Nigeria: P. L. Udoh

Why Nigeria turned down the IMF loan

Excerpts from the speech by the Honorable P. L. Udoh, Nigeria's ambassador to France, representing Foreign Minister Professor Akinyemi.

. . . The Nigerian debt problems have been so well publicized, and they are based largely on our over dependence on a monoculture—that is, oil—which has become, in the past decade, the main source of our foreign exchange earnings. Before independence, and up to the '50s and '60s, oil did not constitute such a significant element of our export earnings, or our gross national product. Agriculture formed the base, and to some extent still forms the base of our economy, since 70% of our population, as in most African countries, lives in the rural areas.

It is true that the coming of oil in the last decade has given us considerable economic base, and we have developed our infrastructure, with the building of roads, bridges, schools, dams, and so forth, but it still remains that agriculture, which is the base, has been neglected over this period, and this is a large part of our problem. . . .

The oil boom of the '70s did lead to a number of things which should not have gone wrong with the economy, including external factors headed by multinational companies, imports—at one time, for example, even though we have a cement industry, we had the port blocked up in 1975 with importation of tons and tons of cement which we did not need, and for which we had to pay a great deal in foreign exchange.

The size of our debts has been variously estimated from about $11 billion up to $22 billion—we don't know the exact figure, and the reason for this is that most of these are trade debts—over 50% are trade debts . . . which is the experience of most African countries. A lot of trade debts are fraudulent—for example, we have a case of about $6 billion of so-called trade debts in England alone, which is tied up in a certain bank which is very nearly bankrupt, to which a lot of Nigerian money—about $6 billion—was siphoned away without equivalent material imports to the country. . . .

Be that as it may, it is illustrated in the last few years, that we pay more than 40%—in fact, 43% last year—in payment of external trade debts alone, which is insupportable. Most experts believe that 20-25% is the upper limit of what you can expect to pay in debts and still do development. . . .

The budget of 1986, as the President has said, has imposed a limit of 30% on payment of external debt.

This has worried some of our trading partners, who believe that we are taking a unilateral decision to impose 30% of debt repayment. . . . Up till now we have been quite faithfully meeting our international commitments, and doing all we can to meet these debts as well as meet the responsibilities to our citizens.

It is estimated, if we go on that way this year, we should be paying up to 50% of our external foreign exchange earnings. As you know, in the area of falling oil prices, our net earnings from petrol have fallen from about $20 billion or $22 billion to roughly half of that, or even less than half of that, and if we go on this way, we will have nothing but paying interest rates and doing nothing else.

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And this is where the IMF comes in. But before dwelling on that, I will give you an outline of some of the measures taken by the present government to restructure our economy and to keep our budget within limits, as well as meeting our external commitments. For example, salaries for military and public functionaries have been cut from 5% to 20%, the military budget has been reduced by 19%, and other measures have been taken to restructure our economy, to reduce our dependence on the monoculture of oil.

Some of the measures also taken are what the . . . IMF conditionalities have prescribed. In some respects, like the removal of subsidies to oil, we have gone even further. We have removed 80% of the subsidies from oil, when 60% was prescribed by the IMF. But the other conditionalities, are found to be, as I will tell you in a very small nutshell, unacceptable to Nigeria.

Some of our friends have asked, having gone to these lengths in meeting most of the conditions of the IMF, why are we so foolish as to refuse the IMF loan?

The reason for this is not far to seek. For example, in the matter of devaluation, the IMF conditionalities prescribe about

60% one-fell-swoop devaluation, which we find will only make matters worse. For example, oil exportation could not expand if we devalue our currency at one fell swoop, and that would lead to more troubles and riots in the streets.

Apart from that, it has been found in the debate . . . that most Nigerians are against the IMF and taking the IMF loan.

By and large, Nigerians prefer a regime or discipline which is self-imposed, rather than that which is seen to be imposed from an outside institution or external body, however benevolent the institution.

We are very encouraged to see the Schiller Institute and other associations here seeking a practical solution to the North-South problem, and we are encouraged to see that a healthy debate is now taking place in the Organization for African Unity on these questions. We are conscious of the fact that within the U.N. and outside, North-South dialogue has not been fruitful in the last decade or so.

In two development decades the U.N. system, the Brandt Commission, the Cancún summit, have not produced any substantial fruit to bring to bear to the problems of the Third World. Nonetheless, we have not lost faith, and we believe, in and outside of the U.N. system, in the OAU initiative, by President Diouf [of Senegal], and we still have hopes that within the North and the South, a lot of things can be done to improve the international economic order, which is very much wedded to the exploitative system, for the advantage of the exploitative system, which dates from the mercantile era.

For Nigeria, ministers are taking initiative in discussing the debt problem with the Paris Club, the London Club; we are also talking to Washington. Our foreign minister who was here two weeks ago, went to these countries, and there is hope that they will try and be a bit more flexible, and go out of the traditional system of pushing each country to swallow the IMF conditionalities, whether they kill it, or leave it half dead.

. . . It is not our aim to destroy the IMF; we cannot, even if we tried, but we think, while trying to order ourselves, impose financial discipline on the developed world, a lot also should be done on the other side, on the part of the developed countries, to meet us halfway, in meeting our problems. Not only just existing to pay debts, to banks, but also to restructure our economy and develop a self-sustaining economy so we could make a contribution to the international community.

The Western world, which we do most of our trading with, and to which most of our economies are tied by historical colonial conditions, should do more, develop more political will, in trying to meet the developing nations half-way to accommodate and see some of the crying needs of some of the poorer countries in the underdeveloped South.

Nigeria is not calling for a crusade of debtor nations of the world to unite and cast off their chains. What we call for is a reasonable dialogue and a spirit of give and take, not to ask our citizens to cut our throats, in order to pay the Western banks for their profits and the Western multinationals.

Senegal: Moustapha Kasse

Debt and the need for new policies

Professor Moustapha Kasse, director of the Center of Applied Economic Research (CREA), University of Dakar, Senegal, delivered a lengthy speech to the conference on "Debt and the need for new economic and social policies." What follows are very brief extracts.

. . . My objective is not to offer you final answers; it is more precisely and more modestly to bring a West African sensibility and some facts for you to reflect on, which will doubtless find many positive echoes in this part of the continent. . . . The development efforts of the working populations as well as the prospects for economic growth are compromised and ruined by the payment demands on our largest foreign debts, relative to the characteristic aggregates of productive activity.

The indebtedness of the countries of Africa—if it is not as spectacular as that of the Latin American countries—remains no less an object of concern, and that is the reason why we have gladly agreed to come to take our bearings on the foreign debt of these countries, and at the same time on the policies of adjustment which are applied, as well as the proposals which our President is valiantly and courageously upholding, to in fact bring about a meeting to discuss this question.

Everywhere in Africa, terribly sombre balance sheets are being drawn up, and a financial catastrophe is being predicted which supposedly would arise from the insolvency of the big debtors. Is this an ill-founded alarmism, or an irreversible fate? Can we find other alternatives which will permit us to avoid just such catastrophes?

In 1983, the debt of the non-oil-producing developing countries sped up, and we can also observe that 53% of this debt was owed to the commercial banks, whereas this situation was not particular to the previous years. More unsettling yet, this indebtedness is progressing at an annual rate of 20% between 1970 and 1984, at the same time as the rates for economic growth add up to something like 4% and 8%.

We see that the loans coming from international financial organizations and public authorities have fallen off sharply, going from 60% of the total to less than 50%. That means that the private banks have taken the burden of financing for the countries with the greatest needs. Of the $609.9 billion in debt of the 25 principal borrowers in 1983, $344.5 billion,