

## **Natural Resource Management and Development in African States via their Extractive Economies**

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### **Abstract**

The modern African states' development path has been largely shaped by availability or unavailability of natural resources. States endowed with important natural resources attracted foreign direct investments in form of transnational and multinational corporations, which to a large extent, dictated the pattern and nature of trade in such natural resources. The management of such natural resources is largely determined and predicated upon the competition over the sharing of surplus of production, as in the proceeds therein, by the dominant elites in such resource rich African countries. These elites, unfortunately disingenuous, as they are, rely heavily on the extraction and trade in such natural resources depriving their countries and people of true leadership equipped to steer the affairs of their countries in the right direction. A development paradigm dictated by the proceeds from such trade in the extraction of natural resources is inevitably linked up with the fluctuation in global prices of such natural resources. Through the vintage perspective of the qualitative-descriptive approach, this paper contends that African states whose economies depend upon natural resources, have inevitably been underdeveloped due to some internal and external dynamics, related to their kind of leadership and the global trends in the trade of such natural resources.

**Keywords:** Natural resources, Trade, Corruption, Underdevelopment, Extractive economies.

### **Introduction**

The greatest challenge which African countries have been battling with, since they gained flag independence, has been poverty. From the immediate post-independence years, for every African state, nation building had meant principally, the building of a virile and advanced economy which will make the state strong, bearing in mind their natural resource endowment and their realizable potentials in the production of various agricultural produce. In this light, independence was seen to be a process that would usher in an economic revolution that would improve not just the per capital income of their citizenry but their socio-economic well being. After the African states became independent, the performance of the governments controlled by the African elites has been judged mainly by their achievements in the economic spheres. Therefore, to a large extent, unfulfilled economic promises have consistently been a threat to the political stability of many African states in spite of the quantum of foreign exchange that they had earned over the years from their extractive and agricultural economies.

Historically speaking, the peoples' economic aspirations have been largely unfulfilled. The genuine aspirations of African peoples for a better life, have always been predicated on the wealth realizable from the processes of natural resources and agricultural production of their states. In consideration of their natural resource endowment and the various potentials realizable from agricultural production, almost all African states had contemplated on the ideal path that would lead to rapid economic progress and development from their independence years. In the independence decades of the 1960s, one school of thought had argued for the development of their economies through the framework of free enterprise or capitalism, in which economic development would be left in the hands of private entities whereby the government would, in the process, devote its energy to providing social services and the maintenance of law and order. The argument was that the advanced industrialized states like the USA, Japan and Western European countries had become developed through free enterprise. It was also argued that free enterprise would also encourage foreign capital investment in such African states. Another school of thought also argued for the articulation of economic development ideas through the socialist path. However, it was not the Marxist-

Leninist type adopted by the former Soviet Union that was generally contemplated. To a great degree, it was this latter idea that inspired the various national development plans that were developed by most African states around the extractive and agricultural economies, from their independence years. The economic structures that eventually emerged from the various development plans accommodated the state led industrialization policies, as well as foreign and domestic private capital investments, in such extractive and agricultural economies. This became the hallmark of virtually all African states' economies until the introduction of the Structural Adjustment Programme (SAP) in the 1980s. In a nutshell, the availability of various natural resources and agricultural production were factored into the various structural phases of the African states economic development paradigms (Ekpo, 1989).

However, natural resource endowment could be said to have greatly influenced the capabilities of most of the African states to develop their economies more than the agricultural sector. The possession of such highly valued natural resources, much sought after by the industrialized countries have to a large extent determined the prospects of raising the much needed foreign exchange, much more than agricultural production. However, over the years, these African states with such rich natural resources have not fared better than those not so endowed, due to the mismanagement of such resources. Again, the development of African states have also been dictated by the trends of global trade on the various export production in which African states have comparative advantage. Consequently, the economies of most of the African states have been based on raw material production. This paper, therefore, attempts to examine the relationship between natural resource management and national development through the extractive economies of African states. The historical reality in Africa has been that most African states that are endowed with one natural resource or the other have not been successful in managing such natural resources. Paradoxically, so many African states that are endowed have seen the most intractably corrupt practices. Again, since these natural resources are found in many of the African states, it is arguable that such extractive economies which are mostly export dependent are retrogressive, due to poor management by their national elites.

