

Written evidence from Dr Michael Butler (IRN0030)

SUMMARY

- Nigeria continues to demonstrate uneven levels of aggregate economic growth, making FCDO aid and investments at least moderately risky in strictly financial terms.
 - This risk is primarily attributable to an undiversified economic base typified by a continuing overreliance on oil exports to attract foreign investment and generate public revenue. These structural conditions are the primary cause of two major contractions in Nigeria's economy in the last decade.
- Despite larger structural challenges confronting the Nigerian economy in the near to mid-term, targeted initiatives focusing in particular on emerging firms in the science and technology sector – primarily but not exclusively through increasing access to credit and capital investment - represents a prime opportunity for FCDO aid and investment.
 - Nigeria's 30-year National Science, Technology, and Innovation (STI) Roadmap, introduced by the Buhari government in 2017 in conjunction with the Economic Recovery and Growth Plan, is a clear signal of Nigeria's strategic interest in attracting FDI to the science and technology sectors and a general awareness with the perils of continued emphasis on resource extraction and exports.
- The FCDO should be aware of, and sensitive to, a stated emphasis on the part of the Buhari government on South-South cooperation viz. technology-related transfers and investment.
 - This emphasis does not pose a direct obstacle unless overlooked in negotiations with the Nigerian Ministry of Science and Technology, the Nigerian Investment Promotion Commission, and other relevant governmental contacts and in the cultivation of public-private partnerships with Nigerian firms.
- Historical and cultural ties between the UK and Nigeria must be skillfully navigated.
 - Consultation with relevant experts in Nigerian politics and society (drawn from fields such as political science, sociology, anthropology, and critical race theory) is strongly recommended.
 - Existing linkages and pathways via Commonwealth and other avenues (such as the Commonwealth Connectivity Agenda) represent opportunities for the cultivation and expansion of investment in science and technology.
 - The FCDO must recognize and accommodate heightened awareness of, and sensitivity to, the legacy of colonialism as well as greater receptivity to post-colonial thought in Nigerian civil society, media, and to a lesser degree among policymakers.
- Beyond socio-cultural and historical challenges, other areas of risk to account for in any new or continued FCDO initiatives in Nigeria include (a) high levels of income inequality and corruption, (b) continued ethnic and religious tensions, particularly in outlying regions, and (c) the poor state of critical infrastructure - including, but not limited to, the electrical grid. All

should be priority considerations associated with FCDO investments in science and technology.

BRIEF BIOGRAPHY

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TESTIMONY

What are the emerging opportunities for aid and investment in the science and technology sectors in Nigeria? How should the FCDO encourage investment in these sectors?

To begin, a sober assessment of Nigeria's overall economic performance is warranted. Over the last decade, Nigeria has demonstrated remarkably uneven levels of aggregate economic growth despite a strong legacy of expansion more broadly after independence (IBRD 2021a). For the most part, the country's excessive reliance on oil exports - which account for over 80% of Nigeria's exports, and half of government revenues (IBRD, 2021b) - is responsible for both outcomes (positive and negative). The current economic situation is especially challenging as a result to the shock caused by the COVID-19 pandemic, which led to a precipitous decline in oil prices as well as risk aversion in foreign and domestic capital markets (*ibid.*).

In Nigeria's case, these two factors seem to be synergistic as a result of the country's lack of a diversified economic portfolio, with the negative consequences of falling oil prices (and revenues) triggering foreign capital out-flight and domestic contraction in capital investment (ADB, 2021). This has directly and negatively impacted Nigeria's emerging tertiary sector and in particular services such as aviation, tourism, and hospitality as well as manufacturing (*ibid.*). Magnifying these problems is the legacy of the 2015-16 recession - Nigeria's first after 25 years of sustained, and high, levels of economic growth (IBRD 2021a). Many available policy instruments were employed in the aftermath of that recession, with the result a three-year recovery (2017-19) to a positive GDP growth rate of 2-2.5% prior to the pandemic along with an approximately doubling of the inflation rate as well as federal deficits (*ibid.*)

More optimistically, it should be noted that a modest recovery for Nigeria's economy has been forecast for 2021 and 2022 based on increasing demand for crude oil as the global economy emerges from the COVID-19 pandemic. Stimulus measures undertaken by the Buhari government are expected to buttress this modest recovery (ADB, 2021). Longer-term forecasts continue to place Nigeria at the vanguard of emerging economies. However, the biggest source

for optimism from the standpoint of the FCDO should be the Nigerian government's recognition of, and established attempts to, address the underlying structural impediments inhibiting sustainable economic growth and diversification of the national economy. In this way Nigeria's economic planning and strategy mirrors the timing and trajectory of other 'petro-states' (such as Saudi Arabia) who have begun to reckon with the reality of a disordered economy predicated on a finite and non-renewable resource as the primary source of national income.

