Africa Report by Douglas DeGroot

Nigeria targeted for IMF destruction

The security of the largest Western ally in Africa is threatened by the IMF. Is the Eximbank complicit?

The International Monetary Fund is intent on wrecking Nigeria, the largest (approximately 100 million) U.S. ally in Africa. However, the Nigerian government has refused to agree to a more than 50% devaluation of the naira, and has also refused to raise the price of gasoline domestically, the two most onerous of the IMF's long list of conditions which must be met before the IMF will agree to a loan.

IMF terms would lead to "economic and political chaos," Deputy Chairman of the ruling Supreme Military Council, Tunde Idiagbon, has said, adding that "the government shall not give up the political and economic independence of Nigeria in exchange for a loan."

The Nigerian government now finds itself in a precarious position. It seized power Dec. 31, 1983 to deal with the economic mess created by the previous civilian government, after a drop in the world demand for and price of oil because of the economic depression in the industrial countries. Oil provides well over 90% of Nigeria's foreign exchange. Since then the world depression has deepened.

The Nigerian government now finds itself the target of its austerity-squeezed population, and is clamping down in an attempt to avoid getting the "Numayri treatment." Although the government has no viable alternative, these efforts could feed into the process it is trying to contain—as in Sudan.

So far, Nigeria has defaulted on no loans. Although Nigeria has negotiated settlements on debts with its uninsured trade partners, those that were guaranteed by government export agencies such as the U.S. Eximbank, are unresolved. Exim is refusing to pay, according to business sources, until Nigeria swallows the deadly IMF pill. One businessman sees this as collusion between the Eximbank and the IMF to provoke a coup in Nigeria.

Nigeria's debts, while not large for a country its size, are bunched, and debt service is growing fast. In 1984, Nigeria's debt-service ratio to total public spending was 25%. This year it is projected to be 44%, and by 1987, over 60%. While this high debt-service payment would pay only interest, and not cover amortization, more than half of national income will go to service loans, in no way developing the economy.

Nigeria's foreign exchange earnings plunged from a high of $22 billion in 1980 to barely $8.7 billion in 1984, and are projected to be about the same for 1985. The combination of high debt-service and the drop in oil revenue means there will not be enough funds to carry out the ambitious capital projects so crucial for Nigeria's development.

Since taking power, the government of Maj. Gen. Muhammadu Buhari has imposed drastic cuts in public spending. There have been widespread layoffs of workers in the civil service sector and the government parastatal companies. Also, many types of taxes have been introduced, such as poll tax, sales tax, and educational and development taxes. A wage freeze has been imposed on both public and private sectors, schools merged, and government subsidies on education removed. Students at all levels have been withdrawing from school.

· The currency was changed to allow better control of the money supply, interest rates have been increased, and measures are underway to allow Nigerians and foreigners to operate foreign bank accounts in Nigeria. Laws controlling imports have also been liberalized.

The above measures pretty much fall into the category of things the IMF wanted Nigeria to do, and were implemented because the government had no other choice, due to across-the-board support for the IMF by the industrialized countries.

The draconian steps that Imo State, the most heavily indebted of Nigeria's 19 states, had to take a few months ago, exemplify the pressure Nigeria is under. Imo's governor announced a special formula for dealing with the economic crisis. No money will be borrowed to pay workers: "Nobody is guaranteed any take-home pay as his salary until the economy improves." If there is any revenue left after debt service and government costs have been paid, only then will wages, or parts of wages, be paid. Recently 18,000 workers were laid off in Imo, 15,000 of them teachers. A survival levy was imposed by Imo last year as part of its desperate efforts to raise funds for capital projects.

This year at the May Day celebration, for the first time since the event became a state occasion in Nigeria in 1980, there was organized opposition to the government and union leaders, and the event was abruptly called off. The workers were demanding more jobs, and reportedly booed the speakers, including Nigeria Labour Council president Alhaji Chiroma, who, in his speech, urged the government not to take the IMF loan.