Nigeria opposes the IMF's austerity

by Mary Lalevée

In unusually harsh language, Nigeria's military leader, Maj.-Gen. Muhammadu Buhari, in early October strongly condemned the International Monetary Fund's conditions for granting his country a $2.5 billion loan, charging on nationwide television that Nigeria was being asked to mortgage its economy. The IMF has demanded that the country devalue its currency by 60%, cut subsidies on domestic petroleum prices, and dismantle its system of import restrictions.

Nigeria's opposition to IMF demands, as well as Egyptian President Mubarak's recent refusal to cut subsidies on bread, may galvanize other African governments to action. Over the last year, most African governments have, over protest, submitted to IMF demands, explaining in private that they know that the medicine offered is "killing the patient," but they have no choice. African diplomats have told this writer that their countries could not survive a cut-off of all economic and financial aid, which could follow their refusal to obey IMF dictates.

It seems to have gone unnoticed that the countries that have faithfully taken IMF "medicine" never recover: for example, Zambia, which according to the latest issue of *Africa Research Bulletin* (*ARB*), is "firmly under the tutelage of the IMF," and in fact has been following IMF demands since at least 1977.

In March 1978, the finance minister of Zambia announced a two-year aid program with the IMF, explaining this as "the last hope for the economic recovery of our country." The usual IMF recipe was applied: devaluation of the currency by 10%, reduction of the budget deficit by cutting imports, cuts in government subsidies, and increased taxes. An IMF team inspected Zambia's affairs in 1979 and announced themselves satisfied. In 1981, the IMF program reduced of consumer subsidies and increased food prices. The price of maize meal, the basic food staple, rose 50% in six months. The prices of meat, dairy produce, bread, salt, and sugar rose between 12% and 40%. In 1982, further negotiations with the IMF led to further limits on government borrowing, and another devaluation of the kwacha. In 1983, the currency was again devalued, this time 20%; there were more cuts in food subsidies, a 10% wage ceiling was set, and price controls on most commodities were ended. Since January 1983, the kwacha's value has been cut in half.

The result of Zambia's faithfulness to the IMF is that today, seven years later, foreign exchange is so short that "not enough supplies can be imported to keep essential industries running," according to *Africa Research Bulletin*. The *Bulletin* reports that the industrial sector is running at between one-half to two-thirds capacity. "The local press is full of stories of firms producing essential local commodities that are forced to close down, or run part time only, or lay off workers because they don't have raw materials or the spares to keep machinery running." The local Dunlop factory closed in August because it had no rubber to make tires—at a time when truck haulers were complaining they were short 17,000 tires and tubes urgently needed to bring in the maize crop.

Zambia is one of the 24 countries named by the United Nation's Food and Agriculture Organization as being dependent on food aid, due predominantly to drought. According to government estimates, half a million people are suffering from the effects of drought in the southern, western, and central provinces. IMF measures are directly responsible for the inability to bring in the maize crop. "This time last year we had brought in 2.7 million bags of maize; this year we have had only 1.2 million bags," said Gerry Chabwera, general manager of Namboard, quoted in *ARB*. Chabwera complained that although the maize crop was estimated to be better than last year at about 6.1 million bags, he would still have to import about 2.5 million bags.

There are reported shortages of consumer products everywhere in Zambia. "In some rural areas there has been no bread for months," writes *ARB*. "In Lusaka, lines form daily for toilet soap, toothpaste, and basic necessities of all kinds. School children have to share basic textbooks in the schools." A diplomat from Zambia recently reported that in many schools, there are simply no chairs.

Other African countries suffering from drought and famine, such as Tanzania, Ghana, and Zimbabwe, are also being subjected to IMF austerity. The Tanzanian government had devalued the country's currency by 25% and cut subsidies on maize meal and fertilizer, but this was not enough to qualify for even a relatively small loan of Special Drawing Rights (SDR) 150 million ($155 million). The IMF has now broken off talks on this loan because Tanzania raised the minimum wage to try to offset the effects of the austerity measures.

Apparently as a reward for devaluing its currency 99% last year—and another 10% in the month of September alone—Ghana has been granted an IMF loan of SDR 180 million ($183.1 million).

The United Nations General Assembly is due to debate the crisis situation in Africa in November. The disaster facing Africa cannot be prevented by mere resolutions: the control the IMF has over Africa's economies must be directly challenged.