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A U.S. POLICY FOR NIGERIA: SUPPORTING POLITICAL AND ECONOMIC FREEDOM

INTRODUCTION

Its 114 million inhabitants make Nigeria Africa's most populous nation. It is blessed with proverbial potential, richly endowed with oil reserves, iron ore, zinc, and coal, and a large and industrious labor force. Nigeria thus possesses all the qualities to make it one of Africa's few success stories. Yet, it is one of the world's poorest nations. With a per capita gross national product of only \$308, Nigeria is one of only 42 countries considered "low income economies" by the World Bank.¹

Equally troublesome, Nigeria has failed to develop a lasting democratic form of government since its independence from Britain in 1960. For over 19 of the 29 years since then, the country has been ruled by the military.

Far-Reaching Reforms. At last, however, there may be reason to expect improvement for Nigeria. Its military ruler, Major General Ibrahim B. Babangida, promises presidential elections in 1992. His free market reforms have been the most far-reaching on the African continent. He has eliminated import licensing and price controls, privatized many inefficient state-run industries, allowed the currency, the *naira*, to float, and abolished many regulations that previously discouraged foreign investment. Justifiably boasted Nigeria's World Bank representative Tariq Husain last year: "This country is doing more than any other in Africa. What Reagan and Thatcher have been advocating, here they have been doing."²

1 *World Development Report 1989*, The World Bank, June 1989, p. 164, Table 1.

2 "Lenders Face Tough Choices on Nigerian Debt," *The Washington Post*, June 13, 1988, p. A1.

These free market economic reforms are slowly paying off. Reports the United States Commerce Department: Babangida's economic reforms have "improved the overall economic environment. The local currency, the *naira*, dropped to a more realistic level, inflationary pressures were contained, non-oil exports grew significantly, and production and consumption followed less import-dependent patterns."³

Last year, Nigeria's gross domestic product grew an impressive 4.1 percent, an increase from 1.0 percent in 1987. And according to estimates by the American Embassy in

Lagos, this growth trend is continuing this year.⁴ In 1988, according to the World Bank, Nigeria's per capita gross national product grew 0.4 percent. By contrast, earlier this decade, the Nigerian per capita GNP growth rate was actually shrinking.⁵ Many other West African economies are actually contracting. Per capita gross national products shrank last year in Gabon (down 3.5 percent), Mali (down 3.6 percent), Cameroon (down 11.2 percent), Ivory Coast (down 13.1 percent), and Benin (down 14.0 percent).⁶

Commitment to Democracy. The Babangida government also is nudging Nigeria toward democracy. Free elections for local political offices were held in 1987, though there were charges of electoral fraud in several areas. Then

Nigeria

Official Name – Federal Republic of Nigeria.

Area – 356,700 square miles; about the size of California, Nevada, and Arizona combined.

Capital – Lagos (population 8 million to 10 million).

Population – 114 million.

Ethnic groups – 250 tribal groups; Hausa-Fulani, Ibo, and Yoruba are the largest.

Religions – Muslim, Christian, indigenous African.

Work force – about 36 million: Agriculture – 60%. Industry, commerce, services – 19%. Government – 15%.

Natural resources – Petroleum, tin, columbite, iron ore, coal, limestone, lead, zinc.

Agriculture products – cocoa, palm oil, yams, cassava, sorghum, millet, corn, rice, livestock, groundnuts; cotton.

Source: *Nigeria: Background Notes*, U.S. Department of State, Bureau of Public Affairs, August 1987, p. 1.

³ *Foreign Economic Trends and Their Implications for the United States*, U.S. Department of Commerce, International Trade Administration, May 1988, p. 3.

⁴ Estimated gross domestic product for 1989 is 4.0 percent. *Foreign Economic Trends and Their Implications for the United States*, U.S. Embassy, Lagos, March 1989, pp. 2-3.

⁵ In 1986, according to the World Bank, Nigeria's per capita gross national product shrank 26.3 percent, from \$950 to \$700. *World Tables* (Baltimore: The Johns Hopkins University Press, 1989), p. 437.

