Nigeria: Thrown into Chaos and a State of Civil War: The Role of the IMF

By F. William Engdahl
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Nigeria, Africa's most populous nation and its largest oil producer, is from all evidence being systematically thrown into chaos and a state of civil war. The recent surprise decision by the government of Goodluck Jonathan to abruptly lift subsidies on imported gasoline and other fuel has a far more sinister background than mere corruption and the Washington-based International Monetary Fund (IMF) is playing a key role. China appears to be the likely loser along with Nigeria's population.

The recent strikes protesting the government's abrupt elimination of gasoline and other fuel subsidies, that brought Nigeria briefly to a standstill, came as a surprise to most in the country. Months earlier President Jonathan had promised the major trade union organizations that he would conduct a gradual four-stage lifting of the subsidy to ease the economic burden. Instead, without warning he announced an immediate full removal of subsidies effective January 1, 2012. It was "shock therapy" to put it mildly.

Nigeria today is one of the world's most important producers of light, sweet crude oil—the same high quality crude oil that Libya and the British North Sea produce. The country is showing every indication of spiraling downward into deep disorder. Nigeria is the fifth largest supplier of oil to the United States and twelfth largest oil producer in the world on a par with Kuwait and just behind Venezuela with production exceeding two million barrels a day. 1

The curious timing of IMF subsidy demand

Despite its oil riches, Nigeria remains one of Africa's poorest countries. The known oilfields are concentrated around the vast Niger Delta roughly between Port Harcourt and extending in the direction of the capital Lagos, with large new finds being developed all along the oil-rich Gulf of Guinea. Nigeria's oil is exploited and largely exported by the Anglo-American giants—Shell, Mobil, Chevron, Texaco. Italy's Agip also has a presence and most recently, to no one's surprise, the Chinese state oil companies began seeking major exploration and oil infrastructure agreements with the Lagos government.

Ironically, despite the fact that Nigeria has abundant oil to earn dollar export revenue to build its domestic infrastructure, government policy has deliberately let its domestic oil refining capacity fall into ruin. The consequence has been that most of the gasoline and other refined petroleum products used to drive transportation and industry, has to be imported, despite the country's abundant oil. In order to shield the population from the high import costs of gasoline and other refined fuels, the central government has subsidized prices.

Until January 1, 2012, that is. That was the day when, without advance warning President Goodluck Ebele Azikiwe Jonathan announced immediate removal of all fuel subsidies. Prices for gasoline shot up almost threefold in hours from 65 naira (35 cents of a dollar) a liter to 150 naira (93 cents). The impact rippled across the economy to everything including prices of grains and vegetables.2

In justifying the move, Central Bank Governor Lamido Sanusi insisted that "The monies will be used in provision of social amenities and infrastructural development that will benefit Nigerians more and save the country from economic rift."3 President Goodluck Jonathan says he is phasing out the subsidy as a part of a move to "clean up the Nigerian government." If so how he plans to proceed is anything but apparent.

The huge unexpected price hike for domestic fuel triggered nationwide protests that threatened to bring the economy to a halt by mid-January. The president deftly took the wind out of protester sails by announcing a partial rollback in prices, still leaving prices effectively double that of December. The trade union federation immediately called off the protests. Then, revealingly, Goodluck Jonathan's government ordered the military to take to the streets to "keep order" and de facto prevent new protests. All that took place during one of the bloodiest waves of bombings and murder rampages by the terrorist Boko Haram sect creating a climate of extreme chaos.4

The smoking gun of the IMF

What has been buried from international accounts of the unrest is the explicit role the US-dominated International Monetary Fund (IMF) played in the situation. With suspicious timing IMF Managing Director Christine Lagarde was in Nigeria days before the abrupt subsidy decision of President Jonathan.5 By all accounts, the IMF and the Nigerian government have been careful this time not to be blatant about openly announcing demands to ends subsidies as they were in Tunisia before food protests became the trigger for that country's Twitter putsch in 2011.

