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A New Entry into the World Oil Market: Nigeria and Its Relations with the Atlantic Powers, 1967-1973

Abstract. *Oil was found for the first time in commercial quantity in Nigeria in 1956 with the outbreak of the Six Days' War it became of paramount importance for the West. It could not also be ignored that Arab producers were acquiring such a big surplus of financial reserves that they were already able to stop production for a considerable span of time. The Nigerian civil war ended in January 1970 and oil represented a valid alternative to traditional sources of supply. The West African country started to give priority to strengthening ties with fellow-Africans and cooperating with other Third World countries. The American policy towards black Africa radically changed after the military coup overthrowing the dictatorship in Portugal in 1974. Soviet, Cuban and Chinese aid to national liberation movements of Southern Africa persuaded Kissinger that it had become necessary to contain communist influence in order to avoid a large scale war. Within this context, Nigeria was by far the most important country in black Africa for the United States, being the world's fifth largest oil exporter and with an estimated forty trillion cubic feet of natural gas. From a poor country located within the British traditional sphere of influence, Nigeria had become a privileged trading partner, thus leading to a commercial rivalry among Western allies.*

Keywords. Oil; Nigeria; Atlantic Powers; United States.

Introduction

«Nigeria's size […], economic potential, active diplomacy, and often acknowledged role as spokesman for the interests of Black Africa make it a major center of influence on the Continent and the developing world. Friendly ties with Lagos give us access to a significant locus of power […]. US private investment in Nigeria has grown to some $ 800 million. Most of it is and will probably continue to be in oil […]. We have a large interest in protecting the stake of US investors […]. Nigeria is second only to South

Africa as a market for US products on the Continent».[1] Through words like these it is easy to realise how pivotal the country at issue was for the United States in the 1970s. American interests intersected with African issues along three main points: access to economic resources and investment opportunities, relations between developed and less developed countries within the United Nations, and internalisation of African conflicts.[2] According to this scheme, Nigeria's military strength of 250,000 men and the ability to act as back-up source of petroleum supplier for Europe were turning Lagos into one of the main centres of power in the Third World.[3] As an evidence of this, two thirds of the Nigerian oil production were in British hands, thanks to the substantial Shell and British Petroleum investments in the country, which had set up the Shell-British Petroleum Development Company of Nigeria Ltd. Moreover, the two majors had a further interest by virtue of the fact that they possessed a twenty percent share in the Nigerian refining industry. In a few words, the British stake in that country was so important that it could be affected by several factors. For example, in case of an arms sale on a large scale to South Africa, the Federal Government could decide to take over the British share in the oil industry. Such a raw material was particularly important also for the supply of the British home market, so that in 1971 8 percent of the United Kingdom's imports had come from Nigeria.[4] Due to growing petroleum reserves, moreover, the country had become financially solvent and the central military government enjoyed stronger and stronger power over the States of the federation, thus gaining American respect as an emerging

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[1] *African Policy Analysis and Resource Allocation Paper (PARA): Nigeria*, 1972, Approved by the NSC Interdepartmental Group for Africa, AF/W 77D84, 1788 POL 1-B PARA, Confidential/Noforn, in National Archives and Records Administration (thereafter NARA), College Park, MD, Record Group 59 (thereafter RG 59), A1 5712, *General Records of the Department of State*, Bureau of African Affairs, Office of West African Affairs, *Records Relating to Nigeria, 1967-1975*, Box 7, Lot 77D84, POL 2-A 1973, Political Relations: US/Nigeria.

[2] See J.S. WHITAKER, *Introduction: Africa and U.S. Interests*, in J.S. WHITAKER, ed., *Africa and the United States: Vital Interests*, New York, NY, New York University Press, 1978, p. 6.

[3] See *Airgram A-22 from the Department of State to the Embassy in Nigeria: Nigeria - Policy Planning Paper*, Approved by the NSC Interdepartmental Group for Africa, June 21, 1971, Secret, Limdis, Noforn, in NARA, RG 59, Central Files, 1970-73, POL 1 Nigeria-U.S.

[4] See *J.R. Bretherton to N. Power: Oil in Nigeria*, Aug 17, 1972, 56/419/8, Confidential, in The National Archives (thereafter TNA), Kew, London, POWE 63/830, *History of the Oil Industry in Nigeria, 1972-1974*, PET 56/419/8.

reality on the whole African scene.[5] Since the end of the civil war in 1970, the Central Intelligence Agency had monitored the West African country to focus its potentiality and possible role in a Cold War scenario. Although still a poor nation in terms of *per capita* income and living standards, and despite widespread corruption and the dependence on an autocratic government, Nigeria was regarded to have the best prospects for development of any black African State. Its more than respectable oil fields, in fact, were closer to Western European markets than those of the Persian Gulf, and had also a much lower quantity of sulphur, which made Nigerian raw material easier and less polluting to refine. Apart from that, the West African State's economy did not rely on a single source of income, for the agricultural sector was able to supply basic food requirements and guarantee exports in quite a large variety. Finally, the large size of the population, around fifty-five million in those times, encouraged investments and could potentially lead to the setting up of a good market for Western goods.[6]

The key to analyse the political and economic fortunes of the West African country is to be found in the kind of economy the British had developed during the colonial rule and in the ethnic puzzle shaping Nigeria. The two protectorates of Northern and Southern Nigeria had been unified in 1914 and the reason for this amalgamation was mainly economic. The Northern protectorate, in fact, had not managed to become self-financing, as taxation had not produced enough revenue to cover administrative needs and the level of trade had not made the region profitable. Hence, the Northern protectorate relied on annual subsidies from the South and the British government as well.[7] The new approach to economic development had different goals. First of all, the Administration had to expand Nigerian commerce through the exportation of raw materials and the importation of European goods. Moreover, Nigeria was to be brought into a cash economy based on the UK sterling pound. Over time, the country became dependent

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[5] See *Memorandum of Conversation: US-French Bilateral Exchange on Africa: IV – Non-Francophone Africa*, May 2, 1972, Confidential, in NARA, RG 59, Central Files, 1970-73, ORG 7 AF, POL FR-US.

[6] See *National Intelligence Estimate: Prospects for Postwar Nigeria*, Nov 2, 1970, NIE 64.2-70, Secret, Controlled Dissem, doc. 201, in E.C. KEEFER (Gen. Ed.), J. HILTS - D.C. HUMPHREY, eds., *Foreign Relations of the United States* (thereafter FRUS), *1969-1976*, Vol. E-5, Part 1, *Documents on Sub-Saharian Africa, 1969-1972*, in http://history.state.gov.

[7] See M. CROWDER, *The Story of Nigeria*, London, Faber and Faber, 1971, p. 240.

on an export economy ruled by European firms with which indigenous enterprises could not compete and which carried out business mainly with a view towards European profitability. In order to implement all this, the British built infrastructures such as roads, railways and harbours, beside expanding navigable waterways. As regarded local population, the Nigerians had many reasons to involve themselves in the colonial economy, since several products, such as cotton and palm oil, had already been cultivated for domestic use for centuries. The English simply encouraged farmers to produce more and sell *surplus* for export.[8] However, Western-educated Nigerians had also good reasons to reproach colonial rule, which was founded on the ideology of the Dual Mandate, on grounds of which the government of a colony had to benefit both the Empire and the colony itself. In spite of this, Africans were always regarded as inferior to Europeans and needed gradual improvement under British supervision. According to the first British Governor of unified Nigeria, Frederick Lugard, the ideal Nigerian was one that had received enough education to be useful to the colonial system filling low-level bureaucratic positions, but not enough to think himself able to do a white man's job.[9] Apart from that, there were over 250 ethnic groups living within the territory. Among those, there were three larger ethno-linguistic groups, that is Hausa-Fulani in the North, Yoruba in the West, and Igbo in the East. The Northern population was largely Muslim, cutting across Hausa-Fulani and some Yoruba areas, while the South was mainly Christian, especially in Igbo and partially Yoruba areas.[10] The North had developed very differently from the rest of the country, for it lagged far behind the South in terms of European-educated population. Hence, Northerners feared that incorporation into an independent and unitary Nigerian State moulded according to European standards would cause their cultural and political submission to the South.[11] The 1951 constitution, promoted by Governor John Macpherson, changed these cultural distinction into really political battle-lines. The new document provided a Council of Ministers, made up of twelve Nigerian ministers, four from each region, and six official members. The central

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[8] See T. FALOLA – M.M. HEATON, *A History of Nigeria,* Cambridge, Cambridge University Press, 2008, pp. 119-122.

[9] See *ibid.*, p. 129.

[10] See S.A. KHAN, *Nigeria: The Political Economy of Oil*, Oxford, Oxford University Press, 1994, p. 7.

[11] See FALOLA – HEATON, *A History of Nigeria*, p. 150.

legislature became a House of Representatives whose members came half from the North, a quarter from Southwest and Southeast. From that time onwards, political realities in the West and the East began to press the colonial government to extend full self-governance to regional assemblies, while the North opposed this plan, stating that it was not ready for self-government yet. The real question at issue was centralisation of government, which was debated at the two constitutional conferences of London and Lagos in 1953 and 1954. The agreements reached were incorporated into the Constitution of 1954, establishing Nigeria as a federation of three regions, Northern, Western, and Eastern, while Lagos became a Federal Territory straightly administered by the central government. Each region had the option to enjoy full internal self-government, without becoming independent, and Federation as a whole had to remain under British colonial authority. By 1959 all regions had opted for self-government and in 1957 Alhaji Tafawa Balewa had become the first Prime Minister of Nigeria. At the time, he was the Vice President and one of the European-educated founders of the National People's Congress, a conservative party of the North which had fought against Southern domination. However, he did not come from the Hausa ethnic group that formed the majority of the Northern population and neither was a member of the Fulani aristocracy. Therefore, he was able to rally all main political parties into a national government. A final election was held in 1959 to determine Nigeria's first independent government, giving the NPC the largest number of seats, while a majority government was formed through a coalition on the NPC and the National Council of Nigeria and the Cameroons (NCNC), which had been founded in 1944 by the Igbo Nnamdi Azikiwe, with its greatest support in the South and centre of gravity in Lagos. Unlike the NPC, the NCNC claimed a pan-Nigerian identity and sought self-government for the whole of Nigeria as a single entity. The Yoruba-dominated Action Group became the opposition party. Balewa kept his position of Premier and Azikiwe took the largely ceremonial title of first indigenous Governor General. Full independence within the Commonwealth of Nations, with Queen Elizabeth II as formal Head of State, was proclaimed on October 1, 1960, and three years later Nigeria became a Federal Republic. Despite nationalist euphoria, the country was neither economically, nor politically united. Regionalism and ethnicity obstructed the development of a national identity, while hundreds of minority ethnic groups prevented the larger ones from controlling regions.

Moreover, the country was always dependent on an economy based on the export of agricultural products and raw materials, whose control was in the hands of European firms.[12]

1. *Evolution of the Oil Industry in Nigeria*

The first attempts to develop an oil industry in Nigeria can be dated back to 1908, when a German company, the Nigerian Bitumen Company, started to explore along the whole coast for bitumen. However, with the German defeat in the first world war and the subsequent loss of the colonies in Africa, the German colonial authorities were expelled from those territories and their commercial enterprises were replaced by British and French ones.[13] With the unification of Nigeria and the relative setting up of the British protectorate, the oil industry was initially made a British monopoly. Chapter 130 of the laws of Nigeria of 1914 stated that the power to grant licenses and leases for mineral oils should be exercised only in favour of a British company or subject.[14] No other attempt was made to prospect for oil, due to the recession following the end of the war and the slump following the 1929 crisis. Initial survey for petroleum began in 1937, when the Shell D'Arcy Petroleum Development Company of Nigeria, formed jointly by Shell and Anglo-Iranian, was given the right for exploration throughout the country. Later, when the company took out oil prospecting licenses, the concession was reduced to 40,000 square miles. Operations had to be suspended at the outbreak of the second world war and were resumed in 1946, beginning test drillings five years later. Oil was found for the first time in commercial quantity in 1956 (in the meantime the Shell D'Arcy Petroleum Development Company had changed its name into Shell

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[12] Although the American share of Nigerian trade was rather low during the colonial era, its strategic value was quite important both for the United States and Nigeria, whose economy started to be globalised through the export of Nigerian cotton, the import of American cotton seeds into Nigerian agriculture, and the use of Ford vehicles for urban transport. See A. OLUKOJU, *Economic Relations between Nigeria and the United States in the Era of British Colonial Rule, ca. 1900-1950,* in A. JALLOH – T. FALOLA, eds., *The United States and West Africa: Interactions and Relations*, Rochester, NY, University of Rochester Press, 2008, p. 106.

[13] See J.K. ONOH, *The Nigerian Oil Economy,* London-Canberra-New York, Croom Helm – St. Martin's Press, 1983, p. 42.

[14] See A.A. IKEIN, *The Impact of Oil on a Developing Country: The Case of Nigeria,* New York, NY, Praeger, 1990, p. 2.

