Article

Debt Bondage and Its Impact on the Nigerian Economy, 1985 – 1997.

Nnamdi Azikiwe Journal of
Political Science (NAJOPS).
2002, Vol. 2(2)
ISSN:2992-5924

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Abstract

The debt bondage imposed by international finance capital in alliance with its local agents is a new form of perpetuating the plunder of the resources of Nigeria and other Less Developed Countries (LDCs) which began hundreds of years back during the slave era. This new form of plunder has therefore thrown up fresh challenges to the people of Nigeria and citizens of other LDCs - to fight for their definitive independence and establishment of a more equitable economic relations in the international system.

In doing this, the dialectical process that gave rise to the debt crisis is critically examined. Also discussed is how the Nigerian State in collaboration with international finance capital managed the debt burden over the years: the adjustment policies with their disastrous consequences for the Nigeria people.

Introduction

External debt, a new way of modernising and increasing dependence is one topic that has generated intense political and social debate, n*t only in Nigeria, but in nearly all the Less Developed Countries (LDCs) for over two decades now. The debate on what is the debtor-nations. International finance capital along with its various institutions have equally contributed a great deal of literature to the debt crisis of third word countries.

Such contributions by international finance capital and imperialism bother on perfecting tactics and strategies, albeit fresh ones, on how to intensify the accumulation process and the incorporation of the economies of LDCs into the international capitalist economy as junior partners.

The LDCs in 1988 owed $1.248 billion. They paid out $171.5 billion and $175.6 billion in debt service in 1987 and 1988, respectively. Of the total debt owed by the LDCs in 1988, Africa's debt accounted for $216 billion. This represents 17.3 percent of the world total earnings for the periods in context. Given this trend, it is expected that this debt would reach $260 billion by 1990, $380 billion by 1995 and over $550 billion by the year 2,000. (Okigbo, 1990).

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Nigeria's external debt, due to the mismanagement of the national economy by the local ruling class (domestic allies of imperialism) and the inequitable international economic order, has spiraled over the years. For so many years now, Nigeria's expo^ earnings have been far below its import expenditure to the effect that imports have had to be financed largely by external borrowing. Nigeria's external debt rose from N488.8 million ($684.3 million) in 1970 to N251 billion ($31.4 billion) in 1989. (Akerele, 1991). Between 1970 and 1977, there were low increases from N488.8 million to N496.9 million in Nigeria's external debt. There were moderate increases from N1.266 billion in 1978 to N2.331 billion in 1981 and spiraling rise from N8.819 billion in 1982 to N251 billion in 1989. Today, Nigeria is owing about 33 billion dollars. (The Guardian: August 16, 2000; p. 19) When International Financial Institutions (IFIs) realise that the debts of a nation are enormous that they begin to lose confidence in the ability of that country to repay its accumulated debt, they (IFIs) would refrain from lending further loans to that country unless it has received the "seal of approval". i.e., borrowing from the International Monetary Fund (IMF). Such loans from the IMF are used to service earlier debt obligations to enable creditors lend more funds to the debtor (country) finance imports. It is in the interest of the imperialists to find a way of ensuring continued capitalist exploitation of natural and human resources in the neo-colony. The loans are granted so that the manufactured goods from the advanced capitalist countries can be imported so as to facilitate world trade. Thus, we can see the weaving of the economy of each and all countries into one world market.

However, before the IMF grants its loans, it demands that the debtor-nation implements certain austerity measures. Nigeria's austerity measures are contained in the Structural Adjustment Programme (SAP) introduced by the Babangida administration in July 1986.

In spite of the ruthless implementation of SAP, the steady decline in the Nigerian economy which SAP was designed to curtail and reverse has become manifest. In many respects, it can be said that SAP has in fact complicated existing problems and created new difficulties. It has fuelled inflation, worsened unemployment, accelerated industrial decline, exacerbated decline in living standards and engendered the formation of class forces. At the political level, adjustment measures have resulted in the disempowerment of the Nigerian people. It has worsened the anti-democratic political culture which the Nigeria ruling class has continued to foster in the face of growing popular democratic opposition. Beginning from the Babangida era (1985 - 1993). successive regimes have had to resort to strong-arm tactics and repression in order to force through the market reforms. (Babawale, 1995).

Yet, Nigeria's domestic and foreign debts have been given temporary breathing space with the implementation of adjustment measures. The international creditors, i.e. IMF, World Bank. Paris Club and others accepted Nigeria's debt management policies of debt rescheduling and negotiations. On this basis, however, the road was opened for incurring additional debts. (Labour Militant, 1989: p.22). And so, by 1995, Nigeria's external debt stock rose to $32.585 billion (Federal Government Budget, 1995).

