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**An exploration of the implications for Nigeria and South Africa of Nigeria's overtaking of South Africa as Africa's economic giant.**

By

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## DECLARATION

I, **Themba Innocent Radebe** hereby declare that this dissertation is my own original work, except where otherwise stated. All citations, references and borrowed ideas have been duly acknowledged. This dissertation is submitted in fulfilment of the requirements for the Master of Social Sciences degree in International Relations in the College of Humanities, School of Social Sciences, University of KwaZulu-Natal, Durban. None of the present work has been submitted previously for any degree or examination in any other University.

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## ABSTRACT

South Africa was said to have been overtaken by Nigeria as the biggest economy in Africa in April 2014. This study looks at how this will affect the newly crowned biggest economy and the recently dethroned second biggest economy in the African continent. The fact that Nigeria is the biggest oil producer in the continent and South Africa the biggest gold and platinum producer in the world makes for an interesting observation and comparison. Both countries are important in the international arena. South Africa is a member of an influential grouping of leading developing countries, BRICS which includes Brazil, Russia, India, China and South Africa. On the other hand Nigeria is a member of the influential oil grouping, OPEC.

The type of research the study undertook fell within the qualitative paradigm. This paradigm was chosen merely because the study was mostly desktop based. Secondary data was generated through books, journal articles, newspapers and internet resources. The relevant theory chosen to guide the study was the comparative advantage theory which looks at the goods that both countries produce and that have made them powers to be reckoned with in the continent when it came to trading and other areas.

The study revealed that although Nigeria is now the biggest economy in Africa but this does not mean it will outrank South Africa in most meaningful economic measures outside the GDP size. However if South Africa's economy continues to struggle Nigeria's economy will not only be bigger in terms of GDP size but will also improve in other economic areas as well. It has also been revealed that although South Africa is a politically stable country compared to Nigeria, which is struggling to contain Islamic militant group, Boko Haram, intermittent strikes, high levels of crime, corruption and electricity outages do their level best to ensure that the country suffers from fragile instability. Based on these findings the study proposes that both countries need to be vigilant and take precautionary measures in order to protect their continental and international image.

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## **ABBREVIATIONS/ACCRONYMS**

ABSA	Amalgamated Banks of South Africa
ACP	African Caribbean Pacific
AD	New Alliance for Democracy
ANC	African National Congress
APP	All Peoples Party
AQIM	Al Qaeda Islamic Movement
AU	African Union
BP	British Petroleum
BRICS	Brazil, Russia, India, China & South Africa
CBD	Central Business District
CIA	Central Intelligence Agency
DNA	Deoxyribonucleic Acid
ECOMOG	ECOWAS Cease-fire Monitoring Group
ECOWAS	Economic Community of West African States
EEC	European Economic Community
ESKOM	Electricity Supply Commission
EXPY	Country Export Basket
ICU	Intensive Care Unit
FCT	Federal Capital Territory
FDI	Foreign Direct Investment
FNB	First National Bank

GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
G20	Group of 20 countries
HIV/Aids	Human Immuno-Deficiency Virus /Acquired Immune Deficiency Syndrome
IBR	International Business Report
IDC	Industrial Development Corporation
IMF	International Monetary Fund
ING	Interim National Government
ISS	Institute of Security Studies
JTF	Joint Task Force
MTN	Mobile Telephone Network
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organization
NNP	Nigerian National Party
NNPC	Nigerian National Petroleum Corporation
NP	National Party
NPC	National Planning Commission
NTC	National Transitional Council
OAU	Organisation of African Unity
OPEC	Organisation of Petroleum Producing Countries
PAC	Pan Africanist Congress

PC	Personal Computer
PDP	People's Democratic Party
SADC	Southern African Development Community
SANNC	South African Native National Congress
SAPs	Structural Adjustment Programs
R&D	Research and Development
UNSC	United Nations Security Council
USD	United States Dollar

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# CHAPTER 1: INTRODUCTION AND BACKGROUND

## 1.1 Introduction

This study seeks to explore the possible consequences of South Africa's downgrading for both South Africa and Nigeria. For a long time, the notion of Nigeria becoming the biggest economy in Africa seemed like a pipe dream and this has finally happened. This study looks at how this will affect the newly crowned biggest economy and the recently dethroned second biggest economy in the African continent. This is particularly important in the sense that both Nigeria and South Africa are positioning themselves to claim the yet to be created permanent seat in the United Nations Security Council (UNSC).

Most literature, save for newspaper opinion pieces, were not supportive of this notion that Nigeria would soon become Africa's economic giant. This was made worse by the fact that compared to its West African counterpart, South Africa has a well-developed infrastructure and has hosted many world-class events such as the Rugby World Cup in 1995, the African Cup of Nations in 1996, the 2002 historic meeting which saw the Organisation of African Unity (OAU) being converted into the African Union (AU), the 2010 soccer World Cup, and the Cricket World Cup, to mention just a few. On the other hand, Nigeria is notorious for its intermittent military coups, underdeveloped infrastructure, corruption and maladministration and many other social and political ills. These factors have overshadowed the fact that the country is well endowed with natural resources such as oil and gas in the Niger Delta region. Therefore it is against this background that this study was conceptualised and conducted.

On the eighth of April 2014, as a result of the so-called rebasing, the Nigerian economy – as measured by GDP – was estimated to be worth \$510 billion. That is almost twice the \$264 billion it had been valued at two days earlier. “This boosted GDP per capita by [up] to \$3 000, which is equivalent to just more than \$8 a day for all 170 million Nigerians,” (Sunday Times, April 27, 2014:11). So, can it be assumed that this rebasing means a better life for all ordinary people of Nigeria or will it only change the lives of the privileged few? According to the Sunday Times (April 27, 2014:11), “a comparatively small group of individuals have managed to become exceedingly wealthy as a result of previously untracked

activity in the cellphone and movie industries.” In essence this rebasing has not changed the lives of poor Nigerians, at least for now.

Another telling observation made by the Sunday Times is that economists have not done their job properly when determining the figures and data for African countries. The newspaper claims that nothing has really changed for both Nigerian and South African economies and income distribution. The newspaper poses the question, “Is it really accurate to say that Nigeria is wealthier today than it was 20 years ago?” Furthermore it also adds that, “Much of its oil resources have since been depleted amid shocking environmental degradation and without countervailing benefits such as infrastructure and education for more than a handful of people,”(Sunday Times, April 27, 2014: 11).

Nigeria and South Africa are both important countries in Africa for several reasons. Firstly, they are economic superpowers. Secondly, Nigeria is Africa’s most populous country with an estimated population of around 170 million people (Dimant, 2012:152). For her part, South Africa boasts of having played an influential role on the continent in different spheres of life despite being the last country to obtain democracy (Geldenhuys, 2006:106).

The question arises: What is going to happen to South Africa’s membership in BRICS and the benefits which accrue from such membership now that the state of affairs has changed? Apart from high levels of crime and corruption South Africa is a stable country and its economy is diversified. On the other hand, Nigeria is a large country with a huge potential for growth however volatility in the Niger Delta and the activities of Boko Haram seem to be the country’s undoing. What impact will these factors have on each country’s position on the continent and in the global scale? These are very intriguing questions.

## **1.2 Background**

As stated earlier, the two countries are both very important countries in Africa. The former is the largest crude oil producer in the continent and the latter has the largest gold reserves in the world. According to Gelb, “the South African economy had performed very poorly from the mid-1970s up to 1994. Gross domestic product (GDP) growth averaged only 3.3% per annum in the 1970s and 1.2% in the 1980s, and.....between1990 and 1993 was 0.65 per annum,” (Gelb, 2010:32). The crises were in part caused by the global recession following the collapse of the Bretton Woods monetary system and the 1973 oil shock. Wage strikes of 1973 and student uprisings from 1976 contributed to slower growth by causing capital flight.

However things started to stabilise in the early 2000s. For instance, “South Africa’s overall terms of trade rose by 19% between 2000 and 2008. This pushed up South Africa’s export earnings, the rand slowly but steadily appreciated after early 2002...,” (Gelb, 2010:54). This led to many thinking that the country’s economy had turned the corner and was growing rapidly. As the country’s economy stabilised somewhat after the historic 1994 general elections those who held this optimistic view were vindicated. However the economic downturn which started in 2008 slowed things down again.

Despite these setbacks South Africa emerged from the global financial meltdown without any noticeable impact on the economy – something which did not go unnoticed by the global community. This was not the case with other so-called developed countries of the West. In fact South Africa had to (through BRICS) foot the bill to assist some distressed countries such as Greece. This was unheard of and unexpected, more so because South Africa is viewed as a third world country from Africa. So this gesture clearly portrayed the country as an African Economic hegemon. Experts point out that the country escaped the financial meltdown because of its excellent financial regulations. As Gelb puts it, “unlike many other countries, we had public sector investment taking over as a growth driver even as exports faltered”, (Gelb, 2010:57).

On the other hand, since Nigeria’s independence in 1960, the economy has been transformed from a subsistence agrarian society into a largely monetized economy fuelled particularly by the discovery and exploration of oil fields, a process which began in 1958 and took a better shape in the early 1970s (Mngomezulu, 2013). According to Ayadi (2005), the transformation consists of three periods: 1973-78, 1979-83, and 1984-86, coinciding with an oil boom under military rule, an oil boom under civilian rule, and the Muhammadu Buhari regime (prior to Ibrahim Babangida’s takeover in 1985). The oil boom in the early 1970s had a pervasive effect on the growth and development of the economy. Oil quickly became the dominant sector of the economy, accounting for more than 90 percent of exports, and the main source of revenue. Between 1972 and 1974, federal revenue from oil increased fivefold, constituting 80 percent of total revenue. Oil revenue grew more modestly during the remainder of the period (1975-78), when the Organisation of Petroleum Producing Countries (OPEC) rules required Nigeria to cut oil production, (Ayadi, 2005).

Nigeria’s new wealth radically affected the scope and content of investment, production, and consumption patterns, the government’s approach to economic management, and the policies

and programmes implemented. Much of this increase in government expenditure went to investment. Ayadi (2005:205) notes that, “The growth in oil revenue was absorbed largely by public sector spending, particularly on the infrastructure. Transportation facilities, especially roads and ports, were expanded significantly, as were educational opportunities.” Yet many public projects were undertaken without the requisite analysis of their long-term financial viability and the efficiency with which such projects were implemented in the past, (Ayadi, 2005).

Nigeria’s situation as the most populous country in Africa and the black world also had important implications for its post-independence politics. This is especially true of its foreign policy which has been informed by a perception of leadership which emphasises the country’s responsibility for the liberation and development of Africans and the entire black race. It is for this reason that Nigeria was among those who spearheaded the African part in the liberation of southern African countries, established a trust fund in the African Development Bank, initiated the integration of the West African sub-region, and has been involved in peacekeeping operations in the continent – to mention a few instances. The country’s wealth and vast human resources encouraged the leaders to play a leadership role on the continent, even in the worst stages of its economic decline (Osaghae, 1998:29).

What is also evident between these two respective countries is the power play that exists between them. Each is trying too hard to be the leader of the continent. For instance South Africa, in championing the cause of the developing world, particularly African countries, has been trying to play the role of a benevolent hegemon – in other words, a state that believes its own interests are best served by promoting the prosperity and security of others. While Western powers have welcomed its self-assigned role as Africa’s pre-eminent norm advocate, some fellow African states are quite suspicious about the Republic’s true intentions. Far from being an exemplary hegemon, they view South Africa as a selfish hegemon, (Geldenhuis 2006:106).

On the other hand, Nigeria also sees itself as a big brother to many African countries. In fact it has assisted in the liberation of some of these countries. Nigeria’s newly found status as an African leader and champion of anti-imperialism on the continent, especially under the Mohammed/Obasanjo regime resonated in several other African foreign policy decisions. This mainly took the form of financial and material support to several countries for a variety of purposes: to assist drought-affected countries like Ethiopia, Chad, Mali and Senegal. It

sold oil at concessionary rates to West African countries, although this was used to punish regimes to which Lagos was opposed, e.g. Rawlings's government in Ghana in the initial stages of his regime (Osaghae, 1998:107-109).

However, according to Osaghae (1998:109), by far the most significant landmark of Nigeria's West African Policy in this period was the formation of the Economic Community of West African States (ECOWAS) in 1975. Regional integration was aimed amongst others, at consolidating the gains of good neighbourliness and the above-mentioned peaceful coexistence, enhancing the bargaining and competitive capacities of the countries in the sub-region in their dealings with European Economic Community (EEC) countries and other economic powers, and underlining Nigeria's leadership roles.

So how was the situation like in Nigeria in the early 1990s when it last rebased its economy before April this year? According to Osaghae things did not look good for the West African Nation as the 1991 World Bank Report ranked Nigeria as the thirteenth poorest country in the world, while the United Nations Development Programme concluded from a human deprivation index survey in 1990 that it had one of the worst records for human deprivation of any country in the third world. Per capita income, which does not show the whole picture, vividly reflected declining standards; from an estimated \$778 in 1985 it fell to \$175 in 1988 and \$105 in 1989. The decrease could be attributed to the devaluation of the naira, but the effect of Structural Adjustment Programs (SAPs) was all too obvious (Osaghae, 1998: 204-207).

Apart from high levels of crime and alleged corruption South Africa is a stable country and her economy is diversified. As mentioned above, Nigeria has potential for growth but is wrestling with the Niger Delta crisis and the activities of Boko Haram. There is a general perception that constant attacks and kidnappings of oil workers in the Niger Delta, weak infrastructure and high levels of corruption, over-reliance on oil as the primary provider of income are some of the factors that make it hard to believe that Nigeria is now Africa's biggest economy.

Nigeria is today rated as one of the most corrupt countries in the world and this is even acknowledged by the country's scholars and economists. According to Ezeani (2005) although the country is richly endowed with abundant human and natural resources (e.g. it has the 7th largest oil reserves in the world), it remains one of the poorest countries in the world. According to Ayadi (2005) the economy of Nigeria is heavily dependent on oil. It

accounts for over 90 per cent of the nation's export revenues and over 90 per cent of foreign exchange earnings. On the other hand South Africa has a diversified economy. What makes this point valid is that the proportion contributed by both agriculture and mining to the South African economy has decreased. According to Dimant (2012) what is noteworthy is the greatest growth in the financial sector which has risen from 9.3 % of GDP to 21.2 %. However this has not stopped Nigeria from being the biggest economy in Africa.

It is rather questionable that Nigeria only started calculating anew its economy in 2014. It had last done the rebasing twenty four years ago, in 1990. Apparently Nigeria rebased its economy for the first time since 1990, adjusting GDP calculations to take into account changes in the economy, including new sectors and industries, such as the movie and the financial industries, (The New Age, 17 December, 2013:15). According to the Sunday Times, (April 27, 2014:11) the rebasing was, "apparently delayed to improve Nigeria's efforts in 2005 at persuading the Paris Club and multilateral lenders to provide debt relief to a poor country." To say this assertion seems ridiculous is an understatement. How can the biggest economy in Africa be poor? And has this delay really helped this supposedly poor country? These are some of the pertinent questions that need to be addressed.

### **1.3 Problem Statement**

The study looks at the implications for Nigeria and South Africa following Nigeria's overtaking South Africa as Africa's economic giant. Nigeria and South Africa are both important countries in Africa for several reasons. Nigeria now leads Africa economically. South Africa is a member of BRICS. A question arises: Is South Africa's membership to this group going to be affected now that there has been a change in the status quo?

This study also looks at the infrastructure, gross domestic product and natural resources of both these respective countries. The mere fact that Nigeria is the biggest oil producer in the continent and South Africa the biggest gold and platinum producer in the world makes for an interesting observation and comparison. Nigeria's economy was expected to grow at about 7.4 percent last year yet South Africa's economy was expected to grow at less than 3 percent (The New Age, December 2013). South African political leaders attribute this to a weaker rand and high oil prices but surely Nigeria as a developing country should be experiencing the same problems as South Africa. As to why this is not the case remains one of the most mysterious developments.

So much has been said about the political will and human capital of the respective countries. Nigeria's president, Goodluck Jonathan is a former university professor and South Africa's president Jacob Zuma has no formal education, and opposition parties have recently pointed out how great things were under the leadership of presidents Nelson Mandela and Thabo Mbeki. So could education have a role to play in South Africa's demise and Nigeria's resurgence? This is one way in which some commentators interpret the current status quo between the two countries. As mentioned earlier, Nigeria has a population of about 170million people ([www.fmf.gov.ng](http://www.fmf.gov.ng)). On the other hand South Africa has about 52 million. What role does this factor play in the debate? This is another point worth investigating.

Another interesting point is that South Africa has high levels of crime and corruption and this has in some ways discouraged potential investors from investing in the country. Strikes are also said to be contributing to the country's economic decline. The recently ended platinum strike by labour union, AMCU which lasted for five months is said to have cost the country billions of rands. But despite these problems South Africa is stable and its economy is diversified.

On the other hand Nigeria is a large country with a great potential for growth but faces challenges in the Niger Delta and the activities of Boko Haram seem to be the country's albatross. According to Mngomezulu (2013:362), "as a general norm in the world, politics and economics are inextricably interwoven and interdependent." He further argues that, "political upheavals in a country have a direct impact on the national economy." Up to this point the Nigerian federal government has failed to arrest the political instability in the Niger Delta region.

The study also explores the standing of these two countries internationally (i.e. how they are perceived by the international community). This will include their membership in international and African regional bodies as well as the AU. As mentioned above, South Africa is a member of BRICS and Nigeria is a member of the oil producing countries, OPEC. Both these countries are leaders in their regions, with Nigeria contributing more than any other country in the ECOWAS region. South Africa also plays a leadership role in the Southern African Development Community (SADC) region. Therefore it is evident that both these countries are quite important in Africa and in the world at large.

## **1.4 Objectives**

The study seeks to explore the implications for Nigeria and South Africa following Nigeria's overtaking of South Africa as Africa's economic giant.

### ***1.4.1 Main Objectives***

The study seeks:

- To explore the reasons presented on why Nigeria has overtaken South Africa as Africa's largest economy.
- To establish who espouse this view and why;
- To analyse the economic and political standing of Nigeria and South Africa in Africa and internationally;
- To comprehend what this change in the state of affairs would mean for both Nigeria and South Africa.

### **Research Questions**

The study aims to address the following questions:

#### ***1.4.2 Key questions***

1.4.2.1 What are the implications for the extrapolation that Nigeria has already overtaken South Africa as Africa's economic giant?

1.4.2.2 Who espouses this view and why?

#### ***1.4.3 Sub-questions***

1.4.3.1 What are the strengths of South Africa and Nigeria which qualify them for the status as economic giants?

1.4.3.2 What are the weaknesses of each of these countries?

1.4.3.3 What does it mean for South Africa's international standing now that Nigeria's status as Africa's biggest economy has become a reality?

1.4.3.4 Importantly, how will this change affect BRICS?

## 1.5 Importance of the Research

Nigeria and South Africa are both important countries in Africa for the reasons outlined above. The study sought to explore the possible implications of the April 2014 announcement for the two countries. This is important not just for the countries under discussion but for the entire African continent.

Both Nigeria and South Africa should realise that they are interdependent to each other and that the mother continent, Africa, needs them both to lead the continent into economic prosperity. Nigeria is the biggest oil producer in Africa. The country became a member of the Organization of the Petroleum Exporting Countries (OPEC) in 1971. In 2003, it was the fifth-largest supplier of crude oil to the US. It is the seventh-largest producer of oil in the world. The economy of Nigeria is heavily dependent on oil. It accounts for over 90 per cent of the nation's export revenues and over 90 per cent of foreign exchange earnings. Over 80 per cent of government revenue comes from this source (Ayadi, 2005).

On the other hand, South Africa is the largest producer of gold and platinum albeit these are on the decline. According to McGowan (2006:307), "Because of its vast mineral wealth and industry, which rapidly began to develop in the 1920s, South Africa became a semi-peripheral power of considerable importance to the rest of the world and the regional hegemon in Southern Africa." The growth of the mining industry automatically led to a railroad building boom, rapid urbanisation, improved farming and industrialisation in the 1920s.

What also makes this study worth pursuing is the fact that both Nigeria and South Africa dominate African politics and economy and they are both in the top five of African countries which are recipients of the foreign direct investment (FDI). This observation has been made quite clearly by Dimant (2012) who studied Nigerian and South African FDI stock proportion of GDP from 2004 to 2011. Whereas in 2004 Nigeria had an FDI stock as proportion of GDP of 35.7 % compared to South Africa's 29.4 % however SA finished 2011 with 31.8 % and Nigeria had 29.2%. From 2004 to 2011 Nigeria's FDI stock as proportion of GDP has been on downward spiral while SA has been on the upward trend. (Dimant, 2012:152). The 2011 rise can be attributed to the \$2.4 billion purchase of a majority interest in South African retailer Massmart by US retailer Walmart (Dimant, 2012:153).

Therefore it is quite clear from the afore-going paragraphs that these two respective countries are quite important in the African continent. They are both well-endowed with natural resources that drive their economies. The study is therefore important as it will assist both governments to note what they are doing wrong and what they are getting right. It will also help these countries diversify their economies more, instead of relying on a single commodity for trading - not for themselves per se, but for Africa as a whole.

## **1.6 Methodology**

The type of research the study undertook fell within the qualitative paradigm. Qualitative research is a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data. As a research strategy it is inductivist, constructivist, and interpretivist. But qualitative researchers do not always subscribe to all three of these features, (Bryman: 2004). Using statistical method might not capture the nuances of the argument provoked by this study, especially understanding the rationale behind the assumption that South Africa has lost its status as the biggest economy in Africa.

This paradigm was chosen merely because the study was mostly desk top based. Secondary data was generated through books, journal articles, newspapers and internet sources. The secondary sources provided bibliographic and contextual information that complemented other data sources such as newspapers and some statistical data readily available. The methodology of research included analyzing the data collected in order to try and answer the research questions enumerated above.

Collected data was analysed through a qualitative approach. The type of the analysis was discourse analysis. According to Newbold et al (2002:85), "...discourse analysis is, in fact, the story of reality as it is presented to us through media or other cultural texts. It therefore starts from the given that reports on events and objects always construct these objects in a certain way and this constructedness is inevitable." On the basis of this, a media or cultural text can be analyzed by identifying the main discourses out of which it is structured.

## **1.7 Demarcation/Scope of the Study**

As mentioned earlier, this study looked at the standing of the two respective countries internationally and in their regions in Africa. One of the issues that needed to be addressed was how both Nigeria and South Africa are perceived by the international community. This looked at their membership in institutions such as the OPEC, G20 and BRICS. It explored their standing in the African continent. For instance the study looked at the relationships these two countries have with other fellow African countries, be it in their regional groupings such as ECOWAS and SADC or the rest of the continent such as the African Union.

Nigeria has a population and Gross National Product (GNP) roughly equal to those of the other 15 member states of ECOWAS combined (Ikome, 2006:338). On the other hand, according to the World Bank report (2005), South Africa is the most prominent economy in the SADC region, – it accounts for almost 76 percent of SADC GDP. So, both Nigeria and South Africa are leaders in their respective regions and due to their economic status have attracted jealousy from their neighbours. It is therefore quite clear that both these African giants have an important role to play in the up-liftment of the African continent.

Both these countries have serious aspirations to be leaders of the continent hence they are looked at suspiciously by fellow countries. Nigeria was among those countries which spearheaded the African part of the liberation of southern African countries, established a trust fund in the African Development Bank, initiated the integration of the West African sub-region, and has been involved in peacekeeping operations on the continent. The country's wealth and vast human resources encouraged the leaders to play leadership role, even in the worst stages of its economic decline (Osaghae, 1998:29).

South Africa started positioning itself as a real hegemon after the abolishment of the apartheid regime. However just like Nigeria her intentions were not well received by her southern African neighbours. While Western powers have welcomed the country's self-assigned role as Africa's pre-eminent norm advocate, some fellow African states are not so sanguine about the Republic's true intentions. Far from being an exemplary hegemon, they view South Africa as a selfish hegemon bent on advancing its narrow economic interests at the expense of less developed countries (Geldenhuys, 2006:106).

What is most intriguing about the two countries is the media hype and the possible tension between Nigeria and South Africa over the Security Council seat as well as the gulf created after the killing of author and activist Ken Saro-Wiwa in 1995. Then President Mandela called for Nigeria's expulsion from the Commonwealth, the imposition of collective oil sanctions, and the involvement of the UN to increase the pressure on President Sani Abacha. While Western states welcomed Mandela's about turn, other African leaders were distinctly displeased with the South African president's tough stance against a fellow African country. Mandela had broken the sacred norm of African solidarity, which decreed that African leaders did not turn on each other in international forums (Geldenhuis, 2006:99). This obviously put South Africa in a very bad light among her African peers.

So how are these two countries perceived by the international community? It is a well-known fact that Nigeria is a member of an elite organisation of oil producing countries, OPEC. On the other hand South Africa is the member of one of the most influential groupings in the developing world, BRICS. This grouping which has recently established its own development bank has such economically superior countries such as Brazil, Russia, India, China and then of course South Africa. And on top of that South Africa is also a member of G20 which consists of countries which have the fastest growing economies. However the jury is still out there as to whether South Africa is really worthy to be the member of BRICS, now that it is no longer the biggest economy in Africa.

The post-independence Nigeria was instrumental in the formation of a number of influential international institutions that looked after the interests of the developing world. According to Osaghae Nigeria joined other Third World powers to demand the restructuring of the International Monetary Fund (IMF), the World Bank and General Agreement on Tariffs and Trade (GATT) which perpetuated Western hegemony, and a new world economic order. For these purposes it sought greater collective action by Third World medium powers at various forums, including the Non-Aligned Movement and the Group of 77. Nigeria was also instrumental in the formation of the African-Caribbean-Pacific (ACP) group which strengthened the bargaining power of those countries in economic agreements with the European Economic Community (EEC) (Osaghae, 1998:107).

However the major propellant of the country's autonomy-seeking foreign policy initiatives was the oil weapon which was reinforced by the country's membership of OPEC where forces were joined with the powerful Arab states to establish a third force of power play in

the international arena. But oil was also the major cause of the decline in the adventurous foreign policy in the late 1970s. The slump in prices, which was attributed to Western conspiracy, and the start of a period of recession forced Nigeria to re-link with the capitalist powers on terms dictated by them. This was to be the country's lot in the 1980s and 1990s, Osaghae (1998:107-109).

Looking at how the situation inside both Nigeria and South Africa is in a way drawing mixed views in that they both have positives and negatives albeit in very different ways. South Africa as mentioned earlier has problems with high levels of crime, corruption and slow economic growth which all contribute to the shrinking of the economy. Although in the early 2000s the country's economy was growing at a much quicker rate than it currently does however the economic downturn of early 2008 put a halt to that. For instance, "South Africa's overall terms of trade rose by 19 percent between 2000 and 2008. This pushed up South Africa's export earnings, the rand slowly but steadily appreciated after early 2002....," (Gelb, 2010:54). This led to many thinking that the country's economy had turned the corner and was growing rapidly. However the economic downturn which started in 2008 slowed things down again.

Moreover while the South African financial system did not suffer any major direct losses, the indirect effects proved inescapable. Slowly but surely the bad debt of the banking system rose, commodity exports dried up rapidly, and at the same time commodity prices collapsed sharply. Consequently, GDP registered a mere 0.2% growth in the third quarter of 2008. South Africa's fiscal indicators at the end of 2008 compared favourably with those of many of its peer countries. This was, to a large extent, the outcome of a consistent and ambitious fiscal reform programme over the 1994-2007 periods. Given the precarious point of departure back in 1994, South Africa's fiscal policy reform has achieved a great deal at the macro-financial level. This helped underpin the country's much needed macro-economic stabilisation goal during the critical period following the birth of the country's democratic era (Abedian and Ajam, 2009:100).

In 2013 Nigeria's economy was expected to grow at about 7.4 percent yet South Africa's economy was expected to grow at less than 3 percent (The New Age, December 2013). However volatility in the oil rich Niger Delta region has not made things any easier for Nigeria. Nigeria's oil-rich Niger Delta region has experienced significant levels of conflict, criminal violence and environmental damage for several decades. The central government

has encouraged major oil corporations to exploit the oil reserves, but residents in the Delta region claim that any benefits bypass local communities and that pollution has seriously affected quality of life (Bekoe, 2005 and Clayton, 2005, quoted in Ginty and Williams, 2009:41).

Corruption poses a threat to Nigeria and has thus been discussed in this study. Although the country has come a long way in trying to fight the scourge of corruption since the tenure of General Olusegun Obasanjo in the late 1990s however it looks the problem is not going away. Even current Finance Minister, Ngozi Okonjo-Iweala states that, in survey of Nigerian firms in 2002 about 70 percent of firms surveyed reported the need for bribes to obtain trade permits, about 83 percent paid bribes to obtain utility services, about 65 percent paid bribes when paying taxes, an estimated 90 percent paid bribes during procurement, and 70 percent of firms acknowledged the need for bribes to obtain favourable judicial decisions (Okonjo-Iweala&Osafo-Kwaako, 2007).

The conclusion that can be drawn from this is that Nigeria is a big country, and so are her many problems. Some of these problems can be classified in the words of Uche Nworah as:

*bribery and corruption, high rates of unemployment, poor infrastructural development, over dependence on the oil sector for federal income and revenue, poor work ethics, increasing citizen dissatisfaction and disaffection with the government, political structures and politicians, corporate and large scale organisational irresponsibility, inadequate funding of the educational, health and other key sectors, neglect of the agricultural and other non-oil productive/manufacturing sectors, continued manufacture of poor quality, fake and substandard goods and services, over dependence on imported goods, poorly regulated capital and financial market, ethnic and religious squabbles, homelessness, poverty and hunger, poor maintenance culture, poor planning, lack of security and regard for human life and property, armed and pen robbery and others.* (Nworah, March, 2005).

