

**State,
Governance
And Regional
Integration
In Africa**

Editors:
Aloysius-Michaels Okolie
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Gerald Ezirim

Published by the Nigerian Political Science Association, July 2019

India-Nigeria Economic Relations: Prospects and Challenges

Ghazali Bello Abubakar & Umar Ubandawaki

Department of Political Science

Sokoto State University

Abstract

India and Nigeria are relatively big economies in Asia and Africa respectively. India's quest for energy due to its industrialization nature make it sine qua non to collaborate with many African countries including Nigeria in order to meet her risen energy demands. This paper tries to identify a new economic vying scramble for Africa between the two largest Asia's economies: India and China over the resources lurks around every corner of the continent. Nigeria with its vast petroleum reserves and other natural resources favours India's partnership in order to boost its economy. This paper mainly focuses on Indo-Nigeria bilateral economic ties, considering the strategic important of the both countries. Nigeria is ranked the twelfth world largest oil producing country drives. This remains a driven factor leading India's engagement with Nigeria in the energy and hydrocarbon sector. India and Nigeria emerge to be the key element where political, diplomatic and cultural relations revolved around. Equally, it emerges that so many analyses revealed that global credit crunch and Arab spring crises challenged the energy capacity building efforts and consequent integration of India and Nigeria. The paper therefore concludes that Nigeria enjoys India's large trade and health sectors and thus remains the India's biggest trade partner in Africa. This paper brings about a general view of Indo-Nigeria economic relations, specifically on the issue of energy, which concretely knotted the two sovereign states through various co-operations and building capacity measures. It would nevertheless, look into diplomatic ties as well as political background of the two commonwealth nations.

Keywords: Economy, energy, India, Nigeria, diplomacy, relations, history

Introduction

As one of the Asia's powers with rapid growing economy; India's quest for energy accelerates its collaboration with many resourced countries in Africa. India emerges to vie with other super-fast economy in the region in one hand, and combating domestic pressures and social malaises on the other. This attempt keeps India so much busy in sacrificing all the possible means in order to build marketable space which could extend her businesses and attract trading partners from Africa, Europe and U.S.

According to the report released by the Economist, Indian economy has grown at the impressive annual rate of 6.2 percent between 1996 and 2000, which reached growth of 9.8 percent in 2007/08. It has been proved that still Indian government forwardly targeting another 15 percent growth against the year 2016/17. This might not be a bad thing as it will avoid inflationary pressures building further.

However, some observers worry that the global credit crunch could force India to reduce growth much more. In one hand, it's clear that India's growth is not so dependent on growth in the West, regardless with the question of globalization.

As so, India attentively paid more attention toward strengthening energetic relations and building capacity with more than one country in Africa. It has also stepped up its efforts to gain an economic foothold in Africa in a new scramble with China for the continent's resources, signing energetic dealings with top oil producers: Angola and Nigeria to enable her attaining its goal through the pointed period of time. Additionally, the Indian stock markets have been hit by the global financial crisis of recent 2009. India's growing service sector and manufacturing sector would be adversely impacted by a global downturn (Kura, 2009).

Nigeria with its largely vast petroleum reserves remains India's biggest partner in building energy capacity in Africa. Perhaps, this makes Nigeria to not stand in favour to actively seek large amount of direct foreign aid. Whereas low-income countries received average of \$10.20 per capita in 1991, in which Nigeria received only \$2.60 at the same year, a mere of around 0.8 percent of GNP. At the same moment, Nigeria used its oil reserves as collateral for massive borrowing from foreign and international banks during the 1970s and 1980s. The funds supported massive capital expenditure, and gave Nigeria an enormous external debt, which rose from 10 percent of GNP to 140.05 percent between 1980 and 1995. Oil wealth did not bring the country financial independence; quite the contrary, the debt gives international leaders a predominant voice in Nigeria's allocation in public funding.