To this point, targeted investment in emerging firms in the science and technology sector represent a potentially significant, high-impact opportunity for FCDO investment. This is a point of emphasis in Nigeria's national Economic Recovery and Growth Plan 2017-2030 (see: <https://statehouse.gov.ng/policy/economy/economic-recovery-and-growth-plan/#:~:text=The%20Economic%20Recovery%20and%20Growth,the%20nation's%20most%20priceless%20assets>). This emphasis is clearly reflected in Nigeria's 30-year National Science, Technology, and Innovation (STI) Roadmap, introduced by the Buhari government in 2017.

The STI Roadmap is a clear signal of Nigeria's strategic interest in attracting FDI to the science and technology sectors, which in turn suggests a receptive climate in Nigeria for targeted and deftly managed (see below) initiatives on the part of the FCDO. The Roadmap also appears to rest on a foundation of systematic and rigorous analysis predating the 2015-16 recession. Policy-oriented research emanating from the Nigerian academy and think tanks has long pointed to the need to address this deficiency in light of the inability of technological spillovers from other more robust economic sectors to materialize (Adenle, 2015; Awosusi & Awolusi, 2014). The need for foreign investment is compounded by the chronic underfunding of R&D by the Nigerian government, which for three decades beginning in the 1980s was less than half the global average (0.2% v. 0.4%) and lower than numerous other African countries with far smaller economies (Adenle, 2015).

A two-pronged focus seems advisable, distinguishing larger and more established firms (often with closer proximity to the public sector) from small to mid-size 'start-ups'. A particular area of opportunity in relation to more established firms is investment in modernization and streamlining of production facilities and the introduction of more modern equipment, which has lagged in comparison to the impact of FDI on labor productivity and manufacturing (Flora, Tian, and Ezezue, 2020). Conversely, smaller firms seem largely focused on e-commerce and other retail services; a recent survey of firms of this type shows growth potential often thwarted by lack of access to credit and by the unreliability of the electrical grid (Ramachandran, Obado-Joel, Fatai, Masood, and Omakwu, 2019). An acute need here is increased access to financial institutions and venture capital (*ibid.*). Such access is considered a feasible corrective to the absence of expected spillover from FDI in other sectors, particularly if increased access to capital investment can be targeted to smaller firms with greater absorptive capacity *viz.* newer technologies and knowledge exchange, as well as technical education of their workers (Anowor, *et al.* 2013; Dutse, 2012).

What opportunities and challenges do the UK's historic links with Nigeria pose when considering the future partnership between the two countries?

The greatest non-financial risk relative to FCDO investment and aid to Nigeria relates to the continuing legacy of colonialism and its persistent, and even renewed, echoes in Nigeria and West Africa more generally (Niang, 2020). This risk is eminently manageable, but doing so requires the FCDO to skillfully navigate historical and cultural ties between the UK and Nigeria.

Opportunities in this regard reside largely in the realm of existing institutional architecture. The most relevant and profound are the existing linkages and pathways through the Commonwealth, as well as bilateral relations. The Commonwealth Connectivity Agenda stands out as a particularly relevant and recent mechanism for the cultivation and expansion of investment in science and technology. The bilateral relationship can also offer a comparative advantage, particularly given the large Nigerian expatriate community living and working in the UK. On a secondary basis, the UK's continuing influence within international institutions such as the World Bank, IMF, and G-7 can be brought to bear to promote policy initiatives that facilitate the much-needed diversification of the Nigerian economy – with these initiatives in turn providing a natural complement to targeted FCDO investments within the country (see above).

The challenges inherent in the relationship are, or should be, self-evident and I sincerely apologize if any of the following comments are insulting as a result. Nevertheless, they are deserving of reiteration. Those challenges stem entirely from the legacy of colonialism and perhaps especially the broader reckoning with that legacy in Nigeria, Africa more generally, and globally among peoples of the African diaspora. Greater awareness of, and sensitivity to, that legacy and the ways in which it continues to afflict Nigerian politics and society and inhibit the country's ability to capitalize on its abundant natural resource endowments (as discussed earlier) are issues which can no longer be avoided or ignored. Apart from the generalized potential to complicate any initiatives, this aspect of the UK-Nigeria relationship – if not handled delicately but also with honesty and transparency - could especially obstruct and undermine efforts undertaken via Commonwealth ties or bilateral efforts involving Nigerians or British Nigerians in the UK in light of the ramifications of colonialism which resonate and reverberate through both pathways.