It is therefore clear that although Nigeria has just been declared the biggest economy in Africa however the challenges faced by this country are just as enormous. It would be interesting to see how long Nigeria will stay on top given her many problems. Surely economists will be watching the development with bated breath.

One of the main problems currently faced by South Africa at the moment is the rate of economic growth. It is much slower compared to Nigeria's projected economy growth. Nigeria's economy grew at about 7.4 percent last year yet South Africa's economy grew at less than 3 percent (The New Age, December 2013). South African Reserve Bank governor Gill Marcus expected the growth rate to be at 1.7 percent, "a downward revision from 2.1 percent forecast earlier and 2.8 percent early in the year," (Business Report, July 21, 2014). Unfortunately this does not look too great for South Africa. It became necessary to pursue this point.

Some have even questioned South Africa's membership in the BRICS grouping as other member countries are too superior in economic terms compared to South Africa. It is said that South Africa is a minnow in the BRICS setup and according to the IMF has a GDP worth \$351 billion last year. This compares with China at \$9.2 trillion, Brazil \$2.2 trillion, Russia \$2.1 trillion and India \$1.9 trillion. China's economy grew 7.6 percent last year, India 4.4 percent, Brazil 2.3 percent, Russia 1.2 percent and South Africa 1.9 percent (Business Report, July 21, 2014). And it is expected that this difference in GDP is likely to expand in the near future. However this state of affairs is unlikely to have South Africa booted out of BRICS as the grouping has recently formed its own development bank with each member contributing equally towards a R532 billion capital for the institution. Thus, BRICS featured in the study.

Given all these above mentioned factors it is quite interesting that both these respective countries are doing well economically yet this success has not done much for the ordinary citizens. In Nigeria for instance, the majority remain poor as they, "live on less than R20.60 a day while the country lags in key development indicators such as health...Growth has not translated into a better life for the vast majority. People are poor in the midst of plenty because corrupt and inept leaders are at the helms of affairs," (The New Age, 17 December, 2013).

South Africa is today regarded as one of the most unequal societies in the world as the gap between the rich and poor is expanding rapidly. It would seem that the governments of these two respective countries still have a long way to go in ensuring that its ordinary citizens reap the economic benefits. In the case of South Africa this inequality could be blamed on apartheid and its discriminatory laws. According to le Roux (1992:16), "The inequality in income distribution in South Africa is amongst the highest in the world....the economy as a

whole is today grinding to a halt as a consequence of the apartheid policies that were pursued.” These issues constitute the scope covered by the study.

## **1.8 Structure of dissertation:**

The dissertation is divided into six chapters, namely:

### **Chapter 1: Introduction and background to the study:**

In this chapter, this is where the background of the study has been outlined and then put into context. The research aims/objectives, research questions and issues addressed in the study have been presented in this chapter. Lastly, this chapter has presented the outline of the entire dissertation by introducing each of the subsequent chapters in order to prepare the reader’s mind-set.

### **Chapter 2: Literature Review**

This chapter will basically deal with what has been covered on the topic by other scholars and identify existing gaps which still need to be filled. This will serve as justification for the relevance of the present study.

### **Chapter 3: Theoretical Framework**

The purpose of this chapter will be to introduce the theory on which the study is grounded. It will provide the history behind this theory, identify its strengths and weaknesses, and justify the theory’s relevance to the present study.

### **Chapter 4: Methodology**

This chapter will spell out the methodology that was followed in conducting the study and provide reasons why certain paradigms and data collections methods were preferred to others. Where applicable, the challenges experienced during the data collection stage will be spelt out and answers provided as to how those challenges were dealt with.

### **Chapter 5: Research Findings & discussion**

In this chapter the findings of the study will be presented and discussed in order to give meaning to them in line with the research objectives and research questions of the study.

## **Chapter 6: General conclusion & recommendations**

In this final chapter, the dissertation will be pulled together by reiterating key points which will have emerged from the study. Limitations of the study (if any) will be highlighted and recommendations made on future research on a related theme.

### **1.9 Conclusion**

This chapter has made it quite evident that both Nigeria and South Africa face some enormous challenges as economic leaders of the African continent. Nigeria for instance, has come a long way since gaining independence in 1960. It has seen its fair share of dictatorships and military rule. As Attahiru notes (2000:29), “Prolonged military rule institutionalised a culture of authoritarian rule and reinforced acute patrimonial in the use of public office and state resources and state functionaries increasingly became unresponsive and unaccountable to the people.” However since the late 1990s after the democratically elected government of General Olusegun Obasanjo came into power things have been gradually getting back to normality. If it were not for Obasanjo’s efforts in re-introducing democratic principles in that country, it is doubtful that Nigeria would be the largest economy in Africa. After all, a stable democracy breeds a stable economy.

The study further explores how Nigeria has also found it quite daunting to fight corruption at all levels of government. The looting of the country’s resources has proved to be its undoing and there is no doubt that had it not been for this flaw that runs deep in that country’s society, it would have been further from where it is at the moment. Ezeani (2005) notes that, “The looting of public treasury by successive political leaders in Nigeria and their allies in the public service has impacted negatively on national development.” This looting has resulted in drying up of resources for investment on the social, economic and overall cultural development of the country.

South Africa on the other hand is a relatively new democracy, having abolished apartheid and introduced democracy that is inclusive of all the races in 1994. During apartheid South Africa was isolated and had economic sanctions administered against it by the western countries. However in the post-apartheid era the country started expanding its economic wings by trading with other African countries as well as other continents. South African firms and parastatals, many of which have international links, are in the post-apartheid era

massively expanding their exports to Africa. A case in point is MTN, Vodacom, Shoprite Checkers and Standard Bank.

Despite all these inroads made economically there is very little to celebrate for the majority of the black population who were previously marginalised and excluded from participating in the economy. The poor are getting poorer and the rich are getting richer. The effects of apartheid are still felt to this day even after twenty years of democracy. According to le Roux (1992:16), “The whites although they only constitute 15 % of the population of South Africa, lay claim to well more than half of the national income, and more than 90% of the wealth of the country is in their hands.” Even after twenty years since the abolishment of apartheid the government is still struggling to ensure that the playing fields are levelled.

In essence these are some of the challenges these two African economic giants are currently facing. Both these countries are major players in their regional groupings, namely; SADC and ECOWAS respectively. And on top of that due to their economic hegemonic status both Nigeria and South Africa have quoted jealousies from their neighbours. The study explores all the implications for both these countries now that their economic statuses have changed. This chapter has provided the necessary background to aid the analysis.

The next chapter deals with what has been covered on the topic by other scholars and identifies existing gaps which still need to be filled. This will serve as justification for the relevance of the present study.

# CHAPTER 2: LITERATURE REVIEW

## 2.1 Introduction

This chapter deals with what has been covered on the topic by other scholars and identifies existing gaps which still need to be filled. This will serve as justification for the relevance of the present study. As the topic suggests, the study explores the implications for Nigeria and South Africa of Nigeria's overtaking of South Africa as Africa's economic giant, and therefore looks at what has changed, as well as postulates if such changes are for the better or worse for both countries. This is important because both these countries play a dominant (and sometimes competitive) role in African politics. Consequently, both countries are lobbying for support so that they could take up a permanent seat in the UN Security Council. It is important therefore to establish how other scholars view these two countries and how the recent development of Nigeria's ranking might impact on the prospects of each of these countries being dominant in Africa.

So much has been made of Nigeria's new economic status. In April 2014 when Nigeria overtook South Africa as Africa's biggest economy after the rebasing of its economy, there was a sense of hope that the country's ordinary people would also benefit. However by the looks of things, except for the figures, nothing much has changed for the majority of Nigerians. It is still the same old Nigeria and her old problems remain. The Islamic group, Boko Haram, is still causing havoc in the northern parts of the country and the government is finding it quite daunting to deal with the group.

Moreover economists believe that the rebasing of Nigeria's Gross Domestic Product (GDP) was delayed so that the country could qualify for aid as a poor country. Apparently the process of rebasing had been delayed by about twenty years as the country last conducted this in the early 1990s. If this is true, it means that Nigeria's economy had always been larger than what it appeared to be. As a country with the largest population it makes sense that Nigeria's economy has expanded as theoretical assumptions are such that large populations ensure that there is always more manpower. A case in point is India and China, which are two countries with the biggest populations in the world. The fast rate of economic growth for these countries reflects their population size. However as said earlier, just like in Nigeria's

case, economic growth of a country does not immediately translate into the betterment of the lives of people at grassroots level.

On the other hand, South Africa is a smaller country compared to Nigeria in terms of size and population. The problem with South Africa is that although its economy has shown signs of growth in the early 2000s only a few elite have benefited from it. This could be attributed to corruption, nepotism and the high levels of crime which have ensured that foreign investors are wary of South Africa. Although the country has world class infrastructure and has hosted many international events it is however still lagging behind other sub-Saharan African countries such as Nigeria and Botswana when it comes to the rate of economic growth.

Since 1994, the African National Congress-led government has done well in managing the South African economy. It was not easy inheriting the debt that was accrued by the apartheid government and setting the country on a right economic path. What was of particular concern was that the country had to open up to international markets after years of isolation. As a result of isolationism both economically and politically South Africa's industries were largely uncompetitive. Le Roux (1992: 17) alludes to this fact thus: "One of the major reasons for the failure of the South African industries to become competitive was the limited home market." According to le Roux, "we did not develop the economic base from which to launch an assault on world markets." This proves how much of a daunting task the ANC government was faced with in ensuring that the country became competitive in international markets.

As South Africa became independent from the apartheid regime in 1994 and held its first free and fair general elections it became open to creating friendships with the international community. Some of these countries were the very same countries that the apartheid government fought so hard to not have any relations with. Countries such as communist China, Russia and Cuba were not welcome to have friendly relations with apartheid South Africa due to their stance. The late President Nelson Mandela has just been taken off the terrorist list of the Central Intelligence Agency (CIA) of the United States. In 2013 former Gauteng Premier and businessman, Tokyo Sexwale as well the University of Witwatersrand Vice-Chancellor, Professor Adam Habib were detained in the US airport for allegedly being terrorists. It is an open secret that the US government was working with apartheid South Africa to get rid of liberation fighters which they termed terrorists.

The apartheid state was also not welcoming to its fellow African neighbours as these countries were sympathetic to liberation movements such as the ANC and Pan Africanist Congress. Countries such as Zimbabwe, Zambia, Tanzania, Nigeria and many others were home to liberation fighters. So it came as a no surprise that the end of apartheid saw the influx of some of the citizens of these countries. In their minds they were coming to the land of 'milk and honey' and were expecting the same kind of treatment that was given to liberation fighters of apartheid. In their view, South Africa owed them. It is no wonder then that this unwanted influx of foreigners created problems for the government and it found it hard to deal with the influx of foreigners and fulfilling the needs of the South African population.

As there was influx of African foreigners into South Africa so was the outflow of white South Africans who feared that the country would soon have a civil war. If this did not happen the 'blacks' would bring the economy to its knees. Although there have been some very serious challenges in the country and there still are, but it is very much stable and there is no doubt that the fears were unfounded. Despite corruption, maladministration and high levels of crime the country is still not anticipating any civil war, at least not anytime soon.

The only war that South Africa is currently experiencing is that of slow economic growth. The economy seems to be growing at a very slow pace compared to other African countries. For instance Nigeria's GDP was expected to grow by 7.0 percent in 2014 compared to South Africa's estimated 1.4 percent (The IMF, October 2014). It is therefore quite worrying that South Africa's economy is growing at such a slow rate. It is especially worrying because of the high rate of unemployment. According to economists for unemployment to decrease the country needs to have a growth rate of at least 10 percent (The New Age Newspaper, December 17, 2013). In South Africa's case this looks unlikely to happen anytime soon.

This chapter looks at the historical background of both Nigeria and South Africa. It also explores the impact of natural resources on the economy of these countries. The impact of political stability or instability on economic growth of both these countries is also explored. The chapter also looks at the standing of Nigeria and South Africa on the continent as well as the rivalry between the two countries.

## **2.2 Historical Background of Nigeria and South Africa**

### **2.2.1 Nigeria**

Nigeria became a colonial federation in 1947, comprising of three major geo-cultural regions; Northern, Western and Eastern regions predominated respectively by the Hausa-Fulani, the Yoruba and the Ibo. On 1 October 1960, Nigeria won political independence as a multiparty democratic federal state, simultaneously with membership of the British Commonwealth of Nations. Abubakar Tafawa Balewa became the country's first Prime Minister and head of government while Dr Nnamdi Azikiwe was appointed Governor-General or head of state representing the British Crown. Three years later, Nigeria became a federal republic with Azikiwe as the non-executive president and Tafawa Balewa continuing as Prime Minister (Ikome, 2006:334). During this time it has to be emphasized that the country experienced relative peace, a case of calm waters before the storm.

The Nigerian federation has undergone a lot of mutations since its birth in 1960. It has moved from its original three regions at independence, to 36 states by 1996. This mutation began with the creation of a fourth federal region, the Mid-West in 1963, moved to the decreeing of 12 autonomous component federated states in 1968, 19 in 1976, 21 in 1987, 30 in 1991 and 36 in 1996. This increasing number of federated units aimed at managing Nigeria's complex ethnic composition. However this has resulted in political instability and in turn led to the Nigerian Civil War and the destabilising military involvement in national politics Esterhuysen (1998) quoted in Ikome (2006:335). As a country of multi ethnic groups it is therefore important to note that this could have been one of the causes of the country's problems.

In January 1966, Nigeria's federal Prime Minister, Abubakar Tafawa Balewa, and the Prime Ministers of the Northern and Western regions, were killed when Ibo military officers overthrew the federal government. Six months later, military officers from the north avenged the murder of Balewa and other northern leaders by staging a counter-coup that resulted in the killing of the Ibo military federal head of state, General Aguiyi Ironsi, who was replaced by General Yakubu Gowon from central Nigeria. The Ibos, feeling that they were being marginalised in the politics of the federation, opted for secession from the federation. Under the leadership of Lieutenant Colonel Odunmegwu Ojukwu, they declared an independent Biafran Republic in 1967. The federal military government of Yakubu Gowon responded violently, throwing Nigeria into a costly three-year Civil War that lasted until January 1970

and ended with the surrender and reintegration of the rebellious Eastern region into the federation Esterhuysen (1998) quoted in Ikome (2006:335). This civil war has had such an impact on Nigerian people in such a way that it has inspired stage plays by renowned playwright, Wole Soyinka as well as a motion picture, *Half of a Yellow Sun*, released in 2014.

Gowon was deposed in yet another coup in July 1975 after failing to return the country to civilian rule. The 1975 coup was led by General Murtala Muhammed who was assassinated shortly after taking power and was succeeded by his deputy, General Olusegun Obasanjo. Obasanjo returned the country to civilian rule in 1979 and at the same time he drew a new constitution that retained the federal character of the Nigerian nation but replaced the British-styled executive system of government with a US-inspired presidential system. Alhaji Shehu Shagari, a northern Nigerian, won the presidential polls and his Nigerian National Party (NNP) secured majority votes at both the federal and state legislatures. He was re-elected in 1983 but was overthrown in a military coup in December 1983. He had become unpopular with the military due to allegations of mismanagement and corruption. Shagari was replaced by General Muhammadu Buhari following a civil war which lasted for 18 months. Buhari was later replaced by General Ibrahim Babangida in yet another coup (Ikome, 2006:335). Oil must have played a tremendous role in ensuring that the country does not sink into economic downturn because despite these serious incidents of overthrowing of governments other countries were still buying Nigerian oil.

Babangida's military administration drafted a new constitution and introduced a two-party political system. This culminated in presidential elections in June 1993, with only two candidates, Moshood Abiola, a southerner, and Bashir Tofa, a northerner. It would seem Babangida had hoped Tofa would win the elections so that power would remain in the hands of the northerners. Therefore when early partial election results indicated that Abiola could emerge victorious, Babangida hastily annulled the elections, set up an Interim National Government (ING) headed by a hand-picked civilian, Chief Ernest Shonekan, and then declared his retirement from public life. However Shonekan's administration was forced to resign in November 1993 in what appeared to be yet another coup. General Sani Abacha, a military member of the ING, took over power, reinstating military rule in Nigeria. Moshood Abiola's supporters persisted with claims that Abiola had won the June 1993 presidential elections and consequently had to be inaugurated as the country's legitimate president. Abacha responded by clamping down on protesters, arresting and detaining key political figures including Moshood Abiola and retired generals Olusegun Obasanjo and Musah

Yaradua, Esterhuysen (1998) quoted in Ikome (2006:335). It was during this time that the Nigerian government clashed with the South African government led by President Nelson Mandela. Mandela had led an international outcry condemning the execution of political activists, which included writer Ken Saro-Wiwa, which is detailed below.

In October 1995, Abacha announced a 12-phase transitional programme to civilian rule. This did nothing to appease a majority of Nigerians who continued protesting against the cancellation of the June 1993 elections. Alongside these protests, political unrest broke out in the oil-rich Niger Delta over the skewed distribution of oil revenue. To silence the disgruntled people of the Niger Delta, the Abacha regime executed nine political activists of the Ogoni clan, including Nigerian popular author, Ken Saro-Wiwa, in 1995. This led to the suspension of Nigeria from the Commonwealth of Nations, alongside vocal condemnations from across the globe. Abacha's regime is said to be one of the most ruthless in Nigeria's long history of military rule. He died in June 1998 and was succeeded by General Abdulsalami Abubakar, whose first political move was to release political prisoners, including Olusegun Obasanjo. Abacha and Yaradua (this is different from Umaru Musa Yaradua who succeeded Obasanjo as President) had died in prison. Abubakar also revised the constitution and lifted the restriction on political competition (Ikome, 2006:335). This paved the way for the country to come back to some normality. Ever since then Nigeria has not looked back as it is currently Africa's biggest economy. Had it not quelled political instability it is doubtful that it would claim the status of being the largest economy in Africa.

Under Abubakar's new political dispensation, Obasanjo was chosen as presidential candidate for the People's Democratic Party (PDP), which competed against an alliance formed between the New Alliance for Democracy (AD), and the All Peoples Party (APP). During the January and February 1999 federal legislative and presidential elections Obasanjo's PDP won. On 29 May 1999, Obasanjo was sworn in as Nigeria's first democratically elected president after over two decades of military rule. Obasanjo and his PDP were re-elected to office at federal elections in 2003, Esterhuysen (1998) quoted in Ikome (2006:335). The re-election of Obasanjo proved how far Nigeria has come in terms of democracy. Obasanjo had proven to become some kind of a catalyst for Nigeria's politics simply because in 1979 he returned the country to civilian rule. And following the end of his term in 2007 he stepped down peacefully.

Nigeria's contemporary politics defined by the May 1999 constitution provides for a federal republic, consisting of 36 federated states and Federal Capital Territory (FCT) of Abuja. The president is the head of state and also head of government with executive powers. He is directly elected for a four-year term. To be elected as president, a candidate must also get 25 percent of the votes in two-thirds of the states of the federation and the Federal Capital Territory. The president appoints the vice-president and also nominates ministers of the federal cabinet and also has an advisory Council of State Esterhuysen (1998) quoted in Ikome (2006:335. Nigeria has enjoyed a smooth transition of power, from Obasanjo to Umaru Yar'Adua and to the present incumbent, Goodluck Jonathan there has not been a coup attempt.

Legislative authority rests with the National Assembly, consisting of a 360-member House of Representatives and a 109-member Senate. The judiciary consists of the Supreme Court, the Court of Appeal and the Federal High Court. Each federal state has an elected governor, serving a four-year term and is the state's chief executive leader (Ikome, 2006:335). Nigeria enjoys a democratic and peaceful government at the present moment. However the Islamic group, Boko Haram's kidnapping and killings of citizens in northern parts of Nigeria and the Niger Delta region volatility are proving to be a daunting task for the federal government. These developments do not augur well for the country's political and economic future.

### ***2.2.2 South Africa***

South Africa has one of the most complex and tragic histories of any country in the world. By the 1880s, what is now known as South Africa comprised four political units, and they were all under white rule. These units were the Cape of Good Hope Colony and Natal Colony, which were part of the British Empire, and two independent Boer Republics – the Orange Free State and the Transvaal Republic. According to McGowan (2006: 312), "With the discovery of diamonds at Kimberley in 1871, quickly annexed by the British to the Cape, and the discovery of gold on the Rand in 1886, the modern history of South Africa began." This proves that the discovery of natural resources such as gold, diamond, oil and gas can both be a blessing and a curse to a country. Resources such as gold and diamond have helped make South Africa an African economic superpower it is in Africa but the majority of the black citizens have not benefited from this.

The British and their colonial allies fought two wars against the Afrikaner republics – the second was the Anglo-Boer War of 1889-1902, in which the republics were defeated and then occupied so that the Rand's gold mines came under British control. By an act of British Parliament in London (the South African Act), the Union of South Africa was created in 1910 as a self-governing, white-minority ruled dominion within the British Empire. Full independence from Britain was gained in 1931 adopting the Westminster-type constitution (McGowan, 2006:312). What is mostly tragic about this history of South Africa is that even though the country gained independence from Britain in 1931 but there was no such independence for the black majority of this country.

This lack of freedom was not only prevalent among black South Africans but Coloured and Indians were also subjected to injustice as well. Between 1652 and 1948, the non-white population of South Africa, namely; Africans, Coloureds, and Asians from India experienced slavery until the 1830s. Except for some Coloured and African male voters in the Cape, they were all politically disenfranchised. Africans were segregated into native reserves known as Bantustans or homelands. They only entered the white economy and cities only when their labour was needed, that is on white -owned farms, mines, industries and as domestic workers (McGowan, 2006:312). The biggest mistake that was made by racist regimes of both British and Afrikaner rulers was marginalising the majority of the people. They were of the view that they were going to rule forever and had to make sure that they reduce the natives to a demeaning position of sub-people where they had no votes and were practically slaves in their own land.

It is against this background that the South African Native National Congress (SANNC) was founded in 1912 to represent the African interests. It soon became the African National Congress (ANC), the oldest liberation movement in Sub-Saharan Africa (Mashamaite, 2011). Two years later South Africa would participate on the Allied side in the First World War between 1914 and 1918 and conquered German South-West Africa, now known as Namibia, and ruled it on behalf of the League of Nations until 1990. The country under the leadership of Prime Minister Jan Smuts again fought on the Allied side in the Second World War between 1939 and 1945 in Ethiopia, North Africa and Italy. South African units also fought on the United Nations side, which consisted mainly of South Koreans and Americans, in the Korean War between 1950 and 1953, against communist North Korea and China (McGowan, 2006:312). This alludes to what was stated earlier that South Africa fought alongside countries that were anti-communism. It is even more interesting to note that as South Africa

was busy fighting abroad the ANC was being formed and was to later help destroy the very same government which was trying so hard to be accepted by the international community.

To sum it up, in the period between 1910 and 1948, South African politics was dominated, firstly, by the struggle between Boers and English-speaking white South Africans for control of the government and its policies. In the 1948 elections, Afrikaner nationalism finally triumphed and the National Party (NP) under Dr. DF Malan won the elections and the NP ruled the country continuously until 1994. The NP began immediately to implement its core policy of apartheid, which sought to make South Africa a white man's country with the African population becoming citizens of ten ethnically-based homelands such as Transkei, Bophuthatswana, Venda and Ciskei. At least 3.5 million blacks, mostly Africans, but also Coloureds and Indians, were forcibly removed from their long-held homes and farms in the so-called white South Africa. Africans were dumped in the homelands, and Indians and Coloureds, and some Africans, in specially designated urban areas (McGowan, 2006:312-313). The wisdom of the apartheid government when it implemented such decisions is quite questionable. They just never thought that one day the majority would rule this country. Most of the problems this country is currently experiencing are largely due to the inferior education that was given the disenfranchised black people.

This inequality led to liberation movements such as the ANC and PAC to lead a fight to liberate the oppressed majority. These parties used African nationalism which was the second major political force in this period. African nationalists first fought the implementation of apartheid through peaceful assembly and protest. When this failed, in 1960 they began an armed struggle to end this system and to achieve freedom and equality for all South Africans. Many blacks and some whites died in this struggle, while tens of thousands of others, like the late former president Nelson Mandela, spent years in prison or were forced into political exile (McGowan, 2006). Leaders such as PAC's president Robert Mangaliso Sobukwe and leading proponent of black consciousness Steve Bantu Biko chose to fight the apartheid system inside the country. The latter paid a heavy price as he died in police detention. Leaders such as ANC president Oliver Tambo, Azanian People's Organisation's Zeph Mothopeng as well as PAC's Vusi Maake were among leaders who were forced into exile. World renowned singers such as Hugh Masekela, Mirriam Makeba, Letta Mbulu and many others were also exiled and led anti-apartheid campaigns abroad.

The 1980s were a very troubled decade, with internal rebellion against apartheid, countered by states of emergency and repression which often included illegal murders and torture. During this era there was also armed struggle by the liberation movements, the ANC and PAC, and international military, economic, financial, cultural and sporting sanctions against the NP government and its policies. The apartheid economy suffered a severe collapse in 1985, from which it only began to recover in the mid-1990s (McGowan, 2006). This economic recovery could be attributed to the changes in the political dispensation in the early 1990s. On February 2, 1990, new NP State President F.W. de Klerk who had won the 1989 elections announced to a startled world that his government was unbanning all political organisations and that all political prisoners like Nelson Mandela would be released. Mandela was freed on February 11. This was the beginning of great things for South Africa.

It was during this period that complex negotiations for a new constitution began amidst a climate of political violence that ultimately resulted in an Interim Constitution in November 1993 and an adult franchise, democratic election in April 1994, which was decisively won by the ANC. Mandela thus became the first democratically elected president of South Africa. He served one five-year term as president and was succeeded as leader of the ANC by Thabo Mbeki, who was elected president in the 1999 general elections and re-elected with an increased majority in 2004 (McGowan, 2006). In September 2008 President Mbeki was ousted by the ANC as president of the country following his humiliating defeat to President Jacob Zuma in the 2007 ANC presidential race in Polokwane. This left a bitter taste to those who were close to Mbeki, including Reverend Frank Chikane. Again the country showed political maturity as it enjoyed another smooth transition when Mbeki was replaced as president by interim president, Kgalema Motlanthe (Chikane, 2012; Chikane, 2013). Motlanthe was replaced by President Zuma following the 2009 general.

Today South Africa has one of the most liberal, democratic constitutions in the world, which was adopted in 1996 and is rapidly developing a democratic political culture based on respect for human rights (McGowan, 2006). The country was until April 2014 the economic and military powerhouse of Sub-Saharan Africa but economic growth since the mid-1990s has not been strong enough to lower the unemployment rate. So, it is clear that the country still confronts major problems as the stagnant economic growth does not translate into job creation. On top of that South Africa is lagging behind other Sub-Saharan African countries such as Nigeria when it comes to economic growth.

Apart from the slow economic growth South Africa is alongside Brazil and Mexico regarded as one of the most unequal societies on earth with about 50 percent of the population living in poverty. This is thanks to the multiple legacies left by the apartheid era. The HIV/Aids pandemic is now affecting one of every five adult South Africans and as a result, average life expectancy has fallen to only 43 years (McGowan, 2006). However it could still be argued that ever since the Zuma administration took over in 2009 the government has rolled out the biggest Anti-Retroviral programme in the world aimed at fighting HIV/Aids. So it is doubtful that the average life expectancy would still be at 43 years. South Africa however still faces one of its biggest challenges in political and civil service corruption. President Zuma himself was sacked in June 2005 on allegations of corruption. Ever since then two police commissioners, Jackie Selebi and Bheki Cele were fired for allegedly being involved in corruption. Some cabinet ministers such as the late Scelo Shiceka and Dina Pule also lost their jobs due to their alleged involvement in corruption. It is therefore crystal clear that although South Africa as a country has come a long way and it is much better than what it was however it still faces enormous challenges.

## **2.3 The impact of natural resources on the economy of Nigeria and South Africa**

### ***2.3.1 Nigeria***

Nigeria is the largest oil producer in the African continent and has been mostly dependent on this commodity since its discovery in 1956. According to Eifert et al, (2005:13) Nigeria has been subject to considerable instability, and its oil-dominated economy has suffered from extremely poor governance and has not yet seen a major period of opening. Eifert and others therefore assert that despite being the biggest producer of oil in the continent the country has not been able to diversify into other sectors of the economy. Moreover problems such as poor governance and corruption have also had a bad impact on the economy.

Nigeria's over reliance on oil has made it to be somewhat complacent when it comes to ensuring that other sectors such as agriculture also contribute to economic growth. Prior to the discovery of oil agricultural produce was the main contributor to Nigeria's exports and hence brought the country much needed revenue. According to Okoh agriculture has over the years declined in terms of its contribution to Nigerian exports. Okoh (2004: 10-11) states

that, “The share of agriculture in total exports declined from 84% in 1960 to 1.80% in or 1.2% in 1995..... Manufactures decreased from 13.10 % in 1960 (CBN, 2000) to 0.66% in 1995 and remained the same in 2002.” It is therefore quite apparent that despite the country making inroads in other sectors however oil still is the main contributor to its economy. As natural resources may become depleted it is therefore unwise for a country to depend on one commodity. Countries such as the United Arab Emirates who are well endowed with oil are no longer dependent on this commodity to sustain their economies. They have diversified into other sectors.

