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A HISTORICAL ANALYSIS OF NIGERIA–ANGOLA ECONOMIC RELATIONS, 1980–2015

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Abstract

This paper reviews the historical economic relations between Nigeria and Angola from 1980 to 2015, mainly looking at their mutual trade behavior, the kind of competition that shows up inside OPEC, and the wider push for regional economic joining through ECOWAS and SADC. Despite being Africa's two largest oil producers and sharing membership in a few multilateral organizations, direct bilateral economic engagement between Nigeria and Angola stayed rather limited during this period, even though it sounds like it should be more straightforward. Findings shows that their economic ties seemed more like rivalry than teamwork, sort of driven by different political alignments during the Cold War period, plus those kinds of institutional hurdles that come when regions are divided into separate economic communities. Also, the oil centered development model was pretty influential, it pushed growth toward exchanges beyond the continent, rather than inside African commerce. In short, it is like cooperation got crowded out, while competition kept being the main thing, even if both sides also had incentives to do otherwise. The paper argues that the structural limitations of Africa's regional integration architecture and the primacy of oil export economies prevented the emergence of substantive bilateral economic ties between these two regional hegemons.

Keywords: Nigeria, Angola, Economic relations, Oil, Regional integration, Africa

Introduction

Nigeria-Angola economic relation is perhaps one of the most important ones but at the same time least understood bilateral relations in contemporary African political economy. This is mainly because both countries are analogous to being the largest producers of petroleum on the continent, and thus constitute a significant percentage of the continent's petroleum production, and at the same time in many previous years, they were economic stabilizers of their respective economic communities; the Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC) (Afesorgbor, 2011). Nevertheless, despite their common classification as petro-states and the similarities in their development as post-colonies, the scholarly attention devoted to their economic interplay remains strangely underdeveloped. It's as if no one bothered to look at this closer when it should have been quite easy to do so.

During this period spanning from 1980 to 2015, there were some key changes in the economic narratives of both countries. While Nigeria transitioned from military governance to civilian governance, Angola was struggling with its protracted civil war, and later embarked on its process of reconstruction and recovery. In addition to that, during this period, oil markets were becoming increasingly globalized, and there was the concurrent increase in regional integration initiatives within Africa. In attempting to understand the economic relationships between these two important countries during this time, we get an insight into larger trends within the continent's trade system, such as the influence of politics on development dependent on resources, and whether or not regional economic communities really work.

A historical-institutional analysis framework will be adopted in the examination of the economic ties between Nigeria and Angola from three different perspectives that are interrelated; trade and investment flows, the relationship between them within OPEC and their role in broader economic integration arrangements in the region. This study relies mainly on secondary sources and institutional evaluations as well as trade statistics to tell the entire story of their economic relationship for those thirty-five years.

Theoretical Framework and Methodology

The research took a historical institutional perspective to analyze the economic relationship between Nigeria and Angola. The main emphasis here is made on the role played by institutional arrangements both domestically and internationally in forming the dynamics of bilateral interaction. It means that institutional dynamics was much more important than economic imperatives, which was the reason for the way of the development of the relationship. In the theoretical framework that incorporates dependency theory, it examines how resource-dependent economies in the developing world cope with the challenges posed by asymmetric global trading systems, and the regional integration theory focuses on the capacity of economic blocs to promote intraregional trade within the region (Afesorgbor, 2011).

The methodology employed qualitative research that draws on documentary analysis using the archives of documents in Organization of the Petroleum Exporting Countries (OPEC), Economic Community of West African States (ECOWAS) and Southern African Development Community (SADC), while trade statistics and some secondary sources have also been considered. However, as the data for bilateral trade between 1980-2015 is not fully available, the analysis in its entirety has to rely much more on structural or institutional considerations as opposed to an in-depth quantitative approach.

