Militancy and Insecurity in the Niger Delta: impact on the inflow of foreign direct investment to Nigeria.

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ABSTRACT

The Niger delta region of Nigeria, reputed to be one of the most richly endowed delta’s in the world, contributes about 80% of Nigeria’s national wealth. Years of political and economic marginalization, environmental degradation, bad governance and policy inconsistency by the government, and the divide and rule policy of the oil companies led to emergence of militancy in the Niger delta in the early 2006. The various activities of militants have created a state of general insecurity in the region. The study adopted the Marxian political economy approach as its theoretical construct, and used it, in the content analysis of the secondary data on the subject matter. The paper argues that the methods of operation of the militants, which includes kidnapping and hostage taking (with over 200 foreign nationals as victims), blowing/shutting down of oil installations and facilities, setting off of car bombs, and illegal oil bunkering (estimated at between 80,000 and 300, 000 bbl/day) has negatively impacted Nigeria’s economic development. This is evidenced by the fact that Nigeria, reported by UNCTAD in 2006 as the 40th most attractive economy for the location of foreign direct investment, has experienced fall in in-flow of foreign direct investment from about $20 billion in 2007 to about $6.1 billion in 2010. Implementation of amnesty programme for the militants by the federal government has failed to lead to increased inflow of foreign direct investment. The paper concluded that addressing the genuine needs of the people of the region, through, good governance by the various levels of government, provision essential social infrastructure, as well as strict adherence to international environmental standards by the oil companies would create the enabling environment for attraction of foreign direct investments.

Keywords: Militancy, insecurity, Niger Delta, impact, foreign direct investment, Nigeria

INTRODUCTION

Nigeria, the world’s most populated African nation is also the largest producer of oil and gas in Africa. “Whereas the oil produced in the Niger delta is the life blood of the Nigerian economy, oil has failed to translate to regional prosperity and development in the Niger delta” (Kimiebi, 2010). Instead, the region has been rewarded with massive environmental degradation and political and economic marginalization. The violent repression of peaceful dissent exemplified by Ken Saro–Wiwa and the Ogoni eight saga, has been the preferred method of the federal government in addressing agitations from the Niger delta over the years. This created an environment of anger, desperation and violence.
The combination of the activities of the oil companies and the government led to emergence of various armed groups operating under such names as Egbesu Boys, Movement for the Survival of the Ijaw Ethnic Nationality (MOSEIN), Joint Revolutionary Council, MENBUTU, Arogbo Freedom fighters, Niger Delta Volunteer Force and the Movement for the Emancipation of the Niger Delta (MEND). The activities of these groups which have included kidnapping of foreign nationals working with the oil companies have created a state of general insecurity in the region. This has negatively impacted the monolithic Nigerian economy as it has affected the inflow of foreign direct investment which is needed to achieve economic growth and development. The adoption and implementation of amnesty programme for the militants by the federal government in 2009, has not been able to translate to increased inflow of foreign direct investment three years after, as renewed cases of kidnapping and oil theft have continued to underscore the perennial problem of insecurity in the region. This brings to the fore the need for a wholistic programme aimed at addressing the genuine needs of the region beyond pacifying aggrieved militants or community leaders.

THEORETICAL FRAMEWORK
The paper adopts as its analytical construct, the Marxist political economy approach. The choice of this approach is influenced by the fact that it scientifically studies the society as a whole and takes into consideration the interconnection of the social relations, class conflict and the organic relationship between the substructure (the economy) and the superstructure (politics). The approach is seen as a window to understand the laws that govern economic life of the society. It explains the relationship between what man produces and how he benefits from the surplus he produces. Ake (1981) posits that a major advantage of this approach is that, it emphasizes the relatedness of social phenomena, exposing the links between the substructure and the superstructure. Further more, the approach helps to penetrate deep into the processes and policies, lay bare their essence and then explain concrete forms of their manifestation.

As Marx & Engels (1977) puts it, the history of all hitherto existed society is the history of class struggle. Thus, the class analysis framework of the approach best explains the endemic struggle between the exploiters (the multinational oil companies and government) and the exploited (the Niger delta people, including the militant groups). Marxists hold that the dominated, exploited and marginalized groups, which paradoxically generated or bears the burdens of creating resources seeks to change the status quo when it becomes conscious (Libman & Borisox, 1985; Marx & Engels, 1977; Luckac, 1968).

