Development is Nigeria's future

In sub-Saharan Africa, Nigeria is the most populous, most industrialized, and most productive nation. Its production of light, high quality, low sulphur oil is widely cited as the basis for Nigeria's wealth and relative financial stability today. Nigeria is the largest African producer and exporter of oil — 2.2 million barrels of crude produced per day. Oil production provides 90 percent of Nigeria's foreign reserve, 80 percent of the federal government's revenue, and 30 percent of the Gross Domestic Product (GDP).

Long before the oil was discovered, Nigeria's colonial master, Great Britain, considered Nigeria a "jewel" of the Empire. After independence in 1960 and before the oil boom, Nigeria was noted for its exports of cocoa, groundnuts (peanuts), palm kernels, and palm kernel oil. As oil production and exports and industrial production have increased, agriculture has declined slightly, as the rural agricultural labor force is drawn into Nigeria's rapidly growing cities without the sufficient development and implementation of mechanized agroindustry. As a result, Nigeria, with 60 percent of its population still laboring on the land, is a net importer of food.

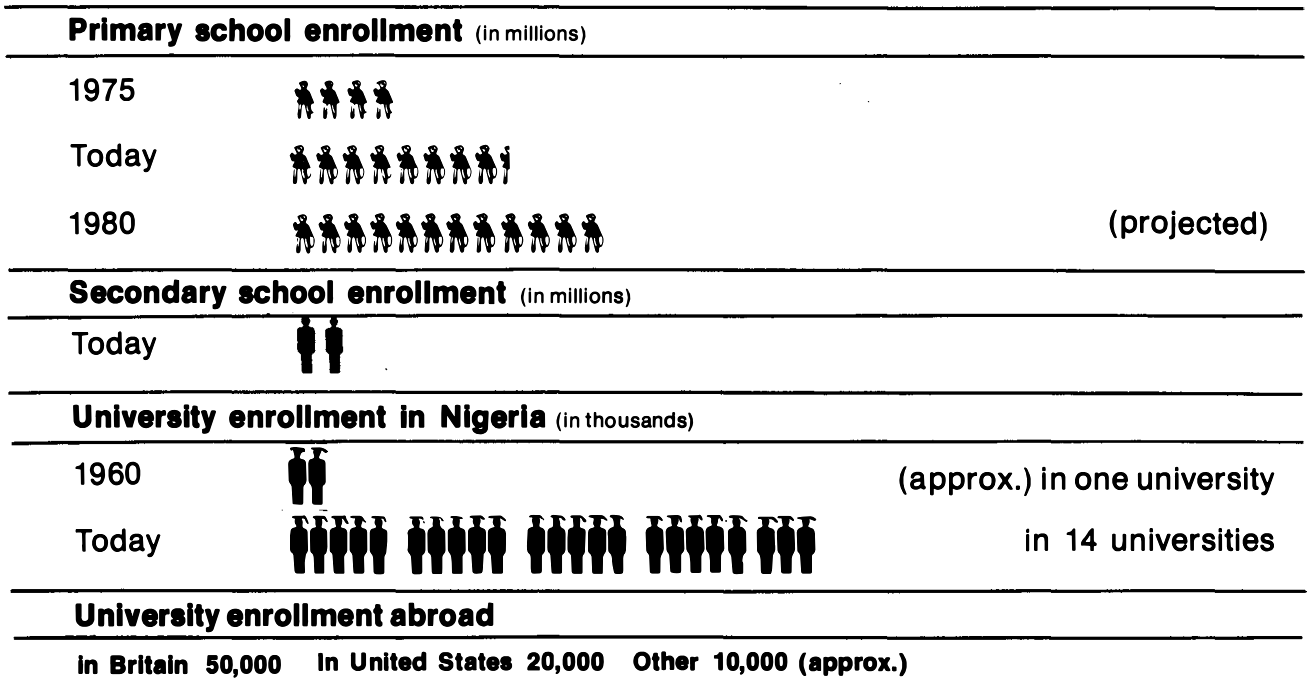
The potential for expansion, the need for investment and for high-technology imports for agriculture and industry are enormous. Consider agriculture: a delegation from Nigeria last summer toured the United States at the invitation of the Nigerian-American Chamber of Commerce looking to purchase capital-intensive equipment for agricultural development.

The large number of tse tse flies have limited farming to just one-third of Nigeria's arable land. Most farms are cultivated without tractors; draft animals are rarely used because of their susceptibility to the tse tse fly. While major advances have been made in highway construction, the transportation infrastructure required for a modern agroindustry remains to be constructed.

The Five-year Plan

The most important asset which Nigeria has is the determination of its military leadership and the overwhelming majority of its population to realize the vast potential of Nigeria to act as a leader in West African, African, and

Education in Nigeria



world development. Their current Five-year Plan — the third such plan for Nigerian economic development — reflects this determination. Now nearing completion, this plan has been denounced by such press as the Financial Times of London and the New York Times for being "over ambitious."

