

MACROECONOMIC CONSEQUENCES OF TERRORISM IN NIGERIA

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ABSTRACT

Reflecting the global situation, terrorist activities have in recent times been on the upswing in Nigeria with attendant effects on lives, properties, and the smooth functioning of the economy. Because terrorism creates fear, it impacts on the business climate, domestic and foreign investments and by consequence general economic activities. However, the specific impact of terrorism in any local context is conditioned by several factors such as the type of terrorism that it is and the nature of the state's response to incidence of terrorism. Hence, this paper examined the impact of terrorism on selected indicators of macroeconomic performance in Nigeria. The paper argued that terrorism has had significant impact on production activities and economic growth but little impact on foreign direct investment. It also submits that terrorism has led to increased government spending on internal security with crowding out effects on social and development spending. Appropriate recommendations were offered.

Keywords: Terrorism, Economy, Nigeria, Security,

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Introduction

Since the 1980s, the Nigerian polity has been bedeviled by a myriad of socio - economic ills that have turned the once buoyant economy into one of the least developed in the world. From political instability to infrastructural decay, massive corruption and now terrorism Nigeria has had to contend with forces that seem to be beyond the capacity of the nation's leaders to manage. Terrorist activities have been on the upswing globally and Nigeria has not been exempted from the problem. NCTC (2011) showed that Africa experienced 978 attacks in 2011 representing 11.5% increase over that in 2010 with Nigeria accounting for about 14% of this figure mainly due to the activities of the currently dominant terrorist group *Boko Haram*. Attacks from *Boko Haram* was 136 in 2011 compared to 31 in 2010. In fact, in 2011 Nigeria ranks first and tenth in Africa and the world respectively in terms of the incidence of terrorism.

Table 1: Incidence of Terrorism; Top 10 Countries, 2011.

S/N	Country	No of Attacks	No. of Deaths
1.	Afghanistan	2872	3353
2.	Iraq	2265	3063
3.	Pakistan	1436	2033
4.	India	673	479
5.	Somalia	614	1101
6.	Colombia	424	305
7.	Thailand	305	238
8.	Russia	238	189
9.	Israel	189	n.a.
10.	Nigeria	189	593

Source: Adapted from NCTC, 2011.

Terrorism has implications for national and global welfare. Because it creates fear, terrorism affects the political environment and social well being. On the economic front, terrorism impacts on the business climate and on both domestic and foreign investments. It increases business risk and by implication impacts on operational cost. The need to strengthen security measures to combat terrorism crowds out social spending on education and health with negative consequence for human development.

Given this scenario, this paper attempts to examine the impact of terrorism on the Nigerian economy. It examines, from an economic perspective, the impact of terrorism on selected indicators of macroeconomic performance. Appropriate recommendations were given.

The Concept of Terrorism

A plethora of definitions exist as to what constitute terrorism and no single definition has found universal acceptability. Most definitions however agree that terrorism is (i) associated with such factors as the deliberate use of violence and intimidation directed at a large audience; (ii) directed at intimidating or coercing a community or its government; and (iii) aimed at forcing the state or people into conceding some politically or ideologically motivated demands. Fletcher (2006) thus noted that the key aspects usually to be found in terrorist acts, albeit not at the same time include: violence, victims, harm to the state, a cause, organization, elements of theatre or exhibitionism, and lack of sense of guilt, among others.

In this regard, Krueger (2007) defines terrorism as the premeditated and deliberate use of violence by a politically-motivated individual or group of people along with intimidation or threats towards a social group, exerted via immediate victims while Enders and Sandler (2002:145) in Schneider, Bruck and Meierrieks, (2009) defined it as the premeditated use or threat of use of extra-normal violence or brutality by sub-national groups to obtain a political, religious, or ideological objective through intimidation of a huge audience, usually not directly involved with the policymaking that the terrorists seek to influence.

In the African context, the following definition of an act of terrorism provided in the OAU/AU Convention on the Prevention and Combating of Terrorism (Algiers, 1999) provides the necessary framework on what an act of terrorism implies. According to Article 1(3)(a) of this convention, a terrorist act is:

“any act which is a violation of the criminal laws of a State Party and which may endanger the life, physical integrity or freedom of, or cause serious injury or death to, any person, any number or group of persons or causes or may cause damage to public or private property, natural resources, environmental or cultural heritage and is calculated or intended to:

- i. intimidate, put in fear, force, coerce or induce any government, body, institution, the general public or any segment thereof, to do or abstain from doing any act, or to adopt or abandon a particular standpoint, or to act according to certain principles; or*
- ii. disrupt any public service, the delivery of any essential service to the public or to create a public emergency; or*

iii. *create general insurrection in a State*".