Therefore, militancy in the Niger delta region is attributed to the consciousness of exploitation being perpetrated against the people, and the struggle to change the status quo. This struggle has also created a state of insecurity which has by extension affected Nigeria’s economic growth, because of the monolithic nature of the national economy.

Niger Delta: Location and Background Information
The Niger Delta covers an area of well over 70,000 square kilometers, covering the greater part of the South – South region and some part of the South East region of Nigeria. It derives its name from the River Niger and is one of the world’s largest wetlands and Africa’s largest delta. The Niger Delta is one of the largest deltas in the world, probably the third largest on earth. The region is regarded as one of the nine most difficult deltas of the world comparable to the Mekong, the Amazon and the Ganges. It is situated in the central part of southern Nigeria. It lies within latitudes 4 degrees north to 6 degrees north, and longitude 5 degrees east to 8 degrees east. (Azaiki, 2007: 1; World Bank Report, 1993: 1; Ile & Akukwe, 2001).

The area has a population of about twenty five million people, according to the 2006 national census figures (National Bureau of Statistics, 2006) and more than forty ethnic groups with links to the linguistic groups of Ijaw, Edo, Igbo, Efik, Ibibio and Oron. “It is rich in both renewable and non renewable natural resources such as oil, gas, bitumen, etc, accounting for 95% of the total revenue for the Nigerian government, generated from oil and gas exploration and 80% of national wealth” (Brisibie, 2001: 1; Tell, 2008: 33).

The NDDC ACT (2000) recognizes nine states, namely; Abia, Akwa – Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and rivers as comprising the Niger Delta, but the focus of this paper shall be “core Niger delta states” that is Bayelsa, Delta and Rivers states. These are the “states geographically characterized predominantly to an extent with deltaic features” (Kimiebi, 2010).

Prior to the discovery and exploration of oil and gas resources in the Niger delta region, the primary occupation of the people was fishing and farming. Unfortunately, years of oil exploration and exploitation by the Oil companies, has destroyed the subsistence economy of the people. Testimonies from various quarters lend credence to the claim that environmental degradation occasioned by oil spillage has made life extremely difficult for the local people. The destruction of farmlands, fishponds and rivers had radically altered the economic life of the once self reliant and productive region for the worst (Okonta & Oronto, 2001: 108).

CAUSES OF MILITANCY AND INSECURITY IN THE NIGER DELTA
There has been a high rate of militancy and insecurity in the Niger delta starting from 2006. This can be attributable to several factors including the marginalization of the peoples of the Niger delta, environmental degradation, bad governance and inconsistent policy framework, and the divide and rule policy of the oil companies.

Marginalization, abject poverty and massive unemployment
The Niger Delta communities have remained grossly socio-economically underdeveloped and pauperised amidst the immense oil wealth owing to systematic dis-equilibrium in the production exchange relationship between the state, the Trans-national companies and the people. Enormous money had been derived from oil export but the area has been subjected to severe land degradation, socio-economic disorganisation, increasing poverty, misery, military occupation and bloody violence. (Pegg, 1999).
Oil extraction has impacted most disastrously on the socio-physical environment of the Niger Delta oil bearing communities massively threatening the fragile subsistent peasant economy and bio-diversity and hence their entire social livelihood and very survival. The oil producing communities have basically remained dependent and underdeveloped, persistently dis-empowered, socio-culturally marginalized and psychologically alienated. The wealth derived from oil resource exploitation and exports benefit directly only the operators of the oil industry and the bureaucrats in government (Owabukeruyele, 2000).

Ejibunu (2007) posits that “the discovery of oil in the Niger Delta region in 1957 triggered a chain of events that has led to the political and economic marginalization of the inhabitants.” Despite over forty years of oil production in Nigeria and hundreds of billions of dollars of oil revenue (Oronto, et al 2003), the inhabitants of the Niger delta region especially the riverine (creeks) remain in abject poverty. Poverty level is about 80% while unemployment level is about 70%. They live without even the most basic amenities such as pipe-borne water and electricity (Ibaba, 2005). Mukagbo (2004) opines that “in the Niger Delta, scenes of abject poverty pervade the area, very similar to what you find in a refugee camp”.

