Dissertation

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The politics of Nigeria's external debt crisis

AUGUST, 1994

THE POLITICS OF NIGERIA'S EXTERNAL DEBT CRISIS

A PROJECT REPORT PRESENTED TO THE DEPARTMENT OF POLITICAL SCIENCE, UNIVERSITY OF NIGERIA, NSUKKA. IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF A MASTER OF SCIENCE (M.SC) DEGREE IN INTERNATIONAL RELATIONS.

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AUGUST, 1994

ABSTRACT

This study is on the politics of Nigeria's External Debt Crisis. Despite the efforts of government to manage it, Nigeria's external debt crisis persists and intensifies. The causes of the worsening external debt crisis, are related to the collaboration of the Nigerian dominant class with the creditors to maximize their exploitation of the Nigerian working peoples.

As a result of this collaboration the debt management strategies adopted are but mere palliatives which ironically, serve the interest of the creditors and not surprisingly worsen the crises. The interests of the working peoples are hardly put into serious consideration in the choice of debt management strategies.

The position adopted by the contending social forces on strategies for managing the nation's external debt are designed to ensure that their respective interests are protected. The heat and pressure generated by the dominated class as a result of the growing debt burden have forced the government to adopt and persistently ask for debt forgiveness. This goes to underscore the fact that although the balance of forces weighed in favour of the creditor/government,

the working people's constitue a potent force that can as well influence the direction of Nigeria's debt management asrtategy if they persist and persevere.

Regrettably, the intervention of the Nigerian state in the struggle between the various social forces has not been impartial. As a result the state has not been able to mediate in the struggle in the interest of the working peoples.

DEDICATION

— This work is dedicated to my beloved brother Innocent Ndubuisi Egbunine a pearl of Inestimable value, who must live despite all odds.

— And to all the working peoples who have not relented in the struggle to end the exploitation of man by man.

CERTIFICATION

EGBUNINE, ANTHONY UKAGHA, a post-Graduate Student in the Department of political science, University of Nigeria, Nsukka has satisfactorily completed the requirements for courses and thesis for the degree of Master of Science in international Relations.

The work embodied in this thesis report is original and has not been submitted in part or in full for any deploma or degree of this, or any other University.

Approved MSc.

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EXTERNAL EXAMINER

PREFACE

This study is undertaken primarily with a view to unraveling the politics of Nigeria's external debt crisis. Previously, the tradition has been to treat debt management as a purely technical/economic problem devoid of politics and political implications. What is often ignored by this line of thought is the basic fact that economics and economic management are concentrated expressions of politics. To the extent that a country's debt management programme has direct and differing implications for the various contending social forces of society, to that extent it is political.

This work is divided into 5 chapters. The first chapter introduces the study and provides a theotetical and analytical foundation for tackling the problems raised. Chapter two demystifies the persistence of the crisis and places the phenomenon in the proper analytical context. It outlines the dynamics of the collaboration of the ruling class with the owners of foreign capital.

In chapter three, effort is made to analyse the debt management positions favoured by the contending social forces. Also the balance of forces which has led to varying outcomes is described.

Chapter four focuses on the lack of autonomy of the Nigerian state, and how the state mediates in-effectively in the class struggle to the detriment of the dominated class.

Finally, this findings of the study are summarized in chapter five and some recommendations are made. Here we opted for a social transformation based on workers controlling the state apparatus.

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AUGUST, 1994

ACKNOWLEDGEMENT

In the course of producing this thesis, I have incurred a debt of gratitude too numerous to exhaust.

My thankfulness first goes to The Council For The Development of Social and Economic Research In Africa (CODESRIA), Whose financial assistance acted as a catalyst and moral booster that enabled this great achievement * It equally goes to a renowned academician and Associate Professor Dr. H. Assisi Asobie for his comments while reading this work. The supervision and assistance he gave me made this work a stimulating master-piece. His observations and criticisms are seen in the length and breadth of this work. I am also particularly grateful to Dr. Okey Ibeonu, Mr. Jonah Onuoha, Tony Onyishi and all other lecturers in the Department of Political Science who frequently attended to me readily on the several occassions I confronted them with the problem associated with this work. Their scholarship collectively helped to pollinate this work and sharpen my thought.

My sincere gratitude goes to my family and to the extended family. First is my loving dad, Late Mazi Edmund Ogbonnaya Egbunine A.K.A. Mberede Nyiri dike, of blessed memory who laid the foundation that enabled this great achievement to be made. To my Mum, Brothers especially Innocent Cyril, Samuel and Iheanacho, Cousins, Nephew, Nieces and other relations whose financial and moral assistance contributed in making this work possible.

Equally, I wish to acknowledge the assistance I received from some officials of Nigerian Labour Congress (NLC) and the Central Bank of Nigeria (CBN) who granted me interviews and gave me some materials used for this research.

Nor will I forget to express my deep rooted appreciation to the entire members of All Christian Practical Praying Band Campus Fellowship, and the Nsukka Chapel whose love, Prayers, concern and encouragement contributed in bringing about this accomplishment. Of particular importance are Ugochukwu Igwealor, Emma Ani, Oluchi Obineme and Gloria Ekejiuba.

Furthermore, I acknowledge with profund gratitude, the love, help, assistance and the worthy partnership, I had with my colleagues and friends especially the Hon. Speaker of Aguata Local Government Mr. Leonard Muorah, beloved Emy Nzekwu, Fredrick Onyia, Kene Onyilogwu, Sunday Nwafor, Foly Ogedengbe, Chuba Obiekezie, Ifeanyi Okonkwo, Uzoma Okugo, Godwin Bassey, Ideba Ele, Celey Okogun, Chinyere Linda Ohia and Ken.

Thanks for your encouragement. I love you all.

For whatever has been achieved all thanks and Glory be to God; the mistakes are mine.

*Grant No. 166A/T94 is gratefully acknowledged.

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CHAPTER ONE

INTRODUCTION

Over the past three decades, Nigeria has gone through many economic conditions. She witnessed economic boom briefly in the early to the late part of the 1970s, but has since 1982 stayed with economic downturns of varying intensifies. During the boom period, Nigeria once saw her rate of economic growth described in international financial circles as phenomenal. She has also seen this supposedly high economic growth rate dismally dwindle, culminating in an external debt crisis which has persisted till date.

From 1982 to the present, the balance of payment arrears and the debt figures have been on the increase. Nigeria's current (1992) external debt figure stands at over $33 billion.[1] Efforts to solve this debt crisis have not yet yielded any fruits. Inflation stagtlation, poor standard of living, low investment and continous fall in the value of the naira continue to perpetuate hardship on, and spell poverty for the Nigerian people, especially the less privileged. The policy recommendations and conditionalities by the International Monetary Fund (IMF), the world Bank and other international financial institutions/ experts have fared no better. They have rather worsened and exacerbated the problem. The intractability of this problem has forced the persident of Nigeria, General Ibrahim Babangida, to emphatically declare that "Nigeria has defied all economic solutions".[2]

Whereas in the past it used to be a matter of concern for specialists in trade and financial matters, this phenomenon has acquired a universal dimension, occupying front page cover in the most well - known newspapers and with unusual frequency. Such preoccupation are shared today by political leaders, businessmen, members of national and International Organizations, economists and other social scientists, by the working people and even by the poor illiterate less - privileged Nigerians. The average Nigerian is becoming conscious of the face that she or he is bearing the weight of an external debt which will take Nigeria unknown years to come out of; that is if the debt does not perpetuate itself.

On a continental level, Nigeria's external debt crisis is only a tiny fraction of the total crisis that has been planging Africa and other third world countries. Africa is presently suffering from high rates of unemployment, high rates of inflation, a deepending food crisis, mass poverty, declining productivity, pervasive illiteracy, technological backwardness, external dependence, increasing external debts, low income per capital, balance of payment problems, deteriorating social conditions and a deepening internal political crisis. Despite over three decades of political independence by most African countries, the contment is generally characterized by under-development. Worse of it all, most of the theories and politices suggested by the World Bank, IMF Organizations coupled with those of experts resideing in the various African Countries, rather than ameliorate, have worsened the condition of under-development of the continent.[3] There seems to be no furture in sight as each day new problems develop, while the already existing ones consolidate.

Success in overcoming this desperate situation Nigeria is now in depends on a thorough and realistic grasp of what has brought us into it in the distant and immediate past. It depends on our ability to comprehend the nature of the vested interests, economic, social, political, moral, academic and ideological which have fettered, and still fetter, the development of this country. The pzizzle we want too resolve is what factors latent or manifest are fuelling Nigeria's Intractable external debt crisis.

1.1 STATEMENT OF PROBLEM:

The early years of the 1980's witnessed the explosion of Nigeria's external debt crisis. Efforts to find solutions to this problem have resulted in various debt management strategies. Some of these strategies, like debt conversion, rescheduling, refinancing, debt - cancellation and many others have become well - known. All these are aimed at finding solutions to the country's debt problem. Yet, a look at the country's deteriorating economy and debt profile will reveal that all these have made minimal impact as the debt keeps increasing and the economy worsening.

In view of the above, the problem this study seeks is to address is presented by asking the following questions: why has Nigeria debt burden been increasing despite various debt management strategies adopted to cheek it? Whose interest does a steady increase in external debt burden serve in Nigeria? In other words, who in Nigeria benefits and who loses from the country's external debt? Finally, what is the balance of forces between the beneficiaries and the losers and how are the contradicitions between them resolved?

1.2 OBJECTIVES OF STUDY

1. The major objective of this study is to examine the nature, root causes and dynamics of Nigeria's external debt crisis. We wish to explain how the debt crisis arose and why it persists.

2. In addition, we wish to examine the efficacy and the inplications of the various debt management strategies adopted by the Nigerian Government to deal with the crisis.

3. Finally, as the politics of debt involves some kind of struggle, an attempt will be made to explain how the contradictions between the contending forces are resolved.

1.3 SIGNIFICANCE OF STUDY

Th The study is timely, especially in the light of the increasing external debt and the prevalent economic crisis that has brought untold hardship and suffering on the Nigerian people. As the present administration continues to implement the reforms as recommended by the World Bank and the IMF, this study seeks to appraise the performance of the economy to the benefit to our policy makers and the entire Nigeria populace.

Though much seems to have been written on this topic, recent developments have made it imperative for a review and re-assessment of the country's debt crisis. The already existing government report, financial bulletin, economic journalistic commentaries as well as writings of academics and administrators on external debt management do not appear adequate from the perspective of the student of international relations because they lack the political dimension. At most, such writings have tended to appeal more to economists and the lay man. However, the economics of external debt are everywhere interpenetrated by politics; the main choices are essentially political.

In addition, the discipline of international relations as taught in many Nigerian Universities has witnessed a paradigmatic shift towards political economy, bringing along methodological insights which can be used to overcome the limitations of the avaliable studies on the politics of the Nigerian external debt crisis. This study seeks to fill this gap.

The work is therefore presented with the hope that it would sensitize Nigerias policy makers to guard against policies that perpetuate dependency, domination and those that will compound the country's debt crisis. The current failure in the various recovery programmes has thus provoked the need to re-examine the various debt management strategies, with a view to finding lasting solution to Nigeria's external debt.

Finally, this study is deemed significant since it is concerned to be of immense theoretical and practical value. It will add to the stocks of literature on Nigerian economy and politics as well as external relations.

1.4 SCOPE OF STUDY

The scope of this research is limited to the period when debt management became a serious economic and political issue in Nigeria. Specifically the period spans from 1982 to 1991. The period 1982 depicts the genesis of the prevalent debt crisis. It marked the turning point when the country's balance of payment arrears reached a crisis position. Also, in choosing 1991 as the terminal period, account was taken of the need to avoid stretching the research too far into the present.

In addition, as the issue of external debt crisis is not peculiar to Nigeria alone, but persists in many African and latin American countries, relevant instances where necessary will be drawn from the experiences of other developing countries who have experienced or are at present experiencing recovery measures.

Moreover, since the present economic crisis in Nigeria is part of the on-going events in the world capitalist system, we shall examine the dynamics of Nigerias incorporation into the world capitalist economy. This will help us to understand the structural origin of the crisis in its very historical context as well as the responses being made by some monetary agencies within this system notably the IMF and the world Bank; and the government and ruling class in Nigeria to solve the problem; and perhaps any ulterior motive surrounding such responses or solutions.

1.5 REVIEW OF RELEVANT LITERATURE

There exists a large stock of literature on the Nigerian external debt crisis. Scholars who have written on this issue attributed the origin/causes to both external and internal factors, with the external playing a more dominant role.

Writing from the marxist perspective, Olukoshi, Bangura, Omimode and Nwoke[4] have argued that the origin of the debt crisis has to do with the integration of Nigeria into the world capitalist system. It is a structural problem arising from Nigeria's peripheral nature in the global capitalist system. They made the point that the history of the world capitalist system to which most third world countries are structurally tied is replete with crisis. These crisis often follow phases of expansion and growth come in various forms, the most important of which are the problem of realization of surplus value (ie. inability to find market outlets) and the tendency for the rate of profit to fall. As part of the strategy for coping with the problems created by the realization problem and the tendency of the rate of profit to fall, multinational banking institutions and other financiers developed the international credit system with a view to ensuring that goods finds markets and profitability is thus maintained. Some of the structural factors they have indentified as causes of the crisis include:

Disarticulation of production and consumption profiles in the country;

External Dependence

Foreign Domination and exploitation

Unplanned and speculative pattern of capital accumulation

Enelave status of the Dominant petroleum sector

Limited Aceess to World's Available Pool of Credit facilities

Discriminatory protective walls Erected by Metropolitan countries

Distribution of value Added from international Trade Weight Against Nigeria.

They further argued that the monocultural dependence on oil export revenue for survival and the consequent glut in the world oil market which started in 1977/78 financial year constituted the immediate structural situation that brought the current debt issue to the fore. This led to the seeking of external loans from the international capital market in order to solve the balance of payment problem.

Similarly, Krueger, Abubakar, Fasipe, Okigbo, Payer and Nwankwo[5] have attributed the genesis of the debt crisis to such factors as:

- changes in the market environment in the 1970s and 1980s. These included the substantial rise in the size of domestic and international financial imbalance. These in turn expanded the demand for financial intermediation and created the market environment in which banks readily expended international business. The changes also included the high level and increased volatility of interest rates which in themselves informed development of new lending techniques and loan pricing methods;
- Adverse terms of trade existing between developed and developing countries ; and curtailment of development aid
- Adverse development in the world economy as maintested by the increasing recessionary trends in the world economy

- Sharp increases in public expenditures by developing countries which was usually heavily complemented by foreign borrowing
- the reeklessness of debt procurements by most developing countries, the appealing economic mismanagement, glaring policy distortions; resource wastages, official and private corruption practices and inadequate adjustment policies.

Apart from the analytical distinctions between external, internal and colonial factors peter korner et all, indentified seven typical causes of the debt crisis in third world countries. These are: (1) Indebted industrial-lization (2) Neglect of agricultural development (3) failure to diversity exports (4) debt-inducing social reforms (5) Kleptocracy (6) Development gigantomania (7) Indebted militarization.[6]

Still, on the origin of the debt crisis, chigbata (1983), Quentin peel (1984) Bo soderstern (1980) Aluko Olokun (1980) and Murudeen also (1987)[7] traced the causes of the crisis to major factors which are not different from the views of other scholars already stated. Amongst these are:

- lack of proper development planning
- Spending more than she got from foreign exchange earnings

- highly ambitious development projects
- poor and incohorent debt management strategy
- Earlier borrowings which had not been invested productively, and steep depreciation of the dollar against the currency of most supplier countries from which most third world countries including Nigeria, imports
- protectionism and direct investment by multinational corporations
- the prescription of the IMF and the world bank.

Okafor in his work has attempted to proffer a clearer account of the genesis of Nigeria's external debt problem. He identified four periods:

1. The first decade of independence (1960 - 1970) during which period, foreign private investments, and debts which accrued essentially as development assistance loan with liberal and soft repayment term helped to camouflage the rather significant growth rate of debts;
2. The oil Boom period (1973 - 82) when surpluses from oil sales actually brought down external debts and the problem of indebtedness was virtually non-existent.

3. The slight recession in the late 1970's, when Nigeria moved into the international capital markets to procure jumbo loans, which are "open cheque" loans not tied to any specific projects (this seemed to be the beginning of the tightening of the grip of external debts); and

4. The second Republic (1979-83), when by 1980 import liberalization pushed up the import bill, the oil glut started in 1981, and instead of a serious re-appraisal, the Federal Government moved full scale into the international capital market followed by state governments. New loans were taken on top of outstanding loans which were hot being paid.[8]

To this one would add what can be termed the fifth period (1984-92) when new loans, wrong economic policies, devalution on the Naira and poor debt management stragies worsened the debt posture, led to the growth of external indebtedness and an unsustainable burden of external debt.

Amongst the several policy initiatives aimed at easing the debt was the adoption of the IMF and World Bank sponsored Structural Adjustment Programme (SAP). To attain the objectives of this programme, the burden of debt servicing which has been gulping enormous amount of foreign exchange had to be reduced. Thus, the reduction in the burden of external indebtedness led to Nigeria's debt negotiation with her creditors, and this has unleashed varying effects.

Olufemi Fajama, in his article, The dynamics of Nigeria's Negotiation with London and Paris Club, stated that; the two parallel institutions for negotiating debt relief in respect of official and commercial bank creditors were the Paris club and London club. Negotiations with these clubs have constituted a major element in Nigeria's strategy of debt management and the achievement of these objectives of the structural adjustment programme. Through the various agreements which the country concluded with the clubs in the last service has already been achieved. This has enabled Nigeria to devote a greater proportion than other wise would have been possible. of available foreign exchange earnings to the promotion of economic growth and development.

According to him, the benefits which have accured to Nigeria through debt relief negotiations with the official and commercial bank creditors were achieved at a high cost to the country. This is as a result of the enormous demand which the negotiators have made on the country's scarce administrative and managerial resources.

