Nigeria fights to solve crisis

The current talks with the IMF are evidence of Nigeria's desperate determination to find a solution to its economic crisis.

Talks are being held in the Nigerian capital of Lagos in the first week of May, between officials from the World Bank and the International Monetary Fund and Nigerian Finance Minister Chu Okongwu. Following several months of public debate on whether or not to accept IMF conditions for a $2 billion standby credit, which included a large-scale devaluation of its currency, the naira, Nigeria officially rejected IMF demands in December 1985.

In the 1986 budget, announced on Jan. 1, the Nigerian head of state, Genera Babangida, announced that Nigeria was imposing a 30% ceiling on the percentage of export revenue that would be used for repayment of debt service. While the 30% figure is still high, it compared with a level of 44% of export revenue which would otherwise have been used to pay debt service. General Babangida also announced a severe austerity budget, cutting public sector spending, cutting government employees, drastic cuts in imports, and the banning of certain imports such as some food products (Norway for instance is suffering the annual loss of $250 million of exports of stockfish to Nigeria, banned in January).

Nigeria's economic problems have worsened month by month this year: The dramatic fall in the price of oil, which accounts for 97% of Nigeria's exports, has meant that Nigeria's income this year might be as low as $5 billion or even less. The budget was based on an already-low estimate of projected income of $8 billion, compared to $25 billion in 1980.

At the end of February, the government was forced to freeze import licenses altogether, and one businessman was quoted in the *Financial Times* saying, "I have written this year off. I will just close my eyes and keep going." Nigerian industry depends on imports of spare parts and raw materials to keep producing, and even with higher import levels last year, it was only operating at an average capacty of 20%.

Nigeria is attempting to reschedule its medium- and long-term external debts, estimated at $4-7 billion, owed to a group of Western nations (the "Paris Club") and private banks (the "London Club"). Several days of talks with Paris Club representatives in Paris ended on April 26, but the Paris Club is insisting that Nigeria first agree to a deal with the IMF as a precondition to rescheduling. Earlier talks at the end of March in London with the London Club had led to an agreement by the commercial banks to grant a 90-day moratorium on repayments of principal. Okongwu met the steering committee of the London Club on April 22 to resume discussions, and the London Club insisted that the outcome of Nigeria's meeting with the IMF and World Bank should be made available to them.

Keeping up the pressure, the London Club is sending a delegation to Lagos for further talks with Okongwu, and major talks are scheduled for New York beginning on June 12. The talks with the IMF taking place now are evidence of Nigeria's desperate determination to find a solution to its economic crisis, but there is hardly a chance that the IMF will change its line on calls for a devaluation. For the Babangida government to accept that now, would mean a major loss of face and popularity for the military regime.

Nigerians are already suffering the effects of the austerity program: Bread is scarce, with the price of flour in the shops at twice the official price. A bag of salt used to cost N7, now it costs N20. A bottle of groundnut oil, which used to cost N7, now costs N25.

The one chance for Nigeria to escape from this economic crunch, with the resulting drastic austerity, would be to link up with other debtor countries, not only in Africa but also in Latin America. Organization of African Unity chairman and Senegal's President Abdou Diouf's call for an urgent conference on African debt is still on the agenda, and OAU sources have said that a debt conference will be "far more important" than the planned U.N. emergency session on Africa, to take place May 27-31 in New York. No date has been set for the debt conference, but it could well take place before the summer.

The weekly *African Concord* reported in its issue dated March 13 that "the radical Latin American bloc, headed by Brazil and Peru, could well be joined by Nigeria, which in its present circumstances, could feel it has nothing to lose by unilaterally declaring a debt ceiling." In a recent interview, President Babangida, when asked whether he would consider cooperating with Brazil and Peru, said the situation in Latin America was different, but he did not rule out cooperation "If that's something commonly acceptable to all those involved."