

REFLECTIONS ON NIGERIA'S CRUDE PETROLEUM IN AN ERA OF ECONOMIC DEPRESSION

Dr. Samson It. Edo

Abstract

This paper examined some aspects of Nigeria's Crude Petroleum within the period of economic depression, with particular emphasis on its contribution to total export, fiscal revenue and gross domestic product. Its contributions in the various respects were exceptionally significant, which implies that the economy thrives mainly on crude petroleum, an assertion which seems to enjoy a consensus of opinion. Although crude petroleum is very important to Nigeria, it has also had its negative effects on the economy, such as misplacement of priorities and considerable decline in agriculture and manufacturing. The issue now is how to manage crude petroleum wealth in order to reverse these negative effects.

The appropriate panacea is to create enabling environment for agriculture and manufacturing to thrive, by channeling a considerable proportion of petroleum revenue into the provision of infrastructure for this purpose.

Introduction

Before the oil boom of the 1970s, the Nigerian economy could be described as basically agrarian, with agriculture accounting for more than 60 percent of the Gross Domestic Product (GDP). Similarly, about 70-80 percent of total government revenue was derived from the sector, while 80 percent of the workforce was engaged therein. The contribution of the sector to foreign exchange earnings was also between 70-80 percent. In fact, agriculture was regarded as the mainstay of the Nigerian economy, as well as the engine of economic growth and development. However, its premier position in the 1960s was soon short-lived with the advent and subsequent boom of the crude petroleum industry in the 1970s. The new era signalled a significant structural change that reversed the strategic role of agriculture.

The crude petroleum industry, which has assumed a crucial and strategic status in the economy, currently accounts for over 90 percent of foreign exchange earnings, about 30 percent of GDP and about 70 percent of fiscal revenue accruing to the federal government of Nigeria. Since crude petroleum constitutes one of the single largest traded commodity in the world, we therefore need not over-emphasise its importance, however, the high dependence of the Nigerian economy on it appears to be an unhealthy situation owing to two major reasons. Firstly, crude petroleum is a wasting asset and the current reserve, according to experts, would be seriously depleted in the next two decades, if the current rate of exploitation is maintained (Ojinnaka, 1998). Secondly, the vagaries of the world oil market, as witnessed in the 1980s, exposes the economy to external shocks that are sometimes devastating. This issue of over-dependence on crude petroleum and its implications should also engage policy makers, instead of the undue emphasis on the benefits.

The focus of this paper is principally to expose the extent to which crude petroleum has contributed to some aspects of the Nigerian economy during depression. This is essentially to reemphasise and alert policy makers on the precarious dependence of the economy on crude petroleum.

Economic Depression In Nigeria

In the early 1980s, the Nigerian economy began to experience a depression of such magnitude that has never occurred before, resulting in two fundamental problems of high inflation and chronic balance of payments deficit, coupled with an excruciating external debt burden (Edo, 1997). Monetary and fiscal measures, such as credit control and budget restraint, were adopted, but these measures were either not far-reaching or were poorly implemented, leading to further distortions in the economy. The distortions led to unprecedented high rate of unemployment, decline in capacity utilization, fall in agricultural output and deterioration in other macroeconomic variables. The origin of economic depression in Nigeria may be explained in the context of the entire world economy, which started exhibiting signs of instability in the early 1980s. The world oil market, as well as the markets for other export commodities, experienced significant decline that had global effects. There

Dr. Samson E. Edo

was also the problem of astronomical rise in global interest rates that increased the debt burden of poor countries, because they were now expected to pay more for the external loans they obtained at lower interest rates (Wijnbergen, 1991). We should also not lose sight of the economic recession in the OECD countries that had ripple effects across African countries, which Nigeria could not immediately overcome because of her weak economic structures and social values.

It would be recalled that the advent of crude petroleum created more wealth for Nigeria in the preceding decade of 1970s, such that her socio-economic life was transformed into investment and consumption patterns with a significantly high proportion of imports, thus exposing her to the effects of global crisis. The euphoria of petroleum wealth led to the neglect of agricultural and manufacturing sectors, as government and poor implementation of macroeconomic policies. The cumulative effect of the socio-economic maladjustments became manifest at the beginning of the 1980s, with hyperinflation and crippling balance of payments deficit. In a bid to finance its balance of payments deficit and development projects, Nigeria went into external borrowing, in spite of her petroleum wealth. The external borrowing left in its wake, a huge debt that constitute a crushing burden on the economy today.

