

# Analysis of colonialism and its impact in nigeria

Government, Colonialism



## **Abstract**

Nigeria is a very interesting country to analyze either for the economists and policymakers. After gaining the independence in 1959, Nigeria ambitiously aspired to established democratic government and to reach high level of economic development. Nigeria has made first steps towards industrialization as early as in 1962. Rich natural resources and the political regime based on the British model seemed to guarantee Nigeria's success. However, nowadays it is clear that Nigeria made a very limited progress towards industrialization. Nigeria is economically underdeveloped and still belongs to the group of the poorest countries in the world. Further, Nigeria struggles with a number of social problems. Amongst the most important are widepovertyand corruption, increasing inequality and pooreducation. Key factors responsible for such a limited progress over the last 60 years are weaknesses of the political system and country's inability to put its potential into effective outputs. Some scholars (i. e. Chapin) postulate that the roots of Nigeria'sfailurego back to the British supremacy in Nigeria. Finally, there is an ongoing debate on whether Nigeria is able to develop in the future. Some scholars (i. e. Kinnan) predict that Nigeria will experience a catastrophic failure within next twenty years and call Nigeria " failed state" (Kinnan, et. al., 2011, p. 65). Others (i. e. Watts, 2009), in turn, believe that Nigeria still can aspire to achieve a socio-economic progress and demonstrate policy recommendations.

## Introduction

Nigeria is the largest and most populated country in the West Africa.

Nigeria's

total population reaches approximately 170 million people (The World Factbook, 2011) and hence, Nigeria is rich in human capital. However, Nigeria's population is divided into almost 250 ethnic groups characterized often by mutual hostility. Further, Nigeria display competitive advantages in natural resources such as natural gas, petroleum or coal that are so crucial for the development of global economy. Nigeria is currently the seventh largest energy exporter in the world (Appendix 1). Nonetheless, high oil revenues have been wasted in Nigeria. They do not benefit a whole society but selected groups of civil servants and officials due to high level of corruption across the country (Lovejoy, 2008). Moreover, Nigeria with its GDP/capita reaching \$2, 600 (The World Factbook, 2011) is an economically underdeveloped country struggling with high inflation, high unemployment, low revenues from non-oil sectors and import-dependence. Similarly, Nigeria is affected by wide social problems such as sharp ethnic division, spreading poverty and increasing income inequality (Appendix 2). Current situation of Nigeria would have been shocking for these scholars that predicted a dynamic development of Nigeria. Many of them believed that newly independent Nigeria was able to guarantee political stability and socio-economic development due to its great potential and ambitious plans of industrialization.

In this context, it seems to be crucial to examine whether Nigeria actually had displayed great potential in the post-colonial era and, if so, why

nowadays Nigeria still remains one of the poorest countries in the world. In order to discuss this problem, the following essay presents an in-depth analysis of postcolonial Nigeria with focus on political, economic and social aspects. First the essay shortly considers key advantages of Nigeria in the post-colonial era. Second, the essay examines current situation of Nigeria, mainly focusing on new emerging problems such as new ethnical conflicts and environmental threads. Further, the essay analyses key obstacles to smooth and fast industrialization in Nigeria. In particular these were weak political regime in Nigeria and inability to benefit from country's potential. Finally, the essay considers valuable policy recommendations for Nigeria.

#### Nigeria's potential in the Post-Colonial Era

Nigeria became an independent state on the October 1, 1960 after being a British colony for over 40 years. At that time many scholars believed that Nigeria was able to develop into a stable and fast-growing state due to its huge potential. The greatest advantage of Nigeria were its huge natural resources (particularly oil and gas reserves) that were discovered in the 1950s. First oil reserves were exported to London in 1958 and hence, Nigeria gained experience in external use of its natural resources. As the global supplies for the energy was increasing permanently due to the processes of industrialization and globalization in the different parts of the world, Nigeria the global demand for Nigeria's resources was huge. The country had been given unique opportunities to gain significant financial inflows in a short period of time, as demonstrated in Appendix 3. These oil revenues could have been invested in socio-economic developments in Nigeria. Therefore,

abundance of natural resources was the most prominent advantage of Nigeria over other developing countries in Africa, having only insignificant (or lacking of) energy resources[1] (Watts, 2009).

Moreover, heterogeneous Nigeria seemed to be well prepared by the United Kingdom for self-governance of its highly diversified society. The United Kingdom helped Nigeria to establish functioning political institutions. Nigeria had modeled upon western-style legal system. Nigeria had adopted the parliamentary form of government with the key role of the Prime Minister as well as implemented safeguards for civil rights (Igboavodha, 2002). First parliamentary election took place in 1959, and a new leader became Nnamdi Azikiwe, replacing colonial governor. However, none of the political parties achieved a voting majority and hence, the new government was a coalition of Muslims and Christians (Kinnan, et. al., 2011). This coalition seemed to work well in the early years of independence and there was no significant frictions and disputes between both factions.