Historical Background for Divergent Paths after Colonization

Nigerian Economic History (1980-2015)

During this period, the economy of Nigeria has been significantly influenced by the country's oil wealth and also political instability. The oil boom in the 1970s made petroleum a dominant sector to some extent where more than 90 percent of export revenues and almost 70 percent of government revenue comes from it (OPEC, n.d.). However, things changed in the middle of the 1980s, as oil prices began to fall apart, resulting in an economic shock for Nigeria. It was during this time that structural adjustment programs (SAPs) were initiated during the Babangida administration in 1986. The reforms conducted under the guidance of the World Bank and the International Monetary Fund liberalized trade and privatized state-owned enterprises.

The shift towards a democratic government in 1999, through the leadership of President Olusegun Obasanjo, brought new focus towards economic diplomacy, including engagement with emerging countries such as China and Brazil. During the 2000s, it looked as if Nigeria had taken up its position again as the leading oil producer on the continent, with production levels remaining well above 2 million barrels per day, but this dominant position was soon to be challenged by the rising oil-producing country of Angola.

Angola's Economic Evolution (1980–2015)

The experience of Angola post-colonization history was entirely different from Nigeria. Almost immediately upon gaining its freedom from Portugal in November 1975, Angola found itself entangled in a prolonged civil war which lasted up to the year 2002. It was a confrontation between the Marxist-Leninist MPLA government and the rebel group UNITA (Jonathan et al 2021). While MPLA enjoyed support from Soviet Union and Cuba, UNITA had backing from the US and South Africa (Pearce, 2012; Hoekstra, 2019). This geopolitical position during the Cold War era led to entirely different economic systems in Angola than in Nigeria, since the latter maintained a closer economic relationship with Western economies, despite military governments at some point in time. Essentially, Angola followed a different route, while Nigeria remained economically aligned with the West, despite some political problems.

The economy of Angola in the 1980s & 1990s was largely characterized by war-related destruction, a huge number of displaced people, and dependency on oil export simply in order to continue with military activities. Oil production, which began in 1955 on the Benfica onshore field, became a major phenomenon particularly in the 1990s with the active participation of foreign investors due to exploration of deep-water fields. Angola became a relatively fast-growing economy by the early 2000s, as the GDP doubled from 2002 to 2008 (Muzima & Mendy, 2015). The post-war era involved reconstruction efforts; thus, huge investments were made in infrastructure development that were primarily funded using revenues from oil exports and loans from China.

Bilateral Trade and Economic Cooperation

Lack of Direct Bilateral Trade Ties

Although both countries are neighboring states in the Gulf of Guinea and, in effect, serve as Africa's leading oil-producing nations, their bilateral economic activity remained relatively low during the period from 1980 to 2015. Nevertheless, there was not a lot of direct business going between these two countries, at least not much, even though they are very close and rely heavily on oil. The research data indicated that the trade between these two countries was insignificant, amounting to US$2 million in 2016, where Nigerian exports into Angola amounted to US$442,000 while Angola exported goods worth US$1.56 million back to Nigeria (Akinola & Danjibo, 2021). The relatively small trade volumes between two of the largest African economies point to the existence of serious structural barriers for conducting trade in Africa at that time.

This kind of trading arrangement reflected the weakness of the economic strength in both nations. The major products exported by Nigeria to Angola included petroleum products, thermostats, and liquid handling equipment, whereas the major products exported by Angola included crude oil and petroleum products (OEC, 2024). Neither of these nations had actually developed a strong manufacturing or agricultural export base which could have served as a good launch pad for extensive bilateral trade.

Flow of Investment

There were very negligible foreign direct investments between the two nations during this period. The investment policies of Angola during this period had been largely influenced by major international oil companies particularly from the United States, China and Brazil, whereas Nigerian investments remained largely confined to the domestic market. The death of Nigerian banking or telecoms investment in Angola, and vice versa, as far as there being no Angolan investment in Nigeria's banking sector, seemed somehow different from the tangible presence of South African business in both countries.

It can be argued that the creation of the Angola Community of Nigeria (CAN) in 2009 by the Angolan embassy was an attempt to encourage business relations in a rather tardy manner but the impact it had on figures related to trade and investments has remained marginal (Wikipedia, 2008). In the same line, the establishment of the Angola Nigeria Business Council (ANBC), many years down the road, aimed at simplifying procedures among chambers of commerce but could not remove the basic structural obstacles to economic interaction between the two countries.

