

## Oil Conflict and Accumulation Politics in Nigeria

In 2006, Nigeria was rocked by an explosion of violence directed against the large foreign oil companies operating in the oil-rich Niger Delta. Starting in January 2006 with the kidnapping of four foreign Shell employees by militants known as the Movement for the Emancipation of the Niger Delta (MEND), the violence continued to escalate through the rest of year, as the militants blew up pipelines, overran an offshore rig, killed Nigerian soldiers, and kidnapped and ransomed more than 50 oil workers. To stop its war on the oil companies, MEND's demands included restitution for the environmental damage wrought by the oil industry, greater control over oil revenues for local government, and development aid to improve living conditions in the delta (Junger, 2007).

Unfortunately, violent conflict between local communities and oil companies in the Niger Delta is not new, dating back to the early 1990s. The history and ramifications of the oil conflict in Nigeria, as well as its consequences for state-society relations, the Niger Delta ecosystem,

and the national economy, are well-known.<sup>1</sup> Relatively unknown is the prevalence of a convoluted "rentier space," its operational mechanisms and centrality to the origin, persistence, and continuation of the oil conflict. In this article, I outline the structure of the culture and patterns of accumulation surrounding oil and its implications for conflict, and attempt to develop a conceptual framework to explain the dynamics of Nigeria's oil conflict, which could be applied to similar rent-driven extractive economies in the global South.<sup>2</sup>

### Oil and Conflict in Nigeria: Background

Nigeria, Africa's most populous country, is also the continent's largest oil producer. In 2005, the country produced 2.6 million barrels of oil per day, 2.3 million of which was exported, making it the sixth largest net exporter in the world (Energy Information Association [EIA], 2005b; 2006). The contribution of Nigeria's crude oil to U.S. oil imports has increased, from 8 percent in the late 1990s to about 14 percent in 2005 (Omeje, 2006b). Since the oil boom of the early 1970s, Nigeria's economy has been largely dependent on oil. Oil resources presently account for nearly 40 percent of GDP, more than 90 percent of foreign exchange earnings, and roughly 80 percent of government revenues (EIA, 2005a).

Nigeria's vast oil resources are mostly concentrated in the onshore and offshore areas of the volatile Niger Delta. Total proven oil reserves are estimated at about 36 billion barrels, while proven natural gas reserves are well over 150 trillion feet<sup>3</sup> (EIA, 2006). The oil-rich Niger Delta region, located along the Gulf of Guinea, is home to more than 20 million peo-

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ple from more than 20 ethnic and language groups (in addition to dozens of sub-ethnic groups). These ethnic nationalities comprise more than 1,600 autonomous communities distributed into nine of the Nigerian federation's 36 states.

A large number of these autonomous communities host oil companies. Crude oil production (the upstream sector) in Nigeria is dominated largely by western transnational oil companies (TNOCs), including Royal Dutch Shell, ExxonMobil, ChevronTexaco, Agip, and Total. These oil companies operate joint venture partnerships with the Nigerian federal government, represented chiefly by the Nigerian National Petroleum Corporation (NNPC) and its subsidiaries, in which the government holds an average 60 percent equity share with the rest owned by its expatriate partners. A large number of smaller international and local oil and oil-servicing companies operate in the upstream sector. More than 90 percent of the personnel of the joint venture businesses are Nigerian nationals. The downstream sector (processing and refining) is dominated by the federal government, although its ongoing liberalization policies are likely to significantly affect the existing balance in the near future.

The emergence of an oil-dependent economy in the 1970s in Nigeria led to the systematic neglect of other sectors of the economy, especially the agricultural sector, which used to be the mainstay of the economy. In spite of Nigeria's vast oil resources, the World Bank estimates that as a result of corruption 80 percent of the oil revenues that accrue to the domestic front (i.e., the state and indigenous investors) benefit only 1 percent of the population (cited in EIA, 2005a). The United Nations (2006) ranks Nigeria 159th out of 177 countries on its Human Development Index and reports that more than 70 percent of Nigerians live on less than US\$1 a day. Inflation, unemployment, and crime rates are high. Since the state has failed to provide development assistance, most of the Niger Delta communities, including those that do



Nigerians scoop up petrol after a defective oil pipe belonging to the Nigeria National Petroleum Corporation burst in the Iyana Ipaja neighborhood of Lagos, Nigeria (©2006 Akintunde Akinleye, courtesy of Photoshare).

not host any oil companies, look to the oil industry for development aid.

Ethnicity and provincialism are significant factors in Nigeria's politics. Historically, the Nigerian federal state and the considerably nationalized oil sector have been dominated by a loose coalition of ethnic majority elites at the expense of the bulk of the ethnic minorities, including those of the oil-bearing Niger Delta region (Omeje, 2006c). Mindful of the central role of oil resources in the national economy, as well as its equity interest in its joint venture partnerships with the dominant TNOCs, the Nigerian state usually intervenes on behalf of the oil industry using legislation, public policy, and military reprisal to resolve the conflicts between the oil industry and local Niger Delta host communities.

