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Nigeria—The Divisions Within and the Way Forward

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"The situation we have on our hands is even worse than the civil war that we fought. During the civil war, we knew and we could even predict where the enemy was coming from.... But the challenge we have today is more complicated."

Goodluck Jonathan, President of Nigeria,
at the Armed Forces Remembrance Day Celebrations, January, 2012.

Abstract

The year 2012 did not begin as auspiciously for Nigeria as the country had hoped. The slashing of fuel subsidies, the subsequent nationwide strikes, the Boko Haram killings and the resurgence of militancy in the Niger delta have all taken their toll and are pushing the country towards the edge. The government's ability to deal with these challenges is increasingly being questioned.

Conflicts arising out of ethnic issues are common in most African countries. In Nigeria, however, they are often linked to the issue of Muslim-Christian identity which has given the conflict a distinct character. The sharp North-South divide within the country has been further aggravated by the growth of militancy on each side. Nigeria's security challenges are on the rise and costing the country heavily both financially and in human terms. Adding to this has been the growing dissatisfaction among the governors of the northern states regarding the federal revenue distribution system which allows the oil-producing states, in the South, a 13 per cent derivation. President Jonathan's government needs to tread cautiously and meet these challenges in order to prevent the country from sliding into chaos.

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Introduction

Nigeria gained independence in 1960 and was declared a federal republic after three years. This period of stability was, however, short-lived. Inter-ethnic conflicts and a struggle for power at the centre among the three largest ethnic groups—the Ibo, Yoruba, and Hausa—which dominated the three regions, South East, South West and North respectively, came to dominate the political discourse of the country. Two successive coups, in the year 1966, ushered in a long period of military rule in the country which only came to an end in 1999. Another event that needs to be highlighted is the Civil War of 1967–70, also referred to as the Biafran Civil War, which marked an important chapter in the history of the country. The secession of the Ibo dominated South East from Nigeria, as the Republic of Biafra, led to a 30-month-long war between the newly proclaimed nation and the Nigerian government. Nearly three million people lost their lives in the conflict, the resultant famine and hunger. Though the secession failed, the war reflected the differing interests within the country which would continue to become the leading causes for the successive conflicts in the coming years.

There was a short stint with democracy from 1979 to 1984, but it proved to be even more disastrous for the country than the preceding dictatorship years. During the slightly more than four years of civilian rule, foreign currency reserves plunged from \$8 billion to less than \$1 billion and the level of corruption rose to new levels. The democracy experience proved to be a disaster for the people as access to basic resources became a problem leading to increased insecurity. Eventually, the military took over again and a second military era was ushered in.

Democracy in Nigeria has been threatened constantly ever since it was re-established in 1999. Almost every election has been accompanied by a fear of a coup or military takeover. The history of the country has become a complex narrative of conflicts intertwined with religion, ethnicity and oil. It has been more than 12 years since the end of military era but the country is still faced with problems that characterized that period—poverty, unemployment, corruption and mismanagement of resources.

In the current form of democracy, a multi-party system has been accommodated in the national power-sharing structure. The head of the state is alternatively chosen from North and South so as to maintain the

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balance of power. Nigeria's 36 states have been regrouped into six geopolitical zones—North-Central, North-East, North-West, South-East, South-South and South-West.

Given the country's political background, it may be too early to judge whether a western style government can work in the country. With a population of more than 165 million, problems of integration and accommodation, with special reference to the various ethnicities, have been central to the country's political evolution. The long drawn clashes in the country, ranging from

inter-ethnic to inter-religious and inter-regional at times, are reflective of the failed integrative and accommodative policies.

In order to understand the complexities of these conflicts it becomes imperative to mention the unequal development that took place during the colonial period. While the North enjoyed administrative and political hegemony, the South witnessed economic ascendancy. This state of affairs continues till today. The established federal state is weak, marred by years of secessionist movements led by the Movement for the Emancipation of the Niger Delta (MEND) and Movement for the Actualisation of the Sovereign State of Biafra (MASSOB).

The South was destabilised for a long period because of the contesting ownership claims over crude-petroleum reserves in the delta by the Nigerian state and the ethnic minorities. Recent reports of attacks in the delta region indicate a possible revival of militancy. The North is currently facing security challenges because of the attacks carried out by the Islamic militants led by Boko Haram. The issue of fuel subsidy has further alienated the citizens from the government.