Further, Nigeria was the agricultural country (Appendix 4) as the agriculture sector accounted for almost 70% of Gross Domestic Product and similarly, employed just about 70% of all working population. Further, agriculture contributed to almost 90% of foreign earnings and Federal Government revenues. Nigeria was a major producer and exporter of some globally-recognized agricultural goods such as Cocoa Beans or Palm Oil (Chamberlain, 2010). However, quickly after independence, Nigeria realized that the industrialization was the path towards wealth creation and hence, dynamic development. In 1962 Nigeria implemented six years National Development

Plan. It was the first economic plan that aimed to donate \$1.9 million to productivity enhancing project in industry, agriculture and technical education (Udoh and Udejaja, 2011).

Finally, Nigeria was characterized by a strong national currency. As Appendix 5 shows until the mid-1980s Naira, Nigerian currency was stronger than American dollar. At the same time, Naira also maintained relatively stable exchange rate to British pound. With such a strong currency Nigeria was able to support import of these goods that were not available in the country and increase domestic consumption. It could have improved living conditions across the country (Adedipe, 2004).

#### Nigeria in today's Africa

Looking at Nigeria in the 21st century, it is obvious that the country failed to make significant progress towards industrialization. Similarly like most of the African countries Nigeria remains low-income country lacking socio-economic progress. Analyzing first Nigeria's economic performance[2], it is interesting to compare Nigeria with other oil-exporting countries in Sub Saharan Africa such as Angola, Gabon, Equatorial Guinea, Cameroon, Congo (Rep.) and Chad. As Appendix 6 shows all of these countries are characterized by some significant economic problems. However, Nigeria falls below the averages for the group with each analyzed indicator (except GDP growth and exchange rate), despite the fact that the country is the largest oil-exporter in the continent. The most striking is low GDP/capita. GDP/capita in Nigeria is similar to the average GDP/capita level for the whole Sub-Saharan Africa. Main problems in Nigeria remain high inflation, unstable exchange rate and

fiscal deficit. It indicates that the country is characterized by macroeconomic instability. Moreover, although agriculture dominance in the Gross Domestic Product decreased over the last decades, it still remains a main component of GDP. In 2010 agricultural sector amounted to 36% of GDP[3] and hired 70% of total labour force (The World Factbook, 2011). It indicates that agriculture is still a dominant sector within the country. The only positive economic step in Nigeria was a reduction of the external debt which currently reaches only 2.6% of GDP and is significantly lower than in other African countries (Lovejoy, 2008).

Considering social development, Nigeria's failure is clear. The country struggles with a number of social issues. Of 182 countries ranked by Transparency International (the Corruption Perception Index), Nigeria is located on 143 and is regarded as highly corrupted country. It is worth noticing that this is an improvement compared to the previous years[1], being a result of governmental anti-corruption activities such as establishment of the Economic and Financial Crimes Commission)Further, as Appendix 7 shows, income inequality within a country, measured by Gini Coefficient Index tends to rise in the last decades. The ethnic conflict across the country has intensified again. The most recent are Muslim attacks on Christian church from December 2011[4] (BBC, 2011). None of these problems (perhaps with the exception of corruption in the recent years) has been handled effectively by the national governments for years. In result, poverty level in Nigeria has systematically increased. While in 1980 approximately 27% of total population lived in poverty, in 1996 it increased to 65% (Aigbokhan, 2008). Currently poverty affects 70% of the Nigerian

population (The World Factbook, 2011). This, in turn, leads to spreading AIDS and other diseases, low life expectancy and poor education. All social problems in Nigeria seem to be strongly linked to each other.

The following examples of socio-economic underdevelopment in Nigeria indicate that the country did not make much progress towards industrialization. In order to understand Nigeria's failure it is crucial to analyze again postcolonial Nigeria.

Key barriers to the fast industrialization in postcolonial Nigeria

Weakness of political system in postcolonial Nigeria and country's inability to put its potential

into effective outcomes were key factors responsible for Nigeria's difficulties on the road towards industrialization. Considering first weak political system, democratic election in 1958 did not start a long-term democratic history in Nigeria. As the governance was shared by Muslims and Christians, shortly after decolonialization, the oppose approaches to policy-shaping started to appear leading to bilateral frictions. The first election in independent Nigeria in 1964 was marked by boycotts and political unfairness. It led to the military coups and devastating 30-month civil war (started in 1967) that led to serious economic and infrastructural damages across the country. Following that, the military regime was established in Nigeria. The Federal Military Government ruled the country for almost twenty years, while in 1999 Nigeria returned to democracy, choosing Obasanjo as a new leader. During these years Nigeria was also involved in a number of intra-ethnic and inter-ethnic



clashes. Hence, the political instability and constant ethnical problems became key problems of the post-colonial Nigeria and practically obstructed the governments (either military or democratic) from the focus on Nigeria's economic and social development (Kinnan, et. al., 2011).