Oil plays a great role in the economy of Nigeria as it provides about 90 percent of foreign exchange earnings and about 80 percent of Federal revenue. It also contributes to the growth rate of Gross Domestic Product (GDP). Since the Royal Dutch Shell discovered oil in the Niger Delta in 1956, the oil industry has been marred by economic and political strife largely because of a long history of corrupt military rule discussed above, civil rule and complicity of multinational corporations such as Royal Dutch Shell (Baghebo and Atima, 2013:103). This glaring picture which is painted by the authors has assisted somewhat in explaining why the majority of Nigerians are still living below poverty lines when there is oil in abundance in their country. Most Nigerians remain poor and live on less than \$2 (N20.60) a day while the country lags in key development indicators such as health (The New Age Newspaper, December 17, 2013). This is a sad reality given that Nigeria is now the biggest economy in Africa and it is highly unlikely that this newly found status will benefit the poor.

So who are the main players in the Nigerian oil sector? Six oil companies dominate the oil industry in the country. These are: Shell, Agip, Mobil, Chevron, British Petroleum (BP) and Texaco. Together they hold some 98 percent of the oil reserves and operating assets. A range of 50 others have minor interests, some of which were recently obtained. It can be said that there are three major actors in the Nigerian oil industry. These are the ministry of petroleum resources, the Nigerian National Petroleum Corporation (NNPC and its subsidiaries, and the oil prospecting companies made up of the multinational companies and indigenous companies together with their subsidiaries (Baghebo and Atima, 2013: 103). Although the oil industry in Nigeria is regulated by its Federal government through its laws but this has not stopped corrupt activities from taking place in this sector. Lack of development and the destruction of nature by oil companies in the Niger Delta region could be put forward as reasons author Ken Saro-Wiwa and eight other activists demonstrated. It is now part of Nigeria’s sad history that these activists were executed by the corrupt Sani Abacha regime.

Natural resources such as oil and gold can both be a curse and a blessing in a country that possesses them. Take for instance South Africa, the discovery of gold immediately led to the annexation of the Transvaal by Britain. On the positive side this resource led to the economic development of South Africa and one of the largest cities in the African continent, Johannesburg, was established as a result. In Nigeria's case there is very little to show for the local people that the country is the largest oil producer in Africa. Sala-i-Martin and Subramanian (2003:4-5) posit that corruption, weak governance, rent seeking and plunder are all part of a problem that is intrinsic to most countries that own certain natural resources such as oil or minerals. Unfortunately most sub-Saharan African countries, including both Nigeria and South Africa, are suffering from the same problems mentioned by the authors.

What makes this an even bitter pill to swallow is that ever since oil was discovered in Nigeria not many people have benefited from this commodity. Over a 35-year period, Nigeria's cumulative revenue from oil has amounted to about US\$350 billion dollars at 1995 prices. This was after deducting the payment to the foreign companies. In 1965 oil revenue per capita was about US\$33 per capita GDP was US\$245. In 2000, when oil revenues were US\$325 per capita GDP remained at the 1965 level (Sala-i-Martin and Subramanian, 2003:4-5). In other words, the authors suggest that all the oil revenues, which are US\$350 billion in total, did not seem to add to the standard of living at all. They further argue that it could actually have contributed to a decline in the standard of living.

So then what could be the best possible solution for countries who are well endowed with natural resources but whose citizens are still living in poverty despite this? Obafemi et al (2013:162) suggest that there should be an improved performance of institutions in Nigeria through less corrupt activities, intensified effective governance and sound contract enforcement to ensure sizeable positive economic growth. They also recommend that proactive inflation and openness policies should be introduced based on prevailing situations to ensure improved positive impact of petroleum resource abundance on economic growth in Nigeria. In essence the authors suggest that the petroleum sector in Nigeria needs to be encouraged to play the leading role in the economic growth and development process. Unlike the previous authors, Obafemi et al. are positive about the prospects of the oil sector and consequently they suggest that it needs to be encouraged to play a leading role in the economic growth and development process. To put it much clearer the authors feel that the abundance of petroleum resource may in fact be much less of a curse and more of a boom for

economic performance as the petroleum sector remains very strategic to the sustenance of rapid economic growth and development in Nigeria.

However on the other hand Sala-i-Martin and Subramanian (2003:5) beg to differ as they are of the view that natural resources generate rents which lead to rent-seeking, whose adverse manifestation is felt through political economy effects and to increased corruption which adversely affects long-run growth. The authors further argue that natural resource ownership exposes countries to volatility, particularly in commodity prices, which could have adverse impact on growth. They state that natural resource ownership makes countries susceptible to Dutch Disease – the tendency for the real exchange rate to become overly appreciated in response to positive price shocks – which leads to a contraction of the tradable sector. These are some valid points as they try and explain why the majority of the citizens of Nigeria have not benefited from the oil riches of their country. It has been almost over 40 years since the discovery of this commodity but only the select few have managed to get their hands on the pie.

So how can the biggest economy in Africa ensure that her citizens are also reaping the rewards of this abundant natural resource that is oil? Obviously so much has improved after Nigeria returned to civilian rule in 1999. It is not the continent's biggest economy for nothing and it shows that the authorities have come up with ways to attract foreign direct investment. However oil still remains the biggest contributor to the country's Gross Domestic Product (GDP). The sooner the government comes up with the best ways to ensure that Nigeria is transformed into a non-oil economy the better. Sala-i-Martin and Subramanian (2003:18) feel that oil revenues that the government gets are regarded as manna from heaven and this tends to undermine the quality of institutions and lower long term growth prospects.

There are other ways as well to ensure that the economic gains are spread evenly among the population. According to Sala-i-Martin and Subramanian (2003) one way to do this is to prevent government officials from appropriating the oil resources directly. These resources should be distributed directly to Nigerian citizens, who are ultimately their true and legitimate owners. They argue that this would simulate a situation in which the government has no easy access to natural resource revenue just as governments in countries without natural resources. This sounds too simple in theory however humans are complex and their behaviour is at times unfathomable and incomprehensible. Once people are in power they tend to change and seem to not take to heart the sufferings of ordinary people. However in the case of

Nigeria the country seems to have turned over a new leaf. Although it is now the biggest economy in Africa it still remains to be seen whether the majority of the people will share in the riches of oil.

### ***2.3.2 South Africa***

South Africa is where it is today because of minerals such as gold, silver, diamond and platinum. The Johannesburg city as we know it today was created after the discovery of gold in Transvaal more than a century and a quarter ago. The minerals sector just like the oil industry in Nigeria is the main contributor to South Africa's Gross Domestic Product (GDP). However it cannot be relied upon to build an economic future for South Africa. The mining sector is a major earner of foreign exchange, but it does not have the backward and forward linkages to really stimulate overall economic growth. Furthermore, according to le Roux (1992:17), it is a diminishing resource as two decades ago South Africa produced 70 percent of the gold outside the USSR; today this is down to 40 percent. Considering the fact that le Roux made this assertion in 1992, about twenty two years ago, in today's terms this figure could be well below 40 percent. This, coupled with the crippling strikes which are prevalent to South Africa, spells doom for South Africa's mining sector.

The contribution of the mining sector into the growth of the South African economy can never be doubted. Because of its vast mineral wealth and industry, which rapidly began to develop in the 1920s, South Africa became a semi-peripheral power of considerable importance to the rest of the world and the perceived regional hegemon in Southern Africa. Diamonds were first discovered at Kimberley in the British Cape colony in 1871. On the Witwatersrand in the Afrikaner-run South African republic, vast deposits of gold were found in 1886 (McGowan, 2006:307). The growth of the mining industry resulted in the development of railroads, rapid urbanisation in places like Johannesburg as well as improved farming to feed miners and cities. Therefore the contribution of mining to South Africa's development can never be doubted. It is just unfortunate that the apartheid government was so obsessed with power that it missed the opportunity to put this country in a much better place economically. Had they involved the majority of the population by developing their technical skills so as to stop the reliance on mining, South Africa would be in the same place as South Korea and Taiwan today.

Apart from gold, diamond, silver and platinum South Africa is also well endowed in minerals such as chrome and coal. This meant South Africa and her other mineral rich neighbours

exported these commodities to the developed nations of the North, such as Europe and North America (McGowan, 2006:308). In exchange, these countries imported manufactured and mining capital goods as well as consumer goods. Nothing much has changed in this modern era. These third world countries are still exporters of raw materials and in turn import the same products at inflated prices which are now finished products. It is still unfathomable that South Africa, the biggest economy in Africa until April 2014, is still among the exporters of raw materials to developed nations. In turn, when these products are finished it then buys them at high prices.

Although this section is about the impact of natural resources on the economic growth of South Africa perhaps it is also imperative to touch base on the status quo of the economy in general and how the country finds itself in its current position. As mentioned earlier the apartheid government is very much to blame for the demise of the South African economy. The National Party government was of the view that it would rule forever and the white minority was still going to enjoy the privileges that were not enjoyed by the majority of the black population. According to le Roux (1992:18), “The shortage of skilled and well-qualified workers will probably be one of the most serious legacies of the apartheid era. It is one of the factors which explain the failure of the South African manufacturing sector to compete internationally.” This greatly undermined South Africa’s ability to participate in the computer revolution which had swept the world. In all honesty, even in this present era, South Africa is lagging behind in technical subjects such as Mathematics and Science. Unfortunately the country’s economy needs skills in such subjects in order to make it in the global economy.

In terms of quantity, South Africa has the largest reserves of gold in the world however in terms of production, it is not doing that well. It is therefore not surprising that the South African mining industry is now the fifth largest in the world and it accounts for over 8% of South Africa’s GDP on a direct basis. A recent study by Quantec and the Industrial Development Corporation (IDC) found that in 2012 the mining sector helped to create 1 365 892 jobs in the South African economy (South African Chamber of Mines Report of 2012/2013, p. 12). Despite this significant contribution to South Africa’s economy however the mining industry has experienced crises in recent years especially with the economic recession that hit Europe and the slowdown in economic growth in China. This has led to a worldwide decrease of demand for these commodities. This could have an impact on South Africa’s slow economic growth in recent years.

Over the years gold has gradually shrunk as South Africa's biggest mineral commodity. South Africa lost its place as the world's largest gold producer in 2007, and 2012 saw it slip to sixth position in world rankings, behind China, Australia, USA, Russia and Peru (Chamber of Mines 2012/2013). Whilst the other large gold producing countries have been increasing output with the rising prices, South Africa's production has continued to shrink. According to the SA Chamber of Mines report of 2012/2013 (p. 14), "In 2012, South Africa produced 167.2 tons, approximately 12% lower than 2011 and an estimated 5.8% of the global total. Over the past decade, South Africa's gold production has shrunk by 8.2% per annum." It is quite clear that South Africa's biggest commodity is not doing well at all. Luckily for South Africa her economy is diversified and it does not depend on a single sector to contribute to economic growth.

Having explored the impact of gold in the mining industry and economic growth of South Africa, and also its decline in production in recent years perhaps it is important to look at what has been causing the decline. It is rather incredible to think that just in 2007 South Africa was the biggest producer of gold in the world but since 2012 it slipped to sixth place. With labour strikes so prevalent in the mining sector the decline in production was almost inevitable but not of such magnitude. The Chamber of Mines Report attributes this decline in production to, "various issues such as work stoppages, the high rate of increase in the input costs, increasing depth of operations, continued declines in productivity measures per employee (on average) and the exhaustion of older ore bodies." The question is how different are South African circumstances compared to other five leading countries before South Africa? Can these challenges be not reversed by studying what these top countries are doing better compared to South Africa?

Mining has been on the decline for almost four decades now. It is a far cry from what it used to contribute to the Gross Domestic Product (GDP) in the 1970s. According to the National Planning Commission (2011), "The collective share of direct mining activities of South Africa's GDP has declined from 21 percent in 1970 to only 6 percent in 2010. The number of people employed directly in mining (excluding upstream and downstream industries) fell from 660 000 in 1970 to about 440 000 in 2004 and stabilised at that level." However despite this, mining, minerals and secondary beneficiated products account for almost 60 percent of export revenue.

The downside of commodities such as minerals is that their boom depends on their global demand. In other words if there is no high demand from other countries then this would mean that there is no prosperity for that respective country. The National Planning Commission posits that, “the expansion of mining exports mainly depends on global demand, the availability of the mineral, prospecting and mining technology, access to energy and water, and an enabling and transparent regulatory environment,” (National Planning Commission, 2011). It would seem that South African mining houses will need to look more on issues that have been raised by the National Development Plan. This could perhaps help the country claim its rightful place and that is on top of the world in the mining sector.

Another sore point is that of the ability of South Africa to compete globally in the mining sector. Again the NPC’s National Development Plan – 2030 makes a valid point on this. In minerals such as platinum or manganese, South Africa has the main global deposits. Despite this clear potential, the mining sector has failed to benefit fully from the commodities boom over the past decade or more. South Africa must exploit its mineral resources to create employment and generate foreign exchange and tax revenue (National Planning Commission, 2011). The mining sector needs to think out of the box and find creative ways to exploit opportunities in this industry so that this will benefit the economy and the country’s citizens. After all it cannot be good to have all these minerals and not do anything meaningful with them in order to benefit the country.

It is still hard to fathom that South Africa or any other African nation for that matter, have not taken advantage of the abundance of natural resources at their disposal. South Africa together with other African states is now emancipated and no longer colonised by European imperialist powers so it can never be said that the mineral riches are looted by these imperialists. Or could there be some behind the scenes manipulation to ensure that the African states do not enjoy their mineral riches? South Africa’s total reserves remain some of the world’s most valuable, with an estimated worth of R20,3 trillion and the country also holds the world’s largest reported reserves of gold, platinum group metals, chrome ore and manganese ore, and the second-largest reserves of zirconium, vanadium and titanium (National Department of Communications, 2013). The country is basically sitting on wealth in abundance and yet the majority of the people are not benefitting from this. It is really hard to comprehend how this could happen, especially in an independent and democratic country.

It is rather comforting and encouraging to know that there is something positive to talk about with regard to South African mining. It has been a widely held belief that the country exports raw materials derived from minerals since it does not have the technical know-how to convert these into finished products. However this belief has been dispelled as just a mere myth. According to the National Department of Communications (2013), “Nearly 100% of South Africa’s cement and building aggregates are made locally and 80% of the country’s steel is manufactured locally from locally mined iron ore, chrome, manganese and coking coal.” This means that the country is gradually moving away from just being a supplier of raw materials to developed nations. The country further produces over 30% of South Africa’s liquid fuels within the country from locally mined coal and 13% of the world’s platinum catalytic converters are made in South Africa (National Department of Communications, 2013). This is actually excellent news as it means mining creates more economic opportunities albeit these are indirect. This is a far cry from the days when South Africa was producing minerals and have them processed overseas.

## **2.4 The impact of political stability/instability on the economic growth of Nigeria and South Africa**

### ***2.4.1 Nigeria***

The impact of political stability or instability can be quite significant on the respective country’s economic growth. These variables could make or break that particular country’s economic prosperity. Until 1999 when Nigeria returned to civilian rule under President Olusegun Obasanjo it was an oil rich state without any economic direction. The oil reserves were under the control of corrupt government leaders or military generals who were colluding with foreign oil companies. There were no laws and regulations in place to ensure that those who were looting the resources of the state were taken to task. However when there was stability that came with the legitimately elected government of Obasanjo everything returned to normalcy as it should be with a democratic state.

This was the case with South Africa prior to the democratically elected government of 1994. Although the country enjoyed some spells of economic prosperity this was no longer possible as the country was unstable and there were nations who would not trade with apartheid South Africa because of economic sanctions imposed against the country. This was a result of a concerted effort by liberation movements such as the African National Congress and the Pan

Africanist Congress who lobbied the international community to impose economic sanctions against apartheid South Africa. And this coupled with political violence of the 1980s and early 1990s proved too much for the National Party government. So the apartheid government had no choice but to grant the oppressed black majority their freedom because there was instability in the country.

The afore-going paragraphs depict how much political stability or lack thereof can impact change in a given country. So much has been said about the emancipation of African states but due to political instability they could not reach their economic potential as was the case with the previously oppressed countries from such regions such as Latin America and Asia. It is no small wonder then that Africa has been regarded as a sleeping giant or a dark continent up until this era. It is this political independence which came with hunger for power that in turn led to numerous overthrowing of governments which consequently led to instability.

Political instability in the form of military governments which were led by dictators as well as corruption had a negative impact on Nigeria's economic growth potential. Nigeria would have overtaken South Africa as the biggest economy in Africa a long time ago had it not been for these negative factors. According to Baghebo and Atima (2013:106), "Since oil was discovered in the Niger Delta in 1956, the oil industry has been marred by political and economic strife largely due to a long history of corrupt military regimes, civil rule and complicity of multinational corporations." It is therefore not surprising that the development of the country was a bit dismissal even with the discovery of oil in the 1950s. The Nigerian authorities have failed to transfer the gains from oil to the development of the country.

It could be assumed that the lack of political will and corruption is deeply etched in the psyche of successive Nigerian governments. This could be interpreted as the after effects of political instability that has rocked Africa's most populous state since obtaining its independence. Baghebo and Atima (2013:104-105) assert that the economy has been bedevilled by sustained underdevelopment evidenced by poor human developmental and economic indices including poor income distribution, militancy and oil violence in the Niger Delta, endemic corruption, unemployment, and relative poverty. They further point out that the Niger Delta, which produces the oil wealth that accounts for the bulk of Nigeria's earnings has also emerged as one of the most environmentally degraded regions in the world. This is a rather sad picture since neglecting the surrounding environment will in the long run

have detrimental effects on the general health of the society. If human beings are not capable of taking care of nature then how are they expected to take care of other human beings?

It can be argued that the Nigerian politics have in one way or another been shaped by the struggle to get access to oil revenue. A good example of this could be the Biafran War of independence which started in the late 1960s. According to Sala-i-Martin and Subramanian (2003:14), “the Biafran war of the late 1960s was in part an attempt by the eastern, predominantly Ibo region, to gain control over oil reserves. Successive military dictatorships have plundered oil wealth, the most notable being General Sani Abacha.” It seems that the citizens of Biafra were tired of watching the elite benefit from the oil riches. They felt that it was now their time to benefit from the mineral riches.

Nigeria is a vibrant country with dynamic people who are confident by nature. Although the country has numerous challenges it has somehow managed to put these aside and become the biggest economy in Africa. It could also be argued that Nigeria achieved this without the assistance of any white person as it is predominantly a black state. Nigeria, unlike South Africa, both her public and private institutions are in the hands of black people. According to Adelakun, the policies of the new administration have introduced what they called the seven point agenda to accommodate seven major government issues in (a)power and energy, (b), Food security and agriculture, (c)wealth creation and employment, (d)mass transportation, (e)land reform, (f)security plus (g)qualitative and functional education (2009:651). It would seem the federal government of Nigeria is really working hard to bring back legitimacy to its governance. For centuries blacks have been made slaves and were expected to fail at anything they tried to do. It is not to say that Nigeria is a perfect state that is without faults but credit must be given where it is due. The country has slowly but surely managed to stabilise its economy despite evident serious challenges.

One of the sore points in the Nigerian political and economic history is that of the Niger Delta region. Apparently this place is responsible for the wellbeing of this country as it is where the vast reserves of oil are found. It is just that it is one of the most neglected regions in Nigeria. The people of Niger Delta have not benefited at all from the riches of their region. Because of this neglect by the government this has led to the local community to protest and demand what rightfully belongs to them. However these protests were not enough to make the government yield to their demands. According to Mngomezulu (2013:368), “this took different forms, including protest marches, seizure of oil company

workers, vandalism of oil equipment, killing of security personnel guarding the properties of multinational oil companies and illegal draining and selling of oil.” It would seem that this Niger Delta instability might have a negative impact on the economic growth of Nigeria.

However, judging by the performance of the economy the crises have not affected the country’s economy that much. The Nigerian economy might be doing well at the moment however if the Niger Delta issue goes unresolved it will continue to tarnish the image of that country. So why does the Nigerian government seem to be doing nothing about the Niger Delta problem? Mngomezulu (2013:373) posits that, “what seems to be lacking is the political will from the government and international oil companies to listen to and address the needs of local people in the Niger Delta.” Judging from the statement, it is clear that the well-being of fellow humans is not important but it is only the profits that/which take centre stage. Mngomezulu (2013:373) further argues that, “the Nigerian government needs to acknowledge the fact that without the Niger Delta oil, the country’s economy would be in tatters.” This problem should have been addressed long ago and now it is doubtful that the government has the capacity to handle it as more problems are flaring up.

As mentioned above, more problems are flaring up in Nigeria and this is in the form of Boko Haram. This Islamic militant group has been causing havoc in northern parts of Nigeria. The group has been planting suicide bombs all over Nigeria but no attack has stood out than the one in which they kidnapped about more than two hundred school girls in Chibok, in north eastern Nigeria. This brought international spotlight on Nigerian security. It does not take a rocket scientist to see that there is a big problem within the Nigerian military and police force. It would seem they do not have the capacity to protect their citizens. In order for a country to be considered stable, it must be able to protect its population against terrorists. According to Ogbonnaya and Ehigiamusoe (2013:1), “One of the fundamental responsibilities of the state is to ensure the security of the life and property of its citizens. However, this protective function of the state has been threatened by local and international terrorism and terrorism-related activities.” This is actually true in the case of Nigeria as the country’s function to protect its citizens has been severely threatened and thus compromised by Boko Haram. The Nigerian government needs to do more to convince its citizens that it is serious and very much capable of protecting them against this militant group.

Perhaps it will be of great benefit for the study to look in great detail at this phenomenon called Boko Haram. This will give some clarity whether it is justified to insinuate that the

Nigerian Federal government is incapable of containing this Islamic militant group. Adenrele (2012:21) defines Boko Haram as “an Arabicized-Hausa terminology which simply translates into “western education is sinful” is propagated by “jama’atul Alhul Sunnah Lidda” watiwal Jihad” sect who believed that they are committed to the Hadith of Prophet Muhammed’s teachings and Islamic jiha.” This group is said to be linked to other notorious international Islamic groups such as Al Qaeda. The United Nations report linked Boko Haram with Al Qaeda Islamic movement (AQIM) in the Maghreb region (Nossiter, 2012, quoted in Adenrele). This is disturbing as the latter Islamic group has caused havoc in the West. The twin bombing in New York, in the US, in September 11 in 2001 is the painful reminder of how deadly Al Qaeda can be. The Nigerian government has a real battle in their hands.

Although it is quite a daunting task to try and get rid of terrorist groups such as Al Qaeda and Boko Haram but it is achievable if the country under siege has strong security. However this would seem like a bridge too far to cross for Nigerian security forces as until now there has been no sign of over two hundred missing school girls who were abducted by Boko Haram in April 2014. According to Adenrele (2012:25), the federal government of Nigeria has tried everything to contain Boko Haram from, “establishing a Joint Task Force (JTF); training about three – hundred soldiers and police abroad on modern anti-terrorism combat; negotiating with Boko Haram; seeking technical assistance from United States, France, Britain, Israel and Germany,” however this has not yielded any results.

The fact that this militant group continues to not only attack innocent people but government security institutions such as the police shows how incapable the government has been in containing it. Ogbonnaya and Ehigiamusoe (2013:5) state: “Several police stations including the Force Headquarters in Abuja, army barracks, schools, government establishments and places of worship have been attacked in several states of the Federation.” Simply put the Nigerian Federal government is unable to deal with Boko Haram attacks and this has rendered the northern parts of that nation unstable. This does not bode well for a nation that has just been declared the biggest economy in Africa as her citizens are living in fear.

Surely there must be a motive behind Boko Haram’s attack of government institutions as well as innocent civilians and that reason cannot be solely based on religious grounds. As stated earlier that the term Boko Haram roughly means western education is sinful, so it is obvious that the group, just like its Al Qaeda colleagues, is against anything that is western. On top of that their main objective is to spread Islam throughout Nigeria. According to Adenrele, in a

statement issued by Boko Haram in April 2011, the group stated that their objectives were to abolish democracy and institute sharia law as they claimed to be fighting for justice and islamisation of Nigeria (2012:22). The group feels that they have not been treated fairly by the police as they killed them at will and noticeably there have been no investigations on these killings.

Another factor that might have led Boko Haram to be so violent towards the Nigerian state and her citizens could be the abject poverty that is experienced in the northern regions. The group is of the view that the northern regions are not reaping the rewards that come with being the largest oil producer in the continent. Ogbonnaya and Ehigiamusoe (2013:5) argue that the Boko Haram phenomenon has a deep economic root more than any other perspectives from which the investigating intelligence can suggest. Adenrele (2012:23) further argues that despite Nigeria's plentiful resources and oil wealth, poverty is widespread to the extent that the country is ranked one of the 20 poorest countries in the world with 35 percent living in absolute poverty. The grievances of Boko Haram seem valid but the method they are using to ensure that their concerns are considered seems to be wrong. Yes the government has a duty to spread the gains made from the country's riches evenly among the citizens. The federal government could no longer afford to ignore the northern regions of Nigeria if it seriously wants to tackle the threat posed by this militant group.

Corruption is also another root cause of instability in northern Nigeria as well as the country as a whole. Once the state security organs are corrupt it becomes rather difficult to fight crime and contain terrorist groups such as Boko Haram. According to Adetoro (2012) virtually all the Nigerian ministries and agencies are enmeshed in corrupt practices with the police ranked as the most corrupt among them (Adetoro quoted in Adenrele, 2012:23). This explains why the law enforcement agencies are unable to handle the Boko Haram insurgency. Ogbonnaya and Ehigiamusoe assert that the two most recent terrorist challenges to national security have been the Niger Delta militancy and the Boko Haram insurgency and they have not only challenged the security of the Nigerian state but also its unity, territoriality and sovereignty (2013:10). It is therefore clear that Nigerian security agencies have failed in their duties to protect the citizens. It is rather intriguing that Nigeria is struggling to contain these terrorist groups despite seeking assistance from such nations as the United States and Israel, who seem to have formidable technical expertise, as they themselves are fighting terrorism in their own right.

## 2.4.2 South Africa

South Africa narrowly avoided a civil war prior to the 1994 elections. The killing of South African Communist Party Secretary General, and prominent ANC leader Chris Hani on April 10, 1993, almost became a catalyst for this dreaded civil war. If it was not for the timely intervention of the late former president Nelson Mandela South Africa would have been reduced into ashes. According to le Pere and van Nieuwkerk (2006:283), “South Africa’s transition from apartheid rule to democracy was a dramatic yet carefully negotiated process....” Despite the successful elections the country has had many challenges to contend with. However it could be argued that the high unemployment figures, the crime levels which are among the highest in the world, corruption and the slow economic growth, in a region where most countries are growing at a fast rate, could render the country unstable.

One of the causes of high crime levels, it could be said, is the inability of the economy of that respective country to create jobs. If people are unemployed and struggling to feed their families then they will be forced to do things that they would not do under normal circumstances, such as turning to illegal activities. Just like her West African neighbour, Nigeria which is rich in oil and gas, South Africa is also well endowed in natural resources such as minerals. However these riches have failed to benefit the majority of the poor population. Because of this inability to transfer the country’s wealth to the rest of the population South Africa’s ruling majority party, the ANC has come under heavy criticism. Although the criticism may be too harsh and sometimes unjustifiable and misguided, however the party does not make things any easier for itself as many of its leaders both in the party and government have been involved in corrupt activities. Some have been convicted of crime, some jailed and some dismissed from their jobs for their involvement in corruption.

The ruling ANC may be partly to blame for high unemployment rate that is currently experienced in the country, which according to Statistics South Africa is at 25.5 percent ([www.statssa.gov.za](http://www.statssa.gov.za)) during the second quarter of 2014. However the problem started during apartheid when the majority of the black population was given education inferior in standard compared to the minority white population. According to le Roux (1992:19), “because Bantu education was separate and inferior, the expansion in black education did not produce the compliant workers for industry and commerce that were required.” Seemingly the apartheid government tried to right the wrongs it had made but it was too late. When the ANC government took over government it fiddled with the education curriculum and along the way

made some serious mistakes. Some of these mistakes were the decreasing of the pass rate from 40 percent to 30 percent in three matriculation subjects. This basically means that students can achieve 30 percent in three subjects and 40 percent in three subjects and one of which should be a home language. The closure of teacher training colleges has also been a subject of criticism. As such, there are now calls that these colleges be re-opened. This call has received new impetus following the resignation of experienced teachers resulting in the shortage of teachers in certain subjects.

Despite these noticeable blunders in education the government has done well in managing the economy. Since 1994 after inheriting an economy that was basically not that competitive, growing at a slow rate and having too much debt, the new government managed to steady the ship. According to the National Planning Commission (2011), South Africa is the 27th largest economy in the world and is in the fortunate position of having areas of comparative advantage. These areas include its natural endowments (including minerals), a strong fiscal position, its location on the continent, a strong and deep financial services sector, quality universities and a small but sophisticated services industry. For a liberation movement which suddenly found itself with a great responsibility of governing a country with an ailing economy, the ANC can be commended for doing a sterling job in reviving the economy. They have managed to appoint the right people in the Finance Ministry, from Trevor Manuel to Pravin Gordhan and the present minister, Nhlanhla Nene, who has been an understudy to both his predecessors.