For a long time, Nigeria, the country of nearly 183 million people, has been considered as a role player and the most populous nation in Africa, enjoys resources in abundant. Vasudevan, 2010 added that with these features Nigeria desires to replace South Africa and become the continent's economic powerhouse; between 1995 and 2005, Foreign Direct Investment (FDI) that has been flowing into Nigeria increased from \$1.27 billion to \$3.4 billion, and spiked to nearly \$6 billion by 2006. In 2007, with economic growth rate of 6.3 percent, Nigeria was rated in the top twelve emerging-market economies. Many African observers believe that despite the country's unpredictability potentially the country is capable of enjoying significant economic growth and is worth doing business with. Prominently, India is among the world largest democracy leading the third world nations. Over the last one decade or so, India emerges as one of the fastest growing economies in the world.

Apart from diplomatic and trade relations, both Nigeria and India are members of the Commonwealth of Nations, G77 and non-Alignment Movement, as they also share and support democratic system of government. Both of them are contenders for permanent seat in the United Nations Security Council in its reform agenda to expand veto-power memberships.

India-Nigeria at Glance: A Historical Background

Both India and Nigeria are former British colonies. Indeed, diplomatic and economic relations between the two commonwealth states predated their political independence, and thus relations between them have their fertility in anti-colonial

sentiment. Henceforth, this provided an impetus and *modus operandi* for Nigerian nationalists in their struggles for independence. The Indian struggle for independence was particularly significant for Nigeria because India was a non-Caucasian nation. It was also the oldest of all the tropical dependencies of Britain, as it led the way in the struggle for independence; thus, it acted as one of the stimuli in the growth of national consciousness in many of the Afro-British colonies including Nigeria.

The belief was that the international balance of forces would have forced the colonial powers to end their colonial dominations. In fact, this marked the beginning of political interaction between India and Nigeria. Apart from the colonialist struggles in general, which perhaps, acted as a metaphorical midwife for the two countries' earlier political interactions, the thinking, passion and philosophy of the people of India, including Mahatma Ghandi, Jawaharlal Nehru and Bose, influenced pioneering Nigerian nationalists and politicians. This admiration had been well highlighted in the first ruling generation of Nigeria. Therefore, it was not surprising when Awolowo became the Premier of the Nigerian Western Region in 1952; his first foreign trip was to India. Emphatically, the language of the Nigerian nationalists in the early years of the movement was reminiscent of the language employed by the nationalist leaders in India. The Nigerian nationalists also borrowed tactics from the Indian Nationalist Congress (Kura, 2009).

India's success in achieving independence in August 1947 has greatly influenced Nigeria. This is because as a result of independence, India became a sovereign state, and henceforth a member of the United Nations (UN) and Commonwealth. It was on the grounds of having suffered colonial onslaught that India championed the course of decolonization and eradication of racial discrimination. Upon attainment of independence in October 1960, Nigeria became a member of the Commonwealth, the UN and the Non-Aligned Movement, among other international groups. Under the auspices of these international organizations, as well as through individual efforts, both Nigeria and India have fought colonialism and racial discrimination in Africa and other parts of the world. Acknowledging the pre- and post-independence influence of India on Nigeria, President Shehu Shagari expounded in a visit to India in 1983 that:

We come to salute India, the largest democracy in the world. We also come to learn from India, as we have been learning, beginning from the example of your [India's] great Mahatma Ghandi, the greatest hero of all colonial peoples throughout modern history. The moral force of his [Ghandi's] passive resistance philosophy ultimately led to victory. This has been the source of inspiration to all of us [as colonial appendages] and has guided us in our own struggles to achieve our own freedom from colonialism and exploitation. We also watched with interest the achievement of your republican status within the Commonwealth. We followed your example and your model" (Kura, 2009: 03).

Handsomely, this was the concrete foundation upon which the relations between India and Nigeria were formally enacted. Furthermore, these two countries have cordially maintained the bilateral agreements from pre-colonial era until today.

Indo-Nigeria Political and Diplomatic Ties

The establishment of diplomatic house usually marks the beginning of formal and official diplomatic and political interactions between sovereign states. India established its diplomatic mission (or house) on the 20th November, 1958, in Lagos, which was the then-Headquarters of the Federal Republic of Nigeria, two years prior to Nigeria's independence. To further cement what was to become a substantive relationship, the India mission was eventually upgraded to the status of a High Commission after Nigeria became a politically sovereign state. The cordial diplomatic relations between Nigeria and India cannot be contested.

