



## TOWARDS RESOLVING NIGERIA'S DEVELOPMENT CRISIS: A HISTORICAL DIAGNOSIS OF THE OIL PALM INDUSTRY



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### ABSTRACT

*The over-reliance on trade in primary commodities has stymied Nigeria's economic development. Consequently, poverty and unemployment have become the major recurring themes in contemporary Nigeria's development history. This study historicises Nigeria's development crisis through the lens of the four major development paradigms and finds its roots in the development policies that characterised her existential trajectories since the colonial economy. It concludes, therefore, that resolving Nigeria's development crisis requires a radical rethinking of the capitalist development models prescribed by Western institutions as they have only (and will only) entrenched dependence on the West and continue to escalate Nigeria's development crisis. It recommends that the resolution of her development crisis requires an African model of social transformation that is capable of restoring Nigeria to the self-sufficiency that predates her colonial encounter with the capitalist West and the adoption of the Infant Industry Protection strategy as a way out of current development crisis.*

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**Keywords:** Development crisis, Economic crisis, Historical diagnosis, Nigeria, Oil palm, Infant industry protection.

### Contribution/ Originality

This study contributes to the sectoral analysis of Nigeria's development crisis. It is the first to examine the crisis in the oil palm industry through the prism and praxis of development theories and the infant industry protection strategy. It is also the first to attribute the crisis to inadequacies in the Western-centric development models and recommends an African model of social transformation in resolving it.

### 1. INTRODUCTION

Nigeria is Africa's largest economy, but the vast majority of her citizens languish in poverty and most of her youth population is unemployed. The process of social transformation is ridden with crisis. The consequence is that since independence the country has been enmeshed in one form of intra-state violent conflict or the other. Beginning with the *Nade-nade and Atemtyo* among the Tiv between 1962 and 1964, the Western Region crisis and the general election crisis between 1963 and 1965 up to the 15 January, 1966 coup, the July 1966 counter coup, the attendant *Araba Riots* and the pogroms against the Igbo of Eastern Nigeria in Northern Nigeria and in the military and the final lapse into civil war between 1967 and 1970. The protracted intervention of the military in politics up to 1999 and the emergence of ethno-regional militias and religious extremist groups are some other dynamics that have further challenged the failing capacities of the fragile nation-state to secure property and lives of the mass of the citizenry against the fratricidal violence unleashed on them. Underlying these tendencies towards violence are the contestations

for scarce economic resources and the failing capacity of the state to redistribute the available limited resources in a manner that guarantees and promotes social justice in a heterogeneous and multi-cultural society such as Nigeria. The net output of this process is that the viability and sustainability of the Nigerian nation-state project has constantly been called to question with grave apprehensions over its possible disintegration in 2015. The activities of *Boko Haram* and the renewed activities of the Movement for the Actualization of the Sovereign State of Biafra (MASSOB) are indications that there are still grounds for genuine apprehension in spite of the recent success in the electoral process.

However, there is recognized among the power elite and public policy makers in Nigeria that these violent conflicts among different groups are symptoms of the development crisis and therefore have embarked on policies that are intended to de-escalate tensions, eradicate intra-state violent conflicts and promote the general wellbeing of the citizenry. The assumption has been that the violent conflicts are directly related to the struggles over scarce resources and state patronage. It is argued that once the economy is developed to create sufficient opportunities for citizens to achieve their well being, the sources of hostilities and violence will be drastically minimised. Consequently, successive governments have embarked on the pursuit of economic strategies to create prosperity for the citizens. Unfortunately, the policies have not yielded their desired results and the development crisis has continued to be aggravated. Some of the sectors that have witnessed such policy initiatives over time include the oil palm industry and the oil and gas sector. The realities show that these sectors are still undergoing serious crisis in spite of the attention that has been given to them in terms of deliberate policies. The questions this study attempts to answer through the examination of the oil palm industry are namely: (i.) What paradigms of development has Nigeria subscribed to? (ii.) Why have the economic policies pursued within the frameworks of these models by Nigerian governments in the oil palm sector failed? (iii.) What is the viable economic policy option (s) for Nigeria to get out of the persistent development crisis? Before answering these questions, we shall first explore the major theories of development current in Africa.

## 2. THEORIZING DEVELOPMENT AND ECONOMIC GROWTH IN AFRICA

Four main theories have been used to explain the course of development and economic growth in the Third World, including Africa. These include the modernisation theory, the dependency theory, the global systems theory and the globalisation theory. These theories allow us not only to clarify concepts, set them in social and economic perspectives, but also identify recommendations in terms of social policies. For the purpose of this study, the term development is used to connote a social condition within a nation. It entails the satisfaction of the genuine needs of the population of a nation by the rational and sustainable use of its natural resources and systems. This utilization of natural resources depends on a technology which respects the cultural features of the societies in a given country. In specific economic terms, development is used here to connote the access of the population of a nation to employment opportunities, the satisfaction of basic needs and fair distribution and redistribution of national wealth, while in a political sense, it refers to the legitimacy of governmental systems not only in law but also in terms of providing social benefits to the majority of the population within a nation (Reyes, 2011).

Generally, the modernisation theory of economic development is conceived as a phased process. According to Rostow (n.d)1960) this process entails the following five stages namely traditional society, preconditions for take-off, take-off process, the drive to maturity, and high-mass consumption society. The modernisation process produces tendencies towards convergence among societies. In this regard, Levy (1967) noted that ‘as time goes on, they... will increasingly resemble one another because the patterns of modernization are such that the more highly modernized societies become, the more they resemble one another’. Modernisation is Westernisation process. It assumes that there is an attitude of complacency towards Europe or North America, which are depicted as the modern or developed societies which the underdeveloped societies have the destiny to aspire to be like because they are viewed as having unmatched economic prosperity and democratic stability (Tipps, 1976). Modernisation is a process that cannot be

reversed once started. In other words, once underdeveloped countries come in contact with the West, they cannot resist the impetus to modernise because modernisation is perceived as a progressive process which is not only inevitable but desirable in the long run.