During her visit to Nigeria Lagarde said President Jonathan's 'Transformation Agenda' for deregulation "is an agenda for Nigeria, driven by Nigerians. The IMF is here to support you and be a better partner for you." 6 Few Nigerians were convinced. On December 29 *Reuters* wrote, "The IMF has urged countries across West and Central Africa to cut fuel subsidies, which they say are not effective in directly aiding the poor, but do promote corruption and smuggling. The past months have seen governments in Nigeria, Guinea, Cameroon and Chad moving to cut state subsidies on fuel." 7

Further confirming the role US and IMF pressure on the Nigerian government played, Jeffery Sachs, Special Adviser to the United Nations (UN) Secretary General, during a meeting with President Jonathan in Nigeria in early January days after the subsidy decision, Sachs declared Jonathan's decision to withdraw petroleum subsidy "a bold and correct policy." 8

Sachs, a former Harvard economics professor became notorious during the early 1990's for prescribing IMF "shock therapy" for Poland, Russia, Ukraine and other former communist states which opened invaluable state assets for de facto plundering by dollar-rich western multinationals. 9

Making the sudden decision to end the domestic fuel subsidy even more suspicious is the manner in which Washington and the IMF are putting pressure on only select countries to end subsidies. Nigeria, whose oil today sells for the equivalent of $1 a liter or roughly $3.78 a US gallon, is far from cheap. Brunei, Oman, Kuwait, Bahrain, Qatar, Saudi Arabia all offer their petrol very cheap to their people. The Saudis sell their oil at 17 cents, Kuwait at 22 cents.10 In the US gasoline averages 89 cents a liter.11

That means the IMF and Washington have forced one of the poorest economies in Africa to impose a huge tax on its citizens on the implausible argument it will help eliminate corruption in the state petroleum sector. The IMF knows well that the elimination of subsidies will do nothing about corruption in high places.

Were the IMF and World Bank genuinely concerned with the health of the domestic Nigerian economy, they would have provided support for rebuilding and expanding a domestic oil refinery industry that has been let to rot so that the country need no longer import refined fuels using precious state budget resources to do so. The easiest way to do that would be to expedite a two-year-old deal between China and the Nigerian government to invest some $28 billion in massive expansion of the oil refinery sector to eliminate need for importing foreign gasoline and other refined products.

Quite the opposite—the criminal cabal inside NNPC and the Government making huge profits on the old subsidy system are suddenly making double and potentially triple more to maintain the old corrupt import system, and, of course, to sabotage Chinese refinery construction that could put an end to their gravy train.

Cutting their nose to spite the face…

Rather than benefit ordinary Nigerians as the IMF proclaims to want, the elimination of the subsidies has further pauperized the 90 per cent living on less than $2 a day, according to Mallam Sanusi Lamido Sanusi, the Nigerian Central Bank governor.12 An estimated 40 million Nigerians are unemployed in the country of 148 million.

Because transport costs are a significant factor in delivery of food to the cities, food price inflation has soared along with costs of public transportation for the majority of poorer Nigerians. According to the Nigerian *Leadership Sunday*, "prices of commodities which shot up as a fallout of the fuel pump price increase have refused to come down." Everything from street vegetable sellers to carwashes to roadside photographers are feeling the shock of the rise in fuel prices. Unemployment is rising as small businesses fold. 13

The argument of the IMF and the Jonathan Administration is that by freeing fuel prices, funds would be available to more social services and rebuild Nigeria's "infrastructure." Both the IMF and the Government know it would have been far more economically viable to replace the current corrupt system of importing refined gasoline and fuels with investing in rebuilding Nigeria's domestic refining capacity.

Son Gyoh of the Nigerian Awareness for Development organization stated, "Would it not be more expedient to pressure government to service the refineries to full production capacity given the implications on overhead and competitiveness for local industries?" 14

Gyoh pointed to the source of the problem: "Why have successive governments left the refineries in a state of disrepair while spending huge on subsidy? Is there any chance that the savings from subsidy withdrawal will go directly into rehabilitating the refineries? Does deregulation imply NNPC will no longer operate a monopoly in importation of refined petroleum product or is this lobby a self-serving lifeline to continue its monopoly? ” He concludes, “In any case, there is good reason to doubt subsidy removal will solve the fuel scarcity problem as the cabal will only regroup to change tactics, a fact Nigerians are only too aware of.” 15

After Nigeria partly nationalized its oil sector in the late 1970’s they also took control of Shell Oil’s Port Harcourt I refinery. In 1989 Port Harcourt II refinery was built. Both refineries fell into serious disrepair after 1994 when the Abacha military dictatorship cut the “take” of the Nigerian National Petroleum Company (NNPC) from domestic sale of refined oil products such as gasoline from 84% to 22%. That caused a cash crisis for NNPC and a halt to refinery maintenance. Today only one of four refineries operates at all.16

What developed since was a system of NNPC importing foreign gasoline and other refined products for Nigeria’s domestic needs, naturally at a far more expensive cost. The price subsidies were to relieve that higher import cost, hardly a sensible solution but a very lucrative one for those corrupt elements in the state and private sector making a killing, literally, off the import process.

