

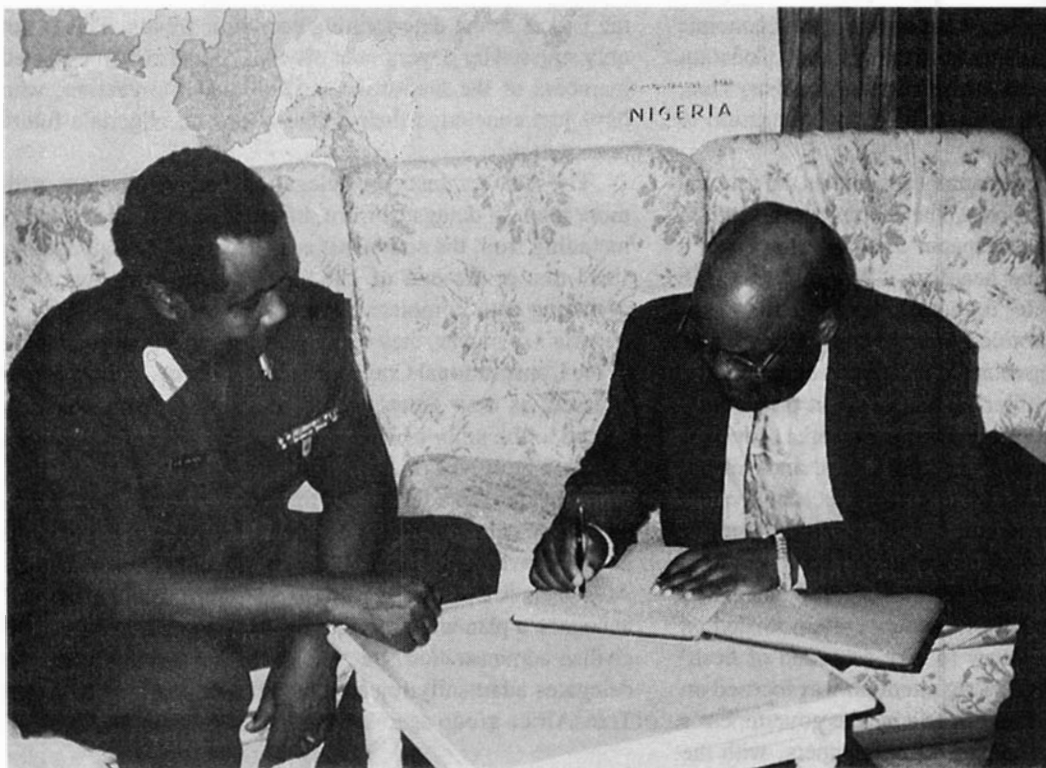
Schiller Institute confronts the IMF in Nigeria

by Uwe Friesecke

On May 4, Lawrence Freeman, a spokesman for the Schiller Institute, presented a paper, titled "An Economic and Moral Alternative to the Present Monetary System," to the Second Nigerian Economic Summit, which was held in Nigeria's capital, Abuja, on May 3-6. To the surprise of many, Freeman spoke right before a representative of the World Bank was scheduled to speak. Freeman's attacks on the free-market economic models provoked such a lively debate among the more than 800 participants from government, industry, banking, multinational corporations, the diplomatic community, and the press, that in the question and answer period, nobody bothered to discuss the World Bank paper, but all questions were directed to the Schiller Institute representative.

When Freeman described the breakdown crisis of the world monetary system and cited the examples of Mexico and Russia as proof for the utter failure of the Structural Adjustment policy of the International Monetary Fund (IMF) and World Bank, he had the applause of the majority of the audience on his side. His question, "Do you still want to listen to the so-called experts when it comes to Nigeria, after you have looked at their record in Mexico?" evoked the cheering laughter of the audience—much to the upset of the pro-IMF lobby in the room. When one of the organizers of the conference tried to rebuke Freeman by defending free-market economics, the audience demanded that Freeman answer this question, which he did by explaining that free-market economics is nothing but a fraud invented by Adam Smith, so that "the British could loot their colonies during the nineteenth century." This summed up the arguments against the IMF most pointedly, and the pro-IMF group at the conference found it difficult to argue against that statement of historical fact. (Freeman's speech is printed in full below, see p. 25.)

