraleone and other areas in Africa. Thus, Nigeria added democratization as new dimension to its foreign policy. When the country became democratic in 1999, a better appreciation of the nations international relations and diplomacy is being seen an instrument of positive other in nation building in the creation of awareness in international relation as well as the promotion regional and global cooperation for peace security and development. Nigeria must now have planned inclusion in her foreign policy doctrine to include economic liberation of herself and Africa from the excesses of external dependency.

5. Nigeria's Oil Dependent Economy and External Exposure

The pragmatic order of funding and practice of the nation's foreign policy is linked to her strategic resource endowment (oil) including its domestic core national interest of building unity in diversity. No effective foreign policy will thrive without sustainable economy; of course it should be devoid of dependency. Foreign policy is used to serve and advance national interest both in time of peace and periods of different threats to its national unity such that oil dependency is often played out either positively or negatively in both national and international politics.

When price of oil declines the nation suffers from instability, economic dislocation, decline in foreign reserves, currency devaluation, unemployment, youth restiveness, militancy and social strife. Also, oil price decline has negative consequence for the national currency naira because the nation is lacking enhanced export base in other goods and services. Oil price decline result in lower value of the naira. In 2014 – 2016, oil prices have fallen by about 70%. The exchange rate is about 150 naira to one dollar but when oil price fall the depreciation of the naira resulted to the same 70% or $ 1 to N250 – N300 naira foreign exchange exposure.

The action of speculators, also drive down the naira value. Some old dollars expecting the naira will be devalued, creating further currency change market instability which hurt the poor masses because of low purchasing power of the local currency to their detriment. The costly social consequence is that for decades Nigeria is no longer an agricultural society because it has shifted more towards crude oil export dependency. Therefore almost every item in its market place that is produced or consumed depends on the price of the dollar.

The appearance of dollarization of the economy suggest that foreign currency demand and supply has to meet food imports, medical treatments abroad for the elites, the craving external tourism interest of elites, foreign exchange demand for tuition fees and the general craze for everything foreign is due to inadequate capacity in domestic level of production of commodities.

The gains in crude oil production and export have created appearance of easy way out with oil money which in turn as resulted in on intended spread of lazy syndrome as though only crude oil can suffice national survival. The truth is that the nation is suffering in the midst of plenty given the fact that the nation is highly endowed with abundant natural resources yet to be fully tapped. Further to this truth also lies on the age long over dependence on crude oil has made the country to fail in non-diversification of the economy to create sustainable development.

Now we know that there are lots of alternatives to crude oil and other forms of energy sources. An added factor is that its major buyer United States of America is now a major producer of shale oil and gas that is in direct competition with crude oil. So, it is no surprise that the dramatic drop in crude oil price has generated into a major crisis in the international energy scene that is always prone to volatility and instability. Consequently, Nigeria has no choice than to face the crude pains in crude oil export dependency, Nigerian ought to know that the engine of wealth creation is not in mono commodity dependency but wealth creation comes from economic diversification from endowed resources of the Nation.

6. Nigeria Can Create its Own Oil Boom Through Economic Diversification

Nigeria should now embark on inward looking strategy, Nigeria needs planned policy change with the capacity to produce and transform it economy by creating the right enabling environment in all sectors to increase its export base and at the same time enhance its internal productive capacity to produce substitute goods to replace expensive imported goods for a more self reliance viable economy that can avert excessive external dependency. For this reason Nigeria should embark on areas of specialization in every state or geopolitical zone based on resource endowment so that each zone will become a revenue earning centre for the country.

The first step for Nigeria is economic diversification that can begin in the oil sector itself while the major planned economic diversification should start simultaneously in both agricultural and solid mineral sectors. Nigeria has the capacity and resources to do that in partnership with both internal and external development partners. Olusegun Awolowo 2016 as proposed 'Zero Oil' Plan and export revolution with this specific prescription for diversification. First he noted Nigeria has a "failure to export" problem! We have little control over the ups and downs in global crude oil markets; what we do control however is what Nigeria chooses to export, and where we choose to make money internationally. As President Muhammadu Buhari said to a delegation of manufacturers in 2015, "… Nigeria must begin to behave as if we have no more oil". These are the words, which shape our Zero Oil economic agenda, and are essential to build a strong Nigerian economy for the future. For years Nigeria has imported thousands of goods worth over US$50 billion a year, which we pay for mainly with crude oil proceeds of over US$70 billion each year. Our fears have now materialized, in the past two years, crude oil prices have fallen 60% and Nigeria's earnings have likewise fallen by at least US$35 billion, inevitably leaving a financial hole in the economy. The pressing question now is how to fill this funding gap and the answer is simple Nigeria must find new things (not oil) to export quickly, in large commercial scale. If Nigeria broadens and grows its export basket, a positive chain reaction ricochets throughout the economy. The logic follows when you grow exports. National output (agriculture, industry, solid minerals) will also grow; local businesses will grow; supporting infrastructure will expand; and jobs and investments will definitely follow. The overall macro impacts result in growing foreign reserves (from export forex) and a more resilient economy.

