The Dysfunctional State of Nigeria

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Nigeria’s travails, while hardly unique within the developing world, are surely exceptional in their scope and persistence. Mass poverty, economic stagnation, endemic corruption, political instability, weak institutions, and social conflict can be found in many countries, and viewed in this light, Nigeria might seem unremarkable. Yet the scale of Nigeria’s developmental failure and the ironies surrounding its malaise place the country in sharper relief. It is not appropriately regarded as a “failed” (much less “collapsed”) state, if by that term we mean a system that lacks major attributes of sovereignty or cohesion. In Nigeria, the state exercises a modicum of political control, there is a basic level of public institutions, and much of the population accepts some notion of common identity and national authority. Nor should Nigeria be characterized as a “poor” country, lacking the resources or capital necessary for economic and social development. During the last three decades, Nigeria has generated about US$500 billion in petroleum exports, much of which has accrued as revenue to the central government. Many of the country’s leaders, professing aspirations for development, have spent prodigiously on infrastructure, production, and social services.

There is no question, however, that Nigeria has failed profoundly as a state, a nation, and an economy. Central authorities cannot provide stable governance, in the sense of effective legitimate rule and essential public
goods. The country’s boundaries may provisionally be settled, but the basis of political community—the idea of Nigeria—is fiercely contested. Economically, Nigeria has experienced a steady decline since the oil windfall peaked more than twenty years ago. Slow growth and a rapidly rising population have yielded dramatic increases in poverty. Confronted by these challenges, Nigerians have repeatedly attempted to overhaul the nation’s politics, resulting in cycles of civilian and military government and perennial efforts at institutional change. The country’s restiveness and economic deterioration are especially poignant when considered in light of its opportunities and assets. The restoration of civilian rule suggests new opportunities for addressing problems of governance and the economy. Democratic reforms, however, are hesitant, uneven, and factious, beleaguered by economic stagnation and rising social conflict. Recent trends attest more powerfully to the intractability of the problems than to the prospects for renewal.

From the vantage point of the United States, Nigeria’s predicament embodies troubling contradictions. Historically, relations between the United States and Nigeria have been accommodating, if sometimes tense. Since its independence in 1960, Nigeria has steered a moderate course in foreign affairs, adopting a nonaligned stance while generally sustaining cordial relations with most western nations. Although disagreements have periodically arisen between Nigeria and the United States, there is no deep ideological or historical source of tension to impair bilateral relations. Furthermore, the two countries have a substantial trade and investment relationship. For three decades, Nigeria has been an important supplier of high-grade oil to the United States. The rising significance of Nigeria to U.S. energy needs and the presence of a large Nigerian immigrant community in the United States bolster links between the states. Nigeria has also emerged in the past decade as an anchor for regional security in West Africa, through its leadership of regional peacekeeping efforts, such as in Liberia and Sierra Leone.

Yet Nigeria’s turbulence, poor governance, and economic decay pose major challenges for U.S. policy in the region. Indeed, the infirmity of the state itself forms the primary dilemma in bilateral relations. While the two countries have only moderate differences over alliances, international norms, and multilateral concerns, the greatest problems arise in responding to Nigeria’s instability and stagnation. The prospects of political breakdown and autocracy are especially worrisome in a region where democratization is fragile and internal conflicts are frequent. Nigeria is Africa’s most populous state, and it has the largest Muslim population in sub-Saharan Africa. Social turbulence, particularly in the oil-producing Niger Delta and in the Muslim-
majority states of the northern region, poses risks that are especially salient to the United States; government instability and religious polarization take on added significance in the wake of the September 11 attacks. Terrorism has largely been absent from Nigeria, but the possibility of radicalization among the Muslim community is a matter of concern for many Nigerians, as well as interested observers in the United States.4

On behalf of regional security, Nigeria has taken on responsibilities and risks largely eschewed by major outside powers. Its interventions in Liberia and Sierra Leone were of limited effectiveness, however, leaving open the issue of how to guarantee a more durable regional security structure. Economically, the United States has had contentious relations with various Nigerian governments over issues of debt and economic policy reform. The country’s continued economic stagnation and endemic corruption impede U.S. commercial relations with Nigeria and more generally hinder economic development in West Africa. Weak governance and economic frailty also underlie the leading irritants in the U.S.-Nigerian relationship: narcotics trafficking, financial fraud, and money laundering. In addition, the rising incidence of HIV-AIDS in Nigeria accentuates humanitarian problems and the health risks inherent in global interactions.

The interests of the United States would obviously be better served by a stable, democratic, and prospering Nigeria, a state that could manage its internal divisions, provide for the welfare of its citizens, promote accountable government, and constitute a stabilizing influence in the region. This suggests a forward-looking policy of engagement on the part of the United States, to encourage political revitalization and economic reform. Unfortunately, our trade relations with Nigeria, so heavily concentrated in the energy sector, frequently eclipse other aspects of the bilateral relationship. For those in the U.S. government and private sector focused chiefly on energy concerns, the bilateral relationship is driven by the need to maintain a hospitable investment climate and stable conditions for production and export. These goals do not necessarily coincide with the broader objectives of promoting better governance and economic performance, especially when trade interests draw the United States closer to authoritarian rulers or stand in the way of needed reform.

This chapter contends, however, that a more diversified and flexible policy toward Nigeria is needed to advance both U.S. goals and Nigeria’s long-term developmental prospects. In particular, policies that emphasize democratic development, broad-based economic growth, and social accommodation can better facilitate long-term stability. These objectives call for active engagement
with Nigeria on a number of levels, with greater emphasis on institutional development rather than relations with particular leaders, and increased willingness to balance cooperation with pressure in such key areas as corruption, human rights, and conflict alleviation. More diversified economic engagement will expand the range of investment and trade. Linkages with civil society are crucial, since Nigeria’s vigorous domain of nongovernmental organizations (NGOs) and its substantial professional middle class are potential forces for better governance and economic performance. The United States can best ensure a positive long-term relationship with Nigeria by clearly signaling to elites its preferences on governance and the economy and by allying with Nigerian advocates of accountable government, human rights, social justice, and a competitive economy.

The Dimensions of Developmental Failure

Nigeria faces developmental challenges in the economic, political, and social dimensions. Though analytically distinct, these problems are integrally related. Economic stagnation arises from a generalized crisis of governance, just as poor economic performance contributes to the infirmities of the state. The weakness of central political authority, and the insecurity of rulers, exacerbates social tensions and undermines capital formation. Nigeria’s deep communal divisions significantly impede state formation and economic growth and are themselves aggravated by political uncertainty and privation. I first recount the central problems of Nigeria’s postcolonial development, and then analyze the sources of poor performance.

A Stalled Economy

Economically, Nigeria has been on a roller coaster in the decades since independence, culminating in a long period of stagnation following the apex of the petroleum boom. The problems of flagging growth, rising poverty, and widening inequality arise from several factors, including an unfavorable economic structure, detrimental policies, adverse political conditions, and negative external shocks.

Nigeria’s economy grew modestly in the early years of independence, under a pragmatic policy regime linked to an open economy based on agriculture. Significantly hampered by the devastating civil war (1967–70), economic growth in the first decade of independence averaged 2.9 percent. The country then entered a heady period of volatile expansion during the decade-long oil windfall of the 1970s. Postwar recovery coincided with a buildup of
oil production, and the economy expanded by an impressive average of 9 percent from 1970 to 1975, achieving an overall average of 7 percent for the decade. The massive inflow of resources sent public spending on infrastructure and social programs soaring, alongside an ambitious (though ill-fated) program of state-led industrialization. Revenues fluctuated with the vagaries of world prices, however, and state expenditures were supplemented by extensive international borrowing.7

The boom gave way to an equally dramatic bust in the first half of the 1980s, as oil markets flagged and the country’s financial position deteriorated. Export revenues plunged by 53 percent between 1980 and 1982 (from US$27.1 billion to US$12.7 billion), dropping another 60 percent by 1986.8 Meanwhile, the value of external debt grew as commitments accumulated, short-term borrowing increased, and interest rates escalated. Foreign obligations increased from US$5.1 billion in 1978 (14 percent of GDP) to US$17.6 billion by 1983 (50 percent of GDP), reaching US$29 billion by 1987 (124 percent of GDP). Between 1980 and 1987, Nigeria’s gross domestic product declined at an average rate of 1 percent a year. The downturn began under the Second Republic, whose politicians were loathe to curtail spending or undertake politically costly adjustment measures.9 In the throes of the oil markets’ collapse, the civilians were ousted by the military, but the regime of General Muhammadu Buhari avoided essential policy reforms as the economy spiraled downward.