South Africa is relatively stable politically given that there has been a smooth transition from 1994 up until the present moment. There has been no civil war as was expected before the 1994 elections. Even when President Mbeki was recalled from office as president by the ruling ANC in September 2008 there was smooth transition when Motlanthe stepped in as caretaker president. However there are some concerns that the current challenges may destabilise the economic and political situation. According to Beall and others (2005:682), on the one hand, the society is stable: a non-racial democratic political regime has been firmly established and faces no imminent threat, and the state is accepted as the legitimate authority within the country's territorial boundaries. Moreover, they argue that the country faces immense social problems – poverty and inequality, unemployment, HIV/AIDS and personal and property insecurity – which have barely improved since the apartheid era, or even deteriorated. The authors refer to this as 'fragile instability' (Beall and others, 2005:682). This could not be more fitting term to the current situation in South Africa. The country is

not experiencing any political instability yet its failure to provide solutions for the poverty that is currently experienced by the majority of the people could lead to economic instability.

Unfortunately crime is the major contributor to South Africa's instability and plays some part in hindering economic growth. Investors are put off by high levels of crime in the country. According to the latest Grant Thornton International Business Report (IBR) quarterly tracker survey for the fourth quarter of 2013 to December, 66% of South African business executives state that they, their staff or immediate family members of staff have been affected by the threat to personal security in the past year. This figure is 14% higher than the number recorded in December 2012 (52%) and is a shocking 20% higher than two years ago, in the fourth quarter of 2011 (46%) ([www.gt.co.za](http://www.gt.co.za)). This report clearly states that South Africans are lamenting an increase in crime which is hampering business growth, stability and expansion plans. Since this increase in crime irks local businesses then this means it does not bode well for South Africa as international investors will certainly look elsewhere in Africa.

In September 2014 the South Africa Police Service released the latest crime statistics for the year 2013. These are the indicators of whether the crime rate has increased, remained constant or decreased. As stated above, crime does have an impact on businesses. No investor would risk their money on an unstable environment. According to the Institute of Security Studies (ISS) sustained high levels of violent crime over the past 20 years has a cumulative effect that negatively impacts South Africa's growth and development. When businesses and their staff are affected revenue and productivity suffer. Investor confidence is also negatively affected ([www.issafrica.org/crimehub](http://www.issafrica.org/crimehub)). Although according to the ISS the violent ('contact') crime rate has decreased by 0.8% in the recently released statistics, the particular types of violent crimes that cause the most fear and trauma have increased. This is not a good thing for a country that is looking to increase its economic growth so that more people will be employed. And the unfavourable crime rate will render the country unstable.

It could be argued that single party dominance might not be good for democracy as this stifles democracy. If the ruling party has too much power then it means it could use its majority in parliament to do as it pleases without any accountability. However it is possible for democracy to thrive in a single party dominance regime just like in Japan. South Africa also seems like a stable democracy although the ruling ANC is dominating without any really serious opposition. Beale and others (2005:699) assert that, "Single-party dominance has contributed to stabilising a non-racial political regime but by restricting the political 'voice'

of social groups has also hampered the evolution of state- society linkages to consolidate substantive democratic processes.” It is therefore clear that South Africa is stable politically although there have been some serious challenges as is the case in any system of government.

South Africa is stable both politically and economically but the slow economic growth is threatening its stability. It is really hard to point out the real reason for this sluggish growth but latest figures forecasting positive growth in the second quarter 2014 could be the best news in a long time. According to the PriceWaterHouseCoopers report, “While some of the initial concern has been disproved with an ironic second- quarter growth figure of 0.6%, the overall theme of the domestic economy continuing to perform significantly below its potential remains a key concern” ([www.pwc.co.za](http://www.pwc.co.za)). This might not be a good thing that the country’s economic outlook is not that positive however political stability is most welcome by most businesses. According to the Grant Thornton survey for the fourth quarter of 2013, “political instability is generating a surprising affirmative reaction from businesses with 63% of privately held business owners stating that the uncertainty in the future political direction of South Africa is prompting them to improve their BEE status,”([www.gt.co.za](http://www.gt.co.za)). This means that if businesses are confident in the country’s political situation then they will be willing to invest more in the country. Therefore it can be concluded that crime, corruption and high levels of unemployment may lead South Africa into economic and political instability.

## **2.5 Nigeria and South Africa’s standing in Africa and the rest of the world**

### ***2.5.1 Nigeria***

Nigeria and South Africa have for a while now been positioning themselves as leaders of the African continent. Now that South Africa has been overtaken by Nigeria as Africa’s biggest economy in Africa it is even more interesting as to which of these two giants will have more influence in the continent. Nigeria seems to have an upper hand currently as it holds bragging rights. With the biggest population in Africa at over 170 million people, Nigeria has a potential to grow even more ([www.fmf.gov.ng](http://www.fmf.gov.ng)). Nigeria has always seen herself as some kind of a big brother in the continent, more especially in West Africa, where since the oil discovery it has always been an economic leader. Nigeria’s standing in Africa will be discussed in detail in the following paragraphs.

In order to comprehend the essence of Nigeria's standing in the continent perhaps it is wiser to first look at the country's influence and standing in West Africa. As stated earlier Nigeria is a giant in this region as it towers over its neighbours in terms of both the economic size and population size. According to Ikome, Nigeria has a population and gross national product (GNP) which is roughly equal to those of the other 15 member states combined. These inequalities have created suspicions and jealousies towards Nigeria and perceptions of its hegemonic intentions in the region, particularly from its French-speaking neighbours (2006:338). In all fairness it is impossible not to be jealous when a neighbour is better on every front. So it was almost inevitable that Nigeria would be the leader of this region and at the same time court jealousy from her neighbours.

Nigeria is one of the founding members of the Economic Community of West African States (ECOWAS). The economic federation called ECOWAS was established with the signing of the Treaty of Lagos on May 28, 1975 by nine Francophone states, Five Anglophone states and one Lusophone state, and were later joined by Cape Verde. The main goals of ECOWAS include the elimination of custom duties and the abolition of obstacles to the free movement of people, labour and capital (Ikome, 2006:351). Since the region is notorious for being unstable with numerous civil wars in countries such as Liberia and Sierra Leone this led to the ECOWAS establishing the ECOWAS Cease-fire Monitoring Group (ECOMOG). This was aimed at bringing stability in the region. According to Alli (2012:9), "Nigeria, the richest country in the sub-region has had to carry the huge burden of providing leadership and logistics for most of the ECOMOG operations." Odigbo and others also state that, "Nigeria as at 1999 had expended about 8 billion U.S dollars (759 billion Naira) on ECOMOG force," (2014:98). It is therefore clear how much of influence the country has in the region.

Nigeria has also been very active in the African continent at large. This has been in the form of its participation in the African Union (AU), which is an organisation of African countries which replaced the Organisation of African Unity (OAU) in July 2002. According to Okereke (2012:8), as a major financier alongside other four countries, Nigeria has full AU voting rights and has been able to sponsor her nationals for strategic positions requiring AU support in various international organisations. The other countries are Algeria, Egypt, Libya and South Africa and together these countries contribute about 75 percent of the organisation's operating budget. The rest is contributed by other members. Nigeria has also contributed immensely to peacekeeping in Africa since obtaining independence in 1960. According to Odigbo and others (2014:99), "Nigeria under the leadership of Obasanjo

blossomed in the international arena. The country plays a pivotal role in peace keeping and democratization process in Africa. This automatically earned her huge and towering influence in Africa.” This has cemented the country’s influence and standing in the continent.

Since independence Nigeria has always seen itself as a natural leader and as such had to play a leadership role to other fellow African countries. Now that it is the biggest economy in Africa in terms of Gross Domestic Product rebasing it can play this role with much more confidence. It is hoped that the country will not deviate from its tradition of old and that is sticking to the foreign policy that promotes African interests. As Okereke (2012:5) puts it, “The policy is driven by the belief in Pax Nigeriana, which stresses that Nigeria should play Big Brother to other African countries.” There is no doubt that Nigeria has played this role with aplomb to a certain extent. It has contributed most money in ECOWAS, ECOMOG and it is also one of the five main financiers of the African Union.

Although Nigeria has played this leadership role in West Africa and to a certain extent in the African Union, there are elements within Nigeria who argue that the money spent on outside activities could be better spent at home. According to Okereke (2012:17), these sceptics insist Nigeria should refrain from playing Great Power politics in the AU and should first address her evident domestic socioeconomic and security challenges. This is because the country has its own challenges at home as most people live in abject poverty. This has led to dissatisfaction and strife in the country and this has threatened the country’s ambitions in the region and the continent. Odigbo and others (2014:101) posit that, “Internal pressures arising from quest for political power by classes, regions and zones tend to have depreciated the relevance of national identity and national unity in Nigeria. Post- independent Nigeria has remained a dysfunctional state.” The Nigerian leaders seem to have failed to explore the options to develop strong democratic institutions to enthrone good governance. This will have some serious challenges in the long run for Nigeria.

There is no doubt that Nigeria has played some role in ensuring that there is peace and harmony in her region West Africa as well as the rest of Africa. The country has on occasion used its economic might to influence its foreign policy and democracy in states where there were authoritarian rulers. As Games (2013:6) puts it, between 1979 and 1982, Nigeria cut oil flows to neighbouring Chad in protest against factionalism during the country’s civil war. It did the same to Ghana to show disapproval of the coup d’état by Jerry Rawlings in 1981.

Games further argues that Nigeria's influence continued to grow until South Africa became emancipated from apartheid and challenged Nigeria's status as Africa's leader. This rivalry between South Africa and Nigeria will be discussed further towards the end of this chapter.

### ***2.5.2 South Africa***

South Africa has in a way benefitted from its apartheid legacy to a certain extent. It is arguably the most developed country in Africa. According to McGowan (2006:307), "The growth of the mining industry created a railroad building boom, rapid urbanization in places like Johannesburg, improved farming to feed miners and cities, and the first stages of industrialization to supply the mines...." So by far the country remains the most developed in Africa and has world class infrastructure thanks to this early development which was achieved as a result of the discovery of gold and other minerals. The question is; would this legacy have been possible had South Africa received her independence earlier like most African states? The answer to this question is quite simple. One needs to look at the level of poverty in other African countries and how underdeveloped these countries are. This is in no way trying to propagate the notion that colonization and apartheid are good. Apartheid left an ugly mark on the South African population, especially the Black majority. The slow growth of the South African economy could be attributed partly to apartheid and its education policies.

South Africa is the biggest economic player in the southern African region and is some sort of a hegemon in this region. According to McGowan (2006:313) it is the economic giant of the regional grouping, the Southern African Development Community (SADC) and has an economy 2.2 times bigger than the rest of the region combined. Furthermore this provides South Africa with a structural power that results in great infrastructural, military and political advantages in comparison to any other Southern African state and indeed, to the region as a whole. This places South Africa in the driving seat in the southern African economic sphere. This has in turn put the country in the driving seat economically.

However not all countries are thrilled with this South African dominance in the southern African region. According to the National Planning Commission (2011), within the southern African region, there is the perception that South Africa is acting as a bully, a self-interested hegemon that acts in bad faith among five neighbouring countries. As such, South Africa enjoys less support in the region than it did in the period immediately after 1994, when the country held pride of place among world leaders. Moreover according to McGowan

(2006:321) South African companies now have billions of rands invested in all other SADC states. This has made political and business leaders in Southern Africa have a love-hate attitude towards South Africa. Although they resent their dependence on South Africa's economy and infrastructure, but they have no other alternative.

Apart from being a member of a regional grouping, the SADC, South Africa is also a member of the continental organisation, the African Union. As stated earlier, South Africa and Nigeria - together with other countries contribute 75 percent of the total costs of this organisation. Although there were expectations that South Africa would be a key player in African peacekeeping operations, it has offered relatively little support to such initiatives (Games, 2013:8). This was merely because South Africa believed in negotiating rather than peacekeeping and use of military force. Furthermore Games states that, by September 2011, South Africa had 2,304 military personnel on peace support operations – in the DRC, Sudan and Central African Republic out of about 62,000 uniformed troops, 12,000 civilian support staff and a reserve force of 15,000 (2013:8). However South Africa's peacekeeping initiatives have been compromised by inadequate resources and the challenge of transforming the liberation fighters into professional soldiers.

South Africa's attempts at positioning itself as the African superpower drew resentment from other fellow countries such as Zimbabwe in Southern African and Nigeria in West Africa. According to Games (2013:8), the international acclaim accorded South Africa for its peaceful transition to democracy and its revitalised role on the world stage also created some resentment merely because these two countries have been regarded as leaders in the region and continent respectively. This made South Africa's task of trying to position itself as a leader of the continent somewhat difficult. Games posits that this had partly to do with the fact that there were lingering perceptions of South Africa as a bully based on the aggressive behaviour of the apartheid regime. This was particularly unfair as the country tried too hard to accommodate everyone but its own internal problems made this task too hard.

Things have not been all bad for South Africa in the African continent. The country has enjoyed moderate success when it comes to mediating in conflict ridden areas. Games observes that Mandela played a mediation role in several conflicts including the war in the DRC, then Zaire, and Burundi while also helping to resolve Libya's dispute with the international community over the Lockerbie bombing (2013:7). However the unsuccessful

policy of quiet diplomacy South Africa pursued in Zimbabwe, which failed to stem this country's economic and political decline raised questions about South Africa's diplomatic effectiveness.

Some of the resentment that South Africa has experienced post-apartheid is due to blunders that the new leaders have made in international relations. These blunders could be attributed to inexperience in foreign affairs as the country had just been welcomed back to the international scene. According to Schoeman after the assassination of a number of environmental activists, including author Ken Saro-Wiwa, South Africa's then president Nelson Mandela called for the expulsion of Nigeria from the Commonwealth due to its track record of gross violations of human rights (2006:246). However, according to Games (2013:12), Mandela found no support for his actions within Africa, even from Nigerians who were against military rule. Mandela's unilateral decision to condemn Nigeria's Sani Abacha created an impression in Africa that South Africa saw itself as an exception in Africa. South Africa had to learn the hard way that it was not an acceptable thing to criticize a fellow African government even if such criticism was legitimate.

Another thorny issue that could make South Africa both the object of envy and source of resentment by other fellow African states, is the country's admittance to the prestigious BRICS grouping. BRICS is the acronym that is made up by such emerging and fastest growing economies as Brazil, Russia, India, China and South Africa. When South Africa was admitted to BRICS there were those who felt South Africa did not belong there as compared to other countries in this grouping because it had a smaller economy. However, according to the National Planning Commission (2011), South Africa can play a leading role in BRICS by helping to facilitate deeper integration of relations between African states and other BRICS member- countries and by focusing on other niche advantages. The question of whether South Africa deserves to be in this grouping must be in the minds of Nigerians now that they are the biggest economy in Africa. According to Landsberg (2012:3), Nigeria has not taken kindly to South Africa being the only African member in the BRICS formation and the G-20, with the de facto status of African spokespersons that both confer. However it can be argued that with its world class infrastructure and political stability South Africa is the best place to conduct business and thus serves as a gateway to Africa.

## **2.6 The rivalry between Nigeria and South Africa**

While on the surface it is hard to see any signs of rivalry between these two African giants but from time to time the signs have managed to bring themselves out. From the time the late president Nelson Mandela condemned Nigeria's military ruler, Sani Abacha for killing Ogoni activists and to when these two countries made clear their intentions that they are interested in the permanent seat of the United Nations Security Council it became clear that there is rivalry between them. Nigeria is now Africa's biggest economy. Surely this might give the country audacity to question why South Africa is Africa's sole representative in the BRICS and Group of 20 countries. This section examines this rivalry in greater detail.

Perhaps South Africa could argue that because of its standing in Africa, it still deserves its place in the BRICS and G20. By virtue of South Africa contributing about 74 percent according to Schoeman (2006:262) of the regional GDP in the SADC region it is a giant and an obvious hegemon. However on the other hand Nigeria is also a giant in the ECOWAS grouping in West Africa. Nigeria has a gross national product (GNP) roughly equal to those of the other 15 member states of ECOWAS combined (Ikome, 2006:338). All these facts combined with the reality that Nigeria is now the biggest economy in the African continent should surely give it its rightful place in the echelons of BRICS and G20. When South Africa was given membership to the BRICS and G20 it still enjoyed its status as the biggest economy in Africa. The fact that Nigeria deserves a place in this grouping cannot necessarily mean that South Africa should lose its place as both countries could be accommodated. Both China and India are from the Asian continent and many other countries in the G20 grouping belong to same continents. Consequently there is no reason Nigeria and South Africa cannot be admitted to both these international groupings.

Perhaps it would be wiser to look at the long standing relationship between Nigeria and South Africa before delving on the rivalry between the two respective countries. Nigeria obtained her independence from Britain in 1960 and the Federal Government made it its mission that it helps other African states who were not yet independent and this included South Africa. So deep were ties between Nigeria and the ruling ANC, which was then a liberation movement that the country had to intervene when there was a plot to assassinate Mandela in prison. According to Games (2013:11) upon hearing about the plot from then ANC President Oliver Tambo, Nigerian ambassador to Tanzania, Chief Ade Martins then contacted the Nigerian Prime Minister, Balewa, who then reached for British Prime Minister Harold Macmillan who

intervened and prevented the assassination. It is therefore quite clear that the relationship between Nigeria and South Africa goes a long way.

It is against this background that Nigeria and many other countries that have helped South Africa's liberation movements, including the ANC, expected too much from the ANC led government after it had won the 1994 general elections. For a country that was already preoccupied with its own internal problems such as the ailing economy, building free houses with running water and electricity and creating job opportunities, it proved a daunting task to reciprocate the good deeds. So when South African president Mandela called for the expulsion of Nigeria from the Commonwealth due to its gross violations of human rights after killing a number of environmental activists, Schoeman (2006:246), he drew resentment from most African countries. Even Nigerians who were oppressed by the military regime of Sani Abacha did not support Mandela. This added to the perception that South Africa thought it was better than any other country in the continent.

It must be added that Nigeria was subsequently expelled from the British Commonwealth for the 1995 incident of killing environmental activists which included writer, Ken SaroWiwa. The country was supposed to participate in the subsequent African Nations Cup football tournament which was to take place in South Africa in 1996. The Nigerian national football team, the Super Eagles, could not defend their title that they had won in 1994, and the tournament was eventually won by the South African national team, Bafana Bafana. Even to this day some Nigerians are arguing that Bafana Bafana would not have won that 1996 tournament had their team participated. It is quite clear that this rivalry does not only play out in the political and economic spheres but in sporting events as well.

There are many other events as well that have served as examples that the two African giants are in a rivalry. Since democracy returned in Nigeria in the late 1990s many South African companies decided to spread their wings. Although these companies have brought quality products to Africa's most populous state however this also brought resentment from Nigerians. According to Games (2013:2), the size and scale of South Africa's investment in Nigeria after the end of military rule there after 1998 increased hostility. The former was accused of being neo-colonialist and bent on dominating African economies. Games further argues that the situation was exacerbated further by the arrogant behaviour by South Africans who were engaging with Nigerians for the first time on a business level. On the other hand Nigerians were not used to quality goods from a fellow African country and for them to

receive world class companies in their country was a bit of a surprise as they expected such quality from developed countries. It meant that South Africa posed a threat to their notion that they were the best economy in the continent.

Another event that threatened relations between Nigeria and South Africa was when South Africa deported about 125 Nigerians in March 2012 for the alleged yellow fever infections. Nigerians did not take these certificates seriously as these were not required by many other countries such as the United Kingdom. So they felt that the deportation was political. It was therefore no surprise when according to Landsberg (2012:3), “tensions once more boiled over when Nigerian Foreign Minister Olug-benga Ashiru openly accused South Africa of being xenophobic toward Nigerians.” According to Games (2013:22), Nigeria’s Arik Air briefly suspended flights to South Africa, Nigerian officials deported South African business people arriving in Lagos and the Foreign Minister threatened tough action against South African companies operating in Nigeria.” The South African government promptly apologized and this calmed the situation.

South Africa has not done itself any favours by taking many questionable and contradictory foreign policies which have created tensions with Nigeria. Some notable examples are the lobbying for Dr. Nkosazana Dlamini-Zuma to be AU Chairperson, the stance on the Ivory Coast elections as well as the stance in the Libyan crisis. According to Games (2013:4), South Africa’s pursuit of the African Union chair in 2012 was in defiance of a “gentleman’s agreement” that none of Africa’s five big states would stand for key AU positions in line with the practice in other continents. So South Africa’s ambition had broken that trust and consequently led to friction with Nigeria.

When it comes to Libya, according to Landsberg (2012:2) both countries, in their capacity as nonpermanent members of the U.N. Security Council, voted in favor of resolutions 1970 and 1973, which instituted punitive sanctions, an arms embargo and a no-fly zone over Libya. This was during the 2011 war of the North Atlantic Treaty Organisation (NATO) which comprised the United States and West European countries. However the countries were soon at loggerheads when South Africa accused NATO of abusing the United Nations mandate for regime change. Furthermore according to Landsberg the country refused to recognize the National Transitional Council (NTC) as the legitimate representatives of Libyan people. While Nigeria also criticized NATO but it soon aligned itself with the NTC and urged other

African countries to follow suite and not align themselves with South Africa's stance. This was bound to have serious implications for the relationship between these two countries.

Then there was the aftermath of the Ivorian elections which were fairly won by the opposition leader, Alassane Ouattara against the then incumbent president Laurent Gbagbo in 2011. Most African countries, including Nigeria, recognized Ouattara's victory but not South Africa. The southern African country questioned the legitimacy of the elections and sought a negotiated solution. South Africa, according to Games, lost face by its indecisive action and it fuelled tensions with Nigeria (2013:9). Once again the African countries in the form of ECOWAS criticized South Africa for undermining its processes. This is another example of how much of the tension exists between these two continental giants.

What could be interpreted as the ultimate cause of tension could be the fact that both countries are lobbying for the yet to be made available African permanent seat in the United Nations Security Council (UNSC). According Landsberg (2012:2), the relationship weakened due to tensions over how to respond to Zimbabwe in 2003-2004 and the contest for permanent African seats on the U.N. Security Council. This could explain why the two countries are always trying by all means to outdo each when it comes to decisive decisions in the continent. However it cannot make sense to fight over something that has not yet materialized.

During his address to the South African parliament in May 2013 Nigerian President Goodluck Jonathan denied that these countries were ever in a battle to get a seat in the Security Council. He rubbished the claims as nonsensical. According to Games (2013: 14), President Jonathan asked, "How can we be competing for something that does not exist? I have never heard of two women competing for a nonexistent husband." Whether or not Nigeria and South Africa are competing for a seat in the Security Council clearly does not make sense as the seat is not in existence as yet. It seems like a case where a country is looking out for its own interests. In this instance both these giants are looking to expand their influence beyond the African continent. A permanent seat in the Security Council will give any country that gets it that extra edge over the other.

For so many years it has been said that Nigeria will overtake South Africa and become Africa's biggest economy. In April 2014 Nigeria was finally given the title of being the largest economy in Africa in terms of GDP size. Other than the title that it is the biggest economy in the continent and the bragging rights what does Nigeria have to show for this?

Has it changed the lives of the majority of her citizens who live below poverty levels? Can the country now expect an invitation to prestigious boys' clubs such as the BRICS and G20 now that it is the biggest economy in the continent? These are just some of the questions whose answers will be provided over time.

The truth at the moment however, is that Nigeria may be the biggest economy in Africa however South Africa, according to Games (2013:16), "this does not mean it will outrank South Africa in most meaningful economic measures outside GDP given the size of Nigeria's informal economy, its high poverty levels, lack of industrialisation and other areas." However, that said, South Africa needs to have self-introspection and try to find solutions to this slow economic growth. According to the New Age newspaper (17 December 2013) Nigeria's GDP growth is expected to grow at 7.4 percent in 2014 while South Africa is struggling to go beyond 3.5 percent. Since the recession that hit the world economy in 2008 South Africa's economic growth outlook has not looked well. Some honest answers are needed as to what has gone wrong with the South African economy as all the other African economies including Nigeria's are projected to grow at much more favourable rates.

## **2.7 Conclusion**

Nigeria and South Africa are two countries that are geographically placed in the west and south of Africa respectively. As much as there are things that separate these two African giants there are more things that bring them together. However the most important thing is that they are both well-endowed with natural resources and this has made them two of the biggest economies in the continent. On the downside however both these countries are failing to enhance and change the lives of ordinary poor people with the riches obtained from these resources. It is only the elite and the politically connected that are benefitting from the riches of these countries. Lack of political will, corruption and administration are some of the things that are working against both Nigeria and South Africa. It seems that this is the disease that is killing many African politicians. Looking out for one's own interests can never build the country but will gradually destroy it.

Nigeria has been for so many years ruled by military dictatorships however when it managed to turn things around and return to civilian rule in 1999 things started to change economically. It may not be a perfect country, with all its instabilities caused by Boko Haram and Niger Delta volatility, but Nigeria is on a right path. If that was not the case then Nigeria's economy would not be growing at such an amazing rate. On the other hand South

Africa is facing many challenges to its economy. The crippling strikes in the mining and manufacturing sectors are contributing to the slow economic growth. It is really unfortunate that after so many years since democracy South Africa is still struggling to strike a balance between what the unions want and what the employers want.

Perhaps the South African political leaders need to learn from Nigeria's experience. The country's leaders should put aside their interests and put forward the country's interests. It cannot be good for a country's image to read about the scandals of its top politicians every weekend. A middle power like South Africa needs to be led by strong decisive people who are willing to put their interests aside and work for the majority of the people. The leaders of the ruling ANC fought for the liberation of the people of South Africa. They gave up everything to ensure that the country is liberated. Is it too much for them to give it their all in fighting for this country's economic liberation and ensuring it goes back to the right economic path? Nigeria has its own flaws but leaders like Obasanjo ensured that the country got back to civilian rule through their selflessness although he left under a cloud when he wanted a third term in 2007.

This chapter has looked at the historical background of both Nigeria and South Africa. It has also explored the impact of natural resources on the economies of these countries. The impact of political stability or instability on economic growth has also been explored. The chapter also looked at the standing of Nigeria and South Africa in the continent as well as the rivalry between the two countries. It provided some clarity on the perceived rivalry between these African giants. Although there has never been a study that looks directly at the economic rivalry, the literature was enough to provide an exploration of this issue. The present study will contribute in closing this evident gap of lack of a detailed analysis of the potential impact of Nigeria's overtaking of South Africa on both countries.

In the next chapter the theory on which the study is grounded will be introduced. It will provide the history behind this theory, identify its strengths and weaknesses, and justify the theory's relevance to the present study.

# **CHAPTER 3 – THEORETICAL FRAMEWORK**

## **3.1 Introduction**

This chapter specifically deals with the theory used in the study and the basis for its choice and usage in the study. The chapter basically explains in detail how the chosen theory fits into the research and how it incorporates the two countries being studied. Since the study involves exploring the implications for Nigeria and South Africa following Nigeria's overtaking of South Africa as Africa's economic giant, it is only relevant that the theory chosen is comparative advantage theory. This theory helped in looking at the goods that both countries produce and that made them powers to be reckoned with in the continent when it came to trading and other areas.

Before delving deeper into the comparative advantage theory perhaps there is a need to first define what theory is from a general perspective. In a nutshell, a theory can be defined as an inter-related set of ideas and propositions but in its technical meaning it proffers conditional knowledge and its expectations are not normative. There are three ways in which theory is relevant to social research. First, theories open up research problems by identifying what has been hidden, misunderstood or misinterpreted. Second, theory can draw together unrelated fragments of empirical evidence and research. Third, research is theory dependent (Miller & Brewer, 2003). Moving from these premises, theory has a major role to play in research. It makes any research project credible and links it to the broader context and trajectory so that more people in the research community could relate to the issues and findings discussed in a research project.

## **3.2 Theoretical Framework and related research issues**

As mentioned above, the principal theory upon which the research project is based is comparative advantage theory. This theory has been chosen because it fits like a glove to the purposes of this study and is applicable to trade. The proponent of comparative advantage theory is English political economist, David Ricardo (Mcgowan et al, 2006:39). According to this principle all states benefit from the greater efficiency encouraged by trade: it allows them to specialise in goods they can produce better and cheaper than others, while importing those goods, that other states produce more efficiently.

As stated above the study looked at which goods Nigeria and South Africa produce better and how these have made them superpowers in the continent and also how these have put them at a disadvantage on the world trade. However like most other things this theory is not without faults. The most significant flaw of the comparative advantage theory is that, “many of the poorer countries of the world, for historical reasons, rely very heavily on the export of a single raw material,” (McGowan et al: 2006:39). This means that while it is true that the theory has positive consequences in the sense that it makes us better understand how countries command higher status, it also exposes the negative impact of competition amongst countries.

Nigeria relies heavily on oil whereas on the other hand South Africa’s economy is diversified. Therefore, this justifies using this theory. This is made clearer by the Sunday Times (August 10, 2014), which states that “With the exception of South, the continent’s most industrialised country, which exports high-end goods to the US,....the main beneficiaries of Agoa are oil producing nations, notably Nigeria, Angola, Chad and Gabon.” It is therefore apparent that although Nigeria has other strong sectors such as agriculture and services industry but it is very strong on natural resources such as oil. However South Africa, as stated above, is a diverse and the most industrialised economy in the continent. This puts the country (South Africa) at a comparative advantage.

Before looking at both Nigeria and South Africa’s trade and thereafter their comparative advantage perhaps it is most befitting to look first at the continent of Africa in general within the context of the chosen theoretical framework for this study. For many years Africa has been lagging behind when it comes to economic development. It has been used by the developed world as a base in which they import raw materials to manufacture finished products. However with new technological advances things changed for the better for the continent in the early 2000s. According to Eifert et al (2005:5), “Developing countries were traditionally considered to be primary exporters but that stereotype has long faded: by 2002, 60 percent of their exports were manufactured goods.” They further argue that although Africa has lagged behind other continents when it comes to the process of diversification, South Africa and Mauritius are two exceptions (Eifert et al, 2005).