BP) at Olobiri in the riverine area of the country, soon followed by another well at Afam in the same area. Due to these discoveries, Shell BP moved its headquarters to Port Harcourt, a sea port in the South East. Besides, in that town there were the infrastructures required for the oil industry and in February 1958 the first Nigerian crude oil was pumped into a vessel and exported. Another tanker terminal was built in Bonny, further East from Port Harcourt, with a total storage capacity of 300,000 barrels of crude oil.[15] In the meantime, Shell BP had started to relinquish acreage, therefore allowing other companies to take them up, thus breaking the British monopoly and drawing a map of competing interests on the Nigerian territory.[16] During this process, offshore licences were also granted to four companies, one of which was Shell BP. The others were Socony Mobil, which sank its first exploration well in 1959, Tennessee Nigeria in 1962, Amoseas and Gulf in 1963, Safrap and Agip in 1964. Gulf was the first to strike oil and began production in 1965, but Shell BP kept the dominance resulting from its pioneering investigation of a geologically unexplored territory. In fact, by the same year it had already discovered about fifty oil fields in Nigeria, most of which were small or medium size by Middle East standards and even the largest Nigerian fields were much smaller than the biggest ones in the Middle Eastern area.[17]

In the concession era, production levels and prices were practically determined by oil companies, while the government's interests were limited to royalty collection. The dominance of foreign companies was also evidenced in the legislation providing significant incentives to exploration and production, sometimes at the expense of national interests. As regarded fiscal matters, till the discovery of commercial oil in good quantity royalties from minerals had belonged only to the region of origin, while the oil findings coincided with the need to review the revenue allocation scheme. For this reason, the colonial government set up a commission

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[15] See ONOH, *The Nigerian Oil Economy*, pp. 43-44.

[16] In 1959 the United States had resorted to a system of import quotas, which spurred producing areas like Nigeria, Libya and Algeria to add productive capacity and lower prices. Therefore, output in these countries came largely at the expense of traditional producers like Middle Eastern States and Venezuela. See B.H. WALL, *Growth in a Changing Environment: A History of Standard Oil Company (New Jersey) 1950-1972 and Exxon Corporation 1972-1975*, New York, NY, McGraw-Hill Book Company, 1988, p. 600.

[17] See J. BAMBERG, *British Petroleum and Global Oil, 1950-1975: The Challenge of Nationalism*, Cambridge, Cambridge University Press, 2000, pp. 110-112.

recommending that the practice of returning mining rents and royalties to the region be discontinued, pooling them among the region of origin, other regions, and the federal government. On grounds of this, the discovery of oil marked the beginning of the dilution of the powers of regions in Nigeria to the benefit of the national government. With the South split in two regions, the by far larger North gained more and more political power.[18] Finally, the 1959 Petroleum Profits Tax Ordinance established the assessment of the companies' taxable profits according to the companies' realised prices to the volume of crude oil produced and exported. Once assessed the profit, this had to be shared between the companies and the government on a fifty-fifty basis,[19] following the example of Venezuela and the Middle East.[20] Despite the government's ambition to be more involved in the oil industry, there was also awareness that legislation had to encourage further investments by foreign companies. Hence, the 1959 act was still regarded as a fairly favourable piece of legislation for the companies.[21] In July 1962, an agreement was signed for the construction of an oil refinery, which was completed in Autumn 1965 at Port Harcourt, with the aim of reducing Nigeria's importation of petroleum products. The facility was owned for 60 percent by the Federal Government, but the other 40 percent was shared between Shell and BP, thus granting the Europeans another important interest to safeguard in the country. Initial crude capacity was of 32,000 b/d and pipelines were built to transport oil.[22] Although the economy was being diversified, the decline of the agricultural sector and the relating labour force was not a good sign for the economic independence of the country. Moreover, bad weather conditions further affected harvest and transportation, so much so that the growth rate of agriculture in the 1960s was minus 0.5 percent, with the outcome that

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[18] See C. UCHE, *Oil, British Interests and the Nigerian Civil War*, in «Journal of African History», IL, 1, March 2008, pp. 115-116.

[19] See KHAN, *Nigeria*, p. 16.

[20] The concession system provided producing governments a fixed tax, called royalty, for each ton of crude produced or exported. In the late forties, when prices had increased and the European economy had by then become almost totally dependent on Middle Eastern oil, such a meagre reward was no longer acceptable for producers. Hence, in 1948 Venezuela augmented taxes with the purpose to equally share profits with companies. See I. SEYMOUR, *OPEC: Instrument of Change*, New York, NY, St. Martin's Press, 1981, p. 14.

[21] See L.H. SCHATZL, *Petroleum in Nigeria*, Ibadan, Oxford University Press, 1969, p. 84.

[22] See ONOH, *The Nigerian Oil Economy*, p. 49.

increasing amounts of food had to be imported. Finally, the need to fund development projects pushed the government to facilitate foreign companies through tax breaks, protected tariffs and other incentives for investors. These measures and investments, despite augmenting productivity and diversifying the economy, actually perpetuated the dependence on foreign sources.[23] As concerned oil, in 1964 Nigeria first attended an OPEC conference as official observer and three years later the Petroleum Profits Tax Amendment Decree was promulgated, allowing taxes and profits to be assessed on posted prices and royalties to be assessed as current operational expenditure, rather than being included in the State's 50 percent share of profits. This practically increased the tax revenues received by the government by an additional 50 percent of the value of royalties and encouraged OPEC producers to replace realised prices with posted prices as a basis for tax and profit assessment.[24]

2. *Civil War and Anglo-American Interests*

According to Western analyses, black Africa in general was under threat of communist penetration, with Soviets and Chinese working on the ideological conversion of newly independent States to supplant Western influence. Although more damaging on a longer term, the Russian threat was seen as less worrying than the Chinese one at the moment.[25] However, Beijing had certain advantages in the continent. As a former target for European and Russian imperialism, in fact, China could claim to have much in common with emerging nations of Africa, being itself an example of how a backward nation could grow economically without foreign aid. On the other hand, Chinese resources were still limited and Mao's regime was not

[23] See FALOLA – HEATON, *A History of Nigeria*, p. 164.

[24] See *Memorandum from Mr. R.P. Smith to Mr. R.M. Melbourne: Amendment of Nigerian Petroleum Profit Tax*, Jan 16, 1967, Confidential, in NARA, RG 59, A1 5712, Box 2, Lot 69D1, PET 1, General Policy. Plans, Petroleum, Jan-Jun 30, 1967, Nigeria; KHAN, *Nigeria*, pp. 16-17.

[25] Since many liberation movements and newly formed countries regarded the Soviet experience as a model of social progress and modernisation, Khrushchev had aimed at turning some African nations into Soviet strongholds in the continent. Nevertheless, according to a 1964 report, the Soviets themselves did not have any knowledge of those countries and their aid had not gained what they expected. See V.M. ZUBOK, *(A Failed Empire): The Soviet Union in the Cold War from Stalin to Gorbachev*, Chapel Hill, NC, The University of North Carolina Press, 2007, pp. 247-248.

able in the long run to offer enough industrial help. Moreover, the contradiction between China's support of existing regimes for practical reasons and the ideological and military training to rebel movements for revolutionary ends could not be accepted by established leaders. Overall speaking, African regimes were Western oriented, though the Chinese had gained some diplomatic success in their struggle to recognise Beijing as the true government of China and therefore as the proper occupant of the Chinese seat at the United Nations, but the Atlantic powers could not prevent communist rivals from continuing their activities in Africa, provided that parts of the continent were not brought within the communist orbit. Hence, the West had to deal also with autocratic governments, trying to distinguish between relatively progressive and basically reactionary regimes.[26] As concerned the American posture, the Embassy in London thought that Africa by then occupied a key position in the world and that the danger of communist penetration could produce, if it got out of hand, a situation similar to that of Vietnam. However, Washington recognised the primary interests of former colonial powers in certain African countries and preferred playing a secondary role.[27]

According to CIA analyses, the federal system was unable to reconcile the bitter antagonism among different tribal and regional grouping within the country.[28] The generally better educated Igbos of the East managed to fill better jobs in government and public places and dominated commercial life. However, as the central government's powers increased, its domination by the conservative and Moslem North became more and more intolerable

[26] See *FO Paper: The Implications of Sino-Soviet Penetration of Africa*, Nov 1964, DO216/19, in S.R. ASHTON, gen. ed., *British Documents on the End of Empire* (thereafter BDEE), Series A, Vol. 5, S.R. ASHTON – Wm. ROGER LOUIS, eds., *East of Suez and the Commonwealth 1964-1971*, Part III, *Dependent Territories, Africa, Economics, Race*, London, The Stationary Office, 2004, doc. 357, pp. 287-294.

[27] See *"Anglo-American Talks on Africa": Records of Opening and Final Meetings Held at the FO*, 22-23 Mar 1965, DO 216/26, No. 34, *ibid.*, doc. 363, pp. 312-319.

[28] During the December 1964 federal election campaign in Nigeria, a threat of secession came from the Eastern region, where large oil deposits had been discovered. See *Memorandum from Samuel E. Belk of National Security Council Staff to the President's Assistant for National Security Affairs (Bundy): The Situation in Nigeria*, Dec 30, 1964, Official Use Only, in D.S. PATTERSON (gen. ed.) – N. DAVIS HOWLAND (ed.), FRUS 1964-1968, Vol. XXIV, *Africa*, Washington D.C., United States Government Printing Office, 1999, doc. 358, p. 612.

to Southerners.[29] Narrow regional interests and continued tensions between North and East clearly put the unity of the country in jeopardy and this was something the Americans were worried about, though a breakdown of the Republic was regarded as out of question for a few more years.[30] Instead, the 1965 Western regional elections turned out to be the end of the First Federal Republic of Nigeria. Both competing parties, Action Group and the Nigerian National Democratic Party (NNDP), the latter being aligned with the Northern Region, claimed victory and tried to take over the Regional House of Assembly, swearing in its own leader as Premier. The supposed victory of the NNDP was greeted with a complete breakdown of law and order, while the whole political system of the federation was in turmoil. This paved the way to the military coup of January 15, 1966, whose leaders claimed that their aim was the end of corruption and tribalism. The military arrested all regional premiers and killed Federal Prime Minister Balewa and the Prime Ministers of the Northern and Western regions. Major-General John Aguiyi-Ironsi, from the Igbo ethnicity, became President of the Federation, outlawing all political parties and placing military governors in all regions. Among them, Lieutenant Colonel Chukwuemeka Odumegwu Ojukwu was appointed governor of the oil rich Eastern Region. To many Southerners, the end of the civilian regime and the involvement of a lot of Igbos in the new military junta was a sort of liberation from the domination of the North. Instead, many Northerners were alarmed that the military era would lead to an Igbo domination, especially when on May 24, 1966, the government issued Unification Decree No. 34, through which the federation was abolished and replaced with a unitary system. To Northerners this meant nothing but Igbo domination, facing the prospect of being occupied and ruled by Southern military and civil servants and lacking the safeguard of being involved in the government according to ethnic group divisions. Strong reaction was inevitable and on July 29 a group of Northern officers carried out a countercoup, killing General Ironsi and selecting Colonel Yakubu Gowon as Supreme Commander of the Armed Forces and new Head of State. Gowon immediately repealed Decree No. 34 and stated that Nigeria was committed to unity within a federal structure respecting

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[29] See *Special Memorandum: Nigeria and the Congo – Implications for Black Africa*, Nov 6, 1967, No. 9-67, Secret, in www.foia.cia.gov.

[30] See *National Intelligence Estimate: Prospects for Nigeria*, Aug 26, 1965, NIE 64.2-65, Secret, Controlled Dissem, in FRUS 1964-1968, Vol. XXIV, doc. 360, pp. 613-614.

regional differences.[31] Although from the North, he was a Christian of the Nga minority group. He aimed at holding the country together through constitutional changes to the federal system, including a sub-division of the three main provinces into smaller units. In spite of this, he did not manage to stop violence and in a few weeks' time there was a further outbreak of riots in the North, with massacres of Igbos and tens of thousands of refugees. Therefore, independence of the Eastern region seemed to offer the Igbos the only way to find security.[32]

The fact that the lands claimed by the Eastern region contained about two thirds of the country'soil reserves implied that foreign policy had become vital. On the verge of the civil war, Nigerian output had risen to 516,000 barrels a day, making the country the tenth largest exporter in the world. Therefore, revenues were vital to the economy and oil exports accounted for one-third of the nation's total export earnings.[33] Moreover, relations with other nations were determined by calculations of who was willing to send weapons to Lagos or to the Eastern region, later called Biafra. Past friendship and sympathies counted for little, since oil interests influenced the Western powers, which aimed at keeping the country united. The original intention of the countercoup leaders, in fact, was to seize power and then announce the secession of the North. The project was not implemented because Gowon was dissuaded by the British and American ambassadors, who stated that the North could not survive without the South and threatened that any further foreign assistance would come only if the federation did not dissolve.[34] By hearing these words, Gowon assumed that both Anglo-Saxon powers strongly wanted Nigeria to remain intact and they would supply Lagos with military aid in case of secession.[35] Consequently, the British Government asked its High Commissioner in Nigeria to serve in a consultative capacity to the Nigerian Government during the discussions on the future political organisation of the country. In

[31] See FALOLA – HEATON, *A History of Nigeria*, pp. 172-174.

[32] See J.W. YOUNG, *The Labour Governments 1964-1970*, Vol. 2, *International Policy*, Manchester-New York, NY, Manchester University Press, 2003, p. 196.

[33] See O. ABENGURIN, *Nigerian Foreign Policy under Military Rule, 1966-1999*, Westport, CT, Praeger, 2003, p. 49.