These negotiations have also not been conducted on an equal basis. The country lacks the baragaining power to match the experience and organization of her creditors. Consequently, the sharing of burden between the weak 'debtor' and strong creditors could be anything but lopsided. He further argued that until developing countries come together in a cartel of debtors to negotiate on equal or near equal basis with the London and Paris clubs, the benefits they derive from negotiations with these bodies are likely to remain minimal. In essence, he argued that the debt of third world countries in general and Nigeria in particular is far from being the result of domestic economic problems, seeking for retorms, rather they are instruments for perpetuating Western economic and political interest. The debt crisis is a political problem and not essentially a maero-eceonomic one, as they appear superficially,.[9]

Adebayo Olukoshi and Yima Sen, examined the role of the IMF and World Bank in Nigeria's effort to manage its external debt. They observed that Nigerias efforts take place within the context of wider stabilization programme and that the Bretton woods twins act basically to ensure the adoption of what they consider to be the necessary and appropriate macro-economic policies that can create the proper environment for "responsible" debt management by Nigeria and other crisis-ridden debtor countries. Structural adjustment programmes are practical polities rooted in the IMF debt strategy which is based on the perception of the third world debt crisis as a balance of payments problem.[10] This strategy contains three main elements namely effective growth oriented policies, a supportive international environment and an adequate flow of fincncing. Reality has shown that these policies as designed to deepen the dependent nature of the Nigerian economy on global capitalism. On the other hand it often entail a great deal of hardship for the people of the debtor countries.[11] In a continum, the Shagari's Stabilization Act of 1982, continued by Buhari in 1984, and now being reinforced by Babangida, has brought unberable hardship on Nigeria and alienated a large section of the Local populace. This has created problems of political instability and pervasive economic bleeding. The leaders of Nigeria choose to go the way of the creditor because of the dependent nature of the Nigerian economy, and because of the complex' or immature thinking of not wanting to offend the West, even when their position is not in the countrys economic development.

At this juncture, one would add that though Olukoshi and Yima Sen agreed that the debt is being used as a tool for domination and exploitation by the west, what they failed to observe is that the debt is also serving the interests of some segment of Nigeria's ruling class. Thus, the debt is serving the interest of two groups the West and the indigenous ruling class who benefit from the IMF/World Bank Package.

According to Terisa Turner and Timothy shaw, these state compadors act as "transmission line" in the maintainance of imperialism because they have similar and collective interest with the West. A critical look at the character of the Nigerian economy will reveal that it is controlled by a coalition, a 'triple alliance', composed of international capital, Local (Private) capital and State Capital, with the first ally, 'transnational capital', occupying a dominant position.[12] There is always the misconception by some scholars who treat debt management as a purely technical economic problem devoid of politics and political implications, which should therefore be handled with technical economic tools. To these groups of scholars, the debt problem has absolutely nothing to do with" politics" and should not be 'politicized' if lasting solutions are to be found.

What these writers fail to realize or what is often ignored by this line of though is the basic fact that economics and ecomomic management are concentrated expressions of politics. To that effect, the decisions of a government to contract a loan, the size and type of loan contracted and the source of the money raised, as well as the used to which loan is put and the process by which it is repaid, serviced or rescheduled all fall explicitly within the realm of the political. It would be the height of naivety not to appreciate the fact that the decision of government to adopt a certain debt management stragegies has direct political implication domestically and internationally.[13]

In view of this therefore, the framework for debt management is itself an object of intense political and social contentions. Politics is the essense of debt management in all countries. This invariably means that though external borrowing as an economic policy instrument could be used for attaining various positive objectives, they stop being a useful tool when the conditionalities attached to them invariably disrupt the economic, social and political harmony of a country. And this equally explains why the debt crisis is not solely a financial question, but also a political issue. The objective of explaining the debt problem as a political phenomenon has informed this research.

In his article, Refinancing and servicing Nigeria's External debt, Fate Abubakar made the argument that foreign debt which was hitherto a useful tool for promoting international trade and development has now become an obstacle, undermining the system of global trade and cooperation. According to him, mismanagement has been the major factor crippling the Nigerian economy. The issue of the mismanagement of the economy becomes clearer if it is noted that the debt service ratio has been taking a major percentage of the country's export earnings. That if there was proper planning and management of resources, Nigeria would not have found itself in the present debt crisis. Babangida's effort to deal with the problem includes the adoption of the fund/Bank package of refinancing, rescheduling, curb on indiscriminate foreign borrowing and export promotion policies to boost foreign exchange. Apart from these conventional methods the strategy of debt-equity was equally adopted, adding that the various strategies do not constitute a panacea, but merely worsen, postphone and extends the problem. This development, ironically ensures that Nigeria is further entrenched into the capitalist system.[14]

This perhaps goes to confirm what Gbolaham Alli-Balogun wrote that:

> Loans as a rule, even from a historical perspective are offered as instrument of dipl diplomacy to widen the sphere of influence of lending countries. External loans ensure the penetration of these countries-economic and political - and in the process, it also perpetuates or attempts to perpetuate the dependence of the periphery on the centre. Before the league of Nations, gun boat diplomacy was employed to ensure collection., Today, the IMF and World Bank with the backing of Western powers are the chief enforcers.[15]

Writing in a article, The options of Default, Repudiation and Cartelization for Nigeria's Debt Management, Gbolaham Alli-Balogun, made the argument that because of Nigeria's integration into the western capitalist system and the weak solidarity or harmony of interest among debtor nations, the options for cartelization, Default and Repudiation do not appear feasible, because of the drastic and lasting consequences bedeviling these options. The options of default and repudiation, which are, of course confrontational invariably is a panic measure which can be counter productive because, when the interest of creditors are threathened, they reserve the legal and institutional justification to resist such threat. He further added that the formulae being recommended, ranging from concessions, rescheduling, to refinancing and debt-equity conversion offer only brief, spasmodic breathers which simply prolong the agony.[16]

Julius Ihonvbere agrees also with the above view. He stated that:

> The use of default, cartelization and cancellation, albeit the most rational and far-reaching responsese to the debt crisis are not feasible in the short term. This is because most African leaders and elites thrive on neo-colonialism and romance with imperialism. In turn the governments of imperialist states have politically supported bad leadership that oversee these processes of underdevelopment. Fortunately, the IMF through its conditionalities and adjustment programmes are polarising class forces in Africa, raising popular consciousness and exposing the evils of capitalism and imperialism.[17]

He concludes that the debt issue must be treated as a political problem demanding political solutions. This goes to compliment Yima Sen's argument that, indebtedness is a political problem created by imperialism which requires strong anti-imperialist measures.[18]

Adebayo Olukoshi and Steve Ayo Amale [19] in their various contributions countered the arguments put forward by the proponents of debt equity conversion in Nigeria. To them, debt equity conversion will worsen the country's economic crisis and will further lead to additional inflationary pressures, worsen the abosorbtive capacity and jeopardize the economic recovery of the country; lead to increased debt repayment and servicing, capital flight, devaluation, joblessness, repatriation of profit; will pose obstacle to the attraction of fresh foreign investment and reduce the prospect of faster, economic recovery. More importantly, it is bound to deepen and widen the structures of inequality, perpectuate and extend the dependence of Nigeria on international financial capital and reproduce on a higher scale the contraditions inherent in the Nigerian society.

In consequence, the debt-equity conversion strategy is thus very likely to lead to a reversal of the gains of economic nationalism, erode whatever is left of self-reliance and move the country in the direction of dependent development.

They advocated the rejection of this strategy because it is a creditors solution to a world debt crisis insofar as it fundamentally favours the holders of the Nigerian debt. It is a far cry from the recogniation now gaining ground that the world debt crisis is a two-sided problem for which the creditors are involved as the debtors. The adoption of of SAP means further romance with imperialism and its implication is that the Nigerian masses will have to contened with exploitation and repression, while the owners of international capital in conjunction with their local counterpart will be reaping the gains of the country.

Akpan Ekpo has stated that what we call debts represented profits for transnationals and created jobs for people in the developed caiptalist countries. The debts of developing country have sustained the high standard of living of people of the developed capitalist countries, and has created avenue for the flamboyant and ostentatious living for the nouveau riche or ruling class in Nigeria.[20]

In conclusion, one would join Olukoshi in agreeing that the debt management strategy which Nigerian governments adopted have failed to ease the debt burden of the country and to reduce its external liabilities, and therefore do not seem capable of paving the way for a lasting a solution to the debt crisis. In his bid to proffer some alternative proposals Olukoshi stated:

> First, any debt management strategy to be really useful, it must not in anyway entail the compromising of domestic economic growth in the debtor country. Second, the debt management programme should be such as to help resolve the crisis to the benefits of the underpriviled classes of society. This might entail a total rejection of a linkage between debt management and international monetary fund dictated adjustment programmes which because of their obsession with unregulated market forces,

bring untold hardship on the poor and dispossed.

Thirdly, the debt management strategy should aim at the root and branch destruction of the structures embeded in the domestic economy of the debtors country which makes it prone to a debt crisis on a periodic basis.[21]

What the foregoing suggests is that for Nigeria and other third world states to be able to permanently overcome their debt problems, the structures that give rise to indebtedness will have to be fundamentally altered. This inevitably calls for a programme of domestic social transformation to pave the way for the elimination of internal and external relations of bourgeoisie class domination which encourage the perpetuation of those structures that create the framework for national indebtedness. The overall aim of the programme of social transformation would be the construction of a national, by no means autarchic, self-reliant economy under the leadership and control of the working people who are the producers of Nigeria's social wealth and who have been made to bear the burden of the country's debt trap.[22]

As General Olusegun Obasanjo of Nigeria put it in his 1987 Third Annual ECA Silver Jubilee Lecture in Addis Ababa, "the first responsibility of any government is to its citizens, debt or no debt", the position therefore is for African countries to announce either collectively or individually that the repayment or servicing of debts was no longer realistic until the economy of the region or country improoved. Such a position is not denying the debt just that its repayment or servicing were not national priorities and would not be allowed to consume large chunk of foreign exchange earnings.[23] The question to ask is can Nigerian leaders boldly take this position? If not why not? Answer to this question must be found in some other factor. Other than the ones already review in the literature above.

GAP IN LITERATURE:

The literature reviewed here reveals certain patterns in the analysis of Nigeria's external debt crisis. First, there is the general agreement on some major grounds in the study of Nigeria's external debt. The various authors/scholars agree on such views as causes, dimensions, dynamics, burden and and politics of the debt crisis. Secondly, while varying in manner of approach and emphasis, all agree that the basic cause of the debt crisis is rooted in the ill-conceived incorporation of Nigeria into the global capitalist system. This, however does not exclude certain internal factors like mismanagement, corruption, massive importation, bloated public sector etc.

The gap in the literature is inherent in the problem of interpretation. Writers on the subject have overlooked the fact that the external debt burden has been increasing because getting more external loans serves the interest of not only the owners of international capital, but also that of the ruling or dominant class in Nigeria. This will better explain why the present economic reform policies and debt management strategies have been adopted.

The debt crisis is "political" at two levels. First the process of many external debt itself reflects balance of Local and external forces. Second, each of the domestic and external forces, either on their own or in alliance with others strives to ensure that the Nigerian external debt crisis serves its objective and percived interests.

Given the above circumstances, the need arises therefore, for a more comprehensive and thorough research in order to unravel the politics or the balance of forces between Nigerias external debt crisis. The attempt to fill this gap is the task of this work.

1.6 HYPOTHESES

1. The Nigerian external debt crisis persists and intensities primarily because of the convergence of the interests of international capitalists and of Local compradores in exploiting Nigeria's working peoples.

2. The external debt management strategies adopted by Nigerian leaders are designed more to protect the interests of the creditors than to solve the Nigerian debt crisis.

3. The lack of relative autonomy of the Nigerian state has prevented it from effectively mediating between the external creditors and Nigerian debtors, in a manner designed to protect the interests of the Nigerian working peoples.

1.7 THEORETICAL FRAMEWORK

As a guide to thought and for analytical purposes we will adopt the political Economy approach as our framework of analysis. Class analysis is the core of marxist political economy. The position various classes occupy in the production process reveals the dominant and the dominated classes.

The process of class formation in Nigeriar is that it is shaped by the nature and role of the Nigerian state. Following marx, the state exists to serve the interest of the dominant class, or better put, the state is an agency for managing the joint interest of dominant classes. It is both an instrument of class domination and for the moderation of class conflict. The structural apparatus of the state makes it imperative for those who occupy office to serve the interest of the capitalist class. It is the avenue for wealth, power and capital accumulation.[24]

The class structure in Nigeria have consistently depicted that the Nigerian post colonial state is an amalgam of external and internal forces. The indigenous ruling class, at independence came to power under a weak economic base. The economy was dominated by international finance capital, while the local comprador was only but a government in office but not in power.

The nascent parry-bourgeois ruling class, in their attempt to create an economic base for its political power, had to align with the owners of foreign capital. This accommodation has meant the continuation by their foreign counterpart of their exploitative economic activities through neo-colonial links. Terisa Turner along this line argues that the Nigerian economy is controlled by "commerical triangles" comprising foreign capital, local middle men and state compredors. Collectively they all use the state to achieve selfish class interest.

To understand, Nigeria's external debt crisis therefore, we have to locate it in the context of the alliance and collaboration of fractions of the dominant class in Nigeria with the owners of foreign capital whose action/policies reveal that the debt is serving their various interests. While the dominant class keeps acquiring loans because it is in their interest, it, as well uses the various economic reform policies to expand their economic base. On the other hand, the creditors use it as a tool to keep Nigeria within their orbit. This collaboratative and exploitative phenomenon is no doubt antithetical and detrimental to the interest of the Nigerian working class and masses. The contradictions arising from this is resolved by the use of 'state power' by the dorminant class.

METHOD OF DATA COLLECTION AND ANALYSIS

The data and information that will be used in the conduct of this research will be obtained from two major sources namely: primary sources (official documents and interviews) and sedondary sources (books, journals and Newspapers).

The importance of these methods as research technique is that they make for replicable and valid inferences from data to their context. Another justification for using these data securing methods is that they will avail us of data encompassing the positions of the contending social forces on Nigeria's external debt management strategies and the politics surrounding it.

To test our hypothesis, analysis of the data from our interviews, government publication, books, journals and newspaper will be used to prove or falsify our hypothesis. It is important to state that, these data generation technique we have chosen might not fully provided all the answers to the questions he have posed. Thus, if in the course of our research, we muster some evidence that does not agree with our hypothesis it means that the hypotheses might be invalidated. But if they do our hypotheses will be validated.

We shall therefore base our case study on these methods.

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CHAPTER TWO

2.1 THE MAGNITUDE OF NIGERIA'S EXTERNAL DEBT CRISIS AND THE REASON FOR ITS PERSISTENCE:

Since the integration of Nigeria into the global Capitalist system, the Nigerian economy has been shaped by the characteristics of this system. There have been a continuity and consistency in the political behaviour and practices of industrial Nations in their relations with third world countries. In the past, colonial metropoles forcefully alleged having incurred tremendous economic inconveniences in maintaining their oversees territories, not only had they intentionally concealed the real motives behind their frantic colonial expansion efforts, they also had manifestly suppressed information regarding substantial material gains accruing to them from their colonial engagement and connections. Technical computation of gains and losses were twisted in favour of officially alleged losses to demonstrate and prove the only one humanitarian character of colonization and subsumable enterprises. Consequently, indebtedness were asserted officially already at those times and later passed on the newly emerging nations.

In the present post colonial era, a kind of complicity or collusion, intended or not, amongst first world nations to drag third world countries into a state of permanent indebtedness, which in the contemporary international context seems to be indispensable for consolidating and expanding centre-periphery linkages. External debt is by and large accepted as a fait accompli by most first and th third world politician, administrators and technocrats. But, critical and probing mind do not subscribe to that kind of defeatist and fatalistic posture. In the circumstance, endemic indebtedness becomes for third world countries a way of life that drags, deeper and deeper, debtors into a debt trap and keeps them in a state of permanent debt enslavement.

Available records from Central Bank of Nigerian sources have it that external debt at the period of independence in 1960 was ₦82.4 million. It increased in 1965 to ₦435.2m and by 1969 it stood at ₦456.0m.[2] Table 2.1 below shows the magnitude and structure of Nigeria's External Debt between 1970 - 1991. From the table it is clear that Nigeria's outstanding external debt in 1970 was ₦488.8 million. This being made up of ₦59.8 million or 12.2% short-term trade arrears arising from the civil war while ₦429 or 87.8% was medium and longterm. Much of this, including the short-term debt was paid-off in the course of 1971 with the result that the outstanding debt of the end of 1971 reduced to ₦214.5 million. By 1977, total outstanding debt had increased to ₦496.6 million.

A break down of total debt outstanding between 1971 and 1977 was on the average made up of official debt from bilateral and multilaterial agencies. Thereafter, it virtually increased by three times to ₦1,265.7 million in 1978, as a result of the jumbo loan from the international capital market (ICM). By 1980, external debt outstanding was ₦1,866.8 million. Ever since Nigeria started borrowing from the international private capital market, the magnitude of official debt has substantially declined while borrowing from private sources has increased to ₦2,331.2 million in 1981 and by the the end of 1982 it had skyrocketed to ₦8,819.4 million. Progressively, it increased to ₦17,290.6 million and ₦42,229.5m in 1985 and 1986 respectively. By the end of October 1987, it had hit the mark of $23.443.32 million (or "100,789.1 million of converted ₦4 to $1) a result of the devaluation of the naira. This was due to the maturing of short and medium term loans and the effects of organized fraud of the previous civilian government.

