

Minimization of the Impact of Globalization on Petroleum Politics: Nigeria as a Case Study

Dr. Basiru Musa

International Relations and Diplomacy Department,
Faculty of Administrative Sciences and Economics, Tishk International University, Erbil,
Kurdistan Region, Iraq.

Correspondence: basiru.musa@tiu.edu.iq

Doi: 10.23918/ejmss.V2i4p1

Published: May 1, 2022

Abstract

The paper examined the impact of globalization of petroleum politics on the oil sector of Nigeria and Nigeria. The paper employed the qualitative research framework, where document analysis was used method in obtaining relevant secondary data, and thematic analysis was adopted in analyzing the data. It is found that the globalization of petroleum politics has been having both negative and to a level, positive effects on Nigeria, particularly on the political, economic, and social fronts. The negative effects include weakened Nigeria's capacity to withstand global oil shocks, heightened porosity of Nigeria's borders and international waterways, and increased loss of oil revenue. Some of the positive effects are increased awareness on the part of Nigeria to do the needful by diversifying its economy from oil to other viable and less volatile sectors, such as agriculture, solid minerals, aviation, manufacturing, and Information and Communications Technology (ICT). The paper recommends that the recently enacted Petroleum Industry Act should be fully implemented, given the derivable benefits for the oil sector, Nigerian state, and economy.

Keywords: Globalisation, Petroleum Politics, Oil Sector, Nigeria

1. Introduction

Globalization is the process through which inhabitants and states of the world are unified into a single society economically, culturally, socially, technologically, and politically through the supersonic means of Information and Communications Technology (ICT), and advanced means of transportation. It also refers to the acceleration and intensification of interaction and integration among the people, companies, and governments of different nation-states (Aina, 2003). However, the globalization of petroleum politics is the interconnectedness and even shrinking of the world because of the struggle for power and market share that takes place among member states of the Petroleum Exporting Countries on one hand and the non-OPEC member states on the other hand (Henry & Springborg, 2010).

Globalization, as the propelling force of the internationalization of petroleum politics, is characterized by technology, trade liberalization, integration of financial markets, the proliferation of Multinational Corporations, transborder production, the proliferation of international agreements, and migration of people (Rabiu, 2021). On the technological front, advances in technology have transformed the speed, capacity, sophistication, and cost of transportation and production.

Trade liberalization is another important feature of globalization, which ensures free access to the markets in the world without any physical (quota) or fiscal (tariff) or any other government restriction. Trade liberalization guarantees that markets become more open due to the reduction and removal of both tariff and non-tariff trade barriers. Trade liberalization discourages protectionist policies enacted regionally or nationally and rather encourages the emergence of global consumers demanding high-quality products and more value for their money without any restrictions. (Augustine, 2006).

The proliferation of Multinational Corporations is also a feature of globalization. As a result of trade liberalization, MNCs and their branches take full use of their relative advantages to establishing a global production system. Thus, more and more companies go out of their home boundaries to engage in international operations moving with them not only capital and goods but also technology (Stiglitz, 2002).

The growing nature of trans-border production is also a feature of globalization. The ability of intermediate production to take place in more than one country is because of globalization. For example, a product may be designed, assembled, and packaged in many different countries, and the materials used for each of these processes may come from different countries. The growing nature of trans-border production is due to many factors. These factors include the fall in the cost of the mobility of factors of production such as labour, the economies of scale, the nearly unimpeded flow of information, the advent of sophisticated and efficient methods of production, and above all, the enhanced freedom of MNCs to move across state borders.

The proliferation of international agreements is also a feature of globalization. Due to trade liberalization, countries are negotiating to bring down trade barriers using bilateral and multilateral Free Trade Agreements (FTAs). It has, therefore, been widely accepted that the reduction of these trade barriers has been instrumental in the quantum increase of international trade. States should abide by their international commitment, which may even take precedence over national law due to globalization.