⁶ World Bank sources.

this May, Babangida abolished a six-year-old decree prohibiting civilians from engaging in political activities. His move has been widely hailed in Nigeria, even by government critics, as evidence of his commitment to democratization. The next three years are scheduled to see a transfer to full democracy: Elections for state legislators and governors are to be held in 1990 and presidential elections are scheduled for October 1992.

The U.S. can help Nigeria move toward political and economic freedom. With one of every six Africans a Nigerian, Washington has a direct interest in ensuring that Nigeria achieves political stability and economic growth. To help foster a democratic and economically healthy Nigeria, the U.S. should:

- ◆ ◆ Assist financially those Nigerian organizations that support democratic values.
- ◆ ◆ Offer Nigeria increased economic assistance in exchange for continued free market reform.
- ◆ ◆ Advise the Nigerian government on privatization strategies.
- ◆ ◆ Spur American investment in Nigeria by urging the Nigerian government to liberalize further its restrictions on foreign investment and by alerting the American business community to Nigerian investment opportunities.
- ◆ ◆ Stress the connection between economic development and the success of democracy.
- ◆ ◆ Press the Nigerian government to pursue debt-equity conversions as a means of eliminating Nigeria's foreign debt.
- ◆ ◆ Press for improvements in human rights.
- ◆ ◆ Urge the Nigerian government to pursue free trade policies with the U.S.

POST-COLONIAL NIGERIA

Since its independence from Britain in 1960, Nigeria frequently has been beset by significant ethnic, regional, and religious tensions. Democratic rule has been attempted twice, but both times the democratic governments were ousted in military coups. Since 1960, Nigeria has had eight different governments, six military coups, and seen the assassination of three Nigerian heads of state.⁷ Aside from General Yakubu Gowon's turbulent rule from

⁷ For a fuller discussion of Nigeria's post-colonial political history, see Larry Diamond, "Nigeria: Pluralism, Statism, and the Struggle for Democracy," *Democracy in Developing Countries: Africa*, (Boulder, Colorado: Lynne Rienner Publishers, 1988), p. 33-91.

1966 to 1975, no government, military or civilian, has lasted more than four years before being deposed in a coup of some sort.

From October 1960 to October 1963, Nigeria was governed as a federation with three regions, each of which maintained a significant degree of responsibility over its own political and economic affairs. The sole responsibilities of the federal government were defense and security, foreign relations, and commercial and fiscal policy.

Ethnic Tensions, Political Coups. In October 1963, Nigeria altered its constitution and declared itself a republic. Political power was divided between separate executive, legislative, and judicial branches. The government, called the First Republic, was led by Prime Minister Tafawa Balewa. Several political parties competed in free elections, and the nation's press was independent and openly critical of the government. The First Republic was overthrown in January 1966 by a small group of Nigerian army officers, mostly from the Ibos tribe of eastern Nigeria and led by General J.T.U. Aguiyi-Ironsi. Though they claimed to be toppling the government because of its corruption, the real cause for the coup is widely believed to be the Ibos determination to control the government.

Nigeria was governed by the military from 1966 to 1975, though ethnic tensions and political coups persisted. Six months after taking power, Aguiyi-Ironsi was ousted by a rival military group, led by General Yakubu Gowon. He attempted to give greater autonomy to such minority ethnic groups as the Ibos, Hausa-Fulanis, and Yoruba by replacing Nigeria's four large regions with twelve states representing different tribes and ethnic groups. But this was opposed by the Ibos, whose leader, Lt. Colonel Emeka Ojukwu, launched a movement to give Nigeria's Eastern Region full autonomy.

One Million Fatalities. Ojukwu's declaration of an independent "Republic of Biafra" in eastern Nigeria ignited a bloody civil war in July 1967. For three years war raged, taking an estimated one million fatalities as government troops fought Ibos, with the government backed by military assistance from Gabon and the Ivory Coast. In January 1970, the Ibos surrendered. While the attempt to establish an independent Biafra was quashed, the Ibos, the largest tribe in the southeast, remains a restless segment of the Nigerian population.

Gowon's military government was deposed by another group of military officers in July 1975, led by General Murtala Muhammed, who announced a timetable to return Nigeria to democracy by October 1979. Seven months after taking power, Muhammed was assassinated in an aborted coup on February 13, 1976. Muhammed's chief of staff, Lt. General Olusegun Obasanjo, became Nigeria's new head of state.