The distribution of resources from the federation account has been another source of marginalization for the Niger delta. Prior to 1999, the allocation to the Niger delta from the federation account of revenues from oil, decreased progressively as Nigeria became more dependent on oil. In 1960, the allocation was 50%, then down to 45% in 1970, declining to 20% in 1982, down to 3% in 1992. It was raised to 13% following persistent agitations from the Niger Deltans (Ikelegbe, 2006).

Unemployment is very high among the people of the Niger delta. The youth from the Niger delta do not benefit from the presence of the transnational corporations especially the oil companies operating in their communities. Less than 5% of the people from the Niger delta work in the companies, while women from the region working with the oil companies are less than 1%. Those who benefit through employment by the oil companies are from the non oil producing parts of Nigeria (Ejibunu, 2007; Brisibie, 2001).

Environmental degradation
According to the World Bank, there are five great plagues of mankind: war, famine, pestilence, environmental pollution, and death. The Niger Delta is in the throes of becoming an environmental wastebasket. From the oil spills to the round-the-clock gas flares and effluents from industrial wastes, the fragile ecosystem of the Niger Delta is under constant assault. However, it is still a mystery that no comprehensive study of oil exploration in Niger Delta and its effect on the environment exists (Ile & Akukwe, 2001). “The unbridled exploitation of crude oil and natural gas beneath the lands of the Niger Delta has caused indescribable and irredeemable ecological devastation of the Niger delta land” (Azaiki, 2003). Okaba (2005: 18 – 20) sums up the environmental impact of the oil industry in the Niger Delta of Nigeria as land deprivation, soil quality alteration, destruction of aquatic ecosystem and air pollution.
**Destruction of aquatic ecosystem**

A major environmental tragedy in the Niger Delta is the waste of aquatic ecosystem. This aspect is quite significant to the people, being that it constitutes a grave threat to a hitherto economic hub of their lives—fishing. It is a common sight that in the process of oil exploration and production materials such as drill cuttings, drill mud and other fluids that are used to stimulate production are discharged into the environment and most end up in the streams and rivers (Nwaomah, 2009a). These chemicals are not easily degradable and the skimming of oil on the water surface hardly solve the problem since most of the oil might have sunk to the bottom of the water surface leaving grave consequences such as: (a) surface and ground water quality deterioration in terms of portability, aesthetic and recreation, (b) destruction and reduction of fish life and fisheries production of the waters, (c) destruction by acute and sublehal toxicity of aquatic flora and fauna of spills on water and benthic macro (Okaba, 2005: 19-20.).

**Soil Quality Alteration**

Soil quality alteration is another environmental problem that the Niger Deltans contend with as a result of the oil industry. It is an environmental condition that is caused by a collection of oil exploration and exploitation activities such as construction of flow lines and trunk line networks, terminals, digging of location waste pits and barrow pits, oil spillage either from equipment failure, human error, corrosion of pipes due to age and sabotage (Nwaomah, 2009b). It is estimated that as at 2002 about 8581 oil spills, involving nearly 28 million barrels of oil have occurred in the Niger Delta. (Okaba, 2005: 15).

Other factors responsible for the soil quality alteration are the unceasing gas flares; drill cuttings, drill mud and refinery waste. The harmful effects of these elements on the soil are unquestionable (Nwaomah, 2009a). Owabukeruyele argued that the compounds from the numerous petroleum wastes contain organic chemicals such as phenol cyanide, sulphide-suspended solids, chromium and biological oxygen that leave destructive effects on the land and water (Owabukeruyele, 2000).

**Air Pollution**

Gas flaring is a primary source of air pollution in the Niger delta. The oil companies are wrecking the ecosystem of the Niger delta through uncontrollable gas flaring. Gases flaring takes place twenty four hours and some are believed to been burning for over thirty years, thereby resulting in the release of hydrogen sulphide. The oil companies are not only destroying the Niger delta, but they are also contributing to global warming (Comet Newspapers, 2001).