Between 1982 and 1984, the government made panic responses to the economic crisis by introducing austerity and counter-trade measures aimed at stemming expenditure on imported commodities and conserving foreign exchange. More specifically, the government imposed stringent control on foreign exchange and restricted importation of goods, as well as formulating appropriate monetary and fiscal policies, all in attempt to redirect the economy. These measures only turned out to be palliative, as the economic depression was already too serious to be contained by such measures. By 1986, the problems had reached frightening proportion, resulting in the Structural Adjustment Programme (SAP), packaged by the Nigerian government, in conjunction with International Monetary Fund (IMF) and the World Bank, for the purpose of resuscitating the economy.

The programme was designed to have two components of economic stabilization and economic reform. The first component was geared towards reducing demand for goods, especially imports, in order to curtail inflation and balance of payments deficit. The second component was meant to induce supply, to further curtail inflation and reduce balance of payments deficit. Some of the initial economic stabilization measures were balanced fiscal budget, tight credit control, freeing of most prices to find their market levels, removal of bureaucratic restrictions on the private sector, and floating of the exchange rate. The economic reform component had measures such as rehabilitation of viable enterprises, recapitalization of some business enterprises, and privatization of government-owned enterprises. These measures were aimed at making the enterprises more efficient and productive, in pursuit of the goal of increased supply of goods and services. It was the projection of the programme that demand would be significantly reduced and supply boosted to remove inflationary pressure and balance of payments problem, which would ultimately turn the economy around within a short period. In spite of the radical approach to the implementation of the programme at the initial stage, it did not achieve its set goals, which means that Nigeria has continued to suffer economic depression for the past two decades (1980 - 2000). The programme, which has been modified time and again, has almost become an integral part of economic planning in Nigeria.

Historical Development And Effects Of Crude Petroleum

The history of crude petroleum dates back to 1908 when a German Bitumen Company first made attempt to explore oil in Nigeria. This company, which was granted mining right by the then British colonial government in Nigeria, closed their operations at the outbreak of the first World War. but resumed their exploration activities in 1937. At this time, a consortium of Dutch and English interests known as Shell D'Arcy Company had been given prospecting license to join in the exploration for oil in entire mainland of Nigeria, which is an area of about 357,000 square metres. The Second World War interrupted Shell's exploration activities between 1941 and 1946, only to resume its operations in 1947, but this time in a joint venture with another oil company known as British Petroleum. The two companies metamorphosed to become a giant exploration company with the name Shell-BP Petroleum Development Company of Nigeria. The operation of this company did not only usurp the pioneering position of the German Bitumen Company in the exploration for oil in Nigeria, it has also maintained a leading position in the industry since that time. This privileged position of Shell-BP was, however, made possible by the priority British colonial government in Nigeria gave to companies that had their head offices in Britain and whose shareholders and directors were British citizens (Anyagbo, 1998). It was not until 1956 that Shell-BP exploration activities paid

Dr. Samson E. Edo

off. when oil was discovered in commercial quantity in Oloibiri, a village in the Niger Delta area of the country. By this time, the company had invested about N140 million on exploration activities. The success of Shell-BP attracted quite a sizeable number of other foreign oil companies to Nigeria. These companies include Mobil, Gulf, Texaco and Chevron, all from the United States of America. Others are Elf from France, and Agip from Italy. Their exploration activities were to cover the offshore and onshore areas of Nigeria. Today, Shell-BP together with these companies produce the bulk of crude petroleum in Nigeria.