At the international level, the two countries have unanimously supported the rights of nations to self determination and freedom from colonial and foreign subjugation, supported all liberation movements in the legitimate struggle for national independence, and offered unrelenting support for all efforts to dismantle the system of apartheid in South Africa in the 1980s and indeed all forms of racial bigotry and prejudice. In the context of Africa as well as at the international level, this has served as another aspect that continues to bring India and Nigeria into direct diplomatic contact. This is not to say that the mere fact of claiming similar policy towards an international issue shows the concrete nature of the two countries' relations. Yet the implication is clear, namely, that having similar policy towards an international issue more often strengthens bilateral relations between Nigeria and India (Kura, 2009: 01-06).

Again, visiting to Nigeria by the then Indian Prime Minister Jawaharlal Nehru in 1962 opened an important chapter in a long-lasting friendship between Nigeria and India. Today, the political and diplomatic relations have fruitfully blossomed. In furtherance of cementing their relationship, Nigeria and India, signed the Bale Convention in 1990 to control the export of dangerous industrial waste and its movements across borders.

In technical terms, Nigerian President Obasanjo visits India in 2004 and those of Indian Prime Minister Manmohan Singh in 2007 have opened a new chapter in the two countries' bilateral relations. Moreover, Prime Minister Singh's visits constitute the first visit to Nigeria after 45 years from any Indian Prime Minister. These visits have reinvigorated and redefined relations within the context of the contemporary developmental and political challenges facing the two countries. These relations were further consolidated through the quick implementations of the agreements and recommendations that resulted from those visits (Kura, 2009: 26).

The Economic Phase of the Relations

Economic relations are among the utmost aspects of the country's international political agenda. As political and social interactions began between India and Nigeria ever since before attaining independence, economic and trading ties

also putted into significant considerations as early 1923 in pre-independence time, when India launch K. Chellaram trading company, since then, the formal economic relations start to play key role between the two countries. From the year 1923 till date, the economic relations between India and Nigeria have maintained to prove the given title. There are more than 135 Indian companies including Airtel, Tata, Bajaj Auto-Reckshow, Mahindra, etc. offering multiple services across the 36 Nigerian states. The India's export to Nigeria was dominated by manufactured items such as machinery and instruments, pharmaceuticals, electronics, transport equipment etc. The total India's exportation to Nigeria during the 2017-2018 only, accounted US\$ 2.26 billion; whereupon its importation from Nigeria during the same period was calculated as about US\$ 9.8 billion (Indian High Commission, Abuja, 2018).

About 40 percent of the commercial fuels that power the industries contemporarily world are oil, and nearly 30 percent of that is coal, while 25 percent coming from gas, hydroelectric and nuclear contributes 5 percent. The fossil fuels include Oil, Gas and Coal; have the shares of 95 percent of the world's energy consumptions. All of the three are massively exist in Nigeria. Though some energy consumption for electrification is coming from hydroelectric dams or nuclear power plants, but still most of that however, it comes from burning fossil fuels.

In the recent years, India appears to be the largest Nigeria's petroleum products importer. The total India's imports from Nigeria reached around US\$ 9.5 billion in the 2017. Whereupon crude oil and other related products accounted for \$ 9.29 billion. This marks Nigeria as one of the main sources of crude for India. Nigeria has emerged as the fourth largest supplier of crude oil and second largest supplier of LNG to India in 2017. Informally, it is estimated that there would be around US\$ 10 billion of investment by Indian companies in Nigeria (India High Commission, Abuja, 2018).

Traditionally, balance of trade has been in Nigeria's favour, mainly because of large Indian imports of crude oil and the amount of trade deficit that dependent on the price of oil. Oil constitutes more than 96% of Indian imports from Nigeria. However, India has also emerged the 4th largest destination for Nigerian non-oil exports.