The pollutions released and the noises from the vibration are injurious to human health…. It is also argued that the chemical emissions from the flaring contribute to acid rain, trigger skin diseases (Okaba, 2005) and the quick corrosion of roofing sheets in the Niger Delta area, a common sight in this region. A secondary source of air pollution in the
Niger Delta is the incidents of fire resulting from leakages from the exposed and corroded oil pipes that are scattered all over the region (Nwaomah, 2009a).

The environmental degradation being carried out by the oil companies in the Niger delta as a result of their non compliance with internationally recognized environmental standards are damages that their consequences cannot be limited by time. Unfortunately, available evidence shows that the trend is worsening as the government lack the political will to ensure compliance to rules by the oil companies (Doran, 1995; Ojomu, 2002; Susa, 1999).

**Divide and Rule policy**

Over the years the oil producing companies operating in the Niger delta have adopted a divide and rule method in which they identify for compensation, people in the host communities they believe have the capability to influence the indigenes to ensure that they have a peaceful environment to operate in, at minimal cost. A minute part of the money that should have been spent on corporate social responsibility (CSR) in the development of the host communities are paid to such individuals and groups. As such in some communities, traditional rulers and local community leaders have become corrupt as they have become recipients of various contract awards and cash payments at the detriment of the communities they represent. (Kemedi, 2003).

Where there has been crisis of leadership in the host communities, the oil producing companies have tended to support whichever faction they believe had the capability of disrupting its operations “as opposed to which groups or factions were properly constituted and traditionally legitimate” (Ikelegbe, 2006). In furtherance of this policy, the Shell petroleum development company (SPDC) ignored the traditional rulers and elders and accorded recognition, partnered and related with the youths, simply because the youths had more disruptive power on oil production. Therefore the youths emerged as community leaders. These youths became the power brokers, the liaison with the MNCs, and the object of MNCs patronage (Kemedi, 2003; Ile & Akukwe, 2001).

The realization by the youths that violent protests and disruptive actions elicited immediate actions and payments by the oil companies led to emergence of several youth groups or militias. These youth groups became more daring in their tactics, from minor threats of disruption of activities emerged full blown militancy activities. “some youths began to hijack ships and helicopters, kidnap MNCs staff, and vandalize facilities in order to obtain pay offs, ransoms and payments from the oil companies.” (Ikelegbe, 2006).

**IMPACT OF MILITANCY ON THE NIGERIAN ECONOMY**

The crisis in the Niger delta region arising from the activities of the different militant groups operating in the region has brought about some negative implications, not only on oil production and other economic activities, but also on governance in general (Ejibunu,
2007). The activities of the militants have impacted the Nigerian economy in various ways.

**Kidnapping and hostage taking**

Kidnapping and hostage taking has been a major tactic of the militant groups with foreign nationals working with oil companies as primary targets. In January 2006, hostage taking of oil workers started in Bayelsa after the declaration of ‘operation orido danger’ by MEND with the kidnapping of four set of hostages…. Over two hundred expatriates had been kidnapped …. Although most have been released within weeks in exchange for ransoms, typically hundreds of thousands of dollars (Amaize, 2006).

Though casualty figures from kidnapping by militants operating in the Niger delta has been low, reportedly put at about fifteen. However, the implication of the kidnappings which involved mainly foreign workers and development partners on Nigeria’s economic development has been enormous. It succeeded in scaring away potential development partners and robbed the Nigerian state of the benefit of such development alliances and opportunities. The state of insecurity has led to a reduced volume of investments and capital flow to the region (Akpan, 2010; *Saturday Punch*, 2007).

**Illegal Oil Bunkering**

The operations of militants in the Niger delta and the insecurity it has made it impossible for security agencies to adequately cover locations of various oil facilities. This has created a veritable ground for illegal oil bunkering to thrive in the region. Illegal Oil Bunkering, an euphemism for oil theft, has assumed considerable dimensions in the Niger Delta. Estimates range from 30,000 to 200,000 bbl/day (Oudeman, 2006).

Several of the militant groups are also believed to be involved in illegal oil bunkering. It is believed that illegal oil bunkering has become a major source of funding for the operations of the militants in the Niger delta. Militant warlords who engage in illegal oil bunkering justify their actions by claiming that it is a means of providing income for the impoverished residents of the oil producing communities. It is reported that one days worth of illegal oil bunkering in the Niger delta (at 100, 000 bbl at $15bbl) will buy quality weapons for and sustain a group of 1, 500 youths for two months (ICG, 2006).

