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## Interview: Chief Don Etiebet

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# We are paving the way for a democratic government

*Chief Etiebet is Nigeria's Minister of Petroleum and Mineral Resources. He was interviewed on July 2 in Abuja, Nigeria by Lawrence Freeman and Uwe Friesecke.*

**EIR:** Oil plays a great role in Nigeria. Could you tell us about oil exploration and export in Nigeria?

**Etiebet:** First of all, the oil industry in Nigeria is predicated upon joint venture partnerships between the Nigerian government through its national oil corporation, called the Nigerian National Petroleum Corp. (NNPC), and most of the international oil companies—Shell, Chevron, Texaco, Elf, all of them are here. We are in partnership with these international companies to explore and produce oil.

At the same time, we have what is called the production-sharing agreement, with some other companies. In this case, those people actually invest money in all the activities of exploring and discovering oil, and they are not in production, but investments before taxes; whereas in the joint venture arrangement, we contribute to all the exploration and production costs and then we share in the crude oil produced.

We have the capacity to produce up to 2.3 million barrels a day. But that is not good enough, because the rate of depletion is about 15% of the capacity to produce. Our objective is to add, so that we can make about 2.5 million barrels a day in the next three years. That is our target.

That is the upstream sector. The downstream sector includes the refining of crude. We have four refineries in the country, and we are processing 300,000 barrels a day in these four refineries. This is what we use for domestic consumption.

**EIR:** What percentage of the oil that is produced is owned by the Nigerian government?

**Etiebet:** On the average, in the joint-venture arrangement, the Nigerian government owns approximately 58%.

**EIR:** Oil accounts for 90% of Nigeria's foreign exchange. How did the International Monetary Fund's (IMF) structural adjustment programs in the 1980s affect the development of the Nigerian oil industry?

**Etiebet:** The price of oil in the 1970s rose from \$2.50 to about \$8.50. That was a windfall for all the producing countries, because they didn't expect that kind of rise. The utilization of those funds in the 1970s in Nigeria was properly handled, and most of the development in Nigeria that you see today was done in the 1970s. The 1980s saw a big rise in oil prices also, which made [the national currency,] the naira, very, very strong. From 1979 through the 1980s, the naira was at almost \$2, in effect. We were in the era of the 1979-83 civilian regime. But by 1984, we had gone from a position of strength, in having created high levels of foreign reserves, to deficit levels. From 1984, we started to have a lot of international debt, despite the fact that the oil price had gone up quite considerably during that period, to about \$12 billion. So, the problem became how to manage that debt and how to manage the economy.

From 1984 to 1985, the government at that time tried to strengthen the naira; they tried to do certain things in the management of the foreign debt, and tried to be more or less inward-looking in the management of resources. And this is when the International Monetary Fund started pushing us to devalue the naira. That was the *main* thing in 1984: whether to devalue the naira in the face of the foreign debt and in the face of the dwindling oil price. The price of oil had started to go down from \$28, to \$21, to \$19, to \$18.

There was another change in government in 1985, and this government came to accept the World Bank-IMF-supported structural adjustment programs. In its implementation, this had negative effects:

1) While the government expected more inflow of foreign exchange into the country to improve on investments in the country, to improve on industrialization, to improve on the capacity earnings, and so on and so forth, those foreign investments did not come in, unfortunately, during the whole period; or what did come in was nothing like what was expected.

2) The program had envisioned that the naira, if it were deregulated, would be kept up, because more foreign exchange would be coming in. But what we saw in the process was that the naira started depreciating—from 2 naira to the

dollar, to immediately 3 naira, to 4, to 6, to 8, to 10, and then to 18, officially to 21 during this period, and then to 40. So, in effect, between 1982 and 1993, the naira has depreciated over 60 times.

3) The interest rate was supposed to be lowered as a result of savings and investment in the industrial sector, but this did not happen. Instead, interest rates rose—sometimes officially to 60%, unofficially to 100%. There was a time when it was 150%.