Another coup brought General Ibrahim Babangida to power, promising decisive action to revive the economy. Babangida entered into a standby agreement with the International Monetary Fund (IMF) and initiated a package of policy reform in cooperation with the IMF and the World Bank. The government’s stabilization efforts, embodied in the Structural Adjustment Program (SAP), yielded an interlude of recovery. Macroeconomic reforms, aided by a fortuitous surge in oil prices during the Gulf War, boosted growth to an average of about 6.6 percent from 1988 through 1992. Thereafter, however, Nigeria experienced a decade of stagnation. Oil prices dropped soon after the war, and the Babangida regime veered toward economic indiscipline and malfeasance.10 Political uncertainty gripped the country after the abortive 1993 transition to democratic rule, giving way to the predatory autocracy of General Sani Abacha. During Abacha’s rule, prodigious corruption, political insecurity, and the deterioration of public institutions served as a brake on investment and growth. From 1993 to 1998, Nigeria managed an anemic 2.5 percent average rate of growth. Since the transition to civilian rule in 1999, performance has generally been lackluster,
though the economy has been intermittently buoyed by higher world oil prices. The elected government moved inconsistently in its early years to impose fiscal discipline and pursue needed policy changes.

To summarize, Nigeria’s aggregate economic growth from 1961 through 1998 averaged 3.6 percent, while the country achieved merely 2.2 percent average growth in the period from 1981 through 1998, significantly below the annual rate of population increase (about 2.9 percent). These trends, especially in a context of increasing income inequality, yielded a substantial increase in poverty. From 1961 through 1998, per capita GDP increased by a scant 0.7 percent annually, providing for little advance in living standards. Average incomes have in fact declined during the last two decades, by slightly less than 1 percent a year. Despite the general scarcity of statistics in Nigeria, credible figures show that the incidence of poverty has escalated steeply since the end of petroleum boom. The rate of poverty (those at or below two-thirds of mean expenditure levels) expanded from 28 percent in 1980 to 71 percent in 1999. Similarly, measures of income distribution (whether using the Gini index or household income shares) describe a society where inequality is rising and income disparities are quite high by international standards. Other indicators of social welfare are even harder to come by, though available statistics show declining primary and secondary school enrollment during the late 1980s, as well as diminished access to such amenities as clean water.

Nigeria's major economic fluctuations since the early 1970s have closely followed changes in global oil markets. The emergence of a petroleum “monoculture,” in which a single export provides nearly all foreign exchange and government revenue, renders the economy highly sensitive to external shocks and hinders the emergence of internal sources of growth. The failure to diversify from this narrow export base is an important underlying source of Nigeria’s economic stagnation. At independence, the country inherited a reasonably heterogeneous export economy, based on a range of agricultural commodities and solid minerals. The sparse manufacturing sector consisted mainly of final consumption goods produced in a few urban centers and constituted no more than 6 percent of GDP. Crude oil production grew rapidly in the early 1970s, and by middecade petroleum exports accounted for 75 percent of state revenues and more than 95 percent of foreign exchange. In the wake of the oil windfall, agricultural exports atrophied and non-oil mining collapsed. Manufacturing grew rapidly in the boom era, spurred by massive state investments and protectionist measures. Subsequently, however, declining public revenues, import constraints, and inconsistent reform fostered
deindustrialization, leaving Nigeria’s export profile and productive structure little changed from the patterns that obtained three decades earlier.

**Deficits of Governance**

Nigeria’s crisis of governance is equally conspicuous. Ruling elites and public institutions have not provided essential collective goods, such as physical infrastructure, the rule of law, or legitimate symbols of state authority and political community. One of the most contentious problems is democracy. Nigerians tenaciously maintain aspirations for democratic rule, as evidenced in the recurring political struggles since independence and in public attitudes toward government. Democracy has proven elusive if not chimerical, as cycles of civilian and military government have been punctuated by false starts, failed transitions, and recurring challenges to stable rule. Elected regimes have faltered over precarious institutions, factionalism among elites, and pervasive corruption. The First Republic, a parliamentary system put in place by the departing British colonists, suffered from an institutional design that encouraged ethnic segmentation and invidious regional competition for power. The regime quickly succumbed to communal polarization, political conflict, and social strife. The military stepped into the maelstrom with a coup in 1966. But the officers were themselves vulnerable to ethnic antagonism, leading to a countercoup and the ensuing civil war. Over the next thirteen years there was a succession of “corrective” military regimes, promising a return to democracy but deferring political reform until 1979, when General Olusegun Obasanjo handed power back to the civilians. The Second Republic, a presidential regime modeled on the American system, fared worse than its predecessor, lasting merely four years. Massive corruption, mismanagement, political chicanery, and epidemic violence quickly eroded the regime’s ability to govern and undermined the legitimacy of the democratic system in the eyes of the public. Once again, the armed forces stepped in with promises of remedial action.

Despite their reformist pretensions, military regimes have proven no more capable than the civilians at resolving central challenges of state building and development. The turbulent military interventions of 1966 yielded nearly a decade of rule by General Yakubu Gowon, who prosecuted the civil war, sought to address problems of national unity, and presided over the early years of the petroleum boom. His dilatory response to pressures for democratization, and mounting evidence of corruption amid the oil windfall, prompted further intervention by senior officers. General Murtala Muhammad replaced Gowon in July 1975, promising rapid movement toward a
transition to civilian rule, greater economic probity, and administrative reform. Only six months later, Murtala was assassinated in a failed coup attempt and was replaced by his second in command, Olusegun Obasanjo, who continued the regime’s programs. Apart from overseeing the transition to civilian rule, the Murtala-Obasanjo government advanced an ambitious program of state-led industrialization and expansive social provision.

The four-year civilian interregnum was terminated in 1983 by General Muhammadu Buhari, amid popular hopes that his regime would overhaul the corrupt shambles left by the Second Republic. In the event, Buhari’s regime instigated a new era of military dominance that proved more corrosive to state capabilities, economic development, and social stability than its predecessors. The tenures of Buhari (1983–85), Ibrahim Babangida (1985–93), and Sani Abacha (1993–98) traced a downward spiral of repression, arbitrary rule, economic predation, and the erosion of such central institutions as the military, the central bureaucracy, major services, and infrastructure.18

With the ouster of the regime of General Buhari (and his close associate General Tunde Idiagbon), whose autocratic style and economic ineptitude dissipated popular support, General Babangida pledged essential political and economic change, delivering a schedule for transition to democratic rule along with a program to stabilize the economy. The reformist impulse was fleeting, however, as Babangida repeatedly postponed and amended the political program, wavered on economic reform, and soon jettisoned even the pretense of stable management. The general employed coercion to quell opposition, while his regime was shadowed by evidence of prodigious corruption. The nadir of Babangida’s rule was his abrogation of the democratic transition in June 1993, when he annulled the results of a presidential election that had been widely regarded as fair by a nation anxious to return to civilian rule.19 The ensuing crisis provoked widespread uncertainty, ethnoregional antipathy, and further economic decline. Babangida was induced to depart, leaving a flimsy civilian caretaker committee in his wake, which was scrapped in a matter of weeks by the defense minister, General Sani Abacha.