The Second Nigerian Economic Summit was formally opened and closed by the Head of State, Gen. Sani Abacha, and it was attended by most of the ministers of the government. It was the second summit of this kind in Nigeria. The first was held more than two years ago, in February 1993. At the time, Gen. Ibrahim



Nigerian Minister of Industry Gen. M.B. Haladu (left) meets with the Schiller Institute's Godfrey L. Binaisa, the former President of Uganda. Dr. Binaisa's spirited defense of the Nigerian government from attacks broadcast by CBS television's "60 Minutes" program drew particular attention in Abuja.

Babangida was the Head of State, and Chief Ernest Shonekan the Head of Government and chairman of the Transitional Council. The first summit was clearly designed to intensify the Structural Adjustment Program (SAP), which was introduced by the Babangida administration in 1986. Says the official Report on the First Nigerian Summit in 1993: "Although the full anticipated benefits of SAP are far from being realized, Nigeria has made a good start towards achieving economic recovery. Progress to date has resulted mainly through the process of deregulation of key economic activities and privatization and commercialization of selected public sector enterprises. It is clear today that structural adjustment is a never-ending process."

While this may have captured a pro-IMF mood at the summit two years ago, no such resumé could be formulated today. In discussions at the summit, almost everybody expressed their appreciation for the Schiller Institute address and its harsh critique of the IMF policy. Many who would have defended the SAP policy two years ago, have now come to realize that it was exactly this policy which ruined Nigeria between 1985 and 1993, and they are demanding a change now. The Abacha government has responded to this mood, which is widespread in the country, by designing the 1994 and 1995 budgets in a way which would put a stop to the further drain of Nigeria's resources and begin a process of revitalization of infrastructure, agriculture, and industry, while also leaving room to continue to negotiate with the IMF and the World Bank.

The effect of the Schiller Institute's intervention at this year's summit in Nigeria's capital will be far-reaching. IMF and World Bank spokesmen can no longer argue as if their policy were the only one available. The facts about the disaster their policies caused have now been presented at one of the most prominent fora in Africa, and everybody with common sense can form his own judgment about it. The Schiller Institute explained that there is no country in Africa where the IMF formula has worked, but that the fate of Somalia, Rwanda, Liberia, and Sierra Leone are gruesome examples of the kind of "success" the IMF must be held responsible for.

The Schiller Institute delegation

The participation at the economic summit was the conclusion of a three-week visit in Nigeria by a Schiller Institute delegation. It was led by Dr. Godfrey Binaisa, the former President of Uganda, and included L. Freeman from the United States, U. Friesecke from Germany, and L. Idris and S. Daggash from Nigeria. During meetings with government officials and private persons, the delegation expressed their support for the ongoing efforts of the Nigerian government to follow an economic policy aimed at regaining growth and development for all people in Nigerian society, and for achieving political stability as a precondition for the transition to a civilian administration in the future.

The delegation met, among others, with Secretary of the Government of the Federation Aminu Saleh, who also had

invited other government officials, members of the Economic Intelligence Committee, members of the National Constitutional Conference, the press, and Minister of Industry Gen. M.B. Haladu, who hosted a briefing by the delegation to members of his cabinet and staff.