So what could be the reason behind Africa lagging behind other regions when it comes to economic diversification? Eifert and others (2005:7) point out, “The combination of macroeconomic instability, crime and poor security, a weak and politicized financial system,

shoddy local roads and electricity systems, high transport costs, and predatory local officials,” as some determining factors. However they say these factors will have relatively little influence on the productivity and costs of offshore oil industries but will be devastating for small-scale and medium-scale manufacturing. They argue that even great businesses making huge profits and improving lives of local communities can be hampered by the poor business environment (Eifert et al, 2005:7).

The African continent has so long been described as the continent with no prospects for economic growth. The leaders of the continent have been described as greedy and are notorious for holding on to power for too long (Mngomezulu, 2013). Starting with President Hastings Banda of Malawi who ruled that country for over three decades, the likes of Mobutu SeseSeko of Zaire, now known as the Democratic Republic of Congo, Idi Amin of Uganda as well as Robert Mugabe of Zimbabwe to mention just a few, are all examples of leaders who have taken the rod from him [President Banda] and overstayed their welcome.

Another factor that goes against most firms in African countries is that of transport costs and this can be attributed to poor infrastructure. No matter how great the firm is doing however the bulk of the money it makes will be milked by high transport costs. As transport costs are higher in Africa compared to Latin America and Asia this therefore results in higher prices for raw materials. This in turn has an undesirable impact on sales and measured productivity. Consequently this leads to lack of profits and eventual closure of these firms (Eifert et al., 2005:22).

When it comes to trade African countries are always at a disadvantage simply because trade reforms have been driven by adjustment programmes initiated by Bretton Woods institutions such as the World Bank and International Monetary Fund as opposed to a reciprocal process of negotiation with other countries to open market. It is therefore less surprising to see the persistence of widespread impediments to exporting firms despite declines in levels of protection (World Bank 2000/2001). This therefore tremendously diminishes the competitiveness of the African firms both locally and globally.

It is also important to note that although donors are doing a great job in assisting some poor African countries but they can also be a hindrance to economic prosperity and change in general. Governments constantly find themselves between a rock and a hard place in that they feel obliged to foster only changes suggested by donors. According to Eifert and others

this has meant that governments have to dance to the tune of donors and this is to the detriment of economic development. They argue:

*Thus, governments have simply changed their methods of rent-seeking in response to donor-driven reforms. This has translated into a series of partial reforms without much change in the ability of the private sector to do business, leading to what is termed a “permanent crisis” in Africa. For the private sector, it has meant keeping up with ever-changing forms of government interference, as the sources of rents and the modalities of rent-seeking have shifted with reform efforts (Eifert, et al., 2005:29).*

This has led to African countries lagging behind other regions such as Latin America and Asia in terms of economic development. Government employees are hostile to suggestions of change brought by anyone other than the donors because they feel they owe their loyalty to them. If there are any reforms at all, those are aimed at appeasing the donors and experts from donor countries.

There is also strong evidence that suggests that foreign-owned businesses in Africa enjoy more benefits than their local counterparts – thus leading to comparative advantage. It is quite clear from the onset that it is almost impossible for African businesses to succeed in such an environment. These foreign owned firms seem to be more productive and organised when compared to local businesses. They also seem to have more market power, enjoy more sustainability in a difficult environment and are more likely to export than indigenous firms. The existing literature (Tangri 1999; van de Walle 2001) suggests that this group relies on trust between its members and on alliances with the political elite to generate rents on a continuing basis (Qouted in Eifert et al, 2005:31).

Despite Africa’s inability to take itself out of the abyss of poverty there are some countries that are doing very well economically - thanks to a new breed of leaders who are willing to put their countries’ interest before their own. There are also some Africans who are brilliant entrepreneurs and are contributing to the well-being of their fellow Africans. Moreover, some African countries are beginning to attract foreign direct investment and this contributes to economic growth. According to Dimant (2012:153) “the top five African recipients of foreign direct investment between 2010 and 2011 were Nigeria, South Africa, Ghana, Congo

and Algeria. Southern and Western Africa attracted 55% of Africa's total investment in 2011." Therefore the picture is not all gloomy as there are some positives, albeit scattered.

It would seem that indigenous African businesses are facing many problems that cannot just be wished away but only by applying stringent measures that will ensure stable environments to conduct businesses. This in turn will assist African businesses to prosper and this will result in the increase in exports and consequently competitiveness with firms in other regions of the world. Poor business environments generate entry barriers that provide larger firms with anticompetitive rents. According to Eifert et al.(2005:37) "Firms that might potentially push for reform are therefore faced with a choice between a hostile business environment that they have learned to negotiate and an unknown situation with potentially large increases in entry and competition."

It is quite evident from the afore-going paragraphs that Africa as a continent is still lagging behind compared to other continents such as Asia and Latin America. What is of particular concern about all of this is that Africa is so well endowed with natural resources that its citizens should be among the richest in the world. However as the truth goes, the majority of Africans are the poorest in the world. Asia and Latin America were both colonised by European powers and most of the countries in these regions got their independence around the same time as some African states yet are doing very well compared to their African counterparts. This sorry state of affairs unfortunately puts a dent on Africa's competitiveness.

Despite all of this the continent seems to have turned over a new leaf as investors are trickling in to invest. Yes there are many depressing things about the continent but it seems investors are buying into the notion that Africa has changed. The fact that the continent is lagging behind other regions does not mean that it cannot turn around its fortunes and take its rightful place in the world. Nigeria and South Africa are true examples of how countries can bounce back when all the odds are stacked against them. The study has looked into the competitiveness of both Nigeria and South Africa and how the comparative advantage theory fits into their affairs. The relevance of this theory in the present study is demonstrated below.

### **3.3 Nigeria's Comparative Advantage**

The study has touched upon the broad view of Africa's competitiveness with the whole world. It will now look in detail at Nigeria's comparative advantage in an attempt to expound the theoretical framework which guided the study. It is a well-known fact that oil is Nigeria's biggest export. According to McGowan et al (2006:39) the principle of comparative advantage theory allows countries to specialise in goods they can produce better and cheaper than others. So what was Nigeria's biggest export prior to the discovery of oil? Well, according to Okoh (2004:3), "the decades of the 1960s and 1970s the Nigerian economy was dominated by agricultural commodity exports. Such commodities included cocoa, groundnut, cotton and palm produce." Obviously since its discovery oil took over as the biggest trading commodity in the Nigerian economy however the non-performance of the non-oil sector leaves little to be desired and there have been calls from different commentators for Nigeria to diversify the economy.

This trend of oil becoming Nigeria's main export product has been in existence since the mid-1970s. The export of crude oil in the country now constitutes 96 percent of total exports. However calls have been made for the diversification of the Nigerian economy in order to expand the non-oil sector. Okoh argues that this is important for two reasons, namely, the volatility of the international oil market with the attendant volatility of government revenue gives credence to any argument for diversification of exports and the fact that crude oil is an exhaustible asset makes it unreliable for sustainable development of the Nigerian economy (Okoh, 2004:3).

In a bid to expand and diversify her economy Nigeria has over the years signed a number of bilateral and trade agreements with other countries. Despite all these efforts non-oil exports have gone down. According to Okoh (2004:4), "a number of empirical studies which, have investigated the export-led-growth hypothesis, have found that exports have been instrumental to Nigeria's growth performance suggesting that in Nigeria export-led-growth hypothesis holds." However the major contributor to these exports has been mainly crude oil. The status quo is likely to remain the same as the Nigerian economy is dependent on the world market for the supply of industrial products. As Okoh puts it, "The dependency syndrome is likely to continue unabated leading to dumping, imported inflation, high cost of

production further deterioration of the terms of trade, lower standard of living and increased urban and rural unemployment as well as poverty” (Okoh, 2004:4).

The argument of free trade derives from the law of absolute advantage developed by Adam Smith and later perfected by David Ricardo into the law of comparative advantage. According to Adam Smith each country should specialise in those goods in which it has absolute advantage. David Ricardo further argues that even if a country has a comparative advantage in the product of two against another, it may still be beneficial to both countries to specialise in the production of only one of the goods. With this both countries can enjoy the benefits of comparative advantage and enhance the process of exchange between the two (Okoh, 2004:5). In theory this looks great however in reality it is just not that simple. If that were the case Nigeria would only be looking at trading only in oil with countries that do not have oil. Therefore this cannot happen since every country looks out for its only interests. The countries may sign bilateral agreements of trade however they look at how these will be of beneficial value to their individual countries.

It is therefore no small wonder that Nigeria has spent so many years trying without any success to have a comparative advantage on goods other than oil. In the past the country has tried to export manufactured products such as textiles, cocoa butter, processed timber and plastic products as well as agricultural produce such as cocoa, yam, groundnut, palm oil and cotton, fish and shrimp. The decline in agricultural export as observed by Okoh (2004:5) was due partly to implicit and explicit taxation imposed on cash crops producers, the marketing boards were abolished in 1986. It is quite clear that Africa’s most populous nation has somewhat struggled to trade in other non-oil products. This, in more ways than one, renders the classical theory of comparative advantage, unrealistic as it assumes constant costs, only one factor of production, perfect competition in both factor and product market.

Over the years Nigeria has come up with ways to improve its diversification of the economy. The country has been trying hard to not rely too much on oil as its main driver of exports. Okoh argues that for instance in the 1960s and 1970s manufactured merchandise exports grew under high protective fiscal barriers. In the 1980s however with the fall in crude oil exports - the major earner of foreign exchange in Nigeria – manufacturers were unable to import capital inputs (Okoh, 2004:7). Consequently there was a decline in the growth of output and hence the manufactured products. This in some way is evidence enough that the country simply

cannot divorce its success from oil thereby making oil the most imperative export commodity.

So how is the structure of non-oil merchandise export in Nigeria? Well, according to Okoh (2004:10-11), “The share of agriculture in total exports declined from 84% in 1960 to 1.80% in or 1.2% in 1995..... Manufactures decreased from 13.10 % in 1960 (CBN, 2000) to 0.66% in 1995 and remained the same in 2002.” So, contrary to the expectation of increase in non-oil exports there was an overall decline in non-oil merchandise exports. This is also another classic example where it is clearly evident that oil makes up a significant part of Nigeria’s exports and without it, it is hard to imagine which direction the country’s economy would be taking.

This over-dependence on one commodity for export does not bode well for Nigeria’s future. Okoh argues that Nigeria’s non-oil exports in their current state are not likely to gain any reasonable share of the world market. She suggests that Nigeria can only increase her non-oil exports through increased importation of capital input, such as chemicals, plants, machinery and highly skilled labour. She asserts that Nigeria’s non-oil export can only increase at the cost of dependence on inputs imported from the rest of the world not through openness or greater integration. According to Okoh (2004:23-24) it is clear that it is Nigeria’s trading partners that gain from the greater openness and not Nigeria.

It is quite clear that openness does nothing but harm to emerging economies like Nigeria since it is the developed economies that are gaining in this arrangement. It is because the rules are made by Bretton Wood institutions such as the World Bank and the International Monetary Fund and these rules generally favour the developed nations. Okoh recommends that Nigeria should protect her domestic producers and impose higher tariffs and quotas where necessary to check the influx and dumping practices that have crippled the local non-oil sector. She also recommended that Nigerian leaders should encourage and assist her researchers and scientists to develop high technology, innovations for production of basic chemical and mechanical inputs. Okoh (2004:27) argues that this is to reduce dependence on imported capital goods.

It is not all doom and gloom for Nigeria as things stand at the moment it is Africa’s biggest economy according to the latest rankings. The government of Africa’s most populous state has come up with policies that are conducive for investors to operate and as a result this has brought in more revenue for the country. These policies have been encouraging foreign

investments by building up the country's image and its economy. Adedokun (2009:649) argues that globalization of the world economy and the increasing competition has led to the Nigerian government introducing policies and trade regulations that favour strategic alliances. He further points out that since the global financial meltdown of 2008 many Sub-Saharan African countries, including Nigeria, have tried to transform their economies from state controlled capitalism towards private entrepreneur capitalism in order to compete globally.

As mentioned earlier, Nigeria is the biggest oil producer in Africa and is among the world's largest producers of this commodity. The country has estimated proven oil reserves of 32 billion barrels and is the 6<sup>th</sup> largest producer in the Organization of petrol Exporting countries (OPEC). Surely Nigeria's government was not satisfied with oil being the biggest contributor to exports hence it created policies that are favourable to conduct business in the country. Adedokun argues that a nation's comparative advantage does not depend on its natural resources alone; he opines:

*It depends on innovation and the capacity to upgrade its products and services, driven by domestic rivalry and aggressive local suppliers and customers. Porter argues that sustainable economic growth is more aligned to the ability to innovate and upgrade and that no nation will be competitive in every industry but will be competitive in certain fields (Adedokun, 2009:650).*

He points out that the above leads to the determinants of national competitive advantage. It seems like the Nigerian policy makers had the above in mind when they decided to come up with policies to diversify the country's economy in order to make it more competitive globally.

As indicated earlier Nigeria is mostly dependent on oil for much of its exports. However some sectors such as agriculture are gradually making inroads. Nigeria is one of the fastest growing economies in Africa if not in the world. Proof of this is that it has overtaken South Africa as the biggest economy in Africa. The biggest question though, is that can it sustain its growth in the near future, especially given the current political instabilities aggravated by the activities of Boko Haram? According to Igberaese (2013:8), "Many questions are raised by economists on the literature of comparative advantage because markets and information are not perfect as most of the previous studies assume." She posits that many of the studies on

comparative advantage argue that countries perform poorly unless they alter and diversify their economies to include other variables.

Another factor that could in the long run slow down Nigeria's economic growth and consequently diminish its comparative advantage is that of corruption. Economists often attribute lack of economic growth in developing countries to weak governing institutions. That is why countries like Nigeria, Indonesia and some parts of Latin America have experienced rapid economic growth but are considered to have very corrupt governments which negatively affect their economic growth potential (Igberaese, 2013:12). It is therefore very imperative to have strong accountable governments so that the economy can thrive in that respective country.

It can also be argued that for some countries that are dependent on natural resources their GDP tends to grow slower. Economists who have studied the relationship between the natural resources exported and GDP per capita between 1980 and 2005 found that the GDP per capita grew slower in natural resource exporter than in natural resource importing countries. One interpretation of this could be that countries which specialize in mineral resources such as oil find it difficult to diversify into other products due to the capabilities required for oil production which requires different capabilities than most other products (Gelb, 2010:7-8 quoted in Igberaese, 2013:13).

Some economists are of the view that commodity price volatility is a cause for sluggish growth and suggest that diversifying outside of natural resources would help boost economic growth. Blattman et al. (2007) quoted in Igberaese (2013:13) argued that it is commodity price volatility not commodity price trends that cause low growth in commodity dependent economies. Price trends and volatility of primary goods explain the divergence of global income. The instability of income is said to be causing internal instability, reduced investment and diminished economic growth. Negative trends and volatility of terms of trade create cycles of current and capital account shocks leading to poor growth and financial crisis. Price shocks cause capital inflows to decrease leading to a reduced interest of foreign investments.

Much has been said about Nigeria' economy being dependent on oil for most of its exports; however some sectors have not been doing that bad. Within the non-oil sector, manufacturing and building and construction accounted for 4.14 percent of foreign exchange and government revenue in 2011. Recently the Nigerian economy which was concentrated

on primary commodities saw growth in sectors such as the services, real estate, housing and construction. The service sector has grown rapidly in the last decade with the total share of the GDP increasing from 25 percent in 2000 to 37 percent in 2011 (World Bank, 2013).

Although the performance of the service sector has been impressive however it is the telecommunications sector that has been the major growth driver. The telecommunications sector experienced the fastest growth in shares of the GDP, jumping from 1 percent in 2005 to 3 percent in 2010. The wholesale and retail trade also experienced explosive growth, contributing 18.81 percent to the service sector in 2012. The manufacturing sector contributed 3.96 percent to Nigeria's GDP in 2009 and this rose to 4.14 percent. Furthermore, real estate and housing experienced rapid growth in recent years but its share of GDP remain small (World Bank, 2013).

Despite the growth of the service sector, the production of primary commodities has continued to dominate the Nigerian economic activities. The agriculture sector which includes the crop production, forestry, livestock and fishery has accounted for most of the GDP growth in recent years. In September 2011, agriculture remained Nigeria's largest sector accounting for 42.62 percent of GDP however production levels remain low while growth has been triggered by expanding land. Agriculture was Nigeria's biggest economic driver prior to independence in 1960 and during the pre-oil boom. Oil however, accounts for 95 percent of Nigeria's exports and 75 percent of budgetary revenues. In recent years the oil and gas sector has experienced a decrease in growth (World Bank, 2013).

Although Nigerian agricultural policies have not been that successful over the years, the sector continues to influence the country's GDP and economic growth within the country. Notably, many of the policies did not emphasize the inclusion of production for trade until the rise of agribusiness. Impressively, agribusiness has become the country's new strategy towards growth and development. As far as Igberaese is concerned, "the country's comparative advantage in agriculture has remained the economic driver for policies on economic growth and has been further pushed by the recommendations of international bodies," (Igberaese, 2013:23).

Although there is volatility in the Niger Delta region where most of the oil reserves are situated in Nigeria this has not affected the country's growth that much. In fact Nigeria seems so unaffected by this unrest in this region such that it has overtaken South Africa as Africa's biggest economy. Another example showing how Nigeria was unfazed by volatility

in the Niger Delta region was that of 2007. Even though political unrests in this region did affect oil production however strong growth in the non-oil sector meant that the GDP still grew by 5.8 percent. The non-oil sector has grown by 7 percent over the past ten years. This growth is expected to remain robust especially because of good performances in communication, wholesale and retail trade and construction. The financial sector will play a key part in facilitating further growth (Kehinde et al., 2012:5).

Nigeria is said to be facing some serious problems such as low domestic absorptive capacity, deterioration in terms of trade, trade friction with partners and uneven development across the country. Therefore in order to achieve sustainable growth the country should pay attention to proper trade strategies and policies. Kehinde et al. (2012:8) suggest that Nigeria should also develop strategies to promote exports and high technical trade. They also suggest that the country's government should strengthen the competitiveness of exports by combing the imports of high technology and domestic independent research. Another suggestion is that the government should focus on a catch up strategy by establishing a national innovation system which includes proper education, finance and industrial policy which could increase productivity of the economy. Things are not looking that bad though for Nigeria as the rebasing of the country's gross domestic product shows that her economy is more diversified than initially thought. The next section explores South Africa's comparative advantage.

### **3.4 South Africa's comparative advantage**

South Africa was until April 2014 the biggest economy in Africa. This did not come as a surprise given that the country has the best developed infrastructure in the continent. Ideally this would make the country the number one destination when it comes to investment. However as stated above, it is now the second biggest economy in Africa after Nigeria. According to Hausmann and Klinger (2006:4), "South Africa's output growth since 1960 has been disappointing with GDP per capita in 2004 40 percent higher than it was in 1960." This is worse compared to other developing countries such as Mexico and Egypt.

South Africa's export performance during the period between 1960 and 2004 is said to have been even more dismal. Although exports have grown in absolute terms over the past 40 years, exports per capita as of 2004 are barely higher than they were in 1960. Exports per capita in constant USD in 2004 were \$918.58, up from \$663.91 in 1960, representing an annualized growth rate of only 0.64% per annum. This export performance is extremely poor when compared internationally. Considering all countries with a population of over 4 million

and GDP per capita of at least 25% of South Africa (a relevant comparator group), South Africa is an outlier in terms of export performance, ranking 50<sup>th</sup> out of 56 countries (Hausmann and Klinger,2006:4).

The above figures do not look good for South Africa's comparative advantage and export performance. And this could shed some light as to why the country has been overtaken by Nigeria as Africa's biggest economy. As stated earlier, the country's economic performance is lagging behind the countries that are of the same economic size. Authors Hausmann and Klinger (2006: 5-6) are tempted to attribute this poor performance to the fact that South Africa is the biggest exporter of natural resources. However they argue that countries like Australia, Argentina, Canada and Malaysia have been exporting natural resources since 1960 but they have outperformed South Africa in terms of export performance. They attribute this poor performance to a legacy of apartheid-related sanctions, or exogenous changes in the prices of South Africa's particular exports.

Surely South Africa cannot be relying on mining for exports, so how are other sectors doing in this regard? Well, the manufacturing sector has been doing well in the 1960s and 1970s as it expanded during this period but it has since become quite stagnant. So what does this say about South Africa's comparative advantage at this present moment? Hausmann and Klinger,(2006:8) posit that even today South Africa's comparative advantage in exports is concentrated in mining and metals. Principal net exports include gold, followed by coal and basic iron and steel. Other exports such as agricultural goods, beverages, tobacco and other refined products are rather small. Sectors such as automobiles, other machinery & equipment, other transportation, food, and leather products are exported in large amounts but are offset by even a larger import of these products. Therefore this could only mean that only mining products such as gold, platinum, iron ore and coal remain South Africa's large exports.

Another important aspect of export is not just the quantity but the quality and the sophistication of products that are being exported by the given country. Does South Africa possess this requirement of international trade? Hausmann, Hwang and Rodrick (quoted in Hausmann and Klinger, 2006:8) find that it is not only how much you export, but also what you export that matters for growth. They have found that, "countries that are able to successfully export products that are relatively sophisticated given their level of development experience faster GDP growth. Unfortunately the picture for South Africa does not look good

at all because since 1975, the country had a relatively unsophisticated export package for its level of income.

Although South Africa's sophistication of its export package sort of picked up in the 1990s but compared to other emerging economies it was still relatively poor. This improvement was largely due to increased exports of cars, motor vehicle parts, pharmaceuticals and filtering and purifying machines for natural gasses and liquids. What is disturbing however is that when compared to other countries such as Mexico, Malaysia and Chile South Africa comes second best. According to Hausmann and Klinger (2006:12), "although South Africa started in 1975 with the highest EXPY in this group, it was overtaken in the 80s by both Mexico and Malaysia. Furthermore, the growth in EXPY after 1997, while a positive development, is not overly impressive in comparison to other countries." So although South Africa experienced a higher export basket in the 1990s this was overshadowed by the fact that this was concentrated mainly on mining.

It is a known fact that South Africa is largely endowed in minerals and as a result its export basket was concentrated in these products. As the population rose/increased over the years so did the endowment of unskilled labour and capital, however the mining endowment per capita fell. There are several reasons as to why South Africa's structural transformation has failed. Hausmann and Klinger argue that, "finding out which of the many potential products best express a country's changing comparative advantage may create information externalities as those that identify the goods provide valuable information to other potential entrepreneurs but are not compensated for their efforts," (2006:13). So this puts at risk those who have made the effort of researching the information that might put their company at a comparative advantage.

Furthermore, there is evidence supporting the view that the assets and capabilities needed to produce one good are imperfect substitutes for those needed to produce another good. However, the degree of asset specification will vary. Moreover the probability that a country will develop a capability to be good at producing one good is related to its installed capability in the production of other similar goods for which the currently existing productive capabilities can be easily adapted, (Hausmann and Klinger, 2006). The authors argue that, given this varying asset specificity the speed of structural transformation will depend on the density of the product space near the area where the country has developed its productive capabilities.

So what can be done to assist South Africa to overcome its challenges of achieving a favourable comparative advantage in exports? Does the country choose one sector that is promising to deliver positive returns over another that is not failing to produce any results at all? The government is condemned to choose as economic activity has many complementary inputs which are provided publicly and the government may not be able to identify and provide them all. According to Hausmann and Klinger (2006:44) activities require rules, regulations and assets that are quite specific to each activity and these include inter alia, “infrastructure, forms of property, regulations, labour training, information provision, research and development, etc.” However ideally, choices should be made in the context of a policy process that identifies the opportunities and the private agents to exploit them as well as the obstacles that need to be removed.

As it is always the case, the government is the one that makes policies that are conducive to conduct business in any given country. It also set up guidelines to regulate how the business operates within the country’s boundaries. Whenever things are not going alright in a certain business the government should intervene because the damage caused by a failed business might be harmful to the country’s international image. Evidence of this is the intervention of the South African Reserve Bank in 2014 when it bailed out African Bank which was in financial trouble. This however resulted into the unwarranted downgrading of the four biggest banks in the country, namely: Amalgamated Banks of South Africa – ABSA, First National Bank – FNB, Nedbank and Standard Bank by the United States ratings agency, Moody’s.

It is therefore crystal clear that the government plays a very critical role in ensuring that everything runs smoothly in the country’s economy. It is also safe to assume that the government’s job is not only to regulate industries and formulate policies by which they operate but it can also bail out businesses in distress. However as is often the case with western institutions such as the World Bank and the International Monetary Fund, the Moody’s rating agency did not bother to assess the whole South African banking system when they downgraded the country’s top four banks. These institutions just want to impose their way of doing things to developing countries no matter what. If the country does not adhere to their policies then they are doomed to fail economically. South Africa has one of the sophisticated banking systems in the world. So for a rating agency to just come and downgrade the country’s four top banks is uncalled for and will put the economy at risk as investors will be wary of doing business in South Africa.

There are four sectors that were of particular interest to the authors discussed above (Hausmann & Klinger, 2006:45) when they were conducting their study on the comparative advantage of South Africa. These are namely: agriculture, machinery and equipment, pharmaceuticals and other chemicals. Agriculture in particular is of interest because it has a small supply of arable land and therefore it is difficult to use it as a source of growth for the country. One observation is that,

*Only 10% of South Africa receives more than 750 millimetres of rain per year. Much of the country is desert or semi-desert, and variations of rainfall are severe enough to result infrequent drought cycles. Indeed, variations in agricultural output can push the GDP growth rate up or down by as much as 1.5%. Agriculture's contribution to GDP varies, averaging around 4%. The combined contribution of agriculture, fish and timber to total South African exports declined from 19% in 1957 to 5% in 1985 (Hausmann & Klinger 2006:46).*

Another limitation is the fact that much agricultural land is owned by large landowners who are white and undercapitalised and do not have incentives to increase employment or output. Productivity and yield growth in the agricultural sector ran aground after the early 1970s, after years of lavish government support for farm investments. The land reform programme, intended to return a significant proportion of land to black people, started slowly in the agricultural sector. Though it has accelerated since 1999, the link between land reform and agricultural development remains fairly weak (Hausman & Klinger 2006:46). Perhaps it would be wise for South African farmers to look to other countries who although their land is desert or semi-desert but are successful in agricultural production. Countries such as Egypt, Israel and Chile come to mind in this regard.

Another area where South Africa probably needs to look in order to create a comparative advantage is the machinery. It can be argued that once the country has developed a comparative advantage in these activities it could always deploy them for any other uses. Moreover they can be sent to other parts of the world. However the problem is that already there are many other countries that are creating these activities, therefore the market is large and growing. South Africa is said to already have a presence in this sector through its auto industry and other forms of transportation. According to Hausmann & Klinger (2006:49) "This means that compared to other countries, the distance to this part of the product space is

not that large for South Africa. Therefore a strategy to develop acquired comparative advantage in these activities may be warranted”.

With the rapid spreading of diseases such as HIV/Aids and tropical diseases such as malaria fever it would seem the pharmaceuticals industry is cashing hence its rapid growth. The recovery of growth in Africa and the emphasis on donors on health have translated into a growing regional market. South Africa already has a strong presence in this sector with some really successful exporters of the generic drugs. According to Hausmann and Klinger (2006:49), “It would appear that some of the conditions needed to succeed in this field are present but the sector is very intensive in R&D and other regulations and hence an active involvement may allow the elimination of potential bottlenecks.”

Investment promotion entity as well as investment promotion policies are greatly needed to bolster South Africa’s trade abroad and thus improve the country’s comparative advantage. This could help in improving even those sectors that are performing dismally. The work done by ‘Brand South Africa’ in trying to promote the country’s image can never be doubted. Having been created in August 2002 the role of Brand South Africa is, “is to create a positive, unified image of South Africa; one that builds pride, promotes investment and tourism, and helps new enterprises and job creation,” ([www.brandsouthafrica.com](http://www.brandsouthafrica.com)). However Hausmann and Klinger (2006:50) are of the view that a strategy to raise the presence and visibility of South Africa in the eyes of foreign corporations may be useful. They further argue that a well-designed strategy to attract the interest of major global players may be an important complement to a development strategy.

So, how can South Africa’s trade with the outside world be summed up? Edwards and Schoer (2001: 30-31) conclude that the structure of trade has remained relatively capital and technology intensive compared to other middle income countries; export growth has remained mediocre compared to other emerging economies and employment in the manufacturing sector has continued to decline. These authors also argue that while the use of competitiveness measures is widespread, there is still need for a great focus in the linkages between the changes in the competitiveness indicators and the response in export and import behaviour. They also argue that South Africa has failed to make use of the comparative advantage that the abundant supply of labour provides. However South Africa still remains the most diversified economy in the African continent despite the above mentioned weaknesses.

### **3.5 Conclusion**

The chapter has discussed in detail how African countries use their comparative advantage as compared to other developing regions of the world. It has also touched on the comparative advantage of both Nigeria and South Africa as a way of linking this theoretical approach to the study. It is quite sad that African countries in general are still lagging behind other developing countries when it comes to trade. There are too many factors that are at play here. Many people have said that Africa's natural resources are a curse to the continent as opposed to being a blessing. They say this is merely because these resources do not benefit the ordinary African citizens as should be the case. These resources only benefit the ruling elite who tend to be greedy and egoistic in their activities. This is corruption at its worst and it is holding the continent back.