The federal government provided the seed money for the plan: 30 billion naire or $50 billion for public-private joint ventures in transportation, manufacturing, agriculture, and education. We provide here a brief review of that plan.

Universal primary education

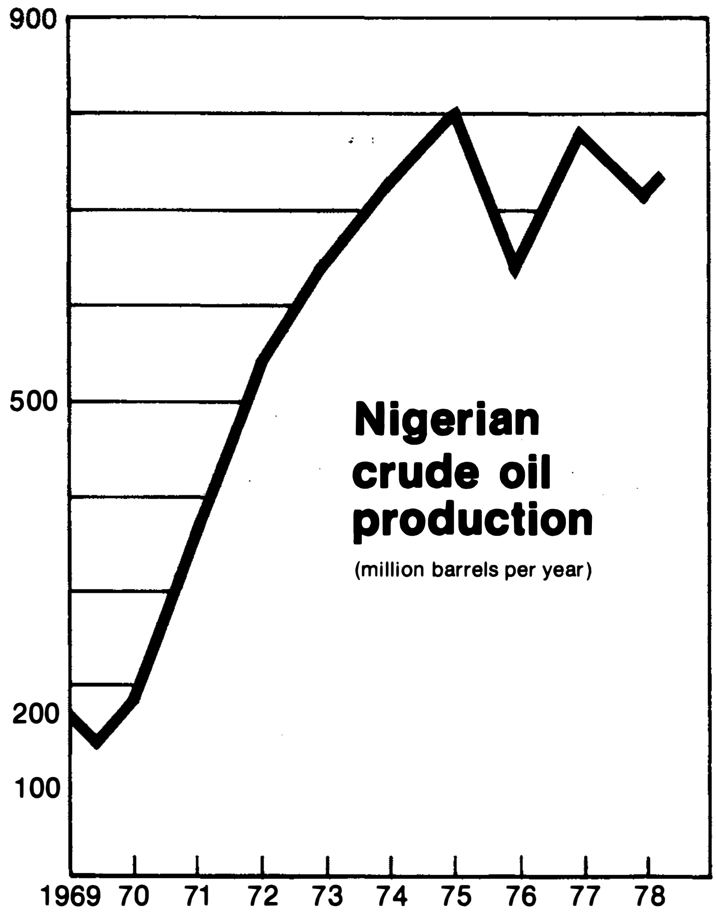
The most important aspect of the Five-year Plan is to transform Nigeria's 70 million people into a literate and skilled labor force. Since 1975, when the plan was initiated, primary school enrollment has increased from four million to 8.5 million. The goal is to enroll all school age children — about 12.5 million — by next year. Approximately 100,000 new primary and secondary school classrooms are being constructed.

Although federal policy is to expand secondary, higher (junior college and technical school level) and university education to keep pace with its primary education policy — and considerable progress has been made — there is still a great deficiency in the area of construction of universities and technical schools to provide for the tens of thousands of qualified teachers needed. Out of the three quarters of a million Nigerians who graduated from secondary school last year, 350,000 passed qualification entrance examinations to the university system, but only 15,000 could be admitted to the nation's 14 universities — a situation which requires improvement, but nevertheless is a tremendous step forward from 1960 when only one university with an enrollment of a few thousand existed in all of Nigeria.

Oil production

Federal policy is to shift Nigerian oil production toward the manufacture and export of refined petroleum products and Liquefied Natural Gas and away from simply crude oil production. Today consuming 150,000 barrels of refined oil per day, Nigeria still must import primarily from Venezuela 30,000 barrels per day. The two existing oil refineries opened under the Five-year Plan have a combined capacity of 160,000 barrels per day. A third is scheduled for completion next year.

The largest single project of the plan, however, has been delayed — a victim of United States energy policy. Nigeria flares off two billion cubic feet of natural gas each day.



Nigerian crude oil production
(million barrels per year)

Oil production in 1977
(thousands of barrels crude per day)

Nigeria	**2,150**
Libya	**2,050**
Algeria	**990**
Egypt	**450**
Total for Africa	**6,206**
Total world	**59,529**

The oil industry in Nigeria

CRUDE	barrels per day
Current production	2.2 million
Current capacity	3.0 million
Proven reserves	25.0 billion
REFINED	
Port Harcourt refinery	
Production	60,000
Capacity	60,000
Warri refinery (opened Sept. 25, 1978)	
Production	60,000
Capacity	100,000
Kaduna refinery (to open in 1980)	
Capacity	100,000
IMPORTED (largely from Venezuela)	30,000
CURRENT CONSUMPTION OF REFINED OIL	
In Nigeria	150,000
In United States	20 million

Unless the gas is liquefied for tanker shipment, this waste of the most efficient and clean natural combustible fuel on earth is unavoidable. Furthermore, Nigerian industry only consumes 5 percent of total gas production. The Plan projected the construction of plants which would combine gas liquefaction with the manufacture of ammonia fertilizer and other natural gas byproducts. The natural partner and market for this project is the United States. But the Nigerian government, after waiting three years, signed an agreement last May with a largely European consortium. Planned for construction is a $2 billion, 1.6 billion cubic feet per day capacity, liquefied natural gas plant at Bonny, the port for which Nigeria's famous "Bonny Light" crude oil was named.