Awolowo asked, what happen to our proud history in Palm Oil, Cocoa, Groundnuts, Cotton? We were the toast of the world, where are these products now? We know in good days Nigeria typically makes over US$70 billion annually from crude oil exports, but the world is bigger than oil. Only three of the top 20 exporters in the World depend heavily on oil exports, and today even those three are fast diversifying. Indonesia makes over US$18 billion from only Palm Oil exports (we understand the Indonesians took their first Palm seed from Nigeria over 50 years ago); Brazil makes US$5 billion from T-shirts.

The Nigerian Export Promotion Council (NEPC) anchors the Zero Oil agenda. First, we set a long-term goal of earning over US$100 billion from non-oil exports (i.e. 20% of today's GDP). When compared with Export to GDP ratios of other emerging market countries, this is reasonable – China's is 24%, Brazil 12%, South Africa 31% and Malaysia 76%. Nigeria's long term goal is however further broken down into two midterm targets – which is to grow non-oil exports from US$5 billion today, to US$18 billion by 2019, and US$30 billion in non-oil exports by 2025. Growing non-oil exports six-fold in nine years will be a feat indeed, but then again these are extraordinary times, and we need extraordinary economic action. Nigerian products (termed "Export 21") and 11 strategic export products with high financial value to replace oil, these include Petrochemicals, Palm Oil, Cocoa, Soybeans, Rubber, to name a few. To achieve this Nigeria must scale up domestic production to levels unprecedented, and create competitive channels to move cargo and get goods into foreign markets. The plan envisages increases in total non-oil export volumes in Nigeria.

For the oil sector, Nigeria can create its own oil boom from the opportunities created by the boom, doom and burst cycles in the volatile international oil market. Nigeria has options that are available in its domestic energy economy. The first order of events is to reform its downstream oil sector that is highly external dependence. Nigeria imports 60 million liters petrol to support its domestic use. The Nation can independently revert it by building modular refineries in the Niger Delta Oil region. The Niger Delta can produce at least 100,000 metric tons of petrol, diesel, aviation Kerosine and other petrochemicals. It will create medium and small related business that can create employment and job creation. The crude oil price fall can be transformed into golden opportunity to even solve the restive and militancy problem in the Niger Delta where the real owners of oil wealth will be come true partakers in ownership right and partners in the oil business. It will create a new dimension to promote peaceful coexistence, security and development. Nigeria can export part of the new refined fuel productions in excess of domestic consumption at home and support other economies of Africa and elsewhere to earn foreign exchange for the nation. The communities in oil areas will then become real partakers in oil industry operations and protect all assets of the industry in the Niger Delta and thus stop oil related wears and vandalism in the area. It is a constructive way for government confidence building in the region to gain the trust of the people and reap the benefits.

Nigeria's Oil fueled foreign policy cannot serve to benefit Nigeria alone but be deliberately designed to serve Africa's interest in regional security and world affairs especially in light of Nigeria being Africa's regional power to the world. It should be clear that if Nigeria is not a power in Africa she cannot be a performing power elsewhere hence her strength and proper strategic resources management to fund and fuel its foreign policy must devoid of dependency for the good of herself and her African neighbours as well as for world peace, security and development.

The Nigerian economy is highly dependent on a number of external variables beyond the control of policymakers and domestic agents. A useful insight is provided by World Bank report and the Federal Government macroeconomic policies. The most important variable influencing the economy is the price of oil, which is highly uncertain and determined in hardly stable international market scenes. With oil accounting for more than 90 percent of Nigeria's exports, 25 percent of its GDP, and 80 percent of its public revenues, a fairly small price change can have a significant impact on the economy system. A $ 1 increase in the oil price in the early 1990s increased Nigeria' foreign exchange earnings by about $650 million (2 percent of GDP) and its public revenues by $320 million a year. It was largely because of changing oil prices that total exports values increased from $2.1 billion in 1972 to $26 billion in 1980 and then bottomed out at $6 billion in 1987. Nigeria's reliance on oil production for income generation clearly has serious implications for its economic policy management. The country's oil dependent economy and external exposure is linked to the countries macroeconomic risk management. (World Bank 1994).