Given the position of African states in the international political economy, whereby they depend largely on the advanced industrialized countries of the North for the needed capital, scientific and technological knowhow, for the effective prospecting and extraction of their natural resources, the integral position of the multinational corporations becomes glaring. This intricate relationship between African states, through their ruling elites, in their privileged positions and the multinational corporations historically, created the ground for foreign capital to determine the development of the extractive industries involved in the extraction of such natural resources (Asante, 1982). In order to address the problems of the mismanagement of such natural resource based economies and the underdevelopment of such African states, an understanding of the management of such extractive economies by the dominant elites in collaboration with foreign capital, is of crucial importance. To achieve these objectives, this paper is divided into three sections. Section one examines the nature of the management of the extractive economies by the African elites. The second section appraises the framework of industrial establishments involved in the extraction and exportation of such natural resources, while the third section attempts an over view of the underdevelopment processes in African states endowed with natural resources.

### **The Management of African Natural Resources by African Elites**

In consideration of the poor state of the economy of African states, Okwudiba Nnoli argues that, in spite of political independence, the pattern of production and economic activities forcibly instituted by colonialism survived unscathed (Nnoli, 1981). The pattern of economic production which was based on agricultural production and raw materials extraction and export, as well as the importation of manufactured goods has remained as the hallmark of most independent African states' economies till date. The post-independence African state is neo-colonial, in the sense that there is a high propensity to import, in an economy structured in a process, not meant to serve local needs. The extractive economies of the African states, to a great extent, had marginalized the vast majority of the African population, given the nature of the extractive industries which are not really labour intensive in their

production processes. The capital intensive processes of production in the extractive industries depend largely on imported technology, foreign finance capital, scientific and technical know how. In the context, the production processes in the extractive industries were structured to serve the need of the advanced industrialized economies where the natural resources are raw materials for their industries.

The exclusive processes of production did not only continued after the independence of African countries, rather it became reinforced and strengthened over the years with the dominance of the African ruling elites who are interested in profit making (Ake,1987). Since the ruling elites have characteristically become more interested in collaborating with the multinational corporations, given the vast profits accruing to them in the extraction of the natural resources, the development policies implemented by them over the years, under the neo-liberal trade relationships have continued to favour private capital accumulation where their interests are coterminous with the interest of such multinational corporations in the trade of such natural resources (Ake,1987).The above stated facts is corroborated by Vandana Shiva's argument: it is only when capital and technology have been brought in, that nature will find her destiny, in the sense that it is only through the application of human knowledge and technology that anything can be made of them and that most of the necessary work requires skills of a very high order (Shiva, 1997).

The establishment of state enterprises created the ground for the dominant elites to become involve in the management of their state's economy, in an age when it was generally believed that the government of African states should play a prominent role in their economic development, especially in industrialization. In almost all the state owned business enterprises which were organized by the African states, the profits and dividends accruing from their production processes were channeled into the pockets of the African elites who were privileged to control such enterprises (Harris, 1975). States' businesses became personalized by the African elites involved in running the state enterprises. Put differently, government officials in many African states have pursued policies that allocated resources not on the basis of efficient promotion of economic growth and development but largely for their own political or personal growth (Asante, 1991). This process of primitive accumulation became intensified with the policies of

neo-liberalism which enabled the privileged African elites to purchase outright the state enterprises formerly controlled by them or their allies as state monopolies, in an age that emphasises profit making through private investments and control of the economy. These privileged classes of people have become brazen in their profit maximization pursuits in the age of neo-liberalism.

A significant feature of the involvement of the dominant African elites in the economies of their states is in their relationships with foreign capital, especially in the extractive industries where capital investment takes a shorter period of gestation for profit making. Foreign capital comes in form of multinational corporations or transnational corporations and their driving motive force is profit making in investments that yield maximal profits within short periods of investment, and naturally the extractive industries are more attractive to such foreign capital given the nature of their potentialities for exploitation in such African states economy (Asante, 1991). Several scholars have argued that African leaders were generally caught up in historical, cultural, social and economic circumstances that shaped their government policies and structures and had made it difficult for them to behave differently (Dube, 1988). There is a widespread belief that African states are products of the inherited structures bequeathed to them at independence, by opportunistic politicians who were faced with little or no resistance from relatively few organised interest groups. Therefore, the potential for change, in many an African state, seems to be very limited and the general tendency is towards the sustenance of the status quo, in terms of the culture of primitive accumulation.