Abacha, with none of the finesse or political alacrity of his predecessor, displayed an even more dictatorial and venal style of rule. He wielded the state security apparatus to intimidate, harass, jail, or murder political opponents and contrived a political “transition” that would perpetuate his own rule as a civilian president. After briefly tinkering with populist economic policies, the regime returned to a semblance of orthodox measures, but fiscal indiscipline and unalloyed economic predation left the economy in the doldrums. Abacha is estimated to have amassed a fortune of perhaps US$6 billion
in a mere four and a half years, largely embezzled from the public treasury or diverted from state-owned enterprises and projects. The speed and magnitude of plunder at the center was mirrored by accelerated decline of the education and health systems, public administration, utilities, and domestic fuel supplies. Social and political tensions intensified as the general’s “self-succession” seemed imminent. Abacha’s unexpected death in June 1998, officially attributed to a heart attack, opened the way for reformers in the military to pursue political change. General Abdulsalami Abubakar, selected by the ruling military council, elaborated a program to return Nigeria to civilian rule. The regime adhered to its expeditious schedule of transition, transferring power to an elected civilian regime in May 1999. The newly elected president was Olusegun Obasanjo, the retired general who had handed power to the politicians of the Second Republic two decades earlier.

The resumption of civilian rule has brought many improvements in the climate of popular participation and human rights in Nigeria. In other areas of governance, the changes have been less favorable. The regime is burdened by the accumulated depredations of preceding rulers, manifest in a depleted treasury, a huge debt overhang, dilapidated public institutions, endemic corruption, and simmering social antagonism. The first presidential term has seen little progress on the chronic problems of the economy, while communal violence has exploded in myriad conflicts across the country. A contentious and largely inexperienced political class shows little capacity to address the country’s pressing economic and social challenges.

**National Integration and Disintegration**

The rising trend of violence underscores the deep divisions in Nigerian society and the enduring dilemmas of national cohesion and identity. Nigeria’s borders, a colonial inheritance, contain at least 250 ethnic and linguistic groups (some put the number closer to 400), with rough parity among Muslims and Christians. Communal competition is relatively concentrated, however, as three groups—the Hausa-Fulani in the northwest, the Yoruba in the southwest, and the Igbo in the southeast—together constitute about two-thirds of the population. This pattern is overlaid by religious identities, as the northern half of the country is majority Muslim, while the southern portions are predominantly Christian. The early years of the republic were dominated by intensifying competition among the three major ethnoregional groups, each of which controlled a sectional political party and a discrete region within the federal structure. A mounting political crisis from 1965 to 1967 led to collapse of the democratic regime, the federal structure, and
eventually the nation itself, with the economy an ancillary casualty. Federal victory in the civil war, which quelled the Biafran (Igbo) bid for secession, upheld the territorial integrity of the state, though at great human cost, including more than a million deaths. For most Nigerians, the conflict affirmed the nation’s boundaries as a political entity, if only by default. Yet the terms of national community, still tenuously defined, became more contentious with the development of the oil economy and the political assertion of additional groups and identities.21

Throughout the 1970s and 1980s, Nigerian governments obtained social peace through a combination of institutional reform, fiscal redistribution, and patronage, periodically supplemented by coercion. The federal system was transformed by replacing the regional structure with two subnational tiers of states and local governments and changing the formula for the allocation of central revenues. The number of states grew steadily (from twelve in 1966 to thirty-six three decades later), and these changes along with the formal devolution of petroleum revenues provided a degree of stability to the system. The constitutional reforms leading to the Second Republic provided for communal diversity in personnel appointments and distributive policies, while a decisive compromise in the 1979 constitution allowed for the exercise of civil shari’a law in Muslim-majority states. These formal mechanisms to balance sectional interests and regulate the distribution of federal resources were supplemented by the expedient use of patronage to secure elite compliance and furnish instrumental benefits to politically strategic communities. During this period, national equilibrium was aided by Gowon’s reconciliatory stance in the wake of the civil war, and by the flood of oil revenue that substantially assuaged distributive concerns.

By the middle of the 1980s, however, the decline of central resources was hampering the use of patronage to obtain sectional accommodation, and new sources of communal tension arose. The proliferation of states and the strategies of competing political parties gave rise to political assertion by ethnic minorities that often challenged the tripartite contention among the major ethnic groups. The communities of the southern Niger Delta, the center of Nigeria’s oil production, were increasingly visible, as were various groups in the heterogeneous Middle Belt of the country, and non-Hausa minorities in the northern states. These groups and others exerted new pressures for redistribution and identity.22 Moreover, the 1980s witnessed growing religious assertion in Nigeria and the accentuation of a north-south divide along confessional lines. Religious cleavages were sharpened by the rising influence of fundamentalist leaders within the Islamic community, as well as the
expansion of evangelical Christianity. An unbroken succession of northern Muslim rulers for two decades (1979–99) contributed to both regional and religious polarization, especially disaffection by southern Christians and within the Yoruba heartland.

The 1990s witnessed a marked deterioration of national cohesion and stability. Apart from economic factors and authoritarian rule, several policy decisions were especially corrosive. In 1986 Nigeria's membership in the Organization of Islamic Conference (OIC) came to light and was viewed with particular suspicion by non-Muslims, since it had apparently been undertaken secretly by an earlier military regime. In addition, the governments of Generals Babangida and Abacha undertook ill-considered partitions of state and local governments in 1989, 1991, and 1996, fostering boundary conflicts in the affected communities and giving rise to further tensions over communal balance at the national level. Furthermore, Babangida's abrogation of the 1993 elections and the arrest of the putative winner, Chief M. K. O. Abiola, a Yoruba Muslim, outraged the population of the southwestern states, deepening disaffection between the Yoruba minority and the central government. His successor, General Abacha, aggravated these tensions by jailing Abiola, harassing prominent Yorubas, and crudely suppressing dissent—for example, through the assassination of Abiola's wife and the peremptory executions of Ken Saro-Wiwa and other Ogoni activists from the Niger Delta. Abacha also supervised an opaque, convoluted constitutional reform in the mid-1990s, which exacerbated communal tensions. Beneath the rough stability imposed by military repression, growing discord was manifest in episodes of religious strife, recurrent violence in the southwestern states and the Niger Delta, intercommunity conflicts in the Middle Belt, and confrontations between the authorities and Islamists in several northern cities.

Turmoil followed in the wake of the 1999 transition to civilian rule. In the four years of the first administration, more than forty incidents of communal violence nationwide claimed an estimated 10,000 lives. The violence took many forms: interethnic conflicts in several southern cities; religious confrontations in major urban areas in the north; property clashes among communities in the southwest, the Middle Belt, the northern states, and the Niger Delta; and political violence in numerous locales. The move by a dozen governors in the northern states to expand the writ of shari'a law from voluntary use in civil matters to mandatory application in the criminal domain was a major catalyst of violence and had destabilizing effects throughout the country. Other conflicts arose from such diverse sources as land and chieftancy disputes, electoral rivalries, and grievances toward government.
Public disorder was exacerbated by the uncertain political terrain, a rising sense of insecurity, and the actions of opportunistic politicians. The central administration responded sporadically to social unrest but generally failed to construct a reliable framework for addressing conflict.

**Explaining Poor Developmental Performance**

Economic malaise, weak governance, and communal polarization speak to a profound social dilemma at the heart of Nigeria’s political economy. Public choice theorists define a social dilemma as a situation in which actors pursue individual or particular utilities at the expense of collective welfare, and where it is not possible for a third party to resolve the tension between individual and collective interest. In other words, the self-interested behavior of individuals and groups leaves everyone worse off than would a cooperative solution, yet political authorities or institutions are unable to induce coordination for common goals. This essential problem of collective action highlights the political obstacles to resolving the country’s developmental challenges. In the economic realm, investment and capital formation are stymied by pervasive distributive struggles among ruling groups, and consequently no regime or power center within the state has been capable of overseeing a project of growth and transformation. Politically, elite division and instability erode the foundations of governance. The alternation of civilian and military regimes, each troubled by internal discord and uncertainty, is inimical to effective leadership, the consolidation of capable institutions, or the provision of essential public goods. In the social domain, a striking aspect of Nigeria’s communal politics is the absence of a broad social compact that would establish consensus on national identity and the meaning of citizenship. Such an accord is necessary for the development of institutions to manage intergroup relations, yet efforts at accommodation have repeatedly been eclipsed by invidious communal contention.