TABLE 2.1 MAGNITUDE AND STRUCTURE OF NIGERIA'S EXTERNAL DEBT OUTSTANDING 1970 - 1991 (₦ M)

YEAR	SOURCES: BILATERAL	MULTILATERAL	I.C.M	REFINANCED	UNREFINANCED ARREARS	OTHERS CUNGUARANTEED STATE PRIVATE LOANS	TYPE: SHORT TERM	MEDIUM AND LONG TERM	TOTAL ₦	TOTAL $
1970	100.2	37.9	-	-	-	350.7	59.8	429.0	488.8	N.A
1971	106.1	37.9	-	-	-	70.5	-	214.5	214.5	308.9
1972	124.0	102.1	-	-	-	37.3	-	263.4	263.4	400.4
1973	150.9	107.1	-	-	-	18.9	-	276.9	276.9	420.4
1974	182.8	122.0	-	-	-	17.6	-	322.4	322.4	523.3
1975	200.7	126.0	-	-	-	23.2	-	349.9	349.9	559.2
1976	233.1	129.4	-	-	-	22.1	-	384.6	374.6	593.6
1977	350.3	140.2	-	-	-	6.4	-	496.9	496.9	762.9
1978	210.6	154.3	640.0	-	-	259.8	-	1,885.7	1,265.7	2,163.8
1979	405.9	163.9	1,027.8	-	-	13.9	-	1,611.5	1,611.5	2,824.6
1980	483.8	181.6	1,090.2	-	-	111.2	-	1,866.8	1,866.8	3,444.8
1981	656.1	181.9	1,317.5	-	-	175.7	-	2,331.2	2,331.2	3,667.7
1982	163.2	530.4	5,474.4	-	1,981.7	669.7	1,981.7	6,837.7	8,819.4	13,124.1
1983	179.3	566.4	5,026.5	1,524.6	2,758.8	522.1	2,758.8	7,818.9	10,577.7	14,130.7
1984	351.3	1,271.2	6,003.1	1,155.0	5,443.3	312.6	5,443.4	9,039.2	14,536.6	18,034.1
1985	365.1	1,283.5	7,726.46	1,273.9	6,164.3	477.4	6,164.3	11,126.3	17,290.6	17,297.5
1986	1,159.1	4,670.2	21,725.31	1,095.2	12,279.7	1,300.0	12,279.7	29,949.8	42,229.5	18,631.3
1987	2,467.6	8,781.5	27,877.5	-		N.A			100,789.1	23,445.1
1988	3,836.9	9,991.8	34,637.7	-		N.A			133,956.3	30,693.0
1989	35,067.6	142,703.1	42,840.0			19,782.9			240,392.6	31,924.0
1990	40,950.4	189,156.9	53,431.8	-		15,075.2			298,614.3	33,179.0
1991	43,560.9	209,548.4	58,242.9	-		14,144.2	44,746.1	277,468.5	325,496.4	33,364.5

Source: (1) Central Bank of Nigeria, Bullion Oct 19, 1986; Central Bank of Nigeria, Annual Report and Statement of accounts (several years)

(2) Central Bank of Nigeria, Economic and Financial Review Vol. 30 No. 1 March 1992 pp 79 - 80.

While the share of total debt outstanding from official sources moved from an average of 91.4 percent between 1971 and 1977, to 33.3 percent in 1978 - 1980 and 13.8 percent in 1981 and 1987; that of private agencies moved from a negligible proportation in 1971-1977 to 57.6 percent in 1978 - 1980 and 82.0 percent in 1981-1987.[3]

From the period 1988-1991, Nigeria's External debt increased even more. It jumped from ₦133,956.3 milliom in 1988 to ₦240,393.6 million in 1989, ₦298,614.3 in 1990 and ₦325,496.4 in 1991. During these periods, the bulk of Nigeria's External debt was owed to private creditors, especially the paris club. The nation's external debt continued to increase due to the draw down of fresh loans, capitalization of unpaid interest charges on rescheduled debt obiligations, depreciation of the US Dollar against other creditor currencies and the depreciation of the niara exchange rate. The break down of the External debt outstanding as at 1991 showed that short term instruments amounted to ₦44,746.1 million ($4,613.1m) or 13.8 percent of the toatl debt shock. Medium and long term debt stood at ₦277,468.5m ($28.605.6m) and accounted for 86.2 percent.

The analysis above shows that there has been an increase in the total stock of Nigeria's external debt. This has implication for the country's debt burden.

2.2 NIGERIA'S EXTERNAL DEBT BURDEN

Nigeria's External debt stock witnessed substantial exchanges, both in quantum and structure since the early 80's and 1991 period. Chibuzo Nwoke has analysed the debt burden from 1970-1985 using three indicators which include debt service/export revenues ratio; the debt service/external reserve ratio; and the interest charge/principal sum ratio. He argues that debt service has constituted a debilitating burden on Nigeria. The faster growth of debt service over export earnings and over the country's external reserve is a strong indicator of the bunch of external debt burden on Nigeria. Similarly, the astronomically high proportion of interest charges to total debt service all goes to shoe that the debt burden is suffocating and unfriendly.[5]

This is shown in Table 2.2 below from CBN source.

TABLE 2.2 NIGERIAS DEBT SERVICE/EXPORT REVENUE RATIO; DEBT SERVICE/EXTERNAL RESERVE AND INTEREST CHARGES/PRINCIPAL RATIOS, 1970 - 1985.

YEAR	DEBT SERVICE (NM) Principal	Interest	TOTAL Debt service (NM)	DEBT SERVICE RATIO %	EXTERNAL RESERVE (NM)	AVERAGE (MONTHLY) Imports (NM)	ADEQUACY IN MONTHS I.E. (NM) 6/7	INTERST TO PRINCIPAL %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1970	18.6	12.4	31.0	3.5	144.6	63.0	2.30	66.66
1971	15.2	14.7	2-.9	2.3	199.0	98.9	2.20	96.71
1972	14.7	11.5	26.2	1.8	243.6	82.5	2.95	78.23
1973	13.9	16.9	30.8	1.3	378.0	102.1	3.70	121.58
1974	14.2	14.9	29.1	0.5	3,460.8	144.8	23.90	104.92
1975	9.5	23.2	32.7	0.7	3,448.5	310.1	11.12	244.21
1976	17.0	13.4	30.4	0.4	3,112.5	429.0	7.28	78.82
1977	18.2	15.2	33.4	0.4	2,592.5	590.8	4.39	83.52
1978	66.1	94.7	160.8	12.6	1,305.6	678.4	1.92	143.26
1979	65.7	117.2	182.9	1.7	3,043.2	514.1	5.92	178.39
1980	6.2	104.2	110.4	0.8	5,445.6	753.0	7.18	1,680.65
1981	211.3	307.2	518.5	4.8	2,424.8	1,060.0	2.29	145.39
1982	321.2	454.0	755.2	8.9	1,026.5	897.5	1.14	141.34
1983	899.6	435.6	1,335.2	17.8	725.5	742.0	0.98	48.42
1984	1,856.9	783.6	2,640.5	29.1	1,080.0	598.2	1.80	42.10
1985	2,737.5	980.5	3,718.0	33.2	1,641.1	628.6	2.61	35.81

Sources (1) CBN Economic and Financial Review various issues

(2) Chibuzo Nwoke, "The origin and dimension of Nigeria's External debt, In Olukosh A. (ed) Op.Cit p. 57.

TABLE 2.3 DEBT SERVICING CAPACITY RATIOS IF THERE HAD BEEN NO RESCHEDULING

	1983	1984	1985	1986	1987	1988	1989	1990[2]	1991[2]
External Debt Service	2,184	4,143	4,784	5,141	6,079	6,420	5,889	5,610	7,542
Export of Goods & Services	11,930	12,977	4,356	6,327	8,305	7,337	8,703	14,540	13,815
Federal Government Retained Revenue	8,306	9,119	10,896	4,601	4,064	3,436	3,622	4,910	3,252
Debt Service to Government Revenue	26.3	45.4	43.9	111.7	149.6	186.8	162.6	114.3	231.9
Debt Servide Ratio	18.3	31.9	33.3	81.3	73.2	87.5	67.7	38.6	54.6

2 Estimates

Source: Central Bank of Nigeria, Economic and Financial Review Volume 30, No. 1 March 1992 p. 80.

TABLE 2.4 DEBT SERVICING CAPACITY RATIOS

	1986	1987	1988	1989	1990	1991
Debt Service Ratio[1]	29.4	19.3	26.3	21.9	26.4	25.8
Debt Service to External Reserve	89.9	136.9	268.1	104.5	88.3	79.8
External Reserve to Imports (In Months)	7.9	3.4	2.0	5.9	10.5	6.9
Debt Service to Government Revenue[1]	40.5	39.4	56.3	52.7	78.2	109.6
Debt to GDP	62.3	158.9	179.1	278.5	294.2	350.1
Debt to Exports	404.2	341.0	418.3	362.9	227.6	241.5

1 These ratios reflect the impact of debt rescheduling.

In further analysis of Nigeria's external debt burden we focus on the period between 1986-1991. The rescheduling of the debt has reduced the burden of the country's debt in the period under review. Rescheduling does not remove the debt burden, it postpones it to the future. Thus, even with the rescheduling, the burden is still there. Table 2.3 shows the debt servicing capacity ratios if there had been no rescheduling. From the table, the debt service ratio for the year 1986 would have been 81.3%. This means that of the total export earnings, over ¾ of it would be set aside for debt service payment. In 1987, debt service ratio was 73.2, and rose further in 1988 to 87.5. It declined slight in 1989 and 1990 to 67.7% and 38.6 respectively. For the year 1991 it gained an additional 16% to reach 54.6%. If these figures are compared with what the figures were between 1980 and 1985 as shown in table 2.2 the difference is quite significant. This is indicative of the fact that the debt crisis persists and intendities.

Between the period 1986-1991, Government would have spent more than it did for debt service if not for the rescheduling. Of the estimated export earning of $6,327.0m in 1986 81.3% or $5,114.0 would have gone into debt servicing.

This was the case in 1988 when out of $7,337.0 export earning, $6,420 or 87.5% would have been used to service debt. The rescheduling has shifted the burden and what was paid in actual fact is shown in table 2.4. Debt service ratio as a result of the impact of rescheduling was 29.4 for 1986, 19.3 in 1987, 26.3 in 1988, 21.9 in 1989 and 26.4 in 1990. In 1991 the figure was 25.8%. This means that of the total foreign exchange earning of $9.009 billion in 1991, $2.796 billion will be used for debt service. Even with this huge amount, the president, General Babangida, in his 1992 budget, stated that this may fall short of the $5.565 billion actually required to service the nations debt. On the average the country must meet between $4 billion and $5 billion annually to creditors in debt servicing.

The severity of Nigeria's debt problem is more forecefully demonstrated by the movement of certain debt ratios. At 13.3 percent in 1980, the debt/export ratio rose to 404.2 percent in 1986 through 341.0 percent in 1987 and to 241.5 in 1991. Export earnings have been low in dollar terms as a result of the massive devaluation or depreciation of the Naira exchange rate, unequal terms of trade and the flucluations in oil prices, which constitute over 75% of N Nigeria's export earnings. Though the balance of trade as shown in.

Table 2.5 appears to be positive, but in actual fact since 1986, the naira value for export earnings ironically distorts the true position.

The ratio of debt/GDP rose continuously from only, 38 percent in 1980 through 62.3 percent in 1986. In gained an additional 96.6% point to hit a level of 158.9% in 1987. By 1988, it was already 179.1, and worse still the figure increased further between, 1989 and 1991. The figures are 278.5%, 294.2% and 350.1% respectively. The GDP has been falling as a result of huge sums of money spent on debt service payment. This has been shown in table 2.4. When compared with what the figures were before 1986 the difference is quite substantial. In 1983 the ratio of debt to GDP was 20.5, in 1984 it was 21.1 and 24.5 in 1985.[6] The 1991 figure is over 14 times above the 1985 figure.

According to table 2.4, the percentage of debt service to External reserve ratio reveals that the margin has increased tremendously between 1986 and 1989, it dropped slightly during the 1990-91 period,. In 1986 debt service dwarfed external reserve by 89.9%; increased to 136.9% in 1987, 268.1% in 1988 and 104.5% in 1989. It dropped to 88.3 and 79.8% during the 1990-91 period.

TABLE D.2.5
FOREIGN TRADE

(=₦='MILLION)

Year/ Quarter	Imports (C.I.F.)	Exports & Re-exports (F.O.B.)	Balance of Trade
1970	756.4	885.7	+129.3
1971	1,078.9	1,293.4	+214.5
1972	987.6	1,412.2	+424.6
1973	1,224.8	2,278.4	+1,053.6
1974	1,737.3	5,794.8	+4,057.5
1975	3,717.4	4,988.4	+1,271.0
1976	5,132.6	6,622.4	+1,489.8
1977	7,159.7	7,881.7	+722.0
1978	8,132.0	6,380.5	-1,751.5
1979	6,161.9	10,397.5	+4,235.6
1980	9,095.6	14,198.7	+5,103.1
1981	12,599.1	11,033.8	-1,565.3
1982	10,100.2	9,196.4	-903.8
1983	6,555.7	7,751.8	+1,196.1
1984	4,484.5	9,138.8	+4,654.3
1985	5,536,9	11,720,8	+6,183.9
1986	5,974.7	9,047.5	+3,072.8
1987	15,695,4	29,578.1	+13,882.7
1988	18,088.4	31,191.8	+13,103.4
1989			
1st Qtr.	5,654.1	11,860.2	+6,206.1
2nd Qtr.	5,470.1	15,034.4	+9,564.3
3rd Qtr.	6,511.7	14,613,4	+8,101.7
4th Qtr.	7,541.7	18,478.0	+10,936.3
1990			
1st Qtr.	10,371.7	24,792.6	+14,420.9
2nd Qtr.	10,190.9	26,605.5	+16,414.6
3rd Qtr.	11,555.5	38,176.5	+26,621.0
4th Qtr.	13,599.8	20,311.5	+6,711.7

A look at the debt service to government revenue will reveal that the burden of external debt is not easing, but intensifying. It has progressed by varying percentages from 1983-1991. In 1983, debt service to government revenue was 23.9, it gained additional 13% to reach 36.8% in 1984. It rose further to 40.5% and 56.3% in 1986 and 1988 respectively. In the period 1990 and 1991 it gained additional ground reaching 78.2 and 109.6% respectively. Even with the rescheduling, debt service has constituted a debilitating burden on Nigeria.

Available data from CBN source reveals that the figure would have doubled the asserted position if not for the rescheduling. As we have previously argued, rescheduling only shifts the burden, and so long it does not remove it, the burden still persists and intensifys.

Another indicator of the debt burden is the interest charge/principal ratio. In recent times, interest charges has exceeded the principal. Table 2.2 show the ratio of interest charges to principal amount due for repayment. The ratio was about 67 percent in 1970, 122 percent in 1973, 105 percent in 1974, 225 in 1975, and 1,680 percent in 1980. This astronomically high proportion of interest charges to total debt service is a strong indicator of Nigeria's severre debt burden. In 1985, it dropped sharply to 35.81 percent, rose to 65% in 1986, 168% in 1987 and 178% in 1988. For the years 1990 and 1991 the percentages were 221 and 255% respectively.[7] Though the percentages are not so high due to the impact of rescheduling, but the fact still remains that under a condition of economic recession and low export earnings spending about 255% on interest payment will constitute a severe burden considering the nation's weak foreign exchange earnings.

The various debt burden indicators analysed above has shown that the debt burden is intensifying. The debt service ratio if there had been no rescheduling would have reach 54.6% by 1991, while the debt service to government revenue jumped from 26.3% in 1983 to 231.9% in 1991. As the amount spent on debt servicing is taking large proportion of foreign exchange earning, it invariably means that many national development projects have had to suffer as the strain on export earnings has been enormous.

According to data available from the World Bank source, Nigeria's External debt ratios exceeds that of some selected Third World and Low income countries. Although there are variation in the data from CBN and World Bank sources, but the available one's show the burden of Nigeria's debt in an upward trend.

TABLE 2.6 SHOWING TOTAL EXTERNAL DEBT RATIOS OF SOME SELECTED THIRD WORLD AND LOW INCOME COUNTRIES INCLUDING NIGERIA (1980) AND 1989)

COUNTRY	TDS/EXPORTS% 1980	1989	TDS/GDP% 1980	1989	TDS/INTEREST 1980	1989
Nigeria	32.2	389.6	9.0	119.3	3.3	15.6
Benin	100.8	303.5	36.5	11.9	4.1	14.3
Bourkian Faso	88.8	182.2	19.6	29.6	3.1	5.1
Chad	305.9	163.6	30.2	36.7	0.7	1.7
Chana	108.3	343.8	29.7	59.9	4.3	12.2
Togo	180.1	239.2	93.4	91.2	5.8	8.6
Zaire	202.2	371.0	33.5	96.6	11.0	4.2
C.A.R.	94.8	356.0	24.4	65.8	1.6	5.2

Source: World Bank Development Report, 1991 P. 250

From the table above, the country's total debt service as a percentage of export earings is higher than that of the other countries. While Nigeria in 1989 was having 389.6%, Zaire followed by 371.0% and Central African Republic had 356.0%. Such was the case where Nigerias total debt service as a percentage of the Gross Domestic product was 119.3%, followed by Zaire's 96.6% and Togo's 91.2%.

Also from the table Nigerias interest payment as a percentage of exports of goods and services was the highest when compared with that of other countries.

Based on our analysis from data's presented above, it is clear that the country's debt burden has persisted and is intensifying despite the rescheduling. This increase had led to massive capital out flows in order to meet the debt obligation. On the other hand, this adverse development has crippled and impeded the development of the productive capacities of the country. The experience of the country in the present reform programme has shown that no debtor country can implement a successful economic restructuring programme under conditions of net outflow of capital.

Nigeria is locked in a debt trap as new loans are used primarily to repay existing debt instead of financing productive investment, a situation that has simply resulted in an increased debt service burden. Experience has shown that the more money Nigeria borrows from abroad in order to solve the debt problem, the more complex and apparently insoluble it becomes. The harder Nigeria strives to extricate itself from the debt trap, the more entangled it becomes in it, precisely because of the convergence of the interests of international capital and the Local collaborative but few

Compraedor in using the debt as an instrument to serve their interest.

The creditors have since the 80's increased the interest rate to above 7% as different from the 1% it used to be in the 70's. On the other hand there hasn't been increased earnings from the country's exports as a result of under pricing of these commodities, this is coupled with the devaluation of the naira exchange value. All these are deliberate strategies of keeping the country in perpetual debt. The dominant class have on their own part accepted the dictates of the creditors as doing this will equally offer them the opportunity to hide under the covers of external debt and accumulate wealth, using the state apparatus which they control. Nwoke pointed out that the State and economy of third world countries are characterized by features of domination, exploitation and collaboration originally introduced through colonization and preserved today through neo-colonialism.

Given the character of the Nigerian post-colonial state and ruling classes, dependence has mustered a reinforced vitality. This is not surprising because the ruling classes in Nigeria continue to expand primarily through a complex pattern of partnership with foreign firms, Where the main contribution of the Nigerian (junior partners) is to facilitate access to market and contracts. The patron-client relationship existing between these two fractions of the dominant class is kept alive by the gains and benefits they derive from each other. While the Local bourgeoisie has to collaborate in exploiting the masses, they in turn are compensated by being given part of the surplus they cart away with. What this means is that the state is being used as an instrument of accumulation (by both Local and foreign dominant groups) at the detriment of the overall majority of the people. This will form the basis by which we now articulate the accumulation process in the Nigerian economy.