### **The Framework of Industrial Establishments Involved in African Extractive Economies**

The consequence of state ownership of natural resources in Africa is that it is only the governments of such African states that have the authority to issue licenses and leases for their extraction. The high costs involved in the extractive businesses, plus the complicity of the ruling elites in such African states in the production processes have ensured that their citizenry and the society at large remain alienated from the processes of such extractive businesses instead of benefiting from their economic activities. Against this

background, the privileged elite classes and the multinational corporations have become the major beneficiaries of the extractive economies (Ihonbvere, 2012). Also, the policy framework governing exploration and the extractive activities clearly demonstrates elite complicity against the generality of the citizenry, in such states endowed with natural resources in Africa. For instance, in Nigeria, the policy governing exploration and extractive activities had created a corpus of wide ranging grounds of legal rights for the oil multinational corporations, making them to exist as if they are above the law.

These laws that define the rights and powers of the oil multinationals in Nigeria, cover the entire areas that such multinational corporations are to operate (Udombana, 2008). For instance, the laws provide that the oil multinational as a licensee or lessee or their agents may (a) cut down and clear timbers and undergrowth, (b) make roads, (c) appropriate and use water found, provided that this does not interfere with the water rights enjoyed by the communities within the relevant area (d) construct, alter, operate, dismantle, remove: (1) industrial buildings and installations, including drilling platforms, power plant, flow lines, storage tanks, loading terminals, harbours, jetties, piers, moles, landing places and derricks, (ii) means of communication, including telephone lines and wireless stations; (iii) facilities for shipping and air crafts, (iv) living accommodation and amenities for the employees and workmen of licensee or lessee (v) other building installations, and effects, (vii) dredge and search for and get free of charge gravel and clay and stones not subject to any license or lease within unoccupied state land. This is on condition that it shall not be sold, and that upon termination or completion of work, all excavations shall be filled or leveled and restored as far as practicable to the original position (Udombana, 2008).

The above illustration is a reflection of the wide concessions that the multinational corporations often enjoy in the African extractive economies. Since their activities affect various aspects of the natural environment which constitute the ecosystem of the African people, elite patronage is a basic requirement in the overall processes involved in the extractive economies. This patronage underscores participation in the extractive activities with profits

accruing to the state elites involved in such egregious collaborative processes to the detriment of the overall benefit of the larger society. This status quo has continued to sustain the distortions and disarticulation of genuine productive processes and the distribution of the surplus of such production processes. It is in this light that the Ihonbvere argues that at independence, the African elites, as custodians of state power, lacked economic power, and their political power being little they became opportunistic since they were incapable of competing with powerful and fully entrenched profit and hegemony seeking transnational corporations. Again, he noted that because they were able to accumulate from the existing dire conditions, they have refused to change. He submits that the post-colonial African state was privatised and was being used only as an instrument for rapid primitive accumulation and that its instruments of coercion were frequently deployed to settle private disagreements and for the control of power, by political despots (Ihonbvere, 2012).

The structural distortions and disarticulation of productive forces in the African extractive economies, in light of the following assertions, demonstrate clearly that the African ruling elites, from independence, had settled into an unequal exploitative and subservient relationship with foreign capital, at the expense of the workers and peasants in virtually all African states. Against the background of the above stated contentions, it does not require any stretch of the imagination to understand why the elite classes in Africa, have remained reliant on foreign tastes and markets, hence, their worldviews have always been externally determined (Nwaka, 2010). These dominant elites in concert with foreign capital have sustained a tenuous relationship with their national economic production processes generally, and in their extractive economies in particular, given their preference for primitive accumulation, which has depended on their lucrative but unproductive relationships with foreign capital (Ake, 1987).

### **The Extractive Economy and Underdevelopment of African States**

Generally speaking, African states are endowed with various natural resources. Despite their vast resources, these states have remained underdeveloped in the international political economy.