[34] See J.J. STREMLAU, *The International Politics of the Nigerian Civil War, 1967-1970*, Princeton, NJ, Princeton University Press, 1977, p. 36.

[35] See R.B. SHEPARD, *Nigeria, Africa, and the United States: From Kennedy to Reagan*, Bloomington, IN, Indiana University Press, 1991, p. 37.

a secret memorandum signed in late September 1966, the Commonwealth Office gave the High Commissioner the following instructions: a) Nigeria was one of the most powerful African States and had always been favourable to the United Kingdom and the West in general. Any division of the country into smaller entities could open some of them to outside and hostile influence; b) there were plenty of British commercial interests in Nigeria, with also a resident population of 17,000. In particular, oil installations and facilities under construction in the Niger Delta area were being developed with British capital and management and the previous year exports worth seventy-eight million pounds had been shipped from there. The obvious conclusion of the report was that separation of Nigeria into States of doubtful economic viability would jeopardise UK commercial interests.[36] As already said, Shell-BP was by far the main oil producer in the West African country, but Britain was also the major recipient of Nigerian oil, as around 40 percent of the total Nigerian production ended up there. Besides, the position of Shell-PB was further complicated by the fact that oil production was split between the Eastern and the Mid-Western region, with two-thirds of its operations being concentrated in the East.[37] As regarded the Americans, they were also interested in the integrity of Nigeria, but if unity was no longer possible despite U.S. and U.K. efforts, Washington had to protect its own interests and maintain its presence in all regions to prevent someone else from filling the vacuum.[38]

In order to further undermine the powers of the Igbos in the East, on the eve of the civil war the military junta changed the federal structure of the country from four regions into twelve States. Two of these, the Rivers and South-East States, catered for minorities in the Delta area which had previously formed the Eastern region, declared independent on May 30, 1967, with the name of Biafra. Most minorities felt oppressed by the Igbo domination and supported the federal government during the war. Not only the creation of new States detached non Igbo ethnicities from the Biafran cause, but also put the bulk of the Niger Delta petroleum resources outside

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[36] See *Briefing Notes for the Prime Minister for His Meeting with the Nigerian High Commissioner, Brigadier Ogundipe and Mr. V.A. Adegoroye*, Sept 30, 1966, Secret, in TNA, PREM 13/1040.

[37] See UCHE, *Oil, British Interests*, p. 122.

[38] See *Telegram 82010 from the Department of State to the Embassy in Nigeria*, Nov 9, 1966, Secret, Priority, Limdis, in NARA, Department of State, Central Files, POL 1 Nigeria-US.

Igbo-controlled areas.[39] In circumstance like these, the British position was rather ambiguous, for on one hand the Cabinet supported the federal government with the aim of maintaining a unified Nigeria, but on the other hand London had not given any assurance not to recognise Biafra in case it became an independent State with which to do business. A few days before the secession of Biafra, British investments in the country were estimated at over 220 million pounds. Political collapse, the Cabinet's experts thought, would harm business confidence and probably put an end to the economic advantages of a single large market. In case of independence, Britain was supposed to avoid any formal recognition as long as possible, but keeping its lines open to the East. Nigeria's share of the world oil market was still very small and the Middle East was always supposed to have a big block of supplies due to its enormous reserves. However, the outlook for the West African country was very encouraging, for by the early 1970s production was expected to reach 100 million tons a year, compared with 30 million in 1967.[40] As regarded oil exports, almost 40 percent of the crude oil went to the U.K., 15 percent to West Germany and around 10 percent to France and Canada. Other important markets were South America and the Caribbean, the U.S. and Northern Europe.[41] With such figures, the future of Nigeria looked even brighter than expected and civil strife was in the interest of no one. In substance, Britain adopted a neutral line in public, but practically sympathised with the federals, being also their traditional arms suppliers. At the same time, Whitehall did not categorically rule out recognition of Biafra.[42] Economic interests left no choice to Britain but preferring one Nigeria. Apart from oil investments, British firms dominated the local banking system and London hosted the headquarters of the United Africa

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[39] See O. IBEANU – R. LUCKHAM, *Nigeria: Political Violence, Governance and Corporate Responsibility in a Petro-State,* in M. KALDOR – T.L. KARL – Y. SAID, eds., *Oil Wars*, London-New York, NY, Pluto Press, 2007, p. 60.

[40] See *O.P.D. Meeting, Friday 12th May, 1967 – Brief for the Minister: Possible Blockade and Secession of Eastern Region of Nigeria*, 11 May 1967, Confidential, in TNA, POWE 63/238, *Oil Industry Activity in Nigeria, 1967-1968*, PET 56/419/A1 Pt 2.

[41] See *Nigerian Oil in the Balance,* in «Petroleum Press Service», June 1967, in TNA, POWE 63/238, PET 56/419/A1 Pt 2.

[42] In her diaries, Lady Barbara Castle writes that the government was seeking to avoid a commitment to either side in the hostilities, though arms had been supplied to Lagos in respect of orders accepted before the outbreak of the civil war. Any further request of substantial supplies of arms, however, had been rejected. See B. CASTLE, *The Castle Diaries 1964-1970,* London, Weidenfeld and Nicolson, 1984, p. 276.

Company, which was responsible for over one third of all Nigerian trade. Finally, about one tenth of British oil imports came from Nigeria in 1966 and Britain accounted for half of foreign investments there.[43] By reading records, we can assume that the American conclusions were very similar to those of the British, as the White House was trying to keep quite a balanced stand in the dispute, advocating unity but avoiding to be tarred by either side. The truth was that the United States had no right leverage on Nigeria, which was mainly in the U.K. sphere of influence.[44] As concerned arms, instead, Washington had decided not to supply any side for several reasons. First of all, due to the Vietnam escalation the Administration was not interested in getting involved in another foreign war. Then, the State Department had stated that the war was an internal matter to be solved only by Nigerians. Third, the Johnson Administration had started to turn down Kennedy's African policy.[45] Finally, little attention was being given to African affairs because of the recognition that Africa was not going to become a major actor on the global political stage for a long time.[46]

Nigerian oil in mid 1967 had become even more important due to the disruptions in the Middle East. With the outbreak of the Six Days' War the Suez Canal had been obstructed and, though extra oil was available in the Persian Gulf at the time, this could not be lifted because of tanker shortage.[47] A round trip from Britain to the Persian Gulf via the Cape of Good Hope took sixty-eight days, while a round trip from Britain to Nigeria

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[43] See YOUNG, *The Labour Governments*, p. 201.

[44] See *Memorandum from Edward Hamilton of the National Security Council Staff to the President's Special Assistant (Rostow): Nigeria*, May 25, 1967, Secret, in FRUS 1964-1968, Vol. XXIV, doc. 385, pp. 654-657.

[45] Kennedy had planned a new image of foreign policy for the United States. The White House tried to identify with African aspirations and kept an ongoing dialogue with most African leaders, including some regarded as radicals. The effort was quite successful and the Administration managed to appear as the most pro-African Presidency. See L.A. PICARD, *U.S. Foreign Policy toward Southern Africa*, in D.P. FORSYTHE, ed., *American Foreign Policy in an Uncertain World*, Lincoln, NB, and London, University of Nebraska Press, 1984, p. 455.

[46] See SHEPARD, *Nigeria*, pp. 37-38.

[47] Once the anti-West emotions of the Arab-Israeli war had peaked, Arab internal rivalries began again to assert their primacy over the common cause against the Jewish State. Disagreements over the oil embargo strategy revived the classic "revolutionary-reactionary" antagonism. While radical States like Egypt, Syria, Algeria and Iraq demanded that the embargo be continued, conservatives monarchies like Saudi Arabia, Kuwait and Libya wanted it lifted. See M.S. DAOUDI – M.S. DAJANI, *The 1967 Oil Embargo Revisited*, in «Journal of Palestine Studies», XIII, 2, Winter 1984, p. 70.

took only twenty days. On grounds of this, it was estimated that the denial of Nigerian crude would reduce the oil available in Western Europe by 5 percent.[48] Denial of Nigerian oil, due to the FMG naval forces' blockade against oil shipments from Biafra, could hit Britain more than other European countries and in that case rationing was expected. Moreover, loss of oil from West Africa was thought to seriously affect the balance of payments, for the replacement of Nigerian oil with the higher priced American oil would cost another 1.3 million dollars a day.[49] The tacit alliance between Britain and the Military Government was also shown by the ongoing supply of arms to Lagos, though sophisticated weapons and aircrafts were denied. During the war, the sole British interest was that the economy be brought back to a condition in which London's trade and investments in the country could be further developed, in particular as concerned access to oil installations. Whitehall was not contrary to political separation, but in that case full economic co-operation had to be maintained among different States. Apart from this, there was another danger disturbing the Americans in particular: in case of total arms embargo, they suspected, the Federal Government could look at the Soviet Union for help and, in case of victory against Biafra, the Russian might try to secure a permanent foothold in Nigeria and from there develop further infiltration.[50] According to the words of Harold Wilson himself, Prime Minister of the United Kingdom in those days, Britain had been during the colonial era, and still was since independence, Nigeria's traditional supplier of arms and the military in power were all British trained.[51] Refusal to deliver weapons was considered as a hostile act against a Commonwealth country whose government London recognised and whose integrity supported. Moreover, the cause of Nigerian unity was backed by the Organisation of African Unity. Since there were over 2,000 tribes in Africa, in order to avoid

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[48] See *Brief for Minister of State: Nigerian Tanker Blockade: Effects on Oil Supplies*, July 6, 1967, Secret, in TNA, FCO/38/111.

[49] See *Brief for Minister of State: Nigerian Tanker Blockade – Effects on Oil Supplies*, July 6, 1967, Secret, in TNA, POWE 63/238, PET 56/419/A1 Pt 2.

[50] See *Letter from E.G. Norris to Sir J. Henniker-Major: British Policy towards Nigeria*, Aug 21, 1967, Confidential, in TNA, POWE 63/238, PET 56/419/A1 Pt 2.

[51] In the early 1970s, France had become the largest arms supplier for Africa, with Russia second, Britain third and the United States fourth. Finally, there was a diversified category of others selling together more than the Soviet Union. See I.W. ZARTMAN, *Coming Political Problems in Black Africa*, in WHITAKER, ed., *Africa and the United States*, p. 95.

"Balkanisation" the OAU had accepted colonial boundaries.[52] Apart from that, soon after Biafran declaration of independence Gowon had written to Wilson, immediately clarifying that any attempt at recognition of that State would be regarded as an unfriendly act towards Nigeria. Wilson needed no such warning, for he was ready to supply the federal government with all the arms necessary to win the war quickly.[53] As an evidence of this, in November 1967 the Commonwealth Secretary affirmed that Lagos was already winning and that by then British interests would best be served by a quick end of the war, particularly through the capture of Port Harcourt. For that reason, the Defence and Oversea Policy Committee had agreed that British policy on arms should be relaxed in order to supply more sophisticated weapons to the federal government, though aircrafts and weapons of mass destruction were always denied.[54] The British position was quite easy to understand if we consider that before the cessation of exports Nigeria was producing thirty million tons a year of crude oil, twenty-five of which drilled by Shell-BP, mainly in the Eastern region. The Government was aware of the importance of Nigerian oil, especially as a source of future supplies and as a major British overseas investment.[55] For all these reasons, the High Commissioner in Lagos stated that British interests were better safeguarded through a Nigeria divided into twelve States, none of which strong enough to secede and thus interfere with the large and valuable internal market. Therefore, the course of the war favouring the federal government was to the advantage of Britain.[56]

The Anglo-Saxon powers' attitude was very prudent also because Africa played rather a secondary role in the context of their world wide strategy. Nuclear confrontation between the superpowers for events in the black continent was very unlikely and the West was not dependent on Africa for

[52] See H. WILSON, *The Labour Government 1964-70*, Harmondsworth, Penguin Books, 1974, pp. 702-703.

[53] See P. ZIEGLER, *Wilson: The Authorised Life of Lord Wilson of Rievaulx*, London, Weidenfeld & Nicolson, 1993, p. 338.

[54] See *Conclusions of a Meeting of the Cabinet Held at 10 Downing Street, S.W. 1, on Thursday, 23rd November, 1967, at 11.30 a.m.*, in TNA, CAB/128/42, CC(67), 68th Conclusions, Secret.

[55] *See Cabinet Brief for the Minister: Nigeria*, Sept 5, 1967, in TNA, POWE 63/238, PET 56/419/A1 Pt 2.