Nigeria, as mentioned many times earlier, is now the biggest economy in Africa. Although it still very much dependent on oil for much of its revenue it has managed to diversify its economy into other sectors such as manufacturing, service sector and agriculture. What has made it easier for other sectors to thrive is the introduction of policies and incentives by the government which have made it easier for businesses to operate in the country. Because of these policies which are favourable to businesses the country's economy has grown although it is still lagging behind South Africa when it comes to infrastructure development – thus raising questions on how long the country (Nigeria) will remain above South Africa in terms of its economic standing. Issues such as Boko Haram, Niger Delta volatility as well as corruption have not deterred the resilience of Nigeria's economy as its growth is still perceived to be at more than 7 percent in 2014. But these factors remain a timed-bomb for Nigeria which could explode at anytime. Thus, despite the country's positive growth economists are wary of the country's dependence on oil as its main contributor to the GDP as natural resources are not guaranteed to be there forever.

South Africa on the other hand would appear to be not so much reliant on natural resources such as gold, coal, silver and platinum for revenue and the country's economy may seem diversified however the country's economic outlook is not looking good. It has just barely avoided recession in the second quarter of 2014. Strikes in the mining and manufacturing sectors seem to be the country's undoing. South Africa has world class infrastructure, its banking system ranks among the best in the world and it is the producer of 40 percent of the world's gold but still the country's economic growth is projected at less than 3 percent for

this year. It is no surprise that it is no longer the leading economy in Africa. Furthermore, economists argue that South Africa's mining output is struggling to keep up with the growing population. So, unless the country ensures growth in other sectors as well it is really going to be in trouble in the near future.

The present chapter has demonstrated how comparative advantage operates and why it is relevant to this study. Different examples have been used to show that the theory formed the basis of the study. The next chapter will spell out the methodology that was followed in conducting the study and provide reasons why certain paradigms and data collection methods were preferred to others. Where applicable, the challenges experienced during the data collection stage will be spelt out and answers provided as to how those challenges were dealt with in order to ensure that the study remained credible and did not deviate from conventional practice which guides the research community.

# CHAPTER 4 – RESEARCH DESIGN AND METHODOLOGY

## 4.1 Introduction

From a general perspective, methodology is about the set of procedures that the researcher undertakes when conducting a study. It could be the literature researchers opted to read and interviews they chose to do. Within this context, the limitations and the scope of the study is also spelt out, in other words stating where the study is going to be confined. Among other questions, the researcher answers the question: will the study be a local case study, regional, continental or cover the world at large? Ball expatiates further on what the research methodology should be about and states: “The point is: tell us what you did, but more than that tell us why you did what you did rather than some other thing. What are the strengths and weaknesses of what you did, and how do these pluses and minuses colour your results?”(Ball, 2012:43). In essence this is what this chapter is all about. It reflects on how the study was conducted and justifies why certain decisions were made during the data collection phase. This is important in the sense that it will enable the reader to appreciate the results which are discussed later in this dissertation.

This chapter spells out the methodology that was followed in conducting the study and provides reasons why certain paradigms and data collections methods were preferred to others. Furthermore, the chapter also spells out the challenges experienced during the data collection stage and also provides the answers as to how those challenges were dealt with in order to ensure that the study became a success despite those hurdles. Moreover it also touches base on the definition of some of the complex methods used in conducting the study and how they are relevant to this study.

The type of research approach the study undertook falls within the qualitative paradigm. This paradigm was chosen merely because the study was mostly desktop based. Since the study is desktop based it is therefore appropriate to call the data collected secondary data. This secondary data was generated through books, journal articles, newspapers and internet resources. The secondary sources provided bibliographic and contextual information that has complemented the empirical data used by other scholars on the theme of the study, thus illuminating the study even more. The methodology of research has included analyzing the

data collected in order to try and answer the research questions that were enumerated in chapter one.

On the surface it could be said that qualitative research is that which deals not with numbers or figures used in quantitative research but with text or words. Put more profoundly by Bryman, qualitative research is a research strategy that usually emphasises words rather than quantification in the collection and analysis of data. He further states that as a research strategy, it is inductivist, constructivist, and interpretivist, but qualitative researchers do not always subscribe to all three of these features (Bryman, 2004:266). On the other hand, Berg (2001:3) describes qualitative research as, “the meanings, concepts, definitions, characteristics, metaphors, symbols, and descriptions of things. In contrast, quantitative research refers to counts and measures of things.” The above descriptions are most befitting in defining the term qualitative research and distinguishing it from quantitative research.

It is therefore quite clear that qualitative research only deals with words not figures. It is the exact opposite of quantitative research which is mostly concerned with figures. Although the figures with regard to this study play a greater role in the interpretation of the financial status of both Nigeria and South Africa, the study is far from being a quantitative research in nature. The role played by figures in this research can never be underestimated as it is through the interpretation of numbers that Nigeria came to overtake South Africa as Africa’s biggest economy. However, statistical data simply complements the main research approach used – the qualitative approach.

## **4.2 Justification for the Methodology**

As explained above, qualitative research refers to the meanings and descriptions of things as opposed to quantitative research which is concerned with counts and measures of things. Given the nature of this study it would have been improbable to conduct a quantitative study as the study entailed describing and contextualising concepts such as Nigeria and South Africa’s standing and aspirations in Africa and the rest of the world. Therefore it was more sensible to choose the approach which was going to be suitable for the research design and research method to be employed in the study.

Research design refers to the criteria that are employed when evaluating social research. It is therefore a framework for the generation of evidence that is suited both to a certain set of criteria and to the research question in which the investigator is interested. There is no single,

widely agreed upon framework for naming or classifying types of research approaches. However according to Thomas and Hodges (2010:27) here is a list of seven different methods of social research:

- Cross-sectional design, the most common form of which is survey research;
- Field research;
- experiments;
- Historical (comparative) design;
- Content analysis;
- Existing data research;
- Evaluation research

Research design and research method are often confused with each other. On the surface these two terms would appear to mean one and the same thing but they are actually very different from each other. According to Bryman (2004:27), “a research method is simply a technique for collecting data. It can involve a specific instrument, such as a self-completion questionnaire or a structured interview schedule, or participation observation whereby the researcher listens to and watches others.” It is therefore quite clear that the research design and research method are two different concepts and the latter falls under the former. The research method employed in this study is direct observation where the researcher goes through the secondary data to try and find out more about the implications for both Nigeria and South Africa now that Nigeria has overtaken South Africa as Africa’s largest economy – something that was unprecedented since Nigeria obtained political independence in 1960 and since South Africa became a democratic country in 1994.

Research, it can be said, falls into two basic styles which are objective and subjective. It can be somewhat difficult for a researcher to be totally objective, more especially in a study that involves two countries, one of which the researcher is its citizen. However, as conventional practice, researchers compare different sources of information to ensure that their somewhat subjective element does not take precedent over objective inquiry which can be independently assessed. Initially upon choosing this topic, the researcher had thought it was impossible that Nigeria would or had overtaken South Africa as the biggest economy in Africa but as he immersed himself into the data concerning the study he gradually slipped into the objective mode and allowed emerging evidence to guide his thoughts instead of letting data confirm any subjective opinion on the subject of the study.

According to Swetnam (2004:31), “objective approaches are concerned with physical characteristics and the external world, universally applicable rules and laws, tested through hypothesis, experiment and survey.” On the other hand Swetman defines subjective approaches as dealing with, “the created social lives of groups and individuals through observation and explanation: both are systematically controlled and empirical and may be used by physical or social scientists.” It is therefore quite clear that as a South African, the researcher may have found himself observing the situation of Nigeria and South Africa subjectively. However he had no choice but to try and be as objective as possible in line with conventional practice in the research community. This eventually worked out. When conducting a study, a researcher should at all times try and be neutral so that predetermined convictions and assumptions won’t cloud his judgement.

Furthermore, most researchers especially the quantitative researchers have criticised qualitative research as being too subjective. These researchers are alluding to what was stated in the previous paragraph about the nature of this research approach. According to Bryman (2004:284) quantitative researchers argue that “qualitative findings rely too much on the researcher’s often unsystematic views about what is significant and important, and also upon the close personal relationships that the researcher frequently strikes up with the people or issues studied.” They further argue that in qualitative research, the investigator is the main instrument of data collection, so that what is observed and heard and also what the researcher decides to concentrate upon is very much a product of his or her predilections. However the experience of the investigator as a journalist came in handy as he tried by all means possible to minimise the level of subjectivity and concentrated on the subject at hand and followed the direction available data took him to.

It made more sense to do qualitative research and rely mostly on secondary data rather than relying on primary data such as interviews. In retrospect the interviews would not have provided any new answers that the researcher had not found while conducting the study. In all fairness it would have been time consuming to conduct interviews with the hope that they will provide some clues or answers into the implications for Nigeria and South Africa now that the former has overtaken the latter as Africa’s biggest economy. Importantly, most of the answers would have been subjective depending on who the informants were and what their views were about the two countries which constitute the subject of this study. In this study the most important variable is that Nigeria has overtaken South Africa and then all that was left was to explore how this change in status quo will affect both these countries.

However according to Terre Blanche et al. (1999:295), “Qualitative researchers should therefore strive to eliminate or control sources of subjective bias in the same way as quantitative researchers do, and, to the extent that qualitative research by its very nature is less susceptible to control than quantitative research is, it should be classified as less scientific.” It would have been quite hard to conduct a quantitative research on this study given that time is not a luxury. It is therefore important to realise that qualitative research is often based on a very different set of assumptions, which do not see qualitative research as the poor relation of quantitative research.

Since this study is concerned with observing the implications for both Nigeria and South Africa after Nigeria has overtaken South Africa as the continent’s biggest economy, it could be argued that it falls under comparative, cross-cultural and cross-national studies. According to Mouton (2001:154), “comparative studies focus on the similarities and differences between groups of units of analysis. Such objects can include individual organisations, cultures, countries, societies, institutions and even individuals.” This is precisely what the study has been about, and that is looking at the similarities and differences between Nigeria and South Africa in different contexts including the political and economic contexts. The study has used numeric as well as textual data in order to compare and then look at the implications for both these countries now that South Africa is no longer the biggest economy in Africa – at least for now. The extent to which the current status quo will remain is addressed in the next chapter which discusses the findings of this study and interprets obtained data.

In this type of study where countries or political systems or nations are compared, the selection of cases or sampling is done on theoretical grounds. What could this possibly mean? It could mean, as in the case with this study, not to physically go to the respective countries studied, but to merely rely on the data and statistics provided. As for the strengths of this type of study, Mouton argues that the logic of comparison approximates causal inferences and allows scholars to attempt stronger causal hypotheses and also allows for comparisons of different theoretical viewpoints across different settings (2001:154). Furthermore he argues that the limitations of this type of study is that there are, “problems in the selection of appropriate cases for the purposes of selection and that in cross-cultural and cross-national studies, there are obvious constraints associated with differences in language, culture, symbols, signs and so on.”

Although the researcher found no similar problems with regard to what is stated by Mouton however the problem was with using the appropriate data which was available in abundance. At times it was somewhat difficult to understand the complicated numerical data and economic jargon used in some of the literature reviewed. However, through this approach, a bigger picture was painted and made the discussion of the results feasible.

There are so many aspects associated with the qualitative approach of the process of research. The qualitative approach, according to Roberts (2004:111), “is based on the philosophical orientation called phenomenology, which focuses on people’s experience from their perspective.” Furthermore according to Swetnam (2004:32), “The phenomenologist abandons all prior assumptions about the social world and does not test any hypothesis as this would automatically imply a preconception about the actors and the situation. A phenomenologist would not employ techniques such as structured interviews.” This is quite clear that the study embarked on has required the researcher to not allow oneself to be biased in his assumptions due to his experiences and perspectives. It should be noted that as a South African the researcher was used to his country being the best at almost everything in Africa and when it was repeatedly reported that Nigeria would soon overtake South Africa as the biggest economy this prompted a desire to investigate this assertion further. The official announcement that Nigeria had indeed overtaken South Africa as the African continent’s economic giant made the study even more expedient.

One of the things that define qualitative research is that it may also focus on organisational processes. In other words, qualitative researchers look at the essential character or nature of something, not the quantity such as how much or how many. According to Roberts (2004:111), “This approach is sometimes called naturalistic inquiry because the research is conducted in real-world settings; no attempt is made to manipulate the environment.” This implies that researchers are interested in the meanings people attach to the activities and events in their world and are open to whatever emerges. So, a researcher could begin the research with a certain belief about something but towards the end their views or beliefs could be completely changed by the resulting findings. This is what happened in the case of this study.

The previous paragraph is really spot on in that qualitative research is flexible and it has that sense of spontaneity to it. This has been the case at the beginning of the study as the researcher held a certain view however as the process went further and new facts emerged

there was room for the changing of mind. So it is absolutely vivid that more than anything, qualitative research is flexible in that the results are not rigid.

So why would a researcher choose to conduct qualitative research when there are other types of research? According to Roberts (2004:111), there are five reasons for doing qualitative research:

- 1 The conviction of the researcher based on research experience
- 2 The nature of the research problem
- 3 To uncover and understand what lies behind any phenomenon about which little is yet known
- 4 To gain novel and fresh slants on things about which quite a bit is already known
- 5 To give intricate details of phenomena that are difficult to convey with quantitative methods

So these are more or less the five advantages of conducting qualitative research. As is stated above it would have been difficult to give intricate details about issues affecting both Nigeria and South Africa had the researcher opted for quantitative research.

What is more interesting about qualitative research is that it is the researcher that is the instrument of trustworthiness. This trustworthiness depends on the researcher's skill and competence while on the other hand in quantitative research validity depends on careful instrument construction. Qualitative research has some depth in that the collection of data is intensive. Whereas on the other hand quantitative research has breadth and this entails limited set of variables measured. Small samples or purposive sampling are associated with qualitative research and quantitative research is synonymous with large samples also known as random sampling. Qualitative research is mostly concerned with exploring concepts while quantitative research verifies theories and concepts (Roberts, 2004:112). It is therefore quite clear that qualitative research is much more interesting than quantitative research as it explores concepts. When the researcher first embarked on the study he only had basic knowledge about Nigeria, however as he explored further it seemed as if he lived there because of a deeper understanding obtained while gathering data on the country. It is doubtful that this would have been possible if the study was merely about figures.

Like everything else under the sun, qualitative research has its own advantages and disadvantages or strong points and weak points. According to the Grundtvig handbook (2010: 4) these are the strengths of qualitative research:

- Depth and detail - may not get as much depth in a standardized questionnaire
- Openness - can generate new theories and recognize phenomena ignored by most or all previous researchers and literature
- Helps people see the world view of those studies - their categories, rather than imposing categories; simulates their experience of the world
- Attempts to avoid pre-judgments. Goal is to try to capture what is happening without being judgmental; present people on their own terms, try to represent them from their perspectives so reader can see their views, always imperfectly achieved - it is a quest.

True to what is stated above, this qualitative research that has been conducted has really provided depth and detail which otherwise could not have been found had the research opted for quantitative research. The study has in some way assisted the researcher in capturing what is happening by being impartial and non-judgemental.

Qualitative is not without its faults, imperfections and weaknesses though. The Grundtvig handbook (2010:4-5) has noted several of these:

- Fewer people studied usually
- Less easily generalized as a result
- Difficult to aggregate data and make systematic comparisons
- Dependent upon researcher's personal attributes and skills (also true with quantitative, but not as easy to evaluate their skills in conducting research qualitatively)
- Participation in setting can always change the social situation (although not participating can always change the social situation as well).

The above weaknesses are especially true since this study never actually interviewed any person for the purposes of the study. The study has relied primarily on the secondary data. On whether qualitative research is dependent upon researcher's personal attributes and skills, it is hoped that the researcher's skills as a journalist will go a long way in ensuring that the study is conducted impartially and with minimal subjectivity.

It is therefore against the above background that the study sought to explore the implications for both these countries now that the economic status quo has changed in the continent. These are some of the questions that the study had been seeking to address:

**\* Key questions**

- What are the implications for the extrapolation that Nigeria has already overtaken South Africa as Africa's economic giant?

**\* Sub-questions**

- What are the strengths of South Africa and Nigeria which qualify them for economic giant status?
- What are the weaknesses of each of these countries?
- What would it mean for South Africa's international standing now that this speculation has become a reality?

### **4.3 Data Collection Procedures**

As indicated earlier the type of research paradigm chosen is qualitative research. It is therefore sensible to note that no interviews or primary data were used for the study. Although there has never been a study conducted which pits Nigeria and South Africa in terms of economic status, there have been studies that explored some kind of rivalry between these two nations. In a way those studies coupled with some newspaper articles as well as journal articles made up the data for this research. Nigeria and South Africa are both important countries in Africa and the world due to their being well endowed with natural resources such as oil and gas in Nigeria's case and gold, diamonds and coal and some other resources in the case of South Africa. On top of that both these countries are powerful players in the political sphere of the African continent and they hold ambitions to lead this continent. As a result there have been some notable tensions and famous disagreements on a number of issues between the two. So it was this kind of data that was collected as there have been other researchers who have studied these tensions, albeit political ones.

The research design most appropriate to this study would be the existing data research as it compares, explores and tries to analyse data that has been used in writing about both Nigeria and South Africa. A literature review is said to be the best example of this type of research as it looks at the findings of the previously published studies. For the purposes of this study the

researcher had to look at the previous data which entails books, journals and newspaper articles in order to summarise and critique them. As stated in the previous paragraph some of the data was about the tensions between Nigeria and South Africa, such as the one on the not yet existing United Nations Security Council seat.

Initially, the study was going to opt for open-ended interview questions to international relations experts as well as economists as a form of collecting primary data. According to Thomas and Hodges (2010:31), “this approach can often have value in situations where the collection of entirely new research data from primary sources is not possible because of time or resource constraints.” As explained in first sentence of this paragraph, the research was going to use experts but due to time constraints and difficulty in reaching these experts and getting gatekeeper letters demanded by the university’s Ethics Committee, the researcher decided against this method. However it should be noted that the quality of the data which has been collected so far makes opting against using primary sources not so regrettable.

Furthermore, there are other two distinct types of existing data sets. According to Thomas and Hodges (2010:32) systematic reviews and meta-analyses involve reviewing statistical data presented in previous studies. These authors argue that systematic reviews usually aim to weigh up the strength of the total available research evidence relating to a particular research question and meta-analysis is a slightly different approach that mainly aims to combine the statistical results from several existing studies in an effort to provide more robust or reliable findings regarding whether or not a particular intervention, therapy or service is effective. The respective study has used a bit of both these above mentioned types of research.

The data collection process was merely confined to libraries in and around the City of Durban such as the one at the University of KwaZulu-Natal’s Howard College as well the municipality library at the Durban Central Business District (CBD). The kind of data collected from these libraries came from books and journals. Other journal articles were sourced from the internet. Some data that included statistics that depicted the trade figures were also downloaded from the internet. The researcher also made sure that he kept abreast of what was happening in the economics of both Nigeria and South Africa by ensuring that he read the business sections of the local leading newspapers. In fact it is the newspaper reports that were repeatedly reporting about the imminent surpassing of South Africa by Nigeria as

the leading economy in the continent, which prompted this study. As such, newspapers were used as sources of data.

The initial collection of the data was done between April and June 2014 and it coincided with the period when Nigeria officially overtook South Africa as Africa's biggest economy in April this year. Since qualitative research is not rigid or predictable it was therefore not surprising that the researcher found himself constantly gathering new data as he delved deeper into the study and adjusting the content accordingly. According to Berg (2001:3), "qualitative research also includes methods as observation of natural settings, photographic techniques (including videotaping), historical analysis (historiography), document and textual analysis, and a number of unobtrusive techniques." Judging from Berg's argument, it is clear that qualitative research has that sense of spontaneity to it as its findings are not predictable.

Apart from the personal computer (PC) or laptop that broke down due to a virus and thus slowing down the research process for about a week, there have not been any major problems encountered while conducting this study. As a result of the damage that was caused by the virus in the computer some of the data was lost but fortunately most of it had been saved in the e-mail correspondence with the supervisor. Had the data been lost, it would have made it far too difficult to finish the study on the set time.

After all has been done in terms of data collection it is therefore of primary importance to define why the certain data was chosen and why it was thought reliable and imperative for this study. In order to collect data, some form of measuring instrument has to be used. According to Mouton (2001:100), "In the human sciences, measuring instrument refers to such instruments as questionnaires, observations schedules, interviewing schedules and psychological tests." There are basically two options to collecting data, that is, the researcher either uses existing instrumentation or he designs or constructs his own.

There are three concepts that help provide blunt answers to the questions, is it any good; is it of any use? These concepts are reliability, validity and generalisability. According to Swetnam(2004:23)these concepts are not the exclusive province of the positivist, scientific, quantitative researcher. The qualitative researcher has to compete with what has been called the lure of numbers – that is, the unjustified belief that data involving measurement are inherently more valuable than things that are observed or described. This could mean that this research which is primarily qualitative is inferior compared to the quantitative study. This

could not be further from the truth as this research is most suitable for qualitative research and the methods used to collect data are most appropriate.

Furthermore this unwarranted prejudice makes it even more important for the qualitative research to subject all data to rigorous examination. So what do these concepts entail? According to Swetnam (2004:23) reliability asks if the same procedures or actions carried out would again produce the same results. Validity asks questions if our work is applicable or useful to other people or situations. It is therefore without any doubt that the answer to questions raised above is a resounding yes. There is no doubt that Nigeria is now Africa's biggest economy and the study will be useful to other African states to establish as to how Nigeria reached this status.

Like everything else out there, usage of existing instruments has certain advantages such as the obvious benefit of the saving of time and costs. Although this research was time consuming however it would have taken more time if the data were collected using other methods such as interviews and questionnaires. According to Mouton (2001:100), "If you have reason to believe that the available instrumentation has high validity and reliability, it also means that you do not have to worry too much about the measurement validity of the instrument." This basically means that there would be no need to worry about the validity and reliability of the proven measuring instrument.

However the usage of existing instrumentation is not without its faults as it has its own risks. Some of the most common errors as stated by Mouton are that data sources are inaccessible because data are not computerised or not properly catalogued or are proprietary information. Access to data is controlled because of proprietary, secret or competitive considerations. Data sources are incomplete, for example in historical records or medical records. There are also legal and ethical constraints on accessing certain populations, such as children, minors, the aged and other vulnerable groups. And lastly there are biased samples owing to very heterogeneous populations, the use of non-probability sampling techniques, and too small sample size (Mouton, 2001:101). What is stated by Mouton could not be any further from what was experienced by the researcher when trying to access some of the information on the internet. Some of the websites required membership and other complicated ways of joining the site before allowing access to the website. This was somewhat an inconvenience as some of the procedures that were required were very complicated. Other than this problem the researcher found no other problems with regard to using existing instrumentation.

As stated earlier that qualitative research is flexible and as such it goes with the flow, therefore it allows for the researcher to develop his own instrument of collecting data. According to Roberts (2004:137), “If you are unable to locate a satisfactory instrument that adequately measures your study’s variables or concepts, you may either modify an existing validated instrument or create your own instrument.”As this study is desk top based so there was no set method of collecting data except by simply going the old fashioned way and that is borrowing books and journals from the library and even buying some from bookshops. Another method used was looking for data from the internet as well as business sections of newspapers.

It actually makes sense for researchers to develop their own instruments for data collection as some of the instruments used may not be necessarily applicable to their study. So it is this advantage of flexibility and creativity in qualitative research that allows a researcher to develop his own instrumentation for data capturing. According to Mouton (2001:102), “Instruments developed in the United States and Northern Europe may not be easily applicable to a multicultural and multi-ethnic society such as South Africa.” And for the purposes of this study Nigeria is also a multi-ethnic society with over 500 ethnic groups which speak 450 languages.

But what happens if a study does not need any of the above mentioned types of instrumentations? Does the research have to be halted merely because the so called sophisticated instrumentation does not fit into the chosen study? It does not have to be that way because the researcher is allowed room for the creation of instrumentation. This has been the case with this study as it did not fit into the type of studies that require such instrumentation as questionnaires, scales and tests. Therefore the researcher was left to decide for himself which method was best suited for this study.

As stated earlier, when it comes to measuring the variables of the study a researcher may create his own instrument or modify an existing validated instrument. However these changes may affect the reliability and validity of the instrument. According to Roberts (2004:137), “If you modify an instrument, it is your responsibility to justify the changes made and to provide information about the reliability and validity of the revised instrument. When developing items for your instrument, it is critical that you align the items with your research questions.” This ensures that all research variables are adequately covered in the instrument

used. With regard to this study (as stated above) the only instrumentation used to collect the data was merely researching through books, journals, internet and newspapers.

The method of collecting data used which entailed researching books, journals, internet and newspapers is known as selecting and analysing texts. The specific types of this method of data collection are textual analysis or content analysis and discourse analysis. Because this type of method was used therefore it was needless to have ethical considerations as nobody was interviewed. Experts argue that it is imperative that data collection process should be documented as accurately and in as much detail as possible because secondary data analysis is a growing field in research over the past three to four decades. According to Mouton (2001: 105), “When there is the possibility that survey data might be utilised in the future for secondary data analysis, it becomes essential that every aspect of the survey is meticulously documented and recorded.” However for the purposes of this study data will be stored at the university for about five years and then it will be shredded afterwards.

One of the most important issues during the data collection process is that of determining the right time to gather information. Human beings are very complex and very different in that some may find that they are productive during the day, some during the night and some during the early hours of the morning. The researcher had no particular say on whether he found himself active in any of the given times of the day as he had to make do with time at his disposal due to work commitments. The most appropriate time for the researcher to collect data was during the day as he worked during the afternoons up until late at night. The researcher also made sure that he made enough time to collect data. As Roberts (2004:142) puts it, “Data collection always takes longer than you realise and a rule of thumb is to set a reasonable timeline then double it.” Fortunately for the researcher he did not have to double the time line as he was right on schedule.

The secondary data analysis research can be somewhat difficult to conduct for two reasons. According to Mouton (2001:106-108) these two reasons are: researcher distortion and the fact that textual data are rich in meaning and are difficult to capture in a short and structured manner. Research distortion occurs because of intentional and deliberate distortion of the facts by the researcher, which may be due to certain preconceptions. Though it cannot be doubted that there have been some preconceptions about Nigeria prior to conducting this study due to the researcher’s South African citizenship, this was however destroyed by the fact that he is a journalist. This had in a way helped to curb any subjectivity, prejudice and

preconceptions he might have had about Nigeria. Otherwise this would not have helped the study in any way. As for the textual data that is rich in meaning, it was really difficult to summarise it and structure it properly.

#### **4.4 Data Analysis**

After data have been captured the process comes down to analysing the contents and the results thereof. This section includes an explanation of how the data was analyzed as well as the rationale for selecting a particular analysis method. According to Swetnam (2004:83) the researcher considers first the amount of data that has been collected and secondly the level of measurement involved. As such, large quantities of data will need a summary in one form or another. It is thus very important that the researcher finds a suitable method of analysing of the data so that the correct and suitable results will be achieved. It is for this reason that the researcher chose discourse analysis to analyse the data.

As the study conducted is qualitative in nature, it was therefore imperative that the chosen methods used to analyse the data are suited to the study. Apart from this, the research should also provide a description of methods and processes undergone to analyse the data. According to Roberts (2004:143), “If your study is qualitative, provide a description of matrices used to display the data and identify the coding processes used to convert the raw data into themes or categories for analysis.” This description should also include specific details about how the researcher managed the large amount of data associated with qualitative analysis.

If collecting data was a daunting task then the process of analysing the data collected is even more daunting and complex. It requires certain skills and particular attention to detail to the method of analysis employed so that there will be no mistakes when the results come out. According to Mouton (2001:108), “The aim of analysis is to understand the various constitutive elements of one’s data through an inspection of the relationships between concepts, or variables, and to see whether there are any patterns that can be identified to establish themes in the data.” This painful process of breaking up data is done so that the collected data will turn into manageable themes, patterns, trends and relationships.

Doing an analysis on qualitative research is not as simple and straightforward as is the case with quantitative research. This is merely because a qualitative study consists of so many details and that takes time to ascertain which one to cut out and which one to use. According

to Swetnam (2004:86), “Purely descriptive, qualitative data can be tricky to present and to avoid tedium they need careful editing and presenting in blocks which can be profitably broken up with sub-headings.” Some of these may not require presenting in full and parts can be relegated to the appendices. However this is somewhat tricky for the purposes of this study as it is mainly secondary data research. Such presentations normally work well if there are interviews involved.

Analysing data is also not without its faults just like everything else in research. However some of these faults are made by the researcher and can be avoided. One of these includes drawing inferences from data that are not supported by the data. According to Mouton (2001:110), this simply means that “Conclusions that one may draw on the basis of any data set need to have sufficient and relevant inductive support before they are acceptable.” Another error could be the biased interpretation of the data through selectivity. Mouton interprets this to mean that scholars very often attempt to prove their pet hypotheses without proper consideration of rival hypotheses and alternative explanations (Mouton, 2001:110). This means that a researcher should be careful of falling into the trap of thinking that their interpretations or analysis are correct without first checking them against other alternatives.