The question that arises is: why would a continent with such abundant and enviable resources be recording high rate of poverty, unemployment and inequality? Virtually all African states have become perpetually aid dependent, even in the face of the abundant natural resource endowments of such countries. Is it that the wealth accruing from such natural resources is incapable of improving the standard of living of the African people or that the management of the much valued resources has made the attainment of such objectives impossible? This section, therefore, examines the influence of extractive economic activities on the political and economic development of the majority of African states from the immediate independence years. The interaction of politics and economics in any state could be said to be the definitive factor behind the rate of development or underdevelopment in such states. The social processes of allocating scarce productive resources for the good of the citizenry by the political and economic elites of a given state could be seen to be the political economy of the state.

Political economy attempts to proffer answers to the question of how the state and its associated political processes impact on the production and distribution of wealth and specifically how political decisions and interests affect economic activities and the distribution of the costs and benefits of these economic activities and also how these economic forces determine the appropriation and distribution of political and even military power (Gilpin, 1987). A deeper analysis shows that political economy precisely implies the symbiosis of power and wealth on the national or international scene, which appears to be the two sides of the same coin. It is unarguable that both political and economic dynamics are one, they are intertwined, and inseparable (Anunobi, 1997). It follows, therefore, that a healthy political economy will exemplify efficient use of scarce productive resources, thereby ensuring a sustainable growth and development by the ruling elites. The optimal allocation of such scarce resources will increasingly lead to the production of the needed quantity of goods and services in such a state. In order to fully comprehend the processes of development and underdevelopment of such African states endowed with natural resources, the historic relationships between their politics and economics must be analysed. It is a truism that it is only when the extent to which the wealth from the scarce natural resources

influenced the nature of the relationships between politics and economies, that the impact of the political economy on development and underdevelopment could be clearly understood.

In spite of the huge foreign exchange earnings and foreign direct investments in many African states that are generously endowed with natural resources, the standard of living of the citizens of most of such states have not been improved upon (Anyogu, 2008). For instance, in Nigeria, its enormous wealth which has advertised it at the international scene has been unable to improve the living standard of most of its citizens within the country. According to one Nigeria's former Minister of Finance, Shamsudeen Usman, successive Nigerian governments made a lot of mistakes in the way oil wealth was utilized in the past. He observed that revenue from the oil sector which would have been channeled to other sectors of the economy was not used for the development of those sectors (Usman, 2007). There is no doubt that the wealth from natural resources which is concentrated in the hands of a few urban based elites in Africa is the most important factor responsible for the migration of African people from the rural areas to the urban areas. Again, in Nigeria, it is a fact that the quest for a share of the oil wealth has been a pull to farmers and the younger generations of people, who migrate to the urban centres, leaving the country side for the aged people whose production capacity could only make insignificant input in the agricultural sector. The paradox of natural resource endowment to the Nigerian state is the concurrent decline of other economic sectors with the massive migration of the mass of the people to the cities and even abroad. The reality in Nigeria today, like in virtually all African states, that the reliance on wealth from natural resources, is the increasingly widespread poverty, especially in the rural areas and urban slums.

What's more, overreliance on revenue from natural resources whose prices are mostly depended on global market trends, creates the fluctuating fortunes of the states, whereby in most cases their budgets have always be in deficit. This is the process sustaining the culture of borrowing, making almost all African states to be aid dependent with the accompanying high debt profiles. A classical example of the effect of overdependence on export earnings from natural resources by the African states is the economic recession that Nigeria is always going through, due to

the fluctuating prices of crude oil in the international market. The presence of natural resources within many African states has often been a source of trouble. In such states where corruption is the hallmark of the state's management of the natural resources, their affairs have often degenerated into zones of conflicts, as rampaging militants and insurgents seize the occasion and opportunity to also extract these resources, whose profits enabled them to engage in armed insurrection against the weak, collapsing or failed states. The argument is that natural resources offer rebel groups the opportunity because they typically produce rents and they are location specific, and can be exploited on a substantial basis. It is estimated that the correlation between natural resource dependence and armed conflict is suggestive of the fact that the risk of armed conflicts can only be reduced if there is equitable management of the wealth from such natural resources through efficient diversification of the economy.