Modernisation, in So (1991) view, is an evolutionary process which takes a long time to accomplish. Put differently, it takes generations, or even centuries, to complete, while its profound impact is felt only through time. It also derives its assumptions from Parsons' (So, 1991) sociological theory of functional-structuralism, the importance of social variables at the cultural level, and the inbuilt process of change through homeostatis equilibrium. This theory emphasises the interdependence of social institutions. For a society to transform into modernity, its traditional structures and values must be totally replaced by a set of modern values in view of the systematic and transformative content of modernisation. It is on this premise that the colonial and neo-colonial exploits of the West in Africa are rationalised. Since African societies lack productive investments, the solution lies in the provision of capital, technology and expertise in aid forms.

Modernisation theorists presume that Third World Countries such as Nigeria are traditional, while the developed Western countries are modern. To develop therefore, Nigeria, like the other underdeveloped countries in Africa, needs to adopt Western values and systems. This has led to the critique of modernization as perceiving development as unidirectional, ethnocentric and limiting development to only one possible model. Though the new modernisation theorists have made some modifications to the theory by seeing tradition as an additive not an impediment, they also apply concrete case studies given in an historical context compared to the high abstraction of the classical school. In addition, the new school prefers the multidimensional path to modernisation while the classical school prefers the unidirectional approach to development. The new modernisation school also pays greater focus on the influence of external factors and conflict contrary to their neglect by the classical school. Nonetheless, they converge on their interests in Third World development, the use of the nation as the unit of analysis, and the use of the three main variables of internal factors, cultural values and social institutions in the analysis of development. They also both employ the key concepts of tradition and modernity and agree on the implications of modernisation as they concede that it is generally beneficial to the whole social system. On this note, the school posits that the colonisation of African societies brought about their modernisation and that the post-independence societies would ultimately experience socio-economic development once they continue to keep faith with Western values and systems.

The theory of dependency which was articulated by Presbisch and Bodenheimer (1970) emerged in the 1950s posits that to create the conditions of development in a country, it is necessary to:

- a) Control the monetary exchange rate, placing more governmental emphasis on fiscal rather than monetary policy;
- b) Promote a more effective governmental role in terms of national development;
- c) Create a platform for investments, giving a preferential role to national capitals;
- d) Allow the entrance of external capital following the priorities already established in national plans for development;
- e) Promote a more effective internal demand in terms of domestic markets as a base to reinforce the industrialization process in Latin America;
- f) Generate a larger internal demand by increasing the wages and salaries of workers, which will in turn positively affect aggregate demand in internal markets;
- g) Develop a more effective coverage of social services from the government, especially to impoverished sectors in order to create conditions for those sectors to become more competitive; and
- h) Develop national strategies according to the model of import substitution, protecting national production by establishing quotas and tariffs on external markets.

Dependency theory is essentially Marxist in origin. The groundwork for the elaboration of the dependency concept extends at least to Adam Smith who recognised that the imperialist economic activities of the European powers had denied colonised peoples the benefits of economic growth (Sachs, 1998). The modern dependency theory was constructed as not only a further elucidation of Smith's postulation but also a critique of modernisation theory. Dependency theory, unlike modernisation theory, has been advanced and largely argued by scholars within the Third World itself rather than by academics in the First World (Ibister, 2003). Dependency theory focuses on the international economic structure rather than on the social structure of the Third World countries. According to the dependency theory, no society can be viewed in isolation. The underdevelopment of the Third World is viewed within the context of economic integration with the First World. To dependency theorists, the main limitation of modernisation theory is that it ignores the world order, its economic structure and the external influences on the Third World, while blaming the underdevelopment of the Third World on its own internal dynamics. Instead, the dependency theory argues that it is the very integration of Third World countries into the global economic order that accounts for their underdevelopment (Randall and Theobald, 1998).

In dependency theory, underdevelopment is not merely Third World countries' failure to develop as argued by modernisation theorists, but rather the result of "an active process of impoverishment" (Ibister, op. cit) of dependent peoples and societies. Dependency theory rejects the modernisation theorists' argument that the underdeveloped countries of the Third World are mired in a traditional swamp of unproductive economic practices and argues that they have been severely disadvantaged by colonial contact with the First World. Dependency theorists argue that economic contact, that is to say, trade between the Third and the First Worlds constitutes an "unequal exchange" (Ibister, 2003). According to this school of thought, economic relations between the underdeveloped Third World and the developed First World have been quite unfair as the former received little benefit as the prices of raw material commodities continued to fall over the long term while the prices of finished goods imported by the Third World from the First World rose and have continue to rise.