Nigeria ought to learn its lesson from the unstable oil prices and revenue fluctuations from her experiences in the 1980s and 1990s. In his book the impact of oil on the developing country (Ikein A. A. 1990) made this critical observation that the level of production and demand for oil is heavily dependent on western economies. For example, in 1976 the production and sale of oil dropped by 20.7 percent because of a sudden recession in Western economies. This reduction in demand cut government revenues significantly; consequently, in 1983 the oil market experienced a serious glut. The 1970s boom in production coincided with the surge in world prices. In turn, a shift in the balance of power enabled the government to broaden the terms on which the companies lift oil. As a result, Nigerian revenue from oil rocketed from N176 million in 1970 to N1.4 billion in 1973 and N12.86 billion by 1980. According to Terisa Turner, "revenues from oil exports peaked at $25 billion in 1980 but dropped to under $10 billion in 1983 and to $7 billion in 1986. Falling oil prices averaged $14.03 a barrel in 1986 compared with $28 a barrel in 1985 [and] resulted in a 44 percent drop in -government revenues. In spite of these problems, Nigeria has not diversified its export goods and continues to depend on the petroleum demand of industrialized economies to finance its social and economic development. This dependency is understandable given the fact that the Nigerian oil industry cannot and does not exist in isolation. It is a part of the global oil industry. It is therefore conceivable here able that changing global economic and even political conditions will have a direct bearing on its success or failure. Irrespective of oil booms, gluts, and unforeseen market circumstances, the Nigerian government's major revenue base will remain oil dependent unless there is a dramatic change in export diversification.

7. Historical Observations on Resource Use and Technical Progress

On the death throes of oil, Harold James 2016 contends that the price of oil is often regarded as a sort of thermometer to measure the health of the world economy. What is less often noted is that it can also serve as a barometer warning of approaching geopolitical storms. Indeed, the dramatic plunge in the price of a barrel of crude from nearly $150 in June 2008 to around $30 today is likely to fuel continued upheaval far beyond the world's energy and commodity markets.

Also, that sinking oil prices are clearly correlated with financial instability, when the price of oil rises, so do costs in most rich, industrialized economies; thus, a rising oil price acts as a brake on growth. Surges in the price of oil led to global recessions in 1973, 1979, 2000, and 2008. The reverse is also true. An economic slowdown will likely produce a price drop, which can be a financial boom for governments and consumers alike. The recent drop in oil prices is unsurprising, as it follows signs of weakness in every major emerging market (with the possible exception of India). Furthermore, oil prices today are subject to a powerful sour of downward pressure: the expectation that the world economy will be restructured in response to worries about climate change. The fact that fossil fuels are major contributors to the rise in atmospheric carbon dioxide and thus climate change is likely to prompt policymakers and investors to take serious action.

This leads to what the German economist Hans-Werner Sinn has called "The Green Paradox." The possibility that the use of fossil fuels will one day be restricted creates a powerful incentive for oil producers to sell as much as they can before the limitations take effect. This logic might be behind Saudi Arabia's response to plummeting oil prices: rejecting calls by OPEC to cut production. The result is to further decline in the price of oil and guzzlers and drive more. Strategic resource use and technical progress in history suggest that in the industrial world even in the United States, an increasingly important producer of petroleum, low oil prices are unambiguously good for the economy in the short term. Indeed, plummeting prices are one of the few forces helping to stabilize the fragile eurozone. And worries that falling commodity prices will lead to damaging. And yet, the forecast is far from rosy. History is replete with examples of technological advances interacting with resource availability, with enormous geopolitical impact. Britains's oak forests allowed it to become the world's premier naval power during the Age of Sail, when a good timber supply was the key to control of the seas. The Industrial Revolution turned steel and coal into strategic goods, and struggles over oil dominated much of the twentieth century, including during World War I, when the loss of Romanian petroleum contributed to the German collapse on the Western Front in 1918.

