British free-trade policies are destroying Nigeria

by Lawrence Freeman and Uwe Friesecke

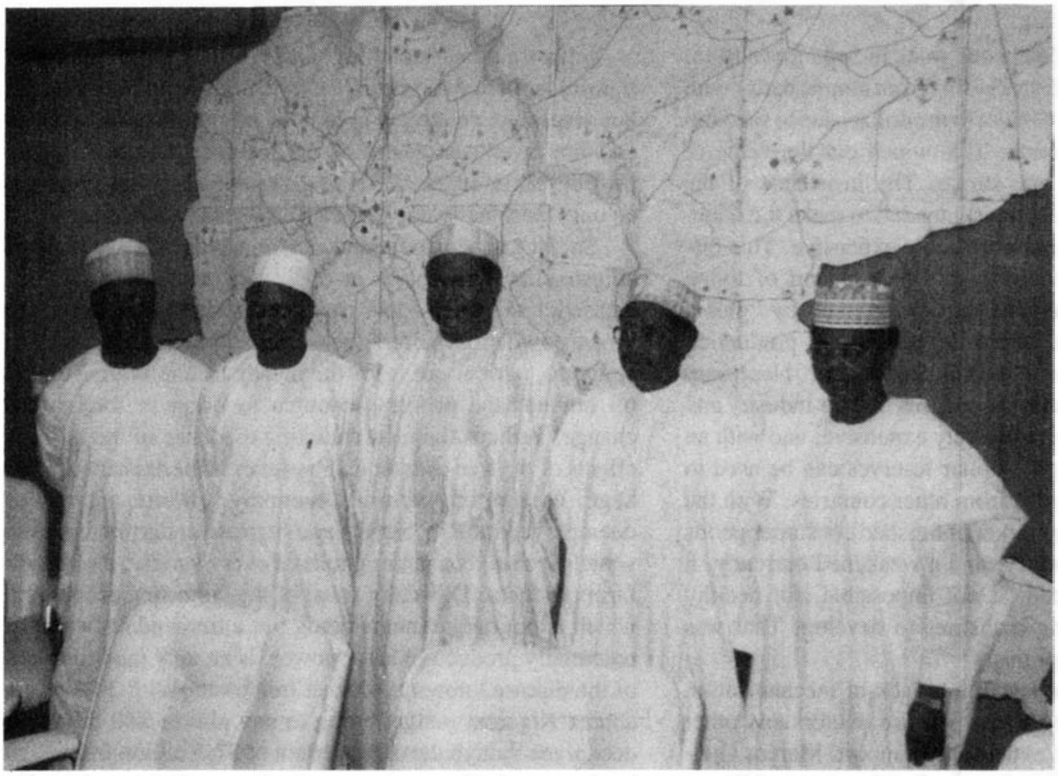
This report is the first of a series based upon a visit to Nigeria on Oct. 2-16. See EIR *of July 29, Aug. 5, and Aug. 12, 1994, for in-depth reports and interviews following an earlier visit by our correspondents to Nigeria.*

On Oct. 17, Kalu Idika Kalu was forced to resign as the finance minister of Nigeria. The sacking of Kalu is a sign of the ongoing battle in the Nigerian government headed by Gen. Sani Abacha, between those forces committed to real economic development and those wishing to return to the structural adjustment programs (SAPs) of the International Monetary Fund (IMF). As the finance minister in the Abacha administration, Kalu was seen as a staunch defender of the "free-market" policies that destroyed Nigeria from 1986 to 1993.

General Abacha assumed power in November 1993, and immediately implemented anti-IMF reforms, which Kalu never fully agreed with. At that time, General Abacha fixed the rate of the currency at 22 naira to $1, lowered interest rates from over 70% to 21%, and directed a portion of dollar reserves to be used to develop the industrial manufacturing sectors of the Nigerian economy. To the horror of the international financier families of the British-Dutch oligarchy, General Abacha essentially ended the eight-year reign of the SAPs and indicated that he intended to lead Nigeria on a different course.