2.3 CAPITAL ACCUMULATION AND THE DEBT CRISIS:

As a starting point for sketching the models of accumulation. We need to define the term accumulation process This term encompases all the mechanisms and institutions involved within a given structure of ownership of means of production in the extraction of the surplus from the economy. Defined in this way, the term refers to the process of investment and the flow of capital funds required to finance it. In technical language, the term also refers to the process of "freezing of current output in the form of productive capacity (in the economy) so as to increase output in the future". An analysis of the pattern of accumulation in an economy over any relevant period of time may therefore collapse into an integrated analysis of the patterns of investment, savings and the flow of capital funds on the one hand, and the structure of production on the other.[9]

It has been empirically demonstrated in Nigeria that both the political and military elite typically manipulate political power and militarize politics as a means of consolidating their class dominance through the expansion of their fragile economic base. Kleptocracy involving pervasive embezzlement, contract kick-backs (called 10 percent) corrupt commissions etc are the standard strategies employed for the purpose.[10]

The indigenous business class, no doubt is central to the current crisis afflicting the Nigerian people. This class, having been promoted by the state during the decolonization period was anxious, particularly after the civil war, to realize its full potentials as a bourgeois class. The indigenization decree in 1972 and 1977 created a fillip for this development, as the state insisted on a dynamic and accommodating partnership between foreign and Local capital. The state joint venture created monopolies for the foreign capitalist in the economy through the state licensing and tariff policies. Through the state joint venture, foreign capitalist have easy access to such scarce external resources as imports and foreign exchange. Even where the foreign capitalist are not involved in the state joint venture in terms of ownership, the expansion of state enterprises facilitates avenues for expanding the market in capital goods, patents, consultancy, management and financia services for the foreign capitalist-with the opportunities to flourish in the economy. In this connection, institutional pre-conditions are often created for the formation of alliances among the domestic private capitalist, the foreign capitalist and the bureaucratic capitalist, alliances which are increasingly required for the intensification of the process of surplus extraction from the economy.[11]

Sequel to this, the state in order to strengthen the hand of Local Capital provided ₦ .15 million to the Nigerian council for management, education and training to start managerial training for indigenous businessmen in preparation for the indigenzation programme; allocated ₦100m to enable the indigenous businessmen to buy equity shares in foreign companies, supported the Nigerian industrial development bank in the active role it was to play in indigenization, and launched the Bank for Commerce and industry to help the indigenous entreprenuers with more loans. This overt state subsidy of the indigenous business class is linked with the covert subsidy through the looting of public sector resources by transnational, Local companies and public officials.

Capital accumulation in Nigeria as stated by Bangura required huge public expenditure to provide contracts, loans and foreign exchange to business enterprises. It also required the heavy importation of foreign imputus such as raw materials, spare parts and machinery for industry and the modern agricultural sector. It is not surprising that the planned capital expenditure rose dramatically from ₦8.258 billion in 1975 to ₦23.695 billion in 1980. For the first time in the Nigerian history, primitive private capital accumulation became a virture which the ruling class pursued vigorously. The policies and decisions they took was only to assist in the furtherance of this unhealth objective which experience has proved to be antithetical to any meaningful development.

TABLE 27
VALUE OF MAJOR IMPORT GROUPS BY S.I.T.C. SECTIONS.
(=N='MILLION)

Year/ Quarter	Food (0)	Beverages and Tobacco (1)	Crude Materials Inedible (2)	Mineral Fuels (3)	Animal and Vegeta Oils (4)	Chemicals (5)	Manufactured goods (6)	Machinery and Transport Equipment (7)	Miscellaneus Manufactured goods (8)	Miscellaneus Transactions (9)	Total
1970	57.7	4.0	16.6	22.0	0.8	88.5	227.0	285.3	39.5	18.6	760.0
1971	88.3	4.5	20.4	9.0	0.7	121.5	319.3	417.8	68.5	19.1	1,069.1
1972	95.8	4.4	20.8	10.3	1.1	102.6	267.7	391.9	83.1	13.7	991.4
1973	126.3	5.2	27.0	13.6	1.4	133.4	323.9	491.4	94.2	8.6	1,225.0
1974	154.8	9.1	63.7	55.4	3.6	291.0	523.4	611.8	114.0	10.6	1,837.4
1975	298.8	48.1	74.4	100.4	8.9	333.2	1,007.4	1,561.0	278.7	10.7	3,721.6
1976	441.7	63.8	79.3	181.3	24.7	398.5	1,136.1	2,548.0	351.4	10.5	5,235.3
1977	780.7	132.3	78.4	128.1	40.4	504.0	1,580.0	3,435.7	491.3	191.2	7,368.4
1978	1,027.6	54.6	97.5	161.2	78.4	642.8	1,855.9	3,573.4	631.2	13.8	8,136.4
1979	952.2	8.4	117.4	126.6	97.5	646.7	1,442.2	2,405.1	349.5	24.8	6,170.4
1980	1,437.5	12.1	156.7	154.8	115.0	913.5	1,981.5	3,650.4	645.1	29.0	9,095.6
1981	1,819.6	16.5	218.9	151.1	128.7	1,220.4	2,540.7	5,548.1	947.7	22.2	12,613.9
1982	1,642.3	16.4	207.2	115.5	151.4	981.6	2,137.0	4,169.9	642.3	36.6	10,100.2
1983	1,296.7	13.1	204.4	53.0	105.6	714.0	1,477.1	2,366.0	316.6	9.2	6,555.7
1984	843.2	10.4	187.5	52.1	101.8	656.4	846.0	1,604.4	171.2	11.5	4,484.5
1985	940.6	7.4	274.8	47.9	55.7	868.9	1,263.6	1,892.8	176.0	9.2	5,536.9
1986	801.9	14.5	193.9	32.0	124.9	1,039.0	1,237.1	2,277.8	246.4	6.1	5,973.6
1987	1,646.5	27.0	702.6	67.2	57.7	2,650.6	3,940.9	5,999.6	596.2	7.0	15,695.8
1988	1,220.0	55.3	381.5	133.4	78.9	2,661.8	2,932.8	5,740.4	617.4	9.8	13,831.3
1989											
1st Qtr.	437.4	30.2	132.6	59.8	32.8	1,450.4	1,159.4	2,126.9	223.8	0.8	5,654.1
2nd Qtr.	396.6	12.9	150.3	31.3	11.4	1,128.2	1,254.9	2,265.7	216.1	2.7	5,470.1
3rd Qtr.	385.7	23.5	262.8	42.7	6.3	1,454.5	1,359.8	2,711.5	264.3	0.8	6,511.9
4th Qtr.	500.9	44.6	336.0	77.3	6.5	1,712.1	1,562.8	2,982.2	315.9	3.3	7,541.6
1990											
1st Qtr.	788.2	51.9	321.5	62.2	51.9	2,043.2	2,323.3	4,200.6	497.8	31.1	10,371.7
2nd Qtr.	774.5	51.0	315.9	6[illegible].1	51.0	2,007.6	2,282.8	4,127.3	489.2	30.5	10,190.9
3rd Qtr.	878.2	57.8	356.2	69.3	57.8	2,276.4	2,588.4	4,680.0	554.7	34.7	11,555.5
4th Qtr.	1,033.6	68.0	421.6	81.6	68.0	2,679.2	3,046.3	5,507.9	652.8	40.8	13,599.8

The floodgates of imports were opened in 1980, further exposing the economy to crisis and debt. This was supported by the massive and reckless borrowing which both the federal and state governments undertook between 1980 and 1983, particularly from the ICM. The alarming rate of this unplanned borrowing and spending made one of the then permanent secretary, Philip Asiodu to remark that: It was so much easier to sign up road and harbour projects and run down our reserve in the process.[13]

Table 2.7 sbows Nigerias imports between 1970- 1990. The various commodities or sections had increased imports especially machinery and transport equipment, manufactured goods, chemicals and food. Available records had it that of Nigeria's total outstanding debt in 1983 the manufacturing sector accounted for 34 percent, followed by infrastructure (Electricity, gas/water production and construction) with 31 percent. Community development (social and personnel services accounted for 21 percent, agriculture and services to 5 percen each, and other accounted for 19 percent. Regrettably, the various sectors did not contribute much to the productive capacity of the economy, nor could they pay their way out of the loans committed to them, especially the manufacturing and sectors. It rather became an important source of burden on the ecountry, and on the other hand, a new opportunity for those engaged in capital accomulation. These group hide under the canopy of these sectors to make their illicit gains.

In another related development, the pressure from Local contractors, businessmen and some influential public officials made the government to adopt an import-oriented/dependent third National development plan. This development was fraught with massive fraud involving Local and foreign capital as well as state officials.[14] One of the mostcelebrated case was the cement importation scandal which broke loose under the administration of Gowon. The facts, as presented in a government inquiry are as follows. Sometimes in 1974, the Federal Ministry of Defence headed by Gowan himself indicated that it needed six million metric tonnes of cement to embark on massive barrack building projects for soldiders. But a Briton serving as a Deputy secretary in the ministry contrived to have contracts signed for sixteen million metric tonnes in excess of the requirements,. And all the cement was to be imported. While the price of cement was about $54 per tonne, contracts were awardedd for $60 per tonnes. Moreover, all the contracts (28 in number) were made to fall due about the same time, leading to acute port congestion and the payment of heavy demurrage to foreign ship-owners.

Altogether, the loss sustained by the federal government in one year or so of the deal amounted to about $670.6 million, the bulk of it in hard currency.[15]

There was no discipline in the Nigerian economy and there was too, the absence of effective check on the activities of those looting the economy. The rules were bend by foreign financiers, export credit department and Nigerian authorities to facilitate the process of primitive capital accumulation. One of the tricks was to raise the percentage of the foreign financial cost to as high as 90% or 100%.
This enabled officials of state and federal governments, vario companies and political party stalwarts to have direct access to foreign exchange without having to go through the cumbersome financial prodedure of the central bank to transfer the looted part of their share of the contract. And in one scoop under Obasanjo's military junta, the Nigerian National petroleum corporation (NNPC) was alleged lost ₦2.8m, which was reported to be inadvertently lodged in a private bank account in London between 1976-1978 at an interest rate of about 7½% to 15%.

There was quite a loto of over-invoicing and non-shipment of actual goods for which lines of credit had been opened in the central bank. In one incident, bags of sand were imported in place of rice and this cost Nigeria millions of Naira. Similarly most of the machines and equipments imported were near obsolate or of the inferior type. No sector in the Nigerian economy was free of this abuse and economic sabotage. Table 2.8 lays credence to the point being made as there was a wide margin when import bills are compared with the true values of imports, especially in the period between 1975-1984.

TABLE 2.8	EXPORT EARNINGS	IMPORT BILLS	TRUE VALUE OF IMPORTS	OVER INVOICING
YEAR	₦ BILLON	₦ BILLION	₦ BILLION	₦ BILLION
1975	5.0	3.7	0.9	2.8
1976	6.8	5.1	1.3	3.8
1977	8.7	7.3	1.8	5.5
1988	6.1	8.2	2.1	6.1
1989	10.8	7.5	1.9	5.6
1980	14.	9.7	2.4	7.3
1981	11.0	12.0	3.0	9.0
1982	8.2	10.8	2.7	8.1
1983	7.6	8.9	2.7	6.7
1984	8.8	7.2	1.8	5.4
TOTAL	87.1	80.4	20.1	60.3

Source (1) CBN, Annual Report various issues

(2) M.E. Akor, SAP as antithesis of Nigeria's

Economic Recovery. Paper presented at the Nigerian Economic Solvely Annual Conference, Ile-Ife, 1983 P. 2.

Although Nigeria imported goods and services worth ₦80.4b between 1975 and 1984, the true value of import was only ₦20.1 billion with ₦60.3 billion expropriated through over-invoicing. The economy was therefore in deep crisis as the external reserve of ₦5.8 billion in 1980 was reduced to ₦2.6 billion in 1991 and ₦1.098b in 1985.

An article had it that between 1979 and 1983, the entire ₦43 billion Nigeria earned from the export of petroleum in addition to about ₦2 billion foreign exchange reserve left by the military at the end of 1979, where liquidated by the ruling class. By implication, between 1979, and 1983, Nigeria expanded about ₦45 billion and accumulated an external debt of about $20 billion within the same period.[17] (See Table 2.9 showing revenue and expenditure of Nigeria within this period).

TABLE 2.9 NIGERIA REVENUE AND EXPENDITURE 1979 - 1984 (₦M)

YEAR	REVENUE	EXPENDITURE	SURPLUSE/DEFICIT
1979	8,868.4	7,406.7	+ 1,461.7
1980	12,138.7	14,113.9	- 1,975.2
1981	7,068.3	10,774.4	- 3,708.5
1982	5,819.1	11,923.2	- 6,104.1
1983	6,594.6	11,664.6	- 5,070.0
1984	7,811.9	10,342.6	- 2,530.7

Source: CBN, Annual Reports (1980 - 1984)

Quentin peel, in a paper titled, Nigeria's Debt problems: Causes and solutions, further buttressed the above point. He stated that even in the years between 1973 and 1981, when Nigeria was benefitting from the quantum leap in oil revenue, she actually managed to spend more on investments than she received from total oil revenues: the latter are estimated at some ₦65 billion in its entirety while investment spending is put at ₦70 billion. He further added that "the result of the/head-long rush for development was stretched beyond the level at which they could maintain quantum control in both the selection and execution of projects. The priority of government was clearly to press ahead with development spending of all sorts just as fast as the windfall oil revenue allow without any saving for a rainy day.[18]

wealth.

Under the present Babangida regime, the process has been intensified under the prevailing structural Adjustment programme. It is a programme that has made the rich, richer and the poor, poorer. There have been cases where huge sums of money have disappeared from the people's bank and the central bank. And such bodies like the Directorate for Foods, Roads and Rural Infrastructure (DFRRI); the National Directorate for employment (NDE), the Better Life Programme, MAMSER, and the various privatization/commercialization programme have all become avenues of siphoning public wealth. It is on record that the present regime has produced the largest number of millionaires ever had in the history of this country. The governing class sees to it that other members of the ruling class gets a share of the national cake to the marginalization of the masses. The government is ever quick to cover whatever exposure that might emanate from any quarter, as the earnings from oil exports during the Gulf War has shown. Uptill now, Nigerians do not actually know how much was earned and how it was spent. Under the military administration, there is a general lack of check and accountability in the practices and use of public maoney by the present regime.

Bright Ekuerhare in an article on "Recent patterns of accumulation in the Nigerian economy has established the fact that the process of capital accumulation has been facilitated by the exploitation of wage labour. A highly simplified marxian model of capitalist accumulation process may be sketched through the labour theory of value. Central to this model is the rate or ratio of exploitation which constitutes the potential engine driving the capitalist accumulation process. The ratio of exploitation can be expressed as the ratio of the flow of surplus to the wage bill paid to workers. The ratio of exploitation is determined by the fortunes of the class war manifested in the monopoly power of capitalist and in the trade union strength of workers as mediated by the control of state apparatus. A rise in the ratio of exploitation might result from an increase in monopoly power of capitalists and from a weakening of trade union resistance. Conversely, a fall in the ratio of exploitation might be caused by a growth of trade union strenghth combined with a more intense competition which might prevent the capitalists from passing fully raised money-wages into prices.[21]

The problem of realization of surplus as profit emanated mainly from the character of the accumulation process when the deepening economic crisis was officially acknowledged. It has be shown analytically and empirically (Ekuerhare, 1984 and 1986)[22] that the post-civil-war economy upto 1982 was suffocated with potential surplus which was appropriated by the domestic bourgeoisic in collaboration with foreign bourgeoisie. Rather than converting a substantial proportion of the potential surplus into capitalist accumulation in the economy, the domestic bourgeoisie together with its foreign bourgeoisie-ally indulged in an unprecedented conspicuous consumption and surplus expatriation from the economy. Such non-conversion of the surplus into' additional capital' was manifested as primitive accumulation in the economy. The manifestation of primitive accumulation in this way has been generalized for the third world by Ernest mandel:

> Primitive accumulation of capital and capital accumulation through the production of surplus value ... are not merely successive phases of economic history but also concurrent economic processes. Primitive accumulation still remains both quantitatively more decisive ... than the creation of surplus value in the process of production itself.[23]

Ekuerhare and Mandels observation augments marx's assertion that:

> Capitalism has always involved exploitation What distinguishes the contemporary process of capital accumulation is its increasingly super exploitation of labour in the third world. In otherwords, capital is now appropriating more than the surplus value produced by labour beyond the wages received for the sustainance and reproduction of labour power. It is appropriating also part of the consumption fund workers need to survive, that is to sustain and reproduce labour power. The forcible reduction of wages below this value ... (which) transforms within certain limits, the labourer necessary consumption fund into a fund for the accumulation of capital.[24]

The present process of capital accumulation is extending and intensifying the deplorable 'living' conditions of the vast portion of Nigerian workers. In this context, it is significant that high mortality, malnutration, disease, deplorable standands of living, violence and so forth are recurrent occurence of the exploited in the state.

Exploitation of the workers is made possible by the character of the post colonial state. The state is the principal instrument used by capital to create, maintain, extend and intensify the political and economic conditions necessary for super exploitation. It functions as the watchdog of super exploitation by repressing first and foremore labour and its organisations. Since the inception of Nigeria's economic crisis, that led to the introduction of 'austerity measures', there has been various cases of state contained and nation wide riots, strikes and civil unrest. Past and present administration have surpressed labour movement and union organizations and repressed large sectors of the population through systematic relations of their political, civil and human rights. The repression is not accidental or mere ideologically motivated, rather it is a necessary concomitant of economic exploitation.

Such organizations like the Nigerian labour congress (NLC), National Association of Nigerian Students (NANS) Academic staff union of Universities (ASUU), Human Rights groups and other unorganized groups have been hit by the sledse hammer of the various administrations.

Workers on their part never detered in their agitation for better working conditions, and subsequent reduction of the burden of economic reform, (especially on the issue of SAP and external debt management), not with-standing the fact that there were rigid newly enacted provisions and decrees promulgated to check them. Some gains such as increases in minimum wage, increased allowances, economic relief packages and a relatively improved working conditions has been recorded.

At this point, Bangura's analysis regarding the inability or weakness of the workers to effectively check their exploitation has revealed three main factors:

1. The acceptance by unions of the capital/labour relationship which gives implicit recognition to the right of capitalists to own and run factories, pay wages to workers, and retain any profit,

2. The existence of a reserve labour force which checks unions militancy, and

3. The influence of the informal non-wages sector acting as a buffer to cushion workers against some of the adverse effects of rationalization.[25]

Workers are exploited in the sense that they are not getting the actual value of their work. The imposition of crisis "austerily" and "adjustment" plans, has meant first and foremost the sacrifice of the social welfare and consumption subsidy state expenditure as is currently being witnessed today. Since the reduction in public welfare expenditures has come at the sametime as cuts in direct real wages, it has aggravated the crisis for labour and the poor. The result of increasing direct and indirect exploitation and pauperization of the masses.