The initial interest of the government in the crude petroleum industry, during the colonial era and even at independence, was limited to collecting royalties and other dues which the oil companies offered to pay, and making laws to regulate the activities of the industry. Essentially, the relationship between the Nigerian government and the petroleum companies, as at independence, was based mainly on concessionary agreements that seemed to weigh in favour of the companies. The agreements in effect gave the oil companies the ownership and control of oil at the point of extraction, while Nigeria's interest was limited to nominal ownership only. With the recognition of the strategic nature of the industry, and in order to obtain maximum benefits from her natural endowment, the government was compelled to translate its role from that of supervision to active participation. Thus in 1971, the government promulgated a decree that established the Nigerian National Oil Corporation (NNOC) as an integrated oil company. This marked the beginning of more active participation by government in the petroleum industry.

Later, the NNOC and the then Federal Ministry of Petroleum that hitherto supervised the petroleum industry on behalf of the government were merged in 1977 to form the Nigerian National Petroleum Corporation (NNPC). The government through the activities of the NNPC, took possession of all the crude petroleum produced by the oil companies for sale to domestic and external consumers. In other word, the oil companies could only produce crude petroleum and turn over to NNPC which now has the monopoly function of marketing the product. Today, the NNPC dominates the crude petroleum business in Nigeria, as well as the down-stream sector of the petroleum industry. It is the only corporation allowed to refine crude petroleum, and for this purpose, it has four refineries. The first and premier refinery was established in Port Harcourt in 1965 and expanded to a capacity of 60,000 barrels per day (bpd) in 1971. Two other refineries were later commissioned in Warri (1979) with a capacity of 125,000 bpd and Kaduna (1980) with a capacity of 110,000 bpd. The fourth refinery was commissioned again in Port Harcourt (1989) with a capacity of 150,000 bpd, bringing the total refinery capacity in the country to 445,000 bpd. The NNPC is also involved in several joint venture operations with other leading oil companies in the industry.

The last development in the crude petroleum industry is the incorporation and active participation of indigenous private oil exploration companies, which were previously unable to participate, as a result of government legislation and the capital intensive nature of the business. The first of such private companies is Dubril Oil Company established in the late 1980s. It is also envisaged that government may divest substantially from the petroleum industry and allow private interest to take control, if the current proposal on deregulation of the petroleum industry is eventually implemented. Until then the industry would still remain dominated by government owned NNPC. Although crude petroleum has played a vital role in the economic growth of developed countries, it has however had mixed effect on the Nigerian economy.

The entire world is increasingly dependent on the petroleum industry, such that Lyoha (1992) described the dependence as so crucial that modern civilization would virtually grind to a halt in the absence of oil. This perhaps explains why the discovery of petroleum in any country usually attracts attention of the entire world (Shokubai, 1962). Thus, the political stature of Nigeria in the comity of nations has increased substantially since the discovery of petroleum in commercial quantity. Owu (1984) has described the rapid development of the petroleum industry in Nigeria as immensely valuable. Nwokedi (1992) underscored this assertion by making reference to the building of gigantic structures and other remarkable landmarks, which were financed, from petroleum revenue. The revenue came mainly from royalties, rents, license fees, petroleum profit tax, and export earnings of government owned petroleum corporation (Eromosele, 1998). This substantial revenue from petroleum, which was rapidly monetized, has continued to encourage high but disturbing import consumption and huge fiscal expenditure, with attendant economic problems (Anyanwu, 1997). Although the Nigerian economy witnessed an increase in nominal GDP during the oil boom, performance of the real sector was unimpressive, as the industrial sector remained weak due to

government inability to create enabling environment for rapid industrial growth (Akpan, 1991).

The advent of petroleum made Nigeria virtually a mono-product exporter, to the neglect of export commodities from other sectors of the economy. The agricultural sector suffered mostly from this neglect, with considerable decline in its contribution to total export. In no time the country became a net importer of agricultural commodities, a situation which is akin to the Dutch disease, a euphemism that is used to describe the phenomenon that occurs when a boom in an export commodity (oil in this case) has undesirable effects on other economic activities in a country (Canagarajah, 1997). This scenario was previously described by Onyiye (1980) and Okeke and Turner (1985), when they asserted that petroleum has engendered a get-rich-quick mentality that favoured speculative activities and fast businesses, to the detriment of agricultural production involving long gestation period.

