

March 9, 2015

Good luck, Jonathan. Good luck, Nigeria.

Nigeria will hold its presidential election on March 28, following a six-week postponement due to heavy fighting in the northern region of the country. The election promises to be a close one between the incumbent, Goodluck Jonathan, and a former military leader, Muhammadu Buhari. Jonathan represents the Christian, southern region of Nigeria, while Buhari represents the Muslim, northern region.

In the past, Nigeria has alternated between electing presidents from the north and south. The likely outcome from the upcoming election suggests that this pattern will not hold in the future. Consequently, the risk of civil unrest would increase.

Once hailed as one of the most promising emerging markets, Nigeria's social stability, economics and democratic process have been challenged by insurgent fighting and the weak energy markets. The recent oil price collapse has had an outsized effect on Nigeria's economy as more than 70% of the country's revenues are derived from oil. As oil prices have collapsed, so has the local currency.

Aside from the economic problems, the country is also fighting the radical Islamic insurgency Boko Haram. The group has grown in size and danger since we last wrote about it (see WGR, [Boko Haram](#), 6/16/2014). It has evolved from staging stand-alone terrorist attacks and kidnappings

to holding meaningful territory under its control in northern Nigeria. The current government's lack of attention to the fighting and its inability to defeat the group has caused a lack of confidence in the government in general. Recently, however, the incumbent president has intensified the military's involvement ahead of the election and the fight against Boko Haram has been somewhat successful.

This week, we will look at the upcoming Nigerian presidential election and how the persistent threat of the Boko Haram terrorist movement has complicated the democratic process. In turn, we will look back at the 2011 presidential election and analyze how the election facilitated the rapid spread of Boko Haram. Exacerbating matters further, the country suffers from a deepening divide between the Christian south and the Islamic north, which we will discuss in detail in this report. As always we will conclude with market ramifications.

Nigeria

Nigeria is located in West Africa and is often referred to as the "giant of Africa" due to its large population. The country is extremely diverse, with over 500 ethnic groups and over 250 spoken languages. About 50% of the country is Muslim, 40% is Christian and 10% indigenous tribal. Islam mostly dominates northern Nigeria, whereas Christians are concentrated in the south. In the north, Islam came via trade routes that passed along the sub-Saharan region. Ninety-five percent of Nigerian Muslims are Sunni. The Muslim movements in Nigeria usually press for a stricter adherence to Sharia, the law of Islam.



(Source: World Atlas)

The History of Nigeria

Nigerian tribes formed separate empires in the north and south of the country. In the southwest, a series of kingdoms developed which were mostly a loose confederation of cities. In the north, along the sub-Saharan trade routes, an independent empire was established.

Europeans began contact with the region in the 15th century. The British began to explore the region in the late 1800s and established a protectorate in southern Nigeria in 1901.

Under British rule, Christianity was established in the south. Missionaries established schools that offered a strong Western education. One characteristic of British colonization was the practice of using local sympathizers to control the colonial population. Supportive locals allowed the British to expand their control in many states with a relatively small British population. Nigeria followed this same pattern, which often created social divisions. These divisions made the colonies easier to manage but also created conditions for potential conflict.

The north resisted Christian infiltration. Muslim schools were maintained and southern Christians that migrated into the north were generally segregated from Muslims. Unfortunately, the Islamic schools were generally inferior to the British-supported Christian schools. This meant that southerners were able to take positions of influence and power. While northerners remained less affected by the outside powers, they were generally losing influence compared to their southern compatriots.

The British allowed Sharia law to be practiced in the northern regions but steadily reduced its influence. By the time Britain was preparing to grant Nigeria its independence, the jurisdiction of Sharia law had been reduced to an appeals court for personal issues between Muslims. The British and most southern Nigerians viewed Sharia law as incompatible with a religiously diverse society. However, most Muslims viewed the reduced scope of Sharia law as elevating Christian jurisprudence over Islam.