It is significant to observe that there are still points of serious disagreements among the various strands of dependency theories and it will not be right to assume that there is one unified theory of dependency. Nonetheless, most dependency theorists' analyses are underpinned by some core propositions (Ferraro, 1996). There are three basic assumptions which most scholars of dependency share. First, dependency characterises the international system as comprising two sets of states, variously described as dominant/dependent, centre/periphery or metropolitan/satellite. The advanced industrial nations in the Organization of Economic Cooperation and Development (OECD) are the dominant states. The Latin American, Asian, and African states which have low per capita GNPs and heavily rely on the export of a single commodity for their foreign exchange earnings are the dependent states. Nigeria is a typical illustration of the latter, while the states of Brazil, Russia, India, China and South Africa (BRICS) at a comparable development level with her in the past have since moved out of this to medium economies. Second, they share the common assumption that external forces which include multinational corporations, international commodity markets, communications, foreign assistance, and any means by which the advanced industrialised countries represent their economic interests abroad are of singular importance to the economic activities within the dependent states. Third, they all assume that relations between dominant and dependent states are dynamic because the interactions between them tend to not only reinforce but also intensify the unequal patterns. Moreover, dependency is a historical process that is deep-seated and deep-rooted in the internationalisation of capitalism. Most dependency theorists consider international capitalism the motive force behind dependency relationships. On this point, Andre Gunder Frank asserts clearly that:

...historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an essential part of the capitalist system on a world scale as a whole (Frank, 1972).

Accordingly, the underdevelopment of many parts of the underdeveloped world is enforced by a rigid capitalist international division of labour. The dependent states supply cheap labour, cheap minerals and cheap agricultural commodities. They also serve as the repositories of surplus capital, manufactured goods and obsolete technologies. These economies of the dependent states are oriented toward the outside by these functions. Though money, services, and goods flow into dependent states, but it is the economic interests of the dominant states that determined the allocations of these resources and not the economic interests of the dependent states. The poverty of the dependent states is explained ultimately by this division of labour and there is no questioning the fact that capitalism considers this pattern of division of labour an inevitable condition for the efficient allocation of resources. The most explicit manifestation of this characteristic is in the doctrine of comparative advantage (Ferraro, 1996).

Although the modernisation and dependency schools conflict on many grounds, they share some commonalities in their views of the nation-state as the unit of analysis, their focus on the Third World development problematique, and their polar theoretical structural visions of the international system (i.e. tradition versus modernity, on the one hand, and the periphery and the core, on the other hand).

A group of radical researchers led by Immanuel Wallerstein observes that new international economic circumstances have revealed that there were new activities in the capitalist world-economy which could not be explained within the praxis of the dependency theory. These new international economic circumstances were characterized mainly by the following developments:

- a) East Asia (Japan, Taiwan, South Korea, Hong Kong, and Singapore) continued to experience a remarkable rate of economic growth. It became more and more difficult to portray this East Asian economic miracle as “manufacturing imperialism”;
- b) There was a widespread crisis among the socialist states which included the Sino-Soviet split, the failure of the Cultural Revolution, economic stagnation in the socialist states, and the gradual opening of the socialist states to capitalist investment. This crisis signaled the decline of revolutionary Marxism;
- c) There was a crisis in North American capitalism which included the Vietnam War, the Watergate crisis, the oil embargo of 1975, the combination of stagnation and inflation in the late 1970s, as well as the rising sentiment of protectionism, the unprecedented governmental deficit, and the widening of the trade gap in the 1980s, all signaling the demise of American hegemony in the capitalist world-economy (So, 46 – 49).

The world system theorists led by (Wallerstein, 1987) recognize that there are worldwide conditions that operate as determinant forces, especially for small and underdeveloped nations, and that the nation-state unit of analysis is no longer the only useful category for studying development, particularly in the Third World. They therefore argue that the variables that had the greatest impact on the internal development of small countries were the new global systems of communications, the new world trade mechanisms, the international financial system, and the transference of knowledge and military links. Similarly, they posit that these variables have created their own dynamic at the international level, while at the same time interacting with the internal dynamics of each country.

The main assumptions of the world-systems theory therefore establish that:

- a) There is a strong link between social sciences – especially among sociology, economics and political disciplines. This school recognizes that more attention is usually given to the individual development of each one of these disciplines rather than to the interaction among them and how these interactions affect in real terms the national conditions of a given society;
- b) Instead of addressing the analysis of each of the variables, it is necessary to study the reality of social systems;
- c) It is necessary to recognize the new character of the capitalist system. For example, the approach followed by the classical political economy perspective is based on the conditions of the capitalist system during the industrial revolution in the United Kingdom. There was concrete evidence to support open competition,

more productive patterns in the industrial sector, and wide groups of population which provided labour for the new established factories (Wallerstein, 1977).

This has now changed in view of the important economic role of transnational corporations, the international political climate, the interdependence that affects the governments of poor nations, and the role of speculative investments. Present economic conditions, according to the world-systems school, are not fully explainable within traditional development theories. Rather, international relations among nations have been affected to a considerable degree by particular characteristics of monopoly capital, its means of transaction, and its concrete operations globally under present international conditions. It is in this connection that the major differences between the approaches of world-systems and the dependency theories have been outlined to include:

- a) The unit of analysis in the dependency theory is the nation-state level, but for the world-system it is the world itself;
- b) In terms of methodology, the dependency school posits that the structural-historical model is that of the boom and bust of nation-states; the world systems approach maintains the historical dynamics of world-systems in its cyclical rhythms and secular trends;
- c) The theoretical structure for the dependency theory is bimodal, consisting of the core and the periphery; whereas to the world systems theory the structure is trimodal and comprised the core, the semi-periphery and the periphery;
- d) In terms of the direction of development, the dependency school believes that the process is generally harmful; however, in a world systems scenario, there is the possibility for upward and downward mobility in the world economy; and,
- e) The research focus of dependency theorists is on the periphery; while world systems theorists focus on the periphery as well as the core and the semi-periphery (So, op. cit, 110 – 116).

Giving the above characteristics, the world-systems theory indicates that the main unit of analysis is the social system which can be studied at both the internal level of a country and the external environment of a particular nation. In this last case, the social system does not only affect several nations but also an entire region.

