**The Global Economic Doctor**

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**Nigeria — A Weak Regional Locomotive**

*By Scott B. MacDonald, Ph.D.*

**Summary:** Nigeria is an important country. It is the largest trading partner in Africa for the United States because it is one of the top 10 suppliers of oil to the U.S. market. From a political perspective, Nigeria is relatively stable since it has managed several peaceful democratic transitions of leadership. Moreover, it has the world's seventh largest population.

Today, Nigeria has a growing middle class, offering a potentially large market a wide range of products. It also has a significant geopolitical position, situated astride the oil-rich waters of the Gulf of Guinea. On a more troubling note, Nigeria sits to the south of the sub-Saharan belt, home to some of Africa's poorest countries (many of which are dealing with radical Islamic terrorist groups).

While Nigeria should be a leader of a booming regional market, the reality is different. According to the World Bank, Nigeria is not the lead trade partner with any of its neighbors nor is it a major force in foreign direct investment. Unlike other large and economically competitive emerging market economies, there is a lack of indigenous multinational corporations aggressively seeking to develop business opportunities in their neighborhood and beyond.

In most regions of the world there is usually one economy that stands out above the others, functioning as a locomotive. The U.S. played that role for the global economy through much of the second half of the twentieth century and into the twenty-first. China has been a major growth factor in much of the Asia-Pacific region since the late 1990s and early 21st century. In Europe, Germany has played that role, being a key force in the success of the European Union. In contrast Nigeria, Africa's largest economy, has struggled over the past decade with weak economic growth and the region is the less for that.

**Nigeria's Challenges**

Four major problems hurt Nigeria's ability to move into the development fast lane and curb its role as a regional economic locomotive. These are a heavy dependence on oil; a pervasive culture of corruption; inadequate infrastructure; and out-of-control population growth.

**Oil Dependency**

Although oil accounts for less than 10% of Nigeria's GDP, it accounts for 80% of federal government revenues and 90% of export earnings. In recent years efforts to diversify away from oil and have resulted in an expansion of the non-oil parts of the economy, namely agriculture, telecommunications and services. The Buhari government, which came to office in 2015 and won re-election in February 2019, acknowledges that much more needs to be accomplished.

What makes the oil dependency so problematic is that Nigeria is a rentier state (derives all or most national revenues from the rent of indigenous resources to external clients). It is heavily dependent on oil for fiscal policy, creating ongoing political tensions between the federal and state governments over who controls the spending of oil money. This has also filtered into the political process — political leaders have been content to use oil money for such non-productive items as subsidized gas and cheap food (some of it imported to the detriment of local agriculture), diverting capital from badly needed infrastructure projects such as a reliable national power grid. Indeed, during the February 2019 elections this was one of the more contentious issues. Oil dependency has also fueled corruption and has made the rest of the economy vulnerable to international price fluctuations.
Corruption

In Transparency International's 2018 rankings, Nigeria was the 36th most corrupt state out of 180 countries. According to the United Nations, between 1960 and 1999 alone some $400 billion was stolen from the Nigerian people. Although efforts have been made to bring corruption under control, especially under the last two elected governments, it remains a major problem. Matthew Page at the Carnegie Endowment for International Peace (2017) noted: "Corruption is the single greatest obstacle preventing Nigeria from achieving its enormous potential. It drains billions of dollars a year from the country's economy, stymies development, and weakens the social contract between the government and its people."

Greater efforts are clearly required to bring corruption under control. Without that, Nigeria will continue to struggle to reach any major national objectives, including economic diversification and ending the longstanding Boko Haram uprising in the country's more impoverished north. One of the ongoing criticisms over the Nigerian military's inability to eradicate Boko Haram is that its troops often lack equipment, as money has been skimmed off during the procurement and distribution of weapons.

Inadequate Infrastructure

Nigeria's infrastructure, outside that built up around the oil industry, is lacking and has been referred to as "decaying." That includes roads, harbors, and railways. Indeed, the railway system, operated by the Nigerian Railway Corporation, has been called "perilous". Moreover, the rail system has few linkages to neighboring countries.

The Trans-Sahara Highway traverses Nigeria, Niger and Algeria to the coast, but it is hardly a major trade route with parts of it impassable by regular 4-wheel automobiles.

In the power sector, Nigeria has suffered from decades of chronic blackouts. An estimated 80 million people lack access to grid power supplies, and much of the sector is said to have cash flow problems.

To address the infrastructure problem, the government plans to spend $20 billion over the next 10 years and will introduce an infrastructure bond later in 2019. Newly re-elected President Muhammadu Buhari has made upgrading the national infrastructure among his priorities for his second four-year term. While funding is one issue, the other is keeping tabs on the flow of money — making certain that government spending actually reaches the right projects and does not end up in a foreign bank account. (see corruption)

Over-Population

Simply stated, Nigeria's population growth is outstripping the country's resources and the capacity of its institutions to cope. Nigeria's population is set to explode from around 200 million today to 450 million by 2050 (United Nations). This would make it the world's third most populous country.
Why the population explosion? Nigeria attempted two population policies (1988 and 2005); both failed miserably. According to the United Nations, the main reason was "a weak enabling environment, characterized by pervasive cultural/religious practices, gender norms, and poverty." The issue is not helped by low levels of literacy and education.

The rising population is evident in the increasing levels of unemployment. The economy is unable to grow fast enough to absorb new entrants to the work force, which factors in the large number of Nigerians migrating to Europe. In 2017, the fourth largest group of people seeking asylum applications in Europe were Nigerians (behind Syrians, Iraqis and Afghans – all countries with huge political upheaval).