In summary, the advent of petroleum in Nigeria led to the drastic relegation of agriculture, as well as other export producing industries. The consequence of unhealthy dependence on petroleum as a single export commodity became manifest in early 1980s (Habeeb, 1994). As a result of the collapse of oil prices in the world market, the revenue accruing to Nigeria reduced drastically and the inability of the economy to adjust to this post oil boom contributed immensely to the economic crisis which has lingered for several years. Both government and individuals carried forward to the post boom period, the culture of waste, profligacy and squandamania they acquired during the oil boom, hence the economy stagnated for the two decades of 1980s and 1990s. In his own version, Ojinnaka (1998), stated that the collapse of oil prices in 1986 and 1998, and the consequent sharp fall in oil revenue, compelled the government to revise budget downwards, resulting in a multiplier effect that reduced planned investment and economic activities. In short, the rapid decent that followed the period of oil boom resulted in a near collapse of the economy (Oyejide, 1991).

In a spirited attempt to stop decline in the economy, the federal government, following the advise of the International Monetary Fund (IMF) and the World Bank, enunciated the Structural Adjustment Programme (SAP) in 1986 with a view to giving the country a new economic structure (Yesufu, 1996). This experiment however failed at the initial stages due to poor implementation strategies (Edo, 1997). Today the structural adjustment is still being pursued in a modified form, but it is moving at a very sluggish pace.

Production And Domestic Consumption Of Crude Petroleum

The production of crude petroleum in Nigeria did not show any remarkable change between 1980 and 2000, due to the production ceiling given by the Organisation of Petroleum Exporting Countries (OPEC), instead it was characterised by a fluctuating trend which commenced with about 760.1 million barrels in 1980 (see Table 1). This was followed by a consistent decline in production to 450.96 million barrels in 1983, and a subsequent rise to 547.1 million barrels in 1985. The fluctuating trend continued until 1993, and thereafter the production maintained a steady increase right through to the year 2000. The peak production of 850.2 million barrels was recorded at the close of the period, while the lowest production of 450.96 million barrels took place in 1983, due perhaps to the slump in world oil market in that year. In the case of domestic consumption of crude petroleum it is also observed that the consumption of 103.86 million barrels at the inception of the period in 1980 is not significantly different from that of the terminal year of the period. Within the period, however, the consumption trend fluctuated more frequently than that of production, with a stable rise in the last four years only. Domestic consumption reached its peak of 106.6 million barrels at the close of the period, but recorded its lowest level of 49.31 million barrels in 1986, a year that witnessed a serious trough in Nigeria's economic downturn and the subsequent introduction of structural adjustment programme.

The proportion of domestic crude petroleum consumption has been relatively small. With a modest consumption of 13.7 percent in 1980, it was not possible in any year to consume up to 20 percent of crude petroleum production, as shown by the highest consumption of 19.3 percent in 1987. The consumption did not also fall below 10 percent in any year, which clearly indicates that it was confined within the range of 10 - 20 percent, as confirmed by the consumption mean of 14 percent. This low domestic consumption of crude petroleum is due mainly to the small size of the

Dr. Samson Fdo

manufacturing sector and the overriding objective of increasing foreign reserves through export. The domestic consumption takes place mainly in the local refineries, as well as in exchange for import of other products.

Table 1: Production and Domestic Consumption of Crude Petroleum

Year	Production ('000 barrels)	Domestic Consumption ('000 barrels)	Percentage Domestic Consumption
1980	760,117	103,857	13.7
1981	525,291	56,196	10.6
1982	470,638	68,980	14.7
1983	450,961	58,930	13.1
1984	507,487	56,907	11.2
1985	547,088	60,508	11.1
1986	538,929	49,345	9.2
1987	483,269	92,755	19.3
1988	529,602	93,805	17.7
1989	625,908	103,427	16.5
1990	660,559	112,310	17.0
1991	689,850	104,012	15.1
1992	711,340	107,040	15.0
1993	691,400	127,786	18.5
1994	696,190	118,146	17.0
1995	715,400	98,500	13.8
1996	740,190	91,500	12.4
1997	759,710	86,370	11.3
1998	784,500	96,496	12.4
1999	810,220	99,575	12.3
2000	850,190	106,614	12.6
Mean Percentage Domestic Consumption = 14.0			