The impact of this huge debt on the Nigerian economy is enormous. Debt servicing has been taking huge chunk of the nation's export earnings, and this has backlash effects on the overall growth and development of the economy. Thus, the Nigerian external debt, instead of promoting economic growth and investments as envisaged by those who took the loans, has rather disrupted economic development and created other socio-economic and political problems.

The relationship of dependence on the metropolitan states has persisted. The plunder of national resources by international finance capital and its local agents comprador and the national bourgeoisie is made worse by high interest rates and the great discrepancy between low prices for raw materials exported by Nigeria and other LDCs and high prices for the finished products imported from the developed or industralised countries.

Rationale for External Borrowing

The act of borrowing creates debt (Haveman, 1976: p. 182). Debt, therefore, refers to the resources of money in use in an organisation which is not contributed by its owners and does not in any other way belong to them. From this perspective, debt is a liability represented by a financial instrument of other forma: equivalence. It is against this background that the World Bank described external debt as:

> *The amount at any given time of disbursed and outstanding contractual Liabilities of residents to pay interest, with or without interest :-r to pay interest, with or without principal. (World Bank, 1988).*

The argument that external borrowing is meant to augment domestic resources is supported by numerous scholars. Adedeji ,1984), Obadan (1991), Idehai and Osagie (1991) and Uniamikogbo (1991) hold the view that foreign borrowing can actually supplement domestic savings for realising sustainable economic growth in a polity.

Obadan's dual-gap theory which justifies external borrowing posits:

> *The condition for national income to be in equilibrium is (hat domestic investment plus exports must equal imports plus domestic savings. Any increase in investment that is unaccomplished by an equal shift in the savings schedule must be financed in part by borrowing from abroad. (Obadan, 1991).*

Jdehai and Osagie (1991) also provide two theoretical models to explain the rationale for foreign accumulation. External trade, government expenditure, national output were employed as critical determinants. They argue that the pattern of consumption of a country's population is very important in determining the level and growth of its external indebtedness. They categorise consumption goods into two imported goods and locally produced goods and insisted that usually a country will wish to use its exportable products to pay for importable goods hence debt, will arise if the value of export is less than that of import. Thus, if consumption is mainly of imports (without corresponding export), then the nation will be incurring external debt. In Adedeji's contention:

> *A country finds itself in debt when there exists a gap between domestic savings which increases in absolute terms over time. But, as the gap widens and debt accumulates, interest charges also accumulate, and to maintain a constant flow or net imports, the country is compelled to continue to borrow increasing amounts. (Adedeji, 1984).*

Hence, some scholars contend that there is nothing wrong with debts, but lack of optimal utilization of external borrowing is the evil. The optimal utilization of externally derived funds should be associated with proper debt management and servicing. (Muttallab, 1984).

Theoretical Framework of Analysis

The import-substitution industrialization strategy of development which the post-colonial Nigerian ruling class adopted failed to sustain economic growth in the country and in other LDCs because the traditional social and economic conditions of the LDCs remain intact. Indeed, the neo-colonial alliance of indigenous ruling class with international capitalism was reinforced by the import-substitution strategy. The result of this alliance is an increased mal-distribution of income which leads to weak domestic demand that cannot sustain industrialization. There is also greater dependency on multi-national corporations of developed economies that took advantage of the import-substitution policy. LDCs including Nigeria have lost control over their domestic economies as a consequence and have become more and more dependent on international capital.

To understand the forces at work which brought Nigeria and other LDCs to the cross roads of the debt overhang and current state of under-development, the dependency theory offers a critical anti-imperialist explanations of the entire phenomenon. Dependency theorists see under-development as a process in which the LDCs are caught because of the inherent relationship between developed and Underdeveloped nations. Development and under-development constitute a system that generates economic wealth for the few and poverty for the many. Andre Gunder Frank calls this, “the development of under-development". According to him, it is capitalism, both world and national, which produced under-development in the past and which still generates under-development in the present (Frank, 1969: p. 16).