[56] See *Despatch No. 11 from High Commission Lagos to the Secretary of State for Commonwealth Affairs: Prospects for a Negotiated Peace*, Sept 22, 1967, Confidential, in NARA, RG 59, A1 5712, Box 2, Lot 69D1, POL 7, Visits, Meetings, Nigeria 1967.

basing and staging facilities for operations elsewhere in the world. On the contrary, British economic interests in sub-Saharan Africa were substantial, since the region took 12 percent of Britain's total exports and 20 percent of its imports came from the U.K. Moreover, 15 percent of British private investments was in Africa. As concerned political interests, it was pivotal for African countries not to align themselves with the Eastern bloc and at the same time their vote at the United Nations was quite important for the continuation of Western policies.[57] The Americans did not rule out the possibility for Biafra to win the war and gain formal recognition from African and European countries, first of all Portugal and France. Whatever the outcome of the war, the CIA believed that political instability would plague Nigeria for rather a long time to come. In the meantime, the Anglo-American refusal to sell Lagos heavy weapons had already provoked a shift in Nigeria's foreign relations. Due to Moscow's promptness to sell military equipment, its influence in Nigeria had risen. Moreover, Eastern European countries and the United Arab Republic had also contributed to the FMG's war effort. Despite Gowon's little confidence in the Soviets and his hope for the U.S. to furnish aid for reconstruction and economic development, the post-war outlook for Nigeria was closer to non-alignment and less pro-West than in the past.[58] It was also argued that if Britain withdrew support to Lagos, the FMG would have no choice but turning to the Soviets, whose propaganda could encourage the Africans to take over the oil industry and acquire Russian technical expertise.[59] This perception was not shared by the French, who were believed to assist the Biafran effort with weapons, with the aim of breaking up Nigeria and thus favouring their French speaking client States in the area.[60] Paris welcomed more concessions in Nigeria, but the British embassy in France suspected that the Latin ally wanted to obtain

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[57] See*"Future Policy in Africa": Paper by the Africa Sub-Committee of the Cabinet Defence and Oversea Policy (Official) Committee on British Policy towards Africa South of the Sahara over the Next Ten Years*, 16 Oct 1967, CAB 148/34, OPD (67)76, in BDEE, Series A, Vol. 5, Part III, doc. 376, pp. 348-373.

[58] See *Special Memorandum: The Outlook for Nigeria*, Jan 26, 1968, No. 2-68, Secret, in www.foia.cia.gov.

[59] See *Memorandum: Shell-BP in Nigeria*, 9 Dec 1968, Strictly Confidential, in TNA, POWE 63/406, *Information on the Activities of the Oil Industry in Nigeria 1968-1969*, PET 56/419/A1 Pt 3.

[60] See *Foreign and Commonwealth Office Memorandum: Nigeria – A Background Note on British Interests and the Government's Approach to the Civil War*, undated, Confidential, in TNA, FCO 65/179.

them by weakening Lagos rather than by making a deal with the FMG.[61] There is no doubt that the civil war had spurred the interests of several foreign powers, thus casting Nigeria into the international arena. However, despite American investments in Nigerian oil, these were mainly offshore from the Mid-Western region, which was part of the federal territory. Hence, the company promptly paid royalties to the FMG and the White House had no serious interest to consider the war other than an internal affair of Nigeria.[62] The French oil company SAFRAP, instead, was accused by the federal government to lean more towards Biafra, due to French sympathies for the secessionists and their formal recognition by three French speaking countries, that is Ivory Coast, Gabon, and Haiti. The oil exploration and exploitation licenses of SAFRAP were not revoked by Nigeria, since Lagos had applied to the European Economic Community as an associate member and the French had a veto power.[63] Nevertheless, 35 percent of the equity interests of SAFRAP was acquired by the FMG.[64] As concerned the Soviets, the Kremlin had never advocated the Eastern region's secession and a few weeks after the outbreak of the war, the USSR moved in on the side of the FMG to supply heavy weapons, such as aircrafts. In doing this, Moscow knew that most OAU members backed Gowon's junta and this allowed the Soviets to side with many African States.[65]

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[61] See *A.H. Campbell to R.J. McM. Wilson: France and Nigerian Oil*, Dec 16, 1968, Confidential, in TNA, POWE 63/406, PET 56/419/A1 Pt 3.

[62] See UCHE, *Oil, British Interests*, p. 127.

[63] The importance of such an accord, signed in 1965 with a clause relating to the implementation of two tariff systems in order to conciliate the EEC association with the Commonwealth membership, was mainly due to the fact that Nigeria was not part of the former colonial areas of the six founding members. The United States did not favour that agreement, believing it would weaken Washington's commercial interests in the area. Paris did not back Nigeria's association either, fearing that Nigeria, much richer than the French speaking countries of the West African area, would take the leadership of the EEC associated countries. See G. MIGANI, *Gli Stati Uniti e le relazioni euroafricane da Kennedy a Nixon*, in D. CAVIGLIA-A. VARSORI, eds., *Dollari, petrolio e aiuti allo sviluppo: il confronto Nord-Sud negli anni '60-70*, Milano, Franco Angeli, 2008, pp. 60-61.

[64] See ONOH, *The Nigerian Oil Economy*, pp. 114-115.

[65] See ABENGURIN, *Nigerian Foreign Policy*, p. 52.

3. *Output Growth, the end of the Civil War, and Economic Nationalism*

After more than one year of fighting, the British support for the FMG was paying its dividends[66] and Shell-BP was already pressing ahead with the project to build a new pipeline and terminal in the Mid-Western region, hoping to resume production up to 18-20 millions tons by the end of 1969.[67] From the American point of view, the advent of the Nixon Administration and the personality of the Assistant to the President for National Security Affairs, Kissinger, implied that black Africa became part of a wider Cold War scenario and Washington's involvement had to follow the principles of the confrontation with Moscow. In light of this, the new Presidency knew that the Kremlin did not have any vital interest in Nigeria, but the Soviets' move to become a major arms supplier for Lagos was to be seen from several points of view. First of all, this was in contrast with their low profile in the continent and matched the wider interest of a new foothold in the Middle East.[68] Once in office, Nixon ordered a study on America's interests and options in Africa and Nigeria and from that document it was confirmed that, although Washington had no vital interests in Nigeria or Biafra, it was pivotal to keep stability in the continent and Nigerian unity had to be preserved in order to avoid a fragmentation of the federation and a setting of continuing hostility with a likely arms race among the fragments of the federation itself. Even more important was the necessity to avoid great power rivalries in the region and avoid the resentment of the majority of the African States on a crucial issue which could also set a precedent for secession elsewhere.[69] As concerned the Soviets, the Department of State did not regard their influence in Nigeria as a serious problem, but it was to be kept under observation, though Washington was quite confident that the FMG would not compromise its

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[66] See *Letter to Prime Minister: Nigeria*, Aug 6, 1968, Confidential, in TNA, POWE 63/406, PET 56/419/A1 Pt 3.

[67] See *Shell-BP's Interests in Nigeria*, undated, Confidential, in TNA, POWE 63/406, PET 56/419/A1 Pt 3.

[68] See *Memorandum from the President's Assistant for National Security Affairs (Kissinger) to President Nixon: U.S. Options for Biafra Relief*, Jan 28, 1969, Secret, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 25, in http://history.state.gov.

[69] See *Study Prepared by the NSC Interdepartmental Group on Africa*, Feb 4, 1969, Secret, NSCIG/AF 69-1, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 31, in http://history.state.gov.

independence to be controlled by Moscow.[70] On the other hand, Moscow had no intention to get involved in a Vietnam-like quagmire and replace Britain as a major arms supplier for Nigeria. Such a policy irritated the FMG, which accused the Soviets of being interested in the prolongation of the war to protect the growth of their influence in the area. On the other hand, the Americans thought that if Moscow worked for the FMG's quick and decisive victory, there would be the risk of deteriorating the relations with France and provoking an increase of French aid and involvement, too. Therefore, it was likely for the Soviets to seek a compromise solution allowing Moscow to keep most of their gains in federal Nigeria, while keeping their prestige intact in the East.[71] After all, the Soviet presence in black Africa was something recent and the Western oriented African *élites* looked at the Russians as strangers with unfamiliar habits and language. From a certain point of view, this was an advantage for Moscow, since for those annoyed by former colonialists the Russians could represent an alternative to the West. However, even in the countries where the Soviet influence was more significant, few of the ruling class had turned to the USSR for ideological inspiration. Therefore, rather than spreading Marxism-Leninism, in the late sixties the Kremlin opted for an image of reliable power, also through the export of arms to conservative regimes, but without giving up backing clandestine organisations struggling against Western oriented governments wherever possible.[72] Within this scenario, the presence of China was not to forget. The black continent was very important for Chinese diplomacy, which wanted to gain the support of newly independent non aligned States. Beijing was committed to industrial projects in Africa, but such a policy was even more dangerous for the Soviets than for the Americans. Maoist ideology assigned communist China a leading role in the world revolution and the struggle against the White Man's colonialism and racism. Moreover, the father of the Chinese revolution was implementing a real "dollar diplomacy" in some African

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[70] See *Nigerian-U.S. Relations*, Mar 5, 1969, in NARA, RG 59, A1 5712, Box 4, Lot 72D241, POL 7 Visits, Meetings, Nigeria, Jan-Jun 1969.

[71] See *Research Memorandum from the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rogers: USSR-Nigeria – Bilateral Tensions Increase as War Drags on*, Apr 2, 1969, Secret, No Foreign Dissem, Controlled Dissem, RSE-24, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 53, in http://history.state.gov.

[72] See *The Soviets and Black Africa: New Approaches and the African Response*, Mar 13, 1969, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 1, in http://history.state.gov.

countries, through a strong trade expansion, always without rejecting financial and military aid to insurrectionist movements.[73]

The war had shown once again how dependent on foreign governments and companies Nigeria was. The country was becoming a crossroad of foreign interests and rivalries and this sensitised the FMG to pursue economic nationalism. The indecision of the trans-national oil corporations about whether to pay royalties to the Federal or the Biafran government had a serious impact on the military rulers, who started doubting about the reliability of foreigners. The conflict had obviously increased State involvement in the economy to manage the war effort and at the same time the government began to feel confident about setting up a national oil industry, which had the potential to become the backbone of the economy and a diplomatic tool in the hands of the military.[74] That is why further legislation was passed to improve governmental influence and control on the oil industry. In particular, the Petroleum Decree No. 51 of 1969 vested the whole ownership and control of all petroleum found under or upon any Nigerian lands or territorial waters with the Nigerian government. The licenses to explore, prospect and mine were to be granted only to Nigerian citizens or companies incorporated in Nigeria. Oil prospecting licenses allowed a company to prospect and drill for oil, while exploration licences allowed only exploration. This new prospecting policy attracted quite a good number of foreign companies from the United States and Europe.[75] This was not surprising, since the Gulf Oil Company had already investments in Nigeria valued at around 150 million dollars, while other companies, such as Mobil, Texaco and Tenneco had investments worth millions. The U.S. government encouraged these investments and was interested in safeguarding oil installations, in whose protection from air attacks the FMG was committed.[76] Previously, the Companies' Decree of 1968 had obliged all companies operating in Nigeria to become Nigerian

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[73] See *Directorate of Intelligence – Special Report Weekly Review No. 32: Communist China's Presence in Africa*, Jun 20, 1969, Secret, No Foreign Dissem, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 5, in http://history.state.gov.

[74] See C. UCHE, *British Petroleum vs. the Nigerian Government: The Capital Gains Tax Dispute, 1972-9*, in «Journal of African History», LI, 2, June 2010, p. 172.

[75] See ONOH, *The Nigerian Oil Economy*, pp. 19-22.

[76] See *Department of State Memorandum from R.M. Melbourne to Mr. D.D. Newson: Possible Air Attack on Oil Installations – Action Memorandum*, Aug 18, 1969, Confidential, in NARA, RG 59, A1 5712, Box 4, Lot 72D241, PET 2 General (Misc) Rpts & Statistics, Nigeria 1969.

corporations, while the 1969 Decree ensured recruitment and training of Nigerians, thus giving them the necessary know-how to manage the industry and implementing a gradual process of Nigerianisation.[77] The American growing interest in the Nigerian oil industry was an evidence of how that raw material was becoming more and more vital for national security. Despite CIA optimism on the access to oil world resources for the United States, diversification was pivotal to avoid any threat to American imports. According to Washington's analyses, enlargement of OPEC membership made an oil embargo on a wide market harder to implement, for many major producers were dependent on oil revenues to finance future economic growth. Nevertheless, the dominant position of American oil companies in an international market in which more than half the oil traded was foreign produced and sold by US companies was believed to represent an important buffer against any concerted action against American access to imported crude.[78] At the same time, it could not be ignored that Arab producers were acquiring such a big surplus of financial reserves that they were already able to stop production and still maintain the necessary imports for a considerable span of time. In case of combined Arab embargo, Western Europe could become a competitor of the United States for the access to the remaining crude.[79] Such an outlook was worrying the British as well, especially in a moment when the American Administration had ordered a study on a possible oil import policy review with the aim of liberalising the system from a regime of protection quotas to a control by tariffs. Though Nixon rejected this review and kept the protection system,[80] London was concerned that in the near future the Americans should rely more on supplies from the Middle East and the Arabs. Although such an event could allow British companies to sell cheap crude to the lucrative

[77] See KHAN, *Nigeria*, p. 18.

[78] See *Memorandum Prepared in the Central Intelligence Agency: Prospects for US Access to World Oil Over the Next 15 Years or so,* Aug 28, 1969, Secret, in E.C. KEEFER (gen. ed.) – L. QAIMMAQANI (ed.), FRUS 1969-1976, Vol. XXXVI, *Energy Crisis, 1969-1974,* Washington. D.C., United States Government Printing Office, 2011, doc. 8, pp. 25-35.

[79] See *Memorandum from the Deputy Assistant Secretary of State for International Resources and Food Policy (Katz) to the Assistant Secretary of State for Economic Affairs (Trezise): Comments on Task Force Paper on Possible Foreign Oil Supply Interruptions,* Sept 26, 1969, Limited Official Use, in NARA, RG 220, *Records of the Cabinet Task Force on Oil Import Control*, Box 21, Agency Comments to Staff, Department of State Comments on Fact Papers.