By framing the problem of Nigerian development as a social dilemma, I focus attention on governance. Additional factors are obviously relevant. Economists have rightly drawn attention to how the flawed policy choices of various governments have contributed to slow growth. Jeffrey Sachs, for instance, has observed four types of crises in poorly performing states: a “poverty trap,” implying that a low level of resources hampers growth; state bankruptcy, in which the government faces chronic fiscal crisis and insolvency; liquidity crises, where abrupt changes in capital flows create transitory shortfalls; and transition crises, which emerge in circumstances of regime
change, where institutional turbulence disrupts policymaking and exchange relations. Nigeria clearly reflects two of these syndromes: state bankruptcy, attributable mainly to policy choices rather than external shocks; and a transition crisis arising from domestic political and economic disruption. In view of the country’s abundant petroleum revenues, it is difficult to ascribe its poor performance to a poverty trap, and its isolation from global capital markets obviates the type of liquidity crisis associated with the Asian financial downturn. There is little question that the country’s decades-long economic stagnation has been instigated and protracted by harmful government policies, but this observation fails to explain why Nigeria’s various rulers have selected and maintained policies that were demonstrably harmful to development. Answering this question calls for consideration of the political context of policymaking and market relations.

Sachs, along with others, has also emphasized the geographic foundations of underdevelopment in the tropics generally, and in Africa in particular. Adverse endowments of climate, soil, and disease and limited integration in global trade have contributed to slow growth and lagging productivity. These conditions undeniably hamper many countries, but it is important to ask why contemporary governments have not undertaken public health measures, agricultural reforms, or trade initiatives to surmount an unfortunate geographic inheritance. Other lines of analysis, focusing on structural and historical factors, run up against a similar problem. Many authors have emphasized Nigeria’s colonial legacy and the problems of economic dependence. It has also been suggested that states with dominant resource-export sectors confront special impediments to growth. These factors are important to an understanding of Nigeria’s developmental performance, yet in each instance one can observe significant variation in performance among countries with similar structural conditions or historical legacies. These differences in performance can be attributed to policy choices, arising from the particular political conditions of different countries and regions.

What accounts for the political syndrome at the heart of Nigeria’s lagging development? The underpinnings are found in the structure of communal competition, the evolution of a rentier economy, and the course of institutional degeneration.

Communal Competition

Nigeria exhibits substantial ethnic fragmentation. There are hundreds of ethnic groups, including dozens that are politically significant. Communal competition, however, is highly concentrated among the three largest ethnolinguistic
groups (Hausa-Fulani, Igbo, and Yoruba), although these demarcations are frequently offset by broader regional divisions and by the participation of smaller groups (for example, Tiv, Ijaw, Nupe, Kanuri, Edo, Efik, among others). Competition and conflict have been shaped by different economic attributes and resources for collective action. During the colonial era, British policies reinforced disparities between northern and southern populations. Southern peoples had greater access to modern education, commercial opportunities (by virtue of coastal access and urbanization), and integration in the colonial administration. By contrast, the Northern Region, under the colonial doctrine of indirect rule, remained under the sway of traditional authorities in the Emirates; Muslim religious, judicial, and educational institutions; and prevailing agrarian structures. In the postcolonial era, these historical patterns of socioeconomic development yielded substantial advantages for southerners in entrepreneurship, administrative experience, and education. The consolidation of three regional governments controlled by distinct ethnically oriented parties served to reinforce and politicize these disparities.

Paradoxically, the Northern Region, despite lagging educational and economic resources, proved most adept at collective action on behalf of sectional interests. Elites linked to the emirate system retained influence throughout the colonial era, and they built upon common religious and cultural identities to forge an effective political network during the years of nationalist mobilization. Northern elites coalesced in the 1950s under the Northern People’s Congress (NPC), organizing a voting block and wielding legislative discipline to achieve dominance of the postindependence parliamentary system. The Northern Region held a plurality of legislative seats, whereas dispersion among southern groups prevented a countervailing regional coalition. The growing influence of northerners in the armed forces, especially after the civil war, bolstered regional supremacy. Over the four decades following independence, politicians and military officers from the northern states held executive posts for twenty-seven years; the country was continuously governed by northern Muslims from 1979 through 1999. These regimes furnished a semblance of inclusion through expedient political alliances, selective appointments, and patronage, but most southern groups and non-Muslim northern minorities felt marginalized and excluded.

Communal competition is defined by these polarities of political and economic power. The persistence of social and economic disparities along the north-south divide has prompted northern rulers to use political power to pursue their goals of geographic redistribution. Northern elites have consistently favored statist strategies as a means of directing economic resources
and opportunities toward “disadvantaged” regions and mitigating the presumed advantages of the south. Groups in the south are more frequently (though not uniformly) proponents of economic liberalization, as they perceive advantages in an environment of relatively competitive markets. All, however, share basic assumptions about political and economic competition. First, access to the state is viewed as essential for sectional opportunities and claims on resources. Strategies for communal advancement therefore focus on securing control of government or gaining important representation through electoral office, cabinet appointments, the civil service, or public enterprise.34 Having a “son of the soil” in high position is the only assured channel for advancing group interests. Second, the coincidence of political and economic power enables a particular sectional group to consolidate its dominance. Political authority is therefore seen in instrumental, zero-sum terms: state positions are used to direct resources towards one’s own group, while denying access to competitors. Elites in power are motivated not only by the patronage demands of their particular constituencies, but also by a desire to prevent other groups from building an economic base that could yield competitive political resources.

To sum up, communal competition in Nigeria has created a proliferation of points of access to state resources, while forming a set of mutual vetoes among groups over market access and distribution. The resulting political stalemate is antithetical to economic development. Without a stable governing coalition across communal lines, it is largely impossible to organize concerted state action on behalf of growth and capital formation.35 For political leaders, time horizons are short, economic decisionmaking is particularistic rather than general, and discretion over resources is prized above institutional credibility. Distributive pressures on state actors impel the immediate dispersal of resources, hindering the cooperation over broader policies or institutional changes that would enhance investment and exchange.

The Rentier State

The emergence of the oil economy significantly increased the political impediments to development. The growth of oil exports created a rentier state, a government relying principally on revenues from resource rents.36 Nigeria’s fiscal transformation occurred suddenly in the early 1970s, with far-reaching effects on public finance, economic strategy, distributive politics, and private economic activity. In the first decade after independence, the federal structure and a varied export profile produced substantial fiscal decentralization. The three regions, each with different cash crops and minerals,
retained their own export revenues. Their budgetary autonomy, and the reliance of regional governments on local production, created incentives for promoting and sustaining output across the economy. These incentives shifted abruptly with the advent of petroleum exports. First, revenues became substantially centralized in the hands of the federal government, and the fiscal discretion of the central authorities was greatly increased. The replacement of regions by states limited the fiscal autonomy of subnational government, and the subsequent growth of petroleum exports quickly overshadowed other revenue sources. The precipitous decline of non-oil exports spurred the concentration of resources at the center.

A second set of effects is associated with the “Dutch disease,” a syndrome of price distortions and structural changes in resource-exporting economies that are generally adverse to growth. Briefly, countries experiencing a resource windfall see a shift in relative prices as nontradable goods (for example, construction and services) appreciate relative to tradables (for example, cash crops and manufactured goods). The appreciation of the exchange rate causes imports to become cheaper and lowers returns on exports. This creates disincentives for investment in productive sectors such as agriculture and (non-oil) industry, and thus reduces their competitiveness and economic flexibility. The dynamics of the Dutch disease are frequently associated with inflation, a proliferation of prestige projects, accelerating urbanization and crime, and heightened corruption. These are certainly evident in Nigeria.