- Sources:
- i. Central Bank of Nigeria Statistical Bulletin (1998).
 - ii. IMF Yearbook (2000).
 - iii. Author's Calculations

Crude Petroleum Export

The rapid expansion of crude petroleum industry in Nigeria became very glaring by 1980, as a result of its focal position in the export trade sector and the major foreign exchange earner for the country. Its contribution to the overall export of the country has been tremendous, as clearly shown in Table 2. In 1980, the share in total export had already attained a staggering proportion of 96 percent, and thereafter oscillated within the range of 90 - 98 percent until 1993, but it recorded an appreciable drop in 1994 to the lowest level of 78.1 percent. This drop was caused by the political crisis that befell the country at that time, which affected trade relationship with several countries that were opposed to the military rule in Nigeria. The petroleum immediately recovered from this slump in 1995 by raising its proportion in total export to 87.7 percent, and even went on to record an all time high of 98.2 percent in 1996. Although there has been a downward movement from this peak performance, the proportion never again fell below 90 percent for the succeeding years, with the terminal year 2000 recording 93.4 percent.

The performance of the industry during the period, in terms of export, was therefore quite outstanding, in the sense that it almost made Nigeria a mono-product exporter. Nothing describes this situation better than the mean of 94.6 percent, which indicates that crude petroleum accounted for a preponderance of Nigeria's export in the era of economic depression. Since foreign exchange earnings are generated mainly from export trade, it follows that crude petroleum has been the

principal foreign exchange earner for the country. We do not envisage the dominant role of crude petroleum in export trade attracting serious challenge from other commodities, at least in the short term, as long as oil remains the major lubricant in a world that is increasingly becoming automated. However, the role of crude petroleum could only diminish when its natural reserve gradually gets exhausted, or a structural revamping of other sectors, with high export potentials, takes place through appropriate corporate and government policies.

table 2: Crude Petroleum Export as Percentage of Total Export

Year	Total Export (Nm)	Crude Petroleum Export (14m)	Percentage Crude Petroleum Export
1980	14,199	13,632	96.0
1981	11,023	10,681	96.9
1982	8,206	8,003	97.5
1983	7,503	7,201	95.9
1984	9,088	8,843	97.3
1985	11,215	10,891	97.1
1986	9,044	8,368	92.5
1987	29,578	28,209	95.4
1988	31,193	28,436	91.2
1989	57,971	55,017	94.9
1990	109,886	106,627	97.0
1991	121,534	116,857	96.2
1992	205,613	202,384	97.9
1993	218,801	213,779	97.7
1994	206,059	161,027	78.1
1995	748,368	656,572	87.7
1996	1,309,616	1,286,216	98.2
1997	1,241,663	1,212,499	97.6
1998	810,425	773,252	95.4
1999	962,053	890,270	92.5
2000	1,267,810	1,184,072	93.4
Mean Percentage Crude Petroleum Export			= 94.6

- Sources:
- i. Central Bank of Nigeria Statistical Bulletin (1998).
 - ii. IMF Yearbook (2000).
 - iii. Author's Calculations.

Crude Petroleum And Fiscal Revenue

Crude petroleum contributed substantially to the fiscal revenue of the federal government during this period of economic depression, mainly because of the monopoly power government wields over the sale of the product. Besides this monopoly status, crude petroleum revenue also accrue to the government from petroleum profit tax on private oil companies,' mining rents and royalties. Government, therefore, depends vulnerably on crude petroleum revenue to meet its annual budget requirements, which in some occasions was upset by unexpected shocks from world oil market, as was the case in most of the 1980s. At the beginning of the period in 1980, crude petroleum contributed 81.1 percent to total fiscal revenue, which was quite overwhelming, and thereafter the percentage oscillated throughout the period but never fell below 60 percent (see Table 3). The peak contribution of 86.2 percent was recorded in 1992, as a result of a sudden increase in the world price of crude petroleum that generated a large windfall of petroleum revenue for the government. The lowest contribution of 61.3 percent was recorded in 1989, a year that is most remarkable for decline in export fortunes, as well as economic mismanagement and social upheavals. This turbulent period of world oil crisis notwithstanding, crude petroleum maintained its prominent position as the single most

important revenue earner for the government, as indicated by its contribution mean of 72.7 percent. The crude petroleum revenue was better in the 1990s than the 1980s as a result of the relative stability of the world oil market in the former period.