Obasanjo reaffirmed Muhammed's promise of elections. And they were held in August 1979. A member of the National Party of Nigeria (NPN), Alhaji Shehu Shagari, was elected president, inaugurating Nigeria's second attempt at democracy, known as the Second Republic. Shagari was overwhelmingly reelected in August 1983. That December, however, the

military charged Shagari with economic-mismanagement and overthrew the Second Republic, returning Nigeria to military rule under Major General Muhammadu Buhari. He fell in yet another military coup in August 1985, led by Babangida, who has governed Nigeria for the past four years.

THE U.S. AND NIGERIA

Since independence in 1960, relations between Lagos and Washington have been generally cordial, though there have been some tensions. In the early 1960s, Nigeria was among the top ten recipients of U.S. economic assistance; at its peak, in 1969, U.S. aid was \$76.8 million (equivalent to \$249.4 million in 1988 dollars). Since 1960, Nigeria has received a total of \$355.4 million in U.S. aid. In the early 1960s, too, the U.S. sent an estimated 200 U.S. agricultural technicians to Nigeria. Nigeria was also host to America's second largest Peace Corps contingent.

Relations between Washington and Lagos cooled in 1967 when the Biafra civil war erupted. In response to the conflict, Washington suspended its arms sales to Nigeria. When the war ended in 1970, U.S. relations with Nigeria remained strained, though the U.S. continued to rely extensively on Nigeria for oil. During the 1973-1974 Arab oil embargo, Nigeria was America's second largest foreign source for crude oil.

At Odds Over Angola. A 1973 visit to the U.S. by Nigerian head of state General Yakubu Gowon turned sour as Gowon left in disgust after having his scheduled meeting with Richard Nixon postponed several times. Two years later, the U.S. was at odds with Nigeria over policy toward the Angolan civil war. Nigeria's head of state, General Murtala Muhammed, strongly supported the Popular Movement for the Liberation of Angola (MPLA), a Soviet-backed Marxist guerrilla force that eventually took power in Angola with the assistance of Cuban troops. The U.S. supported Angola's two noncommunist forces, the National Front for the Liberation of Angola (FNLA) and the National Union for the Total Independence of Angola (UNITA). During this period, Nigeria refused to receive Secretary of State Henry Kissinger, and the U.S. embassy in Lagos was attacked by rioting students protesting America's Angola policy.

Between 1977 and 1980, diplomatic contact between Washington and Lagos intensified. Nigerian head of state General Olusegun Obasanjo visited the U.S. in 1977. In 1980, President Alhaji Shehu Shagari did the same. In 1978, Jimmy Carter's visit to Nigeria was the first time an American President ever visited sub-Saharan Africa.

When George Bush became President, he inherited U.S. relations with Nigeria in a generally favorable condition. He met with President Babangida

in Tokyo in February at Emperor Hirohito's funeral. The two leaders are expected to meet again this winter when Babangida visits Washington. Last month, the U.S. and Nigeria signed a mutual legal assistance treaty, which will guarantee legal cooperation in combatting drug trafficking.⁸ The treaty is important because heroin is shipped through Nigeria from the Middle East to the U.S. and Europe.

The U.S. sent Nigeria \$11.4 million in economic assistance last year, used mostly for such health-related projects as malaria control, vaccination, and birth control programs. The U.S. has budgeted a \$15.1 million increase in such assistance for this year.

Reliable Trading Partner. The U.S. is the largest market for Nigerian exports, purchasing \$3.6 billion worth of Nigerian products last year, predominately petroleum. Nigeria is the fifth largest source of crude oil for the U.S., after Saudi Arabia, Canada, Venezuela, and Mexico. U.S. exports of industrial equipment, chemicals and other items to Nigeria increased last year 17 percent, reaching \$356 million. Last year Nigeria's trade surplus with the U.S. was \$3.18 billion. Though Nigeria has prohibited imports of American wheat and other food products as part of an effort to foster domestic demand for agricultural production, Nigeria generally has proven to be a reliable trading partner. During the Arab oil embargo of 1973-1974 when many countries refused to sell the U.S. oil, Nigeria, though a member of the Organization of Petroleum Exporting Countries (OPEC), was a valuable source of oil. Major U.S. companies currently doing business in Nigeria include, Mobil, General Electric, Citibank, and Ralston-Purina.