In an official visit paid by Nigerian Foreign Minister, Henry Ajumogobia to New Delhi in first quarter of 2011 held a discussion on trading and other related issues, in which India plans to invest in Nigeria's growing natural gas industry through its state-run companies. Eric Yep mentioned (in Wall Street online Journal, 2011) that, the world's second-fastest growing major economy (India) wants to raise crude oil imports from Nigeria to 18 million metric tons a year from 2012-13 onwards, compared with 13.2 million tons in 2010. Accordingly, India is interested in tying up Liquefied Natural Gas (LNG) imports from Nigeria immediately, as the country's requirement of LNG is projected to increase from 8.91 million tons in 2009-10 to 12-15 million tons a year in the foreseeable future.

India's increasing of fossil fuel imports from Nigeria coincides with the Arab Spring in Middle East, which put oil supply from the region at risk. This has attracted countries such as India, which imports about 80 percent of its crude oil requirements,

to diversify sources of fuel supply. In the other hand Nigeria LNG has an export capacity of 22 million tons a year. Its shareholders include Nigerian National Petroleum Corp (NNPC), with 49 percent stake; Shell Gas BV, a unit of Royal Dutch Shell PLC with 25.6 percent. Already GAIL India has submitted a proposal to participate in Nigeria's Gas Master Plan Project, along with other petrochemical and city gas distribution projects in Nigeria. The project is designed to open up commercial gas exploration and boost economic development in the African nations.

India-Nigeria Bilateral Trade Statistics

Value in US \$ million

	2013-14	2014-15	2015-16	2016-17	2017-18
India 's Exports	2,668	2,681	2,222	1,764	2,255
India 's Imports	14,098	13,683	9,949	7,659	9,501
Total Trade	16,766	16,364	12,171	9,423	11,756

Source: Indian High Commission, Abuja, December, 2018 URL: <http://hcindia-abuja.org/India-Nigeria-Bilateral-Trade-and-Economic-Relations.php>

India's Main Imports From Nigeria

Crude oil, metal scrap, wood, cashew nuts, iron and steel, cotton and gum Arabic are among the large trading items that imports by India. In 2006 only, India imported crude oil from Nigeria worth US\$ 5218.24 million. However, a large number of Indian companies have footprints in Nigeria, which have made substantial investments in Nigeria. Bilateral annual trade turnover was over \$ 8.7 billion in 2009-10, and during first nine months of 2010-11, i.e. April-Dec 2010, 59 percent growth was registered, the details are as below:

Nigeria is a major oil producing country. Its reserves are currently around 30 billion barrels and are estimated to rise to 40 billion barrels by 2010. In end-November 2005, with the commencement of production at the Bonga Oil Field, Nigeria's daily output rose to 2.63 million bpd which of late has gone down due to unrest in the region. India's interest in Nigeria's oil sector has three components: term contract for crude purchase, participation in the upstream sector and refineries. In 2005, there have been several significant developments in India-Nigeria hydrocarbons cooperation.

An Inter-Ministerial Task Force of the Government of India visited Nigeria in November 2005. At the conclusion of the discussions, a MoU was signed between ONGC-Mittal Energy Ltd (OMEL) and the Nigerian Government for a US\$ 6 billion oil-for-infrastructure deal. The essence of the MoU is sourcing of 450,000 BPD of equity oil and 200,000 BPD per day equity gas [totalling 650,000 BPD oil + oil equivalent and gas - equivalent to 32.5 MT] per year over 25 years. On its part, India will assist Nigeria in the establishment of a 2000 MW thermal power plant, a refinery and upgrade its railway infrastructure. In May 2006, OMEL was awarded two oil blocs.

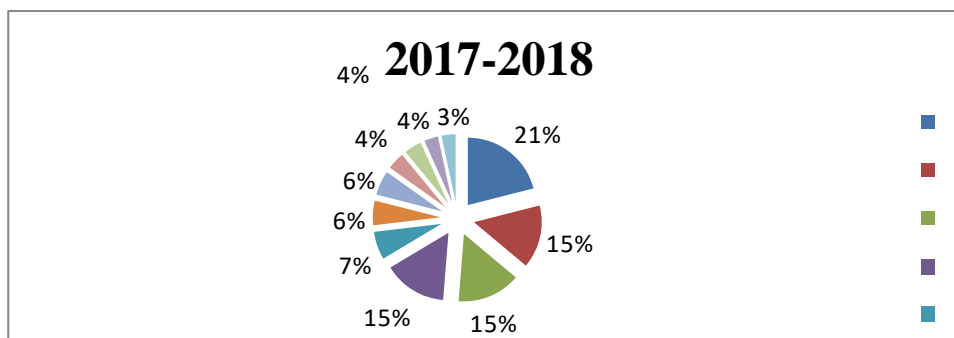
The visit of the Inter-Ministerial Task Force was preceded by the visit of a similar team from Nigeria, led by its Minister of State for Petroleum Dr. Edmund