The massive contribution of crude petroleum to fiscal revenue engendered the so-called Dutch disease that has caused structural distortions to the agricultural and manufacturing sectors of the economy. The process of distortion started when the federal government suddenly began to receive a massive inflow of oil revenue which it was ill prepared to manage, thus creating impetus for unbridled fiscal expenditure that the economy could not immediately absorb. The expenditure was therefore matched by massive importation of goods, which were mostly consumables, resulting in the crowding out of domestic manufacturing industry and agriculture. It did not take long before the multiplier effect of these changes led to a decline in real gross domestic product and abysmal low rate of economic growth. For about two decades now, these problems have persisted, and because they are so fundamental, and the prospects of coming out of the web in the immediate future are not bright, the government has considered it necessary to reach out to developed countries and multilateral organisations for assistance to put the economy right. It is at the same time putting necessary domestic policies in place to facilitate a turn-around of the economy.

Table 3: Contribution of Crude Petroleum to Fiscal Revenue

Year	Total Fiscal Revenue (Nm)	Crude Petroleum Revenue (Nm)	Percentage Crude Petroleum Revenue
1980	15,233.5	12,353.3	81.1
1981	13,290.5	8,564.4	64.4
1982	11,433.7	7,814.9	68.3
1983	10,508.7	7,253.0	69.0
1984	11,253.3	8,269.2	73.5
1985	15,050.4	10,923.7	72.6
1986	12,595.8	8,107.3	64.4
1987	25,380.6	19,027.0	74.9
1988	27,596.7	19,831.7	74.8
1989	63,870.4	39,130.5	61.3
1990	98,120.4	71,887.1	72.2
1991	100,990.6	82,664.4	81.9
1992	190,453.6	164,078.1	86.2
1993	192,769.4	162,102.4	84.1
1994	201,910.8	160,192.4	79.3
1995	459,987.3	324,547.6	70.6
1996	520,190.0	369,190.0	71.0
1997	582,811.1	386,000.0	66.2
1998	552,413.2	353,104.2	63.9
1999	605,151.3	428,456.4	70.8
2000	620,520.4	480,719.2	77.5
Mean Percentage Crude Petroleum Export			72.7 •

- Sources:
- i. Central Bank of Nigeria Statistical Bulletin (1998).
 - ii. IMF Yearbook (2000).
 - iii. Author's Calculations.

Crude Petroleum And Gross Domestic Product

The Gross Domestic Product (GDP) of Nigeria has been growing, at least nominally, in the past two decades, in spite of the economic down turn that heralded the mismanagement of revenue from crude petroleum. From the lowest level of N49,632.3 million in 1980, it rose steadily to a peak of N3,720.3 billion in the year 2000 (see Table 4). Crude petroleum output N7.785.6 million in 1983

and the maximum output of N 1,801.2 billion at the close of the period. It should be recalled that crude petroleum industry is just one of several industries that contribute to gross domestic product, but its contribution increased substantially over the years, as shown in the table. At the inception of the period in 1980, it contributed only 16.8 percent to the gross domestic product, which increased significantly to a peak of 48.4 percent in the year 2000. The minimum contribution of 13.6 percent was recorded in 1986, due to the serious economic distortions of the previous years. The contributions of crude petroleum to gross domestic product were particularly impressive in the last six years of the period, where the contribution stayed above 40 percent. For the entire period of 1980 - 2000. the contribution stood at a mean of 30.4 percent, which is quite outstanding, considering the fact that several other industries including manufacturing, agriculture, construction, services, etc. accounted for the balance. On the average, each of these industries made contributions, which are obviously far lower than contribution of crude petroleum industry. It is therefore clear that crude petroleum occupies a very strategic place in the economy of Nigeria.

