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Essay

Challenges to investments in Nigeria

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About

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Challenges to investments in Nigeria

*“It would be better not to know so many things
than to know so many things that are not so.”*

— Felix Okoye, Nigerian Author

The emerging market of Nigeria is, by many, considered as a high-potential country in terms of being an investment destination: The economist O’Neil considers Nigeria among the Next-11 being one of 11 world’s most dynamic emerging economies (Goldman Sachs, p.11 f). Yet today Nigeria is Africa’s biggest economy with a nominal GDP among the biggest 25 economies in world, hosting the biggest manufacture sector in Africa, producing a wide range of goods for the West-African market (ibid.) especially in telecommunications, agriculture and services (CIA 2018). Nevertheless, several sources of instability and insecurity are still present in Nigeria, proving challenge to organizations wishing to invest. Two of these sources are:

- Corruption
- Terrorism

1.) Corruption: A major source of instability in Nigeria is corruption, that can be described as corruption within businesses, as the LSE course material notes on the example of the oil industry of Nigeria (LSE M6 U3 Notes), but also as corruption within institutions (Transparency International 2018:b). Corruption in general, as a term proposed here, is “the misuse of entrusted power for private gain” (Transparency International 2018:a) leading to distortion of competition and – for economic activity unfavorable – unpredictable arbitrariness. The LSE course material notes “that corruption in Nigeria creates a situation where 80 per cent of the oil revenue benefits only one per cent of the population” (LSE M6 U3 Notes). In 2018 Nigeria was ranked at place 148 out of 180 of most corrupt countries (Transparency International 2018:b). As the LSE course material notes corruption in general, among other sources, raises the likelihood of conflict (encouraging militant social movements or terrorism), since it fosters an environment of exclusive growth (LSE M6 U3 Notes). In Nigeria still 62% of the population is excluded from the creation of wealth (CIA 2018). Improvement of governance in Nigeria would need to target a stabilization by influencing “the rate of post-conflict recovery” (ibid.), distributing wealth and strengthening comprehensive business conducts and transparent government

institutions. Transparency International (2018:c) suggests the implementation of self-declared measurements to counter corruption, or, for instance, by realizing more transparent public-private partnerships (ibid).

- 2.) Terrorism: Another source of insecurity in Nigeria is terrorism (CIA 2018). As the LSE course material notes different forms conflict and instability exist and one of them is terrorism (LSE 2018 M6 U2 Notes). Terrorism, an academically disputed term, is often described as pattern of violent acts carried out to fear populations (or parts of it, state or business officials, often trying to weaken institutions or threaten businesses by attacking infrastructure and fearing workers, aiming to disrupt the existing order of power (Heinke 2016, p. 11 f). Just as corruption terrorism evolves and spreads from a base of injustice and poverty (ibid.). Nigeria has ranked in 2014 at place four of the global terrorism index (Economics and Peace 2015) hosting the jihadist terrorist group “Boko Haram”, mainly active in the countries northeast and known for its brutality and war crimes (Hansen 2014).

Conclusion: Nigeria hosts a fast growing economy, attempting to play a key role in the African economy. The country owns resources like oil and gas, providing foreign exchange earnings. Despite the absence of consensus among economists on how conflict affects economic growth in general (LSE M6 U3 Notes), as the LSE course material describes, corruption and terrorism will hinder investment, FDI and business growth in Nigeria, fostering an environment of investment insecurity, especially in the countries conflicted northeastern part, if no action is taken. Thus, the realization of the country’s huge economic potential will depend on ending poverty, resulting in corruption and terrorism, especially since these sources of conflict and instability are linked as shown above. Furthermore it will depend on creating transparent institutions and businesses, supporting (inclusive and non-violent) education and an implementation of broad political participation possibilities for the Nigerian people, in terms of decision making on the countries destiny.

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Note of understanding: This essay was written in attempt to meet the following question and requirements

“Having selected one of these countries, answer the following question:

1) What two sources of instability and insecurity are present in the region that will prove challenging to an organization wishing to invest there? In your response be sure to address how these sources of instability and insecurity inhibit business growth. Support your argument with evidence from your research.

When writing your essay, you are required to make reference to the course material and other sources consulted as part of independent research, as indicated in the rubric below. (...). Your submission, excluding in-text citations and list of references, **may not exceed 600 words.**”