Dependency theorists argue that there is only one functional integrated whole in which the under-developed periphery is necessarily backward and under-developed because the periphery is systematically exploited and prevented from developing by international capitalism and its reactionary domestic allies in the third world economies themselves. Peter Evans, using Brazilian experience as a case study emphasized that the alliance between international capital, local capital and state capital foisted a condition of dependent development on Brazil and the other LDCs, such that the industrializing elite alliance and the dependent development that issues from it is inherently incapable of serving the needs of the mass of the population. According to Evans:

> *The end result of the incorporation of the periphery into the international capitalist system, as far as the elite is concerned, is to create a complex alliance between elite local capital, international capital and state capital which I have called here "the triple alliance ". The result is not a monolith. Each of the partners comes at Industrialization -with different strengths, and their interests vary. Accordingly, as in any economy, there are differences among sectors of industry. In addition, goals vary among the branches of the state apparatus. Over and above the differences, however, is the consensus that all members of the alliance will benefit from the accumulation of industrial capital within Brazil (Evans, 1979: p. 12)*

The consensus of members of the "triple alliance" to further the process of capital accumulation in Nigeria as in all other LDCs engendered the imposition of the debt bondage.

Dependency consider the Multi-national corporations, especially in manufacturing and services to be the principal instrument of capitalist domination and exploitation in the late twentieth century. The multi-national corporations are said to have replaced the colonial governments that dominated the LDCs in Lenin's analysis. The dependency framework, thus, form the analytical tool in this effort to explain the socio-economic and political impact of the debt burden on the Nigerian economy for the period of 1985 to 1997.

Profile of Nigeria's External Debt

External borrowing by Nigeria started during the colonial era, of which the last of such borrowing was the 1958 World Bank loan which was used to finance the Nigerian Railways Extension to Borun. Immediately the country attained independence in 1960, some laws guarding external borrowings were enacted. The Promissory Notes Ordinance was enacted in 1990 and the External Loans Act in 1962. A banking fund for loan redemption was established under the Promissory Notes Ordinance while the External Loans Act required that external loans be used for development programmes and for lending to regional governments. The 1962 Act was amended in 1965 to broaden the end use of external loans. However, these legal framework failed to deter the ruling class from abusing the external borrowing process.

Nigeria's external debt was #82.4 million, ₦435.2 million and N488.8 as at 1960. !965 and 1970 respectively. During these years, the value of exports were N339.4 million, N536.5 million and ₦885.4 million. The external debt figures, increased slightly to ₦349.9 million in 19~5 when General Murtala Mohammed took over the mantle of leadership. There was no significant increase in the total external debt during

Table 1: Nigeria's External Debt and Value of Export (1960 - 1988)

Year	Total Outstanding Million (N)	Debt Million ($)	Value of Export Million
1960	82.4	N.A.	339.4
1965	435.2	N.A.	536.4
1970	488.8	N.A.	885.4
1971	214.5	308.9	1,293.4
1972	263.4	400.4	2,434.2
1973	276.9	420.4	2,369.2
1974	322.4	523.3	5,794.0
1975	349.9	559.2	4,925.0
1976	374.6	593.6	6,709.8
1977	496.9	762.9	7,064.4
1978	1,265.7	2,163.8	6,064.4
1979	1,611.5	2,824.6	10,836.6
1980	1,866.8	3,444.8	14,077.0
1981	2,311.2	3,667.7	10,470.1
1982	8,819.4	13,124.1	8,722.5
1983	10,577.7	14,130.7	7,503.5
1984	14,536.6	18,034.1	9,088.0
1985	17,290.6	17,297.5	11,214.8
1986	42,229.5	18,631.3	8,513.0
1987	86,550.8	26,200.0	30,239.9
1988	146,410.0	29,282.0	29,101.7

Source: Federal Ministry of Finance, Central Bank of Nigeria (CBN), Annual Report, 1988, P.22 N.A. Not Available Available

the first one year of the Mohammed administration. (Fasipe, 1989: p.6) (see table I).

Up to this period (1975 - 1976), loans were taken in relatively small amounts and were largely to supplement domestic resources for the provision of infrastructural facilities and agricultural projects.

The situation changed in the 1977/78 financial year when the Obasanjo regime took a jumbo loan of one billion (SI.000 million) from the International Capital Market (ICM) essential to finance projects like refineries in Warri and Kaduna, Ports, Pulp and Paper Mills Iron and Steel Plants at Ajaokuta and Warri. This loan increased Nigeria's external debt from million dollars group into the billion dollars group. Obasanjo took more loans and Nigeria's external loan increased from N496.9 million in 1977 to Nl,611.5 million in 1979.