Daukoru, to India in October 2005. Earlier, in March 2005, an Indian Petroleum delegation led by Shri Talmiz Ahmad, Additional Secretary, Ministry of External Affairs and comprising representatives from MEA, Ministry of Petroleum and Natural Gas, ONGC Videsh and IOC visited Nigeria. Some other Indian companies like ESSAR & STERLING have been allocated oil blocs in May 2007. In the upstream sector, ONGC Videsh (OVL) won a 15% stake in Block II of the Joint Development Zone (JDZ) of Nigeria and Sao Tome Principe. Separately, OVL is making efforts to acquire some other oil blocks in Nigeria (ONGC, 2005).

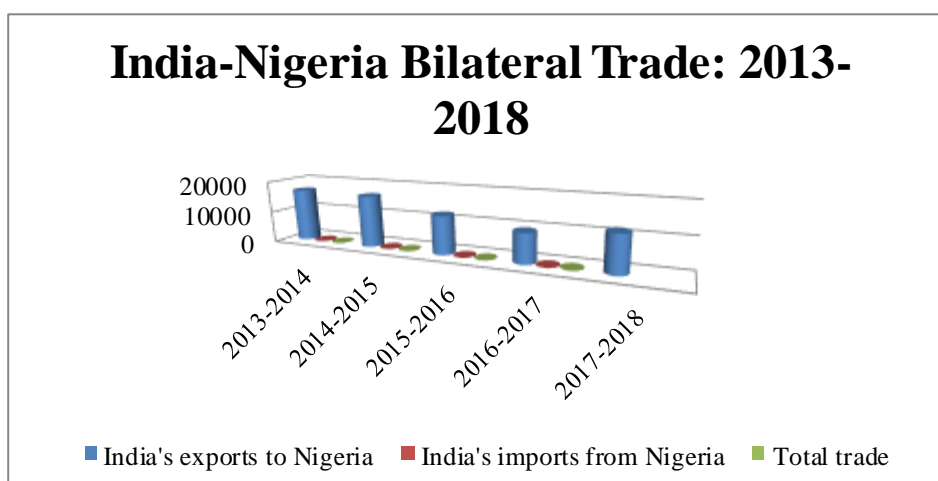
Traditionally, Nigeria has been a major supplier of crude oil to India, mostly bought on the spot market. In May 2005, Indian Oil Corporation and NNPC agreed on a contract for NNPC to supply 40,000 BPD to IOC. However, in 2007 the contracted supply was increased to 60,000 BPD. The Indian Oil Corporation (IOC) is discussing setting up a refinery in Edo State. Some Indian private sector oil companies, e.g., Essar, Mittal Investments etc are also pursuing refinery projects in Nigeria. A high level delegation from Nigeria visited India to attend India-Africa Hydrocarbon Conference from November 6-7, 2007.

Indian companies have sizeable investments in textiles, chemicals, electrical equipment, pharmaceuticals, plastics, fishing etc. The first Indian company, viz. K. Chellaram Company, was set up in Nigeria in 1923. India has assisted Nigeria through transfer of technology, machinery and expertise in the form of joint ventures and consultancy services. Nigeria is the largest destination in Africa of Indian manufactured products. Nigeria also imports more Indian pharmaceuticals than any other country in the African continent. Trade turnover continues to grow, including in computer components and software services, with large potential for Indian project exports in railways, power generation and electricity transmission, telecommunications, defence and machine tools (Ngozi Sams, 2010).