Harold James further opined that rapidly changing commodity prices can upend the geopolitical landscape as well as political instability. Today oil seems to be going the way of timber and steel, losing its strategic importance. Large amounts of energy will still be needed for the basics of modern life.

Weakening oil prices undermine the authoritarian regimes that control the main producers. There is significant scholarly evidence linking dependence on natural resources with poor governance (the resource curse). Whatever the differences among oil exporters like Nigeria, Venezuela, Saudi Arabia, Russia, Iran, and Iraq, all have one thing in common: Oil revenues have corrupted the political system, turning it into a deadly struggle for the spoils.

Nigeria's exposure to external variables is not limited to oil prices. Also it debt is denominated in currencies other than the US dollar and the interest-variables, particularly when the economy is sensitive to change in cross-currency exchange rates and interest rates. At present, Nigeria faces serious economic problems.

Any policymaker in an oil dependent economy is likely to agree with this proposition that oil price increases hold no permanent boom. For any national economy of any nation and therefore oil dependency is a false panacea to sustained growth and development. Thus, when revenues rose in temporal booms, public expenditures were increased, but were difficult to sustain growth and development when revenues dried up in oil price declines as was the case in the mid-1980s. A response to oil price increase has generated several difficulties and costs to the economy, since expenditures have not been cut when oil price have fallen, either because of the belief that the price falls were temporary or because expenditures were difficult to contain or reduce when booms came to an end. Hence, external imbalances and fiscal and monetary disequilibria and inflation have been a recurrent problem. In the 1970s and early 1980s, the imbalance problem was so severe that even before oil price began to fall, a persistent excess of expenditures over revenues contributed to the growth of Nigeria's large stock of external debt.

Given the external and internal imbalances, the economy cannot be sustained indefinitely and expenditure cuts have been unavoidable, the cuts undertaken came too late and too costly in a manner that resulted in drastic economic dislocation and austerity in the 1980s. Since then building a stable economy has not been easy for Nigeria despite the high oil prices at the dawn of the 21st century.

At the dawn of 21st century Nigeria and many other oil producers enjoyed high oil revenues yet economic stability was not in sight. In fact by 2012, the nation experienced fuel subsidy crisis and embarked on reforms. Oil dependency and external exposure is a risky national economic business. Nigeria is exposed to a variety of risks, some arising from changes in the structure of the domestic economy, others from changes in the international economic environment at large, particularly in countries with whom Nigeria has economic relations.

The country suffers from the oil and external exposure in its worst negative order for its major buyer the United States of America stopped purchase of Nigeria crude oil. American had suffered from oil import dependency for long until 2014 when America appear to have gained self-sufficiency on oil supply through technological breakthrough in fracking technology and the production of shale oil. With this success America seems has no need for oil imports from Nigeria.
Ironically, America is still importing from selected members of OPEC from the Middle East despite boycott of Nigeria oil perhaps due to geo-political reasons and Nigeria suffers it and perhaps American national interest in the volatile Middle East may differ from African policy and Nigeria in particular.

This is the structure of dependency in world energy market where an exporter nation like Nigeria cannot control the market forces and exchange system. She remains vulnerable to big stick of the big players and unstable and volatile system of world Energy Market.

However, Nigeria has had its successes and woes. A review of oil and Nigeria in retrospect reveals that in the 20th century, the country's political power and influence was effective diplomacy in the promotion of African liberation and Africa's interest in world Affairs as well as remarkable development strides at home.

8. Nigeria as Beacon of Africa's Hope

Since its creation, Nigeria has a performance record as a beacon of hope for the rest of Africa for she effectively utilized its sovereign rights and the power inherent in her strategic resources to liberate sister African States under the yoke of colonial bondage to gain flag independence. The country's success in liberation movements in Africa was essentially fueled and leveraged by oil power. The same oil power and influence could be replicated for the economic liberation of Africa in the 21st century. This remains a challenge.

Nigeria emerged from civil war in 1970 and took position in the world stage with a specific mission to free all African nations from colonial rule and eliminated the apartheid system in South Africa.