There are reports that Kalu continued to verbally berate other cabinet members for their agreement with this new policy direction. It was Abacha's clear and unequivocal rejection of British free-trade manipulation of the Nigerian economy that made him a target of the British-Dutch financial oligarchy, which responded by helping initiate and fund the so-called pro-democracy movements that tried to overthrow the Abacha government this past summer.

In interviews with *EIR*, many members of the current cabinet and several of the military administrators who govern each of Nigeria's 30 states, made it unmistakably clear that the IMF is responsible for the weakened condition of the Nigerian economy, and that now, with the new anti-IMF direction, they intend to



Col. Muhammad Abdullahi Wase (center), the military administrator of Nigeria's Kano state, with members of his cabinet. Colonel Wase and other Nigerian leaders insist that something has to be done quickly, to improve the life of the people. This means infrastructure development, food, housing, health care, and education.

move ahead with rebuilding Nigeria.

Col. Muhammad Abdullahi Wase, the military administrator for the state of Kano, expressed the urgency of raising the standard of living of the Nigerian people by deploying limited resources toward expanding the physical economy, when he told us, "We had to do something quickly, in order to improve the quality of life of the people. You know what the indicators are of the quality of life: health, education, food, shelter, and so on." This requires upgrading infrastructure by providing more and better roads, improved health care and new hospitals, irrigation for farmers, as well as increased supplies of fertilizer, and improved sanitation.

British colonial policy

The programs used to destroy Nigeria's economy are the same ones that have been used against all developing nations, and are dictated by international financiers under the guise of the supposed need to adjust to "market realities." In truth, these so-called adjustment policies are nothing but the continuation of the free-trade polices of Britain's Adam Smith, which were used throughout the eighteenth and nineteenth centuries. Then as now, the intent of free trade was to help Britain keep her colonies and enemies backward and economically weak, by preventing them from developing their own manufacturing industries, stealing their raw materials at artificially low prices, utilizing cheap labor, and forcing the colonies to remain in a rural-agricultural mode of existence. The continuation of this insane policy is today causing the deaths of tens of millions of Africans through disease and starvation, and has also driven the global economy to the point of disintegration.

The IMF programs embraced by head of state Gen. Ibrahim Babangida from 1986-93 forced Nigeria to swallow the bitter medicine, which was not intended to improve the health of the Nigerian economy, but to kill the patient. The prescription was as follows:

- reduce the fiscal deficit;
- reduce government expenditures;
- devalue the currency (the naira);
- deregulate commodity prices;
- deregulate the banking business;
- deregulate interest rates;
- increase privatization of previously state-owned enterprises.

Devastating impact

The results, as expected, were disastrous, and the Nigerian economy today has still not recovered. Dr. M.S. Umoru, a leading businessman from Kano, stated in a press release issued by the Organization for Patriotic Nigerians, which he heads: "It is the wish of the IMF to leave interest rates and exchange rates to the vagaries of the market. This policy has been tried out and seen to be a disaster to the Nigerian economy: Nigeria was on the brink of total chaos and collapse during the implementation of IMF policy—1986-93. Nigeria was drifting aimlessly on the economic ocean without a compass and a rudder."

This nightmare began when General Babangida agreed to devalue the naira by 63% in one week in September 1986, which sent the currency skyrocketing from almost parity with the dollar to levels of 40-70 naira to the dollar, due to speculation spurred by deregulation. This wiped out the value of Nigerian business with one stroke. The insistence of the SAPs on currency devaluation is intended to make the country's exports cheaper and imports more expensive. This further drives down the economy and the standard of living of the population, because exports determined by "global market forces" are priced below the real cost of production and depend on the use of plentiful cheap labor. Necessary goods, most especially capital goods needed for industry and infrastructure, become prohibitively expensive, and with an inconvertible currency, only dollar reserves can be used to buy these vital capital goods from other countries. With the dumping on the Nigerian market of finished consumer goods produced outside the country, and a weakened currency, it became extremely difficult, if not impossible, for healthy indigenous manufacturing industries to develop. That was the intent of the IMF programs.

