

## STRATEGIC IMPLICATIONS OF THE CRISIS ON NIGERIA'S ECONOMY AND NATIONAL SECURITY

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### Abstract

The Middle East crisis has continued to shape global economic and security dynamics, with far-reaching implications for developing economies such as Nigeria. This paper examines the strategic implications of the crisis on Nigeria's economy and national security, focusing on oil price volatility, inflationary pressures, energy security challenges, exchange rate instability, security threats, and emerging geopolitical opportunities. Using a qualitative review of relevant local and international media reports and policy analyses, the study finds that while rising oil prices may temporarily boost Nigeria's revenue, the broader consequences such as increased cost of living, weakened macroeconomic stability, and heightened security risks pose significant challenges. The paper concludes that Nigeria remains highly vulnerable to external geopolitical shocks due to structural weaknesses in its economy and security systems. It recommends urgent policy actions, including economic diversification, energy sector reforms, strengthened security frameworks, and proactive foreign policy engagement, to mitigate risks and harness potential benefits arising from global crises.

**Keywords:** Middle East crisis, Nigeria, national security, oil prices, inflation, strategic studies, international relations

### 1.0 Introduction

Global crises in the Middle East have historically exerted significant influence on international political economy and security architecture. The region remains central to global energy supply, hosting major oil-producing countries and strategic transit routes that are critical to the stability of international markets. Consequently, conflicts in the region often generate ripple effects that extend far beyond its geographical boundaries, affecting both developed and developing nations. Recent escalations in the Middle East have once again heightened global uncertainty, disrupted energy supply chains, and intensified geopolitical tensions among major powers. Nigeria, as a major oil-exporting country and a key actor in Africa's political and economic landscape, is particularly exposed to these external shocks. The country's heavy dependence on crude oil exports for revenue generation and foreign exchange earnings makes it highly sensitive to

fluctuations in global oil prices. At the same time, structural challenges such as limited refining capacity, high import dependence, and weak economic diversification amplify the domestic impact of external crises. Beyond the economic dimension, the Middle East crisis also has implications for Nigeria's national security, especially through the potential spread of transnational threats such as terrorism, arms trafficking, and ideological extremism.

Scholars and policy analysts have increasingly emphasized the interconnectedness of global conflicts and domestic stability in the context of globalization. Reports from *Punch Newspaper* and *The Nation* highlight the economic implications of rising oil prices and inflation in Nigeria (Abimbola, 2026; The Nation, 2026), while international perspectives from *Reuters* and the International Monetary Fund underscore the broader global consequences of Middle East tensions on economic growth and security (Reuters, 2026; IMF, 2026). Despite these insights, there remains a need for a comprehensive strategic analysis that integrates both economic and security dimensions within the Nigerian context. This paper, therefore, examines the strategic implications of the Middle East crisis on Nigeria's economy and national security. It adopts a qualitative review approach, drawing on credible local and international media sources to analyze key trends and developments. The objective is to provide a nuanced understanding of how global geopolitical dynamics influence national outcomes and to propose policy measures that can enhance Nigeria's resilience in an increasingly uncertain international environment.

## 2.0 Literature Review on Review of the Middle East Crisis with Focus on Iran

### Nature and Dynamics of the Crisis

The current Middle East crisis is largely characterized by military confrontation, geopolitical rivalry, and economic disruption. The conflict escalated following coordinated military actions against Iran by the United States and Israel, which were justified on the grounds of limiting Iran's nuclear and missile capabilities. In response, Iran launched retaliatory strikes across the Gulf region, targeting military bases and energy infrastructure in countries allied with the West (*Punch Newspaper*, 2026; *ThisDay*, 2026). Recent developments show that Iran has expanded its strategic response beyond direct military engagement to include threats against global oil supply routes. The partial closure of the Strait of Hormuz has significantly disrupted international oil shipments, leading to global concern over energy security (Reuters, 2026). Furthermore, the crisis has taken on a broader regional dimension, with attacks and counterattacks spreading across multiple countries, including the United Arab Emirates, Kuwait, and Israel. These developments highlight the transformation of the conflict from a bilateral confrontation into a wider regional crisis with global implications (*The Guardian*, 2026).