THE IMPORTANCE TO AFRICA OF NIGERIAN SUCCESS

Democratic political systems exist virtually nowhere in Africa. Should Babangida return Nigeria to democratic rule by 1992, Nigeria could become a political model for Africa, signaling that democracy is workable on that continent. As the most influential political and economic force in West Africa, a peaceful transition to democracy in Nigeria could help shape the political attitudes of such nondemocratic neighbors as Benin, Burkina Faso, Central African Republic, Ghana, Niger, and Togo.

The success or failure of Nigeria's free market reforms also will have economic ramifications throughout Africa. Should these policies fuel continued economic growth, other African nations may follow the example. This is what is happening in Latin America, where Chile's free market reform program is being imitated in Argentina and elsewhere. On the other hand, warns Nigeria's World Bank representative Tariq Husain, the failure of

⁸ The treaty provides for mutual assistance in taking testimony, providing evidence, serving documents, locating suspects, executing searches, seizing illegally obtained assets and transferring persons in custody for testimony. "U.S. and Nigeria Sign Legal Pact," *The Washington Post*, September 14, 1989, p. A14.

Babangida's free market reform program "would be like a big ship sinking and sucking everybody else in Africa down with it."⁹

ECONOMIC PROBLEMS AND CHALLENGES

The Nigeria of the 1980s has been forced to confront a dramatically changing economic climate. Nigeria profited lucratively throughout the 1970s from oil production, which accounted for over 95 percent of the country's export revenues and 70 percent of federal budget revenues.¹⁰ During the oil boom, Nigeria was one of sub-Saharan Africa's fastest growing economies, with gross domestic product climbing on average 7.5 percent between 1970 and 1979. But since 1982, the fall of world oil prices has resulted in a dramatic drop in Nigeria's oil revenues. Foreign exchange earnings for oil fell from \$22 billion in 1980 to \$6 billion in 1987, causing Nigeria immense difficulties in meeting budgeted domestic expenditures and foreign debt obligations, primarily to European banks and multinational financial institutions.¹¹

When Babangida assumed power in 1985, Nigeria's economy was in ruins. Major General Muhammed Buhari, who ruled Nigeria from December 1983 until August 1985, pursued statist economic policies that included price controls, extensive economic regulation, dominance of inefficient state-owned enterprises, and import licensing. Corruption was widespread. Combined with the dramatic fall in oil revenues, Buhari's policies actually contracted Nigeria's economy. In 1983, Nigeria's gross domestic product shrank 4.1 percent; in 1984, it fell another 6.7 percent.¹² Public dissatisfaction with the economy was a major reason for the successful August 1985 *coup d'etat* by high-ranking officers of Buhari's government.

Homegrown Reform. Upon taking power, Babangida embarked on a new economic course. He wisely rejected a typical austerity-based International Monetary Fund (IMF) structural adjustment program. Instead Babangida offered a homegrown economic reform plan, which he calls the Structural Adjustment Program (SAP).¹³ The program, which concluded this year, was designed to encourage economic growth, especially in agriculture and small manufacturing. It dismantled many of Buhari's statist economic policies by abolishing all import licensing, privatizing many government-held Nigerian enterprises, ending government oil subsidies, reducing many state salaries, terminating commodity marketing boards, devaluing the *naira*, and eliminating price controls.

9 *The Washington Post*, June 13, 1988, p. A15.

10 "Background Notes: Nigeria," U.S. Department of State, August 1987, p. 7.

11 Jon Kraus, "Economic Adjustment and Regime Creation in Nigeria," *Current History*, May 1989, p. 233.

12 *The Nigerian Structural Adjustment Program: Policies, Impact, and Prospects*, The World Bank, September 30, 1988, p. 5.

13 SAP has since been endorsed by the International Monetary Fund (IMF).

The Nigerian economy has responded well. After four years in which Nigeria's gross domestic product declined or increased only slightly, the economy grew an estimated 4.1 percent last year and is expected to grow at the same rate this year.

"Night and Day."