As a result of these factors—the high rate of depreciation of the naira and the high rate of interest—industries could not function. They couldn't go and borrow at 100% or 60% to run an industry; you can't make any profit. The exchange rate was too great; therefore, you couldn't go and buy dollars at dollar rates. Thus, industrial output became very low. Everybody started to just depend on a three-month cycle of business, something you could turn around in three months. The banks mobilized all the available resources, available savings funds, to pursue the foreign exchange. Every month, over 50 billion naira was mobilized to support foreign exchange bids, and then, at the end of the day, they would get maybe 5% of that, and the following week they would do it again.

So there was no money left to sustain other things, such as lending for even ordinary things, like school fees, development of agriculture. Because of that, many infrastructure facilities and social services suffered during the period. Educational systems suffered a lot; universities were closed for a long time; teachers were not paid; even sometimes policemen were not paid. All the funds in the system were mobilized to pursue foreign exchange, as a result of the system of foreign exchange of 1992-93.

Another factor during that period is that the dollar was sold by the central bank at an official rate of 21.9, 21.8, 21.99 to the bidding banks, and the bidding banks turned around to sell dollars at a higher rate than 22.1. So, although the exchange rate by the central bank was at 21, the bidding banks were selling them at another rate. So the prices of goods and services were not the prices reflected by the official exchange rate. Then a parallel market was created in the 1992-93 period, whereby people or organizations who had foreign exchange were free to bring the foreign exchange in and sell it at whatever rate, outside the central bank rate. In this "para-market," rates ranged from 35 naira to the dollar, to 40, to 50 naira per dollar. In effect, the prices of goods and services in the market reflected the regime of the parallel market, and that is why things started being very costly in Nigeria, unaffordable to the ordinary Nigerian.

This was the effect of the structural adjustment program in reality; not in conception, but in reality.

I think it was in that regard that when this present regime was preparing this year's budget, it looked to remedy this situation; the government set out not to control, but actually

to maintain and monitor the exchange rate. So the government announced: Okay, you can now sell at 22 naira for the dollar, but the para-market must not be allowed to exist, because the para-market prices were *dragging* the effect of the official rate.

**EIR:** Do you mean that individuals were allowed to come in and just sell foreign exchange?

**Etiebet:** Yes. Individuals were just allowed to come in; it was a black market; they were allowed to come in and sell foreign exchange at whatever rate. And banks, too, were buying from the central bank at the official rate of 21 naira to the dollar, and reselling them at the black market rate. That was the regime that was operating, during the past two years. This year, the government said: "No, we cannot allow that parallel market to exist, because its effect is obliterating the real market effect." That is the only thing that they did.

Secondly, the interest rate also was to be properly monitored and kept at a level that is affordable by industrialists to borrow money and revitalize the industries. The interest rate was also pegged at 22 to 1; all these things were done with the intent of reducing inflation and having money available. Again, 21% is not cheap, when you talk about your country—the United States or Europe or Germany or Japan—but in Nigeria, compared to what was happening before at 50-60-100%, it is cheap money.

Going back to your question about the IMF and World Bank reaction, it seems they are not in agreement with those new provisions in this year's government budget. And as such, they seem to be holding back on their support for the economic development of the country. It is contradictory, because we are talking about trying to reduce inflationary trends in the country induced by Nigeria's dependence on imports. Nigerian goods and services, even human services, are important to produce the oil. If the effect is to reduce inflation and the price of goods and services, the answer is therefore to reduce interest rates; the answer is therefore to keep prices down. Since Nigeria depends a lot on imports, the lower the rate of exchange, the lower the prices of things will be. That is on the one hand.

On the other hand, the earning power of Nigerians has not changed considerably over the years, although the Nigerian naira has been depreciating. So, you have a very wide gap between Nigeria's earning power and the exchange rate. And, therefore, the more you allow the naira to depreciate, the more you find the Nigerian worker being unable to afford anything in the way of normal living conditions.