According to Reyes (op. cit), the world systems most frequently studied in this theoretical perspective are the ones concerning the research, application and transference of productive and basic technology, the financial mechanisms, and world trade operations. This development position distinguishes between productive and speculative investments in terms of financial resources. Productive investments are financial resources which entail manufacturing production, while speculative investments normally reinforce fast profits in the stock market in a given nation. They are considered more unstable because they do not provide a nation with a sustainable basis for long term economic growth.

When the world-system theory examines trade mechanisms, it dichotomises between the direct transactions which have a greater, more significant and immediate impact on a country and indirect trade operations such as future trade stipulations, speculative transportation costs, combustibles prices, and forecasts on agricultural crops, when they depend on weather conditions to obtain their productivity and yield (Wallerstein, 1987).

According to Kaplan (1993) globalisation theory emerged from the worldwide mechanisms of greater integration, especially in economic transactions. In this sense, the theory is similar to the approach of the world-system theory. However, one of the most important features of the globalisation perspective is its emphasis and focus on the communication of cultural aspects worldwide. Globalisation scholars argue that the major modern elements for the interpretation of development are the cultural links among nations, rather than their economic, financial and political ties. In this cultural communication, one of the most important factors is the increasing flexibility of technology in connecting people around the world.

Moore (1993) delineates the major aspects of the globalisation theory as follows:

- a) To recognize that global communications systems are gaining an increasing importance every day, and through this process all nations are interacting much more frequently and easily, not only at the governmental level, but also within the citizenry;
- b) Even though the main communications systems are operating among the more developed nations, these mechanisms are also spreading in their use to less developed nations. This fact will increase the possibility that marginal groups in poor nations can communicate and interact within a global context using the new technology;
- c) The modern communications system implies structural and important modifications in the social, economic and cultural patterns of nations. In terms of the economic activities, the new technological advances in communications are becoming more accessible to local and small businesses. This situation is creating a completely new environment for carrying out economic transactions, utilizing productive resources, equipment, trading products, and taking advantage of the “virtual monetary mechanisms”. From a cultural perspective, the new communication products are unifying patterns of communications around the world, at least in terms of economic transactions under the current conditions;
- d) The concept of minorities within particular nations is being affected by these new patterns of communications. Even though these minorities do not completely integrate into the new world systems of communications, the powerful business and political elite in each country are a part of this interaction around the world. Ultimately, the business and political elite continue to be the decision makers in developing nations;
- e) Cultural elements will dictate the forms of economic and social structure in each country. These social conditions are a result of the dominant cultural factors within the conditions of each nation.

Reyes (op. cit) notes the main assumptions that can be gleaned from the theory of globalisation and summarizes them in three principal points. First, he asserts that in every society cultural aspects are the determinant factors. Second, under current world conditions, it is not important to use the nation-state as the unit of analysis since global communications and international ties are making this category less useful. Third, more and more social sectors will be able to connect themselves with other groups around the world with more standardization in technological advances. This situation involves both the dominant and non-dominant groups in each nation.

The theory of globalisation agrees with several elements in the theory of modernisation. One of such aspects is that both theories maintain that the main direction of development should be that which was undertaken by the United States and Europe. These schools assert that the main patterns of communication and the tools for achieving better standards of living originated in those more developed areas. It is also important to outline the difference between the modernisation and the globalisation perspectives. The former follows a more normative position -stating how the development issue should be solved, the latter reinforces its character as a “positive” perspective, rather than a normative claim (Portes, 1992).

Modernisation and the globalisation theories also agree on their ethnocentricity. The two positions stress that the pathway to development is not only generated but also must be followed in terms of the models of Europe and the US. Globalisation scholars posit that this circumstance in terms of the influence derived from the communications web and the cultural spread of values from more developed countries is a fact (Reyes, op. cit).

Globalisation theories emphasize cultural variables as the major determinants which affect the social, economic and political conditions of nations. This is similar to the “comprehensive social school” of Max Weber’s theories. From this perspective, the systems of values, beliefs, and the pattern of identity of dominant -or hegemony- and the alternative -or subordinate- groups in a given society are the most important elements to explain national characteristics in socio-economic terms (Weber, 1988). From the globalisation position, it is clear that this 1920s

Weberian theory must apply to current world conditions, especially with reference to the diffusion and transference of cultural values through communication systems; and they are increasingly affecting many social groupings in all nations (Reyes, op. cit).

From the aforementioned elements, it is clear that the globalisation and world-system theories take a global perspective in determining the unit of analysis, rather than focusing strictly on the nation-state as the modernisation and dependency schools did. The point of contrast between world-system and globalisation theories is that the first contains certain neo-Marxist elements, while the second bases its theoretical foundations on the structural and functionalist sociological movement (Reyes, *ibid*). Therefore, the approach of the globalisation school leans more toward a gradual transition rather than a violent or revolutionary transformation. For the globalists, the gradual changes in societies become reality when different social groups adapt to current innovations, particularly in the aspects of cultural communication (Etzioni, 1991).

The world-system and globalisation theories consider the most recent changes in the economy in the global structure and relations that occurred in the last couple of decades. For example: a) the governments of the more developed nations began to operate more flexible mechanisms in terms of exchange rate control in March 1973. This situation allowed for a faster movement of capital among the world's financial centres, international banks, and stock markets; b) Since 1976 trade transactions base their speculations on the future value of the products, which is reinforced through the more flexible use of modern technology in information, computers, and in communication systems; c) The computer revolution of the eighties made it possible to carry out faster calculations and transactions regarding exchange rates values and investments which was reinforced by the general use of the fax machine; d) During the nineties the main challenge is from the Internet which allows the achievement of more rapid and expansive communication. The Internet is increasingly creating the conditions to reinvigorate the character of the "virtual economy" in several specific markets (Reyes, op. cit).