OPEC Dynamics: Competition and Cooperation

Membership of Nigeria in OPEC (1971 - 2015)

In 1971, Nigeria marked an important milestone in the organization when it became a member of the Organization of the Petroleum Exporting Countries (OPEC), becoming the first African member after Libya and Algeria. Between 1980 and 2015, Nigeria remained a top producer of OPEC, although the production level fluctuated between 1.5 and 2.5 million barrels per day. This would have been contingent on how the global economy functioned overall, apart from the more normal domestic difficulties of oil production (OPEC, n.d.). Inclusion of Nigeria in OPEC was essentially a part of the country's foreign economic policy, thus providing it with a platform for influencing global oil prices.

Angola's OPEC Membership (2007)

The affiliation of Angola with OPEC took a rather different route from what was expected. After having attempted to join the organization for a number of years, Angola finally succeeded in joining OPEC in January 2007, becoming the 12th member of the organization at that time. It was due to a combination of various different factors including the need for gaining international prestige, influencing international oil prices, and making money from production policies (GIS Reports, 2024). Angola's oil minister Desiderio Costa had also been sounding quite optimistic prior to this, stating, "We have been wanting this for a long time."

Nonetheless, the fact that Angola was now a member of OPEC soon became a point of controversy. The financial crisis of 2008 caused a sort of price collapse for oil, which forced OPEC to introduce record cuts in its production, and thus reduce Angola's production by about 10-15% in 2009, when Angola had the chance to head OPEC (GIS Reports, 2024). It could be considered as one of those occasions where a sort of foreboding of the disputes between Angola and OPEC appeared in the future years.

Competitive Dynamics in OPEC

The Nigeria-Angola dynamic within OPEC, competition rather than cooperation characterized their interaction and one may say that it was a continuous game of tit-for-tat between the two countries. The two countries produced similar light sweet crude oil and exported them along similar routes in Europe, Asia, and America. However, this is when the shale revolution came into play in the United States, starting in 2008. This had a negative effect on the oil produced by the West African producers because shale oil had a common quality profile with the oil from Nigeria and Angola (GIS Reports, 2024). The increased competition therefore resulted in increasing rivalry and not any cooperation between the two African producers.

However, by 2014-2015, both countries had ramped up production to levels contributing to high overall OPEC production at a time when demand was weakening, thus contributing to increased oversupply of oil, which in turn resulted in the drastic fall in oil prices at the end of 2014 (Fattouh et al., 2015; Baumeister & Kilian, 2016). In November 2014, Saudi Arabia, under the leadership of its Oil Minister, Ali Al-Naimi, defied attempts by some OPEC members, including Nigeria and Angola, to cut production collectively. In essence, the proposal was meant to increase prices, but the Saudis felt that price balance could be achieved by market mechanisms alone (Fattouh et al., 2015). The incident illustrated the limited influence of African OPEC members in terms of the decision-making process in OPEC and the different economic interests they have relative to the Gulf Arab members.

Regional Economic Integration: ECOWAS, SADC, and the Continental Divide

Nigeria's Contributions to ECOWAS

Basically, Nigeria has played the role of the economic and political engine behind ECOWAS from the very creation of the organization in May 1975. The Lagos Treaty, which established ECOWAS, can be said to have envisioned a gradual process of creating a free trade zone, custom union, common market, and ultimately an economic and monetary union (Afesorgbor, 2011). This hegemony of Nigeria in terms of economy in the community is depicted in the fact that Nigeria had been allocated 35 seats in the ECOWAS Parliament, the highest number for all the member states (Fattouh et al., 2015).

Nevertheless, the ECOWAS performance in terms of intra-regional trade was relatively modest during the period between 1980 and 2015. The intra-ECOWAS trade accounted for roughly 3.1% in 1970, rising to about 10% in the 2000s, though this remained very far behind the achievements recorded in other more integrated regional blocs (Afesorgbor, 2011). The Nigeria's trade was characterized by domination in intra-ECOWAS commerce, trading mainly petroleum products and manufactured goods to neighboring West African countries, although the bulk of these transactions was focused on French and English speaking ECOWAS countries and not Southern Africa.