Agriculture suffers today from a lack of mechanization and irrigation in the drier areas, because tractors and other capital goods became too expensive to import. Marcos Gundiri, who directs irrigation projects for the states of Kano, Bauchi, and Jigawa, detailed the dramatic effects of the SAPs on agriculture, in the interview published below. He reports that tractors cost 25,000 naira in 1984, but 1 million naira in 1994; pumps that cost 50,000 naira in 1984, today sell for almost 2 million; land graders that went for 70-100,000 naira before the structural adjustments, today sell for 5 million naira; and fertilizer went from 20 naira a pound to about 200 naira during the same period.

According to Colonel Wase, the extreme expense of purchasing new tractors and spare parts forced farmers to rely on more backward, less efficient practices, such as using animals to till the soil. Due to the deliberate denial of modern technology to the farmer, plus low prices for his products, only a small portion of land is used, but almost two-thirds of the workforce is scratching out a meager existence on 1-3 hectares of subsistence farming. Rather than concentrating on growing food for the population, the emphasis has been on cash crops that can be exported, like cocoa, palm oil, rubber, and ground nuts.

Industry has not fared any better, after almost a decade of IMF policies. Nigeria has to rely almost exclusively on imports for capital goods. The large Ajeokuta Steel Plant, begun in the early 1980s, is still only 98% completed, and the aluminum plant is only 60% completed. Capacity utilization in major manufacturing industries in 1991 was 39%, while in some manufacturing sectors it is as low as 28%. The plentiful supply of minerals other than oil—bauxite, tin, lead, limestone, coal, etc.—have not been properly exploited, because of shortages in foreign exchange and infrastructure that limit the development of more industries.

Infrastructure, including roads, rail, electricity, mass transit, sanitation, and health care, varies from state to state, but across the country it is in need of significant expansion and improvement. Many of the infrastructure and related projects begun in the 1970s simply stopped, or have expanded only marginally due to the effects of the SAPs.

So, let's look at the results of almost a decade of structural adjustments: Inflation is at 60%, budget deficits have increased, less capital goods per capita are being produced, the urban population suffers from massive shortages of infrastructure, agriculture is for the most part unproductive, and oil remains the primary resource to bring in foreign exchange. Perhaps the most indicting evidence of the hideous effects of the free-market IMF policies is the existence of the huge, unreported "informal economy," where millions of unemployed mob the streets and highways, darting between vehicles to sell consumer goods of every variety, along with farm products. This daily ritual of the "informal economy," which is not only dehumanizing but a tremendous waste of potentially productive labor power, is an ugly manifestation of the disease known as British free trade. With 30% of the annual Nigerian budget going to pay almost $40 billion in debt, even though the original debt of $7.5 billion from 1980 has been paid off many times over, there is little available for developing the country for the benefit of the Nigerian people. The banks have always maintained that the debts must be paid, regardless of the consequent loss in human life.

Although Nigeria has the largest population in Africa and the most populated city, Ibadan (southwest Nigeria), with 5.5 million people, on the continent, there is not one shred of scientific evidence to support the claims by Britain's Prince Philip and his genocidal World Wide Fund for Nature, that Nigeria or any part of Africa is overpopulated. Nigeria is rich in land, has abundant reserves of oil and natural gas, and an energetic population of approximately 100 million people. Despite the difficulties of the last 34 years of its tumultuous history since achieving independence on Oct. 1, 1960, Nigerians still hold onto the idea that they can be a prosperous sovereign nation, if they were to be allowed to develop their economy, free from the dictates of the IMF and World Bank.

It still remains to be seen how Nigeria under the leadership of General Abacha will fully realize its enormous potential. Is Nigeria prepared to break with all British free-trade controls? With the commitment by the majority of the cabinet to direct investment into Nigeria's poorly funded industrial-manufacturing sector, and to expand its grossly underdeveloped infrastructure, there is a basis for optimism. However, since the British-Royal Dutch Shell crowd will not allow Nigeria a peaceful transition to prosperity, it is imperative that leaders of Nigeria be prepared to wage ruthless warfare against their centuries-old oligarchical enemy, now known as the House of Windsor. One hopes that the year-long campaign by the current Nigerian leadership against the British free-trade policies and the IMF will progress to that level as quickly as possible.