Nigeria with the power of the Black Gold in the 20th century was very successful in African liberation. Again, the country's oil leveraged power and influence led to liberate African nations under colonial bondage to gain flag independence and with the same zeal, Nigeria has utilized her membership in the Organization of African Unity, the United Nations and other internal bodies to eliminate apartheid in South Africa. Nigeria is now set to liberate Africa from the pangs of economic impoverishment and underdevelopment. This hope is marred by sudden decline in power inherent in raw material or strategic resource export dependent economy. Today oil is in excess supply and America and its allies are major benefactors of oil glut. According to Segun Odunewun, the United State of America (USA), one of the major benefactor of the glut in the oil market seem to have turned back to mock exporting countries. The Bank of America is insinuating that the Organization of Petroleum Exporting Countries (OPEC) is an incompetent group which has lost its relevance after it failed to stabilize oil prices at the meeting where Nigeria's Petroleum Minister emerged the President of OPEC. Oil prices slide to $50 a barrel leading to wild prices, where only rich Middle East states like Saudi Arabia will benefit. Countries that don't possess vast reserves, such as Venezuela and Nigeria will struggle to survive. Nigeria is facing a temporal bad weather in the oil market but Nigeria will survive this challenge with planed policy change in economic management.

Despite its challenges, at the drawn of the 21st century, Nigeria still remains a prime mover of the hopes and aspirations of Africa and therefore, the new liberation front for Nigeria is to seek economic freedom and democracy for peace and stability in Africa. And more importantly, Nigeria has to free Africa from the horrors of disease, famine and wars. Nigeria is set to use her oil power in partnership with major world powers and in cooperation with sister African states and transform Africa into a land of peace and tranquility with sustained development that benefit the continent and its people.

With oil wealth Nigeria is wooed from West to East. The new economic Superpowers of Asia, China, India and South Korea are all attracted to NIGERIA; China in particular, is the new competitive rival to US in Africa in energy, trade, investment and diplomacy.

With Nigeria's oil power, the superpowers compete for attention and Nigeria meets with them all to influence the New World economic order to benefit Africa. In 2002, President George Bush also express concern about oil security and suggested that the USA might intervene if oil supplies were threatened by insurgents in northern Nigeria; he said "oil imports from the country were 'a strategic national interest' which the US military would be obliged to protect".

But it has waned to the extent that America has stopped buying Nigerian oil. Oil revenues are vital to economy of Nigeria. Did America ignore this fact to "Boycot" Nigeria oil sales? America has the objective to end excessive foreign oil import dependency and consumption with a view to earn energy self-sufficiency. It may be that the nation has to define its priorities based on its national interest, to embark on selective engagement to nurture its domestic interest of the Nation so America cannot be blamed for Nigeria failure to diversify its economy in a timely manner to sustain its own development.

9. Oil and Geopolitics: Implications for Nigeria and Other Oil Producers

Historically, oil and geopolitics is nothing new. America, oil and geopolitics in retrospect suggest that according to Harold James 2016 noted that the leaders of oil-producing countries are already busy concocting narratives explaining their country's misfortunes but Venezuela's President Nicolas Maduro has taken up the Latin American left's old, populist slogans and pointed his finger at the US. Similarly, Russian officials are drawing parallels between today's events and the falling oil prices that undermined the Soviet Union. In both cases, the US is to blame; hydraulic fracturing in Oklahoma or Pennsylvania, according to this narrative, is the latest example of America's projection of power abroad.

Is Nigeria a victim to this observation? America's position of stopping oil import from Nigeria is partly linked to its geopolitical interest since it still imports oil from the Middle Eastern Countries. For the geopolitical link, Kenneth M. Pollack and Ray Takeyh 2014, contend that the growing chaos in the Middle East has not yet affected core U.S. interests, which suggests that U.S interests in the region were less vulnerable than often assumed. Throughout Obama's time in office, the price of oil the ultimate barometer of Middle Eastern stability and the most important U.S interest in the region has stayed largely stable, and most projections suggest that it will remain so for the foreseeable future. So far, there have been no major terrorist attacks against Americans, either in the region or at home. And so far, most of Washington's key Middle Eastern allies, including Israel, have suffered only modestly from the regional mayhem. So it seems that for geopolitical interest U.S prefer to continue oil fueled economic nourishment to its Middle East allies than Nigeria that may not be in the same orbit of geopolitical interest as such Nigeria could be a victim. Why? Even the events in Ukraine have had geopolitical implications on Nigerian oil. In his article Ukraine: The containment policy revisited Brian Brown 2015 alluded to the same geopolitical implication of U.S policy when he noted that we all should pray this dynamic does not take hold between Washington and Moscow. While Ukraine is far away, policy moves regarding that nation have already affected Nigeria and Africa. The drop in world oil prices is, in part, an instrument meant to punish oil-producing Russia. The harm to Nigeria's economy is counted merely as collateral damage to those who this evoked this policy. While the economic damage to Nigeria may be collateral to them, it is of central importance to you. Yet, even greater harm may be in store unless America stops this radical breach of traditional geopolitics.