**Downsizing of oil companies employees and disruption of business activities**

As a result of the activities of militants in the Niger delta region, “SPDC retrenched 3, 500 workers in September 2007” (*Punch Newspapers*, 2007a: 14). Indoroma Petrochemical company shut down its operations thereby rendering over 3, 000 youths jobless and aggravating the unemployment situation (*Sunday Trust Newspaper*, 2007). Restiveness has reduced growth in the business sector. As a consequence of militant activity Royal Dutch Shell has seen its production dropping from one million bpd to about 380,000 bpd at its Bonny terminal in the South of the Delta. Exxon has also experienced increased insurgent activity in its Nigerian operations. ….. Nigeria is already
suffering from production slow down due to militancy, currently the Niger Delta is only exporting 1.8 million bpd, compared with a targeted 2.2 million bpd (Harper, 2009).

In Rivers state, over 80% of the companies have stopped operations, as expatriates have either gone to their home countries or relocated to safer environments (Ejibunu, 2007). The MTN had 43 base stations shut down as militant activities made them inaccessible (Punch Newspapers, 2007b).

FOREIGN DIRECT INVESTMENT: MEANING AND RATIONALE

One of the major factors that determine the economic growth of any nation is investment. For an economy to grow some of its current resources must be diverted from consumption to investment to ensure capital growth. Most poor countries of the world suffer from a shortage of savings and lack of accumulation of capital that could be channeled into investment purposes. The alternative open to such countries is to attract foreign direct investment to make up for the shortage of domestic savings or capital. Foreign direct investments occur “when foreigners either wholly or jointly with local investors establish their physical presence in another country through the acquisition of physical assets such as factories, buildings, plants, machineries, etc.” (Bakare, 2010).

In this paper, foreign direct investment (FDI) and foreign private investment (FPI) will be used interchangeably. Foreign private investment has been defined as;

Investment by multinational corporations with headquarters in developed countries. This investment involves not only a transfer of funds (including investment of profits) but also a whole package of physical capital, techniques of production, managerial and marketing expertise, products, advertising and business practices for maximization of global profits (Thirwall, 1994).

Foreign direct investment contributes to the growth and development of the host country in diverse ways, these include; (a) contributing to the growth of the real output direct investment in the production of tangible goods, (b) generation and expansion of business through stimulation of employment, raising of wages and replacement of declining market sector, (c) support of overseas affiliates by the parent company through provision of appropriate human and material resources, (d) reduction of the host countries propensity to import and efficient allocation of production resources, among others (Bakare, 2010; Oke, 2007).

Studies reveal that foreign direct investments have contributed positively to growth and development of Nigeria’s economy (Akinlo, 2004; Asiedu, 2003; Obinna, 1983; Ayanwale & Bamire, 2001). Bakare (2010) posits that there is “a positive relationship between multinational direct investment and economic growth in Nigeria…. 1% rise in multinational direct investments will cause as much as 80% growth in gross domestic product (GDP)”.

Impact of Militancy and Insecurity on Foreign Direct Investment
Foreign Direct Investment (FDI) is getting leaner, and international oil investors are diverting to cheaper/safer environments, thereby denying the Niger Delta the chance for more investments that can provide jobs and boost local economy (Okah, 2010). Analysts have identified insecurity in the Niger Delta and weak fiscal policy as key reasons why investors are beginning to leave for more stable business opportunities in Africa (Harper, 2009). An ominous sign for Nigeria’s production is slumping international investment. Foreign direct investment, mostly in the petroleum sector, sank to $5.85 billion last year from $13.96 billion in 2006, according to a recent United Nations report (Swartz & Connors, 2010).