These meetings were prominently covered on the national television news and in the press. For example, on April 24 the nationally circulated newspaper *The Democrat* ran a front-page article under the headline, "World Bank, IMF Anti-Nigeria." The article reported: "Nigeria has been warned that the world economic system of the IMF and World Bank is a dead end. A delegation of the *Executive Intelligence Review (EIR)* and the Schiller Institute was in the country recently to raise this alarm. They observed that the economic potentials of Nigeria, with its vast agricultural and mineral resources, was being strangled [sic] by the deliberately designed and imposed prescriptions and conditionalities of the IMF/World Bank, especially free market economics deregulation and 'pirate economic liberalism.' The delegation drew attention to the cancerous monetary system foisted on the world which employs usury to take a 'pound of flesh' from even the poor nations." More attention was focused on the Schiller Institute's visit to Nigeria by the government's placing full-page ads in a number of newspapers, with the text of a response that Dr. Binaisa had given in December 1994 to defend Nigeria from attacks broadcast by the American network CBS in its "60 Minutes" program.

The Schiller Institute delegation was also the guest of the state governments of Sokoto and Kebbi in Nigeria's northwest, where agriculture dominates the economic activity of the people. Especially there, the effects of seven years of Structural Adjustment policies were most visible. The climate is good for multiple harvests and the soil is very fertile, but government efforts to rehabilitate infrastructure such as irrigation or roads, to clear new land for farmers, or to set up tractor-hiring services, are made extremely difficult, because the devaluation of the Nigerian currency, the naira, has placed the cost of imported machinery out of reach. In 1980-82, with the naira at 1.5 to the dollar, a water pump cost 300 naira and a tractor 25,000 naira; today, with the naira at 82 to the dollar, the same pump costs 9,000 naira while the tractor costs 1 million naira. Consequently, the majority of farmers are condemned to the use of simple hoes and animal-drawn plows.

According to officials in these states, it is education and health services which are most sorely affected by the Structural Adjustment Program that the country had suffered under for more than seven years. Now it is very difficult and costly to bring the level of education and health care up to what it was 15 years ago.

The government's policy

The government of General Abacha has succeeded in bringing back political stability to the country and putting on

the brakes to the deteriorating economic trends. This is not only stressed by government officials, but also by the elected members of the National Constitutional Convention, who have just concluded their deliberations on Nigeria's future constitution.

The Schiller Institute delegation held discussions with more than 20 delegates from different parts of the country, including from the southwest and the east. They all emphasized that at the end of 1993, the country was just short of falling into complete chaos. With strong memories of Nigeria's civil war, they welcomed with relief the convening of the Constitutional Convention last summer. The delegates stressed, as their greatest accomplishment, that everybody agreed to the unity of Nigeria, and that political differences will now be solved on this basis.

The Conference formulated their recommendations in a 318-page document which will be presented to the Head of State and the Provisional Ruling Council next month for deliberation. After that, it is expected that the government in the fall will announce a plan and timetable for the transition to an elected civilian administration. Because of their successful work, the delegates adamantly rejected the attacks of the U.S.-based TransAfrica group against the Abacha government.

Prospects for the future

The Achilles' heel of Nigeria right now remains the economy. According to the government's report, it gained a budget surplus for the first quarter of 1995, compared to a deficit for the same period of last year. While this won some praise at this year's spring meeting of the IMF and World Bank in Washington, the policy has not improved the level of industrial production or alleviated the hardship for the vast majority of the population. Capacity utilization in industry has fallen below 29%. The cost of living for the average household has gone up further.

The future of peaceful transition to an elected civilian government will depend on how quickly the current administration in Nigeria can make gains in the economic field, which will be felt by the people. The government's trump card here is the Petroleum Trust Fund. Under the chairmanship of former President General Buhari, who is respected throughout the country for his integrity, preparations are being made to spend money directly at the local level for urgently needed infrastructure improvements. If tangible results can be obtained soon, the population will rally around the government and the cause of Nigeria. It should therefore not come as a surprise that the London *Financial Times* and the *Economist*, mouthpieces of the IMF and World Bank, have singled out this Trust Fund for attack and demanded its dissolution. One thing the IMF never accepts, is for a country to spend money on social programs and infrastructure for its people, rather than paying the debt. For the sake of the Nigerian people, all indications are that the Abacha government is determined not to make any compromise on this issue.