### Iran's Strategic Role in the Crisis

Iran's role in the Middle East crisis is both central and complex. As a major regional power, Iran has consistently positioned itself as a counterbalance to Western influence in the Middle East. Its strategic objectives include maintaining regional influence, protecting its sovereignty, and

advancing its nuclear capabilities. The crisis has reinforced Iran's use of both conventional and asymmetric strategies, including missile strikes, drone warfare, and support for allied non-state actors across the region. These actions have strengthened Iran's deterrence posture while simultaneously escalating tensions with its adversaries. According to *Punch Newspaper* (2026), Iran's retaliatory actions across Gulf states demonstrate its capacity to project power beyond its borders and challenge Western dominance in the region. In addition, Iran's decision to leverage its control over the Strait of Hormuz as a strategic tool underscores its importance in global energy politics. The disruption of this route has amplified Iran's influence by directly affecting global oil markets and forcing international stakeholders to engage diplomatically.

### Global Economic and Security Implications

The Middle East crisis, particularly involving Iran, has had profound implications for the global economy and international security. One of the most immediate impacts is the disruption of global energy supply. The International Energy Agency has described the current situation as one of the largest disruptions in oil supply history, affecting a significant portion of global oil and gas flows (Reuters, 2026). This disruption has led to a sharp increase in oil prices, inflationary pressures, and economic uncertainty across both developed and developing countries. Reports indicate that developing nations, including Nigeria, are particularly vulnerable due to their dependence on energy imports and exposure to global market fluctuations (*The Guardian Nigeria*, 2026). Beyond economic impacts, the crisis has heightened global security risks. The expansion of military operations and the involvement of multiple actors increase the likelihood of a prolonged conflict, which could destabilize entire regions. The closure of airspace, disruption of international travel, and evacuation of civilians further highlight the widespread security implications of the crisis (Wikipedia, 2026).

### 3.0 Method

This study adopts a systematic review approach to examine the strategic implications of the Middle East crisis on Nigeria's economy and national security. The systematic review method was considered appropriate because it allows for a structured, transparent, and replicable process of identifying, selecting, and synthesizing existing evidence from diverse sources relevant to the research problem. Unlike a traditional narrative review, this approach minimizes bias through clearly defined procedures and inclusion criteria.

### Research Design

The study is qualitative in nature and relies on secondary data obtained from credible published sources. The systematic review design follows a step-by-step procedure involving search strategy development, study selection, data extraction, and thematic synthesis. This approach enables the integration of evidence from policy reports, media publications, and institutional analyses to provide a comprehensive understanding of the issue.

## Search Strategy

A comprehensive literature search was conducted using both local and international sources. Key databases and platforms included Google Scholar, institutional repositories, and official websites of organizations such as the International Monetary Fund, World Bank, and the International Energy Agency. In addition, reputable media outlets such as Punch Newspaper, The Nation, Reuters, and The Guardian Nigeria were consulted to capture recent developments and policy-relevant discussions.

Search terms included combinations of keywords such as “Middle East crisis,” “Iran conflict,” “Nigeria economy,” “oil price volatility,” “inflation in Nigeria,” “national security,” “energy security,” and “geopolitical impact.” Boolean operators (AND, OR) were used to refine the search and ensure relevance. The search was limited to materials published between 2020 and 2026 to capture recent and context-specific developments.

## Inclusion and Exclusion Criteria

To ensure the quality and relevance of the review, specific inclusion and exclusion criteria were applied. Studies and reports were included if they:

- \* Focused on the Middle East crisis or Iran-related geopolitical tensions
- \* Examined economic or security implications at global or national levels
- \* Provided insights relevant to Nigeria or comparable developing economies
- \* Were published by credible academic institutions, international organizations, or reputable media outlets

Sources were excluded if they lacked clear authorship, credibility, or relevance to the study objectives. Opinion pieces without empirical or analytical backing were also excluded to maintain the reliability of findings.