These are the dilemmas, these are the distortions we have in the system which this government is set to remove.

But the believers in deregulation—that is, the deregulated foreign exchange rate, deregulated interest rate—think that if you deregulate, you will have a period where people are unable to afford things and therefore they will start

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saving money. But I don't believe that we can reach the elastic limit of the demand for foreign exchange in Nigeria. The appetite for foreign exchange in Nigeria is so elastic, that I don't think it can snap at any rate. For example, if you agree to exchange 100 naira for a dollar today, the parallel market and the black market will still exist; somebody will still be willing to pay 120 naira or 110 naira or 150 naira.

**EIR:** You said that in the early 1970s and then late 1970s, the price of oil went up very significantly, and then went down. How much difficulty do these fluctuations in the price of oil cause to the Nigerian economy?

**Etiebet:** Tremendous difficulty. If you compare the price of oil today, it is the equivalent of the price of oil in the 1960s, when the naira was at \$2.50, in terms of the real worth of the dollar. Today, the oil price is equivalent to the 1960s; but in terms of our needs, the dollar has also depreciated in worth. We have to pay more dollars for imported goods and services, but we receive less value for our oil. If the oil price were to rise concomitant with the worth of the dollar, our oil price now should be about \$140-150 per barrel.

**EIR:** And what is it?

**Etiebet:** Today it is \$15-16-17.

**EIR:** One argument that is advanced constantly is: Nigeria had the oil boom; they earned a lot of money, but they failed during the 1970s to invest that money properly in the development of their economy, and therefore, they are in trouble today. How do you answer that argument?

**Etiebet:** Most of the development that you see in Nigeria today—the interstate road system, the development of harbors and ports, the establishment of universities in many states of the country, and many other things—were achieved during the '70s. And the '70s were the period in which we had just come out of the civil war. So it was a time of reconstruction and reconciliation. I believe the oil revenues were used properly during that period.

**EIR:** On the oil production perspective, how big are the reserves being estimated right now, and for how long a time

do you think those reserves will last?

**Etiebet:** We have quite big reserves. I don't have the exact figures right now, but I think they are in the region of 20 billion barrels of reserves discovered in Nigeria.

**EIR:** Who are the main customers for Nigerian oil?

**Etiebet:** America and Europe, in the main. About 40% goes to the United States, and the rest to Europe and Africa.

**EIR:** And in Europe, the main customer?

**Etiebet:** The main customers are the refiners, all kinds of refiners in Europe. In terms of country, we do not really know exactly. In today's oil market, for example, Shell—take Shell, Mobil, Chevron—Shell takes 40% of our oil production, of what it produces. But once they take it from shelves, they may send it to their refinery in Europe or to America, to the Far East. We don't know. But most countries in Europe take our oil.

**EIR:** What is the level of export of oil or gas to other countries in Africa?

**Etiebet:** In terms of crude oil exports, by country, we export crude oil to Ghana and Togo. These are the only two.

**EIR:** Are there any plans in the future?

**Etiebet:** There is a lot of interest from African countries in Nigeria's crude. And also, you must have heard that there is a lot of smuggling activity of refined products from Nigeria to these neighboring African countries. And our program to curtail that is actually finding means and ways of getting crude officially to the countries that it is now being smuggled to.

**EIR:** You are part of a government that is described by most of the British and American press and part of the Nigerian press as a dictatorial military junta. I understand that you were a private citizen and a businessman. Why did you join that government, and how do you look back at these seven months in service of this government, and what do you think is the perspective of this government?

**Etiebet:** Thank you very much. I think last year, in August-September 1993, a time was reached in the country where if some patriotic Nigerians did not make some sacrifices for

the well-being of the nation, there would have been a problem. It was in this regard that some of us decided to put our services to save the nation, because at the rate it was going, it was disintegrating, and it needed some people who believed in the sanctity and corporate existence of this country to come in and work at putting things together and reviving it.

