

Executive Memorandum

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Addressing Nigeria's Economic Problems and the Islamist Terrorist Threat

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Nigeria is a case study in oil-based wealth being squandered by poor governance and internal strife. Instability in Nigeria merits U.S. attention because it is a major non-Middle Eastern oil producer (accounting for 3 percent of global oil production in 2001) and was America's fifth largest (9.6 percent) source of crude oil imports in 2003. Moreover, Islamist radicals hope to exploit Nigeria's poverty, political turmoil, and inadequate law enforcement—thereby making Nigeria a potential regional security threat. Recent Muslim-Christian clashes, which have left hundreds of people dead and more than 1,000 wounded, highlight this threat. Ongoing assaults against Nigerian oil production, general instability, economic mismanagement, and the threat of Islamist radicalism necessitate that the U.S. work with Nigeria to address these problems.

Squandered Wealth. Nigeria is the most populous country in Africa, with a population of 133 million in 2002. It is also home to the world's sixth largest Muslim population. It has estimated oil reserves of 27 billion barrels (over 2.6 percent of global proven reserves). Given Nigeria's location and ports, the country could be an economic hub for western and central Africa. Regrettably, political instability and military coups, combined with inept economic governance and endemic corruption, have squandered Nigeria's advantages.

Since gaining independence in 1960, Nigeria has experienced civil war and numerous coups, with only 13 years of democratic government. To secure their power base, past governments enacted repressive economic policies and undermined the rule of law. *The Index of Economic Freedom* ranks Nigeria as a "mostly unfree" economy due to high trade barriers, heavy regulation, and excessive government intervention. Instability and misguided economic policies have curtailed foreign investment outside of the oil sector.

Transparency International's 2003 Corruption Perceptions Index ranked Nigeria as the second most corrupt nation in the world. Although President Olusegun Obasanjo has pledged to end corruption and adopt economic reforms, vested interests oppose change. As U.S. Secretary of the Treasury John Snow has noted, "While some steps were taken to introduce transparency and accountability, little change was seen in budgeting

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- Nigeria is an important oil producer and regional power.
 - Nigeria's vulnerability to radical Islam endangers American interests in the region.
 - The United States should work with Nigeria to strengthen its economy and counter threats from radical Islam.
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practices, contract awards, monetary policy, privatization, or public service reform.”

Poor governance and lawlessness have enormous costs. Nigeria's per capita gross domestic product (GDP) was \$248 in 2002—lower than in 1970 in constant terms. Violence, kidnapping, sabotage, and other criminal activity in the southern oil-rich region often disrupt production—dramatically affecting an economy in which the oil sector accounted for 65 percent of budget revenue, 95 percent of exports, and 20 percent of the GDP in 2001.

Vulnerability to Radical Islam. Poverty, political corruption, an absence of the rule of law, and a fractious society (250 ethnic groups and a population split between Christians and Muslims) make Nigeria ripe for exploitation by radical Islamists. Nigeria has experienced increased ethnic and religious violence and tensions after 12 of the country's 36 states adopted the Islamic Shar'ia law. The BBC reports that over 10,000 people have died in communal and religious violence since 1999.

A January 2004 uprising by *Al Sunna Wal Jamma* (Followers of the Prophet) highlights these concerns. The terrorist group attempted to establish a Taliban-style Muslim state in northern Nigeria. When locals resisted their efforts, the group attacked, seizing weapons and burning down police stations. Nigerian troops quickly crushed the uprising, killing approximately 20 members and arresting another 50. However, Nigerian officials fear that a network of cells with as many as 1,000 followers may still be operating in Nigeria. Although *Al Sunna Wal Jamma* originated in Nigeria, foreign radical Islamists may be supporting the group. Indeed, Osama bin Laden has apparently announced that he has targeted Nigeria for “liberation.”

A U.S. Strategy. It is in America's interest to encourage Nigeria to improve its economy, secure its oil, combat corruption, and enforce the rule of law. Specifically, the Bush Administration should:

- **Require progress on economic reform and fighting corruption in return for aid.** The U.S. Agency for International Development requested \$63 million in fiscal year 2004 for democracy, governance, health, and economic programs in Nigeria. However, assistance and debt relief cannot replace domestic efforts. Aid

should follow—not precede—progress in combating corruption, adopting economic freedom, and enforcing the rule of law.

- **Clamp down on radical Islamists.** The U.S. should coordinate intelligence with Nigerian law enforcement to identify, monitor, and eliminate radical Islamist networks and external sources of support—especially by clamping down on Nigerian money laundering.
- **Increase law enforcement training.** In order to improve law and order, America should offer technical assistance, equipment, and training to Nigerian law enforcement and marine patrols. Foreign investors in the oil and gas sector should be encouraged to hire supplementary private security and to pay some of the Nigerian government's investment costs for improved security.
- **Train counterinsurgency forces.** The Bush Administration's request of \$850,000 for military education and training and \$4 million in foreign military financing properly focuses on enhancing regional stability, counterterrorism capabilities, border and maritime controls, and the war on terrorism. This assistance is critical and should be augmented with U.S.–Nigerian training missions.

Conclusion. The growth of radical Islam in Nigeria and its potential impact on regional and energy security should be viewed in the context of increased global terrorist threats and a breakdown in governance systems. Government mismanagement, interventionist economic policies, and inadequate law enforcement hinder Nigeria's economic growth and oil production and have heightened Nigeria's vulnerability to Islamist radicalism. Addressing the Islamist threat in Nigeria requires strategies that strengthen Nigeria's ability to counter foreign terrorist activity and fix the country's underlying economic and security problems.

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