Nigeria ranks as the 17th most corrupt country out of the 196 rated in Maplecroft's Business Integrity and Corruption Index. Corruption is prevalent throughout all branches of government at the federal, state and local levels as well as in the private sector. Even in terms of environment and climate change, Nigeria has fared poorly. According to the recently released Global Risk Atlas of 2012 by Maplecroft, Nigeria is rated the second most risky country in terms of climate change where, "high exposure to the impacts of climate change could have dramatic impacts on economic sustainability"¹.

There has been a noticeable growth of the economy in the past few years. GDP growth was 7 per cent in 2009, 8.4 per cent in 2010 and 7.4 per cent at the end of 2011. A 2011 IMF report on Nigeria showed that the country's non-oil GDP (at almost 8 per cent) was much better than most oil exporting countries.

Despite favourable figures, there has been no real development of the country. The growing GDP was accompanied by relatively high inflation. Despite the claims by the government, poverty and inequality are on the rise. According to a survey released by the National Bureau of Statistics (NBS) of Nigeria, in 2010, over 110 million Nigerians live below the poverty line.² This level of poverty clearly reflects that Nigeria's economy is not growing in the real sense. There has been minimal growth in job creating sectors such as production, infrastructure, power, manufacturing, etc.

According to the NBS, income inequality as measured by the Gini-Coefficient rose from 0.429 in 2004 to 0.447 in 2010, indicating greater income inequality during the period.³ About 96 million Nigerians have access to only 20 per cent of total consumables in the country, according to the NBS. Poverty and inequality have increased even further since the beginning of this year due to the reduction of fuel subsidy which has resulted in a higher cost of living, especially for the farmers who are mainly concentrated in the North.

The slow pace of economic and infrastructural development can largely be attributed to the poor condition of the power sector. Till the end of the 20th century, Nigeria was producing just 1850 MW of power. The country has experienced massive power cuts since the beginning of this year. Massive cuts in gas supply to power plants across the country led to a reduction of 625 MW from 4,400 to 3,775 MW in February. While power generation rose from 3800 MW to 4000 MW in 2011, power rationing has continued as the country is unable to meet the required demand.

The North-South divide

In order to understand the complexities of challenges faced by Nigeria, it is important to understand the North-South divide which underlines the political, religious as well as economic discourses within the country. Out of the 36 states that the country is divided into, a total of 19 states fall under the North.

The North is largely a Muslim dominated region while most of the Christians are concentrated in the South. The segregation between the two groups, however, is not monolithic. Inter-faith marriages have been known to take place and Muslims in the South have also been affected by the attacks targeting the Christians.

The two regions have also developed differently on the economic front owing to the concentration of oil in the South as opposed to the agricultural sector in the North. Another factor strengthening the economic divide is the system of federal revenue allocation. According to the current revenue allocation formula, 52.68 per cent of total revenue is allocated to the federal government, 20.6 per cent to council areas and 26.72 per cent to the states. In addition, 13 per cent of revenue is retained from taxes on oil and natural resources by the oil-producing states as derivation. The 13 per cent derivation was introduced in 1999 as part of measures aimed at redressing the long held grievances of oil-producing states.⁴ This means that the oil producing states of the South get an advantage as they get the additional funds as a result of the 13 per cent derivation. The Northern governors have now called for a review of the federal allocation formula this year.

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There is a noticeable difference in the level of social development between the two regions as well. Illiteracy, poverty and general backwardness is comparatively greater in the North as compared to the more economically advanced South. The survey released by NBS showed that the North recorded the highest poverty rates in 2010, around 77 per cent. In a recent controversy that arose between the political leaders of the two regions, the elites of the North blamed this disparity on the unequal revenue allocation. The 13 per cent derivation provided to the oil-producing states in the South has enabled states like Delta, Edo, Ondo, Imo and Abia to establish Oil Producing Development Commissions to manage the funds for the development

of the communities. Although these differences exist, it is also true that certain political leaders have amplified the problems to benefit their own political agendas. Senior military officials and police officers have been known to provide support to extremist groups such as Boko Haram that have used these differences and given them a religious tone in order to protest against the state.