The logical outcome of the various economic and state policies of past and present administrations (especially the Babangida regime) depicts a high level of alignment or romance with the owners of international capital in exploiting the working peoples of Nigeria. The acceptance and implementation of the IMF and World Bank Programme against public outcry goes to show that the administration was ready to "play ball" on a turf determined by the IMF. Ordinarily, if the dominant class in Nigeria do not have anything to gain, they would not have accepted the programme, talkless implementing it. The experiences from various latin-American and African countries who have adopted the adjustment package should have taught them that the creditors solution does not hold the key to economic recovery, rather it is a gateway to economic crisis.

In addition to the earlier point made about the collaboration between the Nigerian dominant class and the owners of international capital in exploiting Nigerian working people and worsening the debt crisis, is the problem of not knowing actually how much the country was owing.

Both the central Bank of Nigeria and the IMF have conflicting figures. Olukoshi had pointed out that "one of the most complex issues which various Nigerian Governments have had to address in their effort to manage the country's external debt was the question of determining the amount owed to various international private and public organizations. It is an issue that has created a great deal of acrimony and mutual suspicion between the Federal Government and the holders of the country's promissory notes. And, as we noted earlier, the massive fraud built into the loan procucement system did not help matters at all. To date, no solid and reliable data have been established to confirm the total value of the country's debt.[26]

In the light of the above evidence, it is now an obvious fact that the Nigerian external debt's persistence and intensification is an outcome of various factors, central to which is collaboration of the ruling class in Nigerian in partnership with imperialist forces and the owners of foreign capital. The existence of external debt serves their class interest. By borrowing more money and servicing part of the debt, and avenue is created for siphoning money abroad. The act of kleptocracy has been rampant in Nigeria. On the other hand, by giving out more loans the creditors use it to keep Nigeria tied to their apron stings.

Given the character of the Nigerian post-colonial state and ruling classes, dependence has mustered a reinforce vitality. This is not surprising as the ruling class in Nigeria continue to expand through a complex pattern of partnership with foreign firms. It lays credence to Timothy shaw's argument "the Nigerian economy is controlled by a coalition, a triple alliance or commercial triad, "composed of international capital, local private capital and state capital, with the first ally, transnational capital occupying a dominant position."[27]

The domminant fraction of the fuling class allows or is willing to allow the owners of foreign capital to foray and plunder the economy provided it is let into a bit of the action. This explains the persistence of Nigeria's external debt. Despite the concern and the exploitative intentions of foreign capital, the Nigerian bourgeoisie is part of the structure of this exploitation and the exploitative activities of foreign capital bring wealth to members of this class. The various recovery programme and debt management strategies designed to check the crisis are in actual fact according to ihonobvere "status quo"[28] reinforcing and exacerbating options or mechanisms for maintaining the existing order, which is disadvantageous and exploitative to the interest of the overall peoples of Nigeria.

The manifestation of these material interests of the Nigerian bourgeoisie is evident in the various economic reform policies and the debt restructining strategies which serve but to exacerbate the crisis. They provided a protective economic umbrella through which the owners of international capital continued their economic exploitation through business partnership with indigenous enterprenurers.

The unholy alliance consumated between the dominant class and the creditors implied the co-existence of two factions of the same bourgeois calss, one understandably holding political authority without sufficient control of the support economic base, and the other wielding tremendous economic power but inevitably having to influence political decisions indirectly through the political office holders.[29]

In conclusions, the interest of the dominant class in Nigeria consists of the encouragment and protection of private capital both local and foreign, marginalization of the working people; and the use of state powers to achieve selfish class interest. The debt burden is bound to persist so long as the dominant class retain and control the various socio-economic and political activities of the State.

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CHAPTER THREE

3.0 THE POLITICS OF EXTERNAL DEBT MANAGEMENT

3.1 Creditors - Government - Workers Positions on Nigeria's External Debt.

In recent times, external debt has been the most potent weapon used to control the economy of third world countries by creditor nations. Debt payment and collection has become a political chess game or a very delicate economic and political issue in international relations which complexity requires the negotiating skill of the masters of the game. The player of the debt game wants to maximize gains and minimize losses by ensuring that they do not carry the debt burden alone.

Harold D. laswell's conception of politics as being concerned with who gets what, when and how[1], equally applies to the politics of Nigerias external debt crisis. This definition is useful, though limited. Its greatest usefulness is that it expands the horizon of the enquirer, encouraging him to look for politics in many social settings other than formal public government. It helps underline the fact that politics is about decision taken by people, governments and organization concerning certain objectives which they consider desirable. It also contains the implications of some struggle involved in the making of the decision as to who in society attains these objectives, and when and how they do so[2]. The politics of external debt management is therefore a game of 'wits' between the contending social forces in Nigeria.

Nigeria in the 70's and early part of the 80's went headlong into external borrowing without any debt management strategy. According to Adebayo Adedeji, "there is no inter-governmental machinery for coordinating external aid. The ministerial coordinating committee on External Aid formed in 1962 has never functioned".[3] It was only in the period of growing external debt that debt management was seen as vital. Before this times loans were used indiscriminately with little or no planning. The resultant effect of this was that external loans were sunk into unprofitable projects, while the remaining was amassed through illegal means by the ruling class.

As at the time the debt reached crisis point, what was really at issue was the strategy to be adopted for the restructuring process. Was it to be centered on an effort at a fundamental reorganization of the entire fabric of the Nigerian economy or was if simply going to be confined to policy measures undertaken solely to tackle the problem within the existing system of capital accumulation in the society? For a variety of reasons the most important of which is the balance of power among contending social forces in the society, it was the latter option for restructuring within the existing structures that was selected by the state.[4]

External debt management has been a very difficult and painful process, not just because of the shortage of the calibre of skilled manpower needed to help handle the problem but, more critically, because the process itself is a balance of local and external forces interested in the final outcome. To the extent that a country's debt management programme has direct and differing implications for the various contending social forces (the creditors, government and the Nigerian working peoples) to that extent it is political.

Each of the domestic and external forces either on its own or in alliance with others strives to ensure that Nigeria's debt management strategy achieves its objectives and perceived interests. Thus for example, the Nigerian creditors, often with the IMF and world Bank support, make it a point to insist on a highly biased foreign influenced and controlled third world debt management package which puts emphasis on debt repayment which will be carried out under the auspices of the World Bank and IMF supported adjustment programmes. The mandate of the fund has been stretched to ensure that the adjustment programme of highly indebted developing countries enable them to meet their external debt obligations to western creditor nations. This is why a precondition for restructuring the debts of LDcs by the paris and London club is that their adjustment programmes must be approved by the IMF and the World Bank. The two institutions are usually involved in the design and implementation of adjustment progremme for many developing countries including Nigeria.[5] In the process they work closely together.

Experience has shown that more often than not, a debtor has only limited room to manage a debt crisis to advantage. This is clearly made mainfest in the light of the Shagari, Buhari and Babangida administrations' adoption of stabilization and adjustment programmes. SAP aims at reducing the country's external debt burden and attracting a net inflow of foreign capital while keeping a lid on foreign loans". The adjustment programmes are practical politiees rooted in the IMF debt strategy which is based on the perception of the third world debt crisis as a balance of payments problem.[6] This strategy contains three main elements namely effective growth-oriented policies, a supportive international environment and an adequate flow of financing. It de-emphasizes state control in favour of market forces. This creditors see indebtedness as an outcome of internal bottlenecks which if adequately restructured under SAP will lead to economic growth. They insist on debt repayment as against debt cancellation.

Mr Christopher Macrae, British High Commissioner in Nigeria warned in 1991 that Nigeria should not expect her foreign debts to be written off, pointing out that debtors should not think that loans they got from Europe came" from some magic and everlasting pot of gold somewhere beyond the sea that could be written-off on request".[7]

If the utterances of senior officials of these creditor nations are anything to go by, Nigeria has no option than to pay her debts. Former British prime minister, Mrs. Margaret Thatcher said during her visit to the country two years ago that Nigeria is not a poor nation to deserve debt relief. Former vice president and strongman of the United States of America, Mr Dan. Quayle added his voice to it, insisting that "debt must be paid off".[8]

On their own part, the position of the government concerning the nations external debt has been weak and unchallenging. No radical decision has been taken to question the rationale of the creditors positions.

The government's position has been to seek compromise with the creditors position. The vice president Augustus A. Aikhomu has often declared openly that the nation must pay its debt, adding that the polemics surrounding" the rejection of debt are not realistic solutions". While leading the Nigerian delegation to the extraordinary session of the summit of OAU Heads of state and government conveyed on Addis Ababa, Ethiopia, from 30 November to 1st December 1987, he joined other reactionary African leaders in asserting that:

> "Our position is that our external debt is an individual commitment by member states which they will have to honour".

After this astounding disclaimer of the legitimacy of collective or United action on debt, they proceeded to specify a bill of particulars:

Official loans to be converted to grants, non-ODA officially guaranteed debt (as of 1/1/87) to be converted to loans at lower interest, new flow of funds to be assured by multilateral institutions, increased resources and coverage for compensatory financing facilities and extension of the coverage to repurchase of existing debt at market rescheduling of IMF credits and creation of additional SDR's to the tume of $15 billion, additional funds from the World Bank to be addressed to sub-saharan Africa, loans to low income countries to bear 50 - year maturities with 10 years grace and no more than 0.75% in gross charges, rescheduling of debts on multi-year basis and consolidation of commercial loans to have 50 years maturity, 10 years grace, and minimum of five years to be consolidated. They called for fresh funds without which no growth will be possible - in line with the Resolutions in UNCTAD: 105 S. IX of 1978 and 134 - 140 of UNCTAD VII.[9]

The Nigerian president, General Ibrahim Babangida, in a budget broadcast reiterated the governments position as stated by the vice - president. He stated:

> This administration shall continue to negotiate debt reduction agreement and at the same time endeavour to create a congenial atmosphere that would encourage the inflow of new funds .... While we will not repudiate any legitimate debt we owe, We will not at the same time live for our creditors. 10

The position of the government simply put is that they have accepted the debt as the country's responsibility and must continue to service it. This of course is in accordance with the position of the creditors, who have continued to reap the benefits of the country's debt servicing.

At this junction, it is pertinent to point out that the position of the government not to renounce any debt it deemed legitimate, informed the acceptance of the creditors proposal on the dispute over the amount the country was owing. The acceptance of the creditors position has increased the debt burden and reinforced the continued dependence of the Nigerian economy on the West. With the governments position the debt crisis is bound to linger for decades to come, and holds a bleak future for generations yet unborn.

Apart from the creditors and government position on external debt, another contending social force on the debt issue is the Nigerian working peoples. These group are bearers of the debt burden. They are made up of civil servants, students, peasants, market women and the majority of the poor.

The position of the Nigerian labour congress (NLC) on Nigeria's external debt has shiffed from cancellation as was previously held uptill 1988, to the use of 10 percent of export earnings on debt service. The cancellation of Nigerias debt as previously advocated by the NLC, complements their opposition to the IMF loan and the conditionalities for taking it. Alhaji Ali Chiroma argued during the IMF debate that "taking the loan would make Nigeria's economy subservent to the economy of the developed countries that dominate the IMF"[11].

Asked why the government changed its position from outright cancellation to the use of 10 percent of export earnings, Mr. Chris Uyot, the information officer of the NLC stated this was as a result of the congress resolve to check the debt burden caused by high debt service payment knowing fully well that the government was not ready to adopt the initial option".

The General Secretary of service Technical workers Union Mr Sylvester Ejiofor was of the opinion that such factors like weak leadership, factional disputes among unions and the government use of force to curb labour militancy have all contributed in shaping the position of workers in recent times". 12

In addition, the NLC is against the debt equity swap, as the sale of public property to individuals would unleash more sufferings for the workers. The congress called on the government to improve the export sectors in order to earn more foreign exchange.

According to an official document of the NLC while reacting to the external debt service issue of the 1990 budget speech, it stated:

> With the worsening economic crisis and deterioration in the living conditions of Nigerians, the NLC is opposed to the use of 30 percent of export earnings for external debt service payments ... The implementation of this policy will lead to the inefficient use of the country's hard foreign exhange earnings..... considering the devaluation of the naira and the poor export revenue will not be sufficient to meet the domestic needs of the country. Government refusal to use not more than 10 percent of export earnings will lead to continuing struggles ... as a result of growing hardship and poverty of the Nigerian working people.[13]

Similarly, the position of the National Association of Nigerian students (NANS) has been more challenging and uncompromising on the issue of external debt. Asking the leader of NANS, Olusegun Malyegun, the positionq of Nigerian students on the country's external debt, he replied as follows:

First, it is the position of NANS that the country's external debts are dubious and illegitimate. The leaders have not justified or given a proper account of how they spent the money. Nigerians cannot be made to pay the debts because the loans were not invested in people's oriented projects, rather they were sunk into unprofitable projects that enabled the ruling class to accumulate wealth. A commission set up the Buhari regime showed that Nigeria was owing only about ¼ of the external debt, and this goes to underscore the dubiousness of the external debt figures.

Secondly, experience from other third world countries has shown that those debts are unpayable. It is the position of NANS that the country's debt should be repudiated or cancelled whether the creditors like it or not. Anything short of this, the political leaders and other members of the few-but-highly exploitative members of the ruling class should however be held responsible, their assest should be confiscated and used in paying the debt. External debt is deceitful and condemnable, and outcome of collaboration between the Nigerian dominant class and the owners of foreign capiral. The abolition of bourgeois privileges as a means of freeing national wealth for repayment of debt is vital.

Finally, it is the position of NANS that all debt service payment by government should be stopped to prevent the collapse of the Nigerian economy and society. In addition, Nigerian leaders should stop all external borrowing and scrap all fund and Bank adjustment programme.[14]

The position of the Nigerian working peoples stand in opposition to that of the government and creditors. Working class organization in Nigeria spare no effort to ensure that they are not made to carry the worst consequences of a debt crisis which is not their making.

Though the position of the government and that of the creditors seem to hold sway, the under currents emanating from the working peoples struggler has led to the shaping of the final outcome on the countrys external debt management strategy This will be discussed in the latter part of the next section.

In the absense of political parties which could take the demands of the NLC and articulate the interests expressed by the NANS at high political levels, the balance of forces weighed in favour of the government. Not surprisingly, the debt management strategies adopted by Nigeria reflected the interests of the dominant class on whose behalf the government acts.

3.2 External Debt Management Strategies

External debt management is intricate and requires careful planning. In the words of A. Ahmed, Governor of the Central Bank, "External debt management is a conscious and carefuly planned schedule of the acquisition, deployment and retirement of loans acquired either for developmental purposes or to support the balance of payments. It incorporates estimates of foreign exchange earnings, sources of finance, the projected returns from investment and the repayment schedule. It also includes an assessment of the country's capacity to service existing debts and a judgement of the desirability of contracting further loans".

Nigeria's external debt management strategies has varied from time to time since the early 1980s when the debt crisis became pronounced. However, a panacea solution which was a more programmatic, articulate and all embracing plan was set out in February, 1988 with the following policy objectives: to outline strategies for increasing foreign exchange earnings thereby reducing the need for external borrowing; to set out the criteria for borrowing from external sources and determine the type of projects for which external loans may be obtained; to outline the mechanism for servicing external debts of the public and private sectors; to outline the roles and responsibilities of the various organs of the federal and state governments as well as the private sector in the management of external debt. Consequently, the following guidelines were issued as regards government borrowing.

i) Social services or infrastructures would be ranked on the basis of their cost/benefit ratios.

ii) Economic sector projects should have positive internal rate as high as the cost borrowing.

iii) Projects to be financed with external loans should be supported with feasibility studies (which of course, include loan acquisition, deployment and retire plan schedule).

iv) External loans for private and public sector projects of quick yielding nature can be sourced from the private capital markets while loans for social service can be sourced from concessional financing institutions.

v) Borrowing by state governments, parastatals and private agencies must receive the approval of the Federal government before they are contracted. The private sector borrowing approval does not constitute a federal government guarantee or currency undertaking, but to ensure that the borrowing conforms with national objectives.

vi) The State Government borrrowing proposals should be submitted to the ministry of finance and Economic Development and the Central Bank of Nigeria for considerati before they are incorporated in the final public sector borrowing for the annual budget.

vii) State Governments and their agencies, as well as federal parastatals should service their debts through the foreign Exchange Market (FEM) and inform the Federal Ministry of Finance and Economic Development for record purposes. For failure to service their debts, the naira equivalents would be deducted at source before the balance of their statutory allocations are released.

viii) For loans on-lent by the Federal Government to State Governments, the Federal Ministry of finance and Economic Development would make due payments and deduct the full amounts at source from their statutory allocations.

ix) As for the private sector, industries that are export-oriented should service their debts from their export earninings while others should utilize the FEM facilities to service their debts.[15]

As part of the progmatic approach to reduce the burden of the external debt, the following measures/strategies have been taken in recent years.

(A) EMBARGO ON NEW LOANS

This involves temporary stoppage of further external commitments in the form of loans until the debt position improves. This measure is not intended to reduce the burden of servicing external debt; rather it is aimed at preventing additional burden.

It should be recalled that since 1984, an embargo has been placed on new government borrowing from abroad, certain exceptions were, however, granted in respect on going core projects that are considered to be in the overall interest of the economy. Moreover, loans whether internal or externally given whose terms are exceptionally favourable especially in terms of interest rate and long repayments period are also accommodated. This is an enforced discipline which becomes necessary in view of the past experience. Occasionally, the federal government has fixed the maximum level of debt commitment for both the federal and state governments. In 1978, such a fixation was ₦5 billion for the federal government, and in 1982, it was ₦200 million for any state government.

(B) LIMIT ON DEBT SERVICE PAYMENTS

This would require the setting of a proportion of export earnings to meet debt service obligations to allow for Internal development. In this regard, the state governments were required in 1980, to spend not more than 10 percent of their total revenue on debt service payments. Based on the agreement with the federal ministry of finance, a defaulting state government can be bailed out, although the amount in default would be deducted at source from its budgetary allocation. In the case of the federal government, 30 per cent is set aside for debt servicing.

(C) DEBT RESTRUCTURING

The restructuring of debt involves the conversion of an existing debt into another category of debt through refinancing, rescheduling buy back, issuance of a collaterised bond, and the provision of new money.

