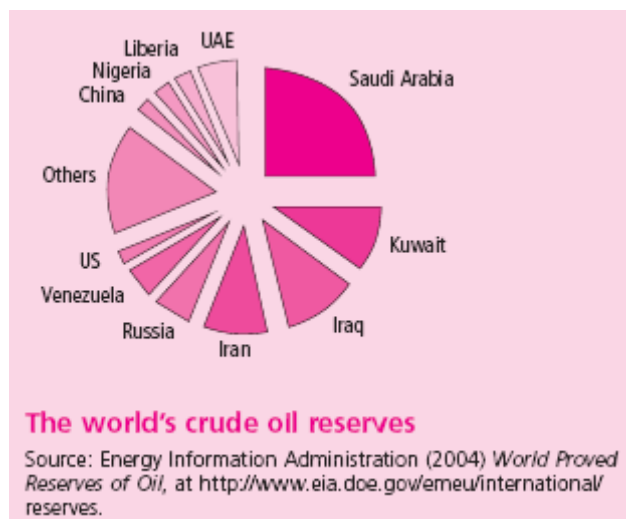


## Testing times for democracy in Nigeria

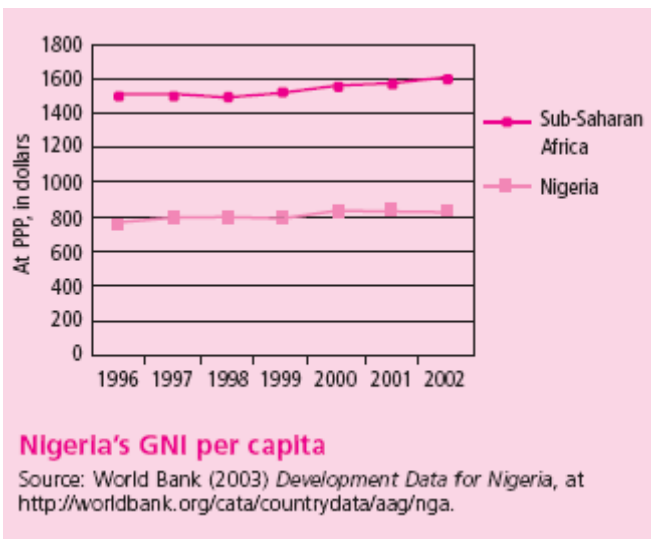
Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison

Nigeria, Africa's most populous state with a population of 120 million, is one of the world's largest producers of crude oil (see figure). Yet the 40 years since the country gained independence have seen a torrent of ethnic strife, military government, corruption and widespread poverty. Since 1999, Nigeria has had a democratically elected civilian government, headed by President Obasanjo, who is attempting to unite three traditionally hostile ethnic groups into a federal republic: the Muslim north, the Yoruba people of the southwest and the Ijaw people of the delta region, where the oilfields are situated. Mutual distrust has made it difficult for the federal government to establish the sense of legitimacy needed to bring about stability and economic reform. Regional political leaders in the country's 36 state governments and 774 local governments wield considerable political power in the own territories, bolstered by control over nearly half the national oil revenues. In a context of weak mechanisms for accountability and disclosure, corruption is able to flourish relatively unchecked. A leading human rights activist has said: 'Authoritarianism provides a kind of negative stability. Democracy creates space to do a lot of things, sometimes bad things, dangerous things. So democracy brings greater challenges to keep Nigeria together' (Vick, 2000).



Obasanjo's critics say that he has been weak in dealing with corruption and poor governance, noting the continued presence of officials from the military era. Conflict between ethnic groups has focused on political and social issues which go back to the military era, when local governments were set up. In Warri, in the oil-producing delta region, there have been violent conflicts between the Ijaw and Itsekiri ethnic groups. The Ijaw claim that they have too little representation in the regional government, proportionate to their population, and that the Itsekiri are overrepresented. This dispute highlights the problem that political boundaries cut across ethnic groups' traditional communities. The armed violence between the groups in 2003 had a direct impact on the oil industry, causing the multinationals to temporarily shut down more than a third of the country's oil production.

In the oil-producing delta region, some of the world's richest multinationals rub shoulders daily with its poorest inhabitants, but the local people see little of the wealth. Nigeria's people are among the world's poorest in terms of GNI (see figure), 70 per cent of the population live below the poverty line of less than \$1 a day and nearly two-thirds of adults (over 15) are illiterate.



The major oil companies, including Nigeria's biggest producer, Royal Dutch Shell, operate as joint ventures with the state-owned Nigerian National Petroleum Corporation, providing more than 75 per cent of the federal government reserves. The efforts of the joint ventures have been hampered by a growing level of organized crime to steal oil from the delta's oilfields. Organized groups have been able to siphon off large amounts of oil, ship it out on barges and use the proceeds to buy arms. In 2003 it was estimated that the theft was the equivalent of a 95,000-tonne oil tanker being hijacked every week.

Building improved relations between the multinationals, the government and local people is a priority for restoring prosperity and security to the Niger Delta. People expected both the government and the multinationals to tackle pollution and crime and bring improvements in their economic situation and quality of life. The multinationals remain guardedly hopeful that relations are improving as their improved knowledge and sensitivity about community needs increases. Moreover, oil production is gaining momentum at more remote offshore sites, where the oil reserves are greater than on onshore sites. However, Nigeria's democratic transition, which was seen at its inception in 1999 as offering the best platform for dealing with the country's complex problems, has not as yet yielded the stability, accountability and transparency that it needs in order to make strides with its development agenda.

Sources: Vick, K., 'A delicate democracy', *Washington Post*, 29 January 2000; Holman, M., and Wallis, W., 'In office but out of power', *Financial Times*, 30 March 2000; Hawkins, T., 'Cornerstone of economic reform', *Financial Times*, 30 March 2000; Peel, M., 'Nigerian oil cutbacks continue as ethnic violence takes its toll', *Financial Times*, 30 September 2003; Goldman, A., Peel, M. and White, D., 'Nigeria suffers from slick operation to steal its crude', *Financial Times*, 29 May 2003; Peel, M., 'Deep well of troubles in Nigeria', *Financial Times*, 9 June 2004; Peel, M. and Mahtani, D., 'Nigeria wants a clean start from creditors, but is it doing enough to help itself?' *Financial Times*, 30 May 2005.

### Case questions

What are the difficulties faced by Nigeria's young democracy?

What is the role of foreign multinational companies in the country's development?

@ The website of Royal Dutch Shell is [www.shell.com](http://www.shell.com)