Statutorily, ownership of oil and all mineral resources in Nigeria is vested in the federal state. All land is also, by law, state property, but this controversial law is only activated when the vested economic or political interests of the country are at stake (Omeje, 2005). The federal government appropriates and retains a greater part of the oil revenues and rents, a substantial percentage of which are distributed to the com-



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posite states and units of the federation. An additional 13 percent of the revenues derived from onshore and near-shore oil resources are paid to oil-bearing states in the Niger Delta. The oil-bearing states argue for a much larger share of the oil resources, to the irritation and resentment of both the federal government and the non-oil-endowed states.

Oil-related rents (royalties, taxes, oil export earnings, interests on joint venture investments, etc.) are the lifeblood of Nigeria's economy. The domestic budget and the huge import trade sector are mainly financed by oil revenues. Factions of the country's elite, with strong interests in the allocation, appropriation, and use of oil revenues, dominate all levels of government. Their interests conveniently combine with those of the state to support a regime of predatory accumulation and lawlessness. The actions of some TNOCs—insensitivity to the local environment; destruction of biodiversity; inflation of contracts, imports, and supplies; and collusion with state officials to subvert tax and investment policies—are made possible by the accumulation climate encouraged by the rent-seeking political economy (see, e.g., Omeje, 2006c; Frynas, 2000). Comparatively, the local elites' predatory accumulation practices and devices tend to be more flagrant than those of the oil-sector expatriates (Omeje, 2006b).

The Niger Delta suffers from severe environmental degradation, due to the industry's history of oil spills, lax environmental regulations, and government complicity, as well as ongoing marine and air pollution (EIA, 2006). Shell and ChevronTexaco, the two TNOCs with the largest onshore and near-shore operations in the Niger Delta, are the major culprits, which partly explains why they are the main targets of most contemporary violent anti-oil protests (including MEND's activities). Such "petro-violence" mostly affects oil companies with facilities and operations near human settlements (i.e., onshore and near-shore areas). Oil companies that mostly operate offshore, such as ExxonMobil, are less culpable for environ-

mental offenses against and encroachment on human settlements and livelihoods, and thus they are less likely to antagonize the Niger Delta communities.

The large onshore facilities of the federally owned NNPC cause as much ecological damage as some of the TNOCs. Paradoxically, local protesters and militias rarely attack the NNPC—apparently most locals perceive the NNPC as an outlaw arm of the state that will mobilize its security forces to resist any pressure to pay compensation in the event of environmental breaches associated with its oil facilities and operations. For the same reason, local militias rarely kidnap NNPC oil workers for ransom. The TNOCs occasionally invite the state's security forces to combat disruptive anti-oil protests but they are nonetheless more accountable and sensitive toward the development needs of the host communities than the NNPC.

### Accumulation Politics and the Dynamics of Oil Conflict

The nature and patterns of accumulation within the "rentier space"—a term encompassing the acquisition, control, and disposition of oil and oil-related resources, including the financial benefits derived from them—are key factors in the oil conflict in Nigeria. The combination of the rent-seeking features of the economy with the neo-patrimonial traditions of the post-colonial state produces a convoluted political culture marked by clientelistic desperation. The key stakeholders, clients, and partisans of the political economy seek to pursue, fast-track, secure, protect, and defend oil-related accumulation by desperate measures that may include the use and threat of violence, extortion, and outright plunder—not to mention traditional practices like witchcraft.

Since the oil boom of the early 1970s, the principal stakeholders have remained the elites that dominate the state system, followed by the TNOCs and the oil industry. For obvious reasons, the elites and the top hierarchy of the oil industry occupy the strategic sphere of the

rentier space—the hub of its largesse. However, given the centrality of oil rent to the economy and society of Nigeria, the phenomenon is not limited to this top hierarchy. The general political discourse in Nigeria is pervaded by a high-stakes rentier mentality. This entrenched political culture informs and structures the behavior and socio-political orientations of TNOCs and the oil industry, grassroots communities (oil and non-oil), civil society, and most other sectors and constituents of the federation.

It is in the interest of the dominant rentier elites, and to a lesser extent, other stakeholders, to maintain a fundamentally compromised and dysfunctional state conducive to high-stakes accumulation. Furthermore, high-stakes accumulation is widely celebrated and glamorized in Nigerian society. Whereas the grassroots population is for the most part involved in acquisition—mainly for day-to-day survival—the dominant political elites are involved in lavishly amassing spoils. The result is a conflict between “aggrieved acquirers” and “oppressive amassers.” Understanding these accumulation politics is essential to understanding the dynamics of the oil conflict and the high-stakes calculations and maneuvers, including the activities of the Niger Delta leaders, activists, and militias.