The paper seeks to examine the impact of globalization of petroleum politics on Nigeria's oil sector with a view to finding the extent to which Nigeria and its oil sector are affected. Additionally, the paper seeks to answer the question and accompanying objective below:

To what extent does globalization of petroleum politics affect Nigeria's oil sector and Nigeria politically economically and socially?

To examine the political, economic, and social effects of the globalization of petroleum politics on Nigeria's oil sector and Nigeria.

2. Literature Review

The Organization of Petroleum Exporting Countries (OPEC) was founded in the year 1960 and started with five member countries that include: Iran, Kuwait, Iraq, Venezuela, and Saudi Arabia. As time goes on, some other countries joined these five countries. These five countries were later joined by nine other countries. OPEC plays a determining role in the price of oil globally (Fattouh & Sen, 2016).

OPEC is referred to as a cartel that has pursued and is pursuing high oil prices in the market. Whereas, conferring to the notion of DiLallo (2016), the primary objective of OPEC is to maintain order in the oil market when there is pressure due to high demand. This, therefore, means that it is not in the interest of OPEC to flood the oil market with excessive supply. However, the agenda of OPEC is to cut production to reduce supply, thus stabilizing the price of oil.

Adelman and Watkins (2008) argued that for the global oil market, the crucial insight is that while oil is constantly being 'used up,' the world is not 'running out' of oil. This means that despite global consumption and consequent depletion of almost 700 billion barrels of crude oil during the past quarter-century, the stock of remaining proved reserves has doubled from 700 billion barrels in 1980 to 1,400 billion barrels – and now stands at an all-time high. Therefore, the ratio of reserves divided by annual production has also grown from a multiple of 29 years in 1980 to a multiple of 45 years in 2008; meaning a smaller fraction of the remaining oil reserves is extracted each year.

The migration or movement of people is also a prominent feature of globalization. The rise in the movement and migration of people is because of the growing inequalities in wealth between the Global North and Global South, which force more people to move in search of better living standards outside their own countries. It also argued in this context that the proportion of labor that migrated between 1965 and 1990 had approximately doubled and that most of it (migration) occurred between developing countries and Least Developed Countries (LDCs) (Saggi, 2002).

In developing nations, oil politics is argued to be a major source of conflict in the context of domestic and international politics and this in most cases, has adverse effects on their economies. However, states with revolutionary leaders are exempted from this illustration (Colgan, 2014). This also relies on the type of institutions as well as the type of natural resource. Over a century today, one of the characteristics used in measuring wealthy states is the availability of natural resources, of which oil, is among them (Andersen & Aslaksen, 2013). Historically, oil prices have been influenced by world politics and have caused many nations to be at war with one another. (Lei & Michael, 2014).

According to Herbst (2009), globalization is not a new phenomenon, tracing its origins as far back as the slave trade. In this context, globalization is irreversible and has come to stay. He blames Africa's inability to fully benefit from globalization on its difficult geography, dependence on raw materials and natural resources, especially oil, natural disasters and so on. This makes it difficult for Africa to compete globally. However, the major challenge is a governance crisis that has prevented African states from participating and integrating into the international economy.

The paper is based on the World Systems Theory of Immanuel Wallerstein, developed in 1982, in which his world-systems analysis points to the reality that globalization is another tool of capitalist exploitation and domination of the periphery, that is the underdeveloped and developing states of the world by the core (developed states or the North). This theory is found relevant to the paper because it borders on the relentless domination of the South by the North,

which has rendered many developing states of the world politically and economically powerless, with many devastating implications for their economies and citizens. This theory could be criticized for being too biased in favor of the developing states, as it fails to pinpoint other internal factors that resulted in the backwardness and retrogression of the South or the underdeveloped states of the world. In other words, the semi-periphery, and the periphery in the parlance of the theory.

3. Methodology

The paper adopted the qualitative research framework, in which document analysis was used to collect secondary data from relevant academic works, especially relevant books, journal articles, and newspapers. Thematic analysis was adopted as the method of data analysis, in which a researcher codes his or her qualitative data to identify themes or patterns for analysis with reference to his or her research questions.