Nigeria gained its independence from Britain in 1960. The country was divided into three administrative districts, the northern, western and eastern. Right from the start, there was fierce competition between the regions, which undermined the ability of civilian governments to function.

The lack of cooperation led to a series of military governments taking power in 1966. The military was as divided as the country, which led to several coups and the tragic Nigerian civil war. The eastern province declared itself a country in 1967, sparking a civil war; this republic lasted until 1970 and was defeated in a war of attrition that led to mass starvation.

After the civil war ended, the northern military tended to dominate the government. Northern Nigerians also tended to dominate the military as a consequence. The military governments that ruled Nigeria after 1966 all promised to return “soon” to democratic civilian governments. It wasn’t until 1999 that this actually occurred.

Since 1999, Nigeria has had three presidents, Olusegun Obasanjo, Umaru Musa Yar’Adua and Goodluck Jonathan. Historically, the unwritten rule had been that the presidency should rotate between a southerner and a northerner. The custom of rotating the president’s seat was put in place to minimize the religious and civil strife between the Muslim north and Christian south. So far, that pattern has been followed as Obasanjo and Jonathan are southerners and Yar’Adua was a northerner. However, Jonathan took power after Yar’Adua died in 2010 and some northerners argued that by finishing the term of the deceased president this represented the south’s “turn.” Jonathan disagreed; in 2010 he announced he would run for president in 2011. He won handily, although there were accusations of voting irregularities.

The Nigerian Divide

The north-south divide in Nigeria is the primary separation. Historically, this divide was based on religious and ethnic differences, but the two regions have not been uniformly segregated. The south’s strong educational system and its openness to the outside world has allowed the south to become wealthier than the north, exaggerating the socio-economic differences. The frustration for many northerners is that, for most years since independence, one of their own has been in power, and yet they remain poor. This factor has led to the belief that the Muslims in power have been corrupt; had they

remained faithful to their religion, conditions would improve. And so, this belief has led to the emergence of insurgent groups, described as the “Nigerian Taliban” and Boko Haram. The latter is an insightful name, meaning “Western education is a sacrilege.” These insurgent groups, which have been responsible for a recent series of bombings and attacks, are trying to create a radical Islamic government in the north, one that completely relies on Sharia law. We doubt the movement will be successful, but it does have the potential to disrupt the economy and political system.

These historical differences have led to increased conflicts between the north and south. However, many observers are missing how the last presidential election in 2011 facilitated the spread of terrorist movements in Nigeria.

The 2011 Election

President Jonathan, a southerner, initially took office during the north’s “turn” from 2006 to 2011. According to custom, the 2011 election should have officially elected a southerner. However, the prior presidential term had been split between the north and the south. Lacking a precedent for half-terms, the north argued that the south had already had its turn, but the incumbent Jonathan decided to run anyway, contending that the previous presidential election did go to the north.

Similar to this year’s election, the 2011 election was held between the incumbent Jonathan and General Buhari.

Buhari is a Muslim from northern Nigeria. He took power via a coup in 1983 and stayed in power for two years. He ran for president in the 2003, 2007 and 2011 elections, failing to win a majority each time and also unsuccessfully disputing the results.

Although Buhari won the majority of the votes from the north, Jonathan won the overall election in 2011. Widespread rioting and civil unrest ensued based on religious and ethnic lines. The north has historically included more Muslims, but it has not been uniformly Muslim. Following the 2011 election win by Jonathan, which was disputed by the north, Nigeria became more religiously and ethnically fragmented and violent. The country had long sought to avoid creating religious and ethnic polarization, yet the schism worsened after the 2011 election outcome. The Muslim north felt that it had been cheated out of its turn at the presidency. The radical Muslims became increasingly violent, while the other northerners, feeling pushed out of the political process, perceived insurgency as their only recourse.

The 2015 Election

Later this month, the incumbent Jonathan and Buhari will face each other in the presidential election. Although there are a number of other candidates running, only Jonathan and Buhari have sufficient national support to possibly win the presidency. According to the latest polls, each candidate has approximately 42% support.

