

## US Economic Policy Towards Nigeria: Implications, Pros & Cons

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### Abstract

Nigeria is the U.S. leading African trading partner. Not only is Nigeria a major power in West Africa, but it remains a major influence on economic and political power throughout the continent. Considering the mutual relationship that has been existing between Nigeria and United States, the U.S. government has enacted some enhanced economic policies that would buttress and fortify Nigeria's economy. But despite the positive impression of U.S. economic policy towards Nigeria, it has been disparaged by some critics for being too passive in the face of Nigerian Government repression. U.S. economic policy in Nigeria has been perceived as a two edged-sword as its implications cannot be over-emphasized. As Nigeria seems to enjoy the benefit, it swindles the nation's socio-economic paradigm. This paper discusses the state of U.S. economic policy toward Nigeria, and its implications. It also elucidates the pros and cons of these policies to Nigeria.

### Introduction

United States is Nigeria's biggest trading partner and undeniably her most important diplomatic partner in Africa. With the nullification of Nigeria's June 12, 1993, presidential election, and in the light of human rights abuses and the failure to embark on a meaningful democratic transition, the United States imposed numerous sanctions on Nigeria (Saidi, 2002). After a period of increasingly strained relations, the death of General Abacha in June 1998 and his replacement by General Abubakar opened a new phase of improved bilateral relations. As the transition to democracy progressed, the removal of visa restrictions, increased high-level visits of U.S. officials, discussions of future assistance, and the granting of a Vital National Interest Certification on counter-narcotics, effective in March 1999, paved the way for re-establishment of closer ties between the United States and Nigeria as a key partner in the region and the continent (Bola, 2004). Since the inauguration of the Obasanjo government to the present administration under Goodluck Jonathan, the bilateral relationship has continued to improve. Cooperation on many important foreign policy goals, such as economic reforms and regional peacekeeping has also been excellent.

United States has supported Nigeria through its foreign policies to sustain democracy and to improve governance by providing training on the roles and responsibilities of elected officials in a representative democracy for newly elected officials. She has also been assisting with conflict prevention and resolution in the Niger Delta, civil military relations, civil society, and political party development (Solomon, 2006). In the economic area, United States through the U.S. Agency for International Development (USAID) supports programs in strengthening economic management and coordination, encouraging private sector development and economic reform, helping Nigeria reap the benefits of African Growth and Opportunity Act (AGOA), improved agricultural technology, marketing, small-scale and micro enterprise development. In addition, health assistance focusing on HIV/AIDS, nutrition, and immunization, education, transportation and energy infrastructure, are priorities for bilateral assistance (Ojiako, 2010).

The precise objective of this paper is to examine U.S. economic policy towards Nigeria, and ascertain the possible implications of this policy on the socio-economy development of Nigeria. The paper will discuss the concept of economic policy, U.S. economic policy and also determine the benefits and shortcomings of U.S. economic policy toward Nigeria.

### Concept of Economic Policy

An economic policy is a course of action that is intended to influence or control the behavior of the economy which is implemented and administered by government (Caleb, 2010). Examples of economic policies include decisions made about government's spending and taxation, about the redistribution of income from rich to poor, and about the supply of money. The effectiveness of economic policies can be assessed in one of two ways, known as positive and normative economics.

Positive economics attempts to describe how the economy and economic policies work without resorting to value judgments about which results are best (Greg, 2008). The distinguishing feature of positive economic hypotheses is that they *can be tested* and either confirmed or rejected. For example, the hypothesis that "an increase in the supply of money leads to an increase in prices" belongs to the realm of positive economics because it can be tested by examining the data on the supply of money and the level of prices.

Normative economics involves the use of value judgments to assess the performance of the economy

and economic policies (Greg, 2008). Consequently, normative economic hypotheses *cannot be tested*. For example, the hypothesis that “the inflation rate is too high” belongs to the realm of normative economics because it is based on a value judgment and therefore cannot be tested, confirmed, or refuted. Not surprisingly, most of the disagreements among economists bother on normative economic hypotheses. The goals of economic policy consist of value judgments about what economic policy should strive to achieve and therefore fall under the heading of normative economics.

### **U.S. Economic Policy**

Barack Obama, new President of US has introduced a comprehensive US economic policy to deal with economic crunch. Though US is facing an economic crisis at present and there is threat of recession, various US economic policies have been undertaken to normalize problems (Powell, 2012). He did not waste any time to launch domestic economic initiatives after assuming his office. He asked Congress to grant him an economic stimulus package worth more than \$800 billion so that he can deal with the present situation. This is an integral part of his economic policy for US which is the most developed and fast growing in world.

As part of his economic policy in US, Barack Obama also had a talk with banking sector to introduce new banking policies for the benefit of its customers. While he is busy with formulation of his economic policy for US, report and sources say that no international policies have been initiated by him. He has remained silent on issues of world recession, which were taken up at various meetings. First preference of Obama’s American economic policy is to improve trade relationships with other countries. Economic conditions of US are going through a difficult phase at present (Gordon, 2012). There has been a constant economic growth in economy of US, not minding that it has faced financial crisis in recent times and its economic growth severely obstructed. Monetary and fiscal policies are being updated and are taken special care of, to stabilize present economic crunch and several US economic policies are introduced by government to make financial sector steady (Jack, 2011).