My coming into government was based essentially on coming in at a time when the country needed people to work together to put it together and pave the way for a democratically elected government to come into place. So at that time, we came in as a holding government, to set the economy on a good footing and to straighten out some of the social structures and infrastructures and social services, so that when the democratic government comes into place, there would be a good foundation to stand on and thrive. That was the main objective of the interim government that was set up last August, to take over from the last administration of General Babangida. The politicians did not understand it that way, and kept haggling and causing a lot of trouble, and this led the military people to come in, because the government of [Chief E.] Shonekan [August-November 1993] just could not handle the political upheaval that had begun, which was threatening to break the country into pieces. So the interim government surrendered power to the military regime of Gen. Sani Abacha.

So they asked me: "Would you continue in this government?" My answer was that I thought the new government that came in thought that I had contributed properly, in trying to straighten out things in the petroleum industry, since my coming into office in September last year. Because, as we have been noting, the petroleum industry contributes tremendously to the economy of the country. There are three main sources of revenue for the government—petroleum revenue, customs duty, and corporate taxes—that's it. But you will not collect customs duty if you don't import goods, and you import goods by getting foreign exchange from the oil sector. The corporate people will not declare profit if they are not operating under any foreign exchange—everything revolves around the petroleum industry. When I came in and saw that there were a lot of distortions in the system, tending to waste resources, I started to put this right, and I think that is why I was allowed to continue, to finally bring these programs to fruition. We've been working very hard in that regard. All last year, the country was plagued with instances of shortages of petroleum products.

**EIR:** Do you see measurable progress in the last six months?

**Etiebet:** I have seen a lot of progress in the last six months. The problem is the information you are no doubt getting there about the problems with the Nigerian economy. The truth is that the economy is in a more sound position than

ever before. As I told you before, the economy was floating on a platform of a three-month cycle of people rushing to the central bank or the banks, getting money, bringing in goods and selling them at 200%, with no investments whatsoever, because how can you invest when the interest rate is that high?

But right now we are bringing all those down to a level where there can be a sedimentation of all those factors. We have a stronger platform, now in order to move forward. In the next six months, the progress we put in place definitely is going to bring an improved economic scene. I've been talking with some manufacturers recently, and they, albeit privately, are applauding the economic programs of the government right now. The only thing they want is the tenacity to sustain the programs for the next six months. Otherwise, people are still skeptical about whether we will be able to hold on.

**EIR:** There is a lot of debate in Washington political circles, in London, to put sanctions against Nigeria into place, to put political pressure, to change the course of the government in Nigeria. Do you have a message to the policy circles in Washington, or let's say in Bonn and Paris, as to what would be the best for the country of Nigeria?

**Etiebet:** Yes. The message I would like to state is this: No doubt a military regime is a misnomer. But as long as the head of state is a military man, that regime is known all over the world as a military dictatorship. But I would like to let you know that in this government, there have been a lot of inputs from civilians. There have been a lot of politicians in the government; there have been a lot of very experienced people, who are good politically and economically and socially, who have come to create an enabling environment in economics, in politics, in social structures and infrastructure; to put some parameters and provisions in place; to institute a proper law-administration; to reform a lot of things so that when the military administration gives way to the democratic system, they will now have a platform. . . .

Look at the case of Japan. In the past nine months, there have been more than five heads of government, but the economy remains *intact*. This is the kind of thing we want to see here in Nigeria, when the democratic government comes in place, so that the economy does not fluctuate with the aspirations of the politicians. This is a problem in Nigeria, that politics is business; this should not be the case. We want to use this opportunity to demarcate, to differentiate, to pull them apart, so that politics is serving economics, and economics is the instrument with which politicians can strive, because they need a foundation to stay and build the country. They are the administrators of economics. Politicians, government are the administrators of economics. But when economics and the administrator

became one and the same person, then you have all the problems that we have been having in Nigeria and in other developing countries.