The struggle over the exploitation and control of natural resources was highly pronounced in the Civil War in Sierra Leone. Supported by the leader of the National Patriotic Front of Liberia and later Liberian President, Charles Taylor, the rebels of the United Revolutionary Front in Sierra Leone, led by Forday Sankoh, took over most of the diamond fields. It got to a stage where government soldiers and rebels alike were involved in the exploitation of the diamond through the conflict (Abraham, 1997). The manner in which the exploitations were carried out testified to the fact that the underlying objective of waging the war in the first instance was to secure access to the country's natural resource endowment. The crisis in the Niger Delta, which is hampering investment in that part of Nigeria, is also a consequence of the mismanagement of oil wealth. The Niger Delta is one area where natural resource endowment has paradoxically become a huge threat to the lives of the people in Nigeria (Omoera, 2019; Anyanwu, 2021). In 2006, the UNDP report described the Niger Delta area's human development indices as appalling. It went further to elaborate that the region was unlikely to achieve any of the millennium development goals target, other than school enrolment (UNDP, 2006). The rise of new militant groups in the Niger Delta which are increasingly becoming insurgents, despite the amnesty programme put in place to curb it, is a testimony to the self evident

history of the mismanagement of the wealth from Nigeria's petroleum oil.

Revenue from natural resources is of renter status which has little to do with the production processes of the domestic economy of such African states. In a situation where the inputs from their local economies are so insignificant in revenue generation, the bulk of the revenue which comes from outside is rent from foreign sources, and such would not make for a stable economy, unless it is channeled into other areas of their economies, such as agriculture and manufacturing sectors, where employment opportunities could be created for the people (Olurode, 2002). More often than not, the rent is not usually distributed, rather a few well placed individuals and groups have control over it, leaving the larger mass of the population in poverty. This appears to be the sorry tale of many African countries that are so endowed with natural resources.

### **Conclusion**

Generally speaking, African people have seen the mismanagement of their wealth which accrued to them, from their natural resources, by their ruling elites, who have controlled the re-distribution processes over the years. The mismanagement of the wealth of such states by their ruling elites became intensified in the age of neo-liberalism when national wealth has become personalized through various corrupt practices inherent in the system, hence, the economies of such countries have become disarticulated in the process. The wealth from natural resources on their own cannot initiate policies that can reduce poverty and inequality and create employment. Such positive developments can only take root when patriotic leaders who are imbued with clear visions, engineer socio-economic development through the enunciation of people oriented policies and programmes. The presence of rent seeking class of African ruling elites and the absence of committed leaders in most African states, especially those endowed with natural resources; imply that the status quo remains. That is, the continuous depreciation of the standard of living of the masses in such states. By keeping the masses perpetually poor, the ruling elites in such African states are, to a large extent, holding to ransom, the power of the masses, to freely vote credible candidates into governmental positions.

Also, by concentrating the wealth that rightfully belongs to the generality of the people in the hands of a few, the opportunistic position held by the African dominant elites has been transmuted to be their private treasuries. This pathological fixation on the use of politics to grab raw power and promote primitive accumulation has sustained the dynamics of underdevelopment despite the wealth generated from the export of the natural resources by most of the resource rich states in Africa. Therefore, it is imperative to submit that the ability of African states to use the wealth generated from natural resources to improve the standard of living of the African people and also to generate economic development in such natural resource rich states, depend on the emergence of patriotic and selfless leadership that would ensure the efficient management of the wealth generated from the export of such natural resources. It is pertinent to underline the fact that quality leadership can only emerge, if the masses are enlightened to do their moral and civic responsibility of voting into political offices, credible persons of high leadership quality. Such leaders must embody character, commitment, courage, knowledge, humility, responsibility, positive worldview, vision, activism, innovation, respect for history and culture, and godliness. As far as the neo-liberal policy has become the immutable and inexorable framework of Africans' existence, it is imperative to underscore the fact that the only antidote to the afflictions occasioned by neo-liberalism is the deliberate mobilization of the mass of African people around the ideology of green revolution to guarantee the agricultural productivity of the burgeoning population across the continent.

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