Relevant themes were created with reference to the six (6) steps of thematic analysis, which include familiarization with the data, generating coding, searching for themes, reviewing themes, defining, and naming themes, and writing the analytic report (Braun & Clarke, 2006). The procedure for thematic analysis also entails becoming familiar with the data, coding the data, searching for themes, recognizing relationships, refining themes, and testing propositions, where applicable (Saunders, Lewis & Thornhill, 2015).

The reasons for the adoption of the above methodological instruments had to do with their flexibility (Creswell, 2008), as they provided the research with the needed tools for obtaining the relevant secondary data and thereafter logical analysis. These methods were found logical and systematic, as they ensured the orderly gathering, arrangement, and analysis of the data.

4. Findings and Discussion

The findings are discussed under the following themes:

4.1 Political Effects

Global petroleum politics affect Nigeria's sovereignty, as an independent member state of the global oil system. This follows certain decisions and disputes taken at OPEC meetings and among other member states of OPEC, such as Saudi Arabia and Iran. It is a known political and legal fact that Nigeria's sovereignty is undermined due to this global oil integration and consequently, the Nigerian economy and its citizens suffer seriously (Musa, Yaacob & Omar, 2016).

The foregoing has further weakened the leadership capacity of Nigeria, especially in the current era of collapsed oil prices with attendant negative implications for the country's revenue, budget, and socioeconomic development. The situation has also resulted in the propagation of capitalist ideals and the erosion of the state's role in providing for the welfare of its citizens. This has undoubtedly led to civil unrest and to a larger extent revolt against the state and its current government, as its legitimacy decreases by the day (ibid).

It is argued that Nigeria has failed as a state due to the manifest failure and suffering on the ground and leaving of the country at the mercy of multinational oil companies, such as

Chevron, Shell, British Petroleum, and TOTAL without much state intervention. This also calls for a quick review of the Joint Venture Agreement (JVA) that Nigeria had entered with these multinational oil companies and the establishment of a sound regulatory mechanism for and in the oil and gas industry to check their excesses and save the country and its citizens (Onuegbu, 2015).

4.2 Economic Effects

On the economic front, global petroleum politics, no doubt affects the Nigerian economy and Nigeria's central resource base due to the imposition of certain production quotas and other restrictions, which limit Nigeria's oil-producing capacity, hence making the country not to be meeting its budgetary provisions and targets.

Economic globalization also plays its role in making the national borders of Nigeria porous with many attendant negative effects, as the country relies on the earned oil proceeds to service itself and its citizens. Following the global oil price collapse in June 2014, it became evident that Nigeria lost a lot of oil trading partners, as oil became cheap and no longer a commodity to reckon with due to the oversupply of oil by the USA in the form of Shale oil, Saudi Arabia, and Iran, following the lifting of sanctions and so on.

Consequently, this development shatters Nigeria's major revenue source as a state and renders it weak and powerless, as it lacks the influence needed to influence how decisions should be made to favor it and its citizens on the international oil scene, particularly in the corridors of OPEC power. Although, it was recently able to secure an exemption from production cuts by OPEC to help it raise the revenue necessary to meet its budgetary provisions (Musa, Yaacob, and Omar, 2016).

4.3 Social Effects

On the social front, global petroleum politics touches Nigeria's social fabric, following the collapse of oil prices and reduced oil revenue on the part of the Nigerian government has resulted in severe suffering, arising from rising unemployment, poverty, inequality, hunger, and increased crime rate (Paul, 2014).

5. Conclusion

The globalization of petroleum politics affects Nigeria and its oil sector, especially on the political, economic, and social spheres of Nigeria's national life. It is expected that the political leaders and other critical stakeholders would do the needful to shield Nigeria from those effects of globalization of petroleum politics that are inimical to it, its economy and its citizens. The paper found Nigeria's overdependence on oil to be the main cause of its vulnerability to global oil shocks, price crises, and dynamics of global petroleum politics or the changing dynamics and volatility of the international oil market.