In spite of the importance of crude petroleum to the country, there is the persistent fear that the economy of Nigeria rest on a precarious edge, because the world market for crude petroleum is highly volatile and capable of rocking the economic system. Government should therefore, intensify implementation of the modified structural adjustment programme, so that other industries can expand their contribution to the GDI'.

Table 4: Contribution of Crude Petroleum to Gross Domestic Product

Year	Gross Domestic Product At Current Factor Cost (Nm)	Crude Petroleum Output at Current Factor Cost (Nm)	Percentage Crude Petroleum Output
1980	49,632.2	8,360.2	16.8
1981	50,456.6	10,219.8	20.3
1982	51,570.3	8,429.9	16.4
1983	56,709.8	7,785.6	13.7
1984	63,006.2	9,569.4	15.2
1985	71,368.1	12,110.1	17.0
1986	72,128.2	9,828.1	13.6
1987	106,883.2	25,423.4	23.8
1988	142,678.3	29,919.4	21.0
1989	222,457.6	78,788.1	35.5
1990	257,873.0	86,188.0	33.4
1991	320,247.3	120,102.9	37.5
1992	544,330.7	254,853.6	46.8
1993	691,600.6	245,580.0	35.5
1994	911,070.0	226,172.6	24.8
1995	1,960,690.0	792,370.0	40.4
1996	2,749,720.0	1,200,900.0	43.7
1997	3,022,170.0	1,301,630.0	43.1
1998	3,152,231.0	1,420,110.0	45.0
1999	3,510,220.0	1,605,250.0	45.7
2000	3,720,310.0	1,801,240.0	48.4
Mean Percentage Crude Petroleum Export =			30.4

- Sources:
- i. Central Bank of Nigeria Statistical Bulletin (1998).
 - ii. IMF Yearbook (2000).
 - iii. Author's Calculations.

Summary And Conclusion

In this paper, the rapid expansion of crude petroleum production in Nigeria and its contributions to some facets of the economy were analysed, within the period of depression which has

Dr. Samson E. Edo

so far spanned 1980 — 2000. The country, till now, has not been able to come out of the economic depression, and it is not likely to do so in the short-term, because of the considerable level of decay that has occurred. This economic decay, which has domestic and external dimensions, became intolerable in mid 1980s, prompting the government, in conjunction with the International Monetary Fund (IMF) and the World Bank, to adopt and implement the Structural Adjustment Programme (SAP). This programme was projected to turn the economy around in a short time, but ended up worsening the situation, as a result of poor management and political instability. Today, the programme has been modified to enhance more efficient management, but it is still progressing at a slow pace. At the same time, the government is reaching out to several developed countries and multilateral organisations for possible assistance to facilitate recovery from the protracted economic depression.

Within this period of depression, the crude petroleum industry has been the pivotal sector of the Nigeria economy. Although the production level did not change significantly, because of the quota allowed to the country by the Organisation of Petroleum Exporting Countries (OPEC), it however dominated the country's export trade, accounting for almost 95 percent of total export. The local consumption of crude petroleum was therefore small because of the export orientation of the industry. It was also discovered that crude petroleum contributed, on the average, about 73 percent of fiscal revenue accruing to the federal government during the period. This massive contribution to fiscal revenue, which was unfortunately mismanaged by the government in what is generally regarded as the Dutch disease, created enormous distortions in the economy, through unbridled importation that tended to crowd out domestic manufacturing and agriculture. Crude petroleum also accounted for an average of about 30 percent of gross domestic product. This contribution is quite remarkable, in the sense that each of GDP. This contribution is quite remarkable, in the sense that each of the other industries contributed below 20 percent average, which is significantly lower than that of crude petroleum.

It is quite obvious in the various analyses that crude petroleum has made enormous contributions in some aspects of the Nigerian economy such as export, fiscal revenue and gross domestic product, inspite of the prevailing economic depression of the period. This clearly means that the economy is hinged on the crude petroleum industry, a situation which is highly vulnerable. Policies and efforts are therefore required to revive and develop other sectors, especially the manufacturing and agriculture sectors. This can be done by channelling a chunk of the revenue from crude petroleum into the provision of infrastructure that would rehabilitate these sectors and enhance their contributions to gross domestic product. This is expected to facilitate the process of recovery from the prolonged economic depression.