## Data Extraction and Analysis

Relevant data were systematically extracted from selected sources and organized according to key thematic areas, including oil price dynamics, inflationary trends, exchange rate fluctuations, energy security, and national security threats. A thematic analysis technique was employed to identify recurring patterns, relationships, and divergences across the literature. The analysis focused on linking global developments in the Middle East to their direct and indirect implications for Nigeria. This involved comparing perspectives from local and international sources to ensure balance and depth in interpretation.

## Reliability and Validity

To enhance the reliability of the study, only verified and widely recognized sources were used. Cross-referencing of information from multiple sources was undertaken to ensure consistency and accuracy. The use of a systematic review protocol also strengthens the validity of the findings by making the research process transparent and reproducible.

## Limitations of the Method

Despite its strengths, the study is limited by its reliance on secondary data, which may be subject to reporting bias, particularly in media sources. Additionally, the rapidly evolving nature of geopolitical crises means that some developments may change after the period of review. However, efforts were made to use the most recent and credible sources available to minimize these limitations.

## 4.0 Result and Discussion on Strategic Implications of the Middle East Crisis on Nigeria's Economy and National Security

### Rising Inflation and Cost of Living Crisis

Another major implication of the Middle East crisis is the rise in inflation, driven largely by increased global energy prices. Nigeria, which relies heavily on imported refined petroleum products, experiences higher domestic fuel prices whenever crude oil prices surge globally. This increase in fuel costs translates into higher transportation fares, increased cost of goods, and a general rise in the cost of living. Reports from *The Nation* indicate that the Nigerian government has expressed concern over the inflationary impact of the crisis, particularly on energy and food prices (The Nation, 2026). On the global level, the International Monetary Fund, as reported by *The Guardian (UK)*, warns that prolonged Middle East conflicts tend to trigger global inflation and slow economic growth (IMF, 2026). From a strategic standpoint, persistent inflation can erode household income, deepen poverty, and heighten the risk of social unrest, thereby posing a threat to national security.

### Pressure on Energy Security and Domestic Supply Systems

The ongoing crisis in the Middle East has also exposed structural weaknesses in Nigeria's energy sector, particularly in refining and domestic supply systems. Despite being a major oil producer, Nigeria still depends significantly on imported petroleum products, making it vulnerable to global supply disruptions. *Reuters* reports that Nigeria has had to adjust crude allocations to domestic refineries in response to shifting global dynamics caused by the crisis (Reuters, 2026b). In addition, policy responses such as the naira-for-crude initiative highlight efforts to stabilize domestic supply, as noted by official government sources (Ajayi, 2026). Nevertheless, inconsistencies in supply and price volatility continue to affect industrial productivity and

economic activities. Strategically, weak energy security undermines national resilience and increases exposure to external geopolitical shocks.

### **Exchange Rate Instability and Capital Flow Volatility**

The Middle East crisis also has significant implications for Nigeria's exchange rate stability and capital flows. While higher oil prices may temporarily improve foreign reserves and support the naira, global uncertainty often leads to capital flight from emerging markets like Nigeria. According to *The Guardian Nigeria*, the country faces mixed outcomes as oil price increases are offset by declining investor confidence during periods of geopolitical tension (The Guardian Nigeria, 2026). Furthermore, *Punch Newspaper* highlights that global financial instability linked to the crisis reduces foreign portfolio investment, thereby exerting pressure on the naira (Abimbola, 2026). Strategically, exchange rate instability increases the cost of imports, complicates debt servicing, and weakens overall economic stability, all of which have direct implications for national security. Reuters. (2026) noted that the oil price volatility also directly affects Nigeria's exchange rate stability. Since crude oil exports account for the bulk of foreign exchange inflows, fluctuations in oil prices influence the supply of foreign currency in the domestic market. During periods of declining oil prices, foreign exchange earnings shrink, leading to depreciation of the naira. At the same time, rising global oil prices especially when driven by Middle East tensions lead to higher costs of refined petroleum products, which Nigeria largely imports due to limited domestic refining capacity. This translates into increased transportation and production costs, thereby fueling inflation. According to analyses by Reuters, global oil price shocks have consistently contributed to inflationary trends in developing economies, with Nigeria being a prominent example. The combined effect of exchange rate depreciation and inflation erodes purchasing power, increases the cost of living, and heightens economic hardship for citizens, thereby creating conditions that may trigger social unrest.