Angolan involvement in SADC

The integration policies of Angola have been to some degree determined by the fact that Angola was a member of the Southern African Development Coordination Conference (SADCC), which was established in April 1980 through the Lusaka Declaration. The countries included in the SADCC, namely Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, and Zimbabwe, were united largely due to the desire to reduce their economic reliance on South Africa during the apartheid regime. Eventually, the entire SADCC structure was transformed into the Southern African Development Community (SADC) in 1992 at the Windhoek summit, which marked the beginning of a shift towards economic integration.

The civil war that happened in Angola limited its participation in SADC economic programs in the years of 1980s and 1990s. However, after the year of 2002, when Angola started reconstruction and kind of appeared again as a significant economic player in the community, the profits from oil contributed to financing many infrastructure developments and regional development programs. In addition, in the 2010s, Angola by itself accounted for more than 5% of all intra-SADC trade (Afesorgbor 2011).

Structural Constraint to Nigeria-Angola Economic Cooperation

In the 1980–2015 period, the major institutional constraint to Nigeria-Angola economic cooperation was that the two countries belonged to entirely separate regional economic blocs. ECOWAS and SADC were as good as "totally different circles" with no shared membership at all, and hence each formed entirely unique institutional frameworks, trade policies, and ways of coordinating policies (Afesorgbor, 2011). Due to this fact, the two parties simply did not have any official avenue for reducing trade or investment friction between the two countries.

The trend through which regional integration develops across Africa is becoming even more complicated in nature as it did with the 'spaghetti bowl' phenomenon with respect to trading agreements, and in reality, this has caused economic transactions across regions to become more difficult. In other words, the participation of Nigeria in UEMOA and WAMZ, while Angola's participation in SACU and Rand Monetary Area have generated various macroeconomic configurations that were quite discouraging to two-way trade across nations (Afesorgbor, 2011).

Geopolitics and Other Economic Relationships

Relationships during the Cold War and their Consequences

The Cold War actually influenced in a very essential way the external economic orientation of both Nigeria and Angola, creating different geopolitical orientations that remained for a time after the end of the Cold War. During the 1980s and 1990s, the MPLA government of Angola retained strong political, military, and economic ties with the Soviet Union and Cuba, which were followed by its closer relationships with China. Nigeria, on the other hand, despite having both military and civilian regimes, often opted for pragmatic dealings with their western allies such as the United States of America and United Kingdom although sometimes things would heat up diplomatically (Hodges, 2004; Malaquias, 2007; Adebajo, 2008). These independent orientations, therefore, led to the flow of foreign investment and business dealings to different players in the international arena and consequently restricted prospects of economic cooperation between Nigeria and Angola.

The Emergence of China and the BRICs

In the decade of 2000s, there is an observable change in terms of economic relationships of both Nigeria and Angola in the direction of emerging economies and particularly in relation to China. In 2010, China became a significant trading partner for both states with the trade value between Nigeria and China reaching $7.76 billion with Angola being the second largest trading partner of China in Africa. Nonetheless, this exact shift towards China did not extend itself to any form of increased collaboration between Nigeria and Angola. Rather, it seemed to fuel competition, especially regarding Chinese investments and construction agreements, as well as market access.

Both countries were also involved in important relations with Brazil, which is another BRIC country that enjoys extensive historical links with Africa. There was an agreement on cooperation between Nigeria and Brazil in September 2005 on such issues as trade, investment, technical cooperation, and culture renewal, and the Portuguese-speaking background of Angola facilitated the process of developing relations with Brazil (Adebajo, 2010). Ultimately, the two separate relationships with other countries further weakened any reasons for economic cooperation between Nigeria and Angola.

Oil Curse and its Bilateral Implications

Dependency on Resources and Trade Relations

The manner in which oil dependency occurs in the two countries' trade relations has formed this major barrier to economic diversification in the bilateral setting. Angola relies heavily on oil, which forms over 96% of the country's exports, 56% of government income, and 34% of GDP while in Nigeria, the country depends heavily on oil exports (GIS Reports, 2024). Due to the presence of this heavy concentration of resources, both nations have to import their majority of manufactured items, foods, and services from other nations, mainly Asia, Europe, and America, which is quite restrictive in terms of trading.