Article 3 of the same document however notes that:

"Notwithstanding the provisions of Article 1, the struggle waged by peoples in accordance with the principles of international law for their liberation or self determination, including armed struggle against colonialism, occupation, aggression and domination by foreign forces shall not be considered as terrorist acts; however political, philosophical, ideological, racial, ethnic, religious or other motives shall not be a justifiable defence against a terrorist act." (Botha, 2007).

Terrorism is often classified into various types namely: domestic (or national) terrorism, international terrorism and transnational terrorism. Domestic terrorism occurs when the act of terrorism is confined to national boundaries and does not include targets or agents from abroad. According to Valiño, Buesa, and Baumert (2009) it is that terrorism which is carried out by citizens of a country on those resident there and using national means. State terrorism also forms part of domestic terrorism when state actors (police, military etc) resort to acts of terror against own nationals. International terrorism comprises of acts – instigated by a third state - that pursues international objectives or that have clear international consequences. These acts include incidents where terrorists cross national borders to strike foreign targets, select victims or targets because of their connections to a foreign country (for example, diplomats, local executives).

Transnational terrorism springs up when the terrorists act in one country but have networks or infrastructures or elements of financing in another. According to Anderson (n.d) cited in Botha (2007), transnational terrorism is

"... the use, or threat of use, of anxiety — including, extra normal violence for political purposes by any individual or group, whether acting for or in opposition to established governmental authority, when such action is intended to influence the attitudes and behavior of a target group wider than the immediate victims and when, through the nationality or foreign ties of its perpetrators, through its location, through the nature of its institutional or human victims, or through the mechanics of its resolution, its ramifications transcend national boundaries".

Goals and Causes of Terrorism

Given their nature, terrorist organizations must have goals that are not enforceable in the ordinary political process. Violence is thus a means to meet more abstract (strategic) objectives. Generally, the target of terrorism is to create an atmosphere of fear, panic, distrust and uncertainty. Terrorists aim at intimidating and ruining the morale of the people and security forces; to shake the authority of the state by degrading public institutions, security forces and other public officers in the eyes of the public.

Tavares (2004:1042) identified the goals of terrorist organizations as drawing attention, causing political instability and imposing damage on the economy. In line with this, Schelling (1991) divided the goals of terrorism into tactical (short term) goals and strategic (long term) goals. The main tactical (short-run) goals of terrorism include: (i) gaining publicity and media attention, (ii) destabilizing existing polity and (iii) damaging national economies while in the long-run the goals of terrorism include redistribution of power, influence and wealth. However, tactical terrorist behavior such as assassinations and hostage takings serves the purpose of achieving such strategic goals.

Viewed as an economic good, the production of terrorism is a complex phenomenon that is driven by a variety of factors. Schneider, Brück and Meierrieks (2009) identified seven hypotheses in the literature linking terrorism production to such factors as economic deprivation (poverty, inequality, etc.); politics; demographic factors (education, religion and ethnicity); the global economic and political order (globalization, pattern of trade and aid) economic and political integration; and spatial and temporal contagion, with the effects of each terror-inducing factor varying depending on the type of terror and the effectiveness of initial policy response.

A review of empirical evidences by Schneider, Bruck and Meirrieks (2009) confirms that the significance of each of the terror inducing factors vary depending on whether the analysis is at the national, regional or global level. They suggest that for individual countries, economic and political underdevelopment coupled with ethnic conflict seems to matter most to explaining the emergence of violence. Regions of the country that are less developed with regard to these factors tend to be more prone to terrorism. Thus, with respect to domestic terrorism, economic performance matters to some extent in both high and low income countries; higher incomes facilitate lower domestic terrorism (Bloomberg and Hess, 2008; Burgoon 2006).

At the regional (i.e. continental or sub - continental) level, social and political factors rather than economic factors are the dominant determinants of terrorism. The specific political factors that are relevant also vary across the different regions of the world. For transnational terrorism evidence is substantial but not conclusive; while some studies strongly argue that political factors matters more than economic ones, the related discussion has not been settled by the existing evidence. They however concluded that when studies control carefully for non-economic (political and institutional) factors, the impact of economic factors on terrorism production at this level becomes less pronounced.