Paradoxically, state bankruptcy (defined by Sachs as an inability to service external debts) is a common problem for resource exporters. In Nigeria, the windfall prompted steep growth of public spending, and fiscal expansion quickly outpaced the increase in revenues. Large commitments to ambitious capital projects as well as a growing public sector wage bill made it difficult to adjust spending in response to periodic declines in revenue. The gap was bridged through foreign loans, producing a large debt overhang by the 1980s. A sense of fiscal myopia also comes into play: leaders’ perspectives (and incentives) shifted so dramatically with the initial windfall that they regarded the gains as permanent, despite abundant evidence of volatility. In the face of revenue shortfalls and rising external obligations, policymakers have regularly behaved as if exports would provide a bailout. Occasional boosts in revenues from favorable oil market shocks have not provided fiscal deliverance but simply added to a mounting trend of insolvency.

The rentier state draws revenues primarily from a foreign-dominated enclave; state resources are therefore divorced from domestic output. This shifts the basic concern of governing elites from revenue generation (through
taxation and expansion of the economic base) to the distribution of proceeds derived mainly from abroad.\textsuperscript{40} An independent revenue base reduces the pressures on ruling groups to maintain general conditions for production and allows them to use their fiscal discretion to bolster political power. A key to this strategy is expansion of the public sector, which allows leaders to use employment, subsidies, public works, and development spending in the course of building patronage networks.

The growth of government largesse increases the state's role in conflicts over distribution among elites and average citizens. For politicians and military officers, the stakes of winning and losing political office are significantly heightened. For the public, the state becomes a font of resources and the gatekeeper of economic opportunities. For business elites, in particular, opportunities are multiplied through the government's role in allocating petroleum rents and the copious growth of the state sector. Business gravitates toward government contracts, licenses, quotas, and employment and auxiliary relationships with state enterprise. The rentier state fosters a rentier economy, in which the principal avenues of accumulation are found in access to politically mediated rents and state elites are the central arbiters of resource distribution and market entry.\textsuperscript{41} As a corollary, fiscal discretion, a lack of accountability, and abundant pressures for special preferences generate massive corruption throughout the state and private sectors.

The Decline of Institutions

An additional factor, particularly in the wake of the oil boom, has been Nigeria's course of institutional decline.\textsuperscript{42} This is both a manifestation of poor governance and a cause of further deterioration in governance. Although the effects of institutional weakness are sometimes difficult to distinguish from other effects, there is no question that the degeneration of major state institutions has been an important factor in the poor developmental performance of the past two decades. Nigeria, like most postcolonial countries, had weak institutional foundations at independence, and the process of institution building in the early years of the new state was slow and uneven. The petroleum boom was a period of rapid institutional expansion. The precipitous growth of the civil service and a proliferation of public enterprises in the 1970s and 1980s magnified the challenges of institutional design and local staffing.\textsuperscript{43} The burgeoning state became overextended, and public institutions descended into inefficiency, disarray, and corruption.

The situation worsened markedly in the 1980s, as resources declined and political instability further eroded government capacities. The slump in the
oil market gave rise to fiscal shortfalls, salary arrears, and the deterioration of essential services. Under the Second Republic, the resource gap was aggravated by budgetary indiscipline and epidemic corruption. Following the civilians, the Buhari regime implemented stringent austerity measures in response to dwindling export revenues and rising debt, including large-scale retrenchment in the civil service and state enterprises. This trend continued under Babangida, whose Structural Adjustment Program called for further cuts in public employment and subsidies, along with widespread liberalization and divestiture of state firms. From the 1980s forward, therefore, the situation has been characterized by increasing resource constraints, faltering public services, and pervasive insecurity within state agencies.44

State bankruptcy, however, is only one facet of the picture. A notable deterioration in professionalism and organizational cohesion within the armed forces was equally apparent during the 1980s. Internal divisions and instability had long afflicted the military, as reflected in two coups in 1966, the 1975 action by Murtala, and the unsuccessful revolt that took Murtala’s life. Several years later, in the aftermath of Buhari’s coup, internal weaknesses in the military had clearly multiplied; indeed, the Buhari-Idiagbon regime was ousted in just twenty months. Babangida put down two major revolts in his first five years in power, both of which suggested a disturbing fragmentation of the military along factional, ethnic, and generational lines. Moreover, corruption within military regimes became increasingly conspicuous. Officers grew more openly interested in continued political control and were less concerned with presenting a rationale of reform.45 The persistence of military rule politicized the armed forces, and the attractions of power at the fountainhead of oil wealth intensified venal impulses throughout this crucial institution.

These pathologies were evident in the dictatorship of Sani Abacha, who fashioned his regime around an agenda of economic predation and political domination. Abacha personalized power to an unprecedented degree by employing widespread repression, encouraging a cult of personality, and manipulating the political process to perpetuate his rule. Historically, Nigeria’s military regimes have been relatively collegial, as leaders worked within consultative processes and wider decisionmaking institutions. Abacha moved decisively toward the creation of a “sultanistic” regime, based upon personal rule and a monopoly of patronage.46 His efforts to gather power at the center—eschewing consultation, bypassing, manipulating or remaking state institutions, and plundering resources—accelerated the decline of major
instruments of governance. The education and health systems, starved of funds and wracked by professional protests and government repression, grew moribund; the traditionally independent judiciary, manipulated by autocratic rulers and short of resources, became increasingly ineffectual and corrupt; the civil service was organizationally weak, demoralized, and suffused with misconduct; and the banking system, following a hasty, politically inflected liberalization in the early 1990s, descended into full-blown financial crisis. The declining legitimacy of the military and other leading public institutions further undermined the capacity to govern. Mounting antigovernment violence and social conflict were further indications of a state in crisis.47

With Abacha’s demise and the subsequent transition to civilian rule, the trend of institutional decline has been arrested, though hardly reversed. The institutions bequeathed to the new administration were enfeebled by years of mismanagement and plunder, and the civilians have neither the resources nor the programs to revive services and overhaul the machinery of government. The Obasanjo government has restored a modicum of fiscal control and transparency, while promising to stem corruption. The new democratic institutions, however, bring additional problems, not least of which are the untested nature of the party system, the legislature, and many elected offices, as well as inexperience among much of the political class. Tensions between the presidency and the National Assembly have impaired budgeting and spending, while major reforms have stalled in the assembly or in subsequent bureaucratic implementation. Institutional malaise is evident in the poor state of public services and government functions, as well as the intractable political wrangling that seems to block effective reform.

Summary

This analysis underscores the domestic political constraints on development. Background factors of Nigeria’s geography, history, and international position frame the essential challenges of development. The principal external shocks of recent decades, arising from energy and capital markets, are also of great importance. However, it is the policy response of Nigerian governments to these structural conditions and exogenous factors that lies at the heart of the problem. Nigeria’s poor developmental performance therefore requires political solutions, though since the civilian transition, promises of reform and political reconfiguration have been overshadowed by increased turbulence and uncertainty. This context must inform the United States’ relations with Nigeria.
Engaging Nigeria

Nigeria's profound challenges are necessarily a matter of concern for the United States. The country commands attention by virtue of its sheer size and regional position. With 137 million people, Nigeria accounts for about half of the total population and gross domestic product in the West African subregion; continentwide, one in five Africans is Nigerian. The country is a major trading partner with its neighbors, a crossroads of migration, and a leading security influence in the fifteen-member Economic Community of West African States (ECOWAS). Nigerian forces constituted the bulk of the ECOWAS Monitoring Group (ECOMOG) that played a decisive role in peacekeeping and security operations in Liberia and Sierra Leone during the 1990s. Nigeria continues to exert diplomatic and security influence in West Africa, notably through its pivotal role in facilitating the 2003 departure of Charles Taylor from Liberia. The government has interceded widely in crises in Côte d'Ivoire, Darfur, Zimbabwe, and Congo and has taken the lead in continental initiatives such as the New Partnership for African Development (NEPAD).

Another central interest is the country's increasing prominence in global energy markets in general, and trade with the United States in particular. Nigeria is currently the fourth largest producer in the Organization of Petroleum Exporting Countries (OPEC), with daily production of about 2.3 million barrels of low-sulphur crude oil as well as rapidly growing natural gas output. It is a major supplier to the United States, accounting for 8–10 percent of American oil imports, and conversely imports between US$500 million and US$1 billion of goods from the United States each year. Its strategic significance is heightened by growing concerns over America's dependence on Middle Eastern energy, especially as Nigeria's proven reserves of oil and gas have risen substantially in recent years and a large liquefied natural gas complex has come on stream.