Given US action, Russia also plays energy politics in its own geopolitical interest. At the dawn of the 21st century, Russia has since emerged from the end of the cold war and disintegrated of the soviet empire with a new flush energy parcel in the world geopolitical order as U.S and its allies had been building coalition of the willing to win over the major oil reserve entre-ports of the Middle East. Russia now taps into the vulnerability of West to oil supply security and then creates and plays balancing act for its own geopolitical interest in the Middle East and elsewhere in the world.

When US oil import from Nigeria declined Nigeria looked East to China but China's import of Nigeria oil appear to have waned also because of Nigeria's seeming tilting towards the West. If America stop buying Nigeria oil because of shale oil discovery China could do the same because China has lot of shale. According to Fred Krupp 2014 that China has the world largest recoverable shale gas reserves over 1,000 trillion shale more than, the United States and Canada combined.

What is needed is international co-operation for industrialized nations or major energy consumers to seek co-ordination and co-operation between oil consumers and producers to avert any national or global economic catastrophic consequences when we consider Edward L. Morse 2014 observation that lost market share and lower prices could pose a devastating challenge to oil producers dependent on exports for government revenue. Growing populations and declining per capita incomes are already playing a central role in triggering domestic upheaval in Iraq, Libya, Nigeria, and Venezuela, and in that regard, the years ahead do not look promising for those countries. Shale oil revolution should also lead to the prevalence of market forces in international energy pricing. Economic diplomacy sometimes appears to be a punitive game for those powers that dominate the world trade relations. The developing world holds no permanent control to their goods and therefore sometime forced to yield to superpower economies in the world trade relations, the shale oil itself may have its own uncertainties in the future. However, today America may have found its own relief from foreign oil import dependency which for many decades created problems for the American economy. That nation sometimes has to go to war to secure strategic resource like oil and there was no solution insight as James Schlesinger stated in congressional hearing 2005 that We (U.S.A) shall not end dependence on imported oil, nor end dependence on the volatile middle East, with all the political and economic consequences that flow from that reality, - - "instead of energy security, we should have to acknowledge and to live with various degree of insecurity." But that was then America appears to have found his own energy independence through technological breakthrough in shale oil.

The future energy security conditions still remain uncertain for all nations. Irrespective of what the future holds, the United States, China and the rest of the Western World greatly depended on Middle East Oil and other producers like Nigeria where divergence in religion and political beliefs are at variance with the west, but the west will continue to have direct relationship with all the oil producing countries in the world. However, the west must lean and come to terms with all oil producing Nations without any biases to any Political order. The west will meet the East and vice versa and forge out a mutually beneficial strategy for peace and security to sustain the oil flow to balance both the economies of consumers and producer nations of the world. It will require a skillful and prudent diplomacy with appropriate restrain to minimize conflict and ensure the political, economic and security interest of all oil producing and consuming countries as a way sustain partnership for peace, security and development in our Inter dependent world.

While the super powers take their national interest positions on energy and geopolitics, the developing countries are also forging out their own national interests and geopolitical alliances. Nigeria has begun renewed oil diplomacy as a consequence of its domestic economic needs. Nigeria attended Cop 21 World Climate Change Conference in Paris. The UN Secretary General Ban KiMoon was also in attendance to underscore the UN's commitment to the development of alternative (clean) fuels as response to climate change. Nigeria's President Muhammudu Buhari then visited United Arabs Emirates to attend the summit on the future of energy which seeks to advance the use of clean technologies and the promotion of energy efficiency in our world. Nigeria's president visit to Saud Arabia and Qatar is intended to seek alliances and build international co-operation for the stability of the oil market and energy security. The oil driven economic down turn might have influenced the Nigerian leader to take the co-operative initiative to meet oil producers in the Middle East. All foreign policy objectives are hinged on domestic agenda.

Back to the U.S action, it is observable that while acknowledging America's National interest position, there is appearance of America while ignoring and boycotted the purchase of Nigerian crude, it selectively purchased imported oil from the other exporters in the same period.