Economic policies of US are meant to strengthen and solidify economic productivity and growth. However, development and growth are not evenly distributed in recent times. US economic policy puts stress on equality in financial access and health care. Health insurance reforms are however put forward to ensure better health for residents of US (Jack, 2011).

### **U.S. Economic Policy towards Nigeria**

United States foreign policy has been outwardly characterized by its diplomatic and economic encouragement of fledgling democracies around the world. In particular, the nations of Africa are seen to benefit from America’s idealistic foreign agenda. After fifty years of independent struggle and civil war, Nigeria has freely elected a leader who expresses willingness to strengthen his nation’s global position through international trade and assistance.

The United States is working with the Central Bank of Nigeria, Finance Ministry, National Planning Commission, and others to improve the environment for investment in agriculture through policy reform at the national and state level. Micro-investment is hindered by lack of access to market-driven financial services and lack in policy that provides for liberalization of credit institutions. It encourages savings plans with transparency in both the private and public sectors (Nnadi, 2009). U.S. programs help develop a policy climate in which micro, small and medium enterprises have access to credit, encourage investment, stimulate job growth, and build capacity in both the public and private sectors in Nigeria.

The U.S. has implemented a strategy to operate more effectively in Nigeria where non-state actors and illegal trans-border activity can pose major threats to the nation’s peace, unity and economic development. The goal is to develop a network of well-governed states capable through responsible sovereignty of protecting themselves and contributing to regional security and robust economy. By so doing, they also protect the international system (Adam, 2012). Trade initiatives include capacity building in customs regulation and operations, policy reform to encourage internal and external trade for Nigeria, taking advantage of African Growth and Opportunity Act (AGOA) incentives for bilateral trade, and development of the private sector capacity to meet international trade and export standards.

The United States Government enacted the AGOA, a program that allows responsive and responsible partners in Africa to benefit from preferential access to American markets. With 40 countries presently qualified for this program, AGOA has become a cornerstone of U.S. trade and investment policy in Nigeria. The United States has been in the forefront of efforts to forgive the debts owed by Nigeria – but only if her governments first demonstrate her commitment to poverty reduction and good economic management (Ojiako, 2010).

The United States implemented the Millennium Challenge Account (MCA), a revolutionary foreign assistance program that seeks to reduce poverty through sustainable economic growth by awarding sizeable grants -- not loans -- to countries that practice good governance, seek to take responsibility for their own

development, and are committed to achieving results (Jack, 2011). Of the 18 compacts signed to date, ten totaling over \$3.8 billion have been signed with sub-Saharan African countries with Nigeria as one of the major beneficiaries. MCC and AGOA are important programs strengthening Nigeria economic health and underscore the cardinal interest of the United States in the country's economic affairs.

### **Implications of U.S. Economic Policy toward Nigeria**

Nigeria, Africa's largest and most populous country (more than 150 million), is one of the U.S.'s largest trading partner in Africa and the world's ninth largest oil producer. When Nigeria became independent from Britain in 1960, its size, natural resource wealth, and well-educated leadership positioned it as a regional power in West Africa (Samara, 2008). As a member of the Non-Aligned Movement, Nigeria never officially sided with the U.S., but its foreign policies and UN votes did not contradict American interests. The U.S. welcomed Nigeria's political moderation, encouraged its regional prowess, and tolerated a string of military governments, punctuated by brief intervals of civilian rule. Together with Britain, U.S. military assistance and arms sales helped equip Nigeria's army, the largest in Africa. Except for the Biafran civil war (1967-70), Nigeria had been relatively stable (Eugene, 1998).

The United States has not been known as "father Christmas" in the past, and can never be one. The truth of the matter is that U.S. never indulge in a trade that they will not incur huge profit. U.S. economic policies toward Nigeria seem as if they mean well for Nigeria, but it is a sham as they have an ulterior motive behind their benevolence to nation Nigeria. The U.S. buys 44% of Nigeria's oil and four U.S. oil companies are drilling in Nigeria. These four oil companies are: Mobil, Chevron, Ashland, and Texaco. They also have drilling operations in the Nigeria's off-shore and because of these oil companies established in Nigeria's Niger-Delta region by the United States, the U.S. has set up some economic policies toward Nigeria.

Such policies are cosmetic in nature. It is incredible that even till date, Nigeria does not know the exact quantity of crude oil these four American oil companies are lifting and exporting to their country. This is partly due to the high rate of corruption in Nigeria as those who should know and who should verify have been settled with thousands of dollars to keep mute.

With this U.S. economic policy invoke, Nigeria will be over dependent on the United States on economic and socio-political issues thereby, serving as a rubber stamp in the hands of the U.S. government. The U.S. economic policies will make our economy to be ineffective to some extent and will have an interference with the nation's economic policies and this is a bad omen. The U.S. economic policies will engender imperialism in the country leading to inflation and devalue of our local currencies "the naira and kobo".