[80] See J. GRAHAM, *Nixon Refuses to Change Oil Import System,* in «Financial Times», Feb 21, 1970.

American market, on the other hand the new tariff system might stop the downward pressure on prices.[81]

The civil war ended in January 1970 with the fall of Biafra and in his Report to the Congress on Foreign Policy President Nixon mirrored his doctrine, implying strong regional actors able to contain communist insurgence, thus allowing Washington to avoid any direct involvement abroad. Quoting also the civil war in Nigeria, the President stated that the United States would not intervene in internal affairs of African nations, supporting their right of independence and respecting their national integrity. However, in case of threat from outside forces, Washington was ready to defend its friends and their independent development.[82] A clear allusion to any communist penetration into an area which was becoming pivotal for American strategic interests. By then, Nigeria was clearly emerging as one of the top ten oil producers in the world and its output was expected to reach at least two million barrels per day by 1974, with a Shell-BP investment which was already 350 million pounds. All this implied also that Nigeria's foreign exchange available for imports could increase and Britain held about 30 percent of the market. By keeping the same level of trade, British exports to the West African country were supposed to increase from 75 million (excluding arms sales) up to 140 million pounds within four years.[83] As we can see, with the end of the war the future for Nigeria seemed very bright and the increasing role of oil international politics was becoming more and more recognised.[84] The oil boom of the early 1970s paved the way to a real competition among foreign companies in Nigeria, beyond which the American and British governments showed themselves as commercial rivals. In virtue of OPEC aggressive policies, Nigerian oil represented a valid alternative to traditional sources of supply. As an evidence of this, the British companies were planning to invest

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[81] See *U.S. Oil Import Policy Review*, Jan 29, 1970, Confidential – Guard, in TNA, FCO 67/399, *Policy on Imports in U.S.A.*, ML 304/2, Part A.

[82] See R.M. NIXON, *U.S. Foreign Policy for the 1970's: A New Strategy for Peace. A Report to the Congress*, Feb 18, 1970, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 7, in http://history.state.gov.

[83] See *J. Wilson to Mr. Wright: Medium Term Assessment of the U.K. Economy*, Feb 26, 1970, Confidential, in TNA, FCO 65/806, *Oil in Nigeria*, JWN 12/1, Part A.

[84] Between 1948 and 1970 world energy consumption had risen by around 196 percent. In particular, oil consumption had grown by 398 percent from 1949 to 1970. See A. NOUSCHI, *Pétrole et relations internationales de 1945 à nos jours*, Paris, Armand Colin, 1995, p. 35.

further 310 million pounds in the following six years, while BP had offered to build a second refinery in partnership with the federal government. In order to realise how suspicious even of the Americans the British were, and how commercial rivalry was prevailing over long term alliances, suffice it to say that no details of Shell-BP's plans for future investments were to be revealed to the American Administration's officers who periodically met their British colleagues.[85] Mineral and petroleum development accounted also for almost three-fourths of American private investments in Africa and in a situation like that it was not credible for the United States to leave a growing market in the hands of the Europeans.[86] This can be realised through the words of the Secretary of State, William Rogers, when he stated that, despite the special relationship between some African countries and their former European mother countries, which Washington did not deny, the Administration's purpose was to give all developing nations equal access for export to all international markets, thus urging the elimination of preferential tariffs putting American goods at a competitive disadvantage in many African countries.[87] Despite optimism, the situation for the Americans was getting more and more urgent due to increasing signs that domestic output was about to peak.[88] On grounds of this, the Atlantic power had to exploit Alaskan fields and find new sources of supplies, thus augmenting imports from unstable areas of the world. Moreover, oil was not the only source of energy which was becoming short. Coal production was languishing as well and producers were no longer able to satisfy demands from power stations, while electricity shortage caused the risk of

[85] *Outline Brief for Anglo-American Oil Talks, Item 4 (b): Nigeria*, Jan 5-7, 1970, Confidential, in TNA, FCO 65/806, JWN 12/1, Part A.

[86] Much of Africa's mineral wealth was still untapped. It was estimated that the black continent held 8 percent of the world's petroleum reserves, 90 percent of the world's cobalt, 40 percent of its platinum, 12 percent of its natural gas, and 30 percent of its uranium, not to mention other raw materials such as gold, copper, diamonds and so on. Besides, a great part of the continent was still unsurveyed for minerals, and this raised the prospect that substantial new discoveries could be made. See G.F. ERB, *Africa and the International Economy: A U.S. Response*, in WHITAKER, ed., *Africa and the United States*, p. 64.

[87] See *Letter from Secretary of State Rogers to President Nixon: U.S. and Africa in the 70's*, Mar 26, 1970, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 11, in http://history.state.gov.

[88] See *Anglo-American Oil Talks 5-7 January 1970: Item 1(b) USA-Alaska*, in TNA, FCO 67/444, C399891, Confidential.

power failures and the growth of the gas industry was slowed down by dwindling reserves.[89]

In the meantime, the Nigerian government had certainly become more nationalistic in foreign and economic affairs, though Washington's policy makers still believed that Gowon would always follow a pragmatic approach. This was made easier by the fact that the country had emerged from the war in generally good economic conditions. On balance, the federal government had not incurred any external war debt and the rise in oil production, already double than pre-war levels, was a promising factor for the future. Lagos had also remained favourably disposed towards the United Kingdom, but was rather suspicious of the United States, generally believed to have morally, if not materially, helped Biafra during the war. Finally, Gowon had started a more activist policy in the continent, which the Americans suspected it could aid black nationalist movements in Southern Africa, where Portuguese territories and white regimes, such as South Africa and Rhodesia, lay. Nigeria was by then able to spread the image of a black country which had been able to suppress a foreign-backed attempt to divide the nation and such an attitude was made easier by the oil boom.[90] The country was rapidly becoming one of the most promising producers in the world and its best outlook seemed to lie offshore. In the great Delta of the Niger River, in fact, there were by those times forty-four fields, only seven of which were already producing. By virtue of this, the government started to talk about participation up to an "agreed percentage".[91] According to U.S. estimates, Nigerian oil production, which had already reached one million barrels per day in April, was expected to average 1.3 million the following year and by the end of the decade could exceed four million. Nigeria was also the world's largest exporter of peanuts, the second largest exporter of cocoa and an important one of palm

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[89] See *Letter from R.H. Willmott to J.A. Beckett*, 15 May 1970, in TNA, FCO 67/399, ML 304/2, Part A.

[90] See *Special Report Prepared by the Central Intelligence Agency: Nigeria after the War*, May 28, 1970, Secret, No Foreign Dissem, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 194, in http://history.state.gov.

[91] See F.J. GARDNER, *No Letup Seen in Nigeria's Startling Production Surge*, July 6, 1970, in «The Oil and Gas Journal», in TNA, FCO 67/403, *Projects by Oil Companies in Nigeria*, ML 310/1, Part A, 1970.

and timber products, rubber, and tin.[92] In the meantime, new concessions were being given to American, German, Japanese and Nigerian companies, with the latter receiving half the acreage, mainly in-shore and concentrated in two very promising areas. This competition was going to break the monolithic front BP-Shell had previously enjoyed, but above all London was concerned about the prospect for the Nigerian Government to set up a national oil company able to affect the future of the oil industry as a whole.[93] Though still a poor country with a *pro capite* income not much better than neighbouring nations and low level of technological development, Nigeria had some assets providing considerable economic potential. The British still controlled two-thirds of the productive capacity and U.S. companies were second with investments of around 500 million dollars. Beside trade issues, Nigeria was revealing itself a very important market for political reasons, too. Despite the likely setting up of a national oil corporation, the Americans were still convinced that the Nigerians had no intention to nationalise the oil industry. Moreover, though the FMG was grateful to the Soviets for their assistance during the war, so long as Gowon, or someone with similar views was in power, was in power, Washington thought there would be little likelihood for the Kremlin to increase its influence in the country.[94]

4. *OPEC Membership*

On September 2, 1970, a watershed agreement was signed in Tripoli between Occidental Petroleum and the revolutionary government of Muammar Qaddafi, according to which there was an immediate increase of the posted price by thirty cents (from 2.23 to 2.53 dollars) and an additional two-cent-increase for the following five years, thus recognising the better quality of Libyan oil. Moreover, taxes on the company's profits were

[92] See *Memorandum from the President's Assistant for National Security Affairs (Kissinger) to President Nixon: Report from the Secretary of State on "Nigeria Seven Months after the War"*, undated, Confidential, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 199, in http://history.state.gov.

[93] See *Letter from A.F. Collings to B.L. Barder: Off-Shore Oil Concessions*, Aug 12, 1970, Restricted, in TNA, FCO 67/403, ML 310/1, Part A, 1970.

[94] See *National Intelligence Estimate: Prospects for Post-war Nigeria*, Nov 2, 1970, NIE 64.2-70, Secret, Controlled Dissem, in FRUS 1969-1976, Vol. E-5, Part 1, doc. 201, in http://history.state.gov.

brought from 50 to 58 percent.[95] By the end of the month, first the other independents and then the majors signed the same agreement. Tripoli managed to control a production of almost two million barrels a day, by virtue of which it was stocking foreign exchange reserves able to act as a financial shield against foreign companies' and governments' offensives in case of economic war. Like Henry Kissinger writes, what was really historic about these settlements was their political implication. Theretofore, the oil companies had always managed to impose a unified price bargaining as a unit. Instead, this time the front had been split, thus shuttering one of the buffers between producing and consuming countries. This led to a "leapfrogging" system between Mediterranean suppliers and Persian Gulf producers, which did not accept competitors to receive larger incomes. However, in 1970 price increases were not perceived yet as something able to harm the West's economies and change living standards, since the starting point was still very low and prices were lower than those of American oil. Finally, both the American and the British government thought that no strategic interests were involved in the commercial dispute between producers and companies.[96] Instead, for the first time exporters had realised that the energy market was changing, so that in December the OPEC Conference of Caracas issued Resolution 120, stating that those companies which did not accept taxes and royalties imposed by OPEC, would be denied access to supplies. It was also decided that the minimum tax on oil profits would always be 55 percent.[97]

Compared with Middle Eastern instability and emotionality, Nigeria offered quite a "rational" scenario and to the Department of State it appeared that if OPEC succeeded in shutting down Persian Gulf and North African production, the magnitude of the problems for consumers would be so high that the stoppage of Nigerian output would not make so much difference.[98] Therefore, OPEC membership for Nigeria was not supposed to alter oil policy and there was little chance for the FMG to curtail or shut

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[95] See SEYMOUR, *OPEC*, pp. 70-71.

[96] See H.A. KISSINGER, *Years of Upheaval*, Boston, MA, Toronto, Little, Brown and Company, 1982, p. 862.

[97] See SEYMOUR, *OPEC*, p. 75.

[98] See *Telegram 01106 from Amembassy Lagos to SecState WashDC: Nigerian Oil Policy*, Feb 5, 1971, Action AF-05, 051445Z, Section 1 of 2, Secret, LimDis, NoForn, in NARA, RG 59, A1 5712, Box 7, Lot 74D409, PET 1, General Policy.

down production even in response to OPEC requests.[99] Nigerian oil was turning into a sort of bailout for the West, especially Western Europe, in case of international energy crisis. The posted price was by then imposed by producers when on February 14, 1971, a new five-year-agreement was signed in Tehran. An event like that was an evidence that the majors' monopoly had been worn away and that consequently producers had the power to seriously influence the market.[100] A similar document was signed on April 2 in Tripoli, whose government gained another increase of the posted price up to 3.32 dollars a barrel. David Barran, Chairman of Shell, commented that the buyers' market was by then over,[101] but the Western powers did not seem so concerned, for they estimated that those agreements would benefit their balance of payments as well. In fact, oil producers had to spend huge amounts of money to import not only weapons, but also technology and manufacture products from the West.[102] However, Libyan radical policies could be a prelude to a real nationalisation of the oil industry. In order to ward off such a danger, the Saudi Oil Minister, Zaki Yamani, suggested a compromise implying a State participation in all oil activities. Yamani affirmed that this was the only way to moderate the Arab radical regimes' requests, since the producers' interests would be linked to those of the companies.[103] In this context, the British High Commissioner in Lagos stated that Nigeria had become a country worth taking seriously and a friend worth having, since it was by then the most populous and powerful black nation in the world, with an army of a quarter-of-a-million.

[99] See *Telegram 01106 from Amembassy Lagos to SecState WashDC: Nigerian Oil Policy,* Feb 5, 1971, Action AF-05, 051343Z, Section 2 of 2, Secret, LimDis, NoForn, in NARA, RG 59, A1 5712, Box 7, Lot 74D409, PET 1, General Policy.

[100] See F. PETRINI, *L'arma del petrolio: lo "shock" petrolifero e il confronto Nord-Sud. Parte prima. L'Europa alla ricerca di un'alternativa: la Comunità tra dipendenza energetica ed egemonia statunitense*, in CAVIGLIA- VARSORI, eds., *Dollari, petrolio,* pp. 85-86.

[101] See D. YERGIN, *The Prize: The Epic Quest for Oil, Money and Power,* London, Simon & Schuster, 1991, p. 582.

[102] Arms exports from the United States to Iran grew from 103 million dollars in 1970 to more than 550 in 1972, while transfers towards Saudi Arabia grew from 15 to 312 million dollars in the same period. See F.G. GAUSE III, *The International Relations of the Persian Gulf,* Cambridge, Cambridge University Press, 2010, p. 22.