The likeness of their export pattern more or less killed the theory of complementary trading for energy commodities. The two nations were producing and exporting crude oil on one hand, while importing refined petroleum products on the other. Instead of complementing each other, the two nations had parallel trading connections on an international scale. While there was a semblance of complementarity from the export of refined petroleum products by Nigeria to Angola, it was a negligible economic connection due to very low quantities.

"Dutch Disease" and Deindustrialization

In both Nigeria and Angola, in the timeframe of 1980-2015, "Dutch Disease" symptoms were observable, as the increase in value of the oil industry made other industries uncompetitive on international markets. And thus, this type of deindustrialization, together with decline in agriculture, greatly restricted possibilities for mutual trade without oil-related goods. By the 2010s, there was no proper industrial infrastructure in either of the two countries sufficient enough to produce any export surplus goods that would enable bilateral trade between them.

Towards Greater Cooperation: Late 2000s and 2010s

Institutions for Cooperation

Though structural obstacles remained, there have been some preliminary moves towards greater cooperation between Nigeria and Angola in the late 2000s and early 2010s. Both countries were members of the African Union, Gulf of Guinea Commission, and the African Petroleum Producers Organization (APPO). These institutions served as platforms through which the two countries could cooperate on a number of multilateral policies, including those on maritime security, energy policy, and regional stability, (Arise TV, 2024).

Even though the meetings of the Angola-Nigeria Bilateral Joint Commission may have been irregular in the years 1980-2015, the Angola-Nigeria Bilateral Joint Commission was certainly some form of institutional framework that enabled the promotion of the agreements on cooperation in various spheres such as political, economic, and military. Nonetheless, the effect achieved remained somewhat limited due to the lack of specialized working groups, sufficient financial resources, and, in addition, the preference given by both countries to other forms of bilateral relations.

Economic Facilitator through Security Cooperation

There was this case where security cooperation in the Gulf of Guinea sort of emerged as a potential foundation for developing economic relations. Both Nigeria and Angola had faced serious challenges related to maritime piracy, oil theft, and poaching along the coastal regions and as a result had developed common interests regarding naval coordination and maritime cooperation (Ukeje & Mvomo Ela, 2013; Onuoha, 2013). On the other hand, the operations related to the Movement for the Emancipation of the Niger Delta (MEND), such as the arrest of MEND's spokesman Henry Okah, an indigene Bayelsa state from Amassoma community in Angola in 2007, followed by his extradition back to Nigeria in 2008, served to illustrate the entanglement of security issues in both states. This has helped to demonstrate the need for collaborative efforts on cross-border security issues in both practice and theory (Gilpin, 2009; Onuoha, 2013).

Unfortunately, however, security cooperation did not transform into tangible economic cooperation during this period, at least not to a large degree. The focus was on dealing with the immediate security problems, rather than building the foundations necessary for future economic cooperation.

Conclusion

It can be noted from the analysis that there were poor economic ties between Nigeria and Angola within the period 1980 and 2015. This was mainly because of the difference in regional economic blocs, the similarity in oil-based economies, geopolitics and limited economic diversification. The research outcomes indicate that in order for bilateral relations to be strengthened, it is necessary for both nations to decrease barriers in trade, venture into agriculture, manufacturing and other sectors apart from the oil sector, invest in the private sector, and enhance collaboration between their respective regional economic blocks.

From the findings above, the study recommends the following:

1. Nigeria and Angola need to strengthen their bilateral relations by creating agreements that lower trading barriers and investments in each other.

2. Both countries should foster cooperation outside oil, especially in agriculture, manufacturing, infrastructure, and services.

3. African regional associations should coordinate well among themselves to make trading easy between the members of different economic blocs.

4. The governments should encourage Nigerian and Angolan firms through investment policies, trade exhibitions, and joint ventures.

5. Both countries need to diversify their economies to minimize the impact of price fluctuations in oil prices.

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