Generally, domestic terrorism is a more common phenomenon than transnational terrorism, yet it has received lesser attention in formal analysis than transnational terrorism. Enders and Sandler (2008) noted that there are eight times more domestic terrorist acts than there are transnational terrorist acts. With specific reference to domestic terrorism, Freilich (2003) noted that there are three groups of theories on the sources of terrorism. The first is called economic/social integration theory, and it holds that high concentrations of farming, economic depression, and social disorganization are all related to high levels of domestic terrorist activity, militia movements in particular. The second theory is called resource mobilization theory, and it suggests that states which are more prosperous and socially integrated would tend to develop more domestic terrorist activity, on the basis that group competition for power and resources becomes intense. The third group of theories is called cultural theories, and it proposes that states experiencing greater cultural diversity and female empowerment along with increasing para-militarism are likely to develop greater levels of domestic terrorist activity.

Overview of the Economics of Terror

There has been various attempts to develop theories that provide plausible explanations on terrorism. O' Connors (2003) provides a detailed overview of these theories across various fields of study including political science, economics, religion, sociology, psychology etc. According to O' Connors (2003):

The history of theoretical effort at understanding terrorism comes from the subfield of collective violence in the field of political science, and indeed, prior to the emergence of criminal justice as a separate discipline in the early 1970s, it can be safely said that political science pretty much had a monopoly over theories of

terrorism, followed perhaps by the disciplines of religion and economics. Sociological, psychological, and criminological theories have also certainly had a role to play with some relevance.

Economic studies on the causes of terrorism start from or become related to the economic study of crime, conflicts and civil wars. In many instances, economic theories are anchored on the assumptions of rationality, maximization of benefits and minimization of costs (or losses). Hence, the economics of crime considers that criminals are rational agents who aim to maximize the net benefits of their actions vis – a – vis the costs. In line with the economics of crime, the economic view on terrorism assumes that terrorists are rational actors. As rational actors they commit terrorist actions in order to maximize their utility or welfare, given certain benefits, costs and constraints linked to these actions. The welfare that terrorists seek to maximize are often non economic and may include political goals such as political inclusion or separatism, reaching the Muslim paradise, recognition by their companions, help for their families etc, subject to certain restrictions such as financial costs and loss of one's own life. They carry out their activities because they consider that the benefits they obtain outweigh their costs. Thus, the rational action theory is the basic economic theory underpinning the act of terrorism (O' Connor, 2003; Sandler and Enders 2004) although there have been attempts to provide alternative theoretical explanations.

The costs of terrorism are linked to the use of resources and to the opportunity costs of violent behavior. Anti-crime policy would act on the costs to the criminal, by increasing them until criminal activity is no longer attractive. Benefits from terrorism arise from obtaining the tactical and strategic goals of terrorism. The utility-maximizing level of terrorism is the level where the marginal costs equal the marginal benefits of terrorism. 'Aggregate' factors which are country-specific impact the terrorists' cost-benefit matrices and thus their behavior. Such determinants may either raise the price of terrorism or the opportunity costs of terrorism, causing a decline in terrorist activity. Alternatively, the price of terrorism, and thus the opportunity costs of terrorism, may be decreased, resulting in an increase in violent behavior.

Terrorism may produce substantial economic and socio - political impacts e.g. by impairing economic growth and development, and causing economic destabilization. The economic impact of terrorism can be calculated from a variety of perspectives. However, terrorism has both direct and indirect impacts on the economy. The direct economic impacts of

terrorism refer to the effects arising from the immediate aftermath of a terrorist event. This will include direct impacts through losses in physical and human capital, while the indirect impacts emerge as consequence of the distortion of the economy. Estimating these impacts requires accounting for the physical destruction of buildings and infrastructure and losses of human life or capabilities (through injury) but also for the economic impacts resulting from actions to mitigate damages. Thus, the direct costs include the value of lives lost, the value of properties and infrastructure destroyed and immediate effects on productivity, as well as longer term indirect costs of responding to terrorism.

Thus, while the direct cost would include declining investor confidence and Foreign Direct Investment (FDI), the immediate effects are loss of man-hour of productivity to bureaucracy and security checks at both airports and offices across the country. The direct effect of terrorism will include increased risk factor on doing business in Nigeria and would imply that the cost of risk management, including insurance, would to that extent increase. There are also costs which would arise from the need to increase spending on security in terms of the diversion of scarce capital for the procurement of hi-tech equipment for the purpose of combating this menace. Terror endangers life such that the value of the future relative to the present is reduced. Hence, due to a rise in terror activity, investment goes down, and in the long run income and consumption go down as well (Eckstein and Tsiddon, 2003).