(1) DEBT REFINANCING/RESCHEDULING

By way of definition debt refinancing refers to a strategy for transforming short term trade obligation into long term ones. This is done by the granting of new medium term loans in the amount of the debt that is due which is now repaid from the proceeds of the new loan.[16]

On the otherhand, a debt rescheduling entails the re-ordering by mutual agreement between a creditor and debtor, of the condition and terms for the repayment of debts owed by the latter to the former. In practice, such a re-ordering, involves the lengthening of the repayment period and the lowering or raising of the interest chargeable on the principal loan.[17]

Before the creditors or owners of international capital would agree to refinance or reschedule the debt of any country, the tendency is that the debtor country must have embarked and implemented stabilization and adustment measures designed and supervised by them. It is only if they are convinced that the restructuring programme has been well carried out, that they issue the debt-ridden country a clean bill of health, this will then form the basis for refinancing and rescheduling debts. This debt rescheduling exercise does not only postpone the debt repayment but spreads it over a number of years with an initial period of grace. The debtor country will however continue to pay interest on the debt until fully repaid. By this process the debtor country is further entrenched into the vicious circle of debt peonage; into the firms grips of imperialism and doomed to further exploitation slavery and underdevelopment.

Thr refinancing/rescheduling programme for Nigerias extenal debt was first implemented in 1983, when refinancing agreements on confirmed letters of credit, amounting to #2,112.0 milliom were reached and these involved a repayment of three years including a grace period of six months at an interest rate of ¼ percent above libour. These claims were fully repaid in 1986. Following this successful excerise, agreement were reached to refinance other matured debts.[18]

According to available data from CBN source, between the period 1983 - 1986, a total of ₦5,048.7 million has been refinanced, while by 1986 ₦12,279.7m oof the contracted debt was outstanding arrears still not refinanced. At this same period, the country's total external debt stood at ₦42,229.5 million. Though refinancing slightly reduced what would have been the total debt stock had it been it wasn't refinanced, but the fact still remains that the amount refinanced were too insignificant to make any major impact on the debt burden.

In the subsequent years, progress was made in the reconciliation of insured short term trade arrears as two agreements were negotiated and signed. The first agreement with the Paris club of creditors was negotiated and signed in March 1989. The success of this agreement made it possible for other biliateral agreements to be signed with eight member countries, and negotiations to be concluded with five others. The second agreement known as the refinancing and restructuring agreement was signed with the London club of creditors also in March 1989. This agreement provided for repayment between 1989 and 1991 of payable debt of US $500 million, repayable between 1992 and 2003 of refinanced letters of credit of US $2,440 million and repayment between 1992 and 2003 of medium and longterm debts of US $2,800 million.[19]

These agreements have the unfavourable and anti-development implication of extending the hands of imperialist control over the Nigerian economy. It would be merely stating the obvious that debt refinancing is to the advantage of, and protects the interests of the creditors. It is infact a creditors solution, serving to maintain the exploitative trade and financial relations, necessary for the triumph of the forces of imperialism and neo-colonialism.

Efforts to reschedule debts under the auspices of the London and Paris clubs have been geared up since 1986. In 1987, rescheduling involving medium/long term debt amounting to \$1.6 billion falling due to the London club for 1980 and 1987 was undertaken and it involved repayment over the period 1986 - 1996, with a grace period of 4 years. Under the same agreement, letters of credit due in 1986 and 1987 valued at \$2.4 billion were rescheduled for repayment between 1987 and 1990 with a grace period of one year with interest payment at a rate of $1\frac{1}{4}$ percent above libor. Under the aegis of the paris club of official creditors, agreement was reached to reschedule a total of \$6.3 billion which was principal and interest due between October 1986 and December 1987.

In 1988, another round of rescheduling involving $5.9 billion being claims of the London club took place. The amount consisted of $2.5 billion letters of credit arrears originary rescheduled 4 years under the 1987 agreement, $600 million representing interest charges and commission payable on letters of credit, $1.7 billion medium/longterm debt originally rescheduled in 1987, as well as new maturities for 1988 amounting to $1.2 billion. While the letters of credit were made repayable over 12 years, the conventional loans were to be paid in 20 years with 3 years of grace.[20]

Rescheduling agreement with the London club for 1989 was signed in March and made operational from June 14. The agreement provided for (1) repayment between 1989 and 1991 the payable debt of $500 million (2) repament between 1992 and 2003 of refinanced letters of credit of $2.4 billion (3) repayment between 1992 and 2008 of medium/long term debts amounting to $2.8 (4) Interest rates as 13/16 and 7/8 percent above LIBOUR on refinancing and restructuring amendment agreements, respectively. While payable debt is non-interest bearing if there prevails a situation in which there is no default (5) a menu of options to provide further relief such as the conversion of payable debt into interest bearing Naira denominated securities within a coupon rate of 13¼ percent and maturity of 18 months, conversion of other bank debts into a Nigerian Investment Bond with a grace period of 10 years, a repayment period also of 10 years and interest of 6 percent flat; and amendment of guidelines on debt conversion to make bank eligible for conversion under the programme.

The agreement with the Paris club for 1989 (signed early in March) provided for: (i) rescheduling of 60 percent of arrears of short term trade debts due on December 31, 1990, (ii) rescheduling of all post - September 1989 maturities amounting to $110.03 million for repayment between June 30, 1989 and December 31, 1994 (iii) rescheduling of all arrears of medium/ longterm maturities for repayment between 1995 and 1999.[21]

According to CBN source, Negotiations for the issue of ~~rescheduling Nigerias for the~~ rescheduling Nigerias external debt obligations continued; in 1991. The country succeeded in concluding ((though without much outstanding benefits) agreements with both the London and Paris clubs. The aim was to reduce the country's debt burden to a manageable level. Agreement with the London club, which was signed in December, 1991 provided for a menu of options on debt buy-back, collaterized par bonds and new money bonds. The debt buy back scheme offered the country a chance to repurchase 60 percent of eligible debt stock that was owed to the London club at US 40 cents. Collaterized par Bonds would be issued in exchange for eligible debt with the Federal Republic of Nigerian and the Central Bank of Nigeria as the obligors. Under the agreement with the Paris club on the other hand, the Federal Government succeeded in rescheduling and repayment of debt stock totalling $3.2 billion over a period of eight to twenty years with moratorium varying from four to ten years.[22]

Former Budget and planning minister, Chu Okongwu stated during the break down of the 1992 budget that "between 1986 and early 1992, government has successfully rescheduled debts totalling $19.31 billion with the London and Paris Clubs.[23] Assuming we deduct the total rescheduled debt from the total debt outstanding in the nations debit account as at 1991 which stood at $33,364.5 million, still a huge sum of $14,054.5 million will still be left untouched. This remainder is enough to consume the entirety of our export earnings if they are to be serviced annually. Added to this problems is that even in the face of long term rescheduling, there are still short term maturities which consume a significant portion of the country's export earnings. According to some experts, one major point to note from all these rescheduling process is that these countries can neither pay the money, now nor in the future, something and much more suitable must be done now to prevent the debt-cum poverty war. Indications of this war have started since January 1986, when the government decided to allocate thirty per cent of export earnings to debts servicing.[24]

Though the argument might be made that rescheduling offers some relief or gives some 'breathing space' for long-term planning for the debtor nation, yet it rather favours the creditors as it affords them the opportunity of forcing down on them (debtors) unrealistic solutions and unhealthy reform policies which allows for the expansion and consolidation of imperialist gains in the debtors economy.

Anyanwu (1986) Ojo (1989) and Ommode (1987) have argued that there are certain fundamental factors which make the exercise at best temporary rather than a longterm solution. First, there is the fact that the exercise does not reduce or cancel the debt. Rather it pushes the repayment date forward at a higher cost because of the tendency for interests to rise. Secondly, by virture of the fact that it also prolongs the threat, and psychological overhang of debt peonage. Thirdly, the restructuring programme has not earned the so call "new money" packages. Creditors are eager to recover the debts but not to lend new money, a development which has resulted in countries like Nigeria experiencing net capital outflows which obviously constrain the economic recovery programme. Finally, debt restructuring, does not go down to the structural remedies. It offers but "prescriptive" rather than a "curative" solution.

(ii) DEBT BUY-BACK COLLATERISATION

The buy-back arrangement implies the offer of a substantial discount to pay off an existing debt. This type of arrangement was concluded in February, 1992 when Nigeria bought US $3.395 billion comercial debt due to London club at 60 percent discount. In otherwords, Nigeria paid US #1.352 b billion to liguidate or buy-back the commercial debt. Furthermore, US $2.054 billion has been collateralised at 30 year par bond with the London club. With this arrangement, the yield of the bond within a 30 - year period would off-set or pay off the collaterlised amount, which is referred to as the zero coupon option.[25]

Though on a surface level this strategy looks attractive, it is rather intended to ensure a long period of debt repayment. The discount is a deliberate strategy of disguising the real motive behind the scheme.

(iii) NEW LOAN FACILITY

The new money option refers to the granting of new loans by a creditor or a group of creditors to assist a debt-ridden nation. Similarly it involves the procurement of new external loans either for trade and industrial development support, export development or as a stand-by facility.

since the introduction of SAP and the second Tier Foreign Exchange Market (STEM), later renamed FEM, the Government has obtained new loans in the various denomination: ₦5,719.0 million, ₦1.563.8 million and ₦278.0 million.[26] Other new loans have been contracted but the data for them are not immediately available.

Asobie has pointed out that the impact of the new loan facility is that it will go a long way in compounding the external debt service problems of the nation. In addition it will increase the country's total debt stock, resulting in viciously cumulative and unmanageable debt in the near future.[27]

Since part of the new loans are devoted to servicing old debts, only part of the new loans is available for investment. Since the net profilability of debt financed project does not quckly resort to positive and healthy levels, indebtedness becomes a self-feeding process which, after a certain point cannot be reversed but gain momentum like an avalanche, at a compound rate; since a large of the net new loan is practically nothing but the capitalization of interest payment which otherwise could not have been made.

In addition, the new loan which constitute a great burden on successive generations in the form of uncompensated distrition of their preffered pattern of consumption, just as it will lead to increased unemployment (due to reduced investment resulting from higher interest payment) and negative effect of tax disincentives.[28]

However, the new loan facility will on the other hand reinforce the convinction of the creditors about their indispensability in the Nigerian economy. Thus, by giving or with holding the loan it situates them at the centre of events or for lack of better words as International 'oracle' that needs to be consulted before vital decisions are taken.

Sequel to this, therefore, external loans from core capitalist countries are an important component of Western exparsionism that maintains the conditions of dependency of third world countries on the centres of imperalism.

Cheryl payer observes that:

> The system can be compared point by point with peonage on an individual scale. In the peonage or debt stavery system, the worker is unable to use his normal freedom to leave the service of his employer, because the latter supplies him with credit (for over-priced goods in his company store) necessary to supplement his meagre wages. The aim of the employer - creditor - merchant is neither to collect the debt once and for all, nor to starve the employee to death, but rather to keep the labourer permanently indentured through his debt to the employer. The worker cannot run away, for the employers and the state recogniges the legelity of his debt; nor has he any hope of earning his freedom with low price wages. Precisely the same system operates on the international level. Norminally independent countries find that their debts, and their continuing inability to finance current needs — Out of imports — Keep them tied by a tight leash to their creditors. The IMF orders them in effect, to continue labouring on the plantation, while it refuses to finance their efforts to set up in business for themselves.[29]

The New loan facility is like digging a new hole to obtain sand to cover old one. This will no doubt create further debts.

(D) DEBT CONVERSION

This was introduced to complement other strategies for debt management. It emerged in recent years as a potent instrument of debt reduction which could in a way substitute for new money because it promotes new domestic instrument, which is a vital aspect of the imperialist induced and adopted adjustment process. Debt conversion in a broad sense is the ekchange of monetary instruments (e.g. promissory notes for tangible assets or other financial instruments). It is a mechanism for reducing a Country's external debt burden by changing the character of the debt. Conversion somes in various forms as debt for equity, debt for debt, debt for cash and debt for export. In Nigeria, the debt conversion exercise involves the sale of an external debt instrumental for a domestic debt or equity participation in domestic enterprises. The Debt Conversion Committee (DCC) was established in July 1988 to implement Nigeria's Debt Conversion Programme. Essentially, the programme is aimed at stemming the tide of resource transfer through the encouragement of capital inflow, repatriation of flight capital and the recapitalization of enterprises in the private sector.[30]

Nigerias debt vonversion programme was initiated in February, 1988, the first auction was held in 30th November, 1988 during which a total of US$ $40 million debts was offered for conversion at the prevailing exchange rate of ₦5,3364 = $1.000. The second and final auction for 1988 was held on 29th December during scourging heat of the structural ajustment process in which a total sum of US $30.0 million debt was offered for conversion at the prevailing exchange rate of ₦5.3530 = $1.000. Overall, a total of US $70.0 million worth of debt was successflly converted under the debt conversion programme. In 1989, conversion was $160.7 million. This performance declined in 1990 to a level of $127.23 million. With the absense of debt conversion in the fourth quarter of the year, it decreased in 1991 to a level of $118.4 million from $207.5 million.[31] The total amount of debt redeemed since 1988 to 1991 stood at $622.8 million, while receipts derived from the auctions amounted to $295.7 million.[32] Altogether, total sum of $9.5 million has been converted under the scheme. When juxtaposed with the total debt outstanding which stood at over $33 billion in 1991 the converted figure will be too insignificant to make any meaningful impact. Under this circumstance, it still remains far from being a potent instrument for drastic and effective debt reduction.

Similarly, Olukoshi has made the point that despite the main official and theoretical arguments made in support of debt equity conversion, the strategy will heighten and worsen the distortions that have been created in the economy by an inappropriate SAP. This is as a result of:

(1) The limited obsorptive capacity of the country, which cannot accommodate the conversion of a large proportion of the country's debt;

(2) Conversion will spiral inflation and deter investment

(3) It will lead to increased liquidity and capital flight

(4) Conversion of debt into equity investment will lead to a serious alternation of the ownership structure of the economy in such a way as to bestow the commanding position in the accumulation process on foreigners; and

(5) It will obstruct the attraction of fresh foreign investment into the country.[33]

In addition, since the debt equity conversion is an instrument of the creditors/impèrialist SAP, it is bound to deepen and widen the structures of inequality and exploitation that are already embedded in the fabric of the Nigerian economy and society in a manner consistent with capitalist accumulation. It is bound to perpetuate and extend the Dependence of Nigeria on international finance capital in sofar as it will at least entail the further integration of the economy into the nexus of the international capitalist order. The end result of this will be the reproduction on a high scale of the contradictions inherent in the Nigerian economy.

(E) DEBT CONCELLATION/FORGIVENESS

In recent times this strategy has been another major way through which Nigeria hopes to reduce her foreign debt. When a creditor nation or institution decidds to cancel a debt owed it by a debtor, it is said to have carried out a debt-cancellation. In otherwords, debt cancellation, often called debt write -off, entails excusing a debtor of the obligation of paying a debt. There are also occasions under debt cancellation when a loan or some part of it is in line with creditors dictates, retrospectively converted to a grant, and no further payments of interest or capital have to be made on it. There are several motivations for debt write-off, and they include a recognition by a creditor that the loans advanced to the debtor cannot be paid backs by the latter. Debt write-eff is therefore a form of "debt forgiveness".[34]

The president, General Babangida, in a speech at the United Nations General Assembly called on creditor nations to forgive third world debt. He argued that since most third world countries have adopted the Structural Adjustment Programme, coupled with the worsening economic crisis and the severe debt burden that has affected the life of the masses, it is imperative that creditors should approve of "debt forgiveness" on moral and humanitanian consideration. This latter day strategy is as a result of growing resentment from the working peoples over the huge debt burden that has continued to cripple the economy of African and third world countries.

In contrast, to the growing demand to cancel African debts, The Guardian, learnt from diplomatic sources in Lagos that creditors are carefully monitoring all radical actions and collective moves to form a debtor-nations club to press for debt cancellation. According to the sources, if the club resorts to force rather than negotiation in which it can present Africa's debt problems to make a case for debt relief, the continent would be worse for it.[35]

With specific reference to Nigeria, efforts to obtain debt concellation has not been quite successful. This is because the creditors believe that Nigeria is not a poor country owning to the large chunk of material and human resources which were yet to be managed to their optmum. In an answer to the presidents statement that "Nigeria requires substantial debt relief through out-right debt reduction". The World Bank Chief economist African region Mr Tarig Hussien, stated that "debt reduction perse cannot help the country". There should be debt reduction but it should be accompanied by very sound economic policies.

Nigeria's vast human and material resources point her to her creditors not as victim of poverty but a victim of dismanaged recources which they are not in a haste to condone. This therefore constitutes an obstacle to obtaining debt cancellation.

For example, former US Ambassador in Nigeria, Mr Lannon Walker daved diplomatic courtesy last two years to say that the poor performance (of the country's ecenomy is "structural and managerial". Mr Lawrence summers, workd banks vice president reiterated this some months later saying that "faulty government policies and lack of market forces" are responsible for Nigeria's floundering ecenomy.[36]

In the face of these odds however, analysts and diplomitic sources are hopeful, as the government is, that Nigeria may receive some debt relief under the Trinidad terms which have relieved Egypt and poland of their respective debts by 50 percent. The trindad terms, which are a revision of the Toronto terms was a proposition made by the British prime minister Mr John Major when he was the British Chancellor of exchequer, to the World's leading creditor - nations in 1990 to reduce by two-thirds the debt stock of poor nations and a single rescheduling of the remaining debt at concessional rates of over 25 - years.

Although the IMF/World Bank Joint Development Committee had endorsed the facility, it is to be enjoyed by only poor countries. The 1991 World Development report of the World Bank Which ranks Nigeria (the giant of the African continent) as the

13th poorest country in the World therefore put Nigeria in the league of possible beneficiaries of the Trinided terms, but according to diplomatic sources; The Federal Government made a tactical slip when it called on Nigerians to disregard the report. This, the sources say, contradicted the country's debt negotiation strategy predicated on the argument that with a Gross National product of less than $370 per annum, Nigeria is no longer in the middle-income group she was in 1985 when she posted a Grop of about $800. "If they say you are poor and you say you are not, how can you convincingly say in the next breath that you need debt reliet or assistance? The expectation is that you pay or service your debt as they fall due."[37]

It is not suprising threfore, that from 1986 to 1992 government has managed to obtain $106.4 million as cancelled debts from governments of canada and the United states.[38] The impact of this as compared to the total debt of over $33 billion will not be felt. To constitute a viable solution, a significant proportion of the debt must be cancelled.