[103] See *Airgram A-50 from AmEmbassy Jidda to SecState Washington DC: The Tripoli Oil Negotiations and Their Implications as Seen by SAG Minister of Petroleum Zaki Yamani – Enclosure: Memorandum of Conversation: Minister of Petroleum Zaki Yamani Reflects on Events and Implications of Tripoli Oil Negotiations*, March 31, 1971, in NARA, RG 59, SNF 1970-73, PET 15-2 LIBYA, Secret, LimDis.

Oil production had already reached 1.5 million barrels per day and within three years it was supposed to put Nigeria amongst the really big producers, comparable with Venezuela. Export trade figures brought Nigeria within the top twenty of British markets, with a level exceeding those of India and the Soviet Union. In terms of European oil consumption, the West African country was a valuable source of low-sulphur short-haul crude and negotiations were in progress with Shell-BP for a new posted price. This made Nigeria pivotal for African policies in general and there was someone in the government, the High Commissioner wrote, who argued that the attitude towards South Africa and above all arms trade with that country were the crucial test of friendship for black Africa.[104]

In May, the FMG established by Decree No. 18 the Nigerian National Oil Corporation (NNOC), mainly as a consequence of OPEC Resolution No. XVI.90 of 1968 calling for member countries to acquire at least 51 percent of foreign equity interests and to participate more actively in all aspects of oil operations. This was the first step towards the Nigerianisation of the oil industry, since NNOC served as the main agent of the government in the partial nationalisation of that economic segment.[105] The new company was granted oil leases over a large area and allowed to take over the concessions withdrawn from foreign companies in the course of time as new agreements were arranged. NNOC was not itself an operating company, but a holding company providing guidelines for its subsidiaries and implementing government decisions and intentions.[106] Almost simultaneously with Decree No.18 and in line with the Tripoli agreements, on May 10 Shell-BP managed to reach a five-year settlement for a new posted price at 3.21 dollars with the federal government, followed two days later by similar agreements with Gulf and Mobil, while SAFRAP was allowed to resume operations in the Eastern region in exchange of greater Nigerian participation.[107] On the other hand, American investments in the country had risen to 600 million dollars and the outlook was for further expansion. Over a five-year-span of time, according to the National

[104] See *Foreign and Commonwealth Office Diplomatic Report No. 232/71: Effect on Anglo-Nigerian Relations of the Sale of Arms to South Africa*, Apr 17, 1971, JWN 3/548/4, Confidential, in TNA, FCO 67/580, *Oil Affairs in Nigeria*, ML 310/1, Part A, 1971.

[105] See KHAN, *Nigeria*, p. 22.

[106] See ONOH, *The Nigerian Oil Economy*, p. 32.

[107] See *R.H. Ellingworth to Mr. Bottomley: Nigerian Oil*, June 7, 1971, Confidential, in TNA, FCO 67/580, ML 310/1, Part A, 1971.

Security Council, the Nixon Administration pursued the aim of increasing U.S. access to resources and markets, while encouraging the Nigerian government's moderate posture towards the superpowers.[108] Aware of two basic facts, Nigeria joined OPEC in July 1971. First of all, within thirteen years oil production had risen from 5,000 to 1.5 million barrels per day. As an outcome of this, from a contribution of 1 percent to total export earnings in 1958, the share of oil revenues had increased to nearly 75 percent of total exports. The economy had become heavily dependent on the oil industry and in light of this Nigeria was living in an economic environment influenced by circumstances beyond its control. International supply and demand conditions determined Nigerian export revenues, limiting Lagos's ability to attract investments towards other sectors of the economy and set the terms of foreign exchange.[109] Therefore, OPEC membership and consensus on production and pricing policies were also seen as a buffer between the country and the world market.[110] On grounds of this, the Foreign and Commonwealth Office was always quite optimistic on the Nigerian attitude towards the oil companies, even when the government had requested a 35 percent participation, outbidding Iran and the other Gulf States, which seemed ready to settle for an initial 20 percent. Due to shortage of foreign exchange and the need to implement the development plan, Nigeria was regarded as a reasonable and reliable partner for the companies,[111] though it was not going to forego any gains won by other

[108] See *Airgram A-22 from the Department of State to the Embassy in Nigeria: Nigeria – Policy Planning Paper*, June 21, 1971, Secret, Noforn, Limdis, in NARA, RG 59, Central Files 1970-73, POL 1 Nigeria-U.S.

[109] See P.O. OLAYIWOLA, *Petroleum and Structural Change in a Developing Country: The Case of Nigeria*, New York, NY, Praeger Publishers, 1987, p. 151.

[110] See KHAN, *Nigeria*, p. 29.

[111] In December 1971, the British had implemented the decision to withdraw their troops from the Persian Gulf, thus leaving a vacuum that both Arabs and Iranians wanted to fill. Once accepted independence of Bahrain, the Shah did not want to give up Abu Musa and the Tunbs islands, located at the entrance of the Gulf and pivotal to the security of oil trade through the Strait of Hormuz. Using the Iranian occupation of the islands as a pretext, on December 7 Qaddafi nationalised all assets and interests of the British Petroleum Exploration Company, BP partner in Libya. *Information Memorandum from the Deputy Assistant Secretary of State C. Robert Moore to the Acting Secretary of State Irwin: Nationalization of British Petroleum in Libya*, December 7, 1971, 7119678, in NARA, RG 59, SNF 1970-73, PET 15-2 LIBYA, Confidential.

OPEC members.[112] In particular, the Development Plan covering the period from 1970 to 1974 pursued economic independence through the nationalisation of at least 55 percent of four strategic industries, i.e., iron and steel, petro-chemical industries, fertiliser production, and petroleum products.[113] Despite optimism, the British were always concerned that the Nigerians could use their oil as a political weapon over the issue of arms to South Africa and the policy towards Rhodesia, which had unilaterally declared independence in 1965 and where a white regime excluded from political life the African population. The Nigerians were still short of technical expertise to interrupt the oil flow, but they were strong enough to adopt a tougher posture towards consumers and companies.[114] However, Gowon was regarded as a reasonable and sensible interlocutor, who did not advocate extremist African policies and always put Nigeria first. Therefore, both the Anglo-Saxon powers agreed that Lagos would not spend large amounts of money in support to foreign activities.[115] Britain still maintained a 30 percent share of Nigerian imports, but in the meantime all foreign companies had to comply within two years with the Nigerian Enterprises Promotion Decree, commonly known as indigenisation decree, on grounds of which retail trade, small manufacturing, and service industries were reserved for Nigerians.[116] The key point for Nigeria was that it belonged to what the West regarded as the safe part of the world in terms of energy sources location. Several OPEC governments had also announced the intention to limit oil production in order to secure their income over a longer span of time. If this policy were vigorously pursued, the Foreign Office was sure that prices would be further pushed up.[117]

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[112] See *G.B. Chalmers to Sir C. Pickard: Nigerian Oil Policy*, 6 Dec 1971, Confidential, in TNA, FCO 67/581, *Oil Affairs in Nigeria*, ML 310/1, Part B, 1971.

[113] See *K.A. East to G.B. Chalmers: Nigerian Oil Policy*, 31 Dec 1971, ECO 12/1, Confidential in TNA, FCO 67/581, ML 310/1, Part B, 1971.

[114] See *G.B. Chalmers to Mr Keeble and Mr. Bottomley: Nigeria - Oil*, 24 Jan 1972, Confidential, in TNA, FCO 65/1226, *Production of Oil in Nigeria*, JWN 12/1, Part A 1-50, 1972.

[115] See *Memorandum of Conversation: US/UK Talks on Africa – West Africa: Ghana and Nigeria*, Mar 6-7, 1972, Agenda Item 2C, Confidential, in NARA, RG 59, Central Files 1970-73, POL UK-US.

[116] See *J. Wilson to G.B. Chalmers: Sir David Barran's Call on the Secretary of State*, 27 Mar 1972, Confidential, in TNA, FCO 65/1226, JWN 12/1, Part A 1-50, 1972.

[117] On August 15, 1971, the Nixon Administration had decided to suspend the convertibility of the dollar into gold and called for a realignment of international exchange rates, thus

Dependence on OPEC was becoming a sort of geo-strategic trap for consumers and it was of paramount importance to replace oil with alternative sources in the future and for the following ten years at least try to acquire crude from other areas, such as Alaska and the North Sea.[118]

The point was that Western governments had not realised how much developing countries were devoted to take control of their raw materials. At the 1972 third UNCTAD Conference at Santiago, Chile, most Third World countries did not spare attacks on multinational corporations and there were speeches advocating nationalisation of raw-material industries. A gradual reform of international trade was no longer regarded as enough to revolt against imperialistic interests. The conference led to an agreement to set up a commission charged with the drafting of a "Charter of the Economic Rights and Duties of States", which specifically established the right to nationalisation.[119] In the meantime, another blow to British interests was, on June 1, the Iraqi nationalisation of the Iraq Petroleum Company, a consortium equally belonging to BP, Shell, Compagnie Française des Pétroles and Esso/Mobil and working in the North of the country. According to the Americans, such an event did not cause any insurmountable problems yet. First of all, although Iraqi production amounted to around one-tenth of the whole Middle Eastern output, it was difficult for the Iraqis to market nationalised oil. In any case, the majors were always believed to be able to deviate a part of their production in

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decreasing the value of raw materials whose payments were made in the US currency. At first the companies declared that the Tehran Agreements already had a clause protecting from inflation and providing a 2.5 percent annual increase of the posted price. Nevertheless, the argument fell on deaf ears and another agreement, signed on January 20, 1972, on a further increase of the posted price had become inevitable, and it added 670 million dollars to Gulf States for that year. *Intelligence Memorandum Prepared in the Office of Economic Research, Central Intelligence Agency: Oil Companies Compensate for Dollar Devaluation – The Geneva Agreement*, Feb 1972, ER IM 72–15, Confidential, in FRUS 1969-1976, Vol. XXXVI, doc. 110, pp. 264-268. It is also important to remind that the U.S. balance of payments deficit was running at twice the record of 10.7 billion reached in 1970. For the first time in the century, American trade account ran into the red over a six-month period. See S. STRANGE, *The Dollar Crisis 1971,* in «International Affairs», XLVIII, 2, Apr 1972, p. 202.

[118] See *Lord Rothschild to Mr. Armstrong: Oil Economics and Supplies,* Apr 17, 1972, Confidential, in TNA, PREM 15/1836, *International Oil; Meetings with Sir David Barran of Shell; Expropriation of Assets of Foreign Oil Companies in Nigeria; Meeting with Mr G.A. Wagner of Shell*, Part 2, 1972 Apr 12-1973 Jun 04.

[119] See G. GARAVINI, *Completing Decolonization: The 1973 "Oil Shock" and the Struggle for Economic Rights,* in «The International History Review», XXXIII, 3, Sept 2011, p. 478.

order to make up for the deficit, unless OPEC showed an up to then unknown solidarity by denying the market new extractions.[120] The American lack of concern was due to the very low stake of U.S. companies in IPC, so much so that the Department of State estimated losses in no more than fifty million dollars. Moreover, there was no reason to think that Moscow had backed and financed Baghdad's decision.[121]

Beside political stability, there were several factors favouring the future of Nigerian oil: first of all, air pollution problems in most parts of the industrialised world had made low-sulphur oil very sought after; then, the geographical position of the country favoured Nigeria as a supplier to Western Europe. Despite Libya's proximity to the shores of Europe, Nigeria remained competitive with the North African country as a more secure supplier, due to the unpredictability of the Libyan regime. Finally, the Nigerian military regime was still pro-West in the international arena, though greater contacts with extremist African countries and militant oil producers like Algeria and Libya. Gowon was more and more conscious of his country's potential and that was why it was important to reach a compromise on the participation negotiations begun on April 11, 1972, with an opening bid on the Nigerian side at 40 percent, to be increased to 51 percent over the following seven years. More realistically, Downing Street thought that Lagos would be satisfied with a 35 percent participation, but the junta could afford to be tough because NNOC already had a 33⅓ percent interest in the Agip/Phillips combine and another 35 percent in SAFRAP's operations in return for permission to resume activities in the East.[122] Negotiations on participation had started in March with OPEC members of the Persian Gulf. What Kissinger calls "galloping nationalisation" way a way to turn oil companies into mere management and marketing organisations, while producers were supposed to unilaterally

[120] See *Department of State Memorandum for Mr. Henry A. Kissinger: Iraq's Oil Company Nationalization*, June 2, 1972, 7209617, S/S 4550, in NARA, Nixon Presidential Materials Project (thereafter NPMP), National Security Files (thereafter NSF), Middle East 1969-1974, Country File Iraq, Vol. I, Box 603, Folder 3, Confidential.

[121] See *Department of State Memorandum to Mr. Willis C. Armstrong from Julius L. Katz: Iraqi Nationalization of IPC*, June 5, 1972, Confidential, in NARA, RG 59, Central Files 1970-73, PET 15-2 IRAQ.