### **The pros of U.S. Economic Policy toward Nigeria**

Nigeria and 39 other African nations have been approved by President Barack Obama as continuous beneficiaries in 2012, of the US government Africa Growth and Opportunity Act, (AGOA). Under the AGOA, the US President must regularly determine the eligibility of African nations to benefit from the Act, which includes trade favors like tariffs and duty free treatment for goods entering the US from approved African countries (White, 2012). The decision to include Nigeria in the 2012 approved nations is deemed significant coming after the passing of the same sex marriage bill by the Nigerian Senate and the negative responses of the US and other leading western nations. Earlier last year (2012), no sooner after the Nigerian Senate passed the bill, which is yet to become law, the US President issued a presidential order alerting all US government agencies and departments involved in foreign assistance to counter moves by foreign nations against the homosexual communities abroad. That presidential order included the US Trade Representative Office which coordinates U.S international trade issues like AGOA.

U.S. is promoting sustainable and broad-based, market-led economic growth in Nigeria with the aid of her economic policies. While Nigeria has experienced impressive growth rates in recent years, she can still be characterized as a rich country in an impoverished state. The United States aimed to help Nigeria raise income levels, promote sustainable growth that benefits all in a society, open markets for Nigeria exports, reduce barriers to investment, and identify opportunities and comparative advantages (Adam, 2012).

Responding to this challenge, the United States implemented the Millennium Challenge Account (MCA), a revolutionary foreign assistance program that seeks to reduce poverty through sustainable economic growth by awarding sizeable grants -- not loans -- to countries that practice good governance, seek to take responsibility for their own development, and are committed to achieving results. Nigeria has benefited a lot in this program since its inception till date. (Adam, 2012).

### **The Cons of U.S. Economic Policy toward Nigeria**

The environmental pollution from oil drilling engendered by the U.S. oil companies is undeniable in the Niger-Delta where a half million Nigerians make their meager living from farming and fishing. Oil spills have

poisoned the waters, causing massive fish kills and human health problems, while gas fires in oil separation pits have destroyed much of the farmland. Neither any of these American oil companies nor the federal government invests more than a pittance of the oil profits into the Niger-Delta, so poverty is rampant throughout the region.

The United States are sucking Nigeria's oil like parasites through the four oil companies they set-up in Nigeria using their so called economic policies. Such policies are counterfeit. The U.S. economic policies has made it very difficult for Nigeria to become economically self-reliant, rather she depends on U.S. economic policies for survival. It is an uncontestable fact that U.S. economic policies toward Nigeria are detrimental to the economy and socio-political development of the country.

These American oil companies are lifting and exporting an undisclosed quantity of crude oil to their country. They use their economic policies toward Nigeria to divert the attention of the Federal Government and her citizenry from scrutinizing their activities. An attempt to investigate their operations in Nigeria and to decipher the exact quantity of crude oil they export to their country on daily basis has been frustrated with the influence of their so-called economic policies to Nigeria.

### Conclusion

The basic framework for success already exists in Nigeria via the AGOA, MCA, and other collateral programs. There are some minor course adjustments that may warrant consideration; unity of effort should be facilitated in the private sector. This includes continuing formal efforts to leverage opportunities to create public-private sector alliances in the U.S. and vigorous pursuit of opportunities to partner with indigenous NGO's and private enterprise in Nigeria. Emphasis should be on the health, agriculture, and education sectors.

The State Department should engage in some degree of "strategic monitoring" of these activities to facilitate a unity of effort where appropriate. Even in this tough time of economic recession overtaking the world, the United States has not anticipated any reduction in the support that they have provided to Nigeria. They have continued to be a leader in supporting development of Nigeria especially in nation's economic sector through their policies. Nigeria on the other hand should learn how to become economically self-reliant in all ramifications rather than depending on U.S. economic policies. Although U.S. economic policies toward Nigeria seem to be a welcome development, it is somehow detrimental to the economy and socio-political development of Nigeria.

### Recommendations

Bilateral debt should be forgiven. Debt forgiveness will provide Nigeria an opportunity to allocate funds to improve critical infrastructure and provide a much needed stimulus to investment recovery and economic growth. The U.S. should lead by example in this endeavor. Debt forgiveness should be subject to clear and specific conditions. Recipients should be put on notice that forgiveness would be a one time opportunity based upon bilateral agreement on a plan of action for economic recovery. The U.S. future aid should be tied to a good faith effort to institute better economic reform in Nigeria.

It is incumbent on the U.S. to provide the global leadership to assist Nigeria. The National Security Strategy demands it, and much of the world expects it. There is, however, no quick fix. The quest for political and economic freedom, peaceful relations with other states, and respect for human dignity should take patience and resoluteness of purpose. U.S. interests in preventing terrorism, drug trafficking, the spread of AIDS and environmental degradation are significant in Nigeria and are best met by providing greater economic opportunity for all Nigerians. Nigeria should strive to utilize her human and natural resources properly, invest more in agriculture and diversify her national income and avoid sole dependent on oil. Nigeria should also embark on some economic reform programs that will boost her economy, make U.S. economic policies unpopular and ensure all round development in the country.

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