Industry

Nigerian Federal policy for industry is directed at "Import substitution," the development of a light consumer goods industry with the intention that foreign exchange be conserved for other than the cost of consumer goods imports. As a result there has been significant expansion in the domestic production of beverages, clothing and other textile products, shoes, processed foods, and the assembling of motor vehicles.

Steps are now being initiated toward the development of heavy industry, starting with the construction of a steel complex at Warri in Bendel state. In addition, a combined mining and steel production facility is now under construction at Ajaokuta, Kwarra. This project will enhance the sufficiency of processing capacity not only for Nigeria's mines, but for ores from the smaller west African states as well, and greatly reduce the necessity of exporting iron ore for processing elsewhere.

A new capital

Nigeria's capital city project is one which most represents the nation's dedication to technological development and its recognition that the United States is a leading center in the science of nation building. Although Nigeria's traditional relations are with Britain and its recent expansion of trade has been with continental Europe, it was an American consortium which was hired by the Federal Capital Development Authority to draw up a master plan for the federal capital territory which surrounds Abuja in central Nigeria.

By 1986, Nigeria will plan and build from scratch a city that will both function as a capital and a monument to the Nigerian nation. The population will be about one million with planned expansion to 3 million in the metropolitan area.

Investment capital

Until last year, Nigerian development was financed by the oil surplus. Government ownership and control of key business and financial entities have been the major mechanisms through which economic policy has been implemented. The government-owned Nigerian National Oil Company owns controlling interest in the oil industry. Seven produce marketing boards buy and market the output of Nigeria's predominantly one-family farms in order to maintain stable prices.

The Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and Industry, and the Nigerian Agricultural and Cooperative Bank act as credit and credit guarantee mechanisms. To date, their direct extension of credit has been relatively small, in the range of $40 million per year. The Federal government has also established target figures for commercial bank lending. At least 6 percent of commercial credit is directed toward agriculture, and minimums have been established for housing construction and manufacturing.

The Nigerian Enterprises Promotion Decree of Decem-

Nigeria: some facts

Population	**70 million**
Urban (1975)	29 percent
Labor force in agriculture (1975)	60 percent
Life expectancy (1975)	**41 years**
Infant mortality (1975)	**16.3 live**
Growth rates (1970-75)	
Total population	2.5 percent
Urban population	7.0 percent
Economic growth (1970-76)	
Gross Domestic Product	7.4 percent/year
Industry	12.6 percent/year
Agriculture	- .2 percent/year
Growth as a percentage of Gross Domestic Product	
Industry	63 percent in 1960
	23 percent in 1976
Agriculture	11 percent in 1960
	50 percent in 1976

ber 1977 placed ceilings on foreign equity investment in Nigerian businesses. Enterprises were divided into three schedules — those which must be wholly Nigerian owned, those which must be majority Nigerian owned, and those which must be over 40 percent Nigerian owned. Certain industries of strategic importance must be controlled by the federal government.

This decree was designed to break the colonial pattern of having profits exported to London and other financial centers. Although the federal government assures Europeans and Americans that their investments are welcome and will be protected and although nonequity investment is not restricted by the decree, this nationalization policy is often cited as a deterrent to foreign investment in Nigeria.

In spite of this and other difficulties, Nigeria became during 1978 a pioneer in Eurodollar fundraising. The Warri steel project is being financed in large part by $750 million commmitted by a German-led consortium of five banks. Two Eurodollar consortia of $1 billion each were also organized during the year.

One reason for this heavy borrowing was the decline in the oil market which cut Nigerian production 40 percent to 1.2 million barrels per day in February 1978. Production has recovered, partly as a result of the Iranian oil shutdown, but Nigeria continues to move into new areas of credit. The European Investment Bank loaned $33 million to the Nigerian Industrial Development Bank last December. This was the first EIB loan to Nigeria and the first credit extension under the terms of the Lome Accords. Three billion dollars in economic agreements with Brazil were also announced in December. These were negotiated by Brigadier Shehu Yar Adua, Chief of Staff of Nigeria's Supreme Military Council, and second in command of the federal government.

Breaking the chains

Nigeria's aggressive foreign credit raising is a threat to London-centered finance, the International Monetary Fund and others. Typical of the views of these entities is the advice of the British-published magazine, African Business: "The future depends on whether the federal government can carry through the drastic retrenchment which it is seriously trying to impose on its own spending." This advice is in accordance with World Bank recommendations urging Nigeria to push its labor back into agriculture because urban wages are too high.

For Nigeria not to follow that advice, major foreign credit input is necessary. Its oil is a very useful resource, but it cannot meet the demand that full-scale industrialization requires. The deficit in other areas is orders of magnitude greater. Without investment, what are the best aims of the Five-year Plan will not be realized.