Nigeria: hanging on to its illusions

by Douglas DeGroot

Because it is so dependent on oil revenue, Nigeria is seen as the weak link in OPEC, and tremendous pressure has been put on Nigeria by the British.

The Nigerian government carried out a massive expulsion of non-Nigerian residents in the brief period of two weeks—from Jan. 17, when the order was announced by the Interior Minister, to the end of the month. British press sources, in their attempt to dramatize the situation, claim that 2 million people have been kicked out, sent back to eight countries in the region surrounding Nigeria.

Several reasons were advanced for the abrupt measure, including smuggling and other criminal activity by the non-Nigerians, participation by some of the foreigners in "Islamic fundamentalist" riots in northern cities, and the fear that foreigners could be used by opposition parties to disrupt the presidential elections this August.

However, the fundamental factor that has led Nigeria to expel these people is the economic crisis. And it is the deteriorating economic situation that has allowed some of them to become grist for various organized-crime mills.

The most heavily populated country in Africa, Nigeria is thought to have over 100 million people, or about one-fourth of the entire continent's population. If Nigeria were to industrialize, overcoming all the problems built into the country by the British during the period of colonial rule, Nigeria could be the catalyst for the development of the rest of the continent.

For this reason, since its independence in 1960, Nigeria has been under attack by the British and their allies, which has included the assassination of three heads of government, and a genocidal civil war. The possible assassination of President Shagari is now being talked about in certain London circles.

The progressive squeeze

By the 1970s Nigeria's economy came to depend almost exclusively on oil production. Since 1981, and the onset of the oil slump due to the economic depression in the developed sector, Nigeria has been targeted.

In 1981, the British lowered the price of their North Sea oil, which is of the same high quality as Nigeria's oil, $5.50 below Nigeria's price, cutting deeply into Nigeria's markets, and putting pressure on Nigeria to abandon the OPEC price structure for cash-flow purposes. At the time of the January OPEC meeting, the British threat to again lower North Sea prices made it impossible for Nigeria and the other African producers to agree to an overall production limit and price differential with the Saudis.

Nigeria was the fifth largest oil producer in OPEC before the current slump; oil exports accounted for 80 percent of federal revenues, and provided 90 percent or more of the country's export income. Before the slump, Nigeria was the second largest foreign oil supplier to the United States. Since then, the British have been taking supply contracts to the United States away from the Nigerians. The biggest lifters in Nigeria, British Petroleum and Royal Dutch Shell, working in partnership, have been reducing the offtake. The third largest lifter, Gulf Oil, has stopped taking oil from Nigeria altogether since Jan. 2.

Nigeria's ambitious five-year development plan was based on a projected oil production of 2 million barrels per day. The plan called for the construction of a steel industry (the Aladja steel plant, which went on line in December 1981, was the first plant to begin production of steel in Nigeria), additional railroads, roads, ports, and other infrastructure. The plan also put priority on development of the petrochemical industry, modernization of the agricultural sector (nearly 70 percent of the population is still rural), and manufacturing and education (the illiteracy rate is still quite high).

The plan was launched in January 1981, the last month oil production was at the projected level. Production collapsed to well below 1 million barrels per day, before it climbed to somewhat above that level again. British sources claim that production is now again down to 800,000 bpd.

Nigeria got itself into its present economic predicament by playing the fiscal-conservative game, hoping at the same time that the lies it was being fed about an economic upturn in the developed sector would become reality.

In order not to break OPEC's price structure, Nigeria began imposing giant spending cuts. In March 1982, imports were totally frozen for a period. The budget for 1982 was cautiously based on projected oil sales of 1.3 bpd. Last November, the 1983 budget was announced, based on a still more conservative expected production of 1 million bpd. That budget sought to cut imports by another 30 percent, and also projected borrowing $4.2 billion abroad for the year. At the time both budgets were introduced, officials announced that an economic upturn was expected during the course of the budget year. Because of its smaller debt relative to some developing-sector nations, Nigerians are still clinging to illusions, hoping that this display of "fiscal responsibility" will make loans available to them.

Nigerian officials were warned what they were in store for two years ago in a special *EIR* report, but the advice was discounted in the hope that the nation would get by.