Babangida has repealed many policies discouraging foreign investment. Corporate income tax rates have been reduced from 45 percent to 40 percent. Capital and dividends of foreign corporations can now be more easily returned to host countries. And foreigners are now permitted to own up to 100 percent of most businesses. Previously, most companies in Nigeria had to have local equity participation of 40 percent to 60 percent. An American businessman with a decade of business experience in Nigeria told the *New York Times*: "For those who know Nigeria, the climate is so improved that it's the difference between night and day."¹⁴

One of the most important initiatives of Babangida's economic reforms has been

privatization. He announced in July 1988 the full privatization of 67

Nigeria Economic Profile

Per Capita Gross National Product (in current U.S. dollars):

1988: \$308
 1987: \$370
 1986: \$700
 1985: \$950
 1984: \$900
 1983: \$980

By Comparison, 1987 per capita GNP

U.S.:	\$18,530
Argentina:	\$2,360
India:	\$300
Chad:	\$150
Kenya:	\$330
Mozambique:	\$170
Zaire:	\$150

Exports to U.S. (constant \$ U.S.)

1988: \$3.536 billion
 1987: \$3.767 billion
 1986: \$2.681 billion
 1985: \$3.1 billion
 1984: \$2.6 billion
 1983: \$3.8 billion

Imports from U.S. (constant \$ U.S.)

1988: \$356 million
 1987: \$295 million
 1986: \$403 million
 1985: \$652 million
 1984: \$575 million
 1983: \$861 million

Source: *Foreign Economic Trends and Their Implications for the United States*, U.S. Embassy, Lagos, March 1989, p. 2., *World Tables*, The World Bank, (Baltimore, The Johns Hopkins University Press, 1989), p.437, and Department of Commerce sources.

14 James Brooke, "Ailing Nigeria Opens Its Economy," *The New York Times*, August 15, 1988, p. D4.

state-owned companies in such sectors as agriculture, insurance, and tourism, and the partial privatization of 25 additional companies in such sectors as air transport, banking, oil marketing, shipping lines, and steel mills. Privatization has transformed some of the nation's largest enterprises, including Aba Textile Mills, African Petroleum, Flour Mills of Nigeria, and National Oil and Chemical Company.

As state enterprises, most of these businesses ran huge deficits because they had no incentive to operate efficiently and were prohibited from increasing prices to cover rising costs. As a result, most Nigerian state-owned enterprises could not afford to modernize or even replace broken equipment. Example: The operational locomotives of the state-owned Nigerian Railway Association declined 80 percent between 1982 and 1988. And because state-owned Nigerian Airways was unable to pay its bills to foreign airports, its aircraft were seized last year in Britain, Denmark, and France.¹⁵

Privatization Enthusiasm. Though some state-owned enterprises are in such dismal financial condition that privatization attracts no investors, Nigerians have responded enthusiastically to most newly privatized enterprises. For instance, the privatization of Flour Mills of Nigeria, according to *African Business*, "met with an enthusiastic reception from the people, and within the first week of its operation, share forms ran out."¹⁶

One of Nigeria's most widely discussed economic problems is its \$30.5 billion foreign debt, owed primarily to European and American banks and such multinational financial institutions as the World Bank.¹⁷ This makes Nigeria black Africa's most indebted nation, and one of the world's top five debtors. Though Babangida's promising economic reforms have prompted Western creditors to reschedule some of this debt, 25 percent of Nigeria's export earnings during the first half of last year went to servicing the foreign debt.¹⁸

Foreign debt is not the root of Nigeria's economic hardships; it is a symptom. Foreign debt is most damaging to underdeveloped nations whose economies are stagnant. For growing economies, debt is relatively manageable if the economy grows faster than the debt. In Chile, for instance, free market reforms, combined with policies designed to foster foreign and domestic investment, have led to economic growth which, in turn, has eliminated \$1.9 billion of Chile's foreign debt in three years.