Macroeconomic consequences of terrorism events are generally noticeable, where growth and income can be affected by the negative (distorting) effects of terrorism on consumption and public and private investment (e.g., Llussa and Tavares, 2009). Still, the negative effects of terrorism mostly appear to be of a rather modest and short-term nature. This is especially true for large and diversified economies that are able to withstand severe economic impacts through their ability to quickly reallocate capital and labor, given the immediate effects are localized. In contrast, the macroeconomic effects of terrorist attacks on small, less-developed economies are likely to be stronger, especially when these countries face sustained terrorist campaigns (Enders and Sandler, 2008).

Empirical studies to assess the impact of terror attack on the economy have yielded interesting results. Studies show that terrorism have a statistically significant negative effect on reported life satisfaction and in the long run, terrorism have a depressing effect on consumption. In relation to the private sector, Enders and Sandler (2008) conclude that even if some sectors

may face significant losses from terrorism, they are likely to recover quickly, given that the economy does not face sustained terrorist attacks.

Terrorism impacts differently across various economic sectors depending on the nature of the attack and its target, whether a sector is directly hit or whether its activities are “merely” interrupted by the disruptions that a terrorist attack may cause. Some of the most conducive targets of terror attack are the tourism and transport (aviation, maritime transport, road and railways) sectors. Attacks on the transport sectors can cause significant supply chain disruptions while the insurance sector also suffer through ensuing payment claims even if it is not directly affected by terrorist attacks or disruptions to the economy arising there from.

With regard to the capital market, while the impacts of a large-scale singular event in a comparatively well diversified capital and stock market may be relatively short lived and small, the impact of protracted terror events (and changes in terror risk due to changes in the political landscape), even if smaller in scale, in relatively less diversified markets may create lasting negative impacts.

The effectiveness with which terrorism destabilizes an economy depends on a number of factors including: (i) the nature and characteristics of the terror (severity, nature and frequency of the attacks), (ii) degree to which impacts are mitigated (emergency preparedness of the nation, preparedness of service operators to remain operational in the event of emergency, ability of government institutions to apply appropriate monetary and fiscal policies and restore confidence to the economy) and (iii) maturity of the economy or polity (structure of the economic system i.e. size and diversity of the economy and presence or otherwise of democratic freedoms and rights).

Historical Perspectives On Terrorism In Nigeria

Organized violence appeared on the Nigerian landscape right after independence in 1960 during the notorious First Republic (1960 - 1966) continuing intermittently up to the Second Republic (1979 - 1983). This was mainly in form of ethnic, political and religious riots in different parts of the country. During this period, the major theatre of violence was the Northern part of the country where non-Muslims mostly Christians and non-Northerners mostly the Igbos from the Eastern part but also other Southerners, are regularly hunted and mowed down by organised mobs composed mainly of the Hausa – Fulani stock. At this time, the streets of Kano, Borno, Bauchi and Kaduna and other Northern cities are periodically turned into killing fields with thousands of Southerners as the victims (Okebukola and Kosoko – Oyedeko, 2010).

Considerable arsonists attacks were also witnessed, albeit on a much smaller scale, in the Western region of the country where members of rival political parties were occasionally hounded, harassed and sometimes summarily executed by thugs hired by the main political parties. Thus, the violence witnessed during this period were the consequence of ethno – political disagreements among the constituent nationalities that make up the nation, mostly the three major ethnic groupings, Hausa, Yoruba and Igbo and the two major religious groups, Christians and Muslims.

The first real terrorist attack in the country was the assassination in 1986 of the journalist Dele Giwa through a letter bomb and allegedly by the State. However, it was in the third republic (the 1990s) that terrorism became a major issue in Nigeria. The political situation of this period occasioned by the annulment of the June 12 Presidential elections and the resultant agitations for its de-annulment gave rise to various terror related actions including a plane hijack. There was also the emergence of various ethnic based militant groups such as the Odua People’s Congress (OPC), Egbesu Boys, Movement for the Actualization of the Sovereign State of Biafra (MASSOB), Movement for the Emancipation of the Niger Delta (MEND) during this period. While these are regarded as freedom fighters by those they allegedly represent, others regard them as terrorist organizations since the tactics deployed by them (kidnappings, sabotage of oil production including arsonist attacks on oil pipelines, assassination, and attack on military personnel) are the same as those employed by terrorists.