Since the 1977/78 financial year when Nigeria for the first time borrowed in larger chunks and shorter maturities from the ICM at higher and variable interest rates, many more such loans from the ICM were raised, especially as funds from bilateral and multilateral institutions became increasingly inadequate for the needs of the ruling class. Consequently, ICM loans rose rapidly from N1.0 billion in 1970 to N5.5 billion in 1982 and to N40.5 billion in 1987, when it constituted 40.2 per cent of total external debt (Osemwota, 1994). In the same period, state governments joined the bandwagon of external borrowings, without recourse to the laws guarding external borrowings. As table I shows, the loan keep growing at a rate higher than the value of Nigeria's export.

When General Ibrahim Babangida took over power from General Buhari in a palace coup in August 1985, the Group of seven (G.7) which is now G-8 following the recent admission of Russia refused to grant Nigeria trade credit facilities for export. Also, Nigeria's short and medium term loans became matured during the period. By 1986 and 1987. Nigeria's external debt had risen to N42,229.5 million ($18,631.3 million) and N86,550.8 ($26,200.00 million) respectively. In 1988, the external debt stood at N146.410.00 million (29,282.00 million). In 1989, it was N240,329.6 million ($31,424.00 -i:.lion i. The figure stood at N298,614.3 million S33.179.0 million) in 1990. At the end of December 1991, external debt stood at N325,496.4.

Table 2: External Public Debt Outstanding By Sources 1989 - 1992

S/N	Holders	1992 (4)	1989 (5)	1990 (6)	1991 (7)	1992 (8)
1	Multi-lateral	4,518.0	21,473.5	34,578.4	39,058.8	89,274.3
2	Paris club	16,433.9	121,229.6	154,540.7	173,051.2	324,729.9
3	London club	2,120.0	42,480.0	52,749.6	58,238.1	41,890.6
4	Promissory note	3,246.0	35,067.6	40,950.4	43,561.9	64,140.2
5	Others	12,36.0	19,782.9	15,075.2	14,144.3	24,299
	Total	27,564.8	240,033.6	297,894.3	328,051.3	544,264

Source: (1) CBN Annual Report, 1992 p. 27

Converted at the end period exchange rates which were N7.650/S1.U N9.00/$1.0, N9.7258/$1.0 and N19.7597/$1.0 at the end of December 1989, 1990 and 1992 respectively.

million ($33,364.5 million) and in 1992 it stood at $27,564.8 million (CBN, 1992) (see table 2).

In 1993, the debt stock at N633,144.4 million (CBN, 1993). In 1994 and 1995, the debt stock stood at N648,813.0 million (S29,429 million) and $32,585 billion respectively (CBN, 1995). By December 31, 1996, Nigeria's external debt stock amounted to $26,060 billion, if the late General Abacha's claims to service the debt at $2 billion annually is to be relied on.

The phenomenal increase in the magnitude of Nigeria's debt is a reflection of increase in loans from the ICM as well as the multilateral institutions, bilateral sources, the accumulation of trade arrears, default charges on over due scheduled payments, capitalization of unpaid interest and the depreciation of the United States dollars against other major international currencies in which the loans were contracted. Apart from the stringent conditions in the international capital market (ICM), the successive Nigerian governments also exacerbated Nigeria's debt crisis. Since the Obasanjo regime borrowed the one billion dollar jumbo loan from the ICM in 1978, successive regimes with the exception of the Buhari regime (December 31, 1983 - June 8, 1998) have borrowed indiscriminately without regard to the economic viability of the projects to be financed.

Sizeable proportion of these external loans were diverted into unproductive ventures as opposed to being committed to the projects for which they (loans) were taken, some of them were even diverted to the coffers of political parties and into private pockets.

During the second republic (1979 - 1983) rr.anv long-term projects were financed with short-term loans with the result that such projects were hardly completed before amortization was due. This practices partly explains the proliferation of abandon projects in the country (Onyeiwu, 1991). See table 3 below for the list of some projects financed with external and internal loans.

Table 3: Major projects financed with external and internal loans in Nigeria

		Amount of Internal Loans (N) Million	External Loans (N) Million
1.	Steel Plants	381.4	672.4
2.	Jebba Paper Mills	70.7	53.7
3.	NAFCON	70.7	349.4
4.	Fourth Refinery	70.7	396.0
5	Second petro-chemical plant	2,100.0	520.00
6.	Rolling Mills.	N.A.	N.A.
7.	Liquified Natural Gas	2,400.00	1,600
8.	Machine Tools	100.00	-
	Total	N5,176.1	N3,591.5

* *First Phase of the Petrochemical Plant cost Nigeria N425 million.*

N.A. - Not Available

Source: Central Bank of Nigeria, 1988 Annual Report, p. 17.