Managing Debt. Nigeria can learn from this example. By continuing free market reforms, the Nigerian economy will continue growing, thus boosting government revenues. Free market reforms also will continue to make Nigeria more attractive to potential investors; many may be interested in

15 Kraus, *op. cit.*, p. 236-237.

16 Jato Thompson, "Buyers do want a piece of the action," *African Business*, April 1989, p.43.

17 Peter T. Kilborn, "Rough Going for U.S. Debt Plan," *The New York Times*, July 8, 1989.

18 *Foreign Economic Trends and Their Implications for the United States*, U.S. Embassy, Lagos, March 1989, p. 6.

debt-equity swaps, a debt-reduction tactic whereby creditor banks sell investors debt at a discount to be exchanged for equity shares in an enterprise in the debtor country, or for bonds from the country's government. The Babangida government has expressed an interest in pursuing this debt reduction tactic, which has proved successful in such countries as Chile and Uruguay.

Expanding Agriculture and Small Manufacturing. Another economic challenge facing Nigeria is to promote growth in the economy's non-oil sector. Despite the global fall in oil prices, oil revenues still produce 90 percent of Nigeria's export earnings.¹⁹ To diversify exports, Babangida is pushing small manufacturing and agriculture. Both were largely neglected during the 1970s. Due largely to Babangida's SAP reforms, the small manufacturing and agricultural sectors are expanding robustly, accounting for much of last year's growth in the Nigerian economy. Agricultural production increased by 3.8 percent in 1988, accounting for 41.2 percent of gross domestic product. Manufacturing and construction each rose by 3.6 percent, accounting for 10.0 percent and 4.3 percent, respectively, of gross domestic product.²⁰

One reason the agricultural sector has begun to grow is that Babangida has eliminated commodity marketing boards, those state-controlled food distribution centers that previously set agricultural prices. Few institutions cripple Third World farming as much as these marketing boards. Until 1987, Nigerian cocoa farmers were forced to sell their cocoa at below-market prices to state-run marketing boards, which then resold the cocoa to the public.

In theory, the boards were designed to maintain stable cocoa prices. In reality, the cocoa boards opened the door for state corruption, and prohibited cocoa farmers from charging the price they needed to cover their production costs. The result: cocoa production fell dramatically as many farmers went out of business or decided to grow other products. In 1982, Nigerian cocoa production stood at 174,000 tons. By 1984, production had fallen to 140,000 tons; by 1986, production fell still further to 123,000 tons.²¹

Soaring Cocoa Production. Babangida eliminated cocoa boards in 1987, permitting farmers to sell cocoa on the open market. The result: production increased almost immediately by a third, and cocoa is now a major export, earning more than \$200 million in foreign currency last year.²² Because the increase in cocoa production and earnings has spurred farmers to pay taxes more promptly, state revenues have increased.²³ Boasted Governor Olabode

19 "Recipe for a refined solution," *South*, August 1988, p. 93.

20 *Foreign Economic Trends and Their Implications for the United States*, March 1989, *op. cit.*, p. 6.

21 Bola Olowo, "The Cocoa Price War," *West Africa*, March 13-19, 1989, p. 387.

22 "Trade and Resources," *South*, August 1989, p. 23.

23 Olowo, *op. cit.*, p. 388.

George of Ondo state in southwest Nigeria: "We are not running after them to pay their taxes anymore. Taxes are being paid promptly."

An area in which the Nigerian government can make substantial progress is in cutting wasteful government projects. Enormously wasteful are two projects: the \$1.8 billion Ajaokuta steel works and the effort to build a new capital at Abuja in the middle of the bush in central Nigeria. In Abuja, the government has built three five-star hotels, one of which has closed for lack of business and another whose occupancy is estimated to be only 6 percent.²⁴ Such projects damage Nigeria's reputation among Western creditors. Says a Western diplomat: "It is like the Nigerians are going to the bank manager asking for more credit while they have got the Rolls Royce purring outside on the street."²⁵

Babangida's economic reforms, however successful, face domestic challenges. First, Nigerians are becoming increasingly impatient with what is widely perceived as too slow a recovery. In the past two years, riots have broken out several times over high consumer prices. Second, efforts to privatize inefficient state-owned enterprises and trim waste from the government bureaucracy are opposed, predictably, by those bureaucrats who stand to lose political and economic influence.

THE ROAD TO DEMOCRACY

Though Nigerians have spent most of their post-colonial history under military rule, they have been consistent and vocal advocates of democracy. As a result, no military government in Nigeria survives long without promising to return the country to civilian and democratic rule.