It is interesting to add that some scholars (i. e. Chapin) believe that sharp ethnical division causing so many problems in independent Nigeria had actually got its roots in British colonialism. Britain's supremacy in Nigeria deepened North-South separation as the British focused on the development of the south part of the country while North was shut off. Further, during the colonial era, the cleavages between minority groups and ethnic majorities[5] as well as fragmentation of the national elite have intensified. It resulted in developing regionalism within a country and further disputes between regions. Hence, despite the UK aimed to build democratic governance in Nigeria, the UK failed to create a state in a first place. Newly independent Nigeria was rather a weak union of highly diversified and numerous groups unable to work together towards country's development (Chapin, 1991).

The second major source of Nigeria's failure was its inability to use effectively its advantages. The following examples seem best illustrate the above statement. While the oil revenues ballooned in Nigeria during the oil crises in the 1970s, Nigeria has been given a great opportunity to invest this money in socio-economic development. The national economists postulated that the revenue should be specifically focused on the investments in human capital and on the support for small and medium companies in the non-oil sectors. Such an economic program would improve

Nigeria's economic performance and would promote greater social equality. However, none of these steps were taken by the government. Instead, the oil revenues were mostly shared amongst high-level civil servants and officials in Nigeria what resulted in spreading corruption on the large scale in Nigeria. As Nigeria simply wasted great potential of oil shocks, the 1970s are often regarded as a lost decade for Nigeria (Adedipe, 2004). It is important to note that oil revenue in Nigeria does not benefit Nigerian society until nowadays. According to the World Bank estimations, 80% of oil revenues benefits approximately 1% of the Nigerian society which indicated that Nigeria still struggle with a high level of corruption. This case is often called in the literature paradox of plenty or curse of oil (Kinnan, et. al., 2011).

Another example comes from the 1970s and the 1980s. Nigeria was characterized by a strong currency. The possible benefits of having strong currency were demonstrated earlier. Indeed Nigeria developed import-oriented consumption habits and quickly became a net importer. However, Nigerian government failed to control these rapid and massive imports and to react on international changes. Hence, when the oil prices started to sharply decrease after the oil shocks, oil revenues in Nigeria also became smaller. Nigeria's external reserves diminished quickly and the country's fiscal deficit grew rapidly. Nigeria had to decide on the enormous external borrowing known also as the " jumbo loans" while Nigerian currency was constantly devaluated (Appendix 4). In result, Nigeria's economic performance sharply worsened. The effects of economic problems from the 1980s are still observed in economically underdeveloped Nigeria (Adedipe, 2004).

## Conclusions

To conclude, postcolonial Nigeria was characterized by some great advantages over other developing regions. Amongst them were abundance of natural resources, strong currency, western political system and the ambitious plan of fast industrialization. Nonetheless, over the last 60 years Nigeria failed to develop into advanced economy and remains a poor country. Key factors responsible for the insignificant progress of Nigeria were weak political regime and Nigeria's inability to effectively use its advantages. Nigeria can take some credit for an effective external debt reduction and corruption fighting in the recent years as well as banking reform. Nonetheless, Nigeria remains highly underdeveloped country characterized by political weakness, rising social division and inability to turn their potential into the effective gains.

The future of Nigeria remains uncertain and hardly predictable. Some scholars (i. e. Kinnan) warn that Nigeria seems to be unable to develop and predict that the country will experience a catastrophic failure by 2030 that will strongly affect global economy due to oil links (Kinnan 2011). On the other hand, Nigerian president promises to transform Nigeria into one of the leading global economies and unquestionable leader in Africa by 2020 (Udoh and Udejaja, 2011). However, his enthusiasm seems to be exaggerated, considering all serious problems of the country. Most of the scholars agree that only Nigeria can achieve economic development on the long-term gradual path. Moreover, they postulate that while the country is politically and economically weak, the current problems, in particular spreading

poverty and stronger than ever ethnic division, need to be face in order to avoid more tragic consequences.

The following policy recommendations seem to be a good start for changes in Nigeria. First of all, national government should focus on the military conflicts across the country. Perhaps, a good idea is launching negotiations with the representatives of military groups and discussing the most urging issues such as reform of the statutory monopoly over land and oil, revenue allocation and the new constitution. Second, the national government should pay great attention to the usage of oil revenues. At the essay showed, these revenues are almost exclusively directed to the pockets of small group of the richest people within the country. Nigeria took some steps towards reducing corruption. However, the government should promote greater transparency and accountability, particularly in the local governments, as they seem to be mostly affected by corruption problem. Further, Nigeria is a signatory of the Extractive Industry Transparency Initiative, an agreement between oil-producing countries and large oil companies, promoting transparent bilateral relations with a main focus on the payments regarding the acquisition of leases and operating licenses. At the moment, Nigeria presents relatively low interest in developing this initiative across the country. However, this could be another useful tool to effective allocation of oil revenues (Watts, 2009).

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