6. Recommendations

6.1 For this, the paper recommends the diversification of the Nigerian economy and calls for more investments in the oil and gas industry to gain more, which would help greatly in propelling the diversification drive to other value-adding sectors.

6.2 Nigeria should strengthen its bargaining power by being more diplomatic and tactical in global petroleum politics, especially at OPEC, and at the same time, capitalizing on the leadership position it currently holds at OPEC.

6.3 The paper also found endemic corruption, especially in the oil and gas industry to be the major obstacle to Nigeria's socio-economic development. For this, the paper recommends for a full-blown war against corruption.

6.4 The paper, finally, recommends that the recently enacted Petroleum Industry Act (PIA) should be fully implemented, given the derivable benefits for the oil sector, Nigerian state, and economy.

References

- Adelman, M.A., & Watkins, G.C. (2008). "Reserve Prices and Mineral Resource Theory." *Energy Journal, Special Issue to Acknowledge the Contribution of Campbell Watkins to Energy Economics*, 1-16.
- Aina, A.D. (2003). 'Globalisation as Neo-Colonialism: The Nigerian Example.' *International Review of Politics and Development*, 1(1): 24-23.
- Andersen, J.J., & Aslaksen, S. (2013). Oil and Political Survival. *Journal of Development Economics*, 100(1): 89-106.
- Braun, V. & Clarke, V. (2006). 'Using Thematic Analysis in Psychology.' *Qualitative Research in Psychology*, 3, 2: 77 -101.
- Colgan, J. D. (2014). Oil, Domestic Politics, and International Conflict. *Energy Research & Social Science*, 1: 198-205.
- Creswell, J.W. (2008). *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. Second Edition, Thousand Oaks, California: Sage publications.
- Fattouh, B., & Sen, A. (2016). The past, present, and future role of OPEC. *The Palgrave handbook of the international political economy of energy*, 73-94.
- Henry, C. M., & Springborg, R. (2010). *Globalization and the Politics of Development in the Middle East* (Vol. 1). Cambridge University Press.
- Herbst, J. (2007). Africa and the Challenge of Globalization, In: A.K. Pain (eds.) *Africa and Globalization*. India: The Icfai University Press.
- Lei, Y. H. & Michael, G. (2014). Do Giant Oil Field Discoveries Fuel Internal Armed conflicts? *Journal of Development Economics*, 110: 139-157.
- Musa, B., Yaacob, C.M.A., & Omar, R. (2016). Effects of Global Petroleum Politics on Nigeria in the Current Low Global Oil Price Regime. *International Journal of Management Research and Review*, 6(10): 1527-1532.

- Onuegbu, H. C. (2015). Historical Overview of the Impact of Global Oil Politics on Prices, Investments and Employment Relations in the Industry in Nigeria. *The Guardian*. Retrieved from: <https://guardian.ng/features/historical-overview-of-the-impact-of-global-oil-politics-on-prices-investments-and-employment-relations-in-the-industry-in-nigeria/> (February 27, 2022)
- Paul, I. A. (2014). Petroleum and Nigeria's economy: a paradox of global reality since 1956. *Research and Human Society Science*, 4, 94-101.
- Rabiu, N. (2021). *Globalization and Regional Integration in Africa: A Case Study of ECOWAS* (Unpublished Bachelor's Project). Bayero University, Kano, Nigeria.
- Saggi, K., (2002). Trade, Foreign Direct Investment, and International Technology Transfer: A Survey. *World Bank Research Observer*, 17(2).
- Saunders, Lewis & Thornhill, (2015). *Research Methods for Business Students*. London: Pearson Education.
- Stiglitz, J.E. (2002). *Globalization and its Discontents*. London: Penguin.
- Wallerstein, I. (1982). *World-Systems Analysis: Theory and Methodology*. California: Beverly Hill Sage.