References

Akpan Ekpo (1991), *An Overview of Economic Growth and Development*. Gabumo Publishing Corporation Ltd., Nigeria.

Alii, A. L. (1986), *The Role of Oil in the Nigerian Economy*. *Nigerian Oil Directory*. John West Publication, Lagos, 90 - 94.

Anyagbo, J. O. (1998), *Impact of Gas Utilization and the Nigerian Economy*. Conference paper, Annual International Conference of the Society of Petroleum Engineers, Lagos.

Anyanwu et al (1997), *Structure of the Nigerian Economy, 1960 - 1997*. Onitsha: Joanee Educational Publishers, 56 - 68.

Canagarajah, S. (1997), *Poverty and Welfare in Nigeria*, A World Bank Publication. Washington D.C.

Edo, S. E. (1997), *The Nigerian Capital Market in an Era of Privatisation*. *Journal of Business Perspective*, Vol. I, No. 2, 45-54.

- Eromosele, V. (1998), *Nigerian Petroleum Business: A Handbook*; Advent Communications Ltd., p. 109.
- Habeeb, Y. A. (1994), "Achieving Sustainable Output Growth in Nigeria through Demand Management, *CBN Economic and Financial Review, Vol. 12, No. 1*.
- Iwayemi, A. (1989), Effects of Energy Pricing on Energy Efficiency and Environment. Conference Proceedings on Energy Pricing and Natural Development. National Committee of the World Energy Council, Lagos.
- Iyoha, M. A. (1992), Oil Dependency and Nigeria's Development Problematique: Strategies for Rapid Socio-economic Transformation by the Year 2000, a paper delivered at the Civil Service Forum, Benin City.
- Nwokedi, T. C. (1992), Nigeria's Future in Gas Industry: An LNG Progress Report. *African Petroleum Monitor*; Lagos.
- Ojinnaka, I. P. (1998), "Energy Crisis in Nigeria: The Role of Natural Gas". *CBN Bullion, Vol. 22, No. 8* -14.
- Ojo. M. O. (1996). "Diversification and Promotion of Export of Nigeria's Energy Products". 4th International Energy Forum, International Energy Services Ltd, Lagos.
- Ojo, M. O. and Adebuseyi, B. S. (1996), The State of the Nigerian Petroleum Industry: Performance, Problems and Outstanding Issues, *CBN Economic and Financial Review, Vol. 34, No. 3*, 647 - 674.
- Ojo, M. O. and Anyanwu, C. M. (1996), Promoting the Flow of Investment Resources into Nigeria's Petroleum Industry, *Central Bank of Nigeria, Research Department Occasional Paper, No. 14*, November.
- Okeke, A. and Turner, L. (1985), The Effect of Petroleum Industry on the Nigerian Economy. *Business Times*, December 11, p.7.
- Oniyiye, S. (1980), *Petroleum in Nigeria* Vol. 1, No. 1, NNPC Publication, P. 23.
- Onvviuduokit, E. A. (1996), Oil Operations, the Environment and Development Issues: Policy Options, Paper presented at the 20th Conference of the Society of Petroleum Engineers Nigeria Council (SPENC), Lagos.
- Oyejide, T. A. (1991), Trade Shock, Oil Boom and the Nigerian Economy 1973-83, Working Paper, Department of Economics, University of Ibadan, Nigeria.
- Shokunbi, D. (1962), "The Impact of the Oil Industry on the Economy of Nigeria. *NJESS, Vol. 4, No. 1*.
- Usoro, E. J. (1972), Foreign Oil Companies and Recent Nigeria Petroleum Policies. *Nigerian Journal of Economic and Social Studies, Vol. 14, No. 3*.
- Wijnbergen, S. (1991), "Debt Relief and Economic Growth in Mexico. *World Bank Economic Review, Vol. 5, No. 3*, 437 - 455.
- Yesufu, T. M. (1996), *The Nigerian Economy: Growth Without Development*, Benin Social Science Series for Africa, University of Benin, Benin City, Nigeria.