[122] See *J.R. Bretherton to N. Power: Oil in Nigeria,* Aug 17, 1972, 56/419/8, Confidential, in TNA, POWE 63/830, PET 56/419/8.

impose prices.[123] From the producers' point of view, instead, participation was a sort of launching for marketing operations, allowing them to become active protagonists on international markets. Yamani stated that such an agreement would further safeguard stability, since consuming nations having relations with national oil companies would stock a certain quantity of reserve crude, useful in case of world shortage of demand.[124] Instead, once producers gained a participation share in oil operations, they also acquired a common interest to increase prices and profits. This overturned the previous system, based on a large volume of low cost sales, while the State had taxes as the only revenue. On the contrary, participation made taxes on production much less important than prices, thus paving the way to crude restrictions in order to keep prices high.[125] In this context, Nigeria was showing itself quite different from Gulf negotiators. Unlike the Iranians, the Nigerians did not consider themselves as being threatened by neighbours and therefore they were not so interested in military hardware. Consequently, they were less disposed than the Shah to underwrite a friendship with Western powers.[126] Moreover, U.S. government interests in that country were rather small compared with British ones, since the only American company significantly involved there was Gulf Oil. Therefore, an Anglo-American joint package was harder to offer in the negotiations, which the Nigerians wanted to conduct in a flexible yet aggressive and independent way.[127] On the other hand, the Western African country could not withhold oil from the market for a long time, since Nigeria was overwhelmingly dependent on foreign exchange earnings from that mineral and did not have enough reserves to sustain an interruption for more than a few weeks. Oil payments were also the central government's largest source

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[123] See KISSINGER, *Years of Upheaval*, p. 866.

[124] See *Memorandum of Conversation: Participation and Saudi-U.S. Oil Relations,* September 29, 1972, in NARA, RG 59, Central Files 1970-73, PET SAUD, Confidential.

[125] See R.C. THORNTON, *The Nixon Kissinger Years: The Reshaping of American Foreign Policy*, Paragon House, New York, NY, 1989, p. 144.

[126] Agreement had been reached on June 18 in Iran, providing considerable future investments to increase production capacity, Iranian control of the Abadan refinery and construction by the Consortium of a new export refinery, with allocations to the Iranians of low-cost oil in order to allow them to develop their own exports. *Telegram No. 165 from FCO to Certain Missions*, June 23, 1972, Immediate, Confidential, Cypher CAT A and by Bag, 231520Z, in TNA, FCO 65/1228, *Production of Oil in Nigeria*, JWN 12/1, Part C 100-151, 1972.

[127] See *H. Smedley to J.W. McMeekin: Oil and Trade in Nigeria*, Sept 8, 1972, Confidential, in TNA, FCO 65/1228, JWN 12/1, Part C 100-151, 1972.

of revenue and the basis for its financial dominance over the rest of the federation. That is why the Department of State thought that as long as technocrats decided Nigeria's oil policies, it was very unlikely for them to stop oil flow.[128]

On October 5, 1972, an agreement was reached on the question of participation with Persian Gulf members of OPEC, except Iran. An initial share of 25 percent was decided, starting from the following year and valid until 1977. Such a share was to be augmented by 5 percent each year, so that by 1982 producing governments were supposed to *de facto* nationalise the oil industry, with a 51 percent participation share. Moreover, producers had to receive a certain amount of crude to market as they wished.[129] The agreements were signed on December 20 by Saudi Arabia and Abu Dhabi, while Kuwait and Qatar underwrote a similar document the following month. At the same time, United Nations debates seemed to favour countries rich of raw materials, since the General Assembly Resolution 3016, though reminding that natural resources could be regarded not only as a question of domestic interests and were also to be used as a way to safeguard world peace, also stated that measures taken against countries claiming their sovereign rights on natural resources were a violation of the United Nations Chart.[130] As concerned Nigeria, the FMG had all the interest in holding the attention of big powers and keeping resources flowing while minimising foreign leverage. Trade with the United States and the EEC was also a way to dilute bilateral relations with the United Kingdom, without tying itself into any association agreement with any other foreign power.[131] As we can see, while on political issues the two Atlantic allies shared common interests, especially as concerned Nigerian

[128] See *Research Study, Bureau of Intelligence and Research: Nigeria – Oil Policy and Bargaining Power*, 16 Oct 1972, Confidential, Controlled Dissem, in TNA, FCO 65/1229, *Production of Oil in Nigeria*, JWN 12/1, Part D 152-, 1972.

[129] Cfr. V.X. HÂN, *Oil, the Persian Gulf States, and the United States*, Westport, CT-London, Praeger, 1994, pp. 100-101.

[130] See J.J. PAUST – A.P. BLAUSTEIN, *The Arab Oil Weapon: A Threat to International Peace*, in «The American Journal of International Law», LXVIII, 3, July 1974, p. 420.

[131] See *African Policy Analysis and Resource Allocation Paper (PARA): Nigeria*, 1972, Approved by the NSC Interdepartmental Group for Africa, AF/W 77D84, 1788 POL 1-B PARA, Confidential/Noforn, in NARA, RG 59, A1 5712, Box 7, Lot 77D84, POL 2-A 1973, Political Relations: US/Nigeria.

influence on their Southern African policies,[132] in terms of trade they were giving birth to a commercial competition.

5. *The Participation Agreements*

At the dawn of the second Nixon Administration, although U.S. investments in sub-Saharan Africa still constituted only 3 percent of the worldwide total and the region supplied only a small fraction of the world's petroleum, what could not be ignored was the bright outlook which seemed to characterise that part of the planet, for many countries offered promise of untapped reserves and the volume of American investments was growing due to exploitation of natural resources. Moreover, while on one hand nationalism made economic negotiations rather tough, on the other hand it was unlikely for China and the USSR to enjoy dominating influence over the region and therefore to control its resources. Moreover, black Africa had 35 out of 132 votes at the United Nations Assembly.[133] If we consider that the American oil consultant, Walter Levy, affirmed that the Western world was by then facing a major oil supply crisis and that for the following five or ten years there was no way to reduce energy dependence on the Middle East, amounting to 30-40 percent of America's oil imports and 70-80 percent of those of Europe and Japan, it is easy to realise what Nigerian

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[132] American policies towards Southern Africa followed what decided through National Security Study Memorandum 39, issued in December 1969. In a few words, the United States did not have a great interest in solving racial problems and colonial conflicts in that part of the world. As concerned national liberation movements, Kissinger was persuaded that that they were all communist puppets and that should they manage to overthrow colonial regimes, they would pursue anti-West policies. The President's Assistant for National Security Affairs wanted to avoid an open conflict in the area as long as Washington was still involved in the Vietnam War. According to the document, it was impossible to defeat the white regimes of the region through an armed struggle, therefore it was necessary to communicate with South Africa and the other white governments of the area. Such a policy provided also secret arms supplies to South Africa and Portugal. See M. EL-KHAWAS-B. COHEN, eds., *The Kissinger Study of Southern Africa: Security Study Memorandum 39 (Secret)*, Westport, CT, Lawrence Hil & Company, 1976, pp. 26-28.

[133] See *Memorandum from F. Rondon of the National Security Council Staff to the President's Assistant for National Security Affaire (Kissinger): Africa South of the Sahara – Recommendations for Action*, Jan 2, 1973, Secret, GDS, in E.C. KEEFER (gen. ed.), P. SAMSON – L. VAN HOOK (eds.), FRUS 1969-1976, VOL. E-6, *Documents on Africa, 1973-1976*, doc. 1, in http://history.state.gov.

natural resources meant for the energy-thirsty West.[134] American oil experts had realised that prices would inevitably rise, but nobody was able to understand that an era was completely over and that in a few months' time such a raw material would be used as a diplomatic weapon and prices would rocket. Britain was also in a weak position in relation to great oil producers as long as North Sea oil fields were not active,[135] that is why alternative energy sources, including coal and nuclear reactors, had to be developed.[136] Unfortunately for the Western powers, both oil companies and the consuming countries' governments had too little bargaining power and were thus subjected to blackmail by producers.[137] Aware of this powerful stand, Nigeria started to give priority to strengthening ties with fellow-Africans and cooperating with other Third World countries, while relations with industrialised countries were regarded as less urgent. In particular, faced with U.S. pressures on issues they considered of low priority, the Nigerians were starting to distrust Washington. From this point of view, the growth of American investments and trade in Nigeria and the West African country's expanding influence in the black continent was becoming a source of difficulties for U.S.-Nigerian relations, since sometimes the two nations' interests collided.[138]

The years up to the end of the decade were considered as decisive by British oil experts, for by that date it was estimated that Japan would depend on the Middle East for more than 95 percent of its oil, the EEC for 86 percent, the United States for 50 percent and Britain for 25 percent.

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[134] See *Note of the Secretary of State's Dinner Meeting with the American Oil Consultant, Mr Walter Levy – 17 January 1973: Oil Policy*, Jan 19, 1973, Confidential, in TNA, PREM 15/1836, Part 2, 1972 Apr 12-1973 Jun 04.

[135] A few years earlier, vast oil and gas fields had been discovered in the North Sea. However, making the domestic oil industry active was not so easy and before fifteen-twenty years it was not possible to reach oil self-sufficiency. See F. BRENCHLEY, *Britain and the Middle East: An Economic History 1945-87*, London, Lester Crook Academic Publishing, 1989, p. 197.

[136] See *Record of a Discussion at the Old Executive Building, Washington D.C.*, 1 Feb 1973, Top Secret, AMU 3/548/8, in K. HAMILTON-P. SALMON, eds., *Documents on British Policy Overseas* (thereafter DBPO), Series III, Vol. IV, *The Year of Europe: America, Europe and the Energy Crisis 1972-1974*, London-New York, Routledge, 2006, doc. 19.

[137] See *Record of Conversation between the Foreign and Commonwealth Secretary and the Special Adviser to the President of the United States at the Foreign and Commonwealth Office*, Feb 22, 1973, Confidential, MWE 3/304/4, in DBPO, Series III, Vol. IV, doc. 31.

[138] See *Research Study: Nigerian-US Relations – Contrasting Styles Reinforce Nigerian Distrust*, Mar 23, 1973, Secret, No Foreign Dissem, Controlled Dissem, in NARA, RG 59, AF/W Files: Lot 77 D 84, POL 2-A, Political Relations, US/Nigeria.

Once a virtual monopoly was established, everyone was concerned about prices, since such a situation would enable Middle Eastern producers to push prices far higher than they already were. Moreover, it was thought that the burden on the balance of payments of Western countries would add something like twenty-five billion dollars to the reserves of Middle Eastern producers. Such a wealth could give them the financial strength to restrict or even interrupt supplies if they had the right commercial or political reasons.[139] However, not even the Chief Executive of Royal Dutch Shell, G.A. Wagner, believed that the Arabs would interrupt oil flow for political reasons. Instead, he thought they would only use their power to toughly bargain on prices and maybe put pressure on a favourable settlement of the Arab-Israeli dispute. But a complete cut-off of supplies was out of question.[140] Just to show how unaware of the reality even the Department of State was, both on the political use of oil and on the imminent astronomic price increase, suffice it to quote the Secretary of State's own words. On June 11, 1973, in Tehran, he said that «all the talks about the Arabs using their oil as a political weapon was nonsense so far as the US was concerned». To this he added that «[…] the US would be perfectly prepared to apply the necessary conservation measures […] if the Arabs showed unwillingness to sell them the oil at bearable prices».[141] While Rogers was speaking so optimistically, the Nigerian government signed a 35 percent oil participation agreement with Shell-BP, with the right to increase ownership to 51 percent by 1982.[142] The volatility of the market was so high that there was by then spot demand for Nigerian crude at prices equal or even in excess of the posted price. This favourable trend made Nigeria able to be tougher and tougher in negotiations. Less than two

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[139] See *Minute from Greenhill to Acland: Energy Policy*, Apr 26, 1973, Confidential, SMG 12/598/4, in DBPO, Series III, Vol. IV, doc. 76.

[140] See *Note for the Record*, June 5, 1973, Confidential, in TNA, PREM 15/1836, Part 2, 1972 Apr 12-1973 Jun 04.

[141] See *Minute from A.D. Parsons to P.R.H. Wright: The United States and Arab Oil,* June 12, 1973, SMG 25/304/1, in DBPO, Series III, Vol. IV, doc. 122.

[142] See *Information Memorandum from D.D. Newson to the Acting Secretary: Nigeria/Shell-BP Sign Oil Participation Agreement,* June 13, 1973, AF/W 7310758, Limited Official Use, in NARA, RG 59, A1 5712, Box 8, Lot 77D84, PET 15-2 Nationalization 1973.

months after the agreement with the British, in fact, the FMG started negotiations with Gulf and Mobil on a 40 percent participation.[143]

Major oil exporters saw their opportunities in the possession of key energy sources and wanted to make the most of it. From their point of view, availability of adequate supplies to the consumers had to be related to: a) equating the price of oil to that of food and finished goods required by the exporters' economies; b) acquiring surplus funds for accelerated development at home and investment abroad. Therefore, they were not satisfied with top prices for their oil, for they needed technology, know-how, markets and co-operation that only industrialised consumers could provide. All this was linked to the feeling that is was just for them to expect so much from those who had exploited their weakness in the past. As concerned the United States, Washington lacked two of its major strengths of the past, that is self-sufficient domestic oil production and a relatively un-challenged international economic position.[144] As soon as Kissinger took office as Secretary of State, he began to study the U.S. posture in Africa. The situation was also more serious as even the most moderate and pro-West nations seemed to link their policies to pan-African and Third World issues. This was leading to intensified competition among Western nations, while Nigeria had by then replaced Venezuela as America's second largest supplier of crude oil.[145] The worst possible scenario took place after the outbreak of the Yom Kippur War, when on October 17 Arab producers decided a reduction of crude production by 5 percent each month until the Israeli forces did not withdraw from all the territories occupied in 1967. The OPEC *communiqué*, however, also stated that the States supporting the Arab cause would not be hit by the embargo.[146] Apart from the embargo,

[143] See *Memorandum from E.W. Lollis to the Files: Status of Nigerian Negotiations with U.S. Oil and Gas Companies*, Aug 16, 1973, Limited Official Use, in NARA, RG 59, A1 5712, Box 8, Lot 77D84, PET 6-3 Mobil Oil 1973.