### **Intensification of Global and Domestic Security Threats**

The Middle East crisis contributes to the expansion of transnational security threats, including terrorism, arms trafficking, and ideological extremism. Conflicts in the region often create networks that extend into vulnerable areas such as West Africa, including Nigeria. Reports in *The Guardian (UK)* emphasize that global conflicts and governance failures can intensify local security crises by fueling radicalization and instability (The Guardian, 2025). For Nigeria, which is already grappling with insurgency and banditry, the spillover effects of the Middle East crisis may exacerbate existing security challenges. Strategically, this situation places additional pressure on Nigeria's military, intelligence agencies, and regional security cooperation frameworks, thereby complicating efforts to maintain internal stability. The ongoing crisis in the Middle East, particularly tensions involving Iran and key global powers, has significantly disrupted international oil markets. Given Nigeria's structural dependence on crude oil exports for government revenue and foreign exchange earnings, fluctuations in global oil prices triggered by

geopolitical instability have had profound implications for both the economy and national security.

### **Volatility in Global Oil Prices and Fiscal Instability**

The Middle East crisis has significantly disrupted global oil supply chains, particularly through strategic routes such as the Strait of Hormuz, leading to fluctuations in crude oil prices. For Nigeria, whose economy is heavily dependent on oil exports, this development presents both opportunities and risks. Rising oil prices can increase government revenue and improve foreign exchange earnings, thereby strengthening fiscal capacity in the short term. However, the volatility associated with such price movements creates uncertainty in national budgeting and economic planning. According to *Punch Newspaper*, sudden increases in oil prices may boost earnings but also complicate fiscal projections and macroeconomic stability (Abimbola, 2026). Similarly, *Reuters* reports that global supply disruptions linked to Middle East tensions have intensified price instability, affecting oil-dependent economies like Nigeria (Reuters, 2026a). Strategically, this underscores Nigeria's continued vulnerability to external shocks and reinforces the urgency of diversifying its economic base.

One of the most immediate effects of the Middle East crisis is heightened volatility in global oil prices. Disruptions in major supply routes such as the Strait of Hormuz and threats to oil infrastructure in the Gulf region often trigger sharp increases in crude oil prices, followed by periods of instability due to uncertainty in global markets. For Nigeria, this creates a paradox. While rising oil prices may temporarily increase export earnings, the unpredictable nature of these fluctuations makes fiscal planning extremely difficult. Nigeria's annual budgets are typically benchmarked on projected oil prices. Sudden spikes may generate windfall revenues, but sharp declines—common in volatile markets can result in significant revenue shortfalls. This instability weakens fiscal discipline, disrupts budget implementation, and increases reliance on borrowing to finance government expenditure. Reports from International Monetary Fund emphasize that oil-dependent economies like Nigeria are particularly vulnerable to such external shocks, often experiencing cycles of boom and bust that undermine long-term economic stability.

### **Fiscal Instability and Rising Public Debt**

Persistent oil price volatility undermines Nigeria's fiscal stability by creating inconsistencies in revenue generation. When oil prices fall below budget benchmarks, the government often resorts to deficit financing through domestic and external borrowing. Over time, this leads to a growing public debt burden and increased debt servicing obligations. Even during periods of high oil prices, fiscal gains are often not sustained due to structural inefficiencies, including subsidy regimes and limited savings mechanisms. As a result, Nigeria struggles to build fiscal buffers that could cushion the impact of future shocks. The World Bank has repeatedly highlighted the need for stronger fiscal frameworks in Nigeria to manage oil revenue volatility and reduce vulnerability to external crises.