From the foregoing, it is clear that the development theories belong to two broad ideological camps – capitalism and Marxism. Both modernisation and globalisation theories are rooted in the capitalist ideology, while dependency and world systems theories are seared from the Marxist ideology. Also, the theories all reduce the development problematique to some type of relations between the two major polar social units – the developed and the underdeveloped nations (First World and Third World), or core and periphery states. While the capitalism-oriented models argue that their theories are the harbingers of transformation, the Marxism-oriented models argue that the causes of underdevelopment lie in the structure of the relations between the two social polar units which the world is divided into. This tug of war between the two ideological polar units has failed hopelessly to resolve the development crisis in Africa, and the people continue to sink in the abyss of poverty, disease and violence. Typical of this crisis of modernisation is Nigeria, the homeland to a quarter of the black people on earth.

### 3. OIL PALM AND ECONOMIC CRISIS IN NIGERIA

The area that came to be known as Nigeria has been in contact with Europe since the fifteenth century. Trade relations defined all the phases of the contact with Europe until the second half of the nineteenth century when the states and societies in the area began to be forcibly incorporated into the British colonial estate and the global network of capitalism beginning with the establishment of the Colony of Lagos in 1861. By 1914, the Protectorates of Southern Nigeria and the Protectorates of Northern Nigeria, in addition to the Colony of Lagos, were 'unitarized' under British dominion in what has since become known as the amalgamation of Nigeria. The nature of the relations between Europe and Nigeria, including its consequences on the process of social transformation, has been the subject of analyses of the various capitalist and Marxist theories discussed above. The objective of this study is to illuminate why the 'modernization' and 'progress' espoused by the theoretical models of development continue to elude Nigeria. In this section of the study, the focus is to understand why and how this sector transformed into crisis rather than 'modernisation' and 'progress', in spite of Nigeria's adoption and application of the various models of capitalist and



Marxist theories of development through her mixed economy model, and the reversion to full capitalist development strategies since the return to civil rule in 1999.

The oil palm sector has played very prominent role in the economy of Nigeria at different times. It first served as a major source of governmental revenue under colonial rule and the immediate post-independence period, providing at some point over seventy percent of the foreign exchange earnings that ran the public expenditure. The sector is currently in shambles and typifies the economic deceleration that denotes the development crisis in Africa's largest economy.

Nigeria's once thriving oil palm (*elaeis cuineendis*) industry is often cited as one of the most miserably failed economic opportunities in Africa (Finance, 2011). During the colonial period and the immediate post-independence period, Nigeria's economy was predominantly agriculture-based and the oil palm industry was a major foreign exchange earner for her governments. By 1965 the industry had entered into a phase of consistent decline until it petered into insignificance in the overall international economic calculations of the nation. Other crops in this category included cocoa and groundnut. As an emerging nation-state, Nigeria's economy was considered stable and its growth was steady in the 1960s, while the agricultural sector still drove her economy. This was to lead to the classification of Nigeria alongside nations known as the Asian Tigers as the great economies of the future to watch. While the Asian Tigers have since made the bookmakers proud, Nigeria has fallen from being the bastion of hope for the African race into a theatre of despondency, anxiety, poverty, disease, illiteracy, crime, insecurity, instability and conflict. Rather than progressive development, Nigeria suffers perennial development crisis. It is assumed in this study that the decline of the agricultural sector, including the oil palm industry, is not only a manifestation of the crisis but also a major causal factor of the crisis (Ayokhai, 2015).

Nigeria has since relegated the oil palm industry, like the rest of the agricultural sector, to the background. With the discovery of petroleum in 1958 and its subsequent exploitation, the petroleum and gas industry was elevated to the position of almost the sole foreign exchange earner for the nation, with custom and excise duties coming a distant second. The oil palm industry became comatose and redundant. It was left at the mercy of peasant farmers, and occasional governmental attention to the sector proved to be mere smoke screens (Ayokhai, 2015).

The extraction of edible oil from oil palm fruit has been in practice across the continent for centuries, and it remains an essential ingredient in much of West African cuisine. Farmers in the region, who inter-cropped oil palm with other food crops like yam and maize, started the first export trade early in the nineteenth century. Before the close of the century, the industrial revolution in Britain had created a huge demand for palm oil. By then it had found its way into use in candle making and as an industrial lubricant. The economic importance of oil palm grew steadily because of its high yield and return on investment, leading European colonists to start plantations in Central Africa by 1900. As palm oil found wider use in food-processing and industry, global demand for the commodity surged (Finance, op. cit).

The main uses of palm oil in Britain and other European countries were as an industrial lubricant in the manufacture of candles and soap, and as a flux in the manufacture of tinsplate. Due to the development of new crushing techniques in about 1860 in Germany, palm kernel previously ignored by European traders began to be traded to Europe. This development resulted in a sizeable palm kernel trade, with important uses in the production of margarine and cattle fodder. However, the bulk of the kernel trade before World War I was with Germany. By 1900, palm oil accounted for 41% and kernel 13% of Britain – Nigeria exports.