This year's election is important in determining the direction of Nigeria's democracy. There are several big political issues that need to be determined. First, if the incumbent wins, the custom of presidential rotation will be broken. If that is the case, the government needs to address the fairness of the political process and include northerners in the government. The risk of increasing instability and insurgency would be high during this transition. This would further fragment the country and cause ethnic and religious strife as the north would perceive this shift as pushing the Muslim regions out of the political process.

Boko Haram, and possibly other insurgent groups, would become increasingly aggressive.

Second, the Boko Haram movement has set up an independent kingdom in northern Nigeria, and the government has not yet taken a stand on the new entity. In fact, the incumbent president has faced mounting criticism over the ineffective handling of the terrorist movement. On the other hand, it is unclear whether Buhari, being the north's candidate, would be more aggressive in the fight against the insurgency. Whatever the outcome of the election, it will probably cause more civil unrest and Boko Haram is likely to use this power vacuum to strengthen its position.

Third, although it is unlikely that the historical divisions could be completely erased, the possibility of either another civil war or the secession of north Nigeria is rising. This would likely displace the oil markets as it would adversely affect Nigerian oil production and exports.

Administering the Election

Three regions in the north are under a state of emergency, with an estimated one million people displaced from their homes. The Nigerian constitution requires that voters cast their ballots in their home region, so it is unclear whether these refugees will get to vote. These refugees come from the north and thus are likely to support Buhari. If they do not get to vote, this would put Jonathan at an advantage and mean that Buhari would dispute the results of the election another time.

Boko Haram

Boko Haram has morphed from staging kidnappings and isolated terrorist attacks to taking over and maintaining territories in northern Nigeria. International observers

have speculated that if left unchecked, the movement has a possibility of becoming a terrorist group on the scale of Islamic State. The upcoming presidential election is sure to create a political vacuum, which would weaken the military offensive against the group. This, in turn, would allow the group to expand its reach.

The group was classified as a terrorist group by the U.S. government in 2013, but some analysts have historically disagreed on whether one could even call Boko Haram a group in the first place. Until recently, its actions, although relatively sophisticated, seemed rather unsynchronized and uncoordinated. Given that the number one goal of the organization is to establish an Islamic state of Nigeria, its attacks have been targeted at Christian churches and schools, multinational groups, such as the U.N., and the Nigerian police and military. The group has kidnapped people, mostly in the north, but it has also carried out car bombings in the south, including a 2011 attack on the U.N. headquarters in the country's capital.

Relatively little is known about the group. Recently, the intensity and form of attacks have changed. The escalation of attacks has proven that this loosely connected band of gunmen has grown into a fully-fledged insurgency. Still, the group has a highly decentralized structure. The unifying force seems to be its jihadist ideology.

The military's response to the attacks has been weak and oftentimes has made matters worse. It is surprising to find that according

to some sources the population in the north is more afraid of the military than of Boko Haram. The military has tended to be corrupt, harsh and generally inefficient.

The country's military has been accused of doing too little at times and sometimes doing too much to counter the terrorists. The lack of a fair legal system has called human rights violations into question as the military has, at times, matched Boko Haram in its brutality.

Ramifications

The upcoming presidential election will not immediately improve the governance or security in the country. In fact, it is likely to make matters worse, increasing the north-south divisions and allowing the radical insurgencies to spread. It looks as though the incumbent president will win the election, which would lead to a breakdown in civil order and increase violence, especially in the Muslim north. The continued polarization based on religious and ethnic lines in the hands of a weak and corrupt government has intensified the conflict. A civil war in the continent's largest economy is not out of the question.

Most of the country's oil production and exports have not been disturbed thus far as most of the oil fields are in the south. However, an elevated risk of disruption remains, especially if fighting spreads in the power vacuum created by the election, which may offer some support for oil prices.

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