Energy Sector

Nigeria is one of the richest countries in energy resources in Africa. Energy export is the mainstay of the Nigerian economy. These energy reserves have, however, not resulted in economic development of the country. The reserves have, instead, become a source of conflict between the citizens and the state. The political challenges faced by the country, especially in the North, are intrinsically linked to the slow pace of economic development because of the lack of energy resources in the North.

Oil

The Nigerian economy is heavily dependent on its oil sector. It is the most important source of export earnings and government revenues for the country. Located in the delta region in the South, the oil industry has been striving to utilise the vast resources so as to increase production. The country has been producing an average of 2.7 million barrels per day since the beginning of 2012, even though it has the potential to produce 3.7 million barrels per day.⁵ The table below gives a clear picture regarding the amount of crude oil that has been produced in and exported out of Nigeria from 2001 to 2010.

Crude Oil Production and Export (Barrels)

Year	Production	Export
2001	865,173,583	775,175,798
2002	740,687,180	663,393,375
2003	844,150,929	795,984,478
2004	910,156,486	878,077,349
2005	918,660,619	844,151,498
2006	869,196,506	817,996,072
2007	803,000,708	791,826,519
2008	768,745,932	724,479,796
2009	780,347,940	769,195,205
2010	896,043,406	864,702,101

(Source- Nigerian National Petroleum Corporation Annual Statistical Bulletin 2010)

As the statistics show, almost the entire amount of crude oil that is produced is exported out of the country and imported back as petroleum products due to the lack of infrastructure including operational refineries. Nigeria has four refineries, Port Harcourt I and II, Warri, and Kaduna, with a combined refining capacity of around 450,000 barrels per day. As a result of poor maintenance, theft, and fire, none of these refineries have ever been fully operational. In 2009 and early part of 2010 these refineries operated at their lowest levels of between 0 and 30 per cent of capacity, and led to the country importing about 85 per cent of its fuel needs. By early 2011, operational capacity increased to between 60 and 75 per cent but the country still needs to import petroleum to meet its demand. The Federal Ministry of Finance has stated

that the continuation of fuel subsidy acts as a disincentive towards repairing these refineries. According to the Ministry, the removal of the subsidy will result in the proper functioning of the refineries through increased private local and foreign investment. 18 licenses have been granted for new refineries by the Federal Government but private investors have not been forthcoming and are not investing in them because of the availability of cheap fuel.

The beginning of the year 2012 witnessed nationwide strikes as the fuel subsidy was suddenly slashed by the government on January 1. Being a major oil producer, the Nigerians demanded lower prices of finished products. The reason given for slashing the subsidy was increasing government expenditure. Between 2006 and August 2011, total government expenditure on petroleum subsidy amounted to 3.7 trillion Naira (N). Government expenditure on subsidies increased from N261 billion in 2006 to N673 billion in 2010, which represents an increase of about 160 per cent. This significant increase in expenditure was a key factor behind the large amount of unprecedented payments made by the government in 2011 that amounted to N1.4 trillion.⁶ (\$1=N157 as of April 2012).

The government has stated that the reduction in fuel subsidy will affect only those income groups that can afford private vehicles and transport and not the lower income groups. Years of mismanagement and corruption have, however, given the people little hope that the money saved by the government will be used for their benefit.

Although the country has proven crude oil reserves of 37.20 billion barrels⁷, it has not been able to use these resources for its benefit and increase the level of infrastructure and development. The mismanagement of resources and lack of working refineries has thus forced one of the largest oil producers to import 80 per cent of its fuel for its citizens.

The high level of imports over the years can also be attributed to the strong presence of an import lobby that benefits from the imports. Over the years, it has transpired that several high level government officials and executives from state owned as well as private corporations have made fortunes by awarding contracts for fuel imports. Thus, the lack of working refineries has been in the interest of these cartels.

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One of the results of this high level of import and low level of job creation, especially in the Niger delta, has been an increase in the black market and oil smuggling—known as bunkering. The oil companies in the region have been subjected to various acts of vandalism, ranging from demonstrations and blockades to sabotage of facilities and pipelines. Foreigners have been kidnapped and taken hostage. Piracy in the Gulf of Guinea has become an additional security challenge as attacks on oil vessels have led to massive losses.