Petroleum India International (PII) has been involved in the maintenance of Port Harcourt and Warri oil refineries through the provision of technical manpower and training of Nigerian engineers. PII is also involved in the disinvestments of the National Oil Company. India and Nigeria have been discussing finalization of bilateral agreements for strengthening economic cooperation. These include the Trade Agreement, BIPA and DTAA. These agreements are likely to be finalized soon.



Source: India High Commission, Abuja, 2018, URL: <http://hcindia-abuja.org/India-Nigeria-Bilateral-Trade-and-Economic-Relations.php>



Source: India High Commission, Abuja, 2018, URL: <http://hcindia-abuja.org/India-Nigeria-Bilateral-Trade-and-Economic-Relations.php>

Prospects and Challenges of the Relations

Normally, challenges began against backdrop of extensive bilateral connectivity between the two nations as prospects are inevitably fruits of a relation. To Nigeria, the much concerns are first of all, poor economic policy, lack of infrastructures, and misspending revenues collected from various means of generating national income. Nigeria with it is sizeable number of citizens; almost one-fourth of the Africa's entire population, facing paramount burdens including lack of sincerity by the bureaucrats. These bureaucrats enjoy ability to determine what government officials know, and chance to act as custodians to the national objectives for wider benefit that could inclusively sparse to the common individual instead of personal gaining. Rampant corruption seizes the commensurate worthiness to build convenient environment for trade and investment operate by foreign countries like India.

Likewise, quality education, health care, transportation and above all, security are extensively far below average. Insecurity emerges to be the top challenge ever faced by Nigeria as a nation. Kidnapping, arm robbery, and bandits worsening especially in the northern region. Boko Haram is yet another shortcoming disrupts well-being of the India-Nigeria economic relations.

Comparatively, India has heavyweight load if to ensure mutual gain in its economic ties with Nigeria. Therefore, any additional utility that could be brought about in this connection, might simultaneously take longer period than expected to materialize (Vasudevan, 2010).

In yet another challenge for Nigeria is that, it is observed that the Indian businesses that secured permanent settlement in Nigeria affect Nigeria's exportation and domestic sales simultaneously. Although it provides jobs for both Indians and Nigerian, but Nigeria is still not in better position to have these opportunities in India. Similarly, the disturbing nature of inadequate power supply in Nigeria is an undeniable resistance facing by Indian companies, trade and investments while running their businesses.

Generalization and stereotype are deadly dangerous in Indo-Nigeria relations. To some extent, both Indians and Nigerians generalize and fall onto trap of stereotype in one way or the other. Negatively or positively, all generalizations are bad and dangerous. Stereotype can be seen as closely fruit of generalization in calling attention on idiosyncratic attitude and nature of someone. Chinua Achebe expressed that stereotypes are never malicious necessarily. They could be well-meaningful and friendly. But at the same moment they show no care and indifference of attitude that implies that the object of your categorization is never as worth as the trouble of individual assessment.

Conclusion

It is to this juncture clear that India and Nigeria have more or less a lot to share in order to promote mutual understanding, boost economy and stabilize political democratization in their respective regions. The shared historical and cultural values have too much helped in developing idea of collaboration between the two sides. The common Indo-Nigeria societal features in multi-ethno-religious features assure some certain degree of certitude in future correspondences between Indian and Nigerian peoples. More so, the partnership based on development, equality, solidarity, mutual utility and longstanding friendship foster a fashionable proposal toward enhancing cooperation in capacity building.

Direct and indirect technology and knowledge transfer in various sectors including education, healthcare, pharmaceutical, transport and communication sectors are directly being a bridge between India and African nations. Indirectly, India agrees to exchange knowledge, skills and information with majority of African countries in agriculture, oil and gas, trade and investment sectors.

Despite the number of challenges that try to hinder proper deliverance and prosperity of the agreement; shared benefits is assured in many nations within the continent. The challenges are not limited to inadequate knowledge and ability among

Africans to easily identify the technology that well suits particular need. Secondly, financial paucity and organizational slower pace of technology are other factors that serve as blockage against full utilization of India-Africa transfer of knowledge. Thirdly, lack of access to information on new branded technologies and innovation, remain a challenge to the agreement.

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