In economics terms, the reduction of US oil importation from Nigeria to zero is the very first time since 1973 that the US did not import oil from Nigeria. U.S Shale oil production is responsible for the infusion of "light, sweet crude," said to be similar to Nigeria's Bonny Light oil, and US refineries are said to have preferred buying the locally produced oil, which is cheaper than Nigeria's light crude.

The White House official stated that the development is consistent with President Barack Obama's energy strategy, which has changed "quite a bit over the --- years as we are much less dependent on oil imports. In essence, U.S desires to attain its own energy self sufficiency.

10. Oil and War on Corruption

The incidence of corruption and mismanagement is also link to oil. There is competition to control the oil wealth. The oil boom and oil curse bred corruption. Nigeria's literacy sage Chinwa Achebe, stated Nigeria's promise, is Africa's Hope, but many analysts see a direct link between crude oil and the corruption in Nigeria, that creating a system to prevent politicians from having access to petrodollars is needed to reduce large-scale corruption. For most people, the solution is straight forward: if you commit a crime, you should be brought to book. But in a country like Nigeria, where there are no easy fixes, one must examine the issue of accountability, which has to be a strong component of the fight against corruption.

Some feel that a strong executive should be the one to hold people in position accountable. But if the president has all the power and resources of the country in his hand, and he is also the one who selects who should be probed or not, clearly the country will have an uneven system where those who are favoured by the emperor have free rein to loot or see to the security of the treasury. The President is now taking the lead and taking charge to weed out corruption in the country. Foreign collaborators, who hoard stolen wealth should help to return the stolen funds to Nigeria and weed out collaborators of corruption in the global context.

11. Conclusion

Nigeria is now facing the crude pain of oil dependent economy and the challenges of corruption, insurgencies and terrorism with dwindling oil revenues with budgetary deficit, so all friends of Nigeria should help Nigeria to overcome its economic and security challenges. Though Nigeria's problem are unique to its domestic order but internationally, even if OPEC and IEA become less powerful in their control of world energy scene, it will still be responsibility of world superpowers (West or East) to cooperate with developing countries like Nigeria with the right balancing act to ensure continued growth and development in resource producing Nations since for centuries their raw materials and oil in particular did contribute immensely to the development and comfort of advanced economies. Irrespective of which super power that leads the world energy scene, collectively all super powers must still cooperate to sustain their moral stewardship to ensure economic survival, security and development of all sectors of the world community. The World should be reminded that Nigeria is highly endowed country with large deposits of most mineral resources known to man. It means the country has potency to bring up or produce any gold item of choice in any given era. Crude oil represents series of gold items Nigeria has contributed to the world economy. Nigeria has produced series of gold items in the past and still has the capacity to produce more gold items stored beneath her soil with great potential to command world interest and attention in the future. Irrespective of the resource production scenario of the future may bring; Nigeria will be an essential player in the production of strategic resources to meet the needs of the global community. Our interdependencies will ever remain as indispensable factor in our world today and in the future.

Reference

Achebe Chinua 2011. Nigeria's Promise Africa's Hope.
Independent Monitor January 24 - 26.

Akpan O. Eme 2009. Paper Prepared for Presentation at the *European Report on Development (ERD) Conference* in Accra, Ghana, 21st-23rd May 2009

Awolowo Olusegun *'Zero Oil' Plan and Export Revolution*, The Guardian March 20th 2016 P.53

Brian Browne 2015. *Ukraine Policy Revisited*. The Nation March 1st.
Cope 21 (2016) Climate Change Conference Paris France
Dos, Santos Theotonio, 1970. *The Structure of Dependence America Economic Association Page 231.*
Edward L. Morse 2014. Welcome to Revolution, *Why Shale is the Next Shale* Page 7.
Harold, James 2015. *The Death Throes of Oil,* National Daily, February 22 Page 40.
Ikein A. A. 1990. The Impact of Oil on a Developing Country*: The Case of Nigeria Praegar New York.*
Krupp, Fred 2014. How to Make Fracking Safer for the Environment Page 20.
Kenneth M. Pollack and Ray Takeyh 2014. *Why Washington Should Focus on the Middle East*. Foreign Affairs Page 95.
Laolu Akande 2014, The Guardian 21st December 2014, *Why we Stopped Buying Nigeria Oil by White House.*
Segun Odunewun 2014. *America, Benefactor of Oil Glut*, National Daily December 7-13 Page 16
World Bank Report Nigeria 1994. *Macroeconomic Management*.