Gas reserves

Besides oil, Nigeria also has abundant gas reserves. According to the 2010 data, Nigeria is reported to have the ninth largest natural gas reserves in the world and the largest in Africa. Yet, only a fraction of this has been harnessed. Most of these reserves are located in the delta region. As opposed to the desired “non-associated gas” the kind of gas found in the Nigerian oil fields in the delta, along with the crude oil, is the “associated gas”. The oil companies lack the infrastructure which would allow the natural gas to be captured and distributed or utilized. Thus, flaring, which is the cheapest method of separating the gas from the oil, is used as a process to remove the unwanted gas by burning it.

Over 2 billion cubic feet of natural gas is flared everyday during crude oil production, more than anywhere else in the world. The amount the gas flared has also been a reason for concern because of the environmental pollution caused by it in the Niger delta. The burning process releases toxins and millions of tons of carbon dioxide leading to acid rain and soil pollution. Some of the gas flares, which have been burning for decades, are the most harmful. Such practices are not only a hazard for the environment and the land, but have also adversely affected the civilian life in general with severe health implications.

The government has made some efforts in the past to stop the flaring by passing orders against it. Most of the oil corporations, however, continue to flare gas by paying nominal fines. The Senate and the House of Representatives have now decided to put in place stringent clauses in the existing legislation so as to put an end to the flaring by December 2012.

Power

Nigeria has one of the biggest gaps in the world between the amount of electricity in demand and the amount supplied. There was a state monopoly of the power sector till 2005, when the Electric Power Sector Reform was enacted. The country has now set a target of achieving 40,000 MW of electricity by 2020. Foreign companies such as General Electric (GE) have signed Memorandum of Understanding (MoU) with the Federal Government for power projects worth \$10 billion. The money would be invested in various power plants with combined capacity of 10,000 MW, with GE taking 15 per cent equity in each of the power plants to be constructed.

Agriculture

Agriculture is one of the most important sectors of the economy and an employment generator. Like in oil and gas, Nigeria has great potential in the agriculture sector as well. However, low usage of technology and lack of improvised farming schemes have resulted in low yield per hectare. Large scale investment in the sector has not been forthcoming. Due to these reasons, Nigeria has been forced to import basic food items. According to the agriculture minister, Akinwumi Adesina, Nigeria spends over N1.3 trillion annually on importing food items, including wheat, rice, sugar and fish. In order to make the country self-

sufficient, at least in basic food items such as rice, the government's plans to ensure that 100 industrial scale rice mills are installed by 2015.

Militancy

The country has been home to long drawn insurgencies ever since it gained independence. The end of civil war was followed by years of military rule, with one coup following another. The North and the South have experienced their own peculiar forms of militancy led by Boko Haram and the Movement for the Emancipation of the Niger Delta (MEND), respectively.

The conflict in the Niger delta, which began in the 1990s, lasted for almost two decades with an amnesty being signed in 2009. Ethnic militants and armed groups that organized themselves under the militant group MEND, in late 2005, destabilised the region as they clamoured for control over resources. Violence erupted in the Delta region with a spate of kidnappings and attacks on oil installations.

The region has calmed down significantly since the amnesty but sporadic attacks have continued in the region over the past couple of years. Militants and criminal gangs, in an effort to take advantage of the delicate situation, have been abducting people and carrying out small scale attacks which have also turned into lucrative money making exercises. While these attacks have been claimed by groups stating their affiliation to MEND, the Joint Task Force (established to pacify the Delta region) has claimed that the groups are not linked.

While the South was destabilised for years by the militants in the Delta, the stability in the North has and continues to be threatened by Boko Haram. A Sunni extremist group, Boko Haram, has been launching attacks for over a decade. These have only gained momentum since the beginning of 2012. Demanding an imposition of Sharia law in the country, the group has attacked numerous churches in the North and is increasingly moving towards the middle belt. The January 20, 2012 attacks in Nigeria's northern city of Kano, which left at least 185 police and residents dead, was the biggest attack carried out by the group.

The group has also declared its allegiance to Al-Qaeda. Although the group has failed to garner support

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from the majority of the Muslim community and restricted its activities to the North, its capacity to challenge the entire country's security cannot be overlooked. On January 1, Boko Haram demanded that Christian southerners should leave the North. In retaliation, Niger Delta Indigenes Movement for Radical Change (NDIMRC), on 10 January, issued 21-day ultimatum calling on northerners to leave the South.