In 2000, a group known as *Boko Haram* (which if literally translated means: western education is bad) emerged in the Northern part of the Country. This Al-Qaeda linked terrorist organization argues that western education or “Boko” is un – islamic and that it has brought nothing but poverty and suffering to the North and should therefore be forbidden. The activity of the group is confined mainly to six states in the Northern part of the country (i.e. Kano, Borno, Yobe, Kaduna, Adamawa and Jigawa) plus the Federal Capital Territory, Abuja. By 2009 following skirmishes with the Police which resulted in the death of the leader of the group, the activities of the group became pronounced as it started a massive revengeful campaign of bombing, assassination and destruction deploying sophisticated weaponry like combat assault rifles, improvised explosive devices and suicide bombings. This sophistication is reflected in some of the targets of the Sects bombing which include the Nation’s Police Headquarter, The United Nations Country Office, Several Police Stations, a University Campus and Government

Ministries among others. By May 2012, Boko Haram is estimated to have launched about 118 attacks resulting in 308 deaths with massive destruction to both public and private properties (The Nation, 2012). The Financial News Agency, Bloomberg quoting the Central Bank of Nigeria reported that, as a way of raising fund to finance their activities, armed attacks by the Sect on Deposit Money Banks had reached 100 since the beginning of 2011.

There are many factors responsible for the emergence of terrorism in Nigeria, key among these are ethnicity, politics and religion. These factors have for long played a large part in Nigeria's political system with power residing, until recently, in the mainly Muslim, Hausa - Fulani ethnic group based in the Northern part of the country. The struggle to achieve a power shift was the basis of the June 12, 1993 crisis in which the populace revolted against the decision of the ruling military regime to annul what was considered the most credible election in the history of the country because it was felt that a candidate from the southern part would win. Also, for decades political advocacy for resource control and self determination among the various ethnic groups that make up the country has led to incessant clashes with the State.

Impacts on the Economy

Since, the terrorist attacks in Nigeria include attacks on oil installations and oil workers, it should be expected that these attacks should have impacts on the economy given that oil is the livewire of the Nigerian economy contributing almost one - third of the GDP and over 90 percent of the foreign exchange earnings. Thus, this paper examines the trend in oil production and real GDP in Nigeria for the period under consideration (Table 2).

Data on oil production (column 6) reveal an increasing trend from 1999 - 2005. However, by 2006 daily oil production volume began to drop being 2165.44 thousand barrels per day in 2008 compared to 2627.44 thousand barrels per day in 2005. By 2009 however, oil output picked up once again rising to 2525.29 thousand barrels per day in 2011. Thus, it is observed that oil production volume correlates with the activities of the Niger Delta militants but not those of Boko Haram. This is not unconnected with the sphere of operation of these militant / terrorist groups since the Niger Delta militants operate in the Niger Delta where the actual production of oil is done while Boko Haram's operations is confined to the North where there is no oil production. Thus, the sect's activities have not had much influence on oil production activities.

Examining the trend in GDP (column 1), it is seen that throughout the period under consideration, the real GDP (in absolute amount) was on the increase. Observing the trend in the

growth rate of the GDP (column 2) however, show that there was noticeable drop in the GDP growth rate starting from 2005. From a range of 8 - 21 % in 2001 - 2004, real GDP dropped to between 6.0 and 6.5 between 2005 and 2009. This period coincided with the period of the activities of the Niger Delta militants for resource control with the attendant sabotage of the oil infrastructure and a campaign of killing, kidnapping and assassination in the oil rich region. Following the exit of President Obasanjo in 2007, and his successors' (Presidents Yar'adua and following Yar'adua's death Jonathan who himself is from the Niger Delta) amnesty programme for the militants and their subsequent disarmament, the growth rate of the GDP increased once again from 6.0% in 2008 to 6.7% in 2009 and 8.4% in 2010 before dropping once again to 7.4% in 2011. The reduction in the GDP growth in 2011 may not be unconnected with the activities of Boko Haram the dreaded Islamic Militants in the North who starting from 2010 started a massive campaign of bombing and arson completely holding the Northern part of the country hostage. It is evident therefore, that terror has had significant impact on the rate of growth of the Nigerian economy.