A burdensome international debt, currently around US$33 billion, is an important issue in bilateral relations. Beginning in the early 1990s, various Nigerian governments placed explicit or de facto caps on debt service, resulting in arrears on foreign debt that exceed US$19 billion. The majority is owed to Paris Club creditors, with Britain, Germany, Japan, and France heading the list. Since 1999 the Obasanjo government has placed a high priority on lobbying the United States for a cancellation of Nigeria's foreign debt, the centerpiece of a desired “democracy dividend” from creditor governments in the G-7. Though not included in the Bretton Woods institutions' heavily
indebted poor countries (HIPC) initiative, Nigeria has sought a parallel arrangement on debt reduction from its creditors, which was eventually agreed in July 2005. When fully implemented, the agreement would provide for cancellation of two-thirds of Nigeria's external debt.

Religion has not previously been a significant factor in bilateral relations between Nigeria and the United States, though its salience has increased since September 11. With at least 60 million Muslims, Nigeria is generally regarded as a Muslim majority country. As of this writing, there is little evidence of Nigerian involvement in international terrorist activities, though domestic Islamist groups are quite active and religious polarization has increased sharply in recent years. Issues of economic development are increasingly intertwined with concerns about the country's stability and security. The preponderantly Muslim northern states are among the poorest and most economically stagnant areas of the country, giving rise to conditions that nurture religious extremism. The movement begun in 1999 by twelve northern governors to expand shari’ah law in their states has been one of the most divisive trends in the period since the transition to civilian rule.

Apart from trade, financial, and regional interests, the United States has significant links to Nigeria based on culture and community. Several hundred thousand people of Nigerian origin are U.S. citizens or permanent residents, and many Americans trace their ancestry to the area that is present-day Nigeria. These ties are certainly more extensive than those with any other African country.

Other linkages are more problematic. Since the late 1980s, Nigerian criminal networks, encouraged by domestic economic malaise and the military authorities' permissive attitude toward corruption and lawlessness, have moved aggressively into international enterprise. Their leading activities are drug trafficking and financial fraud. A thriving traffic in opiates and cocaine channels these drugs from producer countries to North America and Europe. Initially couriers traveled directly from Nigeria, but syndicates now use third countries as conduits. In the mid-1990s, U.S. drug enforcement authorities estimated that Nigerian networks transported as much as 60 percent of the heroin available in the United States. In addition, fraudulent activities have flourished in the past decade, forming a shadow economy that provides significant foreign exchange. Nigerian letters soliciting collaboration in money laundering and corrupt activities (known colloquially as “419” letters, from the Nigerian criminal code for fraud) began to blanket the United States and many European and Asian countries toward the end of the 1980s, supplemented recently by e-mail messages. By some estimates, these scams defraud
credulous respondents of hundreds of millions of dollars annually. The proceeds from fraud, drug trafficking, oil smuggling, and other illegal activities naturally create a large need for money laundering through numerous banks and other businesses. The Nigerian government has only tentatively addressed these concerns.

Most recently, public health concerns have come to the fore. Current epidemiological evidence suggests that Nigeria’s HIV prevalence is high (at 5.9 percent for adults) and rising. While this is considerably lower than the adult prevalence in South Africa (about 20 percent), Nigeria’s larger population means that the number of people infected is rapidly approaching that in South Africa. The prospect of a catastrophic increase in HIV-AIDS obviously carries severe consequences for social and economic stability in Nigeria, which will reverberate in the West African subregion. Nigeria is therefore likely to command a large share of attention and resources as the U.S. government expands health assistance in Africa. In addition, the considerable flow of people between Nigeria and the United States could have implications for public health in the United States.

A Cooperative Legacy

Relations between Nigeria and the United States have historically been marked by cooperation and a degree of affinity. In the decades after independence, Nigerian governments defined a pragmatic stance in continental and global affairs. In the 1960s and 1970s, Nigeria maintained cordial diplomatic and economic relations with the United States, while U.S. investment and trade grew significantly. Nigeria did not play a prominent role in the cold war, adopting balanced approaches to most international alliances and political issues. In some areas, Nigeria’s position did diverge from that of the United States. Like many African countries in the 1970s, Nigeria was a supporter of the UN movement for a New International Economic Order and an advocate of independent continental action on such issues as recognition of the Popular Movement for the Liberation of Angola (MPLA) government in Angola and opposition to apartheid in South Africa. The federal government turned to the Soviet Union for military assistance during the civil war and subsequently maintained aid and trade relations. At the same time, major American oil firms and other companies were rapidly expanding their activities in the country, and Nigeria looked to the United States as a model for its new democratic institutions in 1979. The United States generally took a neutral view of Nigeria’s frequent regime changes until the 1990s, and there were few other political or trade issues to create discord in the bilateral
relationship. General Babangida’s commitment to democratization, and his cooperation with multilateral financial institutions on economic reform, helped to keep relations on a cooperative footing for much of his tenure.

Crisis and Dissension

Nigeria’s abortive transition to democracy in 1993 precipitated a historic rift in relations with the United States. General Babangida repeatedly revised the transition schedule and extended it several years beyond the original deadline. Meanwhile, as his regime grew increasingly autocratic and corrupt, the public intensified its impatience for the military to depart from power. The 1993 presidential election was set against the backdrop of democratization elsewhere in sub-Saharan Africa and during the early months of the Clinton administration. This conjuncture of international events influenced the repercussions of the political crisis.

The presidential poll held on June 12, 1993, was regarded by domestic and international observers as surprisingly fair and transparent, given Nigeria’s checkered history of flawed elections. Returns indicated a decisive 59 percent majority for M. K. O. Abiola, yet Babangida halted the official release of election returns and annulled the poll, citing legal and procedural problems that were largely of his own creation. The annulment was greeted with widespread public indignation, particularly in Abiola’s southwestern constituency. Demonstrations erupted in Lagos and other southwestern cities, and the violent police response caused dozens of casualties. The aspiring civilian politicians entered into a flurry of maneuvers to salvage the transition. The United States, Britain, and the European Union criticized the annulment, suspended military assistance, and suggested further paring their aid. Domestic and external pressure induced Babangida to leave office in August, turning over power to an ineffectual civilian caretaker committee that was soon replaced by General Abacha.

Abacha’s political intransigence, growing abuses of human rights, and flagrant corruption aggravated tensions in bilateral relations and intensified the regime’s disfavor abroad. Several months after the general’s seizure of power, Chief Abiola called for recognition of his own electoral mandate, whereupon he was jailed. This provoked an extended strike by the powerful oil workers unions, which was quelled with the arrest of their leaders. Not long afterward, retired General Obasanjo and several other prominent Nigerians were detained in connection with an alleged coup plot. The regime’s international standing reached its nadir in November 1995, when Ogoni activist Ken Saro-Wiwa and eight compatriots were summarily executed after a highly
irregular murder trial. Nigeria was suspended from the Commonwealth, and the United States joined several other countries in extending sanctions on travel, aid, and (nonenergy) trade. Over the next two and a half years, Abacha’s isolation deepened amid a pall of domestic repression, assassinations of opposition figures, and efforts to create a compliant party system that would regularize the general’s rule in civilian garb. U.S. ambassador Walter Carrington, a vocal critic of the autocratic regime and a candid partisan of the prodemocracy opposition, became virtually persona non grata in Nigeria. Foreign assistance dwindled to a token health program and modest aid to nongovernmental organizations engaged in human rights and democratic activism.

Despite an increasingly confrontational political relationship, however, major American oil firms continued to operate normally, even expanding investments in some areas. Petroleum companies and other large investors vigorously opposed harsher sanctions against Nigeria, especially the prospect of an oil embargo. The Clinton administration, already ambivalent about the effectiveness of petroleum sanctions, essentially removed this option from consideration.

Diplomatic pressure and peripheral sanctions had little appreciable impact on Abacha’s behavior, but the United States and other major powers appeared to have few other points of leverage. Policymakers in Washington were constrained by their considerable stakes in trade and investment, as well as by concerns for security cooperation in the subregion, where Nigeria’s role was crucial. These interests essentially trumped concerns over democracy, human rights, and economic reform.