Babangida rules Nigeria through a 19-member Armed Forces Ruling Council (AFRC). He announced in January 1986 that he intended to restore civilian rule to Nigeria by 1990. He also appointed a 17-member commission to research the reasons why Nigeria's two previous attempts at democratic rule failed, and how the current government should proceed toward democratic rule.

The phased return to democracy is progressing well. Local elections were held last year. This May, Babangida lifted the longstanding ban on party politics. Elections for state legislatures and governors will be held next year. A national census is to be taken in 1991, and elections for the federal legislature and presidency are scheduled for October 1992.

Potential Pitfall. Because Nigeria is extremely diverse, with some 250 separate ethnic groups, a pressing concern is that democratization could ignite ethnic, religious, or regional conflict, replaying the bitter and bloody Biafra civil war of 1967 to 1970.

²⁴ *The Washington Post*, June 13, 1988, p. A15.

²⁵ *Ibid.*

To avoid ethnic tensions, Babangida proposes that only two political parties be permitted to field candidates in the elections and that each party be required to have representation throughout the country. In this way, Babangida hopes that each political party will be composed of many different political and ethnic groups, making ethnic conflict less likely. This seems like a sensible idea. Less promising is the demand by the military that it choose the two parties to be allowed to participate in the elections. This indicates that the military intends to involve itself directly in influencing Nigeria's political future.

The two party system established by Babangida, of course, raises the question of what non-approved parties will do. The problem of ethnic and regional diversity best may be served by a more decentralized, federalist political structure that offers all Nigerians at least limited political opportunities. Placing greater power in the states and communities perhaps can accommodate Nigeria's religious and ethnic diversity, thus minimizing the chances for religious or ethnic conflict. This already has been endorsed by the political bureau that Babangida appointed to research why democratic rule has not succeeded previously in Nigeria. In its report to him of March 27, 1987, it called local governments "the basic unit for the administration and development of the country."

Unusual for Africa. Nigeria already possesses a well developed democratic infrastructure. Unusual for Africa, Nigeria has a flourishing free press, with over 20 daily newspapers. Its legal system is largely independent and objective for Africa. And many independent groups and business associations support free elections and free market values. Even under Nigeria's authoritarian governments, these institutions survived as pockets of support for economic and political liberty.

Nigeria's religious and ethnic diversity also has made it difficult for authoritarian governments to consolidate their rule. Most of these groups fear that a strong central government is less likely to tolerate local diversity. As a result, most religious and ethnic groups outspokenly oppose political authoritarianism and a highly centralized government. Most support some sort of democratic confederation, where political power is decentralized.

AMERICAN POLICY TOWARD NIGERIA

In formulating its policy toward Nigeria, the Bush Administration's primary objective should be to encourage and assist the Babangida government's free-market economic reform and a transition toward a democratic political system. Because the U.S. has limited influence in Nigeria, it should coordinate its policy with other Western nations to assist Babangida in achieving these objectives. As Nigeria's former colonial ruler, Britain is especially influential in Nigeria.

The U.S. should:

◆ ◆ Help Nigeria strengthen its democratic infrastructure.

This could be done through such U.S. agencies as the National Endowment for Democracy (NED) and the United States Information Agency (USIA). The U.S. should identify and assist, through NED, Nigerian organizations supporting democratic values. Groups that NED could consider funding are the Nigerian Chamber of Commerce, which conducts educational programs on free enterprise; the Trial Lawyers Association, which holds conferences on democracy and human rights; and such independent publications as the Lagos-based *Newswatch* magazine, which covers Nigeria's political and economic reforms. Because one of five of the world's blacks is a Nigerian, the American black community may consider assisting the building of Nigeria's democratic infrastructure by providing moral and financial support for Nigerian groups supporting economic and political liberty.

◆ ◆ Stress the tight link between economic development and democracy.

In discussions with Nigerian leaders, the U.S. should stress the importance of economic development in Nigeria's democratic reforms. Economic malaise was at least partly responsible for the overthrow of Nigeria's two previous democratic governments. By promoting economic development at all levels, through continued free market reform, the Babangida government can assist in laying the foundation for a peaceful transition to civilian rule. History teaches that democracy thrives only in societies that respect economic liberty.