It has been stated earlier that the data need to be coded into themes differently. However the great thing is that there is no right way to code textual data. One excellent guide to assist the researcher in understanding the coding process is provided by Roberts (2004:143-145). She describes, in eight steps the systematic process to analyze textual data:

- 1 Get sense of the whole. Read all the transcriptions carefully. Perhaps jot down some ideas as they come to mind.
- 2 Pick one document- the most interesting one, the shortest, the one on top of the pile. Go through it asking yourself, “What is this about?” Do not think about the “substance” of the information but its underlying meaning. Write thoughts in the margin.
- 3 When you have completed this task for several informants, make a list of all topics. Cluster together similar topics. Form these topics into columns that might be arrayed as major topics, unique topics, and leftovers.
- 4 Now take this list and go back to your data. Abbreviate the topics as codes and write the codes next to the appropriate segments of the text. Try this preliminary organising scheme to see if new categories and codes emerge.

- 5 Find the most descriptive wording for your topics and turn them into categories. Look for ways of reducing your total list of categories by grouping topics that relate to each other. Perhaps draw lines between your categories to show interrelationships.
- 6 Make a final decision on the abbreviation for each category and alphabetize these codes.
- 7 Assemble the data material belonging to each category in one place and perform a preliminary analysis.
- 8 If necessary, recode your existing data.

Although the above eight steps may not exactly apply to the current study as they are, however they have provided an idea of how the data were analysed. This is because the study is analysing existing data and there have been no interviews, questionnaires or surveys conducted. However these steps were more or less followed when analysing the data.

After the data has been analysed it is important for a researcher to come up with a way to ascertain whether the findings are valid. This is done to give the research some form of credibility to whoever is reading it. According to Roberts (2004:145), “Qualitative researchers often use the term trustworthiness to refer to the concept of validity. It’s the credibility factor that helps the reader trust your data analysis. In qualitative studies techniques such as triangulation, member checks, and interrater reliability are used to validate findings.” An interrater reliability is most suitable for this research as it involves two or more people independently analysing the same qualitative data and then compare the findings. In the case of this study both the researcher and his supervisor who is an expert in international relations studies embarked on this process of multiple analyses to reduce the potential bias by the single researcher collecting and analysing the data.

As indicated earlier, the type of the method used to analyse the data is discourse analysis. Jorgensen and Phillips (2002:1) define discourse analysis as, “discourse as a particular way of talking about and understanding the world (or an aspect of the world).” This is exactly what this study has sought to do from the beginning, and that is trying to understand a particular aspect of the world. That world is that of the two countries, Nigeria and South Africa, who are amongst the great players in the world due to their rich endowment in natural resources such as minerals and oil.

Furthermore Jorgensen and Phillips provide an example of how discourse analysis can be used in research. According to the authors, it can be used as a framework for analysis of national identity. Many different forms of text and talk could be selected for analysis (2002:2).

This is what this study was all about and that is studying the identities of both Nigeria and South Africa in trying to find out the implications for both these countries now that Nigeria is the biggest economy in the African continent.

## **4.5 Limitations**

It is quite regrettable that there was no method of analysis that would fit perfectly in this study and thus enable the researcher to do the required coding of the findings as this study involved mainly secondary data analysis. There were no interviews, questionnaires or surveys done but only desktop research. This was an advantage in that it enabled the researcher to finish the study without worrying about respondents not responding or any other time constraints. However on the downside it prevented the researcher from getting the views of the people from both countries and independent experts on the subject of the study. Unfortunately this is something that the researcher had no control over. If the outcome of the results is affected by this sort of limitation then it should be understood where the researcher is coming from.

Apart from this problem there was also a challenge of going through the massive data that involved both Nigeria and South Africa. However since the provision of dividing what was to be researched in some kind of subheadings was already made, the problem was finally overcome. Moreover the fact that the researcher is South African and the study involves both Nigeria and South Africa could be detrimental as he has never been to Nigeria to actually feel for himself what it is like to be in that country. Perhaps the validity of the results could be challenged because of this issue. However the extensive research that was conducted made it possible for scales to be evenly balanced in terms of information. In any case, researchers do not always have to visit or reside in a country in order to be able to write about it. In that context, this study is not anomalous. The fact that the researcher did not have to physically go to Nigeria to conduct the study is a non-issue.

## **4.6 Conclusion**

This chapter has spelt out the methodology that was followed in conducting the study and has provided reasons why certain paradigms and data collection methods were preferred to others. Furthermore it defined and explained some of the key terms in this chapter such as research methods and research methodology. These two terms for some strange reason are

often mistaken to be meaning one thing. This chapter dealt with this at the beginning. It also outlined why the qualitative approach was chosen over other research types such as the quantitative approach and the reasons why this type of research was suitable for this study were provided. Where applicable, the challenges experienced during the data collection stage were spelt out and answers provided as to how those challenges were dealt with in order to make the study results reliable and credible.

The following chapter is about the research findings and discussion of the respective findings of the study. In this chapter the findings of the study will be presented and discussed in order to give meaning to them in line with the research objectives and research questions of the study. In essence the next chapter will serve to justify how the researcher reached such findings which serve as the study's contribution to the existing body of knowledge.

# CHAPTER 5: RESEARCH FINDINGS AND DISCUSSION

## 5.1 Introduction

After so much time spent collecting data through books, journals, newspaper articles, internet sources as well as published statistics the research has finally reached a stage where the findings of the study are to be presented. In this chapter the collected and analysed data will be given meaning according to the research questions posed at the beginning of this study. Furthermore, the findings will be discussed in order to give meaning to them in line with the research objectives and research questions of the study.

Depending on the researcher, a chapter like this one may be organised into one or more chapters as dictated by the amount of data. According to Mouton (2001:124) the organisation of the results may also depend on the research objectives, the complexity of the research design and the amount of data collected. For the purpose of this study, the findings are presented in one chapter. In addition to presenting the results, this chapter will also discuss the main trends and patterns in the data with reference to the research questions. This will be done in order to find out if the study has answered all the questions posed at the beginning.

As this study is qualitative in nature and only included secondary data review, this calls for the data to be summarised using mainly the discourse analysis as indicated in the previous chapter. This will be done being mindful of the challenges involved in this approach. According to Swetnam (2004:86), “Purely descriptive, qualitative data can be tricky to present and to avoid tedium; they need careful editing and presenting in blocks which can be profitably broken up with sub-headings.” Some data such as questionnaires and interview schedules may not require presenting in full and some parts are relegated to the appendices. Fortunately for this study it was needless to do this as there were no interviews or questionnaires used during the data collection process.

Presenting the outcome of the findings of the study entirely rests upon the researcher. The researcher has to look at the type of study undertaken and conjure up the most suitable presentation of the results or findings. As Ball (2012:45) puts it, “you must be clear about precisely what is appropriate: is it the raw results and nothing else, or should you also provide

some contextualising discussion that helps to explain the outcomes but falls short of analysing them?” This question is best answered by the researcher who undertook this study.

When discussing the results the researcher should always ensure that he draws the discussion together by interpreting the main findings. According to Mouton (2001:124), the researcher should highlight the main results - both positive and negative. This basically means that the researcher must try as much as he can to avoid including unnecessary information that would not do anything for the study. It is also imperative to include both results whether these are positive or negative.

When the researcher was analysing qualitative data such as the one used in this study he took time to thoroughly familiarise himself with his data to make sense of what it meant. As Roberts (2004:166) puts it, “Analysing qualitative data requires that you read through all your interview notes and transcriptions from beginning to end several times. Only then you realistically generate categories, themes, and patterns that emerge from the data.” Furthermore, secondary data should be analysed for emergent themes and patterns. It is these guiding principles that informed the analysis presented in this chapter.

## **5.2 Thematic Discussion of results**

The researcher used the eight steps as provided by Roberts (2004:143-144) where she describes a systematic process to analyse textual data. In a nutshell, the eight steps are as follows:

- 1 Get sense of the whole. Read all the transcriptions carefully. Perhaps jot down some ideas as they come to mind.
- 2 Pick one document- the most interesting one, the shortest, the one on top of the pile. Go through it asking yourself, “What is this about?” Do not think about the “substance” of the information but its underlying meaning. Write thoughts in the margin.
- 3 When you have completed this task for several informants, make a list of all topics. Cluster together similar topics. Form these topics into columns that might be arrayed as major topics, unique topics, and leftovers.
- 4 Now take this list and go back to your data. Abbreviate the topics as codes and write the codes next to the appropriate segments of the text. Try this preliminary organising scheme to see if new categories and codes emerge.

- 5 Find the most descriptive wording for your topics and turn them into categories. Look for ways of reducing your total list of categories by grouping topics that relate to each other. Perhaps draw lines between your categories to show interrelationships.
- 6 Make a final decision on the abbreviation for each category and alphabetize these codes.
- 7 Assemble the data material belonging to each category in one place and perform a preliminary analysis.
- 8 If necessary, recode your existing data.

Since every researcher approaches the coding process differently therefore there is no right or wrong way to go about it but the researcher uses what is at his disposal and what he deems fit for the study. For the purposes of this study this researcher opted not to follow all these eight steps provided by Roberts but instead he chose what was most suitable for the study.

Using research questions such as what are the implications for both Nigeria and South Africa now that Nigeria has overtaken South Africa as Africa's biggest economy and determining the strengths and weaknesses of both these countries as well as investigating the standing of both these countries in Africa and the world, the researcher managed to create the categories and themes in order to arrive at the findings. The researcher opted to go for five steps chosen to interpret the data in order to finally reach the findings. Steps such as the initial reading of data, organisation and coding of the data, review of total data, completion of data analysis and reporting of findings as well as review of total transcript to ascertain validity of findings were undertaken. While the researcher was doing this, he was at the same time looking at the research problem to see if it fits within these steps.

In a nutshell, the research looked at the data explored, more especially the one in chapter two, the literature review. Themes or categories such as the historical background of both Nigeria and South Africa, the impact of natural resources on the economy of these countries, impact of political stability or instability on economic growth of both these countries are also explored – the standing of Nigeria and South Africa on the continent as well as the rivalry between the two countries. Below is the full account of how each of these themes were attended to.

### **5.2.1 Historical background of Nigeria and South Africa**

What was noticeable and stood out in both these countries is that they share a history that is both tragic and complex. They were both colonised by Britain and are regarded as Anglophone countries as a result of their former colonial master. Although these countries are quite different in many ways they do have some things in common such as different ethnic groups, albeit in different magnitude. When Nigeria obtained independence in 1960 it had three regions but now has 36 federal states, and these states were created in order to maintain peace between different ethnic groups. On the other hand, South Africa had four provinces before the Union established in 1910. In 1961 South Africa became a Republic but retained the four provinces. Upon the demise of the apartheid regime in 1994 the provinces were increased to nine although South Africa maintained that it is a rainbow nation and a unitary state as opposed to a federal state like Nigeria.

What could be noted under this theme is that although both these countries have gained independence they did so at different times and under different contexts. While Nigeria obtained independence in 1960 the country was not exactly free as shortly after independence it experienced its first coup d' tat by the country's military. This set out a series of coups which ended with the democratic election of Olusegun Obasanjo in 1999. In a way this stabilised Nigeria's economy. Although Nigeria was rich in oil, her economy was in tatters due to political instability. On the other hand South Africa had been ruled by the white minority with the majority of blacks not included in the running of the country. Things only changed in 1994 after the general elections which saw the ANC becoming the ruling party. Although South Africa experienced a smooth transition from apartheid to democracy, it was not without its problems as it struggled to nurture the ailing economy inherited from the apartheid regime. However eventually due to political stability and the appointment of competent people to handle the country's finances the country saw its economy growing by 5 percent in the mid-2000s. Therefore it could be concluded that economic growth is related to political stability as these countries started experiencing economic growth after making positive political reforms.

## **5.2.2 The impact of natural resources on the economy of Nigeria and South Africa**

Again there are commonalities between these two countries when it comes to natural resources. Nigeria is well endowed with oil and natural gases and is the largest producer of oil in the African continent. South Africa has one of the largest deposits of gold in the world and is among the leading producers of diamond, platinum and coal. Oil is said to be contributing about 80 percent of income to the Federal Government of Nigeria. This underlines how important oil is for Nigeria and up to a point of over-reliance. On the other hand South Africa's mining industry is the fifth largest in the world and contributes more than 8 percent to the country's GDP. Therefore the importance of these natural commodities to these respective countries can never be doubted.

The saddest thing though is that these minerals have been both a blessing and a curse for these two countries. Nigeria has had a series of overthrowing of governments which is related to uneven distribution of oil gains to the rest of the population. Citizens of the Niger Delta region had to resort to kidnapping and killing in order to ensure that they benefit from oil exploration in their region. Basically the wealth coming from oil only serves the elite as the rest of the Nigerians live in abject poverty. South Africa has in the past reduced its majority black population to second class citizens by excluding them from the economy. During apartheid black people were not allowed to share in this wealth of minerals due to the segregation policies implemented by the apartheid government. As a result of this legacy South Africa is among the most unequal societies in the world.

In terms of the blessing factor oil has helped propel Nigeria into the largest economy in Africa as reported in April 2014. However, other sectors such as the movie industry – Nollywood, the financial sector as well as agriculture also contributed to this growth. But oil remains the largest contributor to the Nigerian economy. Even this achievement has failed to translate to the betterment of life for ordinary Nigerians. South Africa on the other hand started building its infrastructure soon after the discovery of minerals such as gold and diamonds. It has the world class infrastructure that is leading in Africa and without a doubt made it a favourite to host the 2010 Soccer World Cup and many other international events – including the meeting which saw the OAU giving room to the AU. This infrastructure also makes it easier to conduct business in South Africa than the rest of Africa. It is therefore important and comforting to see that natural resources contribute to the development of the

country's population and infrastructure. However, what is also clear in both these countries is that if the economy is not shared properly it does not benefit the majority of the people. Nigeria and South Africa's experiences are somewhat different if one looks at the infrastructure and the overall standard of living of the citizens of these two countries.

### **5.2.3 The impact of political stability/instability on the country's economic growth**

Nigeria had until 1999 enjoyed a very short spell as a stable country since attaining independence in 1960. It has survived several overthrowing of governments and even a civil war in the form of the Biafran war of independence (1967-1970). During that period of political instability the country did experience some degree of economic prosperity. However since oil was under the corrupt military leaders who were colluding with corrupt multinational institutions this economic prosperity did not contribute to the country's development. Oil was discovered in the Niger Delta in 1956 however up to this point there is nothing in this part of this region that proves that the country is one of the world's top producers of this commodity. Oil rich countries like Saudi Arabia and the United Arab Emirates ensured that their citizens reap the rewards from the oil proceeds. It could be argued that Nigeria would have been the biggest economy in Africa long ago and its citizens would be enjoying a higher standard of living had it been stable since independence. Therefore it can be reiterated that political stability plays a major role in a country's economic stability.

It is therefore no fluke that Nigeria currently finds itself in the position of being the biggest economy in Africa. Ever since returning to democratic civilian rule in 1999 it has introduced policies that make it conducive to conduct business in that country. The country has also taken some steps to ensure that corruption is dealt with –although this battle is still far from being won by the federal government. Nigeria has also ensured that it appoints the brilliant people into the right positions. Nigerian Finance Minister, Ngozi Okonjo-Iweala is a former World Bank economist. She has been honest enough to admit that corruption is taking her country back. It is therefore no surprise that Nigeria has become the biggest economy in the African continent as it has honest leaders who are willing to admit when things have gone horribly wrong in their country. Okonjo-Iweala is said to be instrumental in bringing conditions that are conducive to conduct business in this West African country. Her

government has introduced policies which they called the seven point agenda to accommodate seven major government issues such as power, food security, wealth creation, employment, security and quality education. It is therefore quite clear how serious the Nigerian government is about staying at the top.

Despite these attempts by the Nigerian government to improve the state of governance in that country it seems there is still another threat to its stability. The kidnapping of foreign oil workers in the Niger Delta region as well as the demand of ransom for the release of these workers is a worrying factor. It is not an exaggeration to state that there seems to be a lack of political will from government to contain this insurgency in the Niger Delta region. For years the citizens of this region have seen their habitat being extracted of oil by foreign owned companies and their environment and ecosystem suffering as a result of this exploration. The damage to the environment and underdevelopment of their region as a result of oil beneficiation which has not benefited the indigenous community ought to have been the last straw hence a series of kidnappings and demand for ransoms.

Another factor that contributes to Nigeria's instability is the reign of terror that is administered in the northern regions of the country by the Islamic militant group, Boko Haram. This group which is against the teaching of Western education and is for the introduction of Islamic Sharia law has rendered the northern parts of Nigeria ungovernable. The most notable incident that propelled the group to international stardom or notoriety is the kidnapping of more than two hundred girls in Chibok, in north-eastern Nigeria in April 2014. This incident exposed how vulnerable Nigeria is to acts of terrorism and how incapable that country is of protecting its citizens. Up to this end the release of these schoolgirls has not been secured despite numerous attempts by the government forces. Even seeking the assistance of countries which have some experience in containing terrorists such as the United States and Israel has not yielded the desired outcomes. Instead the residents of north-eastern Nigeria continue to live in fear of this group. At the time of writing this dissertation the government appeared to have been making inroads in terms of reaching an agreement with the group for the release of the girls. However, this appeared to be a strategy used by Boko Haram to buy time. Soon after the announcement that a deal had been struck, the leadership of Boko Haram released a video in which it stated that all the girls had converted to Islam and that they had since been married to members of Boko Haram. This dashed any hope of getting them back to their families.

Although Nigeria has reached some new heights when it comes to economic prosperity in terms of the Gross Domestic Product (GDP) size however it is still doubtful if this is in sync with political stability hence it leaves a sour taste in the mouth. On top of this the jury is still out there on whether these imperative economic gains are benefitting the whole Nigerian populace or it is just the select few elite who are reaping the rewards of this prosperity. So, can it be accepted that Nigeria is truly the number one economy in the African continent despite these misgivings? If the answer is in the affirmative, how long will the current status quo hold? The sad reality is that most Nigerians remain poor and live on less than \$2 (R20.60) a day while the country lags behind in key development indicators such as health. This situation is unlikely to change just overnight.

South Africa on the other hand it could be said that compared to Nigeria is relatively stable. When the ruling African National Congress took power from the apartheid National Party government after being democratically elected in 1994 there were fears that the country could enter into a civil war. However due to tough negotiations that were held prior to the elections the country enjoyed a smooth transition. Even when there was internal strife within the ANC which led to the recall of the incumbent President Thabo Mbeki in September 2008, his successor Kgalema Motlanthe stepped in without any problems. When the elections were held in 2009 and Jacob Zuma emerged victorious, he assumed the Presidency with no glitches. On the basis of this it could be argued that South Africa is stable.

Furthermore, it could be argued that higher levels of crime, corruption and fraud in the upper echelons of both the public and private sector are a cause for concern. South Africa faces immense social problems – poverty and inequality, unemployment, HIV/AIDS as well as personal and property insecurity – which have barely improved since the apartheid era, or even deteriorated. This can be interpreted as the fragile instability. Although the country is not unstable politically however factors such as poverty, inequality and unemployment have rendered the country somewhat unstable.

South Africa also faces another threat to its political stability and that is high levels of crime. Unfortunately crime is the major contributor to South Africa's instability and plays some part in hindering economic growth. Investors are put off by high levels of crime in the country. In September 2014 the South African Police Service released the latest crime statistics for the year 2013. According to the Institute of Security Studies (ISS) sustained high levels of violent crime over the past 20 years has a cumulative effect that negatively impacts on South

Africa's growth and development. When businesses and their staff are affected revenue and productivity suffer. Investor confidence is also negatively affected as a result of high crime levels. These are areas of concern for the country and serve as potential impediments on South Africa's resolve to reclaim its position as Africa's biggest economy.

Another threat to South Africa's stability is that of sluggish economic growth. Since the early 2000s up until 2008 the country's economy has been growing at a rate of five percent a year. However the economic recession that hit the whole world in 2008 saw the country struggling to grow beyond three percent. To make matters worse in October 2014 the International Monetary Fund revised its projection for South Africa's growth outlook to 1.4 percent for 2014. This is very mediocre when compared to Nigeria's outlook which is placed at 7.0 percent. This does not look well at all for South Africa's economic prospects. The slow economic growth means that the economy is unable to create jobs as the country is currently experiencing high levels of unemployment currently standing at 25.5 percent according to Statistics South Africa. These statistics were released during the second quarter of 2014.

The high rate of unemployment could be linked to the high levels of crime currently experienced in the country. When people are hungry they resort to all sorts of desperate measures, including crime. Consequently this leads to instability in the country. Another causal factor for the slow growth of the economy can be attributed to long and intermittent strikes. While it is commendable that South Africa allows workers to strike, the demands tend to be unreasonable thus forcing employers to delay reaching a settlement. As this happens some people lose jobs, employers close down their businesses and the economy either remains stagnant or goes down.

Another significant factor to South Africa's slow economic growth is the electricity supply crisis. In the latter part of 2007 due to economic growth South Africa experienced its first problem of electricity supply. Because the economy was expanding the country's main supplier of power, the Electricity Supply Commission (ESKOM) found it hard to cope with this increasing demand. Therefore as a result of this, South Africa experienced intermittent power cuts which Eskom referred to as load-shedding. This affected the economic growth tremendously and it is still one of the contributors to slow economic growth. According to energy expert, Chris Yelland, "Productive industry and the mining industry are starved of electricity for its production purposes. It's hurting the economy, and one of the reasons why

the Treasury has reduced its growth forecasts down from 4% to 1.5% is because of a lack of electricity that is the engine for economic growth,” (www.news24.com). It can therefore be concluded that although South Africa is not experiencing any political instability however the above mentioned factors render the country economically unstable.

#### **5.2.4 Nigeria and South Africa’s standing in Africa and the rest of the world**

Since obtaining independence in 1960 Nigeria had been trying to assist other African countries who had not yet achieved freedom then. Of course as is always the case in international relations, when a country assists another it is not just a benevolent gesture but it is merely looking after its own interests. So, Nigeria was doing this in order to position herself as the leader in the West African region as well as in the continent. At the moment Nigeria towers over other West African economies as it has a population and Gross National Product (GNP) roughly the size of all the other fifteen states in the region. In all fairness it would have been impossible for Nigeria not to prosper economically as it has the largest population in the continent which makes human resource less of a problem. Potential investors always make it a point that they seek markets with larger populations as this is where the potential for growth is. Take for instance the South African supermarket chain, Shoprite-Checkers. It claims to have sold more champagne in their seven stores in Nigeria more than all their South African stores combined. This shows how much of buying power Nigeria possesses.

Nigeria is situated in the West African region and has a population of about 170 million people. The country is one of the founding members of the Economic Community of West African States (ECOWAS). As the richest country in the sub-region Nigeria has had to carry the huge burden of providing leadership and logistics for most of the ECOWAS Cease-fire Monitoring Group - ECOMOG operations. Nigeria is also very active in the continent as well because it is one of the major financiers. The country has full African Union voting rights and has been able to sponsor her nationals for strategic positions requiring AU support in various international organisations. The other countries are Algeria, Egypt, Libya and South Africa and together these countries contribute about 75 percent of the organisation’s operating budget. The rest is contributed by other members. So there is no denying how important Nigeria is to the African continent.

Nigeria has for years played a major role in trying to bring peace in the West African region and Africa. The country has on occasion used its economic might to influence its foreign policy and democracy in states where there were authoritarian rulers. Between 1979 and 1982, Nigeria cut oil flows to neighbouring Chad in protest against factionalism during the country's civil war. It did the same to Ghana to show disapproval of the coup d'état by Jerry Rawlings in 1981. So this shows that in some strange ways Nigeria has been instrumental in bringing peace and stability to some of its neighbouring countries. This is quite an irony given that Nigeria itself had during these mentioned periods of intervention been ruled by military dictators. However it has nonetheless managed to play a major role in keeping peace and ensuring that democracy is restored in some African states. This in turn has confirmed the country's role as a big brother to African states.

Not everybody is happy with this role that is being played by Nigeria in helping other countries and providing their forces to the ECOMOG and the African Union for peace bringing efforts. These critics who are within the country are of the view that these resources would be better spent trying to eradicate poverty and addressing the inequalities in the country. This has led to dissatisfaction and strife in the country and this has threatened the country's ambitions in the region and the continent. Internal pressures arising from the quest for political power by classes, regions and zones tend to have depreciated the relevance of national identity and national unity in Nigeria. Post- independence Nigeria has remained a dysfunctional state. The Nigerian leaders seem to have failed to explore the options to develop strong democratic institutions to enthrone good governance. This has put a serious dent on Nigeria's ambitions to become an influential player in the continent.

On the international front Nigeria is a member of the influential Organisation of Petroleum Exporting Countries (OPEC). The country became a member of this organisation in 1971. According to the OPEC statute, "the principal aim of OPEC is to harmonise the petroleum policies of its Member Countries as part of its efforts to safeguard their interests. It further states that members of this Organisation shall work together to ensure stable oil prices, secure fair returns to producing countries and investors in the oil industry," ([www.opec.org](http://www.opec.org)). Although Nigeria was not a founding member of OPEC however as a part of an organisation that is responsible for determining oil prices the world over it can be concluded that it is part of an elite league indeed. This makes Nigeria one of the most important decision makers amongst the world states.

South Africa on the other hand is by far the most developed country in the African continent. This is thanks to the world class infrastructure built after the discovery of minerals in the late 19<sup>th</sup> century. This mineral boom led to major urbanisation and people came from as far as Malawi, Mozambique and Lesotho to seek jobs in South African mines. This set this country apart from its southern African neighbours. Although it is doubtful that apartheid South Africa held ambitions to be a southern African regional leader however it was and still is an economic giant of the region. Proof of this is the rapid rate in which citizens of other African countries such as Nigeria, Zimbabwe, Mozambique, Somalia, DRC, Zambia and many others entered the borders of this country following the demise of apartheid in 1994 and continue to do so today.

South Africa is a member of the Southern African Development Corporation (SADC) and is the largest economy in this grouping. It has an economy 2.2 times bigger than the rest of the region combined. Furthermore this provides South Africa with a structural power that results in great infrastructural, military and political advantages in comparison to any other Southern African state and indeed, to the region as a whole. South African companies now have billions of rands invested in all other SADC states. Apart from these economic successes the country has had some successes politically as well. South Africa has enjoyed moderate success when it comes to mediating in conflict ridden areas. The late President Nelson Mandela played a mediation role in several conflicts including the war in the DRC, then Zaire and Burundi. South Africa's involvement in other African countries such as Sudan, Mozambique, Lesotho, DRC, etc. has elevated the country significantly. However the unsuccessful policy of quiet diplomacy South Africa pursued in Zimbabwe, which failed to stem this country's economic and political decline raised questions about South Africa's diplomatic effectiveness somewhat.

Apart from being a member of a regional grouping, the SADC, South Africa is also a member of the continental organisation, the African Union. South Africa and Nigeria - together with other countries contribute 75 percent of the total costs of this organisation. Although there were expectations that South Africa would be a key player in African peacekeeping operations, it has offered relatively little support to such initiatives. This was merely because South Africa believed in negotiating rather than peacekeeping and use of military force. This has been the country's foreign policy agenda. Moreover South Africa's peacekeeping initiatives have been compromised by inadequate resources and the challenge of transforming the liberation fighters into professional soldiers.

South Africa is also a major player in the world as it is a member of the influential BRICS grouping which is an acronym for member states, namely, Brazil, Russia, India, China and South Africa. Although all the BRICS members have a much more superior Gross Domestic Products(GDPs) compared to that of South Africa it can be argued that the country is key to facilitating entry to African markets by other BRICS members. According to the NDP-2030 report, South Africa can play a leading role in BRICS by helping to facilitate deeper integration of relations between African states and other BRICS member- countries and by focusing on other niche advantages. With the establishment of the BRICS Development Bank it will be possible for other African countries to borrow from this bank without having to pay exorbitant interests often imposed by the World Bank and International Monetary Fund (IMF) whose agenda is different from that of the proposed bank. The World Bank and IMF are often perceived as representing the agenda of the West. Therefore the BRICS Development Bank has come at an opportune time as it is expected to look after the interests of the south or developing nations. South Africa is the only African member of the influential Group of 20 countries. On these grounds, South Africa ranks high in Africa and internationally.

### **5.2.5 The rivalry between Nigeria and South Africa**

The rivalry between Nigeria and post-apartheid South Africa started when the late President Mandela condemned Nigerian dictator Sani Abacha after he hanged eight Ogoni environmental activists. These activists who included among them author Ken Saro-Wiwa had been protesting against the hazardous effects left by oil companies on the Niger Delta environment. It would seem that the South African president misread the situation when he criticised Nigeria openly. He was not mindful of the fact that in Africa you do not condemn a leader. Instead, the general norm is that things are just put under the table without really confronting them head-on. According to Schoeman (2006:246) when Mandela called for the expulsion of Nigeria from the Commonwealth due to its gross violations of human rights after killing a number of environmental activists he drew resentment from most African countries. This seemed quite peculiar as even the Nigerians who were oppressed by Abacha were suddenly against Mandela and South Africa. This was the highest form of hypocrisy.

Another issue that exacerbated the rivalry between Nigeria and South Africa was the way in which South African companies conducted business in the West African country. Although these South African companies brought high quality products to Nigeria, this prompted

resentment from within the country as they felt that South Africa were hell-bent on colonising the continent. According to Games (2013:2) the situation was exacerbated further by the arrogant behaviour by South Africans who were engaging with Nigerians for the first time at the business level. The Nigerians were not used to quality goods from a fellow African country and for them to receive world class companies in their country was a bit of a surprise as they expected such quality from developed countries in the West.