General Abacha, himself a beneficiary of the primitive accumulation process in Nigeria revealed how members of the ruling class embezzled, borrowed funds in his 1997 Annual Budget Broadcast to the nation. He stated inter alia:

> *During 1996. an appraisal of the projects financed with international capiial market (ICM) loans was conducted with a view to determine whether the country obtained commensurate value from the borrowing: this produced remarkable results. Field visits to the 145 projects with total ICM loans amounting to 13.157 billion US dollars revealed that 18 projects with total loan amount of .836 billion dollars were never executed.*

It is important to point out that the 18 projects which amounted to .836 billion US dollars that were never executed were awarded to members of the ruling class: top bureaucrats, top military brass - retired and serving, renowned pro-government academics, politicians, businessmen and other apologists of the status quo fronting as contractors. The exploited working people: artisans, rural peasants, students, the unemployed and other members of the under-class were not the ones who were awarded the failed projects.

Abacha stressed further:

> *The proceeds of the external loans obtained for their execution were drawn in all cases. These projects are classified as "failed". The failed loans are being serviced by government. Another 44 projects with loans amount of 4.811 billion US dollars the proceed of the external loans obtained for their execution were drawn in all cases and classified as "distressed" were either not commissioned or were commissioned and then closed down shortly after. The potential economic and social benefits of these projects cannot be achieved with further injection of funds. The third category classified as "successful" comprised 83 projects with an amount of 7.503 billion US dollars, were surviving and operating at some capacity during the appraisal.*

That such huge sums of borrowed money, with interests that grow by geometrical progression could be shared among members of the Nigerian ruling class with reckless abandon demonstrates the crudity of the accumulation process in Nigeria.

IMPACT OF DEBT BONDAGE ON THE NIGERIAN ECONOMY (1985- 1997)

Expectedly, the overwhelming increase in the magnitude of Nigeria's external debt is accompanied by a crippling debt service burden. In the 1988 survey of financing and External Debt of Developing Countries by the OECD countries, Nigeria's total debt service payment in 1985, 1986 and 1987 were 4,010, 1,560 and 1,432 million US dollars in 1984. Nigeria reached a peak in 1985. During this same period, payments to the OECD countries and capital markets were above fifty per cent of the payments and service to multilateral and non-OECD creditors (Fasipe, 1989: p.10). however, because of the spate

Table 4: Nigeria's External Debt Service (1985-1990)

Year	Amount used to service debt	($ million) foreign exchange in flow	Debt service ratio =(A) As % B

1985	3.169.56	7,246.38	43.74
1986	1,635.70	6.696.46	24.43
1987	959.82	3,417.70	28.08
1988	2,004.00	7,404.00	27.00
1989	2,300.00	6,679.00	34.00
1990	2,114.00	7,779.00	27.17

Source: Economic and Financial Review, CBN Lagos, 1990, p. 14

of debt rescheduling and refinancing undertaken by the military administration which took over power in 1983, the figure fell drastically to 11.7% in 1987 (Onyeiwu, 1991). Table four below shows Nigeria's external debt service between 1985 and 1990.

To appreciate the impact of the magnitude and growth of external debt on the economy, it is imperative to relate the total debt and debt service payments to a number of economic variables. The resulting ratios from such analysis reveal gloomy economic indications for the Nigerian economy. The ratios - Debt/GDP, Debt/Export, Debt service ratio and interest/Export ratios were generally on the increase starting from 1997 while the Debt/GDP (%) was 3.7% in 1978, it was 14.9% in 1982 and 97.8% in 1988. The implications of these upward trends are that the rate of growth of Nigeria's external debt outweighed the rate of growth of Nigeria's Gross Domestic Product for the years indicated and that the rate of exports over the period. The interest/Export positions for the period shows that Nigeria could not even finance the interest payments if the country was restricted to using the export earnings. The implication of all this for the national economy is tragic considering the fact that there were other things to attend to, such as the payment of that principal amount and importation of vital materials which the economy needs. Another vital ratio is that of Reserves/Debt. The ratio equally declined over the years. The same analysis shows that the Reserve/Debt ratio which was 588.IS between 1974/77 declined to as low as 11.6% in 1982 and this declined further 10.24% in 1982. Thus, from 1982, Nigeria's external reserves could cover in insignificant proportion of its total external debts. The relationship between the major debt variables namely, the Debt/Export ratio and Reserves Debt ratio indicate the increasing inability of Nigeria to finance the external debt over the period (CBN, 1989).