Towards the end of the nineteenth century, the value of the trade started experiencing decline. The development of substitute to palm oil in Europe accounted for the decline. The development of gas and electric lighting, and the use of zinc chloride as flux in manufacturing tinsplate, were but two of the ways palm oil was squeezed out of the market. Another development was the new mineral oils in the USA, which replaced palm oil as lubricant (Michinton, 1957). As Hopkins and others have suggested, the opening of the Suez Canal was also an important factor which led to a widespread fall in freight rates and commodity prices as well as increase in imports of Asian oils (Hopkins,

1973). The domination of palm produce export in the Nigerian economy was further threatened by the growth of plantations in Sumatra, Malaya and Belgium Congo. By the second decade of the twentieth century, these countries had become veritable sources of high quality palm oil, which was being preferred to Nigeria's (Kilby, 1967). However, between the inter-war years and the mid-1960s, Nigeria's export trade in oil palm products witnessed a major boost but relapsed into decline from the mid-1960s owing to the termination by Britain of her contract to procure all the palm oil and kernels produced in Nigeria. From this point, the contributions of the industry to governmental revenues started declining until it became completely irrelevant as a foreign exchange earner for the country. It has been argued that the fundamental flaw with the oil palm industry lies in Nigeria's colonial origins, when British trade necessities dictated economic policy. At that time, planned expansion of the industry was slow in coming through and its future competitiveness had been compromised because of its primary export orientation. Consequently, the bulk of palm oil comes from dispersed and semi-wild groves, and through the use of highly outdated manual processing techniques in Nigeria. Several attempts to establish large-scale plantations since the 1960s, including the Cross River State Plan (CRSP) and the Oil Palm Belt Rural Development Programme (OPBRDP), ended in miserable failure like the earlier attempts under colonial rule. Despite the importance of the oil palm industry in the domestic economy, the social life of the peoples and societies and as a major foreign exchange earner, its development has remained largely neglected.

At present, eighty percent of production comes from scattered small holdings spread over an estimated 1.6 million hectares of land. In contrast, plantations occupy only about 300,000 hectares – most of it comes up over the last decade with private sector investment (Finance, op. cit). Since the reinstatement of democracy in 1999, economic reforms initiated succeeded somewhat in nudging the sector out of stagnation. Between 2001 and 2005, while recording a corresponding rise in local consumption, palm oil production grew rapidly from 760 MT to 800 MT. Much of this movement can be attributed to a ban that the federal government imposed in 2002 on the import of palm oil and other related products. However, it reversed the ban in January 2008, prompting grave misgivings about the fate of the industry and its impact on local production (Finance, 2011). The Plantation Owners Forum (P.O.F) has said the move would severely threaten Nigeria's Vision 2020 goals for accelerated economic development (Finance, 2011).

#### **4. POLICY INCONSISTENCIES AND DEEPENING CRISIS IN THE OIL PALM INDUSTRY**

Since the return to democratic rule in 1999, economic reforms have taken the centre stage in the efforts made by successive governments to address the twin evil of poverty and unemployment that stymied the progressive climb of the nation on the ladder of development. It is hoped that economic reforms could put Nigeria back on track towards achieving its full economic and development potentials. Between Obasanjo and Yar'adua's deregulation, liberalization and privatization and Jonathan's transformation programmes, the emphasis has been on diversifying the nation's economic base to ameliorate poverty and minimize unemployment. Agriculture and agro-allied industries have been identified as the sectors with the most promising potentials of resolving Nigeria's economic dilemma. Yet, the largely subsistence agricultural sector has not kept up with rapid population growth, and Nigeria, once a large net exporter of food, now imports some of its food items, including palm oil. The crisis in the agricultural sector of the economy has been attributed to years of mismanagement, inconsistent and poorly conceived government policies, and the lack of basic infrastructure. Still, the agricultural sector accounts for over 26.8% of GDP, and two-thirds of employment. Nigeria is no longer a major exporter of cocoa, groundnuts (peanuts), rubber, and oil palm products. Her palm trees and oil are mostly from obsolete varieties and overage trees, which are stagnant at around 180,000 tons annually when over thirty years ago it was 300,000 tons. An even more dramatic decline in groundnut and palm oil production has also taken place (Finance, 2011).

No doubt, the above paints a lucid but gory picture of the crisis in Nigeria's oil palm industry. The crisis is typical of all other sectors of the economy, including the petroleum sector which accounts for over seventy percent of

the petro-dollar that sustains Nigeria's public expenditure. The fact that crisis has persisted in the oil palm industry is an indication of the failure of the several economic policies embarked upon by succeeding governments. A review of these policies is undertaken here with a view to understanding why and how the sector ended up in crisis.

The oil palm industry was one of the sectors of the economy in which Nigeria is thought to have enjoyed comparative advantage. This assumption has its roots in the policies of the colonial government. This view is still current in her post-independence economic policies. From the early 1960s, several ideas of economic transformation were in vogue. They included policies such as the expansion and diversification of agricultural export commodities, import substitution, export promotion, and Integrated Rural Development (IRD). From the 1980s, the focus turned to the Structural Adjustment Programme (SAP) which has been characterized by privatisation and commercialisation. Let us now review how these policies were practised, if at all, and their real or likely effect on the transformation of the Nigerian economy.

One development policy which was popular during the early years of independence and continued to recur in development plans was the expansion and diversification of agricultural export commodities. This was a mere continuation of the colonial economic policy that entrenched Nigeria's role of primary producer for the industries of the West. Like the colonial government, the immediate post-independence governments relied on this for sustaining the population, for government revenue and for foreign exchange earnings. Under pressure to earn foreign exchange for development projects, Nigeria was tempted to turn to the expansion of output of agricultural export commodities. This strategy met with little success because the developed market economies, including Britain, were very reluctant to allow free access to the commodities of agricultural producers in Africa. There was also the problem of demand, which arose in part from shift in the consumption patterns of developed countries towards a preference for consumer durables, from the availability of the synthetic substitutes, and from the slow rate of increase of population in developed countries (Ake, 1981). In fact, Britain repudiated her contract to procure all 'the total exportable surplus of Nigerian palm kernels and palm oil...' (Nigeria, 1955) mid-way into the contract in 1962 on the ground that 'trade generally favoured a return to free market conditions' (Usoro, 1974). Since then, the Nigerian oil palm industry has been in crisis.