The Missed Opportunity and Its Implications

One of Nigeria’s most significant missed opportunities is its inability to become the local economic locomotive. Although Nigeria’s borders are porous and a significant informal trade occurs with its neighbors, what should be a natural and larger regional trade alignment has failed to emerge. Efforts to create a larger regional economic and monetary union have had limited success. The Economic Community of West African States (ECOWAS) was founded in 1975 and currently has 15 member countries. However, ECOWAS has hardly emerged as the common market originally envisioned.

Nigeria is not among the top three trade partners of its neighboring economies. Benin, which shares a long border with Nigeria, sees its main exports head to Bangladesh, India and Ukraine; while imports come from Thailand, India and France. Indeed, looking at Nigeria’s direction of trade there are no African countries in the top ten export destinations (Cote d’Ivoir is 11th) and none in the top 10 imports (China is number one and the U.S. is number two).

The failure of Nigeria to emerge as a leading economic locomotive has three major implications for the region.

First, Nigeria’s inability to overcome its own internal challenges has continued a trend begun in the colonial peri-

### Top Ten Countries with the Highest Population

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<tbody>
<tr>
<td>1.</td>
<td>China</td>
<td>1,268,301,605</td>
<td>1,420,062,022</td>
<td>11.2%</td>
<td>1,301,627,048</td>
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<tr>
<td>2.</td>
<td>India</td>
<td>1,006,300,297</td>
<td>1,368,737,513</td>
<td>36.0%</td>
<td>1,656,553,632</td>
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<td>3.</td>
<td>United States</td>
<td>282,162,411</td>
<td>329,093,110</td>
<td>16.6%</td>
<td>398,328,349</td>
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<td>4.</td>
<td>Indonesia</td>
<td>214,090,575</td>
<td>269,536,482</td>
<td>25.9%</td>
<td>300,183,166</td>
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<tr>
<td>5.</td>
<td>Brazil</td>
<td>174,315,386</td>
<td>212,392,717</td>
<td>21.8%</td>
<td>232,304,177</td>
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<td>6.</td>
<td>Pakistan</td>
<td>152,429,036</td>
<td>204,596,442</td>
<td>34.2%</td>
<td>290,847,790</td>
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<tr>
<td>7.</td>
<td>Nigeria</td>
<td>123,945,463</td>
<td>200,962,417</td>
<td>62.1%</td>
<td>391,296,754</td>
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<td>8.</td>
<td>Bangladesh</td>
<td>128,734,672</td>
<td>168,065,920</td>
<td>30.5%</td>
<td>193,092,763</td>
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<tr>
<td>9.</td>
<td>Russia</td>
<td>147,053,966</td>
<td>143,895,551</td>
<td>-2.2%</td>
<td>129,908,086</td>
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<tr>
<td>10.</td>
<td>Mexico</td>
<td>99,775,434</td>
<td>132,328,035</td>
<td>32.6%</td>
<td>150,567,503</td>
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Source: 1) The Top 10 Most Populated Countries of the World Table was updated March 20, 2019. (2) Detailed data for individual countries may be found clicking on each country name. (3) Demographic (population) estimates for years 2019, 2050 and 2000 are based mainly on mid-year data from the US Census Bureau website and the United Nations Population Department. (4) The China population data is for the mainland only. (5) Data from the Internet World Stats website may be cited, always giving the due credit and establishing an active link back to the website Internet World Stats.
The country is characterized by trade relationships dominated by markets external to the region. Intra-regional trade has grown, but not to the level that it would offer an alternative to trading with Europe, China and South Asia. The real potential of intra-regional trade remains largely unlocked.

Second, the lumbering nature of Nigeria's economic development, weak growth and high levels of poverty have motivated large numbers of Nigerians to migrate. Many transit through other West African countries to reach Europe. Efforts on the part of the European Union to close down migration, force frustrated young Nigerians facing poverty and high youth unemployment, back home. As Nigeria's population growth continues at a rapid pace, pressures on the economy and socio-political institutions are only going to increase; those pressures are also going to be felt in the region.

The last factor is geopolitical in nature. Nigeria's high population growth rate and pervasive corruption and poverty, especially in the predominantly Muslim north, run the risk of spilling over into neighboring countries. Indeed, in March 2019, Boko Haram militants killed at least 23 Chadian soldiers — the deadliest attack in that country. Since the mid-2000s, Boko Haram has sought to carve an Islamic caliphate out of northeast Nigeria and has carried out regular raids over poorly guarded borders into neighboring Chad, Niger, and Cameroon. It is estimated that in the 2009 and 2016 period alone, fighting between the rebel and government forces has resulted in the death of 30,000 people.

**Concluding Thoughts**

In 2000 journalist Karl Maier wrote, *This House Has Fallen: Nigeria in Crisis*. It was a depressing tale of corruption, ethnic/tribal tensions and deep-seated public frustration with the country's jaded leadership. Nineteen years later Nigeria is still intact. There has been no return to civil war, like that which almost ended Nigeria in 1967-1970. The political process has managed to hold a fractious country together.

Despite disappointments, there have been efforts to improve the business environment and reduce corruption. Nigeria remains a country with considerable potential — for both its own population and its neighbors. However, the problems facing Africa's largest economy greatly complicate its dual aspirations: making Nigeria a better place to live for its citizens and providing an economic lift for its neighbors — some of the poorest countries in the world. The stakes are high for Nigeria to get it right.

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**Nigeria and Its Neighbors – Social Indicators (2017)**

![Population and GNI per capita comparison graph](https://data.worldbank.org/country/niger)