The Challenges of Normalization

Relations between Nigeria and the United States normalized quickly upon Abacha’s death. His successor, General Abdulsalami Abubakar, relaxed political restrictions, freed political prisoners, and elaborated a scheme for transition to civilian rule. The United States opened dialogue with General Abubakar and sought consultation with Chief Abiola, who collapsed and died during a meeting with visiting State Department officials only a month after Abacha’s demise. This dramatic turn of events did not impede the transition program, however, and Washington continued to engage with the military government throughout the transition process. Elections were held in February 1999, and the administration of President Obasanjo was inaugurated that May. In addition to regularizing diplomatic relations, the United States lifted visa restrictions on Nigerian officials, rescinded limits on aid and
trade, and ended the embargo on military cooperation. Foreign assistance from the United States grew exponentially, from less than US$7 million in 1998 to US$109 million by 2001. This represented a precipitous increase in virtually all areas, notably democracy and governance, economic policy reform, health, education, and infrastructure. After the transition, the Department of Defense initiated a training program in peacekeeping operations for five Nigerian battalions, accompanied by an enlarged program of cooperative military education. With the accord of the United States, Nigeria was able to resume borrowing from the World Bank, and the government concluded a new standby arrangement with the IMF in August 2000. All these initiatives displayed engagement with Nigeria over key areas of political and economic reform, military conversion, and basic needs in health and education.

Another important dimension of the bilateral relationship has been the personal interaction between President Obasanjo and American leaders. At the time of the transition, hopes ran high in Washington that Obasanjo’s presidency could be a watershed for Nigeria. Obasanjo, although previously a military ruler, had voluntarily ceded power to civilians (for the first time in Nigerian history) and had subsequently spent twenty years as a private citizen. During that time, apart from running a livestock farm, Obasanjo marked a career as an international statesman. He was a member of the Commonwealth Eminent Persons Group appointed to lead anti-apartheid initiatives, a founder of the African Leadership Forum, and a charter member of the anticorruption group Transparency International. His activities on behalf of governance and development, as well as his experience as a political prisoner under Abacha’s regime, led many to expect that he would tackle Nigeria’s challenges conscientiously. President Clinton pointedly included Nigeria in his second tour of sub-Saharan Africa, and Obasanjo was the first African leader received at the White House by George W. Bush, following which the Nigerian president made additional visits to Washington.

Paradoxically, the rapport between U.S. officials and President Obasanjo, desirable though it may be, also complicates U.S. approaches toward Nigeria’s fragile civilian regime. The president has presented a new face for Nigeria abroad and has cooperated with the United States in key areas, notably anti-terrorist efforts after September 11. Domestically, however, Obasanjo has been an increasingly controversial figure in light of a languishing economy, proliferating social violence, and episodic human rights violations by security forces. He has been at loggerheads with several governors and much of the legislature and has survived two impeachment efforts in the National
Assembly—the most recent launched by his own party caucus. He was reelected by a substantial majority in 2003, though domestic and foreign observers raised questions about the integrity of the election and survey data showed declining public approval of the executive. The administration's lackluster performance, including in areas of direct interest to the United States (for example, corruption and the economy), raises the possibility that more assertive U.S. engagement might be appropriate.

A related problem—recently seen also in U.S. relations with Russia, Mexico, and Indonesia—is the challenge of balancing personal links with a specific leader against other forms of bilateral engagement. The United States obviously has an interest in cooperating with sympathetic leaders in large, troubled democracies, and there is no necessary contradiction between these high politics and broader interactions between nations. Yet the United States has too often banked on particular leaders in crisis-ridden states. An important challenge for American policy toward poorly performing states is to identify elite groups, elements of civil society, and leading public institutions that can serve as agents of stabilization and reform, and to build a diverse array of linkages with these sectors. Nigeria presents significant opportunities in this area, as there is a history of involvement by American nongovernmental organizations, business groups, universities, and an array of government institutions that can serve as a basis for diversified engagement.

Beyond Normalization

The decline of governance, social stability, and economic performance in Nigeria throughout the 1990s led many observers, Nigerians included, to view the country as a failing state. The demise of Abacha's regime closed a long, discouraging chapter of predatory dictatorship. The return of civilian rule, accompanied by promises of political and economic reform, suggests prospects for arresting the downward trajectory of recent decades. Nigeria's crisis-ridden civilian regime is nonetheless burdened by a listless economy, weak governance, and deteriorating domestic security. While some of these problems may be linked to underlying structural problems and the legacy of earlier regimes, aspects of civilian politics and the shortcomings of the leadership are equally culpable. Nigeria vividly illustrates the challenges of reforming governance in a poor, turbulent society amid partial democratization. The main levers of change reside in the creation or rehabilitation of critical institutions, the emergence of new social coalitions to sustain a reform agenda, and potential shifts in the composition of political elites and
the incentives of leaders. Such transformations in the nature of the state and the economy can only be brought about by domestic factors, since Nigeria’s size, complexity, and independent revenues will inevitably limit the influence and leverage of outside actors. At the same time, Nigeria is not isolated from the rest of the world (in contrast to, say, Burma or Zimbabwe). The country’s myriad trade, investment, and financial relations, along with its involvement in regional and international organizations and its traditional diplomatic and aid relationships, therefore furnish points of external influence and assistance.

The United States confronts important challenges in moving the relationship with Nigeria beyond postauthoritarian normalization to engagement on issues of improved governance and better developmental performance. This calls for a commitment of resources and people on critical issues pertaining to democratic development, economic policy change, the alleviation of social conflict, and reform of the rentier state. Unfortunately, rather than intensifying engagement around a broad agenda of reform, U.S. interest in Nigeria appears to have receded both politically and financially, while the focus of the bilateral relationship has largely shifted to a few functional issues, including energy, counterterrorism, health, and education. This approach is partly a consequence of America’s current U.S. global priorities, but it also reflects previous disappointments in seeking to promote reform in Nigeria. It is clearly risky to allow short-term exigencies to drive the bilateral relationship, as the symptoms of political decay—manifest in corruption, transnational crime, terrorism, and escalating humanitarian needs—will likely be exacerbated in the absence of underlying improvements in government and the economy. Immediate concerns over security and energy must be balanced with continued attention to larger structural issues if the United States is to significantly address the basic syndrome of developmental failure.

The tools that can be brought to bear on these issues are diverse in scope, although, frankly, limited in their potential impact. Sanctions were employed during the 1990s against military rulers who abused human rights and resisted democratic reform, even though the critical step of embargoing Nigerian oil was never seriously contemplated. These political, diplomatic, and commercial restrictions had limited effects in altering the behavior of leaders or inducing regime change. In the current setting, such confrontational measures are simply unthinkable as means to influence leaders who are working within democratic institutions and pursuing cooperation with the United States in important economic and security areas. Furthermore, the centrality of trade and investment in the petroleum sector is an unavoidable fact that
eclipses other considerations in U.S. policy, and therefore constrains the repertoire of policy approaches.

Within these constraints, however, the United States has an array of official and nongovernmental relationships with Nigeria that provide avenues of influence and leverage. A starting point at the official level would be to improve the scope and quality of U.S. representation in Nigeria. During the past decade, the United States’ mission in Nigeria has had chronic difficulties in securing adequate numbers of capable, experienced staff. The closure of U.S. facilities outside Lagos and Abuja has also reduced the scope of representation, engagement with, and information about a complex and important country. Apart from the basic issue of establishing an appropriate diplomatic presence, the tenor of bilateral interactions should also be more finely tuned to changing needs and circumstances in Nigeria. Within the context of a generally cooperative relationship, it is reasonable to consider the use of quiet diplomatic pressure to encourage progress in key policy areas, such as corruption, minority rights, or military conversion.