With the fall of demand for primary products came a fall in foreign exchange earnings. The curtailment of foreign imports and the production of local substitutes seemed a natural and sensible reaction to this situation. By import substitution the country could be supplying the market from local sources, save foreign exchange and promote domestic industrialization. Second, import substitution was said to be necessary to correct the differences in the income elasticity for imports and exports. Third, import substitution was canvassed as having some potential for decreasing underemployment. Fourth, import substitution was credited with the ability of making more goods available than foreign exchange constraints would normally allow in the absence of import substitution. Fifth, it was said to aid industrialization and the diversification of the economy. These were some of the considerations which encouraged Nigeria to tow the path of industrialization through import substitution. To encourage import substitution, Nigerian governments gave all sorts of incentives to indigenous and foreign capital, such as tax holidays for certain number of years for pioneer industries, tariff protection, import duty relief for imported inputs' industries, and the provision of industrial estates and capital debentures (Ake, op. cit).

The drive for import substitution-led industrialization was rather disappointing. Import substitution had inflationary effects on the price levels as the newly produced goods were likely to be more expensive. In so far as import substitution was taken as a major tool of industrialization and diversification in Nigeria, the evidence shows that it has not been a success. In the period of independence when the policy of import substitution was launched, the Nigerian economy was dominated by a relatively small number of merchant companies, particularly John Holt, the United Africa Company (UAC) Peterson and Zochonis (PZ), etc. These enterprises made the Nigerian economy highly monopolistic. These were precisely the enterprises that were in a position to mobilize the capital, know-how and contacts to spearhead the policy of import substitution. However, their contribution was greatly limited by their

conservatism arising from their privileged position. The companies often had financial interests in the home countries from which they imported and did not wish to promote the development of manufacturing in Nigeria to harm these interests. There was also a clash of interests between Nigerian governments and overseas suppliers. These overseas suppliers had considerable potential for aiding import substitution, but once more their own interest got in the way. They undertook some production in Africa instead of exportation, but only in order to protect the market they already had, and in the course of this they carried their rivalries to Nigeria at the expense of the goals of import substitution. There is the example of Michelin and Dunlop who between them supplied about 80% of Nigeria's tyre imports. Each of them established a tyre manufacturing plant within a year of each other, even when it was obvious that the market could only support one such plant. The tendency for overseas suppliers to respond to the pressure for import substitution by market protection investment helped to frustrate the attainment of the goals for which Nigerian leadership undertook import substitution in the first place. Also importantly, there was the problem of corruption caused especially by the promotional activities of unscrupulous firms, some of whom encouraged useless industrial ventures in order to sell plant and machinery. These industries were often promoted in collusion with local politicians. Examples of such ventures were the glass factories in Ughelli and Port Harcourt. The ventures which invariably cost money also worsened the balance of payments problems. These were some of the conditions which caused the failure of the import substitution strategy of the country (Ake, 1981).

Export promotion is another approach to development which has enjoyed considerable popularity in Africa, although this popularity does not appear to have been justified by the practical commitment to it or by its effects in solving the problem it was supposed to solve. Clearly, export promotion has some advantages over import substitution. Unlike import substitution, it is not limited by the size of the domestic market. However, it is limited by the external demand, a limitation which is all the more serious because it is difficult for developing countries to remain competitive in manufacturing. What is really of interest here is how the policies of export promotion in Nigeria fared in encouraging industrialization, diversification, self-reliance and better terms of trade. From the evidence of the crisis in the Nigerian economy, including its oil palm industry, and reports about the performance of African economies in government publications such as Development Plans, as well as in publications from agencies such as the World Bank and the United Nations Economic Commission for Africa, Ake notes that on the whole the export promotion strategy has not worked well. To account for the failure of export promotion, he observes that the usual problem of breaking into a highly competitive international market, the disabilities imposed by the underdeveloped state of African economies – the high capital output ratio, the rudimentary development of infrastructures, the limited opportunities for linkages and economies of scale, etc, made it difficult for the policy of export promotion to succeed (Ake, 1981).

The next policy option undertaken by Nigeria is the IRD. As the acronym suggests, it involves the focusing of development effort on the transformation of rural society. It is based on the fact that more than seventy percent of Nigerians live in the rural areas and that agriculture is the mainstay of Nigeria's economy. It assumes that the focusing of development on rural society is necessary to ensure the maximum benefit to the most people as well as the growth of the entire economy. It suggests that 'all aspects of development are coordinated and flow together to form an unbroken whole'. For instance, the rural population is dispersed over a wide area in relatively isolated pockets; these dispersed populations have to be integrated to some extent so that certain minimal infrastructures necessary for promoting development can be viable. To increase productivity in rural areas, it is needful to upgrade health services, improve tools and techniques of production, combat some superstitious attitudes, etc. In short, the nature of the process of rural development and the magnitude of the problem of promoting social and economic progress in rural areas require that inter-related activities be undertaken simultaneously on several fronts. Thus, programmes for the promotion of agriculture, education and training, health and nutrition, community development and the like must be planned and executed in a co-ordinate fashion, with account being taken of the effect that development programmes in one area are likely to have on other areas. Unfortunately, it also failed because the

concept lends itself to a wide range of operational definitions. Almost any system of welfare measures undertaken in the rural areas can be called IRD, and any system of extension services or agricultural improvement programmes, especially when they are tied to the improvement of some social amenities, can be called integrated rural development. It should also be emphasized that the implications of the ideological character of the IRD is that it is not likely to inspire fundamental change in African economies. According to Ake, even with the best of intentions, transformation could not be attained by relying exclusively on the internal manipulation of the economy. It is now accepted that the internal effort has to be supplemented by forms of international co-operation, or at any rate by changes in aspects of international economic relations (Ake, *ibid*).