Furthermore, another event that threatened relations between Nigeria and South Africa was when South Africa deported about 125 Nigerians in March 2012 for the alleged yellow fever infections. Nigerians did not take these certificates seriously as these were not required by many other countries such as the United Kingdom. So, they felt that the deportation was political. Nigeria then promptly replied by threatening tough action against South African companies operating in South Africa. According to Landsberg ((2012:3), “tensions once more boiled over when Nigerian Foreign Minister Olug- benga Ashiru openly accused South Africa of being xenophobic toward Nigerians.” Furthermore Games (2013:22) states that Nigeria’s Arik Air briefly suspended flights to South Africa and Nigerian officials deported South African business people arriving in Lagos. Eventually South Africa had to apologise to Nigeria and consequently things returned to some sort of normality.

The rivalry does not end with the above mentioned incidents as both Nigeria and South Africa have ambitions of taking up a yet to be created seat at the United Nations Security Council. This ambition showed itself when South Africa submitted Dr. Nkosazana Dlamini-Zuma’s name to be chair of the African Union Commission. Nigeria accused South Africa of foul play as there was a gentlemen’s agreement that the big five nations who fund the African Union should not put forward leaders for such a position. According to Games (2013:4), South Africa’s pursuit of the African Union chair in 2012 was in defiance of a “gentleman’s agreement” that none of Africa’s five big states would stand for key AU positions in line with the practice in other continents. This is proof that South Africa’s foreign policy has been confusing and at times incoherent.

Furthermore, proof of the confusion and incoherence in the South African foreign policy is how the country handled the outcome of the Ivory Coast elections as well as the Libyan crisis. The Ivorian elections were fairly won by the opposition leader, Alassane Ouattara against the then incumbent president Laurent Gbagbo in 2011. Most African countries, including Nigeria, recognized Ouattara’s victory but South Africa questioned the legitimacy

of the elections and sought a negotiated solution. According to Games, South Africa lost face by its indecisive action and it fuelled tensions with Nigeria (2013:9).

When it comes to Libya, according to Landsberg (2012:2) both countries in their capacity as non-permanent members of the U.N. Security Council, voted in favour of resolutions 1970 and 1973, which instituted punitive sanctions, an arms embargo and a no-fly zone over Libya. Furthermore, Landsberg states that South Africa refused to recognize the National Transitional Council (NTC) as the legitimate representatives of Libyan people. While Nigeria also criticized NATO, it soon aligned itself with the NTC and urged other African countries to follow suite and not align themselves with South Africa's stance.

Therefore it can be argued that the blunder by the South African policy makers is responsible for most of the tensions between these two respective countries. On the other hand Nigeria is not entirely innocent as its jealousy over South African products is unnecessary. Having a developed African country providing quality products could be beneficial to the rest of the continent. These two African giants should be working together for the betterment of the whole continent. It is rather disappointing that both these countries are at loggerheads because of something that is not in existence as yet, that is, the UNSC permanent seat. According to Games (2013: 14), during his visit to South Africa in May 2013, President Jonathan asked, "How can we be competing for something that does not exist? I have never heard of two women competing for a non-existent husband." Despite these strong denials by the Nigerian leader there is strong evidence that suggests otherwise.

There has been no significant change seen ever since Nigeria became the biggest economy in Africa in April 2014 except for the bragging rights. Nigeria is still not a member of BRICS and the G20. However this might change in the long run as this country's economy is growing at a faster rate than that of South Africa. On top of this oil is in demand and Nigeria has it in abundance. The International Monetary Fund projects Nigeria's economy to grow by 7.0 percent in 2014 and by 7.4 in 2015 (IMF, October 2014). Although South Africa's economy is continuing to grow, it is growing at a very slow rate compared to the Sub-Saharan average of 5 percent. The IMF predicts that South Africa's economy will grow by 1.4 percent in 2014 and then pick up the following year to 2.3 percent. So it is quite clear from the afore-going figures that Nigeria's economy is expected to grow even further and in the long run this might lead to members of both the BRICS and G20 countries inviting the West African country to join.

This may spell doom for South Africa if her economy continues to grow at this slow rate. According to the Sunday Times (October 12, 2014), “South Africa has the world’s richest mineral deposits, with more than R36.3 trillion in platinum, gold, iron ore and coal.” However all of this means nothing as investors are currently shying away from South Africa due mainly to intermittent industrial action. This has greatly affected economic growth and its recovery since the economic downturn that hit the world markets in 2008. According to the South African Reserve Bank’s Financial Stability Review of March 2014 factors contributing to the slow growth of the South African economy are that, “The gold price decreased by approximately 4,2 per cent in the period July 2013 to December 2013, and decreased by 28 per cent overall in 2013. The decline in the gold price in 2013 was due to slow net buying by central banks, weak investment demand and a generally stronger US dollar.” This clearly paints a bleak picture about South Africa’s economic prospects and clearly puts Nigeria in the driver’s seat. It is now quite apparent that Nigeria truly deserves to be crowned the biggest economy in Africa, at least under the current status quo.

Furthermore, the Sunday Times points out that, “Extended labour strikes, ageing mines, epileptic power supplies and regulatory uncertainty have dragged the stock market values of South African miners to a four-year low compared with global peers.” Unless all the involved stakeholders such as the government, the labour and employers come together to try and resolve issues before they get out of hand the South African economy will continue to experience stagnant growth. There was no need for the five month strike that hit the platinum sector from January to June 2014. Had all the affected parties put their efforts together in trying to reach a solution earlier the country’s economy would not have been affected.

Looking at both Nigeria and South Africa’s population size the former has about 170 million people and the latter about 52 million people. Nigeria obviously has a lot on its plate in terms of ensuring that the riches of the country are transferred to the rest of the population. However this is seemingly not the case as the majority of the Nigerian people are yet to taste the gains from their country being the biggest economy in Africa. Therefore it can never be doubted that the Nigerian population size makes it a fertile ground for investors and in the long run will contribute to economic growth. South Africa on the other hand although smaller than Nigeria when it comes to population size has failed to provide for her population as it is one of the most unequal societies in the world. In essence no matter how successful these two African giants may seem to be, corruption, fraud and greed are working against all the gains they have made. Therefore economic prosperity should translate to economic

emancipation for the rest of the population. Judging by the levels of poverty it can be argued that so far these countries have failed to ensure that the rest of the citizens enjoy the economic prosperity of their respective countries. The Niger Delta insurgency, corruption as well as Boko Haram are a result of neglect by the Nigerian government. The culture of strikes, corruption and fraud are proof that South Africa is not doing enough to take care of its population. Thus, both countries have positive factors to embrace and negative ones to try and eradicate in order to maintain their credibility as African giants.

### **5.3 Conclusion**

This chapter has discussed the findings of the study and has coded them by putting them in five manageable themes. These themes were the historical background of both Nigeria and South Africa; the impact of natural resources on the economy of these countries; the impact of political stability or instability on economic growth of both these countries; the standing of Nigeria and South Africa on the continent as well as the rivalry between the two countries. This was done in order to make the process much easier to manage so that the results would be presented in a clear, free-flowing manner.

Under the historical background of Nigeria and South Africa it was clear that both these countries share a painful history of colonialism. In the theme, the impact of natural resources on the economy of both Nigeria and South Africa, it was found that the natural resources of both these countries have played a major role in turning them into the economic powerhouses they currently are in Africa. The theme, the impact of political stability or instability on economic growth of Nigeria and South Africa, noted that Nigeria has been an unstable country ever since gaining independence in 1960 up until 1999. Moreover South Africa on the other hand is a relatively stable country compared to Nigeria however it argued that crime is a big threat to this stability. On the standing of Nigeria and South Africa in the continent and the rest of the world, it was discovered that both these countries are important players in their respective regions. Furthermore under the theme, the rivalry between Nigeria and South Africa, it became evident that there is huge rivalry between the two countries and it stems from both countries harbouring ambitions to lead the continent.

This chapter was in essence discussing the findings as interpreted from the literature review in Chapter 2. In so doing it was hoped that these themes would have managed to elucidate the

findings in a clear and concise manner. In the next chapter, which is the last and concluding chapter, the dissertation will be pulled together by reiterating key points which have emerged from the study. Limitations of the study will be highlighted and recommendations made on future research on a related theme.

# CHAPTER 6: GENERAL CONCLUSION AND RECOMMENDATIONS

## 6.1 Introduction

This chapter is concerned with providing a summary of the study and important conclusions drawn from the data presented in Chapter 5. This is the most important part of this research because it presents the end product of this endeavour. Furthermore the dissertation will be pulled together by reiterating key points which have emerged from the study. Limitations of the study will be highlighted and recommendations made on future research on a related theme.

The chapter requires total reflection and application of the mind. In general, this is a point where the researcher has the responsibility to tell others about what the findings mean and then integrate them with the current theory and research questions. According to Roberts (2004:174), “This is the point in the process where you shift from being an objective reporter to becoming an informed authority and commentator. No one should be closer to the focus of the study, its progress, and its data than you.” It is therefore quite clear that this is arguably the most difficult chapter throughout the whole research. It will require all the faculties of the brain to be alert and the researcher to go beyond the normal routine of reporting objectively to being an informed analyst of the findings and their meanings.

Moreover this concluding chapter is expected to discuss the main findings that have been obtained in the study by drawing together the results from the previous chapters. In other words, it will summarise and discuss the most prominent points. It is also important to note that this chapter will interpret results in terms of literature or theory. Mouton (2001:124) points out that, “It is essential that you now show how your results and conclusions relate to the literature and theory in this domain. You do this by showing the connections between your results and the literature reviewed.”

As has been the case with the previous two chapters, namely the methodology and research findings and discussion chapters, the processes or steps as recommended by the research books are not followed to the letter. Therefore the researcher is at liberty to organise the chapter in accordance with the research methodology, findings and as per the advice of the supervisor. As Roberts (2004:174) puts it, “There is no right way to organise this chapter.

Consider discussing your study's meaning using creative alternatives that add interest for the reader." So, the same tradition is expected to be continued in this chapter where the researcher will organise the chapter in the way most suitable to it.

## **6.2 Summary of the Study**

The aim of this study was to look at the implications for Nigeria and South Africa following Nigeria's overtaking of South Africa as Africa's biggest economy. The study sought to explore the possible consequences of this change of status quo in Africa. It looked at how this would affect the newly crowned biggest economy and the recently dethroned second biggest economy in the African continent. This is particularly important in the sense that both Nigeria and South Africa are positioning themselves to claim a permanent seat in the United Nations Security Council (UNSC). This study was also imperative to pursue because both these respective countries are important in the African continent. They are both well-endowed with natural resources that drive their economies. It was hoped that the study would assist both governments to note what they are doing wrong and what they are getting right. Moreover it would also help these countries diversify their economies more, instead of relying on a single commodity for trading.

The main objectives of the study were:

- To explore the reasons presented on why Nigeria has overtaken South Africa as Africa's largest economy.
- To establish who espouse this view and why;
- To analyse the economic and political standing of Nigeria and South Africa in Africa and internationally;
- To comprehend what this change in the state of affairs would mean for both Nigeria and South Africa.

In essence the study aimed to address the following questions:

### **Key question:**

- What are the implications for the extrapolation that Nigeria has already overtaken South Africa as Africa's economic giant?

**Sub-questions:**

- What are the strengths of South Africa and Nigeria which qualify them for the status as economic giants?
- What are the weaknesses of each of these countries?
- What does it mean for South Africa's international standing now that Nigeria's status as Africa's biggest economy has become a reality?
- Importantly, how will this change affect BRICS?

The type of research that was undertaken is qualitative research with emphasis on secondary data as there were no interviews, or surveys conducted and it was mainly desk-top based. This secondary data has been generated through books, journal articles, newspapers and internet sources. The secondary sources have provided bibliographic and contextual information that has complemented the primary source data used by other scholars on the theme of the study, thus illuminating the study even more. The methodology of research has included analyzing the data collected in order to try and answer the research questions that were enumerated in chapter one.

The data collection process was merely confined to libraries in and around the City of Durban such as the one at the University of KwaZulu-Natal's Howard College as well as a municipality library at the Durban Central Business District (CBD). The kind of data collected from these libraries came from books and journals. Other journal articles were sourced from the internet. Some data that included statistics that depicted the trade figures were also downloaded from the internet or obtained from published reports. The researcher also made sure that he kept abreast of what was happening in the economies of both Nigeria and South Africa by ensuring that he read the business sections of the local leading newspapers. Since it is the newspaper reports that were repeatedly reporting about the imminent surpassing of South Africa by Nigeria as the leading economy in the continent which prompted this study, consequently they were also used as sources of data.

The type of method used to analyse the data is discourse analysis. Jorgensen and Phillips (2002:1) define discourse analysis as, "discourse as a particular way of talking about and understanding the world (or an aspect of the world)." This is exactly what this study has sought to do from the beginning, and that is trying to understand a particular aspect of the world. That world is that of the two countries, Nigeria and South Africa, who are amongst the great players in the world due to their rich endowment in natural resources such as minerals

and oil. Furthermore, according to Jorgensen and Phillips discourse analysis can be used as a framework for analysis of national identity (2002:2). This is what this study was all about and that is studying the identities of both Nigeria and South Africa in trying to find out the implications for both these countries now that Nigeria is portrayed as the biggest economy in the African continent.

The researcher opted for five themes from which he determined the results of the study. The first theme was about the historical background of Nigeria and South Africa. The study noted that these countries have similar histories which are both tragic and sad. What can be read from their history is that both these countries experienced economic prosperity once they returned to political stability. Under the theme, the impact of natural resources on the economic growth of Nigeria and South Africa, it was found that both these countries have improved their economic status as a result of their natural resources. However both have not done enough to improve the welfare of their citizens through this wealth. It was also discovered that Nigeria's infrastructure development is lagging behind and South Africa has done a lot to improve its infrastructure since the discovery of minerals.

Furthermore the theme, the impact of political stability/instability on the country's economic growth, it was discovered that although Nigeria is currently experiencing problems such as the reign of terror by Islamic militant group, Boko Haram, volatility in the Niger Delta and corruption, these challenges/problems have not had that much of an impact on the country's economic growth. On the other hand, South Africa has been stable politically yet threats such as mining strikes, crime, corruption and load-shedding have made it hard for the country's economy to grow at a desired rate of more than five percent per year. On the theme about the standing of both these countries in the continent, it would seem that South Africa has a slighter edge over Nigeria as it is a member of two influential groupings in the world, namely: the BRICS and G20. Nigeria is a member of the most influential organisation in the world when it comes to determining oil prices – the OPEC but so is Angola and Libya. South Africa is the only African member of the influential Group of 20 countries and BRICS. On these grounds, South Africa ranks high in Africa and internationally.

Under the theme, the rivalry between Nigeria and South Africa, it became evident that there is huge rivalry between the two countries and it stems from both countries harbouring ambitions to lead the continent. They also both want the non-existent seat in the UN Security Council. There have been many incidents that suggest that there is indeed rivalry between

the two continental giants. These countries have differed quite profoundly on policy matters in the African Union. Moreover, judging by the levels of poverty it can be argued that so far these countries have failed to ensure that the rest of the citizens enjoy the economic prosperity of their respective countries. The Niger Delta insurgency, corruption as well as Boko Haram are a result of neglect by the Nigerian government. The culture of strikes, corruption and fraud are proof that South Africa is not doing enough to take care of its population. Thus, both countries have positive factors to embrace and negative ones to try and eradicate in order to maintain their credibility as African giants.

### **6.3 Findings related to the literature and theory**

#### **6.3.1 Literature**

Although not much has been written about the study that has been undertaken however authors such Langsberg, Games, Mngomezulu and many others, have tried to put into perspective the extent of rivalry and nature of relations between these two continental giants. The lack of similar studies could be attributed to the fact that Nigeria's overtaking of South Africa as Africa's biggest economy is a new development as it only took place in April 2014. Before this, the researcher had been preparing to explore the possibility of Nigeria overtaking South Africa as the biggest economy in Africa eventually taking place. The change happened when the study had already been embarked upon. Therefore it could be concluded that the study is relatively new hence the question of how the findings fit into the findings of previous studies would be rather a daunting task to perform.

Since this study has been exploring implications for both Nigeria and South Africa after the change of the state of affairs in the economy of the continent it had to encompass all the factors that would be suitable for this study. These factors were political, economic as well as linked to the stature of these countries in the continent and the rest of the world. Although the previous studies did not fit quite perfectly into the current study but they provided profound answers and deeper understanding about these two countries' histories.

Games and Langsberg put into perspective the nature of the rivalry between Nigeria and South Africa. The authors both agree that South Africa's foreign policy had been at times confusing and thus contributed to strained relations between the two countries. According to Games (2013:4), South Africa's pursuit of the African Union chair in 2012 was in defiance of a "gentleman's agreement" that none of Africa's five big states would stand for key AU

positions in line with the practice in other continents. According to Landsberg (2012) South Africa refused to recognize the National Transitional Council (NTC) as the legitimate representatives of Libyan people following the toppling of Muammar Gaddafi as Libya's president. On the other hand Nigeria soon aligned itself with the NTC and urged other African countries to follow suite and not align themselves with South Africa's stance. The assertions by these authors have helped to illuminate the extent of the rivalry between Nigeria and South Africa. So, this gives some credence to the widely held view that indeed there is rivalry between these two nations.

What also stands out from the literature is the perceived lack of political will by the Nigerian government in dealing with security in the country. According to Mngomezulu (2013:373), "what seems to be lacking is the political will from the government and international oil companies to listen to and address the needs of local people in the Niger Delta." Furthermore, according to Ogbonnaya and Ehigiamusoe (2013:1), "One of the fundamental responsibilities of the state is to ensure the security of the life and property of its citizens. However, this protective function of the state has been threatened by local and international terrorism and terrorism-related activities." This is with regard to the protection of citizens against the Islamic militant group, Boko Haram, as well as failure to address the concerns of the citizens of the Niger Delta region.

Furthermore, Nigeria is seen as not caring for its own citizens but rather concerned with expanding its outside interests. Odigbo and others (2014:101) posit that, "Internal pressures arising from quest for political power by classes, regions and zones tend to have depreciated the relevance of national identity and national unity in Nigeria. Post- independent Nigeria has remained a dysfunctional state." The failure of the Nigerian government to protect its citizens against Boko Haram is further proof of a state that is incapable of protecting its citizens.

Although South Africa is relatively a stable country compared to Nigeria, there are so many factors that threaten this stability. According to Beall and others (2005:682), the country faces immense social problems – poverty and inequality, unemployment, HIV/AIDS and personal and property insecurity – which have barely improved since the apartheid era, and have even deteriorated. The authors refer to this as fragile instability. The uncertainty in the supply of electricity in South Africa is also hindering economic growth. The country's power utility, Eskom has been struggling since 2007 to supply the demand for electricity due to the expanding economy. According to energy expert, Chris Yelland, "Productive industry and

the mining industry are starved of electricity for its production purposes. It's hurting the economy, and one of the reasons why the Treasury has reduced its growth forecasts down from 4% to 1.5% is because of a lack of electricity that is the engine for economic growth," ([www.news24.com](http://www.news24.com)). South Africa may not be experiencing serious instability however these factors contribute to its sluggish economic growth and this may in the long run have some serious repercussions.

Perhaps the most significant answer provided for questions posed by the study is the one by Games. He is of the view that the fact that Nigeria is now the biggest economy in Africa as of April 2014 means zilch. Games argues that, "this does not mean it will outrank South Africa in most meaningful economic measures outside GDP given the size of Nigeria's informal economy, its high poverty levels, lack of industrialisation and other areas," (Games, 2013:16). So, this means that other than bragging rights, the lives of ordinary Nigerians will remain the same. South Africa will continue its membership in the influential groupings such as BRICS and the G20.

However at the moment things are not looking good for South Africa as her economic growth has been revised to 1.4 percent for 2014 whereas Nigeria's growth outlook for the same year is placed at 7.0 percent (IMF 2014). South Africa's mining industry is on the decline due to high production costs, low productivity per worker, long strikes, lack of interest from foreign investors as well as the energy crisis. On the other hand oil continues to be in constant demand throughout the world thus putting Africa's biggest oil producer in a favourable position when it comes to economic growth. Nigeria's economy is therefore on the ascendency as the IMF predicts that it will grow by more than 7 percent beyond 2015. This is in total contrast to South Africa's economy which is struggling to grow beyond 2 percent. So, it could be concluded that for now South Africa still has a sophisticated economy, industrialisation and world class infrastructure. However, if her economy continues to struggle Nigeria's economy will not only be bigger in terms of GDP size but will also improve in other economic areas as well.

### **6.3.2 Theory**

The principal theory upon which the research project is based is comparative advantage theory. The proponent of comparative advantage theory is English political economist, David Ricardo (McGowan et al, 2006:39). According to this principle all states benefit from the greater efficiency encouraged by trade as it allows them to specialise in goods they can

produce better and cheaper than others. This also allows them to import those goods, which other states produce more efficiently. Nigeria and South Africa, the first and second largest biggest economies in Africa respectively, both have a comparative advantage in natural resources. Nigeria is the biggest producer of oil and gas in Africa and South Africa is the largest producer of minerals such as gold and platinum in the continent.

When it comes to diversification South Africa has other sectors that are just as strong as well and does not rely entirely on the natural resources. On the other hand, Nigeria has for so many years tried to boost other sectors such as agriculture to come aboard as well but oil still remains the biggest export commodity and contributor to the country's Foreign Direct Investment (FDI). This point is stressed by the Sunday Times (August 10, 2014), which states that "With the exception of South Africa, the continent's most industrialised country, which exports high-end goods to the US,....the main beneficiaries of Agoa are oil producing nations, notably Nigeria, Angola, Chad and Gabon." This means that South Africa's economy is the most advanced in the continent and therefore gives her a comparative advantage.

The afore-going points do not necessarily mean that the Nigerian economy has not made any inroads in trying to bridge this gap of only depending on a single commodity as its main export. As mentioned above, in April 2014 Nigeria became the biggest economy in Africa. According to the World Bank, this was achieved after calculating other sectors such as the film industry, the financial services sector and agriculture. Furthermore it is reported that the service sector has grown rapidly in the last decade with the total share of the GDP increasing from 25 percent in 2000 to 37 percent in 2011 (World Bank, 2013). However despite this the oil industry has remained a dominant force in the Nigerian economy. Oil however, accounts for 95 percent of Nigeria's exports and 75 percent of budgetary revenues, (World Bank, 2013). Therefore it could be argued that oil is still the main driver of the Nigerian economy and the high demand for this commodity internationally has ensured that the country is the biggest economy in Africa.

## **6.4 Implications for Action**

More than anything else this study will help both Nigeria and South Africa in improving their economies. This study will help these countries achieve this as it gives an account of how their economies are doing. It also sheds some light on the nature of the rivalry between these two African giants and also how this rivalry started. Basically the research could actually also assist with the foreign policy direction especially that of South Africa which seems to be

lacking a backbone and verve. On the part of Nigeria, it could assist that country by making sure that it diversifies its economy and not rely on a single commodity as the main contributor to exports. Although after rebasing Nigeria's economy has shown signs of diversification as some sectors such as the film industry and the services sector have added growth to the economy but it is still relying too much on oil.

The study could also help South Africa identify what is it that it is doing wrong when it comes to economic growth. This country's economy has been struggling to grow more than three percent a year because of long strikes, crime, corruption and unreliable energy supply. These are the factors that the South African government has to look into if it is serious about increasing economic growth and thus creating the much needed job opportunities. Nigeria also has to stop its fixation with being a big brother to neighbouring West African countries by contributing its forces and money to ECOWAS and ECOMOG. It should instead look inward and ensure her forces and funds are used to protect citizens from Boko Haram which has ensured that this state is unstable.

Nigeria should also ensure that it gives attention to the concerns of the citizens of the Niger Delta region about the damage that is being done to the environment by oil companies. Although South Africa is also guilty to a certain extent of neglecting the mining communities however big cities like Johannesburg were founded after the discovery of gold. Furthermore, the discovery of minerals such as gold and diamonds led to infrastructure development and mechanization in agriculture. On the other hand, when looking at the Niger Delta it is hard to imagine that this is the region that is the source of oil in Africa's biggest producer of this commodity. The area is neglected and it would seem that oil companies only care about profits and not improving the lives of people and the environment that they are operating in. It can therefore be concluded that unless both these nations have the political will they will never implement these changes. They should also stop these needless rivalries and work together for the good of Africa as they are both influential in the continent.

## **6.5 Recommendations for Further Research**

Since the study was conducted mainly through desktop research perhaps another researcher could take this study further by engaging experts in the field of economics and international relations. Such empirical data could provide a much clearer picture on the real implications for Nigeria and South Africa now that Nigeria is Africa's biggest economy. Other than these experts the study could be taken further by engaging the departments of finance and

international relations and co-operation from both these countries. The questions posed to them would have provided answers with regard to the respective countries' fiscal policies as well as their foreign policies.

Consulting the experts about the study would in a way contribute to the empowerment of the economies of both Nigeria and South Africa. This would in turn lead to the development of the rest of the continent as both countries are in the western and southern part of the continent respectively. Consequently, they are strategically placed to influence the continent. In essence, because this could be one of the first studies conducted after Nigeria's overtaking of South Africa as Africa's biggest economy, other researchers could use it as the base from which to take the study further.

## **6.6 Conclusion**

Although some of the problems experienced by African countries can be attributed to institutions such as the International Monetary Fund (IMF) and the World Bank but some of these problems are self-made. The IMF and the World Bank who are Bretton Woods institutions are perceived to be representing the interests of the West and ensuring that African countries stay poor by imposing unreasonable interests on loans and unworkable structural adjustments. It is therefore interesting that South Africa is one of the founding members of the BRICS Development Bank which is expected to assist the developing world, including African countries, and look after their interests in ways that will not exploit them. Therefore expectations that through South Africa's membership in the BRICS Africa will benefit are not farfetched.

Nigeria is a member of the influential organisation of oil producing countries, OPEC. Through its membership in this organisation the country has taken decisions that have determined the fuel prices for the whole world, including Africa. Nigeria with three other African members of OPEC, namely, Algeria, Angola and Libya are not doing enough to ensure that African countries benefit from their proximity as largest producing countries in the continent. It is hard to fathom that petrol prices are increasing constantly yet Africa has these countries which are producers of oil. Nigeria should use its influence as the biggest producer of oil in the continent to facilitate more trade with African countries in order to ensure that the costs of fuel are not exorbitant as they currently are.

South Africa is currently ruled by a black majority government that inherited an ailing economy from the apartheid government in 1994. They took this economy which was essentially in the Intensive Care Unit (ICU) and nursed it back to life. Henceforth South Africa would be admitted to such illustrious organisation as the Group of 20 countries and it still remains the only African country in this grouping. However things are currently not going well for this southern African giant. Her economic growth prospects at below 2 percent in 2014 - leave much to be desired. It is therefore no surprise that it was eventually overtaken by Nigeria.

The study has identified the root causes of South Africa's problems. These are strikes, power cuts, corruption and lack of critical skills. Some of these critical skills shortage are the makings of apartheid. There are also those who argue that apartheid took more than 300 years and you cannot undo some of its negative legacies in twenty years. The inferior education system, infamously known as Bantu education was introduced in 1953 and has been in existence for over 60 years. It took Bantu education which was established primarily to ensure that black children receive inferior education compared to their white counterparts roughly 60 years to ensure that blacks play no critical role in the country's economy. Therefore the current dispensation has about 40 years left in which to right the wrongs of Bantu education. This is not to ignore the other 260 years which would include the forceful removal of the Hottentots, Xhosas, Zulus and other ethnic groups from their land by white settlers. However the most imperative thing for this country to succeed economically is having a population that has critical skills that are needed in the modern world.

On the other hand, Nigeria is a large country with a huge population. Nigerians are among the most influential people in the world with world renowned authors, singers, actors as well as business people. Some of these people – such as the late Professor Chinua Achebe - have been forced to live in exile following successive intermittent military rulers however most of them would be forced to return as their country is now alive with new possibilities. Nigeria has also come a long way in trying to unite her over 450 ethnic groups although there are still problems in the northern regions where Boko Haram is causing havoc. There are also problems in the Niger Delta Region where the Federal Government is seen to be neglecting the concerns of this region's populace.

However with the new democratic reforms which came about in 1999 the West African giant has managed to come back with a bang. Those who have visited Nigeria speak of a nation

bustling with activity. Everybody in that country is said to be an entrepreneur – they are all trying their best to become better at business and in the process improve their lives. With a spirit like that from the 170 million or so populace and all the political reforms brought by the current dispensation there is no limit to what Nigeria can achieve economically. The country may be trailing South Africa in terms of infrastructure development but what it has is an army of over 100 million human resources that may propel to even much greater heights of economic prosperity. If the country continues on this right path it can go on to be the biggest economic player in the world as well.

Nigeria and South Africa are both African economic giants but they also have to contend with serious challenges. South Africa has problems of corruption, fraud, crime and an economy that is growing at a slow rate. This has had serious negative effects on this country which is dependent on outside investors for economic growth. Nigeria also faces serious problems such as corruption, fraud, security threat caused by Boko Haram and lack of infrastructure in key areas. One example is the inability to expedite the process of conducting DNA tests on people who died in a tragic collapse of a church building in Lagos, Nigeria on September 12, 2014. The other is the country's security forces' failure to halt the havoc administered by Boko Haram in northern Nigeria. However despite all these serious challenges the country's economy is on the ascendency while another's economy is on the decline. Both countries should learn from each other's mistakes and assist each other in areas that are sore points. Political will and bold leadership will take these countries to greater heights if only they can learn to work together and stop unnecessary and petty rivalry. This study has shown that there is great potential for both countries to take the lead in steering the African continent towards the right direction.

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