## Implications for National Security

The economic consequences of oil price volatility have direct and indirect implications for national security. Fiscal instability reduces government capacity to adequately fund security agencies, procure equipment, and implement effective counterterrorism strategies. In a country already facing multiple security challenges including insurgency, banditry, and communal conflicts, reduced funding can weaken response capabilities.

Economic hardship resulting from inflation and unemployment can exacerbate insecurity by increasing the likelihood of crime, social unrest, and recruitment into extremist groups. There is a well-established link between economic instability and security vulnerabilities, particularly in developing countries.

Global geopolitical tensions may indirectly influence security dynamics within Nigeria through transnational networks. The spread of extremist ideologies and illicit arms flows, often associated with conflict zones, can heighten domestic security risks. Reports from *The Guardian Nigeria* indicate that global conflicts can have spillover effects that complicate internal security management in countries like Nigeria.

## Strategic Opportunities and Geopolitical Repositioning

Despite its challenges, the Middle East crisis presents strategic opportunities for Nigeria to reposition itself in global energy and diplomatic relations. As instability disrupts oil supply from the Middle East, alternative producers like Nigeria become increasingly important to global energy markets. *Reuters* reports that international stakeholders are encouraging increased investment in Nigeria's oil sector as part of efforts to diversify global supply sources (Reuters, 2026c). This creates opportunities for Nigeria to attract foreign direct investment, expand production capacity, and strengthen bilateral relations with energy-importing countries. However, the realization of these opportunities depends on addressing domestic challenges such as oil theft, infrastructure deficits, and regulatory inefficiencies. Strategically, effective reforms could enable Nigeria to enhance its global relevance and economic resilience. The interplay between oil price volatility and fiscal instability underscores Nigeria's structural vulnerability to external shocks. While the Middle East crisis may present short-term revenue opportunities during oil price surges, the broader economic and security consequences are largely negative due to instability and unpredictability.

To address these challenges, Nigeria must prioritize economic diversification, strengthen fiscal discipline, and enhance domestic refining capacity to reduce dependence on imported petroleum products. Additionally, building robust stabilization funds and improving revenue management systems will be critical in mitigating the adverse effects of global oil market fluctuations. The Middle East crisis highlights the urgent need for Nigeria to transition from a resource-dependent economy to a more resilient and diversified system capable of withstanding global geopolitical shocks while safeguarding national security.

#### 4.0 Conclusion and Recommendations

The Middle East crisis has reaffirmed the deep interdependence between global geopolitical developments and national stability, particularly for resource-dependent economies such as Nigeria. While the crisis presents short-term economic gains through increased oil revenues, it simultaneously exposes the country to significant vulnerabilities, including inflationary pressures, energy insecurity, exchange rate instability, and heightened security risks. These challenges are further compounded by structural weaknesses within Nigeria's economic and institutional frameworks, which limit its capacity to effectively respond to external shocks. At the same time, the crisis offers strategic opportunities for Nigeria to strengthen its position in global energy markets and enhance its diplomatic relevance. However, the realization of these opportunities depends largely on the country's ability to address internal inefficiencies, improve governance in the energy sector, and implement forward-looking policies. Based on the findings, the study recommends the following:

- 1) The Nigerian government should intensify efforts to diversify the economy beyond oil by investing in sectors such as agriculture, manufacturing, and technology. This will reduce dependence on volatile oil revenues and enhance economic resilience against external shocks.
- 2) There is a need to expand domestic refining capacity and improve energy infrastructure to reduce reliance on imported petroleum products. Policies that promote local production and efficient distribution should be prioritized.
- 3) Government should adopt prudent fiscal and monetary policies to manage inflation and stabilize the exchange rate. Strengthening foreign reserves and improving revenue management systems will enhance economic stability.
- 4) Nigeria should strengthen its security architecture by improving intelligence gathering, surveillance systems, and regional security cooperation, particularly within West Africa, to address transnational threats.
- 5) The country should adopt a proactive foreign policy that leverages global crises to build strategic partnerships, attract investment, and enhance its influence in international relations.
- 6) Improving transparency, accountability, and efficiency in public institutions—especially in the oil and security sectors—will enable Nigeria to better respond to both economic and security challenges.

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