[144] See *Information Memorandum From the Assistant Secretary of State for Economic and Business Affairs (Armstrong) to Acting Secretary of State Rush*: *Middle East Oil Nationalization Trends, Their Context and USG Responses*, Sept 17, 1973, Secret; Exdis, in NARA, RG 59, Central Files 1970–73, PET 15–2 Near East.

[145] See *Briefing Memorandum from the Assistant Secretary of State for African Affairs (Newson) to Secretary of State Kissinger: African Problems*, Oct 5, 1973, Secret, in NARA, RG 59, Central Files 1970–73, POL AFR-US.

[146] See *Cabinet - Working Party on Oil Supplies: Minutes of a Meeting Held in Conference Room E, Cabinet Office*, Oct 18, 1973, Secret, WP (OS) (73) 2nd Meeting, SMG 12/548/9, in DBPO, Series III, Vol. IV, doc. 304.

which was obviously temporary, what could really jeopardise the economy of the West was the price increase, first to 5.12 dollars a barrel in October and then up to 11.65 dollars in January.

For the first time, oil prices had been imposed by the producers without any negotiation and after the end of the war, with the oil embargo still on, the Joint Intelligence Committee of the British Cabinet wrote a report reminding that the Arabs would not forget the power recently acquired and that they would be tempted again to use the oil weapon in support of further demands against Israel or to back Third World causes. The paradox was that moderate pro-West regimes like Saudi Arabia and Kuwait were showing themselves rather extremist on oil policies, while a radical State like Iraq, with more links with the USSR, was the only Arab country not to apply restrictions. On the other hand, London's experts believed that it was not in the Arabs' interest to hurt Europe so much. After all, the downward spiral they had set in motion could be counter-productive and a more unstable world would favour the Soviet Union, on which they did not want to depend. As concerned the Americans, the British Intelligence was persuaded that they did not have much leverage to have the ban lifted. In case of use of force against a single Arab country, then, a total embargo against the West was inevitable and the Arabs would also put pressure on other producers, notably Iran and Nigeria, to follow suit. This was exactly what Britain wanted to avoid. The point was that the Arab embargo had by then set a precedent and African producers were likely willing to use the oil weapon as a way to secure a victory in the struggle against white regimes in Southern African and other Third World issues.[147] In an international conjuncture like that, it was easy to expect a scramble among consumers for the access to oil supplies. The Americans, for example, had already made bids for Nigerian oil equivalent to Nigeria's total production, while the Japanese had made bids at very high prices for all the oil available at Iranian auctions.[148] In a few words, with the Arab diplomatic and financial offensive, Nigeria had become one of the most important energy exporters in the world. As already said, its low-sulphur oil and its location quite close to European and American markets certainly made the West African country a pivotal interlocutor to deal with. On the other hand, pan-African

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[147] See *Report by the Joint Intelligence Committee: The Main Effects of the Middle East War*, Dec 7, 1973, JIC (A) (73) 34, UK Eyes A, in DBPO, Series III, Vol. IV, doc. 434.

[148] See *P.E. Walker to Prime Minister: Oil Supplies*, Dec 1973, Secret, in DBPO, Series III, Vol. IV, doc. 454.

policies and the armed struggle against white regimes in Southern Africa implied that it had become urgent to accommodate racial tensions and seek the mediation of a government like that of Gowon, who after all had always shown moderation in international matters.

Conclusions

Oil prices at the beginning of 1974 had become so high that the world oil bill was going to double. Kissinger himself was concerned about the negative impact not only on the U.S. balance of payments, but above on European economies.[149] Once again, the international conjuncture had favoured Nigeria, which had been freed by higher prices from the necessity to exploit to the maximum its oil resources. Despite this, for 1975 the country was expected to receive eight billion dollars only for oil revenues. On grounds of this, the Department of State affirmed that this was the propitious time to develop co-operation with Lagos, which had invited the expansion of U.S. investments in all economic sectors. On the political side, the FMG was committed to the African struggle for self-determination and to economic efforts for the development of the Third World. From this point of view, the United States was often seen as being in opposition to these policies.[150]

The American policy towards black Africa radically changed after the military coup overthrowing the dictatorship in Portugal, on April 25, 1974. The new government started negotiations with revolutionary forces in the colonies and already in August Mozambique became independent. NSSM 39 was by then superseded, since Portugal's domestic instability and the growing influence of the Communist Party could persuade Moscow that it was possible to begin a revolutionary phase in Africa.[151] Such a situation could only determine a radical shift in Washington's policies and once the whole structure of the Nixon Administration's African policy had collapsed, Kissinger could no longer think that the problems of the area

[149] See *FCO Telegram No. 2539 to Washington*, Dec 31, 1973, SMG 12/304/3, 311740Z, Immediate, Confidential, GRS 200A, in DBPO, Series III, Vol. IV, doc. 486.

[150] See *Briefing Memorandum from C.G. Ross to the Secretary: Improving Cooperation with Nigeria*, Mar 29, 1974, Secret, GDS, in NARA, RG 59, A1 5712, Box 7, Lot 77D84, POL 2-A, Political Relations: US/Nigeria 1973.

[151] See R.S. LITWAK, *Détente and the Nixon Doctrine: American Foreign Policy and the Pursuit of Stability, 1969-1976*, Cambridge, Cambridge University Press, 1986, p. 178.

could be solved without foreign mediation. Soviet, Cuban and Chinese aid to national liberation movements of Southern Africa made Kissinger believe that it had become necessary to contain communist influence in order to avoid a large scale war to re-establish the *status quo ante.*[152] Economic reasons were equally important, since most raw materials exported from Africa towards America came from that part of the continent.[153] American strategic interests had not changed, but now there was a different scenario. While a few years earlier the White House thought that the white regimes could safeguard American interests, now it was of paramount importance to lessen tensions and gradually grant indigenous claims. Within this context, it was exactly Nigeria that the United States had to deal with to pursue its objectives. The importance the African country had acquired could be realised from the fact that Kissinger himself asked his Nigerian homologue to mediate for an oil price reduction. The Secretary admitted that in the past prices were too low, but now they were too high and this was leading to a world inflation, with prices of other commodities rising as fast as those of oil. In a way, it was strange that Kissinger complained that Nigeria had not taken the lead among oil producers to avoid confrontation and try to reduce prices.[154] By then, as the largest exporter of oil to the United States, Nigeria had gained considerable leverage on the superpower, but at the beginning of the Ford Administration the relations between the two countries were worsening again due to the U.S. abstention on five International Bank for Research and Development loans to Nigeria for agricultural programmes. Nigeria had been excluded from the loan because the Bank had decided that a country with so many foreign currency reserves – four billion dollars in 1974 – no longer needed international assistance, but these purely economic motivations were not enough to avoid Nigerian suspicion that the United States was pursuing a hostile policy.[155] Nigeria was by far the most

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[152] See H.A. KISSINGER, *Years of Renewal: The Concluding Volume of His Memoirs*, London, Weidenfeld and Nicolson, 1999, p. 908.
[153] See EL-KHAWAS- COHEN, eds., *The Kissinger Study of Southern Africa*, p. 64.
[154] See *Memorandum of Conversation: Secretary's Bilateral Meeting with Commissioner for External Affairs Arikpo*, Sept 30, 1974, Secret, Nodis, GDS, in Library of Congress (thereafter LoC), Washington, D.C., Manuscript Division, Kissinger Papers, Box CL 272, Memoranda of Conversations.
[155] See *Department of State Briefing Memorandum* from the Director of the Bureau of Intelligence and Research (Hyland) to Secretary of State Kissinger: Nigeria – Erosion of Ties

important country in black Africa for the United States, supplying 20 percent of American foreign crude with political reliability and with a Gross Domestic Product of eighteen billion dollars corresponding to two-thirds of the rest of black Africa combined. As the world's fifth largest oil exporter and with an estimated forty trillion cubic feet of natural gas, in case of growing American dependence on foreign energy sources access to Nigeria's market was obviously pivotal for the United States. By then American private investments, mostly in oil, roughly equalled those in South Africa and it was the U.S. Administration which had to encourage more exports to the West African country, due to a trade deficit for the United States of more than two billion dollars in 1974.[156]

On grounds of this, the new Ford Administration ordered a review of the U.S. African policy, according to which it emerged that Nigeria had become for Washington as important as South Africa. American economic interests in Sub-Saharan Africa were modest, but they were growing more rapidly than in other parts of the world and Gulf and Mobil were the two American largest investors in the continent, where Nigeria was the largest market, with a favourable trade balance of eight billion dollars and the world's ninth population. A closer association with Lagos was desirable, but Nigeria's non-alignment policy did not ease the situation, and that is why American attitude towards IBRD loans was essential.[157] By virtue of this, in the mid 1970s the State Department's position collided with that of the Treasury. On grounds of purely economic reflections, the latter was trying to end IBRD loans to a country which had increased foreign exchange reserves up to 5.7 billion dollars, while Kissinger thought in strategic terms towards a country which was very important for the U.S. overall African policy and for the relations with the developing world. Helping Nigeria, which after all was still a low income country with a lack

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with the US?, Jan 28, 1975, Secret/Nodis/GDS, in NARA, RG 59, Central Policy Files, 1975, P8 30114-1446.

[156] See Action Memorandum from the Acting Assistant Secretary of State for African Affairs (Mulcahy) to Secretary of State Kissinger: Program to Improve US-Nigerian Relations, March 28, 1975, Secret, Exdis, GDS, in LoC, Manuscript Division, Kissinger Papers, Box CL 202, Geopolitical Files, Nigeria, January-August 75.

[157] See Action Memorandum from Deputy Assistant Secretary of State for African Affairs (Mulcahy) and Director of Policy Planning (Lord) to Secretary of State Kissinger: US African Policy, June 27, 1975, Secret, in LoC, Manuscript Division, Kissinger Papers, Box CL 326, Department of State, Policy Planning History Project, Vol. 9, *Additional Papers: African and East Asian Affairs, 1973-1975.*

of technology for development projects, matched American interests, and it was important to help the country build a Western-oriented development programme. Moreover, Washington had to draw bilateral relations with non-Arab oil producers to assure maximum production from them in case of another embargo.[158] From a poor country located within the British traditional sphere of influence, Nigeria had become a privileged trading partner for the United States, thus leading to a commercial rivalry among Western allies. By then American geo-strategic interests coincided with economic ones; therefore, Kissinger got interested in Nigerian policies because of their repercussions on Washington's commitment in Southern Africa. In light of the new African policy after the revolution in Portugal, the White House could no longer afford to leave what had become one of the world's major oil exporters to allies which often had clashing interests in terms of energy needs and also Middle Eastern different positions. As regarded Nigeria, as revenues from petroleum rose, so did the State's reliance on those revenues, so much so that by 1974 82 percent of all government revenues came from that source. This dependence on oil made the economy vulnerable to price fluctuations. Gowon increased the size of civil service, granting good salaries to government employees and invested a lot of money in infrastructural projects. Basing the economy on petroleum led to neglecting other sectors, such as agriculture, thus Nigeria had to spend huge amounts of money on food imports. As more money entered the country, consumptions were encouraged,[159] especially in urban areas, which consequently increased inflation, so much so that food prices ballooned by 273 percent between 1973 and 1981. Finally, the oil boom led to the development of a "rentier State" in Nigeria. Unlike other States, where government revenues are generated within the country itself through taxes, in a "rentier State" revenues come from abroad, and in the case of Nigeria from oil companies paying rents through licenses and royalties. Under such a system, corruption runs rampant, since the State needs no

[158] See Memorandum from Robert T. Hormats of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft): Nigeria – Treasury Intends to Oppose IBRD Lending, Jan 20, 1976, Confidential, in FRUS 1969-1976, VOL. E-6, doc. 209, in http://history.state.gov; Letter from Secretary of State Kissinger to Secretary of the Treasury Simon, Mar 3, 1976, Confidential, in FRUS 1969-1976, VOL. E-6, doc. 211, in http://history.state.gov.

[159] The major oil producing countries' value of imports rose almost three times as much between 1973 and 1975. See M. ABU AL-KHAIL, *The Oil Price in Perspective*, in «International Affairs», LV, 4, October 1979, p. 526.

confidence other than that of the companies, while the citizens' opinion of the government becomes irrelevant. An executive like that, and that was the case of the Nigerian military dictatorship, does not rely on popularity, but only on coercion and the control of natural resources. In conclusion, during the Gowon era, which ended on July 29, 1975, through another coup, there was little oversight of how oil revenues were spent and the process of indigenisation did little to improve the country's living standard. Instead, it created a small class of businessmen whose interests were aligned with those of foreign investors and politicians who were using a booming economy to enrich themselves at the expense of the majority of the population.[160]

[160] See FALOLA –HEATON, *A History of Nigeria*, pp. 182-185.