## Resonance of the Rentier Space

The universalization of high-stakes rent-seeking culture and politics in Nigeria has been progressively facilitated by two related factors. The first is the systematic decline into a regime of lawlessness and extremism through the protracted years of military dictatorship (1979-1999). Consequently, the economic, political, and cultural decline reached a crescendo, a cycle that the present democratic government is unable to reverse despite its rhetoric of reform. The second is the devastating effects of the International Monetary Fund/World Bank Structural Adjustment Programme (SAP) implemented in Nigeria beginning in 1986 to “correct” the balance of payment crisis. The policies of SAP cre-



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ated extreme deprivation and hardship among the grassroots populations and completely impoverished a large section of the middle class.

As the opulence and ostentation of the rent-collecting elites became widely visible, public reactions ranged from resentment and protest, to adulation, solidarity, jubilee, and, most significantly, “high-stakes bandwagonism”: widespread motivation and drive to plunder. Despite the profusion of high-stakes acquisition, poverty is widespread at the bottom. The predatory logic and lopsidedness of the rentier space favors the amassing actors at the expense of the acquisition players. The insecurity in the acquisitive middle class aggravates the accumulation desperation, a tendency that resonates with the middle class in the larger society.

In the oil-rich Niger Delta that produced the wealth, the popular reaction was resentment, leading to an explosion of anti-oil protest and resistance against the state. Since the mid-1990s, the minority ethnic communities of the oil-bearing Niger Delta region have assertively established themselves as stakeholders in the accumulation process. They have waged a formidable struggle of unrelenting violent protests, including oil theft, pipeline sabotage, and kidnappings. Prior to this period, these ethnic communities were for the most part low-stakes clients and partisans.

The continued agitation of the Niger Delta minority groups for more access to oil rents has upped the ante of rentier politics nationwide. The fierce struggle and occasional warfare that have in recent years characterized discussion of the oil revenue distribution formula and the percentage that should accrue to the Niger Delta states are due to the perceived privileging of the Niger Delta by other real and putative national stakeholders. The 2005 National Political Reform Conference convened by President Olusegun Obasanjo to debate and offer remedies to the country's multi-faceted political problems was repeatedly torn apart by the debate over oil revenue distribution.

The campaign of the Niger Delta people for expanded access to rents and what they call "resource control" (perceived by others as a euphemism for a virtual monopoly) has sensitized the rest of the federation, including grassroots populations and civil societies in the states without oil, to a foreboding danger. Whereas the minority ethnic communities of the oil-bearing Niger Delta region have been transformed into stakeholders—even if only in name—the subject social groups and classes of the states without oil are now also clients and partisans of the rentier process.

## The Way Forward

The oil conflict in Nigeria cannot be solved without dismantling the rentier space, including the patterns and culture of accumulation it supports. This dismantling will, of necessity, involve radically renegotiating or overthrowing the predatory interest of the most powerful stakeholders, as well as the "de-petrolization" of the economy. The high-stakes predatory interest of the country is certainly the most formidable potential obstacle. How to deal with this obstacle, especially in a non-violent way or with a minimum use of violence, is the key intellectual and practical challenge facing academic and policy experts.

The first step is a major trilateral conflict resolution and peacebuilding conference for key stakeholders, namely, the oil-bearing communi-

ties, the state, and the oil industry. To be credible, such a conference should be convened and facilitated by a reputable international NGO or inter-governmental organization. The conference should have an open-ended agenda to explore the underlying structures of the oil conflict, and proffer and implement functional remedies. The conference should, among other things, aim to develop robust mechanisms for: (a) holding the oil industry (both TNOCs and indigenous oil firms) to international corporate social and environmental responsibility standards; and (b) weapons amnesty and a disarmament, demobilization, repatriation, and rehabilitation (DDRR) program for all Niger Delta militias and anti-oil combatants.

For the conference to be successful, organizers must consult with stakeholders to develop the methods for nominating delegates and to negotiate the venue and structure. The state, the most powerful and obdurate stakeholder, must be sensitized to the need to make significant trade-offs to accommodate key demands of oil-bearing communities. It will require a great deal of international pressure not only to compel the state to participate in a consequential roundtable with oil-bearing communities, but also to secure its commitment to far-reaching, proactive concessions that help meet the aspirations of the Niger Delta's people.

## Notes

1. See, for example, Okechukwu Ibeanu's "Oiling the Friction: Environmental Conflict Management in the Niger Delta, Nigeria," published in *Environmental Change and Security Project Report 6* (2000), and available online at <http://www.wilsoncenter.org/topics/pubs/Report6-2.pdf>

2. Portions of this article have been adapted from *High Stakes and Stakeholders: Oil Conflict and Security in Nigeria* (Ashgate, 2006). I am grateful to my colleague in the University of Bradford's Africa Centre, Dr. Usman Tar, and Meaghan Parker of the Woodrow Wilson Center for their helpful comments and input.

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