NNPC criminal enterprise

The IMF is well aware of the real cause of Nigeria’s fuel industry problems. A Nigerian legislative committee examining the sources of the industry’s problems recently released a report documenting that at least $4 billion annually is taken from taxpayers in fuel industry corruption with the state Nigerian National Petroleum Company (NNPC) at the center. According to the commission, “every day, fuel importers drop off 59 million liters of fuel. The country consumes 35 million liters daily. That leaves 24 million liters of oil available for smugglers to export, paid for by government fuel subsidies. This costs the Nigerian people roughly $4 billion yearly, according to Reuters.” 17

The Nigerian government has said that the 7.5 billion dollars spent yearly on fuel subsidies could be used to provide desperately needed infrastructure. But they omit any mention of the rampant siphoning off of $4 billion of oil by black market smugglers, reportedly with connivance of high NNPC government officials, to sell to neighboring countries at a hefty profit. The refined imported fuel is reportedly smuggled into neighboring countries like Cameroon, Chad and Niger where petrol prices are far higher, according to Abdullahi Umar Ganduje, Deputy Governor of Kano State.18

China as IMF target?

One major geopolitical factor that is generally ignored in recent discussion of Nigerian oil politics is the growing role of China in the country. In May 2010 only days after President Jonathan was sworn in, China signed an impressive $28.5 billion deal with his government to build three new refineries, something that in no way fit into the plans of either the IMF or of Washington or of the Anglo-American oil majors.19

China State Construction Engineering Corporation Limited (CSCEC) signed the deal to build three oil refineries with Nigerian National Petroleum Corporation (NNPC), in the biggest deal China has made with Africa. Shehu Ladan, head of NNPC, said at the signing ceremony that the added refineries would reduce the $10 billion spent annually on imported refined products. As of January 2012 the three Chinese refnery projects were still in the planning stage, reportedly blocked by the powerful vested interests gaining from the existing corrupt import system.20

A report in *China Daily* last November quoted Nigeria's Olusegun Olutoyin Aganga, the minister of trade and investment that Nigeria was seeking added Chinese investors for its energy, mining and agribusiness industries. Last September on a visit to Beijing, Nigeria central bank governor Lamido Sanusi announced his country planned to invest 5 percent to 10 percent of its foreign exchange reserves in China's currency, the renminbi (RMB) or yuan, noting that he sees the yuan becoming reserve currency. In 2010 China's loans and exports to Nigeria exceeded $7 billion, while Nigeria exported $1 billion of crude oil, Sanusi stated.21

Until now Nigeria has held some 79% of her foreign currency reserves in dollars, the rest in Euro or Sterling, all of which look dicey given their financial and debt problems. The move of a major oil producer away from dollars, added to similar moves recently by India, Japan, Russia, Iran and others, augurs bad news for the continued role of the dollar as dominant world reserve currency. 22 Clearly some in Washington would not be happy with that.

The Chinese are also bidding to get a direct stake in Nigeria's rich oil reserves, until now an Anglo-American domain. In July 2010, China's CNPC (China National Petroleum Corporation) won four prospective oil blocks -two in the Niger Delta and two in the frontier Chad Basin, with plans to become core investor in the Kaduna refinery, and construction of a double track Lagos-Kano railway.23 As well China's oil company, CNOOC Ltd has a major offshore production area in Nigeria.

The IMF and Washington pressure to lift subsidies on imported fuels is at this point in question as is the future of China in Nigeria's energy industry. Clear is that lifting subsidies in no way will benefit Nigerians. More alarming in this context is the orchestration of a major new wave of terror killings and bombings by the mysterious and suspiciously well-armed Boko Haram. This we will look at next in the context of Nigeria's recent transformation into a major narcotics hub.

F. William Engdahl, author of A Century of War: Anglo-American Oil Politics and the New World Order

Notes:

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