In this connection, two types of changes are most often talked about, namely regional co-operation among African countries and the improvement of Africa's economic position through the pursuit of a New International Economic Order. ECOWAS was founded in 1975 by the Treaty of Lagos, with the objective of encouraging social, economic and cultural developments in West Africa, but it began operation in 1977. Since inception, it has moved to liberalize trade by gradually reducing restrictions on movement of goods, services and people among member states. Communications and transport within the region has also improved. The objectives are to create a free trade area where member countries eliminate import duties on goods from other member states, create a customs union where all members maintain common tariff rates against non-member countries, dissolve into a common market that provides for movement of labour and capital between member countries, transform into an economic union with the goal of co-ordinating and harmonizing of policies in such fields as economic planning, industrialization, monetary policy, and exchange rate determination (Ake, 1981). It is now obvious that after forty years, ECOWAS has not been able to bring about the desired transformation of the economies of member states, including Nigeria.

One of the pre-condition for successful economic integration is that the incidence of trade among member states should be substantial. Put differently, the percentage of total trade represented by trade among member countries should be substantial. West African countries do not seem to satisfy this pre-condition because the colonial patterns of trade which directed the countries' trade with Europe have largely survived. Most of the economies in West Africa are still controlled by the foreign investors and their capital. The countries in ECOWAS were administered by Great Britain, France and Portugal in the colonial period, while Liberia owes its creation to the efforts of the American Colonization Society. Even after independence, these countries have more links and trading relations with former European colonial powers than their neighbouring African nations. The post-independence economy of Nigeria is therefore still largely dependent on the West. The stifling of the agricultural sector, the poor performance of the industrial sector, the mono-cultural nature and over-reliance on the export earnings from crude oil are manifestations of the failed post-independence economic policies that did not reckon with the historical trajectories of the social transformation of Nigeria within the global capitalist economic order.

## **5. CONCLUSION: TOWARDS AN INFANT INDUSTRY PROTECTION STRATEGY IN THE AGE OF GLOBALISATION**

Though Africa's development has been conceived through the framework of four models, it has been, broadly speaking, reduced to a tug of war between the two main ideological polar units – capitalism and Marxism. The door has been shut against other possible alternatives in Africa. This approach to Africa's development problematique shuts out not only the historical reality of Africa, but also of other parts of the world that have made progress using development paradigms outside the processes prescribed by Western ideologies. For instance, the 'miracle' of the Asian countries are completely occluded from the development alternatives available to Africa since none of the 'Westerncentric' models takes into account these historical realities. They also fail to acknowledge that before the contact with the West, Africa had undergone several stages of socio-economic transformation using non-Western paradigms of development founded on the history, cultures, traditions and values indigenous and endogenous to Africa. Western arrogance beclouds the realization that societies in all continents of the world had their own

knowledge systems which catered for their developmental needs and that Africa was not precluded from such a reality. By narrowing development thinking to Western ideologies, they reduced development to a racist endeavour. By this error, development could only be transmitted from the West to Africa. Wherever and whenever attempts at transmitting development from the West to Africa failed, it was quickly blamed on the inadequacies in the African system. Therefore, the failure of the various economic policies in Nigeria was attributed to incompetence, inefficiency, corruption, political instability, dictatorship, and some other values in the Nigerian system that are incompatible with development, rather than the inadequacies inherent in the Western models of development.

For instance, all the Western models of development, whether capitalist or Marxist in orientation, conceive that comparative advantage and specialization of production along lines of the comparative advantage are the bases of economic transformation. They also presume that a 'perfect' market is an inevitable prerequisite for economic growth. Herein lies the development crisis in Nigeria because Nigerian policy-makers have subscribed to this approach in their development thinking and practice. The inability of the policy-makers to look at other development alternatives and explore the historical realities of the development processes across the world, including those in the Western societies, has helped to perpetuate the development crisis in Nigeria. An objective study of the history of development would reveal that the absence of a 'perfect' market condition and democracy is not a barrier to economic growth. Rather, the Asian economies have not only developed under authoritarian rules but also under the protection of their infant industries. The American economy also developed largely by protecting its infant industries.

Which way should Nigeria go in the development of her oil palm industry? The answer is simple. Nigeria should go the way of most nations that developed their economies before her by first identifying those sectors of her economy that meet the needs of her population (not those in which she presumes to have an international comparative advantage), then plan and execute her industrialization policies in those sectors, including designing a comprehensive programme of protection for them until they have attained such levels that they can be globally competitive. The oil palm sector of the Nigerian economy must benefit from such a strategy if it has to grow out of the primary commodity industry it is currently and its productive efficiency optimised. A radical transformation of the industry requires that it grows its value-chain sectors under strong protective policies not only to meet the needs of Nigerians but also the needs of other Africans in the short run. Nigeria's economic policies and strategies should necessarily be copiously Afrocentric in order to address the twin problems of poverty and unemployment. In the long run, the industry should be exposed to global competition only after it has been fully developed to cope with and survive the dynamics of a capitalist world.

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