(F) DEBT REPUDIATION/CARTELLIZATION

These are options which are open to the Nigerian Government, but still have not been tired. The option of debt repudiation has been popularized by president fidel castro of cuba. It refers to the situation in which a debtor country disowns its debt or refuses to have anything to do with the debt. The essence of debt repudiation is the refusal to pay. The argument is that the imperialist countries have exploited African and third world economics for centuries. The value of the exploitation far exceeds the external debt owed by poor countries The exploitation still persists in terms of super profits for transnationals, unequal exchange, fraudulent transfer pricing etc. This option is only possible given the internal dynamics. A country may decide to cancel all its external debts by mobilizing the population to face the consequences, consequently the country must be revolutionary one like cuba where the state has the working class in power. Such a country must also be committed to the construction of a self reliant economy.[39] Nigerian ruling class have shunned this option as the state serves the interest of capital. Government refusal to adopt this option is because the country is dependent on the owners of international capital for the bulk of her development needs - technologycally, financially and materially. Repudiating the debt will entail missing these benefits and this will be of greater consequence to Nigeria. The possibility of the ruling class repudiating the country's external debt is still remote.

Debt cancellization involves that debtor countries should come together in a cartel and collectively manipulate the politics of debt to obtain consessions and relief. Nigeria has not compaigned or givenits support to this strategy; even where it has, it is still on the rhetorical level not backed up by action. Obvious reasons, being not to offend the creditors who the members of the dominant class align with.

3.3 WHY GOVERNMENT ADOPTED DEBT REDUCTION STRATEGIES

It is obvious from the debt management strategies adopted to tackle the external debt problem which reveals that government adopted the creditors framework of debt repayment through various restructuring strategies. It did not wish to move outside of the existing structure.

The starting point for understanding why the government opted for debt reduction and economic restructuring strategies under the umbrella of SAP must be located in the country's historical experience which created internal and external socio-economic and political interests, forces and structures which have in turn led to mounting debts. The Nigerian economy has remained not only dependent and vulnerable but has become totally incapable of generating enough surplus to mediate the harsh consequences of the crises of capitalist growth without development at both the centre and periphery of the capitalist system.

This situation is not helped by the fractious character of foreigncapital. We have talked about foreign capital as if it were a homogeneous entity, but this is not the case. It comes from different Sources, in different forms and for different purposes for example as bilateral aid, mutilateral and, as private foreign investment, as loans from governments, foreign corporations or international agencies, for economic and political hegemony. It comes as industrial capital and commercial capital and so on. As the local compradorial or few dominating elements of the Nigerian bourgeoisie latch on to these forms of foreign capital, the heterogenity and contradictions of foreign capital are reproduced in the social character of the Nigerian bourgeoisie, a factor that has contributed largely to the ambiguities of external debt management strategies in Nigeria.[40]

Overall, the Nigeria government has adopted debt management strategies preffered by the creditors because the forces which seek accommodation and the maintainance of the existing relations with imperialism carry greater weitht, given their control of state apparatus. Olukoshi has addressed this problem by sta ting that:

> Most third would states have, in their debt management programmes, yielded more to the Local and external class forces favouring accommodation with imperialism on terms defined by the Western banks (organized in the London club), the advanced capitalist states (whose export credit guarantee agencies were organized into the paris club), the IMF and the World Bank,. This should not be surprising as most third World states are willing allies of the imperialist strategy of debt management. Not only are most third World states defenderof imperialist projects in their economics, in periods of major crisis such as the present one they often lack the appetite for nationalist struggles, opting instead for an approach whose logic entails their further integration into the World capitalist system.41

Thus, the adoption of the IMF and World Bank inspired structural adjustment programme by the Babangida administration has far reaching consequences for Nigeria's external debt management, as this has meant the acceptance of the creditors framework for debt management. ~~The creditors framework for debt management.~~ The creditors solutions are not likely to contribute to the search for equity, economic growth and self-reliance, and force a degree of restructuring in global power relations. They are meant to offer survivalist and crisis-management schemes within the existing capatitalist order. From our analysis, the gains derived from the various debt rescheduling, debt buy-back and collateralisation, new loan facility, debt conversion and debt cancellation has been 'paltry' and their impact too insignificant. These strategies no doubt, serve the interest of the creditor and ironically appear as bold efforts to solve the debt crisis. The argument and analysis adduced goes to validate our second hypothesis which states that the external debt management strategies adopted by Nigerians leaders are designed more to protect the interests of the creditors than to solve the Nigerian debt crisis.

This development is not surprising considering the character of the Nigerian state, which is essentially capitalist. Its interest is therefore the interest of capitalist state. The core interest of a capitalist state is the promotion or expansion of capital in general (at the global level). This interest requires of necessary the progressive exploitation of labour. As a capitalist state, Nigeria is forced not surprisingly to serve the interest of imperialism. The promotion of the cause of imperialism lies in the adoption of External debt mamagement strategies which benefits the creditor and the dominant class in Nigeria.

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CHAPTER FOUR

4.1 CREDITORS, DEBTORS AND THE STRUCTURE OF NIGERIA'S EXTERNAL INDEBTEDNESS

Nations borrow money abroad in order to cancel their deficits in current accounts, to expand or initiate new projects to bridge domestic resource gap, to remedy their internal saving deficiencies as well as to maintain or increase the international monetary reserve. To that extent, no one will quarrel with any developing country for resorting to external borrowing provided that the proceeds are utilized in a productive way that will facilitate the eventual servicing and liquidation of the debt. This, perhaps made Jacobo Sehatan to state that "both government and private enterprises borrow as a temporary measure, in response to an unavoidable need at a given moment, thinking-very naively, of course - that such a need will cease to exist after a certain period of time".[1]

In the majority of cases it is assumed that such external loans will not only produce (through investment made with them) the foreign currency needed to repay the loans, but that they will also contribute to the self-sustained economic growth of the debtor countries, a process that will make further borrowing unncessary.

However, reality has proved otherwise. Far from being a temporary phenomenon, external indebtedness has become on addiction from which debtor nations have not been capable of freeing themselves. As in the casee of drug addiction, the doses become extremely high, culminating in greater adverse consequences. Thus, Nigeria resorted to external borrowing early in her history and has since been trapped in a vicious circle of indebtedness.

The sources of foreign capital in Nigeria have been various. Among them are: Paris club of creditors, representing official government creditors, for example the United States of America, United Kingdom, Federal Republic of Germany, France, Canada; the London Club of creditors (representing commercial banks or private creditor organization spread all over the world); the multilateral creditors such as the World Bank, International Monetary Fund, African Development Bank (ADB) and European Investment Bank (EIB); Promissory notes holders (creditors in respect of refinanced debts); and other bilateral creditors.[2]

Nigerias external debt during the 1960's was mainly with multiateral and Bilateral sources. These initial or previous debts are mainly longterm loans from the World Bank and the principal Western Countries of Germany, Italy, Holland, Britain and the United States of America. The interest rate was as low as 2% with grace periods of three to ten years and repayment periods of ten to forty years.

The burden of debt management during this period was, therefore minimal. The debt service ratio was a mere 1.1% in 1960, 3.7% in 1965 3.5% in 1970, well below the critical 10% average.[3]

A turning point in the structure of the debt was reached in 1978 when Nigeria started borrowing international capital market loans with higher interest rates, and the sharp fall of loans from multilateral and bilateral sources.

Table 4.1 above shows Nigeria's external public debt by sources, 1982 - 1985. In 1982 ICM debts accounted for 62.2% of total debt, 47.48% in 1983, 41.24% in 1984 and 44.68% in 1985. The unrefinanced trade arrears have also experienced an exponential growth. It moved from 22.46% in 1982, 26.08% in 1983, 37.4 in 1984 and 35.6% in 1985. Refinanced trade debt/ promissory notes has been falling between 1983 - 85.

The figures are 14.41%, 7.9% and 7.3% respectively. World Bank and Bilateral loans have since the 1980's reduced or

TABLE 4:1

NIGERIA'S EXTERNAL PUBLIC DEBT BY SOURCES, 1982-85
(₦ Million)

	1982	1983	1984	1985[1]
Total Commitments[2]	14,741.5	17,758.5	20,982.7	29,337.8
Total Drawings	10,187.1	12,845.0	17,703.5	23,195.0
(a) Conventional Loans[3]	8,205.4	10,086.2	12,260.1	17,030.7
(b) Trade arrears	1,981.7	[illegible],758.8	5,443.4	6,164.3
Total Repayments	1,367.7	2,267.3	3,166.9	5,904.4
Total Debt outstanding of which	8,819.4	10,577.7	14,536.6	17,290.6
(a) Federal Government Debt obligation	6,801.0 (77.1)	8,576.8 (83.08)	12,077.2 (83.08)	13,962.0 (80.74)
(i) I.C.M. loans	4,431.4 (50.2)	3,907.7 (36.9)	4,309.9 (29.64)	5,403.4 (31.25)
(ii) World Bank Loans	280.7 (3.18)	295.1 (2.78)	900.1[4] (6.1)	879.4 (5.08)
(iii) Bilateral Loans	107.2 (1.21)	91.3 (0.86)	267.9 (1.8)	241.0 (1.39)
(iv) Refinanced Trade Debt/ Promissory Notes	-	1,524.6 (14.41)	1,155.9 (7.9)	1,273.9 (7.3)
(v) Unrefinaced Trade Arrears	1,981.7 (22.46)	2,758.8 (26.08)	5,443.4 (37.4)	6,164.3 (35.6)
(b) State Government Debt Obligation	2,018.4 (22.88)	2,000.9 (18.91)	2,459.4 (16.9)	3,326.0 (19.25)
(i) I.C.M. Loans	1,043.0 ([illegible])	1,119.5 ([illegible])	1,692.3 ([illegible])	2,323.0 ([illegible])

lost the leading role in the debt structure of the country.

According to data from CBN source as shown table 4.2 External public debt outstanding by source from the period 1986 - 1991 has varied from its previous structure.

TABLE 4.2: EXTERNAL PUBLIC DEBT BY SOURCE ($ MILLION).

	1986	1987	1988	1989	1990	1991
Multilateral	1,887	2,985	2,838	3,171	3,842	3,650
Paris Club	10,228	12,589	14,400	15,871	17,171	17,793
Londen Club	6 088	5,860	5,680	5,680	5,861	5,988
Promissory Notes	4,498	4,850	4,553	4,553	4,550	4,479
Others	2,873	2,032	2,311	2,311	2,675	1,454
Total	25,574	28,316	30,693	31,586	33,09	33,364

Source: CBN, Economic and Financial Review Vol. 30 No. 1 1992.

From the data above, it can be seen that the Paris club has been the leading creditor of the country since the period under review. The percentage share of the debts owed the Paris club by Nigeria from 1986 to 1991 stood at 40.0%, 44.5%, 46.9%, 50.2%, 51.9% and 53.3% respectively. For the London Club, the percentage share (as calculated and shown from CBN source) of the debt owed to them are: 23.8%, 20.7%, 19.4%, 18.0%, 17.7% and 17.9% for the period between 1986 and 1991 respectively. With respect to the mulilateral creditors, the percentages of the debt much lewer, representing 7.4%, 10.5%, 9.2% 10.0% 11.6% and 10.9% respectively. Reports from CBN has it that the nation's external debt continued to increase due to the draw - down of fresh loans, capitalization of unpaid interest charges on rescheduled debt obligations, depreciation of the US dollar against other creditor currencies and the depreciation of the naira exchange rate.[4] The change in the structure of the debt from multilateral and Bilateral sources as it was previously in the sixties and early seventies to the paris and London club as the countries major creditors has serious implications for debt mamagement. These twin sisters work Parri-Passu to see that Nigerias external debt mamagement is done in accordance to their dictates.

The origin of these debts are now a familiar story to most Nigerians. It should however be stressed that the total debt stock does not comprise debt contracted by the Federal Government alone. State Governments, private companies and parastatals are also liable.

They all collectively constitute the debtors.

However, the federal government had to take over the responsibility of rescheduling and repaying all these debts (because it guaranted most of them,) while expecting to collect the naira equivalent from the others. Of the outstanding debt in 1986, federal government debts was ₦30,956.5 million or 74.7%, state government ₦10,495 million or 25.3%. For the year 1987, federal government debt amounted to ₦85,043.5 million or 84.4.%, state government 14.6 and unguaranteed private sector loans accounted for 1.0 percent. Not surprisingly, due to the devaluation of the naira and the substantial fall in the naira exchange rate there were increases in the nominal value of existing stock of external debt. In 1988, federal government debt obilgation stood at ₦111,706.4 million or 82%, state ₦20,129.3 million or 15.42%, and unguaranteed private sector loans stood at ₦2,648.8 million or 2.68. For 1989, federal government debt obligation was ₦179.698.1 million or 84.46%, state government 29,886.1 million or 14.05% and unguaranteed private sector debts ₦3,166.6 million or 1.5%.[5] The figures for 1990 and 1991 are not available.

There is something about these debts that leaves most Nigarians in a state of confusion. Loans are meant to be taken for development purposes, but regrettably there is little to show on where these loans could have been utilized to develop Nigeria. It was a case of either the projects being left unfinished and the equipment bought with the loans not installed but left to rot away, or that as we have shown in chapter two, public officials colluded with the owners of foreign capital in defrauding the state. For example under obasanjo regime, the government obtained a Euro-dollar loan of $1 billion to finance a number of public sector projects Viz pipelines, storage tanks, refineries at Kaduna and Warri, cement factories, pulp and paper mills at Jebba, Calabar and Iwopin, sugar projects at Savannah and Sunti Lafiaji, Iron and Steel plants at Ajaokuta and Warri and further Port Development. Although specific projects were listed under the loan, the actual disbursement and repayment, which was to be done in four instalment, was unrelated to the actual performance of the project.[6]

Thus, we see a situation where public officials use their control of state apparatus to contract loans and invariably use it to enrich themselves. By using the state as a means to accumulate wealth, its implication is that the state is rendered ineffective in maintaining an objective and impartial position, especially in mediating contradiction between the metropolitan and indigenous fractions of the dominant class and, more importantly between the dominant and the dominated class in Nigeria.

4.2 THE EXTERNAL DEBT CRISIS AND THE RELATIVE AUTONOMY OF THE STATE.

Following Ake, We define the state as "a specific modality of class domination", one in which class domination", ~~one in which class domination~~ is "differentiated and dissociated from the ruling class and even the society and appears as an objective force standing alongside society."[7] This means that autonomization - that is, the institutional mechanism of class domination is largely independent of social classes, including the hegemonic social classes - distinguishes the state form of domination.

The fact however, is that the state in Nigeria has limited autonomy as particular groups use the state and its mechanism to achieve particular interests. This lack of autonomy expresses the limits of capitalist development and the limited development of producture forces. This has resulted in contradiction which the state has not been effective in mediating because the state itself is immersed in the class struggle. The Nigerian state falls short of Akes definition of being impartial and appearing as an objective force standing alongside society.

Owing to the limited development of productive forces in Nigeria, the effort to accumulate capital by the dominant class has brought to the force, contradictions between the metropolitan and the local/indigenous fractions of the dominant class operative in Nigeria. It is an undisputed fact that the indigenous bourgeois class in Nigeria came to power as an economically marginal class. Although it could call itself a government in office, it was hardly in a position of passing as the ruling class in power. Eversince it inherited the government it has been manoeuvring to create an economic base for its political power, with mixed success. It has tried to build a material base by using its political power to generate economic power. This has tended to take the form of state intervention. The Nigerian state, to the overall benefit of the dominant class intervenes ubiquitously in the economy - in providing infrastructures, nationalizing enterprises, setting up corporation and commercial enterprises,[8] rationalizing import licensing, privatizing and commercializing public enterprises and as well, in fixing minimum wages.

The importance of metropolitan capital can be seen from the weakness of the indigenous technological base, and by the extent to which consumption is externally produced. Put simply, Nigeria is dependent on foreign capital for the bulk of her development needs. While metropolitan capital is production oriented the INdigenous bourgeoisie as a result of weak economic base is distribution or consumption oriented.

However, there are serious contradictions between the two. Nigerian local capital and foreign capital represent, respectively a contradiction between political power and economic power, the one directly in charge of the state apparatus but with a weak material base and limited control of the productive base of the economy, the latter not directly, involved with administration of the machinery of state but powerful through its hold over technology and capital.[9] There is the contradiction arising from the exploitative character of foreign capital (a critical factor accounting for the worsening and ever exacerbating economic crisis in Nigeria). A clear example that comes to mind is the removal of tariff or total liberalization of trade, under the Structural Adjustment Programme. In order to allow market forces to operate effectively, Western countries are arguing that all trade barriees should be removed. But the industrial faction of the indigenous bourgeoisie has disagreed to total trade liberalization, as this would mean that local industries would be forced to close down owing to stiff competition. Making a case for the protection of local industries Alhaji Mustapha Tijani stated that "the removal of tariff on imported goods will retard the industrial development of the country, and consequently increase Nigerians dependency". He added, you do not allow market forces to operate freely in an industrially backward country".[10] Similarly, companies like the peugeot Automobile of Nigeria (PAN) and ANAMCO motors have opposed the liberalization of trade as the industrial and manufacturing sector cannot compete with foreign mass-produced goods which will flood the Nigerian market. Its implication is that local production will be stalled.

This contradiction has intensified under the industrialization and import - substitution strategy of the government. It is the intention of metropolitan capital not to encourage the industrialization of Nigeria, as this will be tantamount to Nigeria being less-dependent on the West. On several occasions the owners of international capital have advised the government to abandon such basic industries like the Ajaokuta Steel Complex, petrochemical plants, the liguified Natural gas project, the fertilizer plant and such other core industrial projects that will boost industrial take-off.

These contradictions, especially regarding the liberlization of trade, have led to the intervention of the state. While the state has adopted the structural adjustment programm, it has been unable to implement to the full the various packages due to pressure from within and moreso, because the state has various interests to profect. While it is the interest of the state to project local industries, equally on the otherhand, the state does not want to incure the warth of the owners of metropolitan capital because the state is dependent on them for technology, finance capital and consumable goods. As a result, the state (ruling class) came in and adopted partial (restriction on the importation of certain commodities". While duties on spare parts were removed, importation of such commodities like cars, clothes consumable items and the like still attracted import duties".[11] State intervention has taken the form of trying to protect local industries, and at the sometime, liberalizing trade in commodities that will help in economic recovery.