In a survey of the most attractive economies for the location of FDI, 2007–2009 carried out by UNCTAD at the end of 2006, Nigeria was listed as the 40th most attractive economy for the location of FDI (UNCTAD, 2007), this placed Nigeria in the fourth position in Africa, behind South Africa, Egypt and Morocco. The reality at the end of 2009 has proved those projections wrong. The inflow of Foreign Direct Investment into the Nigerian economy in 2009 was $8.28 bn. This figure was $4.72bn lower than the $13bn generated by Angola within the same period (Ezekiel, 2010). As at the end of 2010, the inflow of FDI to Nigeria according to the World investment report produced by the United Nations Conference on Trade and Development (UNCTAD) had further declined to $61 bn. (Williams, 2011).

The impact of militancy on the inflow of foreign direct investment is brought out in graphic detail in the treatise of Timi Alaibe, who posits that;

By January 2009, militancy in the Niger Delta had virtually crippled Nigeria’s economy. Investment inflow to the upstream sub-sector of the oil industry had dwindled remarkably. Exasperated foreign investors had begun redirecting their investments to Angola and Ghana as preferred destinations over Nigeria. At that point Angola surpassed Nigeria as Africa’s highest crude oil producer. This dwindling investments in the critical oil and gas sector threatened Nigeria's capacity to grow its crude oil reserves as planned .... Clearly, insecurity in the Niger Delta was identified as key reason why investors were leaving for more stable business opportunities in Africa. For example, due to militant activities in the Niger Delta, Royal Dutch Shell by early 2009 saw its production drop from one million barrels per day (bpd) to about 250,000 bpd. … Sabotage, oil siphoning rackets and kidnappings of oil workers by suspected militants further threatened the operations of the oil companies and exerted immense pressure on the Nigerian economy. (Alaibe, 2010).

Implementation of Amnesty programme for ex-militants
In 2009, the federal government introduced a programme of amnesty for all the militants in the Niger Delta, in which they were to return their arms and enter into the amnesty programme. This was adopted in order to ensure that the activities of the militants which had defied military action in the region did not lead to the eventual collapse of the
economy. The ex-militants were to receive N65, 000 each as monthly stipend while they were trained on various skills both at home and abroad, to enable them gain employment and become re-integrated into the society. (National Mirror, 2011).

As part of the amnesty programme, several of the ex-militants were sent overseas to participate in skill acquisition programmes that would ensure their re-integration into the society. (Awosiyan, 2011). However, in spite of the enormous amount being expended on stipends for the ex-militants, skill acquisition and their re-integration, several controversies have trailed the amnesty programme. Prominent among the controversies has been the neglect of the social infrastructure in the region which has been the major cause of the militancy in the first place; differences in the actual number of ex-militants involved in the programme (National Mirror, 2011); as well as violent demonstrations by ex-militants from the region alleging neglect following their non inclusion in the amnesty programme or non-payment of their monthly stipend (Punch Newspapers, 2012; Premium Times, 2012, Tamuno, 2012).

The implementation of amnesty programme for the ex-militants has not translated to increase in the inflow of FDI. The recent upsurge of the level of insecurity in the region, following agitations by some “ex-militants” and counter claims by government agencies (especially the Amnesty programme office) shows that more needs to be done, to tackle the genuine demands of the people beyond “settlement” of the militants.

CONCLUSION AND RECOMMENDATIONS
Militancy in the Niger delta which was caused by the combined activities of the oil producing companies and the government has created a state of insecurity in the region which has affected the Nigerian economy especially the inflow of foreign direct investment which is needed for achievement of economic development. The impact is very devastating especially as a result of the fact that Nigeria is a monolithic economy. Redressing the negative impact that militancy and insecurity has created on the inflow of foreign direct investment lies in the federal government directly tackling the issues raised by the Niger Deltans which have been identified in this paper as the root causes of militancy.

The paper puts forward the following recommendations;
The government needs to go beyond policy making and rhetoric (Ministry of Niger delta, Niger Delta Development Commission & Amnesty programme), and put in place basic infrastructure in the Niger delta region.
The government needs to immediately ensure that the Oil producing companies comply with international standards by stopping gas flaring and clearing all oil spillages.
The derivation quota from the federation account should be raised to 25%. 13% should be disbursed through the state governments, while the remaining 12% will be utilized in direct development of the oil producing communities through provision of infrastructure according to need and human capital development.
Niger Deltans should be given priority in areas where they are qualified in recruitments by the oil producing companies and oil servicing companies operating in the Niger delta region.

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