● ◆ Encourage continued free market reforms in Nigeria.

The Bush Administration should commend Babangida on the free market reforms already taken and urge him to continue. As a reward for these reforms, the U.S. next year should give Nigeria \$10 million more than the \$26.5 million in health and child survival assistance granted Nigeria this year. The U.S. should inform Nigeria that it could expect additional assistance if progress continues toward political and economic liberty. Such increased economic assistance could be granted if Nigeria removes import prohibitions on American food products, curbs corruption and wasteful spending programs, fully privatizes those enterprises (like banking and transportation) still in government hands, and completes the phased democratization process on schedule by October 1992. To assess how well Nigeria is doing with its reforms, the Bush Administration should use the Index of Economic Freedom proposed by Senator Connie Mack, the Florida Republican, and by the *Development and the National Interest* report of the U.S. Agency for International Development. The U.S. also should continue to encourage Nigeria to diversify its economic base, especially in agriculture and small manufacturing.

◆ ◆ Assist privatization.

Babangida supports extensive privatization of inefficient state enterprises, but confronts major opposition from the Nigerian Labor Congress (NLC), an organization of 42 industrial unions. Officials at the U.S. Agency for International Development should counsel Babangida on specific privatization strategies. Example: the U.S. should urge Nigeria to pursue Employee Stock Ownership Plans, where stock in companies is sold directly to its workers, giving workers a stake in the future of the corporation. This tends to increase popular support for privatization measures.

◆ ◆ Encourage further American investment in Nigeria.

The Bush Administration should commend Nigeria publicly for eliminating many of the restrictions and regulations that have discouraged Americans from investing in Nigeria. In exchange for continued liberalization of investment restrictions, the Department of Commerce should alert the American business community to investment opportunities in Nigeria. Nigeria's primary language is English, and with its liberalized foreign investment regulations and promising free market reforms, the country is an increasingly promising location for American investment.

◆ ◆ Encourage the Nigerian government to pursue debt-equity conversions as a means of trimming Nigeria's foreign debt.

Babangida says that he strongly endorses debt-equity swaps by which Nigeria reduces its foreign debt while foreign investors buy stakes in Nigerian firms. The U.S. should help organize these swaps by providing potential American investors with information about this program.

◆ ◆ Press for improvements in human rights.

Washington should continue to encourage Nigeria to respect such basic human rights as fair trials and appeals. Under Babangida, Nigeria has made substantial progress in this regard, but must do more. The U.S. financially can assist Nigerian organizations committed to improve human rights. Organizations meriting support include the Trial Lawyers Association, which holds conferences on Nigeria's human rights situation, and the Civil Liberties Organization, which investigates prison conditions.

◆ ◆ Urge the Nigerian government to lower barriers to imports from the U.S.

Free trade serves both countries. Yet Nigeria bans the import of such American products as barley, corn, malt, poultry, rice, wheat, and other food products. This boosts the prices of many food products for Nigerians and creates black markets. The U.S. should condition any future increase in economic assistance to Nigeria on the removal of these import barriers.

CONCLUSION

Nigeria may be at the most important political and economic point of its post-colonial period. Should President Babangida succeed in democratizing his country by 1992 and introduce a free market economic system, Nigeria could become one of Africa's few political democracies with a steadily growing economy. With Africa's largest labor and consumer market and considerable natural resources, the only barrier to continued economic growth in Nigeria is a reversal in Nigeria's free market reform program. Though there are no guarantees that Babangida will succeed, even the possibility of such political and economic reforms is remarkable for a country that has in times past been considered among the most corrupt and authoritarian nations in West Africa.

Emerging Bastion of Freedom. The U.S. has an important role to play in encouraging economic development and democracy in Nigeria. The U.S. should use agencies such as the National Endowment for Democracy and the United States Information Agency to strengthen Nigeria's democratic infrastructure, and urge Babangida to continue his impressive free market reforms. The U.S. should assist the Nigerian government in devising market-oriented solutions to retire the country's foreign debt. Finally, the U.S. should praise the Nigerian government as an emerging bastion of freedom and democracy in authoritarian-ridden Africa, and reward it with increased economic assistance as it passes milestones on the road to democracy in 1992.

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