While the group essentially remains a regional phenomenon, it is increasingly becoming a major threat to the stability of the country.

The President has conceded that the threat from the group is high. Unlike the subsidy issue, where the President was able to put an end to the strikes by relenting to the demands and partially reinstating the subsidy, giving in to the demands of Boko Haram will jeopardise the secular nature of the country. His calls to the group to come out and have a dialogue have been rejected. Clearly, military interventions, that have been used in past to deal with the insurgencies, cannot be used indefinitely as they do not result in sustainable stability. The President is under increasing pressure to find a long-term solution.

Engagement with India

The unstable environment within the country has long affected the foreign companies operating in Nigeria. Multinational companies have often been the targets of attacks carried out by militants, especially in the South. Several oil companies have suffered as pipelines have been attacked and personnel have been abducted. The current situation in the country makes it imperative to understand how the growing security challenges will affect Nigeria's engagement with India, its leading trade partner and an important oil importer.

Relations between Nigeria and India were established as early as 1958. The relations were initially built upon political links with a shared history of colonialism under the British. The links have turned more economic since then as India's dependence on Nigerian oil and the trade volume between the two countries have been growing.

The two countries have been cooperating through various forums, such as the E-9 group. The E-9 initiative, established in 1993, brings together the nine most populous countries of the South. The countries work towards providing quality education to their citizens. Programmes such as the Special Commonwealth African Assistance Plan (SCAAP), a corollary of the ITEC programme by India, provides scholarships to Nigerians for various training programmes. During 2009-10, Nigeria was able to utilise 85 out of 100 allotted fellowships. Following the Second Africa-India Forum Summit in 2011, Nigeria's ITEC quota for 2011-12 was further increased. Moreover, since 1984, under an Indo- Nigerian cultural programme sponsored by the Indian government, five Nigerian students visit India every year for undergraduate or postgraduate courses.

The major component of India-Nigeria relations, however, has been oil. Energy partnership with Africa, especially Nigeria, has been seen as crucial for India in order to reduce its dependence on West Asia. India imported 13.2 million tonnes of crude oil from Nigeria in 2009-10.

According to the current Indian Petroleum Minister, Mr S. Jaipal Reddy, India would require around 18 million tonnes per annum of Nigerian crude oil from 2012-13.⁸ An interest to tie up LNG imports from Nigeria was also stated by the Petroleum Minister during the Indo-Nigeria Joint Commission meeting held, in March, in New Delhi. Bharat Petroleum Corporation Ltd. recently bought three million barrels of Nigerian crude oil via tenders.⁹ Other major Indian corporations such as GAIL, ONGC Videsh Ltd,

Mittal Investments and Essar have also got involved in the energy sector over the years. A joint venture between ONGC Videsh Ltd and Mittal Investments, called ONGC-Mittal Energy Ltd (OMEL), is presently carrying out exploratory drilling in two oil blocks (OPLs 279 and 285) in Nigeria. Another offshore block (OPL 226) in the Niger delta is currently being explored by Essar energy.

India was Nigeria's second largest trading partner in 2011 and trade between the two countries reached \$16.4 billion. The years of insurgency within Nigeria have failed to have a negative impact on the trade as it continues to grow every year. Though Nigeria's exports to India have been consistently high, imports from India have increased over the years as well.

India's export basket to Nigeria has been dominated by manufactured items such as machinery, transport equipment and pharmaceuticals. A \$100 million Line of Credit was approved by Government of India in September 2010 for power projects in Nigeria. In 2011, Indian investments in Nigeria were estimated at \$5 billion.¹⁰ Over the years, Indian investments have moved beyond the energy sector. Indian companies have been seeking opportunities to invest in agriculture, information technology and telecom.

Instability, violence, insurgency attacks and lack of infrastructure in Nigeria have been reasons of concerns for India. The growing relationship between the two countries has often been hindered due to Nigeria's complex politics. Nevertheless, diplomatic relations and economic interdependence have increased over the years. The growing interest of Indian investors in other sectors, besides oil, along with the various joint projects by the two countries clearly reflects that Nigeria's engagement with India has a long future provided a stable environment is maintained within the country.