U.S. aid to Nigeria is another obvious channel of influence. Nigeria’s abundant oil revenues dwarf any development assistance, thereby limiting its relative significance, but these transfers still provide a potential conduit for influencing policy, bolstering performance, and affecting the priorities of leaders. In recent years U.S. assistance has fluctuated widely in both volume and composition. From a peak of US$109 million in 2001, total estimated allocations for 2004 had been diminished by more than a third, to about US$65 million. Moreover, resources shifted during this period, as U.S. priorities gradually retreated from political and economic reform and gravitated toward health and education. Allotments for democracy and governance dropped by more than two-thirds (from US$17 million to US$5 million) and for agriculture and economic growth by more than half (from US$20 million to US$9 million). Meanwhile, assistance to child survival and health programs doubled from US$23 million to US$46 million, about half of which is a large new commitment to basic education. Military and security assistance, which peaked around 2001, has dwindled to a small allotment for counterterrorism and other security assistance. Overall, U.S. policymakers reduced commitments and resources for political and economic reform to token levels. There is no question that the visible dividends from assistance to democratization and economic reform have been sparse and uneven, and that the country’s ability to effectively use external assistance is limited. Nonetheless, in view of Nigeria’s importance and the potential stakes of its political failure, there is a strong case for sustaining engagement on critical areas of
reform and for making long-term investments in institutions essential to better governance.

Continued attention to economic policy reform should be a basic component of the bilateral agenda. The first civilian administration under President Obasanjo evidenced chronic problems of economic management, as it failed to chart a clear policy agenda, regularly lagged on budgets, and eventually concluded a reform program with the IMF that was soon abandoned as the government missed essential targets. A distracted executive, a weak economic team, and legislative obstruction compounded the liabilities of feeble institutions and policy drift. The second Obasanjo administration displayed new resolve on the economy shortly after its inauguration in 2003, renovating the economic team and unveiling an ambitious new program of policy and institutional reform. Regrettably, these new commitments coincided with a substantial reduction in U.S. economic support funds and other assistance for economic growth, emblematic of a more general disengagement with a country that is seen as a poor prospect for economic change. Here again, there is a case for continued involvement with Nigeria, so that U.S. policymakers can respond to opportunities for advancing reform. U.S. commitments could include higher levels of technical assistance and financial support for critical institutions of economic management, including macroeconomic policy units, regulatory agencies, the anticorruption and privatization commissions, and improved budgeting and procurement functions.

As noted earlier, the civilian government has been concerned with the question of debt relief. Obasanjo and other senior leaders have raised the issue regularly in meetings with the U.S. government, seeking an arrangement comparable to the debt reduction mechanism under HIPC. In the absence of any credible commitment by Nigeria to economic reform or macroeconomic stability, the United States initially foreclosed the possibility. With the acceleration of policy reform and anticorruption efforts during Obasanjo’s second term, the Paris Club was able to reach an agreement that would effectively write off two-thirds of Nigeria’s external debt. Debt cancellation offers a means of reducing Nigeria’s financial constraints without requiring new resources in the form of bilateral aid. It may also furnish political dividends to the Nigerian government in sustaining difficult policy changes and offer incentives for continued reform.

Private business can also provide support for economic reform and restructuring. Petroleum corporations, which obviously play a central role in Nigeria’s politics and economic affairs, can be catalysts for reform. One of the most intriguing initiatives to arise from the NGO community recently is the
“publish what you pay” campaign. This calls upon petroleum companies to make public their tax and royalty payments to the government, thereby aiding fiscal transparency and presumably undermining the corrupt diversion of funds by public officials. This concept has been taken up more formally by the Blair government in Britain, which has launched an Extractive Industries Transparency Initiative (EITI). Nigeria signed on early to the EITI framework, and the government has formally launched its own domestic initiative. Corporate executives have been cautiously receptive to this proposal. Most appear willing to disclose their payments, as it could potentially reduce criticism and suspicion of collusion with corrupt government officials. On the other hand, none is willing to unilaterally declare potentially sensitive business information: each will move when the others do and will disclose only what the others disclose. The U.S. government has played a relatively passive role in these efforts, but nongovernmental organizations can help to further coordinate actions among companies as they move toward implementation. Other potential areas of reform include harmonizing corporate security with general human rights standards (especially in the Niger Delta) and fiscal reforms that would allow taxes and royalties to flow directly to state and local governments, bypassing the federal coffers in Abuja. Such initiatives could attenuate the pathologies of the rentier state and lessen the adverse impact of oil production in the southern communities.

Continued aid for political reform is essential if the United States hopes to retain leverage or exert a significant impact on improving the climate for democracy in Nigeria. Direct, concerted, and sustained support for democratic consolidation is appropriate and salient as a focus of bilateral relations. The United States can encourage broader aid for institutional reform. It can also foster links between the two governments that would allow for assistance to the legislature, the judiciary, the Independent National Electoral Commission (INEC), selected offices within the executive, and other departments and agencies in critical areas of state performance. Electoral reform is an especially urgent arena, particularly as Nigerians look to 2007 elections that promise to be highly contentious. Continued efforts to reform the military and restructure civil-military relations are also integral to political change. Engagement with Nigeria’s armed forces should be revisited and move beyond intermilitary linkages and technical training into important areas of civil-military relations, with the participation of civilian agencies and NGOs.

The large domain of nongovernmental linkages between Nigeria and the United States furnishes immediate and fruitful avenues of engagement. Numerous interactions among NGOs, business associations, religious institutions,
universities, and the media provide important channels for dialogue, cooperation, and assistance. This realm of activity has broad relevance for domestic conflict resolution, intercommunal relations, political accountability and improved governance, changes in economic policies and institutions, popular welfare, and the development of human capital. Indeed, the nongovernmental arena is the central source of constituencies for reform and countervailing social forces that can begin to impose accountability on rulers and shift incentives toward better performance. Engagement with Nigeria’s diverse and vibrant civil society is essential, as it can furnish important catalysts of democratization, social accommodation, and economic revival. In view of the many daunting challenges facing Nigeria, and the limited capacities of the United States to effectively address these problems, careful and attentive engagement in pursuit of reform is likely to yield the most constructive relationship with this important but troubled state.

Notes

1. Exports and revenues are calculated from the Central Bank of Nigeria, Annual Report and Statement of Accounts (various years).
6. GDP growth rates are calculated from World Bank data.
8. Export revenues and external debt are calculated from World Bank data.
11. Per capita GDP is calculated from World Bank data.


17. These dynamics are discussed by Osaghae, Crippled Giant; and Larry Diamond, “Nigeria: The Uncivic Society and the Descent into Praetorianism,” in Politics in Developing Countries: Comparing Experiences with Democracy, 2d ed., edited by Larry Diamond, J. Linz, and S. M. Lipset (Boulder, Colo.: Lynne Rienner, 1995).


34. Watts and Lubeck, “An Alliance of Oil and Maize?”


39. The broader syndrome is treated in Michael J. Watts, ed., State, Oil, and Agriculture in Nigeria (Berkeley, Calif.: Institute of International Studies, 1987).

41. Watts, introduction to State, Oil, and Agriculture, p. 16; see also Karl, The Paradox of Plenty.


44. Forrest, Politics and Economic Development in Nigeria, pp. 177, 226.


47. Lewis, Rubin, and Robinson, Stabilizing Nigeria. See also Osaghae, Crippled Giant, pp. 312–13.
49. Data on energy exports are drawn from the Energy Information Administration, available online at www.eia.doe.gov/emeu/international/nigeria.html. Data on U.S. exports to Nigeria are provided by the Bureau of the Census, available online at www.census.gov/foreign-trade/balance/c7530.html.
50. Despite widespread defaults, the government has attended to the “lenders of last resort” by keeping current with payments on Brady bonds and World Bank debt.
51. Without a credible census providing information on religious identity, it is impossible to estimate religious balance with any certainty. Common estimates, however, hold that about 50 percent of the population is Muslim, about 45 percent is Christian, and the rest practices traditional African religions or has some other religious affiliation.
52. Comparative data are provided by the United Nations Program on HIV-AIDS, available online at www.unaids.org/hivaidsinfo/statistics/fact_sheets/index_en.htm.
53. Lewis, “Endgame in Nigeria?”