The situation today is worse. While Nigeria's external debt stood at $32.585 billion in 1995, the government has only been able to service it at the rate of $2 billion per year since 1990. And in 1997, the country's foreign reserve stood at 57 biliion. (See The Guardian, July 5, 19Q7>. Nigeria like other LDCs cannot easily react to poor market conditions, and external influence to aid maneuverability is not readily available because already borrowed funds have not been repaid. This partly explains the relative decline in international investors confidence in the country. Nigeria's credit worthiness is in doubt.

The lesson is that foreign financial in-vestment that is supposed to usher in economic progress is now the bane of developing countries like Nigeria. The intricacies in the international financial system is such that developing countries are indeed financing the industrial countries. They are paying much in debt servicing while their citizens are dying in squalor, poverty and want. Olusanya and Olukoshi support this contention. According to them:

> *The capital projects financed through debts were erected by transnational from developed capitalist countries. What are now called debts represented profits for trans-nationals and created jobs for people in the developed capitalist countries. (Olusanya and Olukoshi, 1989: p. 123).*

The plundering of Nigeria's resources by imperialism is ably facilitated by its domestic allies, who presently control state power and all its coercive forces.

While Nigeria's external debt sources are official and private (official debt embraces debt owed to governments in bilateral trans-

Table 5: Nigeria's External Public Debt (1982 - 1985) by Sources
(N million)

	1982	1983	1984	1985
Total Commitment	14,741.5	17,758.3	20,982.7	9,337.8
Total Drainings	10.187.1	12,845.0	17,703.5	23,337.
A. Conventional loans	8,205.4	10,086.2	12,206.1	16,030.
B. Trade Arrears	1.981.7	2.758.8	5.443.1	6.164.3
Trade Debt outstanding of which	8,819.4	10,577.7	14,536.6	17,290.
a. Federal Govt. debt obligations	6,801.0	8,576.8	12,077.2	13,962.
	(77.1)	(83.08)	(83.08)	(80.74)
1. ICM Loans	4.431.4	3.907.7	4.309.9	5.403.4
	(50.2)	(36.9)	(29.64)	(31.25)
2. World Bank Loans	280.7	295.1	900.1	879.4
	(3.18)	(2.78)	(6.1)	(5.08)
3. Bilateral Loans	107.2 •	913	267.9	241.0
	(1.211	(0.86)	(1.8)	(1.39)
4. Re-financed Trade Debt/Promissory	-	1.524.6	1.55.9	1.273.9
	-	(14.41)	(7.9)	(7-3)
5. Un-Financed Trade Arrears	1.981.7	2.758.9	5.443.4	6.1643
	(22.46)	(26.08)	(34.4)	(35.6)
b. State Governments Debt Obligation	2,018.4	2,000.9	2.459.4	3,328.0
	(22.46)	(18.91*	(16.9)	(19.25)
1. ICM Loans	1.043.0	1.119.5	1.692.3	2.323.0
	(11.82)	(10.58)	(11.6)	(19.25)
2. World Bank Loans	249.1	271J	1.371.1	404.1
	(2.82)	(2.56)	(2.5)	(2.3)
3. Bilateral Loans	56.0	88.0	83.4	124.1
	(0.65)	(0.83)	(0.5)	(0.7)
4. Un-guaranted State Government	66.7	522.1	312.6	477.4
	(0.75)	(4.93)	(2.15)	(2.7)

Source: CBN Reports (various years), 1982-1985. Cited in 1985 CBN Annual Report, p.19.

actions as well as multi-lateral financial institutions, private debts sources are the foreign parent companies or trans-national corporations, suppliers credits and loans from international private financial markets), the findings of this study are that the Nigerian ruling class over the years borrowed largely from the private sources, which are very costly. (See table 5 below). (Also see table 2).

The question we should ask is this: Why did Nigeria follow the path of costly loans? The answer to this question is not far-fetched. The Nigerian ruling class is an ally of imperialism. There is the opportunity provided by the ICM loans for Nigerian government officials and their collaborators to embezzle such money with ease; since they are not tied to projects. (Even the project-tied ones have been pilfered). Secondly, the local ruling class, by taking more of such loans are doing their imperialist masters bid to facilitate the incorporation of the country's economy into the international capitalist order.

From the foregoing, we can deduce that while there are several simplistic (idealistic) reasons for the accumulated huge debt for the Nigerian state, the materialist reality convincingly shows that the forces of imperialism in collaboration with the Nigerian ruling class-national and compradoral bourgeoisie precipitated and sustained the vicious circle of the debt overhang.