Ultimately the FCDO would be well-advised to avoid even the suggestion of inevitability about an expanded relationship with Nigeria based on historical and cultural ties. Similarly, the FCDO should go to great lengths to avoid any appearance of Nigeria and the Commonwealth as a 'fallback' in light of Brexit. Economically as well as culturally, Nigeria has undergone and continues to undergo rapid transformation in the last two to three decades, and (rightly) views itself as a leader on the African continent as well as a burgeoning and emergent economic powerhouse. This further underscores the need for the FCDO to carefully consider and operate within the basic blueprint provided by the Buhari government's STI Roadmap. It also underscores the imperative to recognize and accommodate heightened awareness of, and sensitivity to, the legacy of colonialism as well as greater receptivity to post-colonial thought in Nigerian civil society, media, and to a lesser degree among policymakers. To this end, consultation with relevant experts in Nigerian politics and society (drawn from fields such as political science, sociology, anthropology, and critical race theory) is strongly recommended.

How should the FCDO take account of and mitigate potential inhibiting factors to investment (such as corruption, security, human rights abuses)?

It is important to underscore the extreme levels of economic inequality which persist in Nigeria, and which further contribute to the risk/reward calculation of any FCDO investment in the science and technology sector. Nationally, 40 percent of Nigerians (over 80 million people) live below the poverty line, with continued ramifications from COVID-19 threatening to generate further human insecurity (IRDB, 2021b). This common feature of resource extractive economies is especially pronounced in Nigeria, and serves as a foundation as well as a magnifier for related sources of risk such as widespread political and private sector corruption, ethnic conflict, and persistent human rights abuses under successive Nigerian governments.

Beyond the need to grapple with the socio-cultural and historical implications of colonialism and the heightened public consciousness of those implications in the present, other areas of risk to account for in any new or continued FCDO initiatives in Nigeria can be identified. These include: (a) high levels of corruption, (b) continued ethnic and religious tensions, particularly in outlying regions, and (c) systematic and extensive human rights violations. These problems are well-chronicled in the academic and policy literature and are certainly familiar to the FCDO. Taken in turn, each of these pose distinct challenges for the effectiveness of new or expanded investment in the science and technology sector. Recent scholarship has demonstrated the suppressing effects of corruption on FDI in-flows (Zangina and Hassan, 2020).

Moreover, the human rights record of the Nigerian government remains a concern, particularly with respect to restrictions on civil liberties for dissidents and highly militarized state responses to insurgent and terrorist activity in outlying regions of the country, especially (but not limited to) the counter-terrorist campaign against Boko Haram in Borno State. The Nigerian government has a long and checkered history particularly with engagements with ethnic minorities in peripheral regions, such as the Ogoni (Manby, 2000). Buhari's role in the military coup in the mid-1980s and ensuing and widespread crackdown on dissidents magnifies the significance (and scrutiny) of the activities of government and affiliated security forces.

RECOMMENDATIONS

- Targeted investment in emerging firms in the science and technology sector represent a potentially significant, high-impact opportunity for FCDO investment.
- The STI Roadmap provides a coherent framework of priorities for the FCDO and other potential investors and should serve as the baseline for discerning investment strategies and initiatives by the FCDO.
- A two-pronged focus is advised, whereby the FCDO distinguishes larger and more established firms from small to mid-size 'start-ups'. A particular area of opportunity for the FCDO in relation to more established firms is investment in modernization and streamlining of production facilities and the introduction of more modern equipment. Related to smaller firms, an acute need to target is increased access to financial institutions, credit, and venture capital.
- Skillful diplomatic navigation of the UK-Nigeria relationship is imperative to the success of any FCDO initiatives, in light of the legacy of colonialism as well as the changed (and changing) social and cultural consciousness of that legacy in Nigeria and beyond.
- Both Commonwealth arrangements and bilateral approaches offer useful avenues for cultivating and enhancing the UK-Nigeria relationship moving forward – a useful goal in general, and a critical one from the standpoint of FCDO investment in and aid to the science and technology sector.
- At the same time, each uniquely underscores the need for honesty and transparency regarding the history of UK-Nigeria relations and in particular the need for FCDO personnel to engage with relevant experts in Nigerian politics and society drawn from fields such as political science, sociology, anthropology, and critical race theory.

- Continued and/or expanded consultation with the existing academic and policy literature on intervening factors such as corruption, ethnic and religious conflict, and human rights violations in Nigeria should be a priority for the FCDO.

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