The rise of militancy in the South, however, may affect India's oil exploratory and drilling activities. There is a heightened risk factor for the Indian personnel posted in the region. A series of abductions took place in 2007 when Indian engineers were taken hostage in southern Nigeria. Around 35,000 Indians are

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presently working in Nigeria. The present security challenges, however, are less likely to affect the trade between the two countries. India's engagement with Nigeria has the potential to expand into other sectors such as agriculture, textile and mining provided the investments are well protected.

Nigeria can benefit greatly by expanding its business ties and attracting further investments. In order to achieve this, the country needs to establish transparent and stable laws within the country. Despite the several funds that have been made available, there is little data available regarding whether the intended projects were completed. The government needs to ensure that projects undertaken are completed. Thus, a level of predictability and accountability needs to be maintained.

Conclusion and Recommendations

The above sections highlight the short-term and long-term challenges that Nigeria is facing today. However, if the current Jonathan government is serious about tackling these issues in order to maintain peace and stability in the country, it must develop a long-term sustainable development strategy.

The absence of a long-term national development strategy with broad consensus on spending priorities has led to wrong investment decisions, wastefulness and mismanagement of revenues with serious negative implications for the economy. According to IMF estimates, the country's population is expected to grow at a rate of three per cent every year for the next four years.¹¹ At present Nigeria has an artisan/craft-agricultural economy which produces only agricultural goods and hence is a pre-industrialised economy marked with low productivity and poverty. High level of technical and industrial innovation is required so as to provide employment and adequate resources for the growing population.

The fiscal deficit can only be lowered when manufacturing and production are stepped up in a big way. Recent positive steps such as the appointment of a Task Force on Petroleum Revenue and rewriting the Petroleum Industry Bill, which was first introduced in 2009, reflect the current administration's willingness to address these issues. The bill is designed to reform the entire energy sector and address the important problems in the oil, natural gas and electricity industry. In February, the Senate decided to scrap projects worth N1 trillion which had been included in the 2012 budget by Ministers and heads of government agencies. These had not been included in the original budget presented by the President. There has been (and continues to be) an urgent need to put in place the conditions for government accountability and a rigorous system of checks and balances. The President also needs to bring together the differing factions within the governing People's Democratic Party (PDP).

Regarding the oil sector, strengthening the capacity of the legal system and civil society to regulate the sector and monitor activities on the ground in order to address the adverse economic, social and environmental consequences is necessary. Contracts with oil MNCs which are opaque and fail to maintain internationally accepted environmental standards need to be made more transparent.

According to the latest Human Development Report released by UNDP the human development index for Nigeria for 2011 is extremely low at 0.459 and the country is ranked as low as 156 in the world ranking.¹² The government should use the statistics released by the NBS in its Poverty Profile and formulate economic policies accordingly to target the extremely poor sections of the society.

Urgent investment is required in sectors, such as agriculture, which will lead to job creation within the country. The high level of unemployment, especially among the youth, has made piracy and militancy a lucrative option. The number of attacks by pirates in the Gulf of Guinea has increased significantly in the last couple of years. In fact, the coastal area was listed as one of the world's seven top hot spots by the International Maritime Organisation in 2009. Agricultural links with countries which have well-developed

agricultural sectors, for example India, should be given more importance. Schemes and incentives to promote import of technology and experienced personnel for training purposes should be encouraged.

As the country is already facing security concerns in the North because of Boko Haram and the recent fuel subsidy issue, Nigeria cannot afford to face any fresh security challenges. Threats of revival of the MEND in the South will not only increase the security threat for the government but may push Nigeria into further chaos. Conditions for stability in the South must be maintained while North must be made governable again. A stable environment will also allow foreign investors, such as India, to increase investments in Nigeria. The country could greatly benefit from investments in sectors, such as mining, which has stagnated over the years due to security challenges. While the levels of corruption and economic waste are no longer as staggering as what Nigeria experienced between 1979-84 under President Shehu Shagari, the country still needs to deal with fundamental challenges. As Nigerian leaders continue to grapple with the pressing social, security and political challenges, it can only be hoped that history will not repeat itself and democracy will prove to be the most sustainable system of governance.

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