To come out of the debt crisis, the Nigerian ruling class and imperialism have instituted various traditional debt management options. The Buhari regime (1984 - 1985) for example. employed the counter-trade and a high debt service posture, a situation which saw the ratio rise to nearly 44% in 1985. When General Ibrahim Babangida took over power in 1985, debt management strategy changed (Egbon. 1991). Nigeria has used four main instruments of debt relief and reduction namely: (a) Embargo or regulation placed on external borrowing since the early 1980s to borrow only when it is absolutely necessary: therefore bringing order to external borrowing process. The Abacha regime (1993 - 1998) claimed it did not take a single foreign loan. (The Observer, July 23, 1997: p.16).

(b) Pegging of debt service payments. For instance the Federal Government pegged the 1986 service burden at a level not exceeding 30% of foreign exchange earnings.

(c) Debt re-financing/rescheduling first implemented in 1983.

(d) Debt-equity swap or conversion.

The debt management options only provide temporary relief to the debt burden. They have not been able to, and cannot bail the Nigerian economy from the debt overhang. The debt management options employed by the ruling class over the years have only succeeded in carrying forward a large proportion of the current outstanding debts to the future. Debt re-scheduling has a major flaw hi that it actually increases total stock of debt to be repaid by the by the debtor nation. Most Nigeria's external debts are to mature at the beginning of the twenty-first century. Re-scheduling and re-financing of debts in a situation where interest is not fixed merely postpone the debt burden and this constitutes a threat to the future external liquidity position of the country and would lead to more structural distortions and growth retardation. (Anyiwe, 1991).

The debt-equip, swap or the debt conversion programme (DCP) accelerates the internationalization of the Nigerian securities market as well as serving as a vehicle for promoting venture capital investment. While the debt conversion programme appears to encourage foreign investment, it has exposed the private sector of the Nigerian economy to a take-over by foreigners. The debt-equity swap, no doubt, is an affront to the national sovereignty. It is of very limited value in alleviating Nigeria's external debt burden and created opportunity for international capitalists and comprador elements, bureaucratic hour-geotsie, traditional rulers and other parasitic elements that constitute the ruling class to hijack the national economy and appropriate the surplus value on the guise of national investment and development.

Nigeria has succeeded in the past years in negotiating the refinancing of its debt. This success was made possible due to the country's acceptance of an IMF and World Bank - supported Structural Adjustment Programme (SAP), which was the condition imposed on Nigeria by the creditors. The adoption of SAP in 1986 made it possible for Nigeria to reach many agreements on rescheduling with London, Paris Clubs and other international lenders.

The adjustment measures are supposed to restore Nigeria's access to normal credit facilities and create opportunities for the country to be free and independent on fundamental economic questions. The IMF and World Bank insisted that the package of SAP was the only alternative available to Nigeria to deal with the underlying imbalances in the economy and thus pave way for staple growth and development.

According to Dibua:

> *To the IMF, the crisis (of the Nigerian Economy) was brought about by the excessive state regulation of the economy. It therefore advocated the deregulation of the economy which would grant ascendancy to market forces in Nigeria's political economy as the solution to the economic quagmire. (Dibua, 1992: p.158)*

SAP could not fulfil its mandate. It did not only lead to drastic fall hi the standard of living of the people, it equally brought about a great decreases in the output of manufacturing industries as the cost of imported and local raw materials continued to be on the increase. The consequences of this is the mass retrenchment of workers in virtually all sectors of the economy, since 1986 when SAP was introduced by the Babangida regime. Between June 1995 and July 1996, it is estimated that between 400,000 workers were retrenched (Socialist Alternative, November 17, 19%: p. 5). In 1996 alone, Federal ministries and agencies shed 25,850 jobs (The Guardian, November 1, 1996: p.l). Privatization and commercialization as introduced by SAP are not benefitting the majority of the Nigerian people. Rather, members of the neo-colonial ruling class and their cronies who have looted the treasury are the ones buying up public corporations and parastatals. Presently, the Federal Government is planning to divert from NNPC, NITE1, NEPA, etc. (The Guardian, November 1, 1996: p.32). Another disastrous aspect of SAP is that it failed in its acclaimed ability to reduce Nigeria's external dependence. According to E. O. Emmanuel:

> *SAP has increased Nigeria's external dependency by worsening her external debt situation. Nigeria's external debt as at the inception of SFEM in September 1986 was said to be $15.270 billion,- excluding the unreconciled trade arrears. By September 1987, foreign debt commitments had risen to US $20.6 billion and debt service was at 33 per cent. The debts consisted of multilateral and bilateral agreements, unfinanced trade arrears and international capital market loans. (Emmanuel, 1992: p.171).*

SAP has reinforced Nigeria's peripheral and dependent position in the international division of labour as carefully planned by imperialist international financial institutions-IMF, World Bank, Paris Club, London Club and others. If anything, SAP has tended to consolidate and reinforce Nigeria's position in the division of labour, thereby increasing her vulnerability to vagaries in the world economy. Since the capitalist world economy is inherently imbued with incessant crisis-booms and slumps, it therefore implies that the Nigerian economy will continue to experience fluctuations as it is inextricably tied to the capitalist world economy and this tie is being solidified by SAP (Onyeiwu, 1991). Today, the Nigerian economy is in complete ruins. The pains and burden of the depressed economy have been shifted to certain social categories in the economy: the working people, unemployed, peasants, artisans, petty traders, women and all other members of the lower rung of the social and economic ladder. Majority of the people now live below the poverty line. Educational institutions are in shambles. Life is becoming shorter for the poor people, who are majority. Hospitals are empty, armed robbery is rampant, corruption has become part of public life, while industrial production is almost at a stand still.

While the adjustment measures are crushing the people, the barons of business and industry, top military officers, top bureaucrats, traditional rulers, ministers, and all other members of the ruling class have intensified their efforts at pilfering the national wealth. Worst still for Nigeria is the fact that huge chunk of money stolen by the ruling class are currently stacked in foreign bank accounts. Ernest Shonekan, himself a leading member of the ruling class in May 1997, made a strong appeal for the repatriation of Nigeria's large sums of money salted in foreign accounts. According to him:

> *The urgent repatriation of the country's substantial capital held abroad would go a long way in enhancing the nations overall socio-economic development, (see The Post Express, May 21, 1997: p.l)*

CONCLUSION

The necessity of external borrowing for national development will always be there. What is however in contention is: what happened to the massive external borrowings of Nigeria? Another very crucial question is the circumstances or conditionalities under which successive Nigerian governments took external loans. The terms of debt service payments, the willingness with which successive Nigerian governments accepted the adjustment measures imposed on the country and the fact that the burden of the adjustment measures imposed on the country falls heavily on the shoulders of the down trodden people of the country while big business men, contractors, politicians, military brass hats, traditional rulers and other members of the ruling class stack huge sums of money in foreign accounts, demonstrate clearly the conspiracy between imperialism and its local allies in the grand design to perpetuate the exploitation and plunder of the resources of Nigeria.

To address the dent burden, various recommendations have been made by scholars and policy makers. Some have recommended the stoppage of fresh loans, effective debt management strategies, repudiation and outright cancellation. But over the years, none of these recommendations have been able to address the debt burden successfully. Indeed, the Abacha government did not take fresh loans. But Abacha in his 1997 budget speech indicated that the government is seeking concessional debt relief from external creditors. Nigeria, therefore, is still negotiating for some measures of debt relief with the accompanying conditionalities. Such relief will also enable the current regime to carry forward interest and principals of loans that will be due soon. The long and short of this is that in the absence of a concerted international action on debt relief, Nigeria and other heavily indebted low-income countries will remain trapped in a vicious circle of external debt overhang, low investment and declining per capita income. Progressive Nigerians and organizations must therefore collaborate, and join forces to resist the moneytarist policies imposed by the IMF and World Bank. What this means is that the present crop of the ruling class who brought misery to the Nigerian people must give way for genuinely progressive and anti-imperialist crop of political leaders. Such progressive leaders will then collaborate with progressive leaders from other LDCs to intensify the call for, and establishment of a New International Economic Order (NIECO), making it possible to end an unjust state of affairs and opening of new chapter in world economic relations. The struggle against debt bondage is inseparable from the battle of the NIEO which the United

Nations decided in 1974. The main purpose of a NIEO is to safeguard national sovereignty over natural resources, and the economic inequality of nations and establish a system of trade favourable to developing countries in order to improve their financial position. The Nigerian ruling class is not capable of pursuing the ideals of the NIEO. It has equally demonstrated over the years that it is incapable of fashioning autocentric development for the country. Debt repudiation, when progressive patriots and responsible nationalists who are capable of bringing about autocentric development come to power, can then form the last option for addressing the debt crisis.

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