If the international community is putting all these pressures on Nigeria, because they want them to hand over power to a democratically elected government as soon as possible, I will commend their efforts. But I would also like them to understand the problem of Nigeria and give this present administration some time to effect those parameters. Those provisions I have just told you about should be properly in place, because if we hand over in a period of flux and anarchy, it will not work.

Politics in Nigeria is very complex, because of the multi-various sets of people in the country. We must have certain standards set, and that is the need for the new constitutional conference that was just inaugurated a few days ago by the head of state and commander in chief. That constitutional conference brought everybody who is anybody in this country together, to come and debate the problems of this country—not the problem of tearing the country apart, but the problem of how to live together to be united in diversity in the country. So this is what I would like to get across to the international community: that we mean business; that we have a good sense of purpose, and we are working for the interests of Nigerians.

If the pressure is on how we should govern ourselves, how we should run our economy, whom we should borrow money from and not borrow money from; what salary we should pay our people or not pay our people; what we should use our money for; whether we should cultivate our agriculture or not cultivate our agriculture but import, I think that is going a little too far into the internal administration of any country. They should allow us to develop a system that *we believe* will serve our people. It will then be left for our people to say: “No, that system is not good enough!” and they should revolt against this system! But not others, sitting down and saying, “No, you should not apply that system to your people; you must apply this system.”

And then they come around and say, “Okay, you are owing us, so if you do not want to listen to what we say and apply our system, pay us our money!” That is pressure, pressure that in many areas could be misinterpreted. I don’t want to use very strong words here. I am trying to say that if Nigeria, or any developing country, has come to map a course of development for itself, with sincerity of purpose, they should try to use all the instruments of intelligence to find out whether the members of this government are sincere in what they are doing. And I know personally that *I* am sincere in what I am doing. And I have stood my ground since I came into this. I am going to stop smuggling and diversions and so forth; it is a formidable task, but I’m working on it and it is succeeding. If they can find out that we are sincere in what we are doing, they should at least give us a little opportunity to *experiment*. That is the message.

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## Interview: Chief A.K. Horsfall

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# Oil is the patrimony for all Nigerians

*Chief Horsfall is the coordinator of the Oil Mineral Producing Areas Development Commission (Ompadec), which was set up in 1992 to alleviate various difficulties in Nigeria’s oil-producing communities which had arisen over several years, as a result of oil exploitation. Ompadec’s responsibilities stretch across the eight oil-producing states of southern Nigeria. The Rivers State is the biggest producer, with about 41% of the national production. Next is Delta State, with 30%; Akwaibom State produces about 17.5%; Ondo State is now number four, with about 5.1%, followed by Edo State and Imo State, which each produce 1.1%; then comes Abia State, followed by Cross River State, which has yet to produce a substantial amount.*

*Ompadec is an autonomous commission, reporting directly to the Nigerian President. Ompadec also has a consultative relationship with the Ministry of Petroleum, the Federal Environmental Development Agency, and state and local governments. Ompadec is funded by 3% of the oil sales revenue that reverts to Nigeria every year.*

*This interview was conducted in Nigeria by Lawrence Freeman and Uwe Friesecke.*

**EIR:** What has been the policy of the oil companies that have come into Nigeria? How do they relate to Ompadec, and have they been acting in the interest of developing Nigerian oil?

**Horsfall:** There are two issues there. The oil companies’ interest in developing Nigerian oil is their paramount interest, that is, exploiting the oil, selling it, taking their own percentage of profit, and paying their taxes, royalties. I think they are very adept and adequate at doing that. Over the years—and many of them have been operating since 1937—they have had no real policy of developing the communities from which they exploited the oil. But gradually, as time went on, they became more and more involved. As of now, almost all the major oil companies are involved at some level, to some extent, they all have budgets for community development, they are putting a little percentage of their operational money into such things as hospitals, maternity homes, generating plants for electricity. Basically, these have come rather late in the day, when the clamor for this was high.

**EIR:** Shell Oil Company has been operating here since