Similarly, when the interplay of the forces of demand and supply raised the cost of borrowing money, the state through its agent the Central Bank waded in to ensure that competition not only continues but also to gain confidence from local and foreign industrialists. The intervention was carried on through a reduction in the rediscount rate. The industrialists are part of the dominant class. But the Local industrialists often cannot compete with their foreign counterparts owing to their weak financial base.[12]

Experience under SAP has revealed that exchange rate flexibility has resulted in the massive devaluation of the naira, escalated production costs and inflation, and inaddition set off a chain of reaction of price changes, wage demand and financial instability.[13] This has consequently led to contradictions as the owners of International capital oppose the pegging of the naira exchange rate advocated by a majority of the indigenous fractions of the dominant class in Nigeria.

However, inspite of these contradictions, the pressures towards mutual accommodation have been far stronger than the contradictions. Despite the concern and the exploitative intentions of foreign capital, the Nigerian bourgeoisie are part of the structure of this exploitation, and the exploitative activities of foreign capital bring wealth to many members of this class. The Nigerian bourgeoisie and foreign capital constitute the dominant social forces in the Nigerian state.

As a result of this collaborative exploitation, there are contradictions between the dominant classes and the working people. These contradictions have entailed fierce struggle to which the state has come in to mediate with mixed results, often at the the detriment of the working peoples. Taking the issue of minimum wage for instance, the Nigerian labour congress was moved by the suffering and hardship of the working people to demand for increase in wages. This was no doubt reinforced by the negative a result of the devaluation of the naira and the rising inflation which reduced the purchasing power of workers. At the existing minimum wage of ₦250.00 at the time, the then NLC Chairman Commrade Ali Chiroma made a case for a 250% increase in salary in order for workers to keep up with the inflationary trend. Dr. Lasisi Osunde, NLC scribe, added that the congress was not only going to ask for wage increase but for an improvement in the other conditions of service.[14] On the other hand, business groups argued that increase in minimum wage was not an antidote against inflation, rather it induces it. Employers of labour capitalized on the theory of more pay less job opportunities. In addition, they argue that it would lead to increasing cases of retirement, retrenchment, termination and dismissal at the flimsiest excuse. They argued that the NLC should rather evolve a number of measures that could improve the lot of workers and consequently increase their saving capacity.[15] The employers of labour were indirectly trying to mask their real interest on the economic implications of increase in minimum wage. Their real interest lies in the accumulation of capital which should have gone to labour as is evident in the prevailing low and exploitative wages. Increase in minimum wages would threathen their gains and reduce their profit.

Making a case on the need to increase minimum wage, one of Nigeria's renounced Economists, SAM Aluko, while supporting the demand of NLC stated that "increase in minimum wage will stimulate the manufacturing sector. For one thing goods produced will be bought which in turn ensures increased capacity utilization by industries. Thus increasing workers benefits is in the interest of the overall economy".[6]

After a meeting of the NLC official with the Vice-President Augustus Aikhomu, he stated that "government is aware of the suffering of workers and Nigerians in general on the pains of adjustment; a new salary structure that will meeth the demands of Nigerias will soon be adopted".[17] Soon, the government (in November, 1987,) intervened in the minimum wage issue by pegging it at N350. This falls short of the N625 demanded as minimum wage by the NLC. In this situation, government intervention to mediate the contradictions between the dominant class and the working people protected the interests of the dominant class. With N350 in an inflationary period, it is not only that the actual value of workers earnings dwindled, but equally there was a chance that profit would increase.

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TABLE 4.3: SHOWING FINANCIAL SUMMARY OF SELECTED COMPANIES PROFIT IN NIGERIA (1986 - 1990)

COMPANY	YEAR				
	1986	1987	1988	1989	1990
	(₦ m)	(₦ m)	(₦ m)	(₦ m)	(₦ m)
Nigerian Enamelware Co.	191	154	359	654	705
Paterson Zochonis Industries limited	22,947	54,381	44,979	56,256	87,300
Nigerian Tobacco Company	13,845	17,248	27,654	36,317	61,089
Nigerian Industrial Development Bank	4,604	7,445	19,706	60,067	32,925
Nigerian Wire Industries limited	168	418	954	1,657	4,247
NCR (Nigeria) Limited	1,800	6,154	4,334	8,089	12,878
Nigerian Hoechst Limited	3,233	4,518	7,637	11,645	19,012
Nigerian Breweries Ltd	27,567	48,651	78,037	80,134	112,621
First Bank of Nig. PLC	86,625	68,013	14,224	105,946	205,428
Savannah Bank	12,013	18,523	20,679	21,153	117,256
United Nigeria Insurance Company	4,683	5,746	2,461	9,609	14,328
Union Bank PLC	53,849	56,158	70,359	94,866	97,699
The West African Portland Cement Co. Ltd.	4,502	28,162	26,326	20,729	26,567
The Nigerian Cement Company PLC	5,467	3,714	7,084	8,540	5,813

From the table above, profit accuring to the various companies have been increasing. The profits of subsidaries of the multinational companies like the paterson zochonis, Nigerian Hoechst limited, Nigerian Breweries limited and Union Bank PLC recorded substantial increase in profit between 1986 and 1990. A major part of the earnings of these companies which would have gone to the workers is approptiated by the owners of capital in the form of profits. The desire to retain of the earinings of the company as profit is part of the explanation for the refusal of these companies to support the workers' demand for appreciable in their wages.

The privatization and commercialization of public enterprises was another issue that withnessed contradiction between the dominant class and the working peoples. The NLC and NANS were in outright condemnation of the privatization programme. An official document published by the by the NLC titled "Nigeria: not for sale" stated:

> Congress considers that governments proposal to sell these companies and corporations to individuals will amount to a deliberate attempt to use public fund for the enrichment of a few individuals at the expenses of the nation. What is needed is a radical reorganization under public ownersship. To want to reorganize under private control is to ensure that accruing profit goes into private pockets and this lead to retirenchment in the public sector and will bring untold hardships to the working peoples of this country. It will only benefits the IMF and indigenous bourgeoisie who demands for privatization. The sales would inevitably lead to economic slavery and the pauperization of the nation .... We've got to stop them.[18]

Opposed to this position are the industrialists (local and foreign) who argue that "privatization will lead to efficient management and, consequently lead to increased profits as well as lessen government spending". As would be expected, because the government is part of the dominant class, the privatization of public enterprises was adopted and implemented. Some of these companies were the Unipetrol Nigeria PLC, National salt company Nigeria PLC, Aylp Eku Oil Palm PLC, Aba Textile mills PLC, Volkwagen Nigeria PLC, Kaduna Durbar Hotel PLC, Impreset Bakabosi PLC etc.[20]

The mediation or intervention of government has favoured the dominant class while marginalizing and ever progressively jeopardizing the interest of the Nigerian working peoples.

The removal of petroleum subsidy is yet another issue that has exposed the contradiction between the dominant class and the working peoples. As expected, Nigerian workers, students, market women and the under privileged opposed it from every quarter. It resulted in nationwide riots and disturbances. Yet despite, the stiff opposition the government used its coersive powers to effect the removal of some part of petroleum subsidy. Government Intervention on this issue favoured the IMF and other forces advocating for the removal of subsidy so that market forces can operate without restrictions.

Added to this is the issue of devaluation of the naira, the working people opposed it, but government went ahead to devalue the naira arguing that it was over-valued. The implication of this policy has been to erode the real value of workers earnings and make the working people unable to reproduce themselves.

During the IMF debate, the position of most Nigerian, Workers, student and organization was the rejection of the IMF conditionalities and loan. Owing to some factors such lived. Examples of some of the measures in favour of workers are the economic relief package to cushion the effects of SAP. In this package, the government in collaboration with the National Directorate for Employment created more jobs for the unemployed. However, the impact of the NDE so far has been minimal. Students were given bursary awards especially those in tertiary institutions, the total removal of petroleum subsidy was ~~curta~~ curtailed, civil servants received bonuses, allowances, and corpers equally had their allowances increased from ₦250 to ₦350.

In the work "<u>Crisis and Adjustment: The Experience of Nigerian Workers</u>", Bangura has this to say:

> As a result of the dominarring position of the state in a reassion, Nigerian workers are undergoing and enduring a difficult phase in their history. The economic crisis and adjustment measures in industry and the public sector have eroded their living standards and civil literties. But the working class and trade union movement is not helpless or subsevient in the face of such difficulies some level of resistance has been sustained, leading in a few cases to stoppages and demonstrations. Unions have been more effective in defending threatemed gains such as allow ones, bonuses and salaries than in stopping retrenchment. Despite the weak bargaining strength of workers in the reassion, union struggles have resulted in a mixed bag of successes and failures.22

Under a period of the persistent and increasing external debt burden, the ineffectiveness of the state to mediate the contradictions between the metropolitan and the local/indigenous fractions of the dominant class has further exposed the working peoples to exploitation emanating from both ends.
Ake has observed that "the relations between the Nigerian bourgeoisie and the owners of foreign capital is a dependent and complex one and is mediated in a complex manner".[23] However the inability of the state to mediate between the dominant and dominated class (working peoples) has resulted in the massive retrenchment of workers, cut in real income or the working peoples, arbitrary price increase which makes workers earnings insufficient to meet the rising inflation, poor living conditions and standards, fall in GDP as shown in chapter two, cut in public expenditure and welfare services,and the inability of workers to reproduce themselves.

The obvious tendency is that the rich (dominant class) gets richer, while the poor (dominated class gets poorer. Gunder Frank has stated that it is in the management of this principal conflict and its resolution in favour of capital that the state in almost all the poor underdeveloped or developing third

World countries is called upon to intervene most actively. The state intervenes through the economic, political, forceful and ideological discipline and through repression of labour and the poor in general. The supression of all political interplay thus has the objective of resolving the principal contradictions (between labour and capital) in favour of the dominant class.[24]

In sum, the politics of Nigeria's external debt crisis and or the state labour relations will never be the same if the state form of domination according to Ake is differentiated and dissociated from the ruling class and even the society and appears as an objective force standing alongside society. This will only be possible if control of the state apparatus is transferred to workers, the sole producers of surplus value. But so long as the existing order is maintained, where the state is dominated by the class whose interest is antithetical to that of the working peoples, there is little or nothing the state can effectively do to mitigate the pains and suffocating effects of Nigeria's prevalent external debt crisis in which the working peoples have been the sole bearers of the burden. The liberation from the burden lies on workers perseverence in the struggle.

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[14] National Concord, August 26, 1987 p. 1

[15] National Concord, September 24, 1987 p. 3

[16] Daily Times Newspaper, August 17, 1987. p 18

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CHAPTER FIVE

SUMMARY AND CONCLUSION

In this study we have tried to highlight three related phenomena. The first hypothesis we set out to examine is that the Nigerian debt crisis persists and internsifies because of the convergence of the interests of international capital and the local comprador in exploiting the working peoples of Nigeria. Second we proposed that this collaboration has consequently led to the adoption of debt management strategies (rooted in restructuring within the existing order), designed more to protect the interest of the creditors than to resolve the Nigerian debt crisis. Thirdly, we suggested that the lack of relative autonomy as well as the pervasive involvement of the Nigerian state in the process of economic management have prevented it from effectively mediating in the class struggle in Nigeria in a manner designed to prefect the interest of the majority of the Nigeria peoples.

Using various indicators like the debt service ratio to export earning, debt service to GDP and the percentage of interest payment to principal debt, we showed that the burden of debt has been intensifying.

While the GDP was falling, the percentage of export earning and interest payment used for debt service if there was no rescheduling of debt was increasing. The rescheduling only moderated the burden in the shortterm, shifting it to the future. This shift does not remove the burden rather the crisis persists and intensifies. The collaboration between the local comprador and international capital, especially since August 27, 1985 accounts for the persistence of the debt crisis. This has been analysed inchapter two using the class theory within the marxist political economy approach.

In chapter three, we showed the position of the various social force's on Nigeria's external debt, while the creditors and the government position on external debt management are harmonious, it negates the working peoples position which is for total debt cancellation and the recent position of not spending more than 10 percent of export earnings on debt service. We attempted an examination of the class character of the various debt management positions and the class struggle on the issue of external debt. The various contending social forces, especially the working people struggle to see that government debt management efforts do not make them bearers who can do nothing of their own but suffer willy-nilly.

of the worst outcome. The recent strategy of debt forgiveness is an outcrop of pressures and under current from the working peoples, as the burden of debt breeds resentments, protests and instability. The adoption of prevalent debt management strategies has meant greater austerity and massive capital outflow for debt servicing. This not only benefits the creditors but further entrenches Nigerian economy into imperialist grips. Under the prevailing situation 'delinking' of the economy and repudiation of the debt are distant options.

From the standpoint of marxist-leninist theory of the state, the theory of the post-colonial state, we made an attempt at showing that the Nigerian state is not a neutral arbiter in the class struggle. Its mediation in the struggle between the metropolitan and the local/indigenous fractions of the dominant class in Nigeria; and between the dominant class and the working people, has more often than not been at the detriment of the interest of the latter.

The implication of the failure of the state to mediate effectively in the struggle has led to the exploitation of the working peoples, accumulation of highly excessive

profits by industrialists and the growing disenchantment among Nigerian's especially the less privileged.
This has been shown in chapter four. Despite the limited cases where state mediation has benefited the working people this was more a defensive strategy to diffuse tension stemming from the pains of structural adjustment and the worsening external debt burden. These controlling the state apparatus use it to their advantage, and this weakens the power of the state to mediate objectively.

In the light of all we have said the central point running through the entire work lies in the dominant class using its control of the Nigerian state to achieve selfish class interest. This stultifies the widespread desire to drive Nigeria's economy aware from its present structural fragilities and underdevelopment. From available empirical indications, the actual operation of the debt management strategies that we have analysed in this work makes it imperative that the dominant class in Nigeria increasingly recovers from the hardship of the current economic crisis at the expenses of the teeming masses who ironically in the apt observation of one of the world's greatest play-writer named of William Shakespeare are 'the archdefender of the polity, in peace through subscription of labour and in war through the effusion of blood.' Meanwhile, beside the relative affluence of the numerically insignificant privilleged classes, we have seen a perishing economy that redistributes poverty to the populace - mostly stemming from a palpable misjudgement and misdirection of economic recovery policies, especially as it pertains to the management of Nigeria's external debt.

Another important finding of this research is that the pressure or struggles of the working peoples has been instrumental in shaping, though insignificantly Nigeria's external debt management strategies. Taking cognizance of the fact that the prevalent debt management strategies have fared no better, government has recently adopted and vigorously advocated for "debt-forgiveness". Though this is a subtle or subservient way of asking for debt cancellation, it marks a shift from the creditors' position that Nigeria's external debt crisis can be resolved only through macro-economics and debt restructuring policies. The adoption of this latter strategy brings unconsciously and obviously to the fore, the growing realization that Nigeria's external indebtedness cannot be repaid. This has been central to the position of the Nigerian working peoples and the generality of the less privileged.

However, we have to point out that the call for debt forgiveness does not mean that the dominant class will abolish the already adopted debt management strategies. Their interest is still harmonious to that of the creditors, and opposed to finding a lasting solution to Nigeria's external debt crisis. Until this class decides to break with the existing order and backs up its recent call for debt forgiveness with concrete action, this crisis is likely to remain with Nigeria for many years, even decades to come, with ominous consequences for both debtor and creditor alike.

The whole world has a stake in the debt crisis ravaging the economy of Nigeria and other third world countries. It is like an earthquake which, if when it occurs, will send its reverberation the world over. The various debt management/ relief strategies are imperialist solutions to a problem they prefer to have unresolved. Its acceptance by the Nigerian government has meant the trumph of the forces of imperialism and neo-colonialism.

For any debt management strategy to be really useful, it must not in any way entail the compromising of domestic economic growth in the debtor country. Second, the debt management programme should be such as to help resolve the crisis to the benefits of the underprivileged classes of society. This might well entail the total rejection of the on-going creditors' solution to Nigeria's external debt crisis, and as well a total rejection of a linkage between debt management and IMF dictated adjustment programmes which because of their obsession with unregulated market forces, bring untold hardship on the poor and dispossed. Third, the debt mamagement should aim at the root and branch destruction of the structures embedded in the domestic economy of the debtor country which make it prone to debt crisis on a cyclical basis.[1] Obasanjo's statement that "the first responsibility of a government is to its citizen, debt or no debt"[2] should be in the minds of those in government in adopting any external debt management strategy.

The path Nigeria has taken in managing her external debt will lead to national destruction, undermine economic independence and prevent the possibilities cum efforts of Nigeria attaining back her lost position as once a creditor nation. As the consequences of the Western approach to the country's debt management make themselves felt on the citizenry, the prospects are that open, if sporadic, challenges are likely to emanate from disaffected social forces within the society. Past experience suggests that the social forces which are being made to carry the burden of the adjustment process have not hesitated relentlessly to resist the imposition of harsh austerity measures on them.

As politics of external debt management is a game of 'wits', the decision either to be free or to remain enslaved really lies with the weak, and the truth of the struggle is that in anything they can do to liberate themselves, the weak (working peoples) have nothing to lose but their chains. The final out come of whatever external debt management strategy the government adopts depends on how "weak" or "strong" the pressure from the working peoples is.

RECOMMENDATIONS

As debt management strategies have been an out come of contending balance between social forces, and based on our experience from the failure of the Western approach to the country's debt crisis, we proffer the following: suggestion:

1) Disengagement of Nigeria's economy from the world capitalist system, the principal source of the present crisis.

2) The imperialist inspired debt management and reform policies should be stopped forthwith, and replaced with a programme of domestic social transformation to pave the way for the elimination of internal add external relations of bourgeois class domination which encourage the perpetuation of these structures that create the framework for national indebtedness.

3) Debt forgiveness should be given greater weight and priority as practicable option for resolution of the crisis.

4) The Nigerian government should encourage and join hands with other third world debtor nations to form a debtors cartel and press for debt cancellation

5) Working people should continuously struggle and resist the imposition of harsh austerity measures that make them bearers of the debt burden.

6) Finally, a programme of social transformation, which is national and by no means autarchic, self-reliant economy under the leadership and control of the working people should be constructed.[3]

However, this situation cannot be achieved under the present social order since no ruling class ever betrays its own interests. It is a solution which can be implemented by the Nigerian state only after a resolution of the contradictions between the working peoples and the bourgeoisie, (local and external) in favour of the former. Needless to say, the character of the state itself will have to be fundamentally re-defined to reflect the interests of the working people.

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