Table 2: Selected Indicators of Macroeconomic Performance in Nigeria, 1980 - 2011

Year	Real GDP		FDI (\$'b) (3)	FG Expenditure on Internal Security		Oil Production (Thousand barrels per day) (6)
	Amount (N'b) (1)	Growth rate (%) (2)		Amount (N'b) (4)	% of total expenditure (5)	
1980		2.9	0.74	-	-	2025.00
1990	267.55	12.8	0.59	-	-	1810.00
1999	312.18	0.4	1.00	38.66	8.60	2129.86
2000	329.18	5.4	1.14	25.15	5.45	2165.00
2001	356.99	8.4	1.19	38.85	6.71	2256.16
2002	433.20	21.3	1.87	63.24	9.08	2117.86
2003	477.53	10.2	2.01	68.38	6.95	2275.00
2004	527.58	10.5	1.87	97.80	9.47	2328.96
2005	561.93	6.5	4.98	81.95	6.70	2627.44
2006	595.82	6.0	4.85	118.00	9.15	2439.86
2007	634.25	6.4	6.03	181.30	11.41	2349.64
2008	672.20	6.0	8.20	95.80	4.99	2165.44
2009	718.98	6.7	8.55	221.65	11.28	2208.31
2010	776.33	8.4	6.05	287.44	9.70	2455.26

2011	834.16	7.4	8.90	279.96	8.45	2525.29
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Sources:

- i. Central Bank of Nigeria, Statistical Bulletin for 2010.
- ii. Chima O. (2012)
- iii. www.economywatch.com
- iv. www.indexmundi.com
- v. CIA World Factbook 2012
- v. data.worldbank.org

Although the Nigerian business environment had always been suffocating, the increase in the wave of terrorism was expected to worsen the situation. The increase in terrorist activities should make the business environment unfriendly to investors especially as terrorist activities in the oil rich Niger Delta region of the country included the kidnapping of foreigners especially those working in the oil sector. Thus, this paper also examined the trend in Foreign Direct Investment for the period under consideration. Table 2 (column 3) shows that terrorist activities had little influence on Foreign Direct Investment in Nigeria. In spite of terror activities, Foreign Direct Investment into the Nigerian economy has been on a trend of regular increase. From 0.59 billion dollars in 1990, FDI increased to 1.14 billion dollars in 2000 and 4.98 billion dollars in 2005 rising to a high of 8.55 billion dollars in 2009, declining slightly in 2010 to 6.04 billion dollars before increasing again to 8.90 billion dollars in 2011.

Also, to counter terrorism huge amount of money would have to be spent on security provision by both the government and private businesses. The Federal Government did set up an anti terror unit with increased spending on procurement of surveillance equipment, intelligence gathering, training and other equipment. Expenditures on the military and para - military organizations at a high level is generally undesirable since they crowd out investment in education, health, social insurance and other development programmes. Thus, this paper also examined the trend of government expenditure on internal security for the period under consideration (columns 4 and 5).

Table 2 shows that there was significant increase in expenditure on internal security (absolute amount) starting from 2006; it also became a large proportion of total government expenditure as from 2006. For the period 1999 - 2005, expenditure on internal security as a percentage of government's total expenditure was an average of 7.57% compared to 9.16% for the period 2006 - 2011. This suggests that considerable proportion of government resources are being diverted towards combating the problem of terrorism. This has attendant implications on social and economic welfare.

Conclusion and Recommendations

Terrorism has become the latest among the myriads of problems confronting the Nigerian body polity and this has implications for the effective functioning of the economy. Thus, this paper attempted an economic analysis of the problem of terrorism in Nigeria focusing on its impacts on the nation's economy. The paper examined, from an economic perspective, the impact of terrorism on selected indicators of macroeconomic performance notably economic growth, foreign investment and government expenditure.

The paper concluded that terrorism has had significant impact on some segments of the nation's macroeconomy while it has had little effects on others. Oil production and economic growth have been significantly affected while there is little impact on foreign direct investment. Also, government spending on internal security has also gone up drastically due to the need for counter terrorism measures with crowding out effects on social and development spending.

In line with these conclusions, it was hereby recommended that:

1. to ensure that terrorist activities have minimal effects on the economy, measures be taken by the government to protect key economic infrastructures such as power and oil installations from attack by terrorists.
2. pro-active measures be developed to form a template for the response of the nation's economic managers should in case terrorists succeed in hitting key economic segments such as the Stock Exchange. Prompt reaction by the New York Stock Exchange helped to minimize the impact of the 9/11 attack on the USA.
3. capacity be developed for improved macro-economic management under a terror filled environment. In this regard, the nation can benefit from the experience of other nations such as Israel that has remained stable despite constant threats of terror.

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