

# Case Study: Economic Development in Nigeria



## Location & Importance

Nigeria is a NEE in West Africa. Nigeria is just north of the Equator and experiences a range of environments. Nigeria is the most populous and economically powerful country in Africa. Economic growth has been based on oil exports.



## Influences upon Nigeria's development

### Political

Suffered **instability** with a civil war between 1967-1970. From 1999, the country became **stable** with **free and fair elections**. Stability has **encouraged global investment** from China and USA.

### Social

Nigeria is a **multi-cultural, multi-faith society**. Although mostly a strength, diversity has caused **regional conflicts** from groups such as the Boko Haram terrorists.

### Cultural

Nigeria's **diversity** has created rich and varied **artistic culture**. The country has a **rich music, literacy and film industry** (i.e. Nollywood). A successful national football side.

### Industrial Structures



Once mainly based on agriculture, **50% of its economy is now manufacturing and services**. A thriving manufacturing industry is **increasing foreign investment and employment opportunities**.

### The role of TNCs

TNCs such as **Shell** have played an important role in its economy.  
**+ Investment has increased employment and income.**  
**- Profits move to HICs.**  
**- Many oil spills have damaged fragile environments.**



### Changing Relationships

Nigeria plays a leading role with the **African Union and UN**. **Growing links with China** with huge investment in infrastructure. Main import includes petrol from the EU, cars from Brazil and phones from China.

### Environmental Impacts

The 2008/09 oil spills **devastated swamps and its ecosystems**. Industry has caused **toxic chemicals** to be discharged in open sewers - **risking human health**. **80% of forest** have been cut down. This also increases **CO<sup>2</sup> emissions**.

### Aid & Debt relief

**+ Receives \$5 billion per year in aid.**  
**+ Aid groups (ActionAid) have improved health centres, provided anti-mosquito nets and helped to protect people against AIDS/HIV.**  
**- Some aid fails to reach the people who need it due to corruption.**

### Effects of Economic Development

Life expectancy has increased from 46 to 53 years. 64% have access to safe water. Typical schooling years has increased from 7 to 9.

# Key Term

# Definition

## Industrial Structure

Relative proportion of the workforce in different sectors of the economy

## International Aid

Money, goods and services given by the government of one country or a multilateral institution to help the quality of life and economy of another country

## Transnational Corporations (TNCs)

A company that has operations in more than one country

## Role of TNCs in relation to industrial development

- Niger delta - oil. Royal Dutch Shell, Exxon Mobil, Chevron, Total and Agip Platforms and pipelines installed. Oil shipped to Europe and USA to be refined. Most profit leaked.
- Nigerian National Petroleum Corporation - joint ventures with TNCs.
- 40 TNCs - mostly UK, Europe and USA.

## TNC Example

- SHELL OIL:**
- Anglo Dutch company.
  - Huge investment.
  - 65000 directly employed and 250,000 indirectly employed.
  - 91% of contracts with Nigerian companies.
  - Issues - oil spills, oil flares (toxic fumes), militant groups disrupting supplies, oil theft and sabotage

## Advantages and Disadvantages of TNCs

- Advantages :** investment, jobs, expertise / skills, international links, new technology, multiplier effects, export revenues.
- Disadvantages :** leakage of profits, lower wage levels, environmental damage, can withdraw investment, exert political influences, poor working conditions, management jobs go to foreigners

Wider political, social, cultural and environmental context

- 1960 Gained independence from the UK
- 1967 - 1970 Civil war followed by 28 years of military government.
- 1998 - Now stable democratic government
- 500 ethnic groups - South is Christian (Igbo and Yuroba), North is Muslim (Hausa). Some ethnic boundaries broken by rapid urbanization.
- South is Tropical Rainforest (Cocoa and oil palm crops) and North is Savanna (Peanuts grown).
- Issues in the north with extremist group Boko Haram - want Sharia law and own government. 17,000 dead.

Changing industrial structure. Balance between different sectors of the economy

- 60% live on less than US\$1.25 a day. Growing inequality.
- GDP 2006 - US\$110 billion, GDP 2015 US\$560 billion.
- Money earned from Services 52%, Manufacturing 7%, Oil and gas 14%, Agriculture 22%, Other 5%.
- Nollywood - 3 rd largest film industry in the world.
- 70% employed in agriculture • Rapid increase in telecommunications and retail.
- Manufacturing increasing - processed food, leather, textiles, soap, detergents.

How manufacturing can simulate economic development

- Oil found in 1950s. 14% GDP, 95% export earnings.
- Produces 2.7% of world's oil which is higher quality than oil from the Middle East.
- Overdependence on oil -- prices fell in 2015.
- Oil processing led to chemical by products leading to growth in chemical industries such as soaps, detergents and plastics.
- Dangote Cement (Nigerian company) has expanded into 13 countries in Africa.
- All led to increased standard of living, FDI, jobs, taxes, multiplier effect, manufactured goods.
- Less imports needed and Nigerian TNCs have more influence in the region



### Tasks...

1. Describe the location of Nigeria.
2. Define TNC.
3. What is the role of TNCs?
4. Provide an example of a TNC in Nigeria.
5. Explain the positive and negative impacts of TNCs.
6. Explain the effects of economic development.
7. Explain how manufacturing can stimulate economic development.

### Questions:

1. Evaluate to what extent, economic development has improved the quality of people's lives in Nigeria"
  2. Discuss whether trade or aid is the best way for poorer countries to develop.
  3. Assess the costs and benefits of TNCs in Nigeria
1. BUG the question by boxing the command word and underlining the content you need to write about.
  2. List the key vocabulary you will use.
  3. Create a